

A SUBMISSION BY RACING FUTURE ON IMPLEMENTING THE ANNOUNCED INTEGRATION OF THE HORSE RACING AND BREEDING INDUSTRY INTO THE OVERALL ONTARIO GAMING STRATEGY

OVERVIEW

To give effect to her government's commitment to safeguard and enhance the long-term future of the Ontario horse racing and breeding industry, Premier Kathleen Wynne announced on March 8 that horse racing will be integrated into the overall provincial gaming strategy.

Racing Future applauds and supports this recognition by the Premier and her government of the importance of the horse racing and breeding industry - which forms the economic backbone in many rural areas - as a source of employment and prosperity in our province. The commitment to integration is a very welcome indication that the government understands the potential for the industry to make a greatly enhanced contribution to the government's revenue stream, and hence to the public interest.

Because of Racing Future's vigorous advocacy over the past year for the thousands of hard-working, modest-income men and women who comprise the industry and whose future was thrown into question, many people have asked us since the Premier's announcement what the concept of integration means in practice and whether it will be difficult and time-consuming to implement.

This brief paper is our attempt to answer those questions. In a nutshell, we believe that at least the key elements of what integration should entail are very clear. The suggestions that follow here are not meant to imply that there may not be other good ideas and components worth pursuing.

Our intent, rather, is to demonstrate that the process of integration can be launched quickly on the basis of readily available information, without a need for prolonged study or analysis; and that every day of delay would be a day of wasted opportunity for the government to enhance its revenue streams at a time of significant financial challenges.

It is reasonable to expect that Ontario Lottery and Gaming (OLG) will fully welcome and facilitate rapid integration, because it is consistent with the main goals of the strategic business review begun by OLG in 2010. As noted in the corporation's 2011 Annual Report, these goals are:

- 1) Increase profit to the province
- 2) Use gaming to drive economic development
- 3) Introduce new technologies and new customers to lottery and gaming
- 4) Increase the value of OLG assets

In accordance with these goals, we believe that the following integration initiatives - which will be described in further detail below - should promptly be implemented:

- Rebrand OLG as the Ontario Lottery, Gaming and Horse Racing Commission (OLGH) to place the marketing and facilitation of various forms of betting on horse racing on an equal footing with lotteries and casino gambling, while leaving unchanged the role of the Ontario Racing Commission as the sole regulator of the sport of horse racing itself.
- Create a new horse racing lottery to raise public awareness of the sport, add a new form of lottery revenues, and pave the way toward expanded access to more sophisticated forms of betting on horse racing.
- Bring horse racing to potential customers across the province by providing pari-mutuel wagering through current and future OLGH terminal outlets.
- Provide online betting products based on Ontario horse racing.
- Expand teletheatre/off track betting to allow customers to experience the horse racing experience at selected bars, restaurants and hotels across the province.
- Include horse racing in all OLGH promotion and marketing activities.
- Make horses, horse racing and rural Ontario an important component of the province's tourism marketing strategy.

Below, we elaborate on these initiatives, which could all be implemented relatively quickly in conformity with the current OLG's stated goals and the government's objectives.

REBRANDING AND EXPANDING OLG'S MANDATE

It is well-known that horse racing has not been consistently marketed to potential fans and gaming customers. Consequently, a sport that is tremendously entertaining, and in which Ontario has long been a world leader in terms of the excellence of our horses and jockeys, is largely hidden from most of the public.

This makes it self-evident and imperative that integrating horse racing into the Ontario gaming strategy must include a major emphasis on marketing the sport, and the revenue-generating products based on it, to a wide audience. It is particularly important to raise awareness of horse racing among younger Ontarians, the so-called Millennial Generation, who have had little exposure to it.

Ensuring that this is successfully achieved will only come from publicly and consistently promoting horse racing as an integral part of OLG. As a first step in

this process, we suggest that OLG be re-branded to include and market horse racing - on an equal footing with lotteries and casino-type gaming - as one of the gaming options for consumers.

It is very important to emphasize that this vision of integration is based on maintaining, entirely unchanged, the current role of the Ontario Racing Commission (ORC) as the regulator that preserves the integrity of the sport of horse racing.

Pursuant to the *Racing Commission Act*, 2000 (Statutes of Ontario 2000, c.20) and its regulations, the Ontario Racing Commission acts in the public interest to govern, direct, control and regulate the horseracing industry in Ontario, including racing in all its forms, the operation of race tracks, licensing of racetracks and racing participants. The ORC must exercise its powers and perform its duties in the public interest and in accordance with the principles of honesty and integrity, and social responsibility. The ORC reports to the Ministry of Agriculture and Food and assists the ministry in its strategic priorities

Without any change whatsoever in the role, mandate and responsibilities of the ORC, for its part OLGH should provide leadership on the side of the sport which is concerned with gaming. Our vision of integration means that OLGH would act as regulator and promoter of Ontario gaming products, one of which is horse racing.

Through this expanded mandate and brand, OLGH would engage in specific marketing and promotion initiatives that drive new consumers to experience Ontario horse racing, whether through distribution at OLGH retail outlets, offering dedicated lottery products, off track betting opportunities or on track live racing complemented by special events.

As a first step in this process, we recommend that OLG be renamed and rebranded as the Ontario Lottery, Gaming and Horse Racing Corporation (OLGH). This would not only clearly reflect the corporation's expanded mandate, but would promote awareness of horse racing with every mention of the entity's name.

To confirm that such renaming and rebranding need not be an unduly complicated or costly endeavour, Racing Future approached award-winning Canadian graphic designer Kent Kirkwood for his expert opinion. He suggested the following:



A Horse Industry Lottery

The first product that in our view should be introduced to integrate horse racing into the province's gaming strategy is a dedicated lottery, which would have a percentage of proceeds dedicated to the horse industry with the remainder going to the Ontario Treasury. A strong example of this type of product has been developed by Equilottery Inc. In answer to our request for information, Equilottery CEO Brad Cummings provided the following summary:

“While there are several ways currently in operation designed to combine the lottery and the sport of horse racing, none of those operate within the current realities of the sport in Canada. Most innovations on the market require field sizes between 14-20 horses to generate enough payout to be worth operating. EquiLottery, a proprietary system combining the pari-mutuel pool at the racetrack with the lottery, takes into account these issues and generates an exciting gaming experience for its players.

“EquiLottery allows lottery players to share the same pari-mutuel pool as horseplayers at the racetrack, in an Off Track Betting, or through an online Advanced Deposit Wagering. The dynamics created between lottery players and horseplayers encourage aggressive wagering pool growth thus increasing payouts for both groups. EquiLottery, while pari-mutuel in nature, is also designed to meet lottery standards of chance after several years of research and development.

“We would look forward to a meeting with the Ontario government to layout the details of the game and work out a plan to bring EquiLottery to your Province.”

Pari-Mutuel Betting Through the OLGH Distribution Chain

It is vital to integration that pari-mutuel betting on horse racing be brought to potential customers through current and future OLGH terminal outlets. Pari-mutuel is the betting system in which all bets of a particular type are placed

together in a pool; taxes and the “house take” are deducted; and payoffs are calculated by sharing the pool among all winning bets. This system is sometimes known as the Tote after the “totalisator” which calculates and displays bets already made

Accomplishing this integration will require specialized expertise. Given our experience in this area, we approached Amtote, the world-wide leader in wagering technology, to discuss distribution options.

To expand pari-mutuel wagering through the provincial lottery channel, Amtote made the following recommendations:

- Use a system-to-system approach to integrate with the tote hub. Although longer in implementation with a separate terminal, the Lottery channel’s target is primarily the new customer. Though expensive, the benefit of the separate terminal for the experienced customer would be the revenue generated from the terminal.
- Provide a limited number of wagers and a limited number of events for customer to wager on. The type of the wagers would be basic in nature: win, place, show, or super exotic and jackpot styled like the pick 6, the triple trio, or the Quiante Plus.
- Utilize existing video distribution pathways, such as how the Triple Crown series is being broadcasted, specialty channels, or the internet for the limited menu of races via the Lottery web site.
- Provide simple pick sheets within retail outlets and online at the Lottery site with some Race Info and perhaps expert forecasts to assist new customers. Provide links on the Lottery site to send customers to the existing channels that provide Race Info for more experienced players.
- If a location warrants an investment in an OTB styled environment based on the demand of experienced customers, then the implementation and servicing of this solution is well understood by existing suppliers to the industry and can be quickly implemented.

For Amtote’s detailed response, please see attached Appendix I.

Online Betting on Ontario Horse Racing

OLG has recently announced that it is adding an online gambling platform that will enable lottery players to buy their tickets to draws such as Lotto 6/49, Lotto Max and Encore through a new website that will also make casino games such as video poker, slots and table games available to online gamblers. OLG

revealed that it has chosen UK- based Spielo G2 to provide its platform with online lottery and casino style games that will be made available to local, legal-aged residents by the end of this year. Consequently, as a vital part of the announced integration of the horse industry into the overall Ontario gaming strategy, we suggest that OLGH be directed to offer online betting products related to Ontario horse racing on this website at the same time that the other online gambling products are rolled out, with an appropriate share of the horse-racing-related revenues being directed to the industry.

Expand Teletheatre/Off Track Betting

Currently, there are few opportunities for existing and potential fans to enjoy Ontario horse racing through an off-track experience. We suggest that OLGH consider the examples of England and Australia which offer off track wagering at thousands of regulated locations.

In the Ontario context, OLGH could offer horse race betting through selected suitable establishments and hotels across the province. Sports bars, pubs, hotels, restaurants and other venues that meet standards set by the province should be allowed to offer the race viewing and betting experience.

Marketing

As part of the OLGH brand, horse racing should be included in all OLGH promotion and advertising. For example, currently OLG runs radio ads for Slots at Woodbine. None of these ads mention horse racing at Woodbine or offer any encouragement to listeners to enjoy a day at the races. OLGH should be mandated to change this current “orphan” status so that *all* advertising including print, television, radio, special events, and sponsorship include horse racing.

Tourism and Special Events

As we are all aware, tourism is one of the largest sectors for job creation in the province. We believe that the horse industry can enhance and build the tourism sector. We also believe that it can help to narrow the disconnect between the urban and rural parts of Ontario through tourism.

As a sport, horse racing offers a unique opportunity to facilitate this reconnection through the development of tourism strategies that incorporate and celebrate horses, the horse industry, and rural Ontario. Undoubtedly the best example of this is Kentucky, which provides a model through everything from the state logo to televised races to bluegrass farm tours. To see what Kentucky has achieved, please visit www.kentuckytourism.com. Using this as a starting point, Ontario’s

Ministry of Tourism, Culture and Sport should develop and recommend a plan for maximizing the tourism benefits of horse-related facilities and assets.

Promoting horses, racing, and rural Ontario through inclusion in the provincial tourism marketing strategy should be complemented by promoting specified race dates and tracks as venues for special events that are created with a “Celebrate!” philosophy. Examples could include multicultural days at the track and Ontario-made products and services.

In the multicultural example, specific race days could be promoted as days to celebrate one of our many cultures in Ontario (as in Portuguese Day, Italian Day, etc) encouraging all of us to join in and enjoy our province’s multicultural community.

Ontario is also home to many “homegrown” products and services, all of which can and should be celebrated. Historically, horse racing was often part of rural exhibitions of regionally produced products and services. Race meets were events in which rural and city folk came together to learn about the best products and services and to enjoy the top horses competing for prize money. OLGH should re-invigorate this community idea in promoting Ontario horse racing. Our race tracks are ideal locations to showcase the best of Ontario craftsmanship.

Conclusion

Implemented effectively, integrating horse racing with the overall gaming strategy could be the biggest instrument of rural economic development in the history of Ontario. And, because racetracks are frequently located on the boundaries between town and country, supporting the provincial horse industry would go a long way to narrowing the disconnect between urban and rural Ontario.

Premier Wynne’s integration announcement is a huge step forward in this direction. Now the challenge and the opportunity are to proceed quickly and effectively to implementation.

Appendix – AmTote Proposal

Who is AmTote?

AmTote International, Inc. (AmTote) is a leading designer, supplier and operator of on-track and off-track pari-mutuel and fixed odds sports wagering systems. The head offices are based in Hunt Valley, Maryland. AmTote has over 80 years of experience in the business, and currently services more than 80 racetracks, hundreds of off-track betting parlors, ADW companies, and strategic hubs in numerous foreign countries. AmTote employs approximately 300 people in North America and Australia.

AmTote's recent key milestones have included multiple large and strategic tote contracts being secured while key developmental initiatives have been completed, including the capability for a 24-hour tote wagering operation, the "5X Project" greatly expanding processing services, banking/funding systems integration, foreign host system interfaces (Keno, external Sports, Slots vendor interfaces), automatic ticket/voucher redemptions, "OTB in a box" equipment consolidation, Instant Racing expansion, and Mobile wagering applications.

Summary

The people frequenting Lottery outlets can best be described as new customers when considering the purchasing of pari-mutuel wagering products. The retailer operating the Lottery outlet is also very new to the sale of pari-mutuel wagering products and the servicing of the experienced pari-mutuel wagering customer. Thus, an approach that lowers all the barriers to rollout and adoption is the recommended approach to expanding into the Lottery outlets. This approach would leverage as much of the existing infrastructure as possible by using the Lottery terminal network, integrating the backend lottery system to the back end pari-mutuel system, utilizing existing video distribution channels like broadcasters, specialty channels and the internet, and providing the pari-mutuel event information via exiting media channels like newspapers, internet sites, and posted material at retail locations. Finally, to assist in adoption, a limited number of pari-mutuel events and wagers would be presented through the Lottery terminal. The events, such as The Triple Crown or Queens Plate, would have built-in followings, and the wagers would either be basic in nature or be similar to Lottery products. The probability of success with increased uptake of pari-mutuel wagering on horseracing would improve and be a less invasive integration into the Lottery channel.

Introduction

The possible integration of a pari-mutuel styled wager on horseracing through Lottery outlets in the province of Ontario is very exciting and very much in line with jurisdictions that have a successful pari-mutuel industry, such as France, Australia, Sweden, the UK,

etc. The solution required to deliver pari-mutuel wagering is complex with many available options which will be driven by the end consumer, the retail channel and the regulatory environment. This document will attempt to outline a framework that will be used to provide a specific recommendation to the implementation of pari-mutuel through Lottery outlets.

Defining the Market

To create a context for the discussion of the expansion of pari-mutuel wagering on horse races, the market will be divided into four groups. These groups are: “experienced,” “new,” “operators,” and “retailers”. It is acknowledged that there are many ways to segment the market, and there is a continuum of individuals within these groups; however, using these purposefully simplified groups will allow for a productive discussion the solution approaches. Once a solution approach is identified, the complexity of that nuanced market segmentation can be addressed within the solution approach.

This simplified grouping of customers will be applied to the products available within pari-mutuel wagering on horses, and to the channels which customers use to access these products. Again, it should be noted that once a solution approach is identified applying a more rigorous stratification of products and channels can be applied within the solution approach.

Grouping Customers

The four customer groupings, “experienced,” “new,” “operators,” and “retailers,” are created based on how much previous experience they have had with pari-mutuel wager on horseracing, and whether they are buying or selling wagers. Experienced and new customers are customers buying wagers and operators and retailers are customers selling wagers.

“Experienced” customers are those who have knowledge of placing pari-mutuel wagers. They have experience using existing pari-mutuel wagering channels and have expectations on the experience they require in order to purchase pari-mutuel wagers. These customers will place a variety of wager types from basic to super exotic. They will expect to be able to choose between tellers and self-service wagering and they will place complex betting interest combinations (a betting interest is essentially a horse which can be bet on, although there are exceptions like coupled runners), so as to place multiple wagers on a single ticket. They will expect to be able to wait until the last minute to place their bet. They will require specialized racing information so that they can handicap a race, and they will expect to wager on a very large menu of races from a large menu of tracks. These customers will also expect to be able to watch a race live, and to be able to receive up-to-minute information like the current odds and changes in equipment, jockeys, and medication. In short, these customers will expect to receive the exact experience they are receiving at an OTB or Racetrack (see description of customer interaction channels).

“New” customers are those who may have been exposed to pari-mutuel wagering but have not developed expectations on the experience they require in order to purchase pari-mutuel wagers. These customers will have most likely purchased lottery products or they may have visited a slot installation at a racetrack, but they have not participated in any meaningful way with any of the pari-mutuel channels. These customers will be comfortable with using mark sense cards to place selections or use quick pick options on events that will occur sometime in the future, not within minutes after making their selection. They are used to interacting with a teller who will take their selections or operate the quick pick. Their need for specialized racing information will be almost nonexistent and they will look to general media channels for information, guidance and expert opinion. In short, these customers will be lottery players who are aware of horseracing on its biggest days and would view it like an extension of a lottery product.

“Operators” are those who are currently selling pari-mutuel wagers through OTBs, Tracks, or even ADW (see description of customer interaction channels), and may currently have experience selling lottery products. They have an understanding of both experienced and new customers. These customers are currently running a pari-mutuel establishment, which has a lottery product offering. The lottery offering may not be the primary source of entertainment on premises (this excludes slot installations) but is available for use. These operators have made an investment into the infrastructure required for pari-mutuel wagering (see wagering pathways) and have created an environment for their customers to remain on premises to purchase wagers and watch the outcomes. In short, these are Racetracks and OTBs who are servicing the existing pari-mutuel wagering market.

“Retailers” are those who are currently selling lottery products and have no experience selling pari-mutuel wagering on horseracing. They have extensive experience in selling to lottery customers who will, in all likelihood, be a mix of experienced and new customers when it comes to pari-mutuel wagering on horseracing. Retailers have created an end-consumer business which sells convenience oriented items or convenience oriented services, and use lottery products as just one of their convenience offerings to their customers. In short, these are the existing lottery establishments like convenience stores, grocery stores, drug stores and bar’s.

Grouping Products

The products offered by the pari-mutuel industry are essentially wagers which vary in difficulty of correctly predicting the outcome of a pari-mutuel event, thus allowing the customer to participate in a share of the net pool. The net pool is the summation all the money placed into a particular wager, less the distribution to those who are participating in the production of the pari-mutuel event or wager. The net pool is shared among all of those who have participated in placing money into the pool and have selected the correct outcome of a pari-mutuel event. Pari-mutuel wagers can be broken into four groups: “simple,” “exotic,” “super exotic,” and “jackpot,” based on the complexity of predicting the outcome of a pari-mutuel event.

“Simple” wagers are the win, place and show wagers. Many people begin engaging with pari-mutuel wagering by using one or all of these simple wagers. Conceptually, they are

easy to understand and reasonably easy to make an informed prediction of an outcome. The amount of money placed within these pools and the ease of selection generally lead experienced players to not focus on these types of wagers.

“Exotic” wagers consist of wagers where the participants must correctly select the outcome of more than one betting interest but less than four betting interests, either within a single race or across multiple races. Understanding these wagers is more complex than the simple wager, and analyzing and making a correct prediction is significantly more difficult than the simple wager. Examples of these wagers are the Exacta, Trifecta, daily double, etc.

“Super exotic” wagers require participants to correctly predict four or more betting interests within a race or across multiple races. Conducting the analysis to make an informed decision on super exotics is significantly more difficult than on exotics. Exotics and super exotics are the most popular wagers within the experienced customer group, and require effort and time to analyze the possible outcomes to make an informed decision. Experienced customers have a better than average chance of a successful prediction as opposed to new customers. Examples of these wagers are the Superfecta, Pentafecta, Pick 4, Pick 6, etc.

Pari-mutuel wagers have been enhanced to include specialized bonus pools which are distributed based on correctly predicting a pari-mutuel outcome and having a random number match a chosen number, or be the only customer who has correctly predicted the outcome of a pari-mutuel event correctly. These wagers are the “jackpot” wagers. A Jackpot wager is any wager that requires multi-betting interest in multiple races, where the chance of correctly predicting the outcome of a number of pari-mutuel events is so difficult that the playing field becomes more balanced between experienced customers and new customers, somewhat like the simple wagers are. Examples of these jackpot wagers are the V75 from Sweden, the Rainbow 6 from The USA, the Triple Trio from Hong Kong, and the Quiente Pluss from France.

Grouping Customer Interaction Channels

The current channels available for interaction by customers wishing to participate in pari-mutuel wagering are: “Racetracks,” “OTB,” and “ADW.” A possible fourth channel is the “Lottery Outlet,” which is currently not available in North America but is available in some countries outside of North America.

The “racetrack” channel is the longest standing channel for pari-mutuel wagering and has catered to the experienced customer. On popular race days, this channel also caters to the new customer. In general, this channel is best suited for the experienced customers who have very specific expectations of their experience for pari-mutuel wagering on horseraces. New customers find this environment intimidating and confusing. Mostly, they enjoy the social aspect of attending a popular race event rather than the wagering aspect of the pari-mutuel event.

The “OTB” channel is a physical retail space for the conduct of off-track betting. This physical space will range in size and ambiance from small cliquey establishments, to pub styled establishments, to large 5 star restaurants. This channel has been

established for some time, and like the racetrack channel, is more attuned to meeting the needs of the experienced customer; however, efforts are being made to include the new customer. In most countries outside of North America, especially ones where horseracing is successful, the number of OTBs is very substantial.

The “ADW” channel is a collection of online wagering experiences which use a customer established balance deposited in advance to wager at a later date. The advanced deposit wagering channel ranges from a call center where a customer calls a live teller who keys in the bet, to a fully functional internet site, to a simple smartphone application. The ADW channel is the fastest growing channel of pari-mutuel wagering but is still experiencing issues with growth. The know-your-customer requirements, confusing regulations, and limited account funding options are significant enough to dissuade experienced customers from using this channel. New customers, though very use to conducting ecommerce transactions, find the ADW channel very daunting, especially when combined with the challenge of engaging in a pari-mutuel wager.

The “Lottery Outlet” channel places pari-mutuel wagering in outlets where traditional lottery products are sold. These differ from OTBs in that limited wagering information is presented and the facilities are not present to encourage customers to remain onsite for an extended period of time in order to conduct traditional pari-mutuel wagering. Some installations of the Lottery channel use the same physical terminal to conduct wagering and lottery while others will use multiple terminals.

Customers, Products and Channels Interaction

An experienced customer has numerous and very specific requirements of the channels and products that they require for an acceptable experience when conducting pari-mutuel wagering. These requirements drive the skill, set, and investment of the operator of the channel that the experienced customer is interacting with. An experienced customer will require an exhaustive number of tracks to wager on, and a complete menu of wagers in addition to live video on premises facilities when at an OTB or Track. The new customer will not require as much and will be flexible in the experience that they expect. They will not need an exhaustive list of tracks to wager on and they will be comfortable with a limited wagering menu. The new customer will also be very open to how the wager is placed, such as mark sense cards vs. a live teller or self-service terminal, which would be required by the experience customer.

In short, the experienced customer will demand the traditional on-track or OTB experience and only on rare occasions tolerate a lottery outlet experience. The new customer will be very intimidated by the traditional on-track or OTB experience but will be very comfortable with the lottery outlet experience. Thus, the solution for the Lottery outlet is very different from the solution for an OTB, Track, or ADW channel. The new customer will be better engaged in a manner as close to the lottery experience they currently enjoy.

Solution Components

The deployment of pari-mutuel wagering product through a new channel whether that channel is based on new retail experience or a new geography, or a new demographic

there are three elements that must be present in that channel for the product to be successfully delivered. The solution required to deploy pari-mutuel wagering is a very technical with many components, and a detailed discussion is beyond the scope of this document. That said the basic elements of the solution are the three wagering pathways of Tote, Video and Racing Info.

Wagering Pathways

Tote

The tote pathway is the most critical component of pari-mutuel wagering in that without it, no wagering will occur. The two other components, though critical as they determine the enjoyment, entertain and introduce skill to the pari-mutuel wagering experience. The tote pathway consists of all of the technology and functionality that will take the wager from the person placing the wager and transmit that wager to the pari-mutuel licensee hosting the pools where the wager will be included. This pari-mutuel licensee is known as the Host, and it is the Host that determines the rules of the wager and is responsible for the calculation of the price of winning wagers. The tote pathway includes: the terminal where the wager is captured, the network to transmit that wager to a totalizer system known as a Hub, the network used to transmit the wager to the Host's totalizer system, and the Host's Hub. Standards exist to move wagers and settle outcomes amongst the heterogeneous operators of Hubs on a global basis. They also include standards for financial settlements between entities participating in a global wagering pool with multiple currencies involved.

The Tote pathway includes several Gateways that will allow the Hub to interact with various third party systems. These systems include third party point of sale networks, like a Lottery network or an Internet site, funding networks like Interact or Payment Tech, database CRM systems like Siebel or Epiphany, and monitoring systems like IGT or eSuccess. The Gateway aspect of the tote pathway enables pari-mutuel wagering not to be restricted by the requirement of capital investment for proprietary terminals.

Video

The ability to watch the outcome, either live or in replay, is a critical part to the enjoyment of pari-mutuel wagering. The video pathway consists of all the components required to capture the video from the pari-mutuel event to distributing the video to the end customer. The end customer will have several ways to consume the video pathway, which includes captive TV networks like those in OTBs, broadcasted TV on specialized channels, broadcasted TV on main stream channels through specialized broadcasts like The Triple Crown or Queens Plate, and through streaming on the internet. The immediacy of the requirement of video will depend on the end customer, with experienced customers demanding immediate access to the video and new customers more comfortable with replays. Throughout the global pari-mutuel industry, the video channel is well established and the end customer (experienced or new, operator, or retailer) has many different options to choose from in order to receive the video

Racing Info

Possibly, the most distinguishing factor of pari-mutuel wagering, when compared to other forms of wagering entertainment, is the skill factor. Although pari-mutuel wagering

is enjoyable without applying significant effort to handicap the event and make a selection, the capability to do so is unique among most other forms of wagering, which either have no skill or the operator works at obscuring skill and information. The “race info” includes three groups of information. The first group is the participants of the event, such as a horse race, and what their betting interest number is. The second group is the historical performance of each entrant in the event. The third group is expert predictions of the performance of the participants in the event based on the first two groups.

Like the video pathway, the race info pathway is proven and well established globally across many consumer channels and in multiple languages. Consumers can purchase paper copies of the information in summary and detailed format, or view on line where several third parties provide tools, summaries and forecasts to assist in the selection of a betting interest in a particular race. The infrastructure is available to include this information in mainstream media channels, and in some areas is already present in the news channel used by people daily.

Point Of Sale Approaches

The major driving factors of the “point of sales approaches” are the channel and the customer utilizing that channel. Those channels that are targeted to experienced customers will require traditional pari-mutuel point of sale, or POS, technology. Channels targeting new customers will be able to provide a new experience or leverage the lottery experience of those customers.

System-to-System

The “system-to-system” approach uses the gateway aspect of the tote pathway to connect the centralized server which is connected to the network of Lottery terminals, which is in turn connected to the Hub that will pool the wagers for transmission to the host. The retailer will utilize the lottery terminal already in place to process wagers either through quick pick or via a mark sense card. The degree of integration will be determined through a detailed analysis driven by regulation, business process and cost benefit value. This degree can range from having the Lottery system be totally unaware of the pari-mutuel wager, thus having the lottery system just pass data to the hub which would process the wager and communicate information back to the lottery system for display on the terminal, to the lottery system driving the majority of the interaction on the wager and simply handing a completed wager to the Hub. Both of these extremes have been implemented in the past along with the continuum between these two positions.

Dedicated Terminals

The dedicated terminal approach, although easier on the centralized staff and systems, can cause problems for a retailer due to a completely separate POS system. The dedicated terminal will increase the use of counter space, as the retailer will have both a lottery and a pari-mutuel terminal. The separate POS system will mean there is a separate cash reporting system that will have to be reconciled with cash handling of the entire retail outlet. It will require a separate mark sense card, a new interface and duplication of networking. The dedicated terminal approach would enable the location to

provide an experience akin to an OTB, with customer interfaces familiar to the experienced customers.

Recommended Approach

Using the framework of channels, customers and products, coupled with the wagering pathway requirements and utilizing AmTote's global experience in implementing pari-mutuel wagering solutions, the following is a recommended approach to the expansion of pari-mutuel wagering through the lottery channel:

- 1) Use a system-to-system approach to integrate with the tote hub. Although longer in implementation with a separate terminal, the Lottery channel's target is primarily the new customer. Though expensive, the benefit of the separate terminal for the experienced customer would be the revenue generated from the terminal.
- 2) Provide a limited number of wagers and a limited number of events for customer to wager on. The type of the wagers would be basic in nature: win, place, show, or super exotic and jackpot styled like the pick 6, the triple trio, or the Quiente Pluss.
- 3) Utilize existing video distribution pathways, such as how the Triple Crown series is being broadcasted, specialty channels, or the internet for the limited menu of races via the Lottery web site.
- 4) Provide simple pick sheets within retail outlets and online at the Lottery site with some Race Info and perhaps expert forecasts to assist new customers. Provide links on the Lottery site to send customers to the existing channels that provide Race Info for more experienced players.
- 5) If a location warrants an investment in an OTB styled environment based on the demand of experienced customers, then the implementation and servicing of this solution is well understood by existing suppliers to the industry and can be quickly implemented.

