

EXPERT COMMENTARY ON THE FUTURE OF ESPORTS FROM SETH SCHORR

Seth Schorr is the chief executive officer of Fifth Street Gaming, LLC., which operates the Downtown Grand Las Vegas, as well as The Lucky Club Casino and Hotel and the Silver Nugget Casino and Event Center. Schorr is additionally known to be something of an eSports pioneer — serving as a board member of Millennial eSports, and organizer of various eSports events and tournaments in Downtown Las Vegas.

I. BACKGROUND

Will you tell us about your background and how you got into the gaming business?

I moved to Las Vegas in 1983, where I lived in room number 1027 at the Golden Nugget Hotel and Casino with my family. My dad was working for Steve Wynn at the time, so I was very much exposed to the casino industry at a very young age. I was six years old, living in a casino, which was a pretty good way to get exposed to the casino world and find things like slot machines and casino buffets to be very normal. The Meadows School bus would pick me up under the hotel porte cochère, so it was a very unique life, even for a kid growing up in Las Vegas. I had my first job in 1990 at the Golden Nugget Laughlin. I was about thirteen years old, and obviously worked in a non-gaming capacity. I was exposed to the casino-resort organization at a very young age. During my first summer job, I painted a garage and did some other manual labor, which of course was a great exposure to hard work and the importance of a strong work ethic. Painting a garage in August in Laughlin, Nevada is a good way to sweat it out — no pun intended. But also that summer, I remember very clearly and probably only appreciated the experience later in life, one of the projects I was given was to sit on the deck of the Golden Nugget, which overlooked the Colorado River and Bullhead, Arizona, and I counted the number of people that would come from Bullhead to Laughlin on a water taxi. I would literally sit there with a clicker counting, ‘Three o’clock, eight people; four o’clock, sixteen people,’ and basically I was analyzing whether it was worth the expense to maintain a water taxi by counting the number of people. I don’t think I realized that at thirteen,

what exactly I was doing, but later in life it occurred to me that's how business decisions are made. Over the subsequent years, I worked at the Mirage, Treasure Island and Bellagio. I lived in Macau for nearly two years from 2001 to 2003, and I was Director of Interactive Gaming before that for Wynn Resorts, which is quite relevant to what I do today. I've been following interactive gaming closely since 1998. I've seen online gambling go through many iterations and through many legal opinions, and then the little more legal, actual regulation. That was certainly a very interesting experience.

Fast forward, I started Fifth Street Gaming about 11 years ago. I had taken a little sabbatical from the gaming industry from 2003 to 2006 when I lived in New York City. I started a financial services business which worked with banks in the unclaimed property space — which could be interesting to the lawyer reading this article for another story, as it dealt with escheatment and estate law. I came back to hospitality in 2006, moved to Las Vegas, found great partners and we acquired our first casino, which was called the Speedway Casino in North Las Vegas. It was rebranded and reopened in 2008 as the Lucky Club Casino. Jeffrey Fine and I merged our companies in 2010, and through this merger we had a nice portfolio of diverse casino assets. We immediately created a management platform, and have since developed and managed the Downtown Grand Hotel and Casino as well as a handful of other projects for the Siegel Group and Downtown Project. Over the past eight years, we have opened a couple of cool bars and great restaurants. Evel Pie was opened this past December on East Fremont — which I think is the best pizza in town. Golden Tiki is a really unique tiki bar we opened a few years ago, and I think the one common theme you see in everything we do is to create a boutique experience to a niche market, which is done intentionally. I think there is room in the Las Vegas market for operators who focus on a boutique experience. Not to say the mega resort isn't important for Nevada, it is critical for employment and the economy and it's what puts us on the map. I think the boutique experience compliments the big-box integrated resort. Everything we develop as a company is a little bit different — a little bit outside of the box and thoughtful — even if its small. We could have opened a normal pizza parlor, but instead we opened a 1970s Evel Knievel themed pizza parlor with the Evel Knievel family. If you go in there, I hope you notice it's just a little different, and we believe in bringing that level of creativity into a small, medium, or large project.

What's it like to work for Seth Schorr? What is your philosophy in gaming and handling your organization?

That's a great question. My professional philosophies have developed over time. I started our current company when I was around twenty-nine or thirty years old. I had started a business in New York earlier when I was twenty-five or twenty-six, so it wasn't my first business, but I was still very young. Even though I had been in the [gaming] business since I was a kid and was exposed to

some of the greatest leaders in our industry — my father was one of the best casino operators around and of course Steve Wynn is the greatest visionary and developer of all time in our industry — I had a lot to learn as a professional. I had to make mistakes and learn from those mistakes, and I continue to learn to this day. Our company has grown over the past five years and we work with different partners, clients, real estate owners — and my role is a bit different in each project so I have learned to wear many hats. But I think any leader who is in my role will tell you, we rely on making sure we have the right people in the right positions. There is nothing more important than having a healthy, functioning organization. I'd argue that today's profits are less important in terms of long-term sustainability than having a healthy organization. A healthy organization will turn out profits in the long-term and it will be sustainable. If you focus too much on today and only today and you are not focused on building a strong foundation, then in my opinion, that's not a recipe for long-term success.

II. THE FUTURE OF ESPORTS

One of the main reasons I wanted to talk to you was because I know you are passionate about eSports. How would you describe eSports to somebody who had no knowledge about it and really didn't understand how it works?

Can I table that for one second and I'll come back to that specific question? What I want to point out is I am passionate about eSports for many reasons, but what I'm truly passionate about is maintaining the relevance of Southern Nevada in everything that I do, or impacts me or the community. I say that because I am just as passionate about growing Downtown Las Vegas. I am just as passionate about creating a Mexican district in North Las Vegas because without [change] North Las Vegas will not evolve; which is why we embrace this beautiful Mexican culture that has organically been growing there and are developing a project based on this culture. So, when I was introduced to eSports, I thought this was a way to be on the cutting edge and as an industry to maintain our relevance. For the record, it's not going to replace traditional slot-machines. Being passionate about eSports does not mean we shouldn't be passionate about the traditional elements of our casino, as well. It compliments what we're doing, and I do believe it's a very important tactic in a holistic strategy to continue to evolve Las Vegas. I say continue because Las Vegas has been evolving for fifty years. We reinvent ourselves all the time. So, nothing that I'm saying is new — and I do like to speak my mind and try to encourage people and inspire change — but I'm just following in the footsteps of inspirational people who have been doing that in this town forever. Sorry, I just had to point that out.

ESports is the formalized world of competitive video game teams and competitions. Video games by nature are competitive and eSports is the industry around professional competitions. ESports stands for 'electronic sports,' and today the video game player may be considered a professional athlete based on

his level of competition. Most people will define the professional as one who can make a living playing on a team. There are a handful of video game genres that fit within eSports, and I think that's important to point out because someone who is hearing this for the first time will say, "So eSports is like basketball or football or soccer?" No. It's like "sports." There's golf, basketball, football [and] they are all very different. There are different demographics that follow them. They are played differently. Some are individual player sports and some are team sports — the same with eSports. Depending on the genre — depending on if it's a fighting game genre, whether it's the MOBA — Multiplayer Online Battle Arena genre, the first-person shooter genre, or a handful of others — there are different games that fall underneath each genre.

[In] the fighting game genre, most people have heard of games like *Mortal Kombat* or *Streetfighter*, or there's many others [like] *Tekken* and *InJustice*. The MOBA community, which is arguably the biggest and the oldest in terms of the professional aspect — [has] games like *League of Legends*, which is arguably the biggest game in the world or *Dota 2*. Sixty million people will watch the [*League of Legends*] World Finals next month, which takes place in China. They'll mostly watch it on an online platform which is called Twitch. *Dota 2* just had the *Dota 2 International* last week in Seattle, where there was a \$24 million prize. The top team had five players and they won \$10 million, so massive, massive, massive. *Dota 2* has been around for a long time. There's a relatively new game called *Overwatch*, which is a first-person shooter game, developed by Blizzard and it's the first game developed by a major publisher with eSports and broadcasting in mind, so right out of the gate there were professional teams. Blizzard is creating the *Overwatch* League where they are currently selling franchises for up to \$20 million. People like Bob Kraft¹ and Dan Gilbert² are looking — so major billionaires that own sports teams are looking at buying these franchises. Once you own the franchise, which is tied to a city, you then need to acquire or organically build a team, so that \$20 million doesn't get you the team, that just gets you the franchise. And you either buy or build a team, then you have to support the team. That's millions of dollars a year in salaries, living expenses, and travel. It's a major investment and *Overwatch* has really upped the game in a major way.

When did you first learn about eSports?

I know exactly when it was. In February of 2015, I got a phone call from a

¹ Bob Kraft is an American businessman and owner of the New England Patriots. See Robert Lewis, *Robert Kraft*, ENCYCLOPEDIA BRITANNICA, <https://www.britannica.com/biography/Robert-Kraft> (last visited Aug. 31, 2017).

² Dan Gilbert is the owner of the Cleveland Cavaliers and the founder of Rock Ventures and Quicken Loans Inc. See *Executive Profile: Daniel R. Gilbert*, BLOOMBERG, <https://www.bloomberg.com/research/stocks/private/person.asp?PersonId=107521&privcapId=4273626> (last visited Aug. 31, 2017).

very important partner of mine, who told me that he had heard that people were betting on video games online. That's all I was told. I made a couple phone calls and, fortunately, one of the first phone calls was to a dear friend of mine, Alex Igelman, who I worked with in 1999 in interactive gaming after he developed one of the first online casinos in 1996 in Canada. Alex himself was just getting into eSports and gave me some insight into the industry. Today, Alex Igelman is the CEO of Millennial eSports. It turned out people weren't necessarily betting on video games online, but rather entering cash tournaments. Depending on your legal opinion, that activity is legal in many states and is a bit gray in others. I spent until November of 2015 studying eSports and when I started knocking on doors of team owners, league operators, tournament operators, game developers, they were all very excited to talk about this blossoming industry. They thought it was so cool that a casino executive was asking questions and exploring the space. When I went to the first eSports conference ever in San Francisco in September of 2015, I was the only guy in a suit, which was good because I stood out and people wanted to talk to me. The Downtown Grand held its first eSports activation, which was a viewing party in November of 2015 for the *Intel Extreme Masters San Jose Tournament*, which took place in San Jose. It was a *Counter-Strike* and *League of Legends* tournament and we held a viewing party in the same room where we held a Super Bowl party nine-months earlier. The eSports viewing party was the same format, same concept as the Super Bowl. We [also] had food and entertainment — we hired girls who dressed in “Cosplay” (Japanese Maids to be precise), from L.A. called Summoners Café, we had professional video game players come and YouTube personalities — quite frankly it was one of the best parties we ever had. Also, it was the first time we held a tournament at the Downtown Grand on the casino floor and it was operated by Leet, with whom we still have a great relationship today. Leet has operated 80% of our tournaments to date. This was the first video game tournament ever to take place in a casino.

As you were doing all of this, what was the environment like in respect to other large gaming companies?

I'm pretty sure up until 2016, no casinos were seriously looking at eSports. I was pretty vocal and I think I at least helped some Las Vegas industry stakeholders to become aware of eSports. At the same time that we were talking about eSports, it started becoming more mainstream, appearing on ESPN and was starting to get mentioned in the Wall Street Journal. Let's face it, 2016 was a monumental year in the eSports industry. Stuff happened that really exposed eSports to the world. Twitch was only sold to Amazon in 2015, and that was a billion-dollar acquisition. The largest tournament operator in the world, ESL, was also sold that same year, so a lot of things happened economically to expose eSports to the financial community and the main stream media. Today, companies like Caesars Entertainment and MGM Resorts who are very

progressive and innovative are developing strategies around eSports. MGM has hosted a major tournament at Mandalay Bay, and MGM Grand Garden and Caesars has put together a very impressive team. I am certain both companies will be very successful in leveraging eSports.

MGM Resorts recently closed one of its nightclubs at the Luxor Casino Resort and has announced that they will be opening an eSports arena in its place. What are your thoughts on this?

They are turning it into an eSports arena. MGM is going into it big-time; look at Level Up as an example of a company not afraid to try new things. Level Up doesn't have an eSports component per se, but it's part of their Millennial strategy. We are in an industry of innovators: companies like MGM Resorts and Caesars Entertainment and others that are willing to put their money where their mouths are and try new things. Everything that we try isn't going to work the first time. I'm on the board of a slot manufacturer called GameCo, that developed the first video game slot-machine. It was out in the New Jersey market in December of 2016 and Connecticut earlier this year. It will be here in Nevada in the next few months and this is an example of an innovative company developing a new and innovative product for a new market segment.

Recently, Senate Bill 240 passed the Nevada Legislature and was signed into law by Governor Sandoval, making pari-mutuel wagering on 'other events' — including eSports — legal in Nevada. How do you see that impacting the eSports industry and the Nevada casino industry, as a whole?

First of all, kudos to UNLV, the students, and Jennifer Roberts — my co-director of the Nevada eSports Alliance — for driving that. She was very instrumental, and I thought that was very impressive. I was at the Gaming Commission and Control Board a few months ago when the students presented and that was very cool to witness. I believe the success will be up to the operators — whether it's major casinos that run their own books like Stations, MGM, Caesars, Wynn, or operators like William Hill — to really create the right betting experience and properly promote and market. Traditional casino marketing efforts may not be enough to promote these new and innovative products. A GameCo or Gamblit skill-based slot machine can't just be put on the casino floor mixed in with the traditional slot machine. Ambassadors have to be trained to educate the patrons how to use these new products, they need great signage and to even possibly be placed in their own subsection of the casino floor. The customer has to be exposed to it and do things totally differently. Similarly, the sports book operators will have to promote eSports betting with non-traditional tactics. eSports betting has been legal and regulated in European jurisdictions for a while and depending on who you ask, the handle is better than golf and less than football. It's not the best and it's not the worst, but people are currently

betting on eSports here in Nevada. How can we offer wagering on eSports in a way that is compelling and has incremental revenue growth? The introduction of mobile sports betting apps at most major sports book over the past few years will be a more familiar way of betting for the younger generation than walking up to a counter, which may be confusing and intimidating. With a mobile device in people's hands, there are applications to create different styles of betting. Our partners at Leet, for example, created an innovative bingo game which coincided with the live results of an eSports match. Betting via mobile apps allows for a more engaging experience with data and statistics on the eSports athletes and teams that is digestible to the player.

Over the next twenty-four to thirty-six months the casino industry will learn how to integrate eSports effectively in the casino resort experience. Initially, it may not move the needle financially, but will be additive financially and overall add to the environment and experience. Operators who are considering going into eSports, should be considering a long-term strategy.

As eSports evolves, do you think that any additional regulatory schemes need to be put into place?

I've met with all of the regulators from the very top to mid-level. The culture in Nevada from Governor Sandoval to [Nevada Gaming Control Board] Chairman Burnett to [Nevada Gaming Commission] Chairman Alamo and everybody underneath couldn't be any more supportive. Today would not be happening under a different administration. Period. End of story. I haven't been doing this nearly as long as some of your readers, but I can definitely remember Commission meetings from ten or twelve years ago and they were very different than they are today. I can't imagine what they were like thirty years ago. It's important to point that out, I don't believe any laws need to change in terms of skill-based. I think most of the forms of eSports wagering are going to fit within the current regulations and guidelines. Like anything, if it's a new device it needs to go through the regulatory process, but there is a process today. They've even tweaked it for innovative products to be fast tracked. What more could an operator or manufacturer ask for? I believe in regulation and I believe in doing things the right way. I don't think anyone should be in a rush, to a degree. The licensing and regulations should take months, not years, but let's do it right. We're Nevada and we are held to a high standard, as we should be, and there's a lot of the world looking at us under a microscope, so let's not make any hasty mistakes.

In general, is there anything gaming attorneys or professionals should be on the lookout for, not just relating to eSports, but in the gaming industry as a whole?

I think gaming attorneys have a huge opportunity to wrap their arms around some new forms of betting and be a beneficial resource to innovators and

entrepreneurs. Skill-based betting in general is not entirely clear and legal guidance is needed. I'll tell you, I've surrounded myself with the best attorneys in Las Vegas and I'm not going to name names, but some are just more innovative than others. I believe we are going to see more innovative technology companies come to Las Vegas and they are going to need legal guidance.