

# An ADW Issues Primer

California Sources and Distributions of Revenue



CHRB

Arcadia City Hall

October 15, 2008



# Handle & Takeout

Handle = Total Dollars Wagered

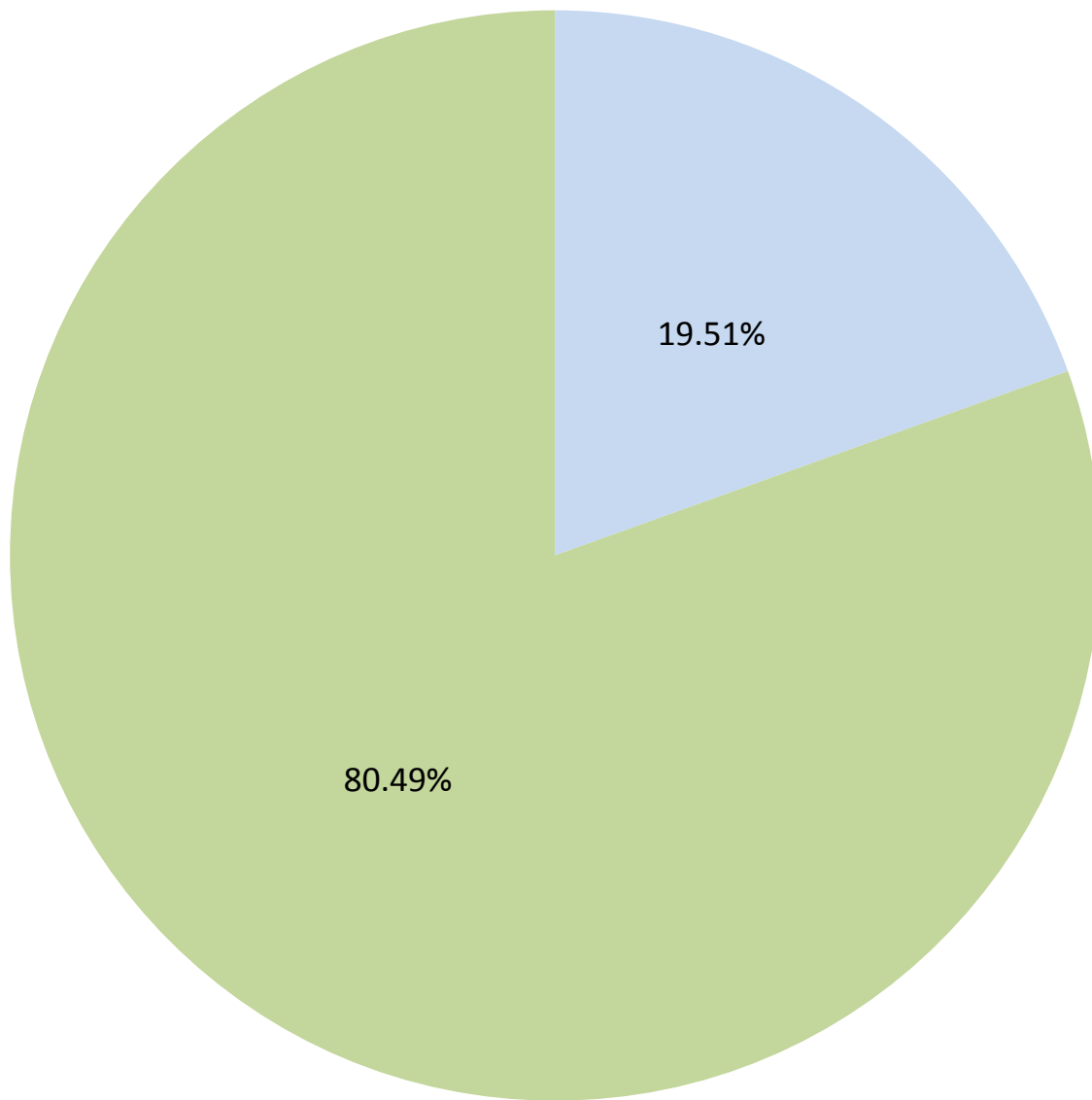
Takeout = Amount Retained by Industry

Remainder = Payout to Bettors



# Distribution of Handle

# Percentage of Wagering Handle "Takeout" to Industry & Payout to Bettors



- "Takeout" To Industry
- Payout To Bettors



# Sources of Takeout Revenue

27 Different Sources of Revenue in CA

Focus: On “Live” – California – TB races

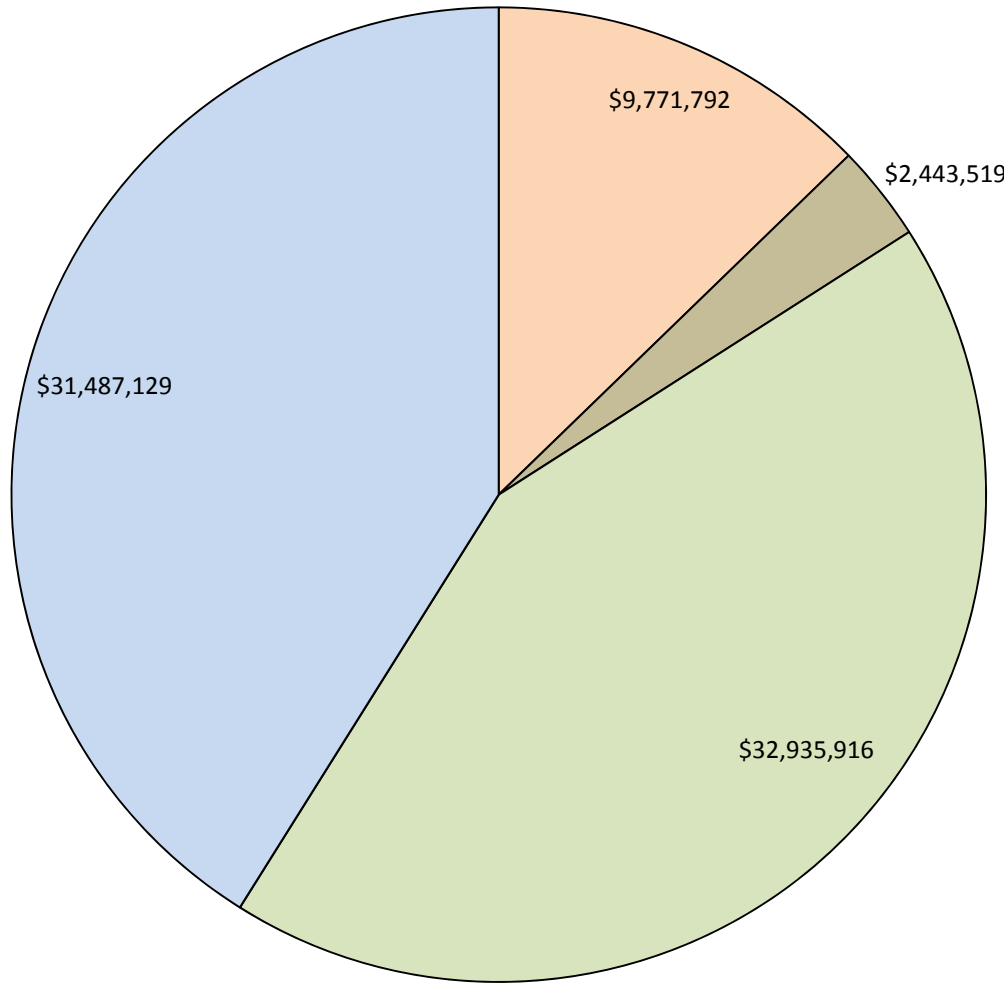


# Sources of Takeout Revenue

## 5 Primary Sources for “Live” CA TB Races

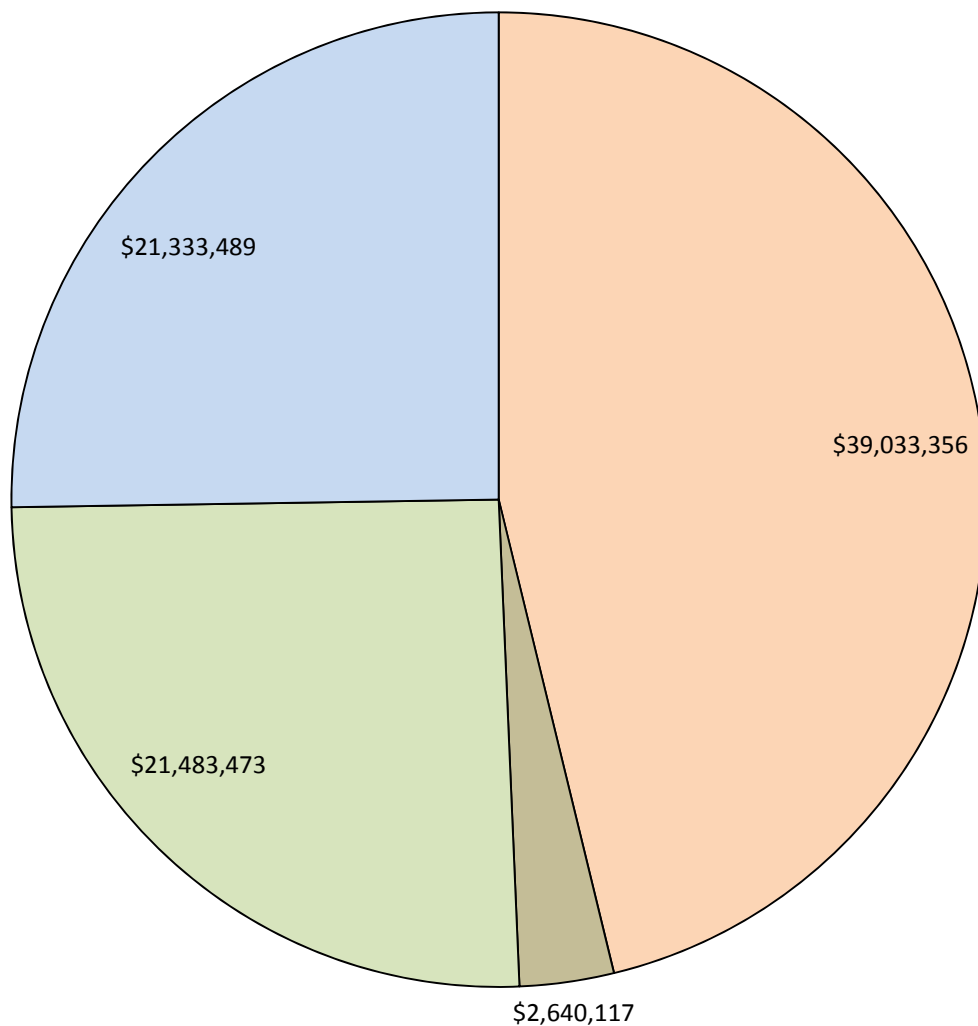
- On-Track
- “Satellite”/Off-Track
- In-State ADW
- Out-of-State ADW
- Interstate Simulcasts

## Distribution of Takeout On-Track Wagers on Live Races



- Fees (incl. tax) =2.44% of handle
- Breeders =.61% of handle
- Tracks =8.22% of handle
- Purses =7.86% of handle

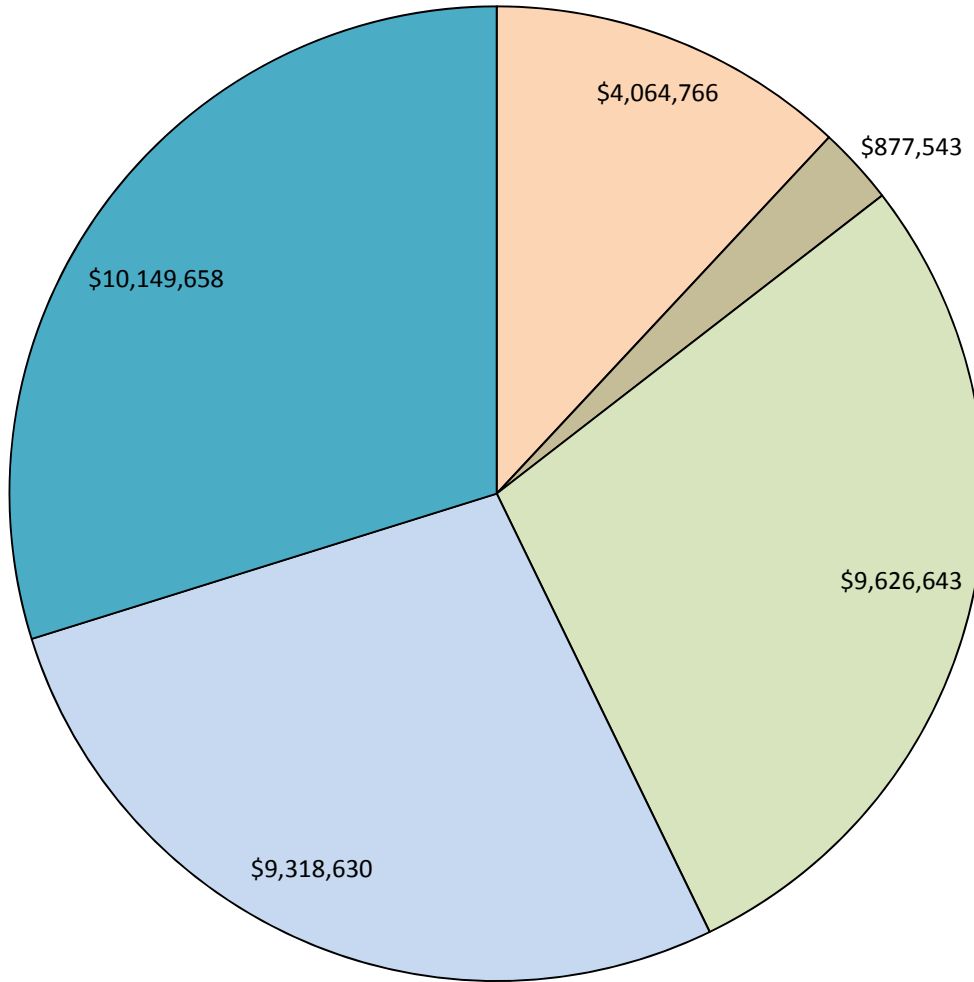
## Distribution of Takeout Satellite Wagers on Live Races



- Fees (incl. tax) =9.02% of handle
- Breeders =.61% of handle
- Tracks =4.96% of handle
- Purses =4.93% of handle

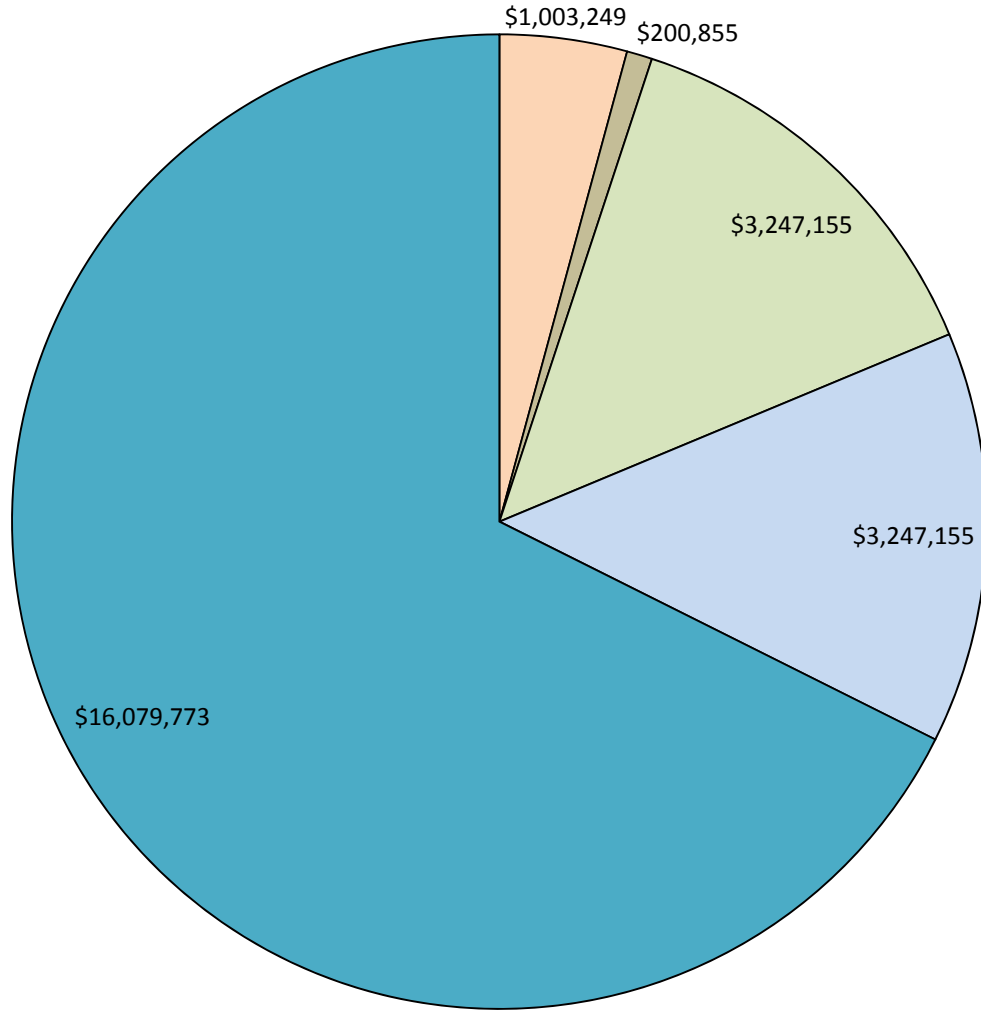


## Distribution of Takeout CA ADW Wagers on Live Races



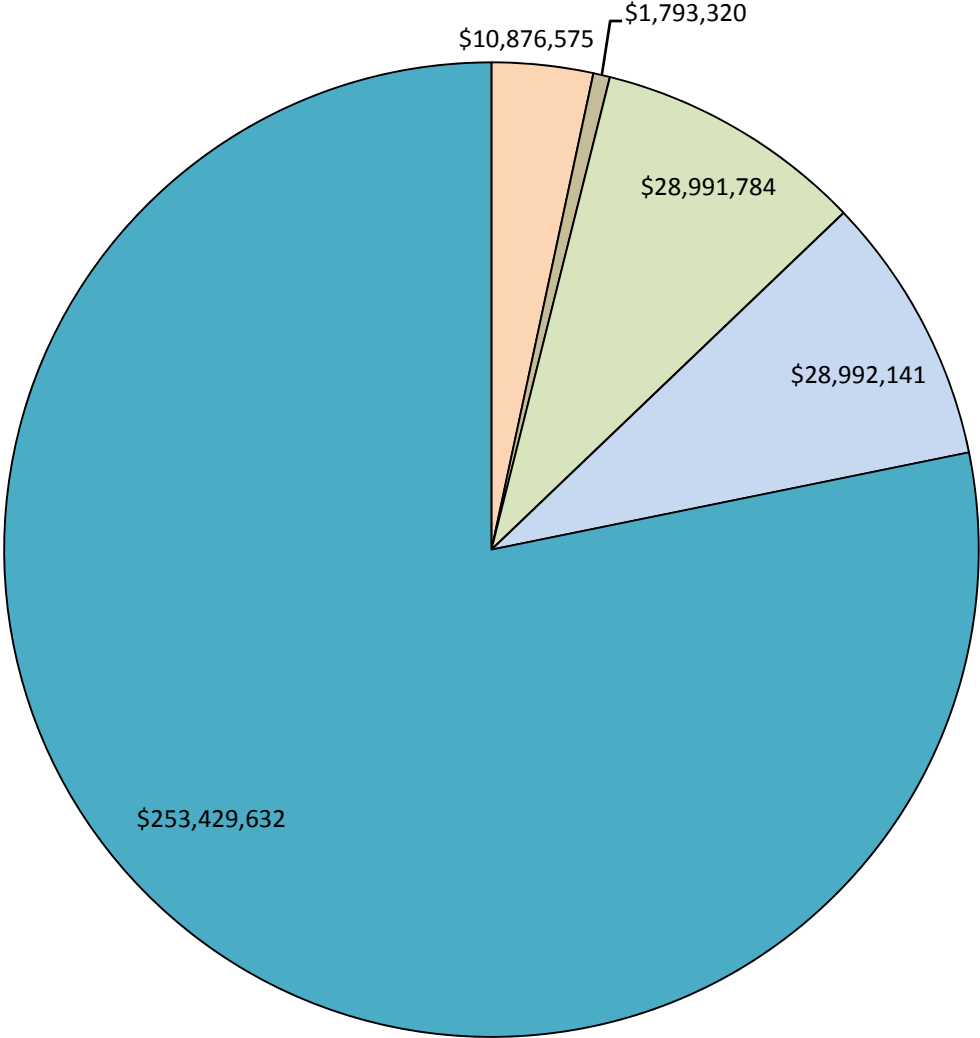
- Fees (incl. tax) =2.28% of handle
- Breeders =.49% of handle
- Tracks =5.4% of handle
- Purses =5.23% of handle
- Wagering Hub =5.7% of handle

## Distribution of Takeout Out-of-State ADW Wagers on Live Races



- Fees (incl. tax) =.8% of handle
- Breeders =.16% of handle
- Tracks =2.59% of handle
- Purses =2.59% of handle
- Wagering Hub =12.82% of handle

# Distribution of Takeout Out-of-State Export Wagers on Live Races



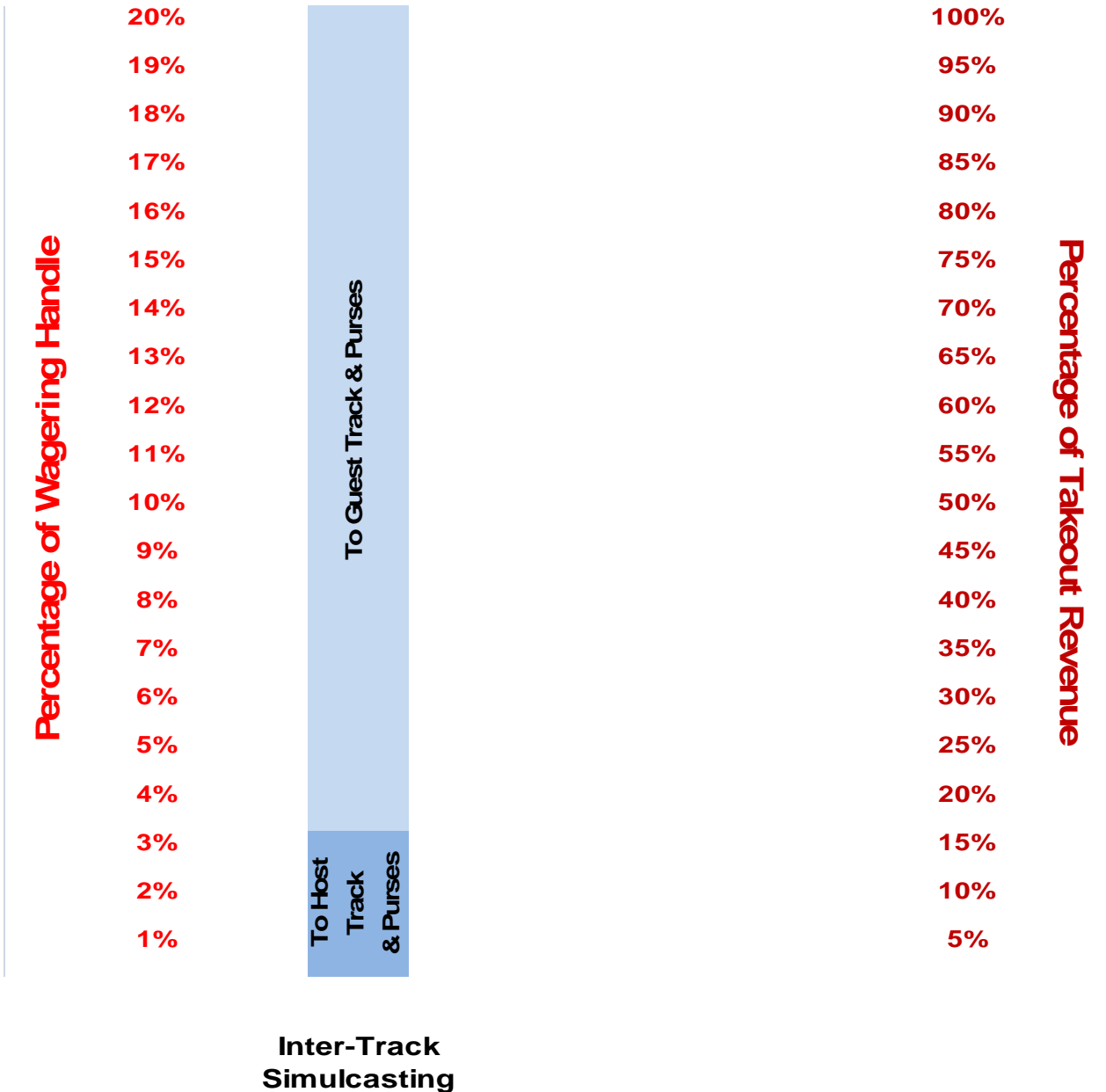
- Fees (incl. tax) =.66% of handle
- Breeders =.11% of handle
- Tracks =1.76% of handle
- Purses =1.76% of handle
- Wagering Hub =15.38% of handle



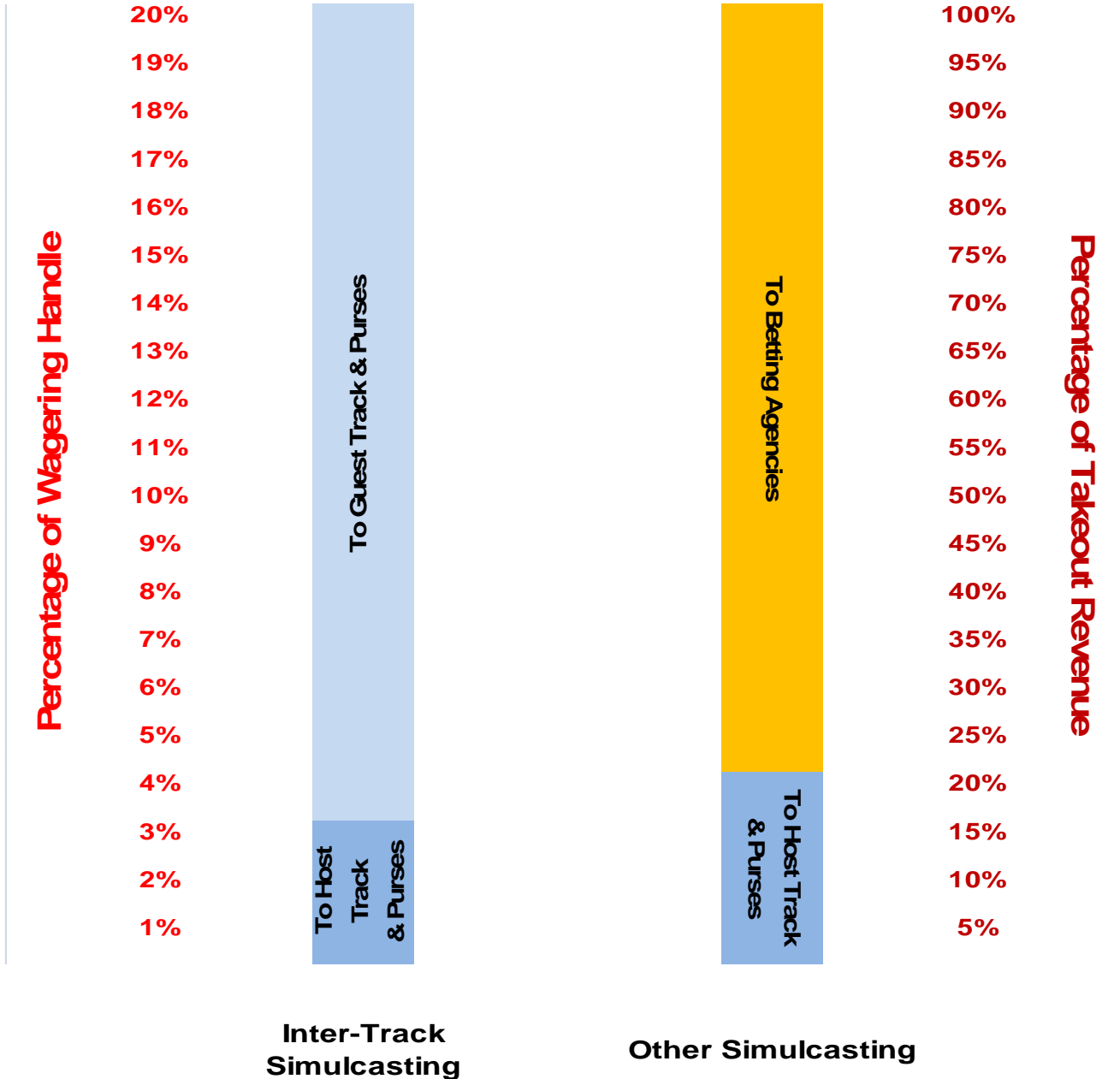
# Distribution of Revenue

## Traditional Interstate Simulcasts

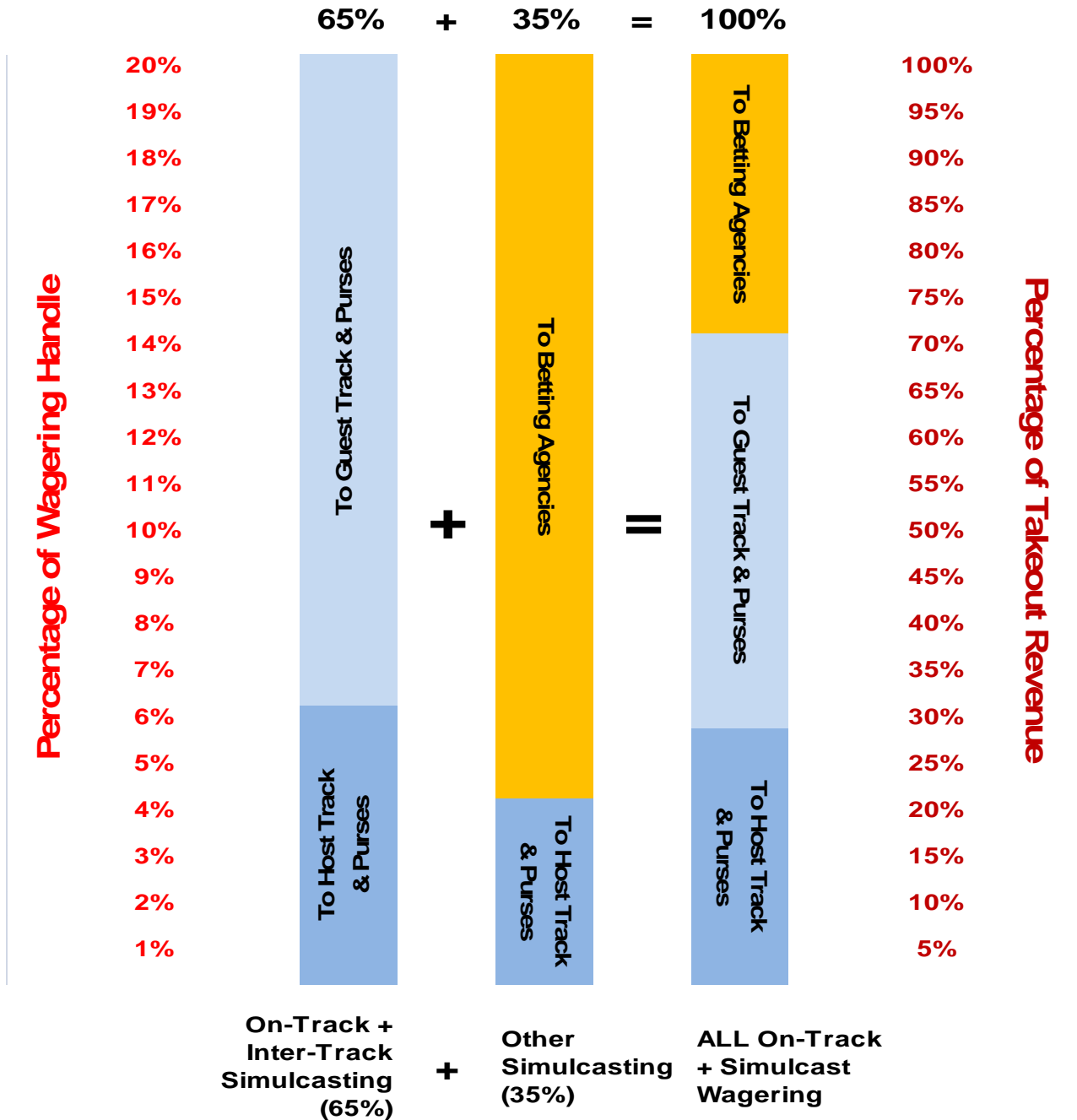
# Distribution of Simulcast Takeout Revenue



# Distribution of Simulcast Takeout Revenue



# Distribution of All Takeout Revenue





# Distribution of Revenue

## Current ADW Models





# Key ADW Definitions

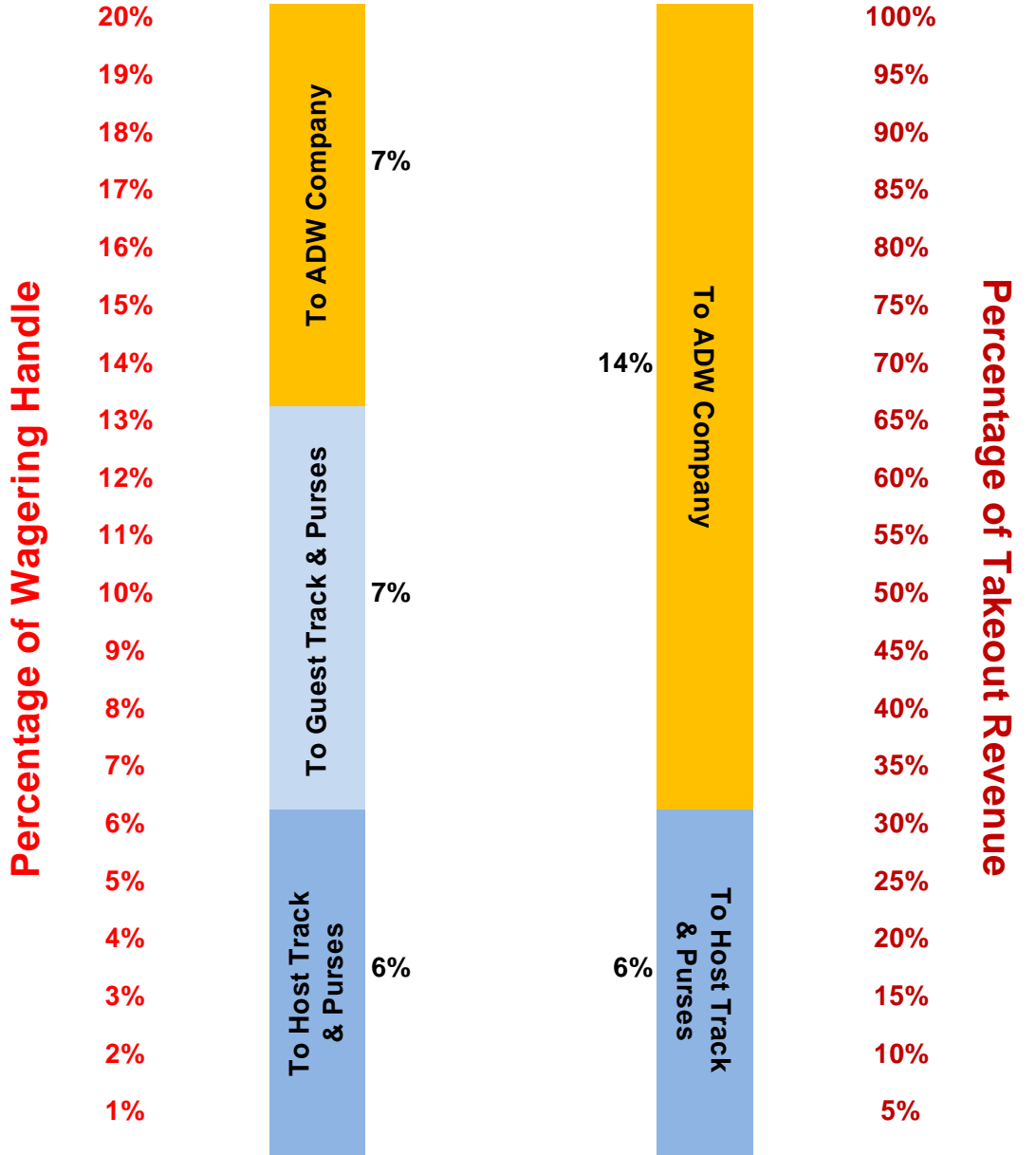
- "**Advance Deposit Wagering (ADW)**" means a form of parimutuel wagering in which a person establishes an account with an ADW provider, then issues wagering instructions to the provider by internet or telephone authorizing it to place wagers on the accountholder's behalf.
- "**Host Fee**" means any compensation received by a racing association that conducts a horserace, which is subject to wagers in an off-track market, paid by a source in the off-track market. Such fees are to be shared equally by a track and its horsemen.



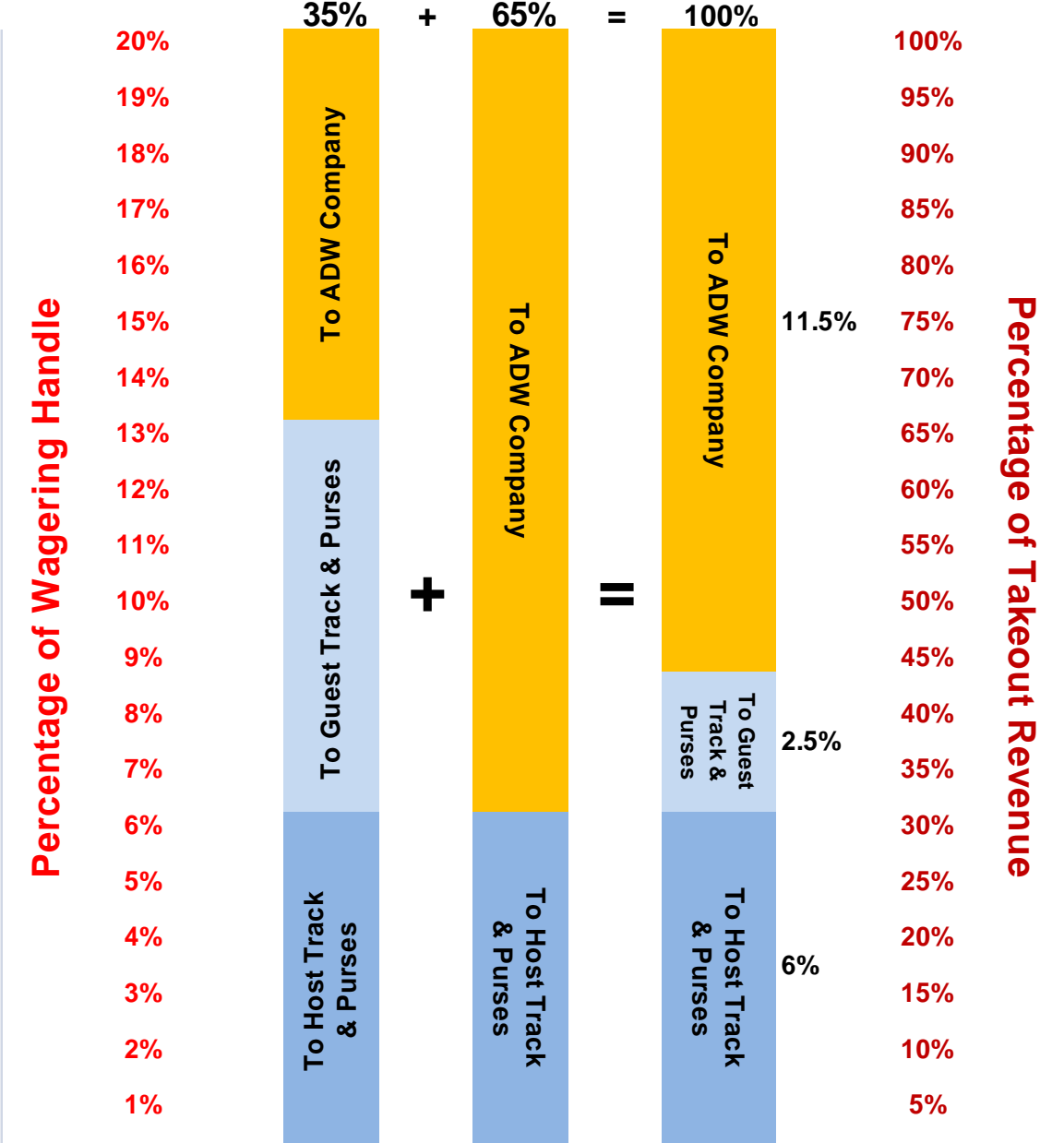
# Key ADW Definitions

- **“Hub Fee”** means contractual compensation paid to an ADW provider with respect to ADW bets placed by California residents.
- **“Source Market Fee”** means contractual or statutory compensation paid to local racing interests – tracks and horsemen – in the market in which a bettor resides when the bettor wagers on a race conducted in another market or state.
- **“Wagering Hub”** means the physical location at which an ADW provider facilitates/transacts its parimutuel ADW bets.

# Distribution of ADW Takeout Revenue



# Distribution of ADW Takeout Revenue



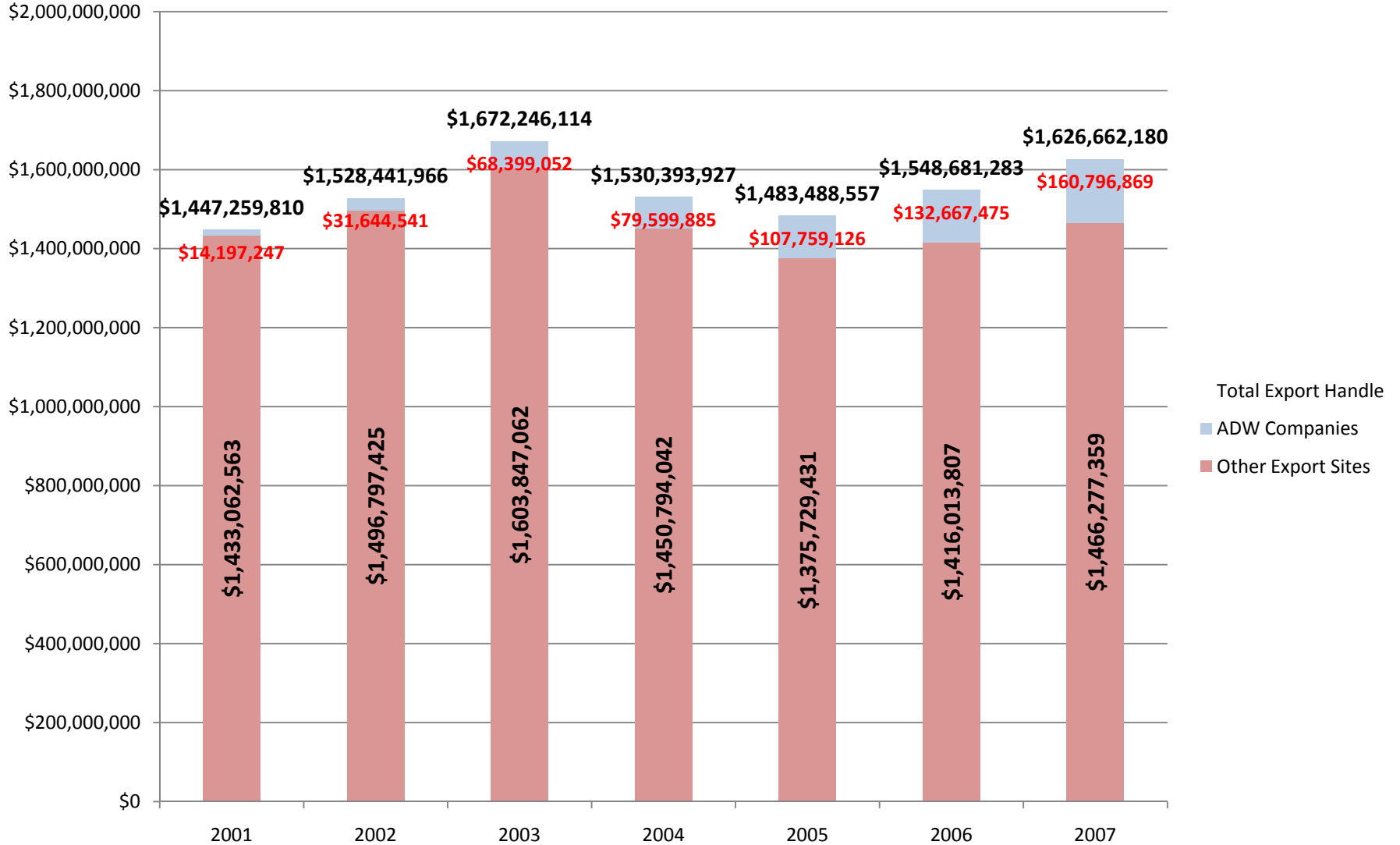
Outside



# Shifting Interstate Handle

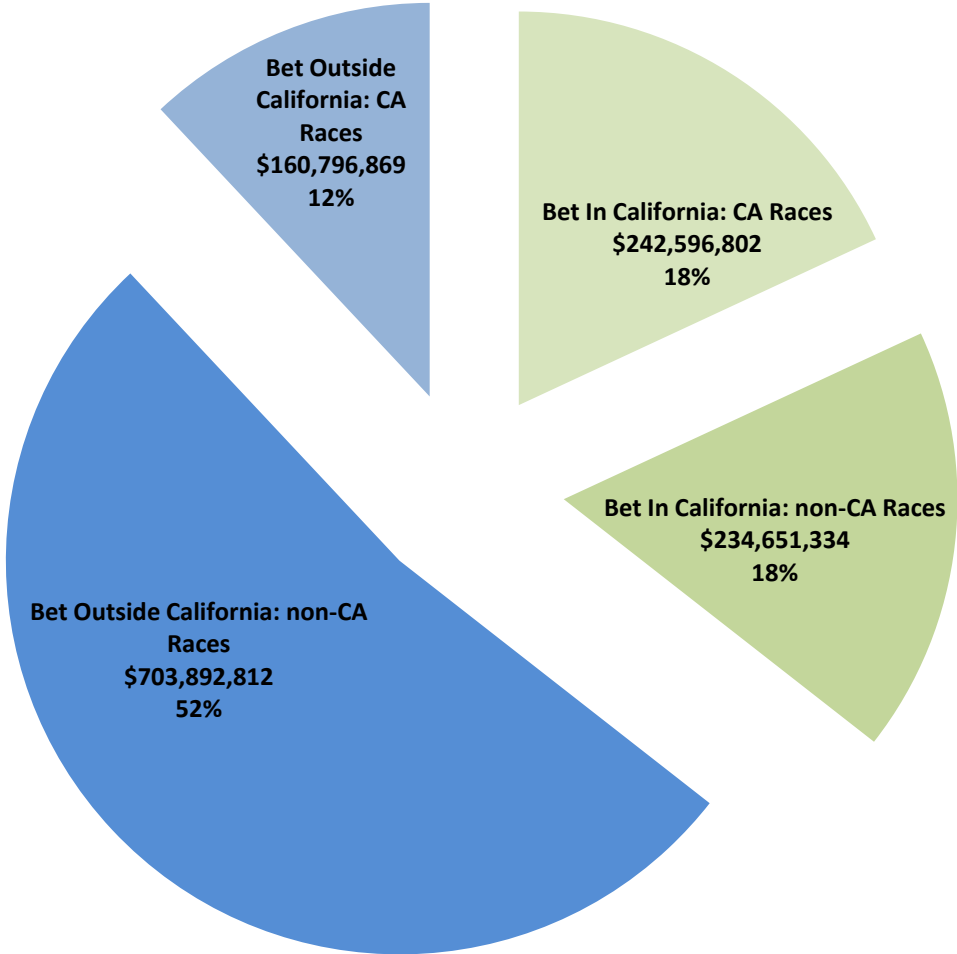
Traditional Simulcast to ADW

# U.S. Out-of-State (Export) Wagering on California Thoroughbred Races ADW Companies vs All Other Sites



# 2007 ADW Handle through Oregon Hub

Source: Oregon Racing Commission, CHRIMS



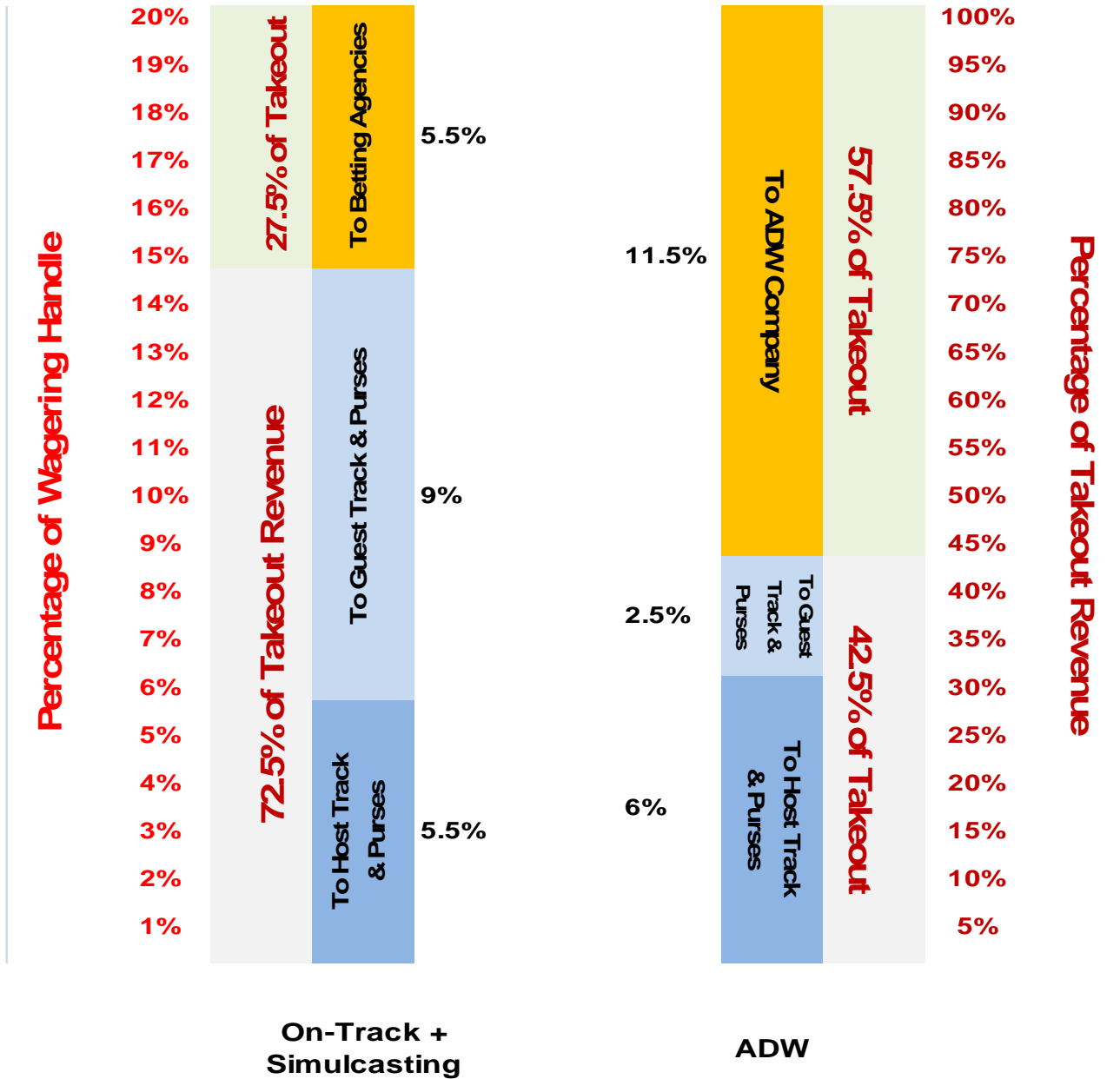


# Distribution of Revenue

Comparison Simulcast vs. ADW



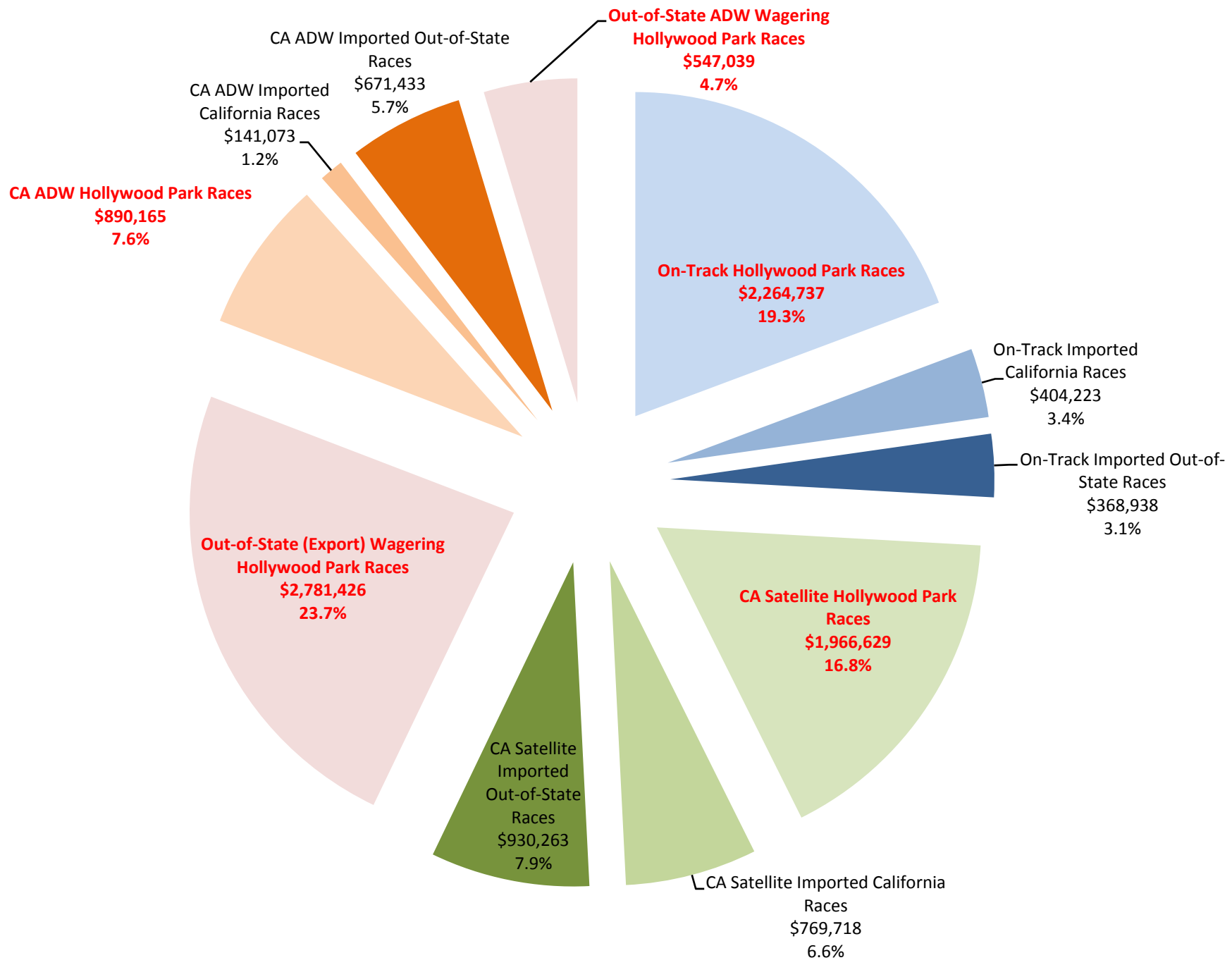
# Distribution of Simulcast Takeout Revenue On-Track + Simulcast *versus* ADW



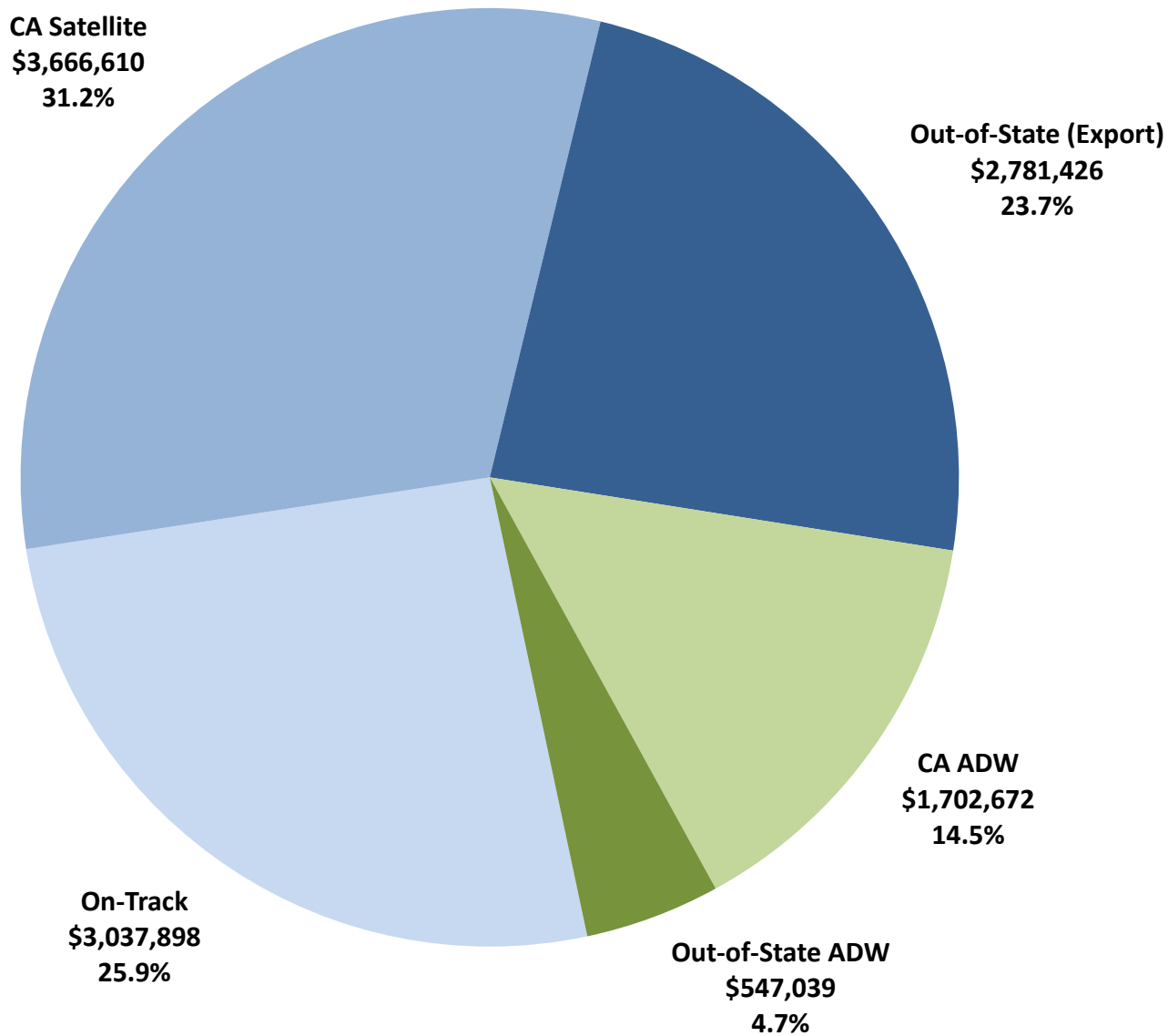


# Example ADW Analysis

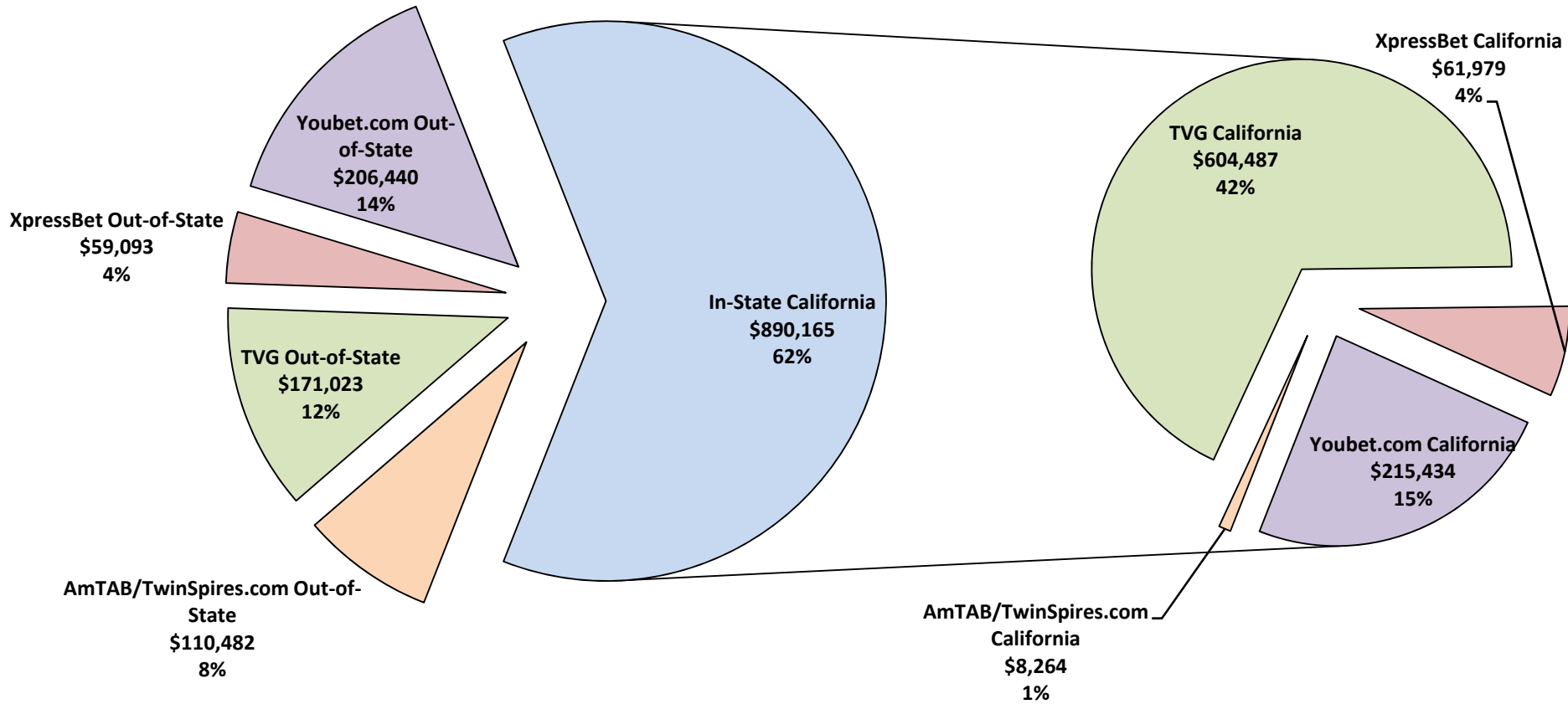
2007 Hollywood Park Fall Race Meet



# 2007 Hollywood Park Fall Purse Revenue by Type of Wagering Venue



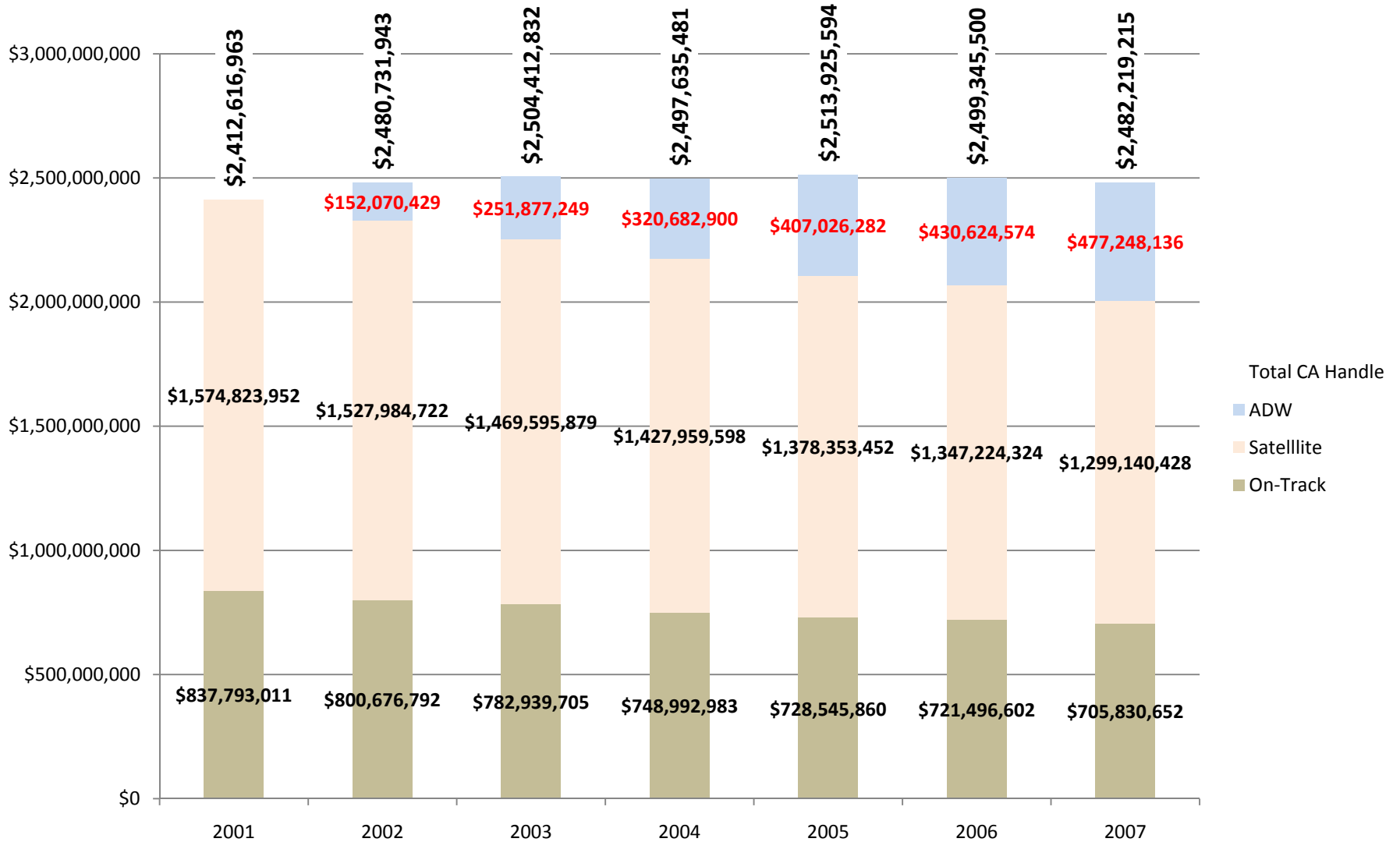
# 2007 Hollywood Park Fall ADW Purse Revenues In-State & Out-of-State by ADW Company



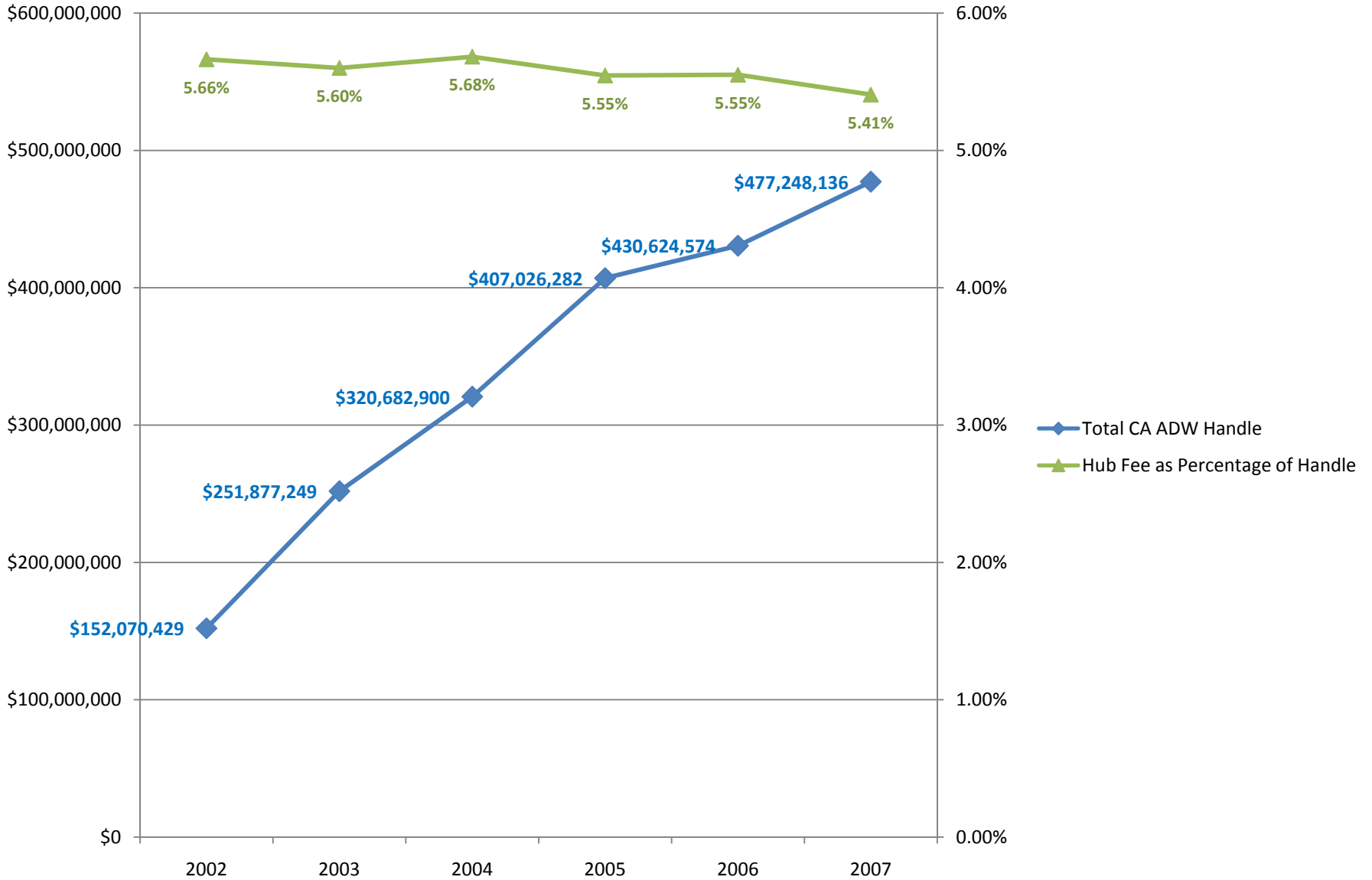


# ADW Hub Rates & Revenues

# Total California Wagering Handle 2001 - 2007 ADW, Satellite, On-Track



# California ADW Handle 2002 - 2007 & ADW Hub Fee Rates





# CA ADW Licensees

Wagering by California Account-Holders  
On Thoroughbred Races

<b>2002</b>	<b>2007</b>
\$152,070,429	\$477,248,136

**Handle Tripled in Five Years**

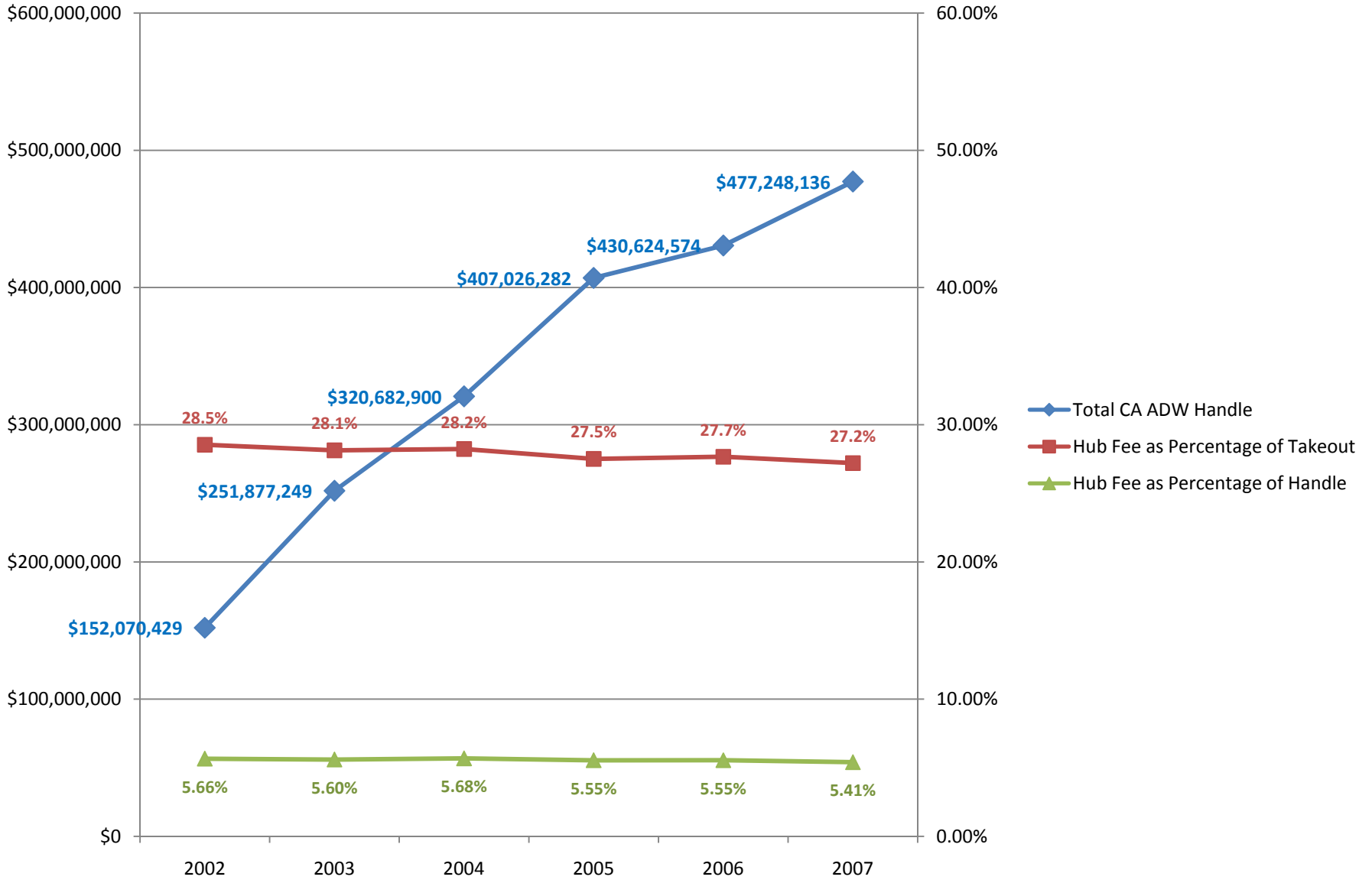
California ADW Hub Fee Retention Rates

<b>2002</b>		<b>2007</b>
5.66%	%Handle	5.41%
<b>28.54%</b>	%Takeout	<b>27.21%</b>
<b>\$8,612,751</b>	ADW Revenue	<b>\$25,804,327</b>

ADW Companies retained < 6% of Handle

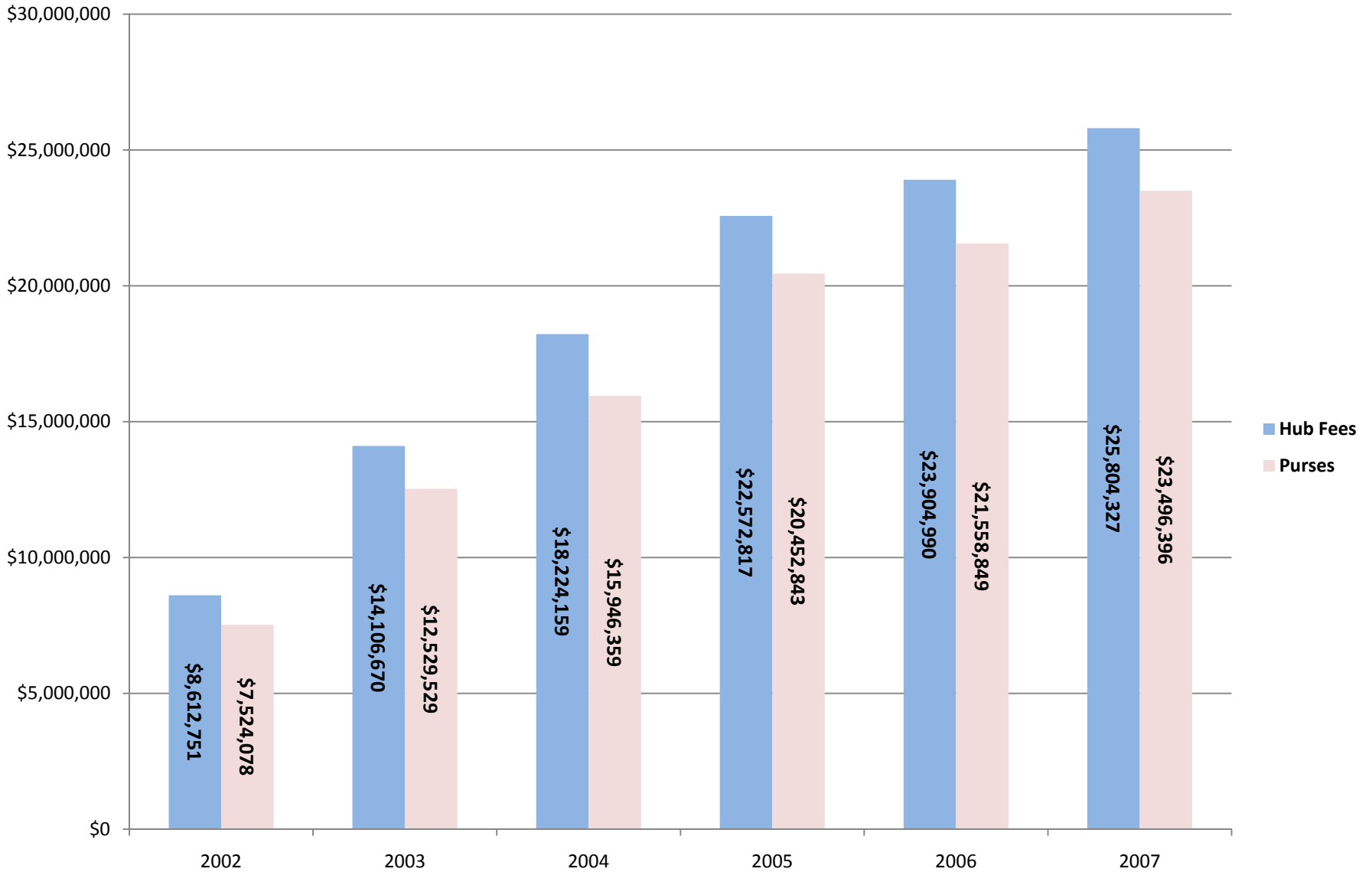
**ADW Companies retained < 30% of Takeout**  
**Revenue to California ADW Companies grew**  
**from \$8.6-million to \$25.8-million**

# California ADW Handle 2002 - 2007 & ADW Hub Fee Rates



# California ADW: 2002 - 2007

## Hub Fees & Purse Revenue





# TOC/THG

## Objective:

Develop a new framework/model for ADW  
Work with track partners & ADWs in developing  
Increase revenue to stakeholders from 47% to 66%

## Modeled after ASCAP

THG acts as an *agent* for TOC/member organizations  
Guarantees TOC/participating horsemen will grant consent  
To all subscribing ADW providers



# TOC/THG

*Pro-Competitive*

**Ensures Non-Exclusivity**

**Open competition among all qualified ADW providers**



# Thank You



# TOC

Thoroughbred Owners of California

*Forging the Future*