

CALIFORNIA HORSE RACING BOARD

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PARI-MUTUEL, ADW,
AND
SIMULCAST COMMITTEE MEETING

of the **California Horse Racing Board** will be held on **Wednesday, October 21, 2015**, commencing at **2:00 p.m.**, in the **Baldwin Terrace Room** at the **Santa Anita Park Race Track, 285 West Huntington Drive, Arcadia, California**. Non-committee Board members attending the committee meeting may not participate in the public discussion, official committee vote, or committee closed session.

AGENDA

Agenda Items

1. Discussion and action regarding the **proposal from Sanderina LLC to run “Golden State Fantasy Sports League” contests at CHRB licensed facilities.**
2. Discussion and action regarding **fantasy sports games and the potential impact on the horse racing industry in general.**
3. Discussion and action regarding **transparency of wagering results.**
4. Discussion and action regarding **recent advance deposit wagering promotions.**
5. Discussion and action regarding the **status of stakeholder discussions to allow geographic location tracking when using a wireless device to place an advance deposit wager, when in the inclosure of a racetrack.**
6. Discussion and action regarding **the performance of existing mini-satellite wagering facilities and the prospects for adding new locations in the near future.**
7. Discussion and action regarding **CHRB Rule 1976.9, Pick (n) Pool, as it pertains to providing all patrons, including advance deposit wagering customers, the opportunity to name alternate selections for scratched horses.**
8. Discussion and action regarding **issues of optimum takeout.**

9. Discussion and action regarding an update from **Southern California Off Track Wagering, Incorporated (SCOTWINC) and Northern California Off Track Wagering, Incorporated (NCOTWINC) regarding the possible merger of its operations.**
10. **General Business:** Communications, reports, requests for future actions of the Committee.

Additional information regarding this meeting may be obtained from Mike Marten at the CHRB Office at Los Alamitos Race Course, 4961 Katella Avenue, Los Alamitos, CA, 90720; telephone (714) 820-2748; cell (714) 240-1870; fax (714) 821-6232. A copy of this notice can be located on the CHRB website at www.chrb.ca.gov. *Information for requesting disability related accommodation for persons with a disability who requires aids or services in order to participate in this public meeting, should contact Mike Marten.

PARI-MUTUEL/ADW, SATELLITE AND SIMULCAST COMMITTEE

Commissioner George Krikorian, Chairman
Vice Chairman Richard Rosenberg, Member
Rick Baedeker, Executive Director
Jacqueline Wagner, Assistant Executive Director

CALIFORNIA HORSE RACING BOARD

OCTOBER 21, 2015
PARI-MUTUEL, ADW, AND SIMULCAST
COMMITTEE MEETING

Primary stakeholders have requested Item 1 be withdrawn from the agenda. Accordingly, there is no board package material for Item 1.

DISCUSSION REGARDING FANTASY SPORTS AND THE POTENTIAL IMPACT ON THE HORSE RACE INDUSTRY IN GENERAL

Pari-Mutuel, ADW, and Simulcast Committee Meeting
October 21, 2015

BACKGROUND

Fantasy Sports Generally

A “fantasy sport” is a game where participants act as fictitious team owners to build an imaginary or virtual team of real players from a professional sport that then compete against other fantasy teams. In general, scores are determined by converting performance statistics of each real player on a fantasy team into points that are compiled and totaled according to a roster selected by the fantasy team owner. There is also typically an ability to trade, cut, and sign players over the course of a season, like a real sports owner. Fantasy sports fans are considered an ideal demographic for advertisers and sports leagues because many fantasy players will watch a game even if it is no longer competitive, so long as a member of their team can still score them points in their fantasy game. Furthermore, while a traditional sports fan might only follow and watch a single team, fantasy sports fans tend to watch more games, since their players are often selected from a variety of real teams. According to one article, non-betting, yearly-based fantasy sports users have grown 25% since 2011, totaling an estimated 51.8 million players in the US and Canada in 2015. Another source estimates that Americans will spend approximately \$15 billion playing fantasy sports games this year, and that the economic value of all tangible and intangible fantasy sports market activity (e.g. value of time spent on fantasy sports, costs of advertising, actual expenditures, etc.) totals somewhere between \$40 billion and \$70 billion annually.

Daily Fantasy Sports

In recent years, a narrower iteration of the fantasy sports concept called “Daily Fantasy Sports” (DFS) has enjoyed immense growth in the United States. DFS games are single-day contests that have the participants draft teams of players under some sort of guidelines (the most popular being a “salary cap” game, where the player has to pick their team within the confines of a fictional budget for athlete salaries). Like all fantasy sports, the participant with the most statistical performance points wins the game. The major difference between traditional season-long fantasy sports games and DFS games though is the ability to adjust teams over the course of the season by trading, cutting, signing, and benching players. Due to the short duration of DFS games, players are often given only a single opportunity to draft their team, locking in their selections at the beginning of the first game of the day. Ultimately, this eliminates a player’s ability to make ongoing strategic decisions during a contest, and instead requires a single effort to draft a winning team.

Although only approximately six years old, DFS games have exploded in popularity. While currently only a small subset of traditional fantasy sports players participate in DFS games, one research company estimates that DFS games will generate \$2.6 billion in entry fees in 2015, and continue to grow 41% annually, reaching \$14.4 billion by 2020.

The market leaders of pay-to-play DFS games in the United States are Draft Kings and FanDuel. With financial backing coming from major media companies, professional sports leagues, and other venture capitalists, both companies have recently raised over \$350 million each to help fund their enterprises, which are now both valued in excess of \$1 billion. Various sources indicate these companies are anticipated to accrue up to \$200 million in revenue this year alone while still paying out a combined \$3 billion in prizes.

Legality of Fantasy Sports

Given the rapid expansion of the fantasy sports industry, these contests—especially DFS games—have received heightened legal scrutiny in recent months. Although a federal exception exists for the operation of fantasy sports contests under the Unlawful Internet Gaming Enforcement Act of 2006 (UIGEA), individual states have begun to consider bans and regulations on such games.

Washington, Montana, Iowa, Arizona, and Louisiana already have such strict laws in place when it comes to online contests that almost none of the major DFS companies operate in those jurisdictions. Furthermore, the head of Michigan's Gaming Control Board recently asserted that DFS games are "illegal under current Michigan law." Other states, such as Nevada and Massachusetts, have announced that they are in the process of reviewing the legality of such games, with legal commentators suggesting that DFS games could be presently unlawful in as many as twelve states. These inquiries come amid a recent "insider-trading" scandal involving a Draft Kings employee winning a \$350,000 payout on a FanDuel contest.

In California, Fantasy Sports and DFS games are operating with little to no restraint. Because it is considered a "skill-based" game, DFS operators have been successful in running their websites as legal "contests," as opposed to illegal lotteries. Under Penal Code section 319, a "lottery" is defined as a scheme containing the elements of (1) a prize, (2) distribution by chance, and (3) consideration. A fantasy sports contest with an entry fee and a prize automatically satisfies the first and third elements, and therefore the key issue is whether or not distribution of that prize is determined predominantly by skill or chance. Known in California courts as the "dominating factor test," the line between skill and chance remains grey at best. Nevertheless, DFS games have yet to be challenged in California as an illegal lottery, although efforts in the legislature could substantially alter the operation of these games moving forward.

In September 2015, Assemblymember Adam Gray introduced legislation in California that would establish state regulation and licensure of fantasy sports games. AB 1437 would enact the "Internet Fantasy Sports Games Consumer Protection Act," which would require a person or entity to apply for, and receive, a license from an overseeing department prior to offering an internet fantasy sports game for play in California. The bill would also require certain internet security standards and the payment of annual fees. Finally, the bill would place restrictions on fantasy sports games very similar to those laid out in UIGEA. AB 1437 is a two-year bill that was introduced in February 2015, and amended to its current form in September 2015. It is slated to next be heard by the Assembly Committee on Governmental Organization.

ANALYSIS

Fantasy Horse Racing

While the majority of fantasy sports games and contests revolve around major team sports such as basketball, football, and baseball, the concept has managed to permeate nearly every other type of sport in the United States as well, including horse racing.

Fantasy horse racing (FHR) has taken on a wide variety of formats depending on the provider. Some FHR leagues try hard to mimic traditional fantasy sports by allowing the player to choose a “team” of horses, jockeys, and trainers. The player then selects who they want placed in their “starting gate” each week, and at the end of the league’s season, the player who has accumulated the most fictional purse earnings wins their league. Other websites allow players to bet fantasy money on the outcome of weekly races. At the end of the season, the players with the highest number of winning fantasy wagers receive various prizes.

The key component of many of these websites, however, is that the player does not have to pay money to join or participate. Whether it is for entertainment or promotional purposes, such leagues do not likely violate any federal or state gambling statutes because they do not actually require the player to pay any consideration.

Effect of Fantasy Sports on Horse Racing

With fantasy sports continuing to grow in popularity in the United States, the horse racing industry is tasked with understanding and responding to the potential impacts this will have on California racing. Media commentators have already been quick to acknowledge the strong similarities between DFS games and horse racing’s handicapping, both of which involve deep analysis of a variety of statistical and physical factors to determine which player (or horse) is likely to perform the best. Accordingly, many have come to the conclusion that DFS contestants would make ideal horseplayers given the comparable skills required for successful wagering. This concept is encouraged by the fact that the average fantasy sports player is a 34 to 37 year-old Caucasian male—a demographic that is otherwise waning in the horse racing industry.

Until these younger DFS players turn their sights towards racing though, the fantasy sports market will likely continue to siphon this demographic’s interest and money away from the horse racing industry. This is especially likely considering that DFS “takeout” makes up only about 10% of entry fees, which is more than half of horse racing’s average takeout.

Nevertheless, there still lies some uncertainty ahead for fantasy sports games in general. With regulation of the industry appearing more and more imminent, the restrictions that state and federal lawmakers put on this market could vary widely. As such, horse racing’s stakeholders may be inclined to involve themselves in this regulatory process to protect and best serve the interests of horse racing in California.

RECOMMENDATION

This item is presented for Committee discussion.

The New York Times | <http://nyti.ms/1GHNGaH>

SPORTS

Fantasy Sports Said to Attract F.B.I. Scrutiny

By JOE DRAPE and JACQUELINE WILLIAMS OCT. 14, 2015

The Federal Bureau of Investigation has begun an inquiry into the practices of booming daily fantasy sports websites after players of the games and lawmakers made allegations of predatory tactics and questioned the use of insider information, according to fantasy players who said they had been contacted by investigators.

The F.B.I. began contacting several prominent competitors in the contests, the players said, shortly after an employee of DraftKings, one of the two most prominent daily fantasy companies, admitted to inadvertently releasing data before lineups for the start of the third week of N.F.L. games were locked in. The employee, a midlevel content manager, then won \$350,000 at a rival site, although DraftKings said he did not have an advantage.

The players said that they were interviewed by agents from the bureau's Boston office, who seemed to focus primarily on DraftKings, a Boston-based company. They also said that agents were examining whether the site encouraged and accepted deposits and bets from states where the contests were prohibited.

The information under review includes a post by Jon Aguiar, an executive in charge of developing high-volume fantasy players, on a public thread informing players how to deposit funds and play in contests in states and countries where the games are prohibited.

The daily fantasy sites, worth billions of dollars on paper because of a surge of investors, have exploded in popularity and this season have blanketed football game broadcasts with ubiquitous advertisements to lure more participants. Players pay an entry fee, build virtual rosters of players from actual teams and win prizes, from \$22 to \$2 million, based on the performance of the chosen players in real games. Major League Baseball and the National Basketball Association, along with networks such as NBC, Comcast and Fox and the team owners Robert K. Kraft of the New England Patriots and Jerry Jones of the Dallas Cowboys, are among the investors in the sites.

The F.B.I. agents also wanted to know whether employees of DraftKings passed on proprietary information or preyed on fantasy players in contests, the players said.

It was unclear how far the investigation had proceeded. The F.B.I. declined to comment.

DraftKings and the rival site FanDuel have acknowledged that their employees — many of whom regularly rank among the most consistent big winners — have played and won significant money on each other's sites.

A FanDuel spokeswoman has said that DraftKings employees have won less than \$10 million on FanDuel. In the wake of allegations concerning the use of insider information, the websites barred their employees from competing in daily fantasy sports.

The allegations have also raised questions for the unregulated industry, including whether or not professional fantasy players have an unfair advantage over regular players. Sports Business Daily found that over the first half of this year's Major League Baseball season, 91 percent of player profits in daily fantasy sports were won by just 1.3 percent of the players. In fact, the top 11 players on average paid \$2 million in entry fees and made \$135,000 in profit while accounting for 17 percent of all entry fees.

Many of the professionals use automated processes that let them change hundreds, if not thousands, of lineups in seconds, a decided advantage when last-minute changes are made in the lineups of real football, basketball or baseball teams.

The Wall Street Journal first reported on the F.B.I. interviews of players.

Last week, the New York attorney general opened an inquiry into the prospect that employees of DraftKings and FanDuel won lucrative payouts based on information not available to the public. In addition, three class-action lawsuits have been filed alleging fraud — the most recent in Louisiana, where the operation of daily fantasy sports sites is prohibited. The plaintiff, Artem Genchanok, a New Orleans resident, said he had paid entry into DraftKings and FanDuel contests and deposited money on their websites despite the prohibition.

Lawmakers have been intensifying calls for federal regulation and inquiries into the industry.

In Washington, Representative Hakeem Jeffries, Democrat of New York and a member of the House Judiciary Committee, this week called on the panel to examine “whether permitting a multibillion-dollar industry to police itself serves the best interests of the American people.”

Senator Robert Menendez and Representative Frank Pallone Jr., Democrats of New Jersey, held a news conference Tuesday outside MetLife Stadium, the home of the Giants and the Jets, to reiterate their calls on the Federal Trade Commission to implement safeguards and ensure a fair playing field.

And Senator Richard Blumenthal, Democrat of Connecticut, on Monday formally called for a federal investigation into any deceptive or fraudulent practices at daily fantasy sports leagues.

“Consumers had no foreseeable knowledge that these companies were facilitating employees’ use of proprietary data to provide themselves with an advantage when playing users on their rival site,” Blumenthal said in a letter to the Justice Department and the F.T.C. “If employees are using insider information to unfairly advantage themselves over others, this may constitute fraud regardless of any other federal or state gambling statutes.”

A version of this article appears in print on October 15, 2015, on page A1 of the New York edition with the headline: Fantasy Sports Said to Attract F.B.I. Scrutiny.

CALIFORNIA HORSE RACING BOARD

OCTOBER 21, 2015

**PARI-MUTUEL, ADW AND
SIMULCAST COMMITTEE**

There is no package material for Item 3

DISCUSSION REGARDING RECENT ADVANCE DEPOSIT WAGERING PROMOTIONS.

Pari-Mutuel, ADW, and Simulcast Committee Meeting
October 21, 2015

BACKGROUND

Over the past year, a number of CHRB licensed Advance Deposit Wagering (ADW) providers have offered promotions that are linked substantially to the outcome of actual races. These include, but are not limited to, the following:

- On October 31, 2014, TVG offered a guaranteed 5-2 return on win bets for the horse "Shared Belief" for wagers up to \$20 made through TVG's mobile platforms.
- On March 7, 2015, TVG offered a promotion which guaranteed your money back up to \$25 if you placed an eligible bet on the horse "Shared Belief" in the Santa Anita Handicap (using TVG's mobile platform) and Shared Belief lost the race.
- On September 25, 2015, BetAmerica announced that they will "guarantee to pay out on those horses that cross the line in first place – even if they then are later disqualified by the stewards on all graded stakes races in the U.S. and Canada."

ANALYSIS

Business and Professions Code section 19440 provides that the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board shall include, but not be limited to, administration and enforcement of all laws, rules, and regulations affecting horse racing and pari-mutuel wagering. Business and Professions Code section 19460 states that licenses granted by the CHRB are subject to all rules, regulations, and conditions prescribed by the Board, and that all licenses shall contain such conditions as are deemed necessary or desirable by the Board for the best interests of horse racing. Business and Professions Code section 19604 enables the Board to authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering in accordance with that section. Business and Professions Code section 19604(d)(3) states that the Board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public.

Staff has determined that the abovementioned offers are for promotional purposes only, and do not directly alter any wagering pools, distributions, or takeout. All costs that arise as a result of these promotions are borne exclusively by the ADW companies administering the offers. While it is within an ADW company's discretion to offer promotions in order to attract customers, staff has identified these promotions as especially noteworthy because they are substantively tied to the outcomes of California horse races. In essence, these promotions allow the outcome of certain actual races to directly impact the amount of money a customer is entitled to in excess of the standard pool distributions.

Staff has not obtained any evidence that such promotions detrimentally impact horse racing or pari-mutuel wagering, nor identified anything unlawful about such promotions, but brings these promotions to the attention of this Committee for consideration and discussion.

RECOMMENDATION

This item is presented for Committee discussion.

DISCUSSION REGARDING THE STATUS OF STAKEHOLDER DISCUSSIONS TO
ALLOW GEOGRAPHIC LOCATION TRACKING WHEN USING A WIRELESS
DEVICE TO PLACE AN ADVANCE DEPOSIT WAGER, WHEN IN THE
INCLOSURE OF A RACETRACK.

Pari-Mutuel, ADW, and Simulcast Committee Meeting
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BACKGROUND

At the November 19, 2014 Regular Board Meeting a proposal was heard to add a rule to require advance deposit wagering (ADW) providers to identify wagers placed on mobile devices by accountholders within brick-and-mortar wagering facilities in California. The item was referred to the Pari-Mutuel, ADW and Simulcast Committee for further discussion and development of a text for a possible regulation. At the April 8, 2015 Pari-Mutuel, ADW and Simulcast Committee meeting, the Committee received testimony from industry stakeholders regarding the feasibility and interest in implementing a geographic location tracking system for ADW wagers being placed on-track. Concerns were expressed that the technology to accomplish this sort of tracking was either lacking or difficult to implement given consumer privacy interests. The Committee suggested to stakeholders that a study be conducted to determine the economic impact of on-track ADW wagering. Additionally, the Committee recommended that the industry enter into discussions regarding potential legislative changes or renegotiations with ADW companies to compensate horsemen and hosts for the growing disparity between brick-and-mortar wagering and ADW wagering.

Currently, wagers placed through ADW accounts return less to horsemen's purses and host tracks than wagers placed traditionally at racetracks and simulcast facilities. The Thoroughbred Owners of California (TOC) believe that a significant amount of wagering is taking place within brick-and-mortar facilities by customers using mobile devices to place wagers through their ADW accounts, largely as a matter of convenience. The industry is not proposing to prevent customers from wagering in this manner, but is continuing to explore ways to identify on-track ADW wagers with the goal of distributing them in a manner more favorable to horsemen and hosts.

RECOMMENDATION

This item is presented for Committee discussion.

DISCUSSION REGARDING THE PERFORMANCE OF EXISTING MINI-SATELLITE WAGERING FACILITIES AND THE PROSPECTS FOR ADDING NEW LOCATIONS IN THE NEAR FUTURE

Pari-Mutuel, ADW, and Simulcast Committee Meeting
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BACKGROUND

Business and Professions Code section 19530.5 divides the state into three geographical zones for the purpose of pari-mutuel wagering as follows: (a) the "southern zone," which shall consist of the Counties of Imperial, Orange, Riverside, and San Diego; (b) the "central zone," which shall consist of the Counties of Kern, Los Angeles, San Bernardino, San Luis Obispo, Santa Barbara, and Ventura; and (c) the "northern zone," which shall consist of the remaining counties in the state. Business and Professions Code section 19605.25 authorizes the Board to approve up to 15 mini-satellite wagering sites in each zone, subject to listed conditions, among which is the requirement that no site is within 20 miles of a racetrack, a satellite wagering facility, or a tribal casino that has a satellite wagering facility. If the proposed facility is within 20 miles of one of the above-referenced satellite facilities, then the consent of each facility within a 20-mile radius must be given before the proposed facility may be approved by the Board.

Nine mini-satellites are currently operating in California:

1. Bankers Casino in Salinas
2. Commerce Casino in Commerce
3. Firehouse Restaurant in Bakersfield
4. OC Tavern in San Clemente
5. Ocean's 11 in Oceanside
6. Roadhouse Grill in Santa Maria
7. Sammy's Restaurant and Bar in Mission Viejo
8. Santa Clarita lanes in Santa Clarita
9. Tilted Kilt in Thousand Oaks

The Board has approved license applications for mini-satellites in San Diego and Norco that have not yet opened. Furthermore, the industry has periodically reported on consideration of other sites for mini-satellite wagering.

RECOMMENDATION

This item is presented for Committee discussion.

STAFF ANALYSIS

DISCUSSION AND ACTION REGARDING CHRB RULE 1976.9, PICK (N) POOL, AS IT
PERTAINS TO PROVIDING ALL PATRONS, INCLUDING ADVANCE DEPOSIT
WAGERING CUSTOMERS, THE OPPORTUNITY TO NAME ALTERNATE SELECTIONS
FOR SCRATCHED HORSES

Pari-Mutuel, ADW, and Simulcast Committee Meeting
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BACKGROUND

The Board amended Rule 1976.9, Pick (n) Pool, in 1994 at the request of Hollywood Park and fans who complained about the requirement that the race favorite be substituted for any scratched horse(s) in multiple-race wagers. The amendment allows bettors to name alternate selections in Pick (n) wagers (i.e. wagers involving four or more races). Specifically, Rule 1976.9(d) states:

“If a wagering interest in any of the Pick (n) races is scratched, or is designated to run for purse only in accordance with Rule 1974 of this article, the association may substitute the favorite for the scratched or designated wagering interest, determined by total amounts wagered in the win pool at the close of wagering on that race, or allow patrons the option of selecting an alternate wagering interest.”

Procedurally, naming alternate selections involves filling out a wagering card that lists the alternate selection option. These cards are available at all brick-and-mortar wagering facilities in California.

With the steady, gradual shift in wagering to out-of-state locations and Advance Deposit Wagering (ADW) over the last 21 years, the vast majority of wagers placed today on California races do not offer the alternate selection option. While the CHRB has limited authority over operations at wagering facilities located in other states and countries, the Board does license six ADW operators that together processed 23.4 percent of the wagers on California races last year.

The CHRB has asked those ADW operators to analyze the alternate selection process and report to this Committee what would be required for them to offer this option to their customers.

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING
ISSUES OF OPTIMUM TAKEOUT

Pari-Mutuel, ADW, and Simulcast Committee Meeting
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BACKGROUND

Takeout rates in all North American racing jurisdictions continue to be widely discussed among racing fans—principally in the social media—as well as analyzed by California stakeholders. There are strong recommendations for both legislatively mandated takeout reductions and for racing associations and horsemen to voluntarily experiment with reduced takeout percentages on selected wagers to determine whether handle and revenue on those pools might actually increase due to reduced pricing. One example of this type of experiment is the reduced-takeout Pick 5 that has become a staple on California thoroughbred wagering menus, with a voluntarily reduced 14 percent takeout instead of the 23.68 percent rate authorized by statute.

Both Santa Anita and Del Mar have recently experimented with a 20 percent takeout daily double (voluntarily reduced from the 22.68 percent authorized by statute), and have been asked to provide an update.

Stakeholders announced earlier this year of their intention to hire an economist to explore the issue of “optimum takeout.” They have been asked to provide an update on that matter as well.

While the CHRB lacks any authority to require licensees to reduce takeout below those rates specified in the Horse Racing Law, this Committee is asking stakeholders to report on whether they have any other plans to experiment further with existing takeout rates, and if not, to explain their reasons for that decision.

Subject: HRI's Indulto: 2015 Breeders' Cup Lower Rake, Bet Minimums More Player Friendly

<http://www.horseraceinsider.com/players-up/comments/10122015-2015-breeders-cup-lower-rake-bet-minimums-more-player-friendly/>

Excerpt:

LOS ANGELES, October 12, 2015—When the Breeders' Cup (BC) announced their wagering menu last year, the only mention of takeout was the 14% on the Pick Five wager; leaving the player to ferret out the rake on the remaining pools.

This year, they prominently if not proudly promoted the 16% on Win, Place, and Show wagers and 19% on all others.

Breeders' Cup also lowered the minimum bet for Win Place, Show, Daily Double, and Pick six wagers from \$2 to \$1. The Distaff-Classic Double minimum remains \$1.

With the help of the Horseplayers of North America (HANA) Track Ratings, I was able to find where the various rates of 14%, 15.43%, 20% 22.68%, and 23.68% applied in 2014, and prepare the following chart summarizing the differences:

BET|2014 – SA (CA)|2015 – KEE(KY)|

--- *Min. – Takeout*|*Min. – Takeout*|

WPS| \$2 -- .1543*..| \$1*-- .16 ...|

EXA| \$1 -- .18*...| \$1 -- .19 ...|

TRI| 50c - .2368..| 50c - .19*...|

SPR| 10c - .2368..| 10c - .19*...|

SP5| 50c - .2368..| 50c - .19*...|

DCD| \$1 -- .20 ...| \$1 -- .19*...|

DBL| \$2 -- .20 ...| \$1*-- .19*...|

PK3| 50c-- .2368..| 50c - .19*...|

PK4| 50c - .2368..| 50c - .19*...|

PK5| 50c - .14*...| 50c - .19 ...|

PK6| \$2 -- .2368..| \$1*-- .19*...|

*Denotes lower takeout rate

It seems some in racing are finally listening to horseplayer advocates and giving rank-and-file players a shot to wind up in the black after two days of wagering on this year's Breeders' Cup.

Since my preferred pools are the Superfecta, Trifecta, Pick Four, Pick Three, and Exacta, I'm especially encouraged. The only wager missing is the parlay...but more on that later.

Apparently, Cup executives are hoping that small bankroll bettors like me will be more likely to play the Pick six individually, and in partnership with friends. I just might if no "Player Pool" is

permitted to accumulate "overkill funding" and "buy" a winning combination for little or no profit.

This experiment is a necessary gamble for the BC in view of a precipitous handle drop on that \$2 minimum wager that last year which failed to meet the pool guarantee shown below. And that BC 2014 Saturday card included the meeting of California Chrome and Shared Belief in the BC Classic! Perhaps bettors found the four 14-horse fields in the sequence too daunting.

Day/Year | \$2-Pick6 | 50c-Pick4 | 50c-Pick5 |

Day/Year	\$2-Pick6	50c-Pick4	50c-Pick5
Fri 2012	\$1,448,645	\$1,904,328	\$745,442
Sat 2012	\$3,139,394	\$3,418,043	\$964,968
Fri 2013	\$1,000,000	\$2,693,116	\$1,037,105
Sat 2013	\$3,227,873	\$3,730,236	\$6,438,510
Fri 2014	\$1,074,619	\$2,665,171	\$1,050,235
Sat 2014	\$2,500,000	\$3,977,449	\$1,313,922

The 2013 Friday Pick Six failed to meet its guarantee. Note that the Pick Four ending with the same four races attracted more handle than the Pick Six on the same card and has been maintaining that trend.

Meanwhile, the 50-cent Pick Five starting with the first race has been gathering strength. It should be noted that the huge figure for 2013 on Saturday included a carryover from the Friday card.

Interestingly, a third Pick Four has been added this year ending in the final race, thus overlapping the last three races of the second Pick Four. Whether it will cannibalize the other wager pools starting with that race remains to be seen.

Pool cannibalization may be a factor in Keeneland's recently initiating a Pick Six, Pick Five, and Pick Four in consecutive races ending with the last race at the present meet. The following grid shows the results of that strategy during the first three days of 2015 and in comparison to corresponding results from last year:

2014-15 Day \$2-Pk6 | 50c-Pk4 | 50c-Pk5 |

Day/Year	\$2-Pk6	50c-Pk4	50c-Pk5
Fri 2015	\$10,631	\$313,274	\$184,436
Sat 2015	\$21,522	\$372,484	\$214,342
Sun 2015	\$19,991	\$418,375	\$167,016
Fri 2014	N/A	\$240,856	\$157,408
Sat 2014	N/A	\$430,729	\$295,701
Sun 2014	N/A	\$298,240	\$199,134

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING AN UPDATE FROM SOUTHERN
CALIFORNIA OFF TRACK WAGERING, INCORPORATED (SCOTWINC) AND
NORTHERN CALIFORNIA OFF TRACK WAGERING, INCORPORATED (NCOTWINC)
REGARDING THE POSSIBLE MERGER OF ITS OPERATIONS

Pari-Mutuel, ADW, and Simulcast Committee Meeting
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BACKGROUND

Business and Professions Code section 19608.2 authorizes the creation of simulcast organizations in California. The present simulcast organizations are Southern California Off-Track Wagering, Inc. (SCOTWINC) and Northern California Off-Track Wagering, Inc. (NCOTWINC). The organizations are composed of racing associations and fairs which operate the audiovisual signal system. The horsemen's organization contracting with associations, fairs and other operators of simulcast facilities must have "meaningful representation" on any such governing board. The statute requires these organizations to "bear the costs of . . . operation of equipment for transmission and decoding of audiovisual signals and wagering data, the costs of totalisator equipment, mutuel department labor and equipment charges, and the costs, including labor, and overhead of the organization administering the satellite wagering program."

During discussions last year of financial matters involving SCOTWINC and NCOTWINC, representatives of those two organizations indicated to this Committee that the merger of certain SCOTWINC and NCOTWINC operations were under consideration as a means of reducing costs. This Committee has asked stakeholders to report on the status of those discussions.