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Listening to the Racing Customer

Moderator:

Rick Hammerle: Racing Coordinator, Oaklawn Park

Speakers:

Pat Cummings: Executive Director, Thoroughbred Idea Foundation

Dr. Marshall Gramm: Professor and Chair of Economics, Rhodes College, Horseplayer

Jonathon Kinchen: In The Money Players Podcast, Host; FOX Sports Racing Analyst

Mr. Rick Hammerle: Everything working out there?

Can you hear us pretty good, hear me anyway? ®

Sometimes, they say I don't need a mike, but we'll use one this way. Thanks for everybody sticking around here to listen to what these three fine gentlemen have to say.

We want to say, of course, thanks to Race Track Industry Program for allowing us to speak and for putting on the show here for 46 years.

It's a good thing to bring the industry together, and we're happy to be here.

Ironically, we're talking — listening to the racing customers, the heading here, more the horseplayer. We're going to be interested in the horseplayer. I was gonna say, ironically, we're towards the end of the convention, and it seems time — lots of times, that the horseplayer's at the end of the list of the groups that matter to the racing game.

As we all know, it should be a little bit higher 'cause without the horseplayer, the machine doesn't go.

We don't put food on the table, and things come to a stop.

Although owners, trainers, breeders obviously are involved, but the horseplayer needs to be heard from a little bit more.

You're gonna meet these three gentlemen to my left here who are invested in the game, are into the game. They've been playing horses, and they're veterans. They really love the game. More importantly, they're willing to share some of their knowledge to you.

I think sometimes, we get the feeling when guys like this, we have tournament winners up here and owners, that they don't care about the average guy, the average horseplayer.

They're only interested in the contest guys and everything else. You'll find out that these guys are here because they're giving their time, and they want to help everybody. They want information out there that can help the average horseplayer because we really need to keep what we have. We need to cultivate some new players. I think these guys are gonna talk about some ideas that'll help that.

In the program, we were gonna have Sal Sinatra here, who is the head of Maryland Racing. We kind of wanted to have a track operator to kind of bounce a few things off of. Sal couldn't make it, so we switched directions.

We're just gonna have these guys. We've got a few topics to talk about. We're hoping that, unlike many of the topics and ideas that are exchanged at conferences all over the world — every week, we go, we say, "Oh, that's great."

We go have a drink. We go home, and then nothing ever gets done.

One of our goals here with this is to — we're going to discuss a lot of things, but hopefully, at the end — not hopefully — at the end when we're done, we're gonna come away with two, three, four ideas that are doable, workable, that we're gonna follow through and see if we can get done and start the ball rolling and maybe start getting things improved out there, especially informationally.

First of all, on my left here, Marshall Gramm, not your typical horseplayer. He's an owner, a majority owner in a stable that — Ten Strike stable that currently has about 80 horses in training, employs over 11 trainers at three, four, five different racetracks. Congratulations to him. Had a great year, over three million in earnings and has some stake horses, so he's invested that way.

He teaches economics at Rhodes College in Memphis. He's one of those few guys that, when he came home from the races — all of us, we call them degenerates. He could actually say, "I'm an economist," and get away with it.

Marshall is here and he's, you'll find out, a great guy.

Pat Cummings in the middle here, PA-bred, has done a lot of things in the game in kind of a short time. He did some announcing around the country. He's been to Dubai, did some work for them. Communications. Did work for Trakus when they — in their infancy to get started, got Trakus on the board.

Currently the director — executive director of the Thoroughbred Idea Foundation, which is a great name. They're starting, been around about a year now. They put out some white papers, as they call them, floating around some ideas. They're in the idea phase, and they're gonna start turning into some of the action phrase pretty soon, so we'll hear some things from Pat.

Jonathon Kinchen at the end, one of — a Gen X'er, Gen Y'er. We're trying to figure out where we all fit in the — those labeled categories.

Jonathon's from Texas. He made his first breakthrough bet at Manor Downs with his dad when he put \$5.00 across on Giacomo in the derby and said, hey, this isn't too bad.

Now he's turned into one of the most recognizable handicappers out there. He's won many tournaments and runs a podcast with his partner, Peter Fornatale, In the Money podcast — In the Money Players podcast, I should say.

A very, very informative, timely podcast that you all should listen to. Then you've probably seen him or listened to him at Saratoga. He was an analyst for Fox TV, giving out winners left and right and informing people how things are done around.

We got these three guys here that we're very happy to have.

What we'd like to do — every one of these guys are friends. They do things together. This is going to be more conversational. It's not gonna be, you got two minutes, and move down to two minutes down the road, and you've got two minutes.

A few topics that we'd like to discuss or get on the table, and if we want to go off on a tangent on something else, we're gonna do it.

Of course, we need to talk about pricing, which is another word for takeout. These guys will explain it better than I've ever heard it just to get in your heads about that.

We're going to talk about some information that maybe we'd like to see given out on a daily basis, like track maintenance.

We talked about some timing issues. Run-ups, why they're needed, why they're there, what do they mean, how do they affect track figures.

TV presentation. You're out front there, you look at the TV, and if you looked at a TV 30 years ago and you looked at a TV today five minutes before the race, basically, it's the same. Same information.

Odds on left, something on the bottom, and a picture.

Is there more information that we could deliver to the customer?

Betting menu. We might discuss that. Every bet seems to have gone down to a minimum of 50 cents. Is that the way to go? Is there another bet out there we can talk about?

Late odds change seems to be a topic, whether we can fix that, but there might be a way to make it a little bit less painful, a little bit more informative to the player.

Some transparency issues, why it would maybe behoove us as a general industry to be more transparent for things. Anyway, it's a long intro. ®

If we pass it down the row, maybe these guys will give a little two-minute speech about themselves and what they're up to, and then we'll just kind of carry on.

Dr. Marshall Gramm: Should I introduce myself?

Again, you did a great job introducing all of us, but again, I'm Marshall Gramm.

I'm an economics professor at Rhodes College and co-managing partner of Ten Strike Racing. I'm a horseplayer at first, horseplayer at heart.

Any success I have in horse racing goes right back into buying racehorses. I finished ninth at the NHC this year, got \$54,000.00 or something like that. That Thursday, I claimed a horse for 50 grand at Aqueduct.

I'm always racing horses and always looking at ways to breed horses, always looking at ways that we can do things better for horseplayers. I have taught a class on horse betting. I sell it a little bit better.

That is called the Economics of Racetrack Wagering Markets at Rhodes.

I had 40 students last spring. Where I teach, a liberal arts college of 2,000 students overall, it's one of the biggest courses that we offer.

I'm offering an online version of this course open to everybody this spring. I'm very excited about the opportunity to teach people how to bet the horses, teach people how to bet the horses in this modern era, bring some economics into it as well. Again, my hope in that is to build new customers.

Again, ultimately, everything comes back to the horseplayer, right? Everything, all that we do here, the horseplayer employs us, and so I think it's very critical that we think about ways to expand our player base, and we should be more creative in doing that.

We'll talk about a lot of our concerns, but I think in a broad sense, it's a great time, right?

As a horseplayer, I have access to all of these different tracks to play.

I think about sort of the difference — being in Texas and the college in the 1990s, if I wanted to bet a race, I had to go to the track.

Now we're in this era where I can bet racing 22 hours a day, and sometimes I do, right?

That's the upside of it, but the downside of it is we're suddenly in a very competitive market. The dynamics are changing.

We have this young generation that is much more interested in gambling. I can tell you that straight off from talking to students. They like to gamble, but they think of it as an intellectual exercise, right?

They want to build models to — I had a student building a model to try to bet golf, right? Their approach to it is intellectual.

They're not the future slot players. That's what we need to be appealing to. They're price-sensitive. We'll delve into the pricing thing.

I swore this year, I was gonna come here and talk about takeout, but I sort of have to because of our current state.

Before I ramble on, like any professor would, let me point it over here to Pat and let him —

Mr. Pat Cummings: Thanks, Marshall. Marshall's also a board member of the Thoroughbred Idea Foundation, for full disclosure.

It's an organization that was founded by Craig Bernick of Glen Hill Farm about 16, 17 months ago.

He brought me back from Hong Kong to lead a — essentially, a think tank for horse racing. We have taken the mantle of trying to take some ideas and some basic points and areas where we think the sport needs to improve and that are areas that maybe we haven't heard necessarily a lot about.

We don't often talk about the medication issues. We don't often talk about the welfare issues. It's not because these aren't concerns. They're massive concerns, but there are plenty of other things.

The word that has been tossed around in the sport for months has been multifactorial.

Our issues, as a greater industry, are certainly multifactorial, but the ones in which we have tried to take the mantle on, issues relative to pricing, transparency, product development and access to information. ®

We think that if racing can improve in these four areas, we will have a better product.

Just echoing something that Amy Zimmerman said in the last session, but I just want to maybe expound upon, she said very clearly that if racing wants to be taken seriously as a big-person sport, we need to treat it like it's a big-person sport.

We don't. If we did, we'd be far better than we are today, but we don't do that right now. We simply do not take ourselves seriously enough as a professional sport.

Racing in America falls far short of the mark internationally in kind of the greater pantheon of issues relative to transparency and information access and product development.

I think kind of the second point to follow up from the previous presentation, a good point that Kevin Grigsby made is that it would be great to have racing on the same shelf as sports betting, and our organization has advocated for the development of fixed-odds wagering on racing as a complement to pari-mutuel wagering. Not as a replacement, but as a complement.

I testified in front of the Kentucky legislature two months ago about this very topic and said to a bipartisan group who were actually quite supportive of sports wagering, and I think it's going to pass in the new legislative session in Kentucky, but I said, quite frankly, if Kentucky doesn't take the lead and enable betting on fixed-odds racing, I don't know who will.

New Jersey has really been the only one to kind of dabble in it, and there are indications that they want to do more of it in the future, and that's great, but to take Kevin's point, while it's great to co-locate racing next to other sports and certainly would be great to have a fixed-odds complementary product, the problem is, is that sports betting is fresh bread, and horse racing is stale bread.

We're on the same shelf, and we hope that people will buy the stale bread. The only problem is, horse racing's stale bread is more expensive, less certain, less transparent, than the fresh bread that is cheaper, more open, more available.

I don't know how customers are going to repeatedly buy our stale bread if we continue to bake it as such. Those are the source of things that I think we need to examine in different areas of pricing, transparency, product development, and information access, that will enable that.

We'll have some more examples to give you as we go on. JK?

Mr. Jonathon Kinchen: It's highly unlikely I'm gonna use words like multifactorial. I just want to get that out there now. Look, I'm just a horseplayer who kind of fell into this situation, to be honest.

I grew up in Dallas Fort Worth. I used to go to the track with my dad all the time 'cause they didn't have slot machines, so he'd play our address. He's awful. He's still awful. I try to help him. He's the worst, worst player I've ever seen.

He used to give me 20 bucks to play, so I started playing. I kind of fell in love. Like Hammerle mentioned, I hit five across the board when I was at college at Texas at Manor Downs on Giacomo.

I bought keg beer and three handicapping books that night. I started reading. ADW became illegal in Texas, and I started playing in NHC qualifiers and BCBC

qualifiers. I qualified. I made it to the NHC in my first year trying. I did really well at that NHC. I won the NHC tour of the year after that.

I lost a lot of money in the process of learning how to do this, getting better than a majority of our horseplayers are doing it. It's not about handicapping. It's about betting.

Betting is more important than that, than picking horses. You can take any public handicapper and take their poor picks, bet them more efficiently, and have success.

When I realized, beating my head against the wall for five years learning and losing money, that there's a lot more math to this game than I think the industry likes to give the horseplayer credit for. These jackpot wagers, a lot of the things that we do in racing where we've — racing has — lied to themselves and says that the horseplayer is not price-sensitive because the horseplayer continues to support these things that aren't in their favor.

I think it's misleading because I think they might not know they're price-sensitive, but my dad's pretty price-sensitive when he takes his 100 and he goes and he loses and he has to leave with three races left.

If the takeout was lower, that one time he got lucky and was right, he would have an opportunity to stay longer, have more fun, buy another couple beers or three.

That's kind of my approach. I care about the horseplayer. I care about the game. I'm a huge fan. I can watch — I can queue a race up on Youtube right now. Don't make me cry. I care deeply.

I think it's the greatest gambling game that is available, but I feel like our industry really, really misses the boat on worrying about their — everyone's worried about their piece of the pie, and no one gives a shit about making the pie bigger.

It's all, horsemen want this, the track want this, disgruntled horseplayers want this. I don't think any of us are in that category. If you look to our Twitter feed, it's not negative, and I think there's a lot of guys that are.

I think that the main — the industry needs — as a whole needs to understand, how do we make this pie bigger and stop — all the little factions need to stop worrying about their little piece because, like Pat said, it's stale bread, and those pieces don't taste very good.

Mr. Rick Hammerle: All right, guys. Let's start off.

You touched on it a little bit, Jonathon, and Marshall, you kind of brought it up, so let's talk about the takeout issue just a little bit.

That's the Lasix of handicapping, I think. A lot of different views on it. I, for one, was like your dad as far as — maybe a little bit better handicapper.

What did I care? I had 100 bucks in my pocket, 200 bucks in my pocket. I was going to the track for the day. If I won, I won, and if I lost, I lost. I don't care if the takeout was 15, 10, 20, 25. It didn't really matter to me.

To tell you the truth, it didn't really matter to me for — until I was educated that — that \$100.00, if, when I did cash a few bets, and the churn kept coming along, instead of getting 15/80, maybe I should have got 17/40.

That pick three I hit for 150, maybe it should have paid 210, and it would have kept me around longer and allowed me to make more bets during the day. When you put it in that fashion, it's like, wow. You know what? It hit home.

These guys are the ones that kind of pounded it into my head. Like I said, you'll hear takeout in a version that will totally make sense to you, and it'll be a mystery why it's so high in some places.

Marshall?

Dr. Marshall Gramm: I do think it's important to realize what we've done in destroying our betting ecosystem, right?

We've had a dramatic decline in the real value of wagering dollars. We came out of simulcasting with this boom opportunity, and then we've been stagnant and declining in real terms over the last decade, and I think that's very concerning.

I hear people talk about that players don't understand takeout, right? That's true, but even less sophisticated slots players don't understand takeout, but you go tell your casino operator, right? Often, many of you tracks are right with those casinos.

Go tell them, hey, make your slot machines pay out \$0.70 or \$0.80 on the dollar and see how many people continue playing the slots. Why don't you put out your roulette table with seven zeros?

That's equivalent to what we're doing in horse racing. If you look at historical takeout, in 1959, Maryland was 12 percent, Michigan, 12 percent, California, 13 percent, New York and Florida, 15 percent.

1959 was pre-alternative gaming, pre-lottery, right?

Racing had a monopoly.

All of these tracks had monopolies, and they understand the value of churn. They understand low takeout.

That Maryland number of 12 percent, seven percent was kept by the track and the horsemen. Five percent went to the state. That's even a smaller margin. Now, where are we?

Takeout rates are between 15 and 30 percent, right? I think in terms of competing on the marketplace, right, with the prevalence of sports betting and all sorts of alternative gambling, right, we've just sort of let that go.

You may look at your empty track, and part of it is, we don't realize what it could be if we allowed people to churn their money, right?

All these people have gone away, we could figure out ways to bring them back, and part of it is related to the price.

If people can't win, right, if there's situations where it's very challenging over the long term to win, there are very, very, very, very few players that can win under this takeout environment.

Certainly, in competitive gambling like sports betting or poker with a 20 percent takeout, no one could win, and that's where we are.

We have to have winners, right? We have to have players who can have a day at the races and walk out with the winning day.

It may change people's lives, like Jonathon suddenly devotes all his time to handicapping. It may change my life. I'm suddenly a guy who is able to afford to buy horses, gets into the breeding. I think that's very important.

The one thing I've gotten from this conference is that there's a lot of talk of embracing this new era of cooperation, that the one thing that's happened with all the sort of tragedies at the racetrack and the heat that the racetracks are feeling is that, hey, we're finally coming together to cooperate.

You know what? That scares the hell out of me 'cause cooperation got us TrackNet, right?

Cooperation got us higher host fees and higher takeout. I worry that, when tracks come together, they're not gonna talk about, hey, what can we do to make this more attractive to the players?

Hey, what can we do to raise host fees, right? What can we do about those rogue ADWs that are offering rebates? What can we do, if there's any margin to be made, let's take it, right?

We're too much worried about a pie again, sort of the analogy of the pie. We need to grow the pie. We can't treat our players like smokers, right?

Keep raising the tax 'cause they're addicts, right? Kill off any new players and let the older players die off. It's very important, if we're gonna come together and we're gonna cooperate, I think cooperation should — big pricing should be a big part of that.

If there's other evidence that reducing takeout works, I think you can look at these carryovers.

Indiana Grand had, on September 18th, had an \$18,000.00 carryover in the pick three. They have \$23,000.00 initial pool, \$18,000 carryover when it wasn't hit. This is in the pick five. My bad. From that \$18,000.00 carryover, they had \$123,000.00 purse, right?

That little bit of money, that little bit of seeded money results in a takeout reduction for everybody from the highest rebate team player to the casual bettor.

They're getting that added money into the pool, reducing the effective takeout, and they responded, and they responded enthusiastically.

This is on a weekday at Indiana Grand. They bet other races, right? They participated. That's a big pool size for that track.

The real opportunities, I think, we have to start with pricing. I, again, swore to myself I wasn't gonna come here and give the same pricing talk I did for the two previous times I was here, but again, with cooperation comes potential pitfalls for players, but potential opportunities for us to work together and bring down the number.

Mr. Rick Hammerle: Real quick, explain — you went through that Indiana Downs example.

Explain what you mean by there was 18,000. They put 100 and some into it. How did that reduce the takeout?

Dr. Marshall Gramm: The carryover was \$18,000.00. Effectively, it was \$18,000.00 of seeded money into the pool.

With the \$123,000.00 that was bet, right, after the takeout, right, after the — again, I don't have the exact numbers. After the 20 percent was taken out, so we have \$24,000.00 that was taken out, there was still this \$18,000.00 of new money, so effectively, you have \$122,000.00 to bet, \$117,000 was returned to bettors.

Effectively, that's about a five percent takeout. The difference in the sort of lower effective takeout for all players — so again, there's situations where a casual player felt that takeout reduction from 20 percent to 5 percent, and for a higher-volume player who gets rebates, right — I bet a lot. I get rebates.

If you're going to change a takeout on me, it also changes the host fee, right?

In this case, because it's a seeded pool, right, I get the — I have a five percent effective takeout, plus my rebate, so everyone who bets into that pool is facing the lower effective takeout.

Maybe the point to this as well is that, when we talk about takeout, it's also important to consider host fee because the difference between takeout and host fee is what is going to rebate your best players, right?

What is going to reward your best players? Now, I'd love all the tracks to come together and lower takeout everywhere for everybody, but I understand that we're gonna treat some of our higher-volume customers differently. ®

That's where the host fee comes into play. When I say low takeout, I'm also talking about low host fees.

Mr. Pat Cummings: Is there a way to do this in a different fashion? Because you're explaining a situation that is totally dependent on the results on Monday to affect the pool on Tuesday potentially.

In the first paper that we published last year, we advocated for a shift to penny breakage to essentially pay back the loose change that is currently being withheld by bet takers. Most people aren't even aware of this.

I was talking to some students at lunch today and said, you know ADWs retain all of the breakage? Right now, we have — in Oregon-hubbed ADWs, which the main ones are TVG, Xpressbet, and TwinSpire, it's a total of about \$3.4 billion that's been bet through those ADWs this year, and they get to keep all of the breakage.

It's not going to the home tracks. It's not going to the horsemen's groups. It's not tied in there.

Now, the tracks are getting to keep their own breakage from bets that are on brick-and-mortar locations. We came out and we suggested, give breakage back to players and work to try and change the statutes.

The general feedback has been, that's very difficult. That's a challenging thing to do. We've kind of come around, working in consultation with one of our partners from the beginning in discussing this, to suggest maybe an alternative to that, which is seed pools with breakage.

Put \$10,000.00 into a pick four pool on a Wednesday and say, here is \$10,000.00. You heard Marshall's example. A carryover of \$18,000.00 generated a pool six times larger than the unseeded pool the day before.

It doesn't take a lot to generate awareness that there is potentially a five percent takeout bet when you are — with a small base.

This is something that we've had some very positive reactions discussing it. It's been something we're talking about somewhat privately for the last two months.

Can you take your breakage and give it back to players in a different way as opposed to having to change the statutes for it? It's been well-received in the early discussions, so I'm hopeful that it's something that can be taken up in the next couple months.

Mr. Jonathon Kinchen: Yeah. I think takeout reducers are always attractive for players. I was thinking about an example.

I played Gulfstream Park West — I made four bets there in a year, and it was when they had a carryover. I played the pick five. I got snapped on the first leg. I played the pick four back, got beat there. Played the pick three back, got beat there. Played the double and got out.

Those are the only four bets I played at Gulfstream Park West all year, and the only reason I was there was because of that carryover.

I handicapped those five races. I had opinions that I had formulated on those five races. As horseplayers, we're all egomaniacs when it comes to our opinions.

That's why you bet, 'cause you think you're smarter than the guy that's sitting next to you. In this case, I'm not. The point being is that the higher-level players are price-sensitive.

I don't play rainbow sixes until it's mandatory payout. I don't play jackpot pick sixes or any of those jackpot bets until it's a mandatory payout. I do not do it ever. I think that the lower-level players, people like my dad, like we talked about, he's not price-sensitive, but he's price-sensitive because it's — something that Marshall said, and I think it's important, and it's in a takeout category, but the reason that it's so hard to win at this game is not because the game is that difficult.

The game has become more difficult with computer players taking betting so efficiently with the lower minimums.

What I mean by that is that you cover pretty much every combination in an efficient manner. If the favorite wins in an exacta, they're gonna have \$50.00 of that exacta. If the 50-to-1 shot wins, they're gonna have \$1.00 on the exacta. No matter what, they're gonna get \$100.00 back. I hope that makes sense.

Mr. Pat Cummings: A line that Marshall used — so I'll just make sure we get it out there, but I want to credit it to him — is that we're pricing our game as if the sport is growing.

We're pricing our sport as if we have a monopoly, right?

It doesn't make sense to price racing the way in which it is when over the last 15 years, racing's handle is down 50 percent adjusted for inflation. Why has racing gotten more expensive as fewer people are coming to the table?

It's really the opposite effect of what we should be doing, especially in light of the ever more competitive environment that exists for our bettors' dollars.

Mr. Jonathon Kinchen: Right.

Mr. Rick Hammerle: I want to talk — I want to continue with what you — what all three of you said, but Pat brought up the simple idea of seeding a race, whether it's — and we're seeding it for breakage, whether it's seeded from breakage or it's seeded from a carryover.

What the trickle-down effect of that is, boom, we've got \$100,000.00 now in the pot or 115 or whatever that number may be.

Now, all of a sudden, guys like Jonathon go — the little bell goes off on their little carryover watch thing, and they go, you know what? I'm going to bet Indiana Downs today.

What do they do?

They spend the time, and they go over it, and they spend hours and hours and invest in that. Just like he said, they spent all that time. They bet the pick five. All right. They also handicapped all these other races.

Whether they hit it or not, they're probably gonna continue to bet that track. You get that carryover effect not just for the one bet. You're betting races, and who knows?

Maybe he gets interested in Indiana Downs.

Mr. Jonathon Kinchen: The other thing is, if you handicapped an entire race and you see a horse get buried on the rail and you know the rail wasn't good for majority of the day, you add that horse to your stable mail, and when he comes — when he's back in on Thursday, you're playing Indiana Grand again when you weren't — you would never have looked in those two, three, four, five weeks.

It's not all tangible. You can't all hold it in your hand but getting people to look at your signal to support your horsemen's group, to fund your purses with the wagering dollar, anytime you can draw eyes there, it's smart.

This is very elementary, but 10 percent takeout on \$100,000.00 is the same as 20 percent takeout on \$50,000.00. The same thing.

The good news is, if you had 100,000 in churn, then you have half of your customers who have won, who have cashed a ticket, who have had that thrill of hitting the tri and being able to be the smart guy with their friends.

They hang out there longer.

They're having another beer.

They're meeting another person at the racetrack.

They're engaging. There's a lot of it that's not quantifiable. It's not gonna show up in your report that you get from your ADW and from your tote service when you come into the office on a Monday morning. That's not there. I think that it's just kind of back to that pie thing.

It's like, I just don't understand, to Pat's point, why we're so arrogant as a sport that we can be the most expensive and complicated gambling game with the most difficult barrier to entry with data being expensive, with the racetrack costing — it costs money to get in.

You got to park. If you want to get a double margarita, which I enjoy doing, it's \$22.00. That's a lot. You spend \$100 before you even bet the pick four.

I think that that arrogance is — we have to be aware of that and try to do a better job of having a little bit more humility in the fact that we're not — we don't have the monopoly we used to have, and we're not as relevant in the main scheme of gaming and sports.

I think a little humility would do us some favors to try to do things to improve our product and be appreciative of the new customers and also take care of our old ones.

What was the quote you said yesterday about the old customer, new customer?

Mr. Pat Cummings: Yeah.

It was actually Mike Boychuk, the NHC champion. He's a political strategist in Louisiana. He's been here before.

He said on Twitter, you can't sell something to someone new if current customers are dissatisfied.

We have a lot of dissatisfied customers. As much as we'd love to be attracting new customers to our business, our fundamental core customers are unhappy with what we're doing.

One area in which we see this happen time and time again is this perceived impact of late odds changes, right? It's a routine cry from players.

It seems to come up in the media time to time, depending on the race. The last two years, the day that's been highlighted — it happened this year — it happened the previous year — was Suburban day at Belmont Park.

This year was the Suburban.

The previous year was the Dwyer.

This year, Preservationist went from 7-to-1 to 7-to-2, and Firenze Fire the previous year the Dwyer went 5-to-1 to 5-to-2.

Now, our industry's body that looks out for us, the TRPB, says there was no unusual activity.

Okay. That's fine, but if you had looked and done the math on the will pays in the doubles leading into those races, you would have realized that Preservationist was being treated like a 7-to-2 or a 4-to-1 shot in the Suburban, and the Firenze Fire was being treated like a 3-to-1 shot in the Dwyer, and so their odds at the death in both of those races were far exceeding what their will pays were going to suggest that they would have actually paid.

We have a closed market on the next race before the horses have even come to the paddock. The daily double pool. Almost every track is rolling doubles.

On Saturday at Aqueduct, the Demoiselle, the eighth race, \$410,000.00 in the win pool, but the race before, they bet \$70,000.00 on the double, race seven into race eight. We have a closed \$70,000.00 market on the win pools for those two races.

Why are we not reflecting to the public what a closed pool is suggesting the win prices will be for the next race?

Mr. Jonathon Kinchen: I call Marshall all the time because he's my math guy. If I'm in a contest, I'll say, "Hey, what am I gonna get on Mendelssohn here?"

Because Mendelssohn will be 4-to-1 on the board, but you know the late money's gonna come, and I want to be able to strategize and make my bet. He'll tell me, "He's gonna go off at 2-to-1." Now I know. The fact that racetracks aren't publishing that information when it's very simple to do so — what you're doing there is you're essentially eliminating a complaint.

All these people in the world who think that it's funny business, they're gonna find out very quickly that Mendelssohn was always gonna be 2-to-1, and we knew that for 30 minutes.

At the last flash when the computers come at the last possible flash and bet \$40,000.00 in the other direction, it happens. I made money at Saratoga.

I got a free dinner at Salt and Char because this guy swore up and down that Midnight Bisou was gonna be favored over Monomoy Girl, but I was looking at the double, and the double was paying \$14.00 to Monomoy Girl, and it was paying 28 to Midnight Bisou. I bet him \$200.00.

It was the easiest money I ever made.

Dr. Marshall Gramm: Easy to do. It's something easy to do in terms of your track, and it does not — it's one thing that we talk about in NYRA in California and Kentucky with very big doubles pools. Even fairly small doubles pools. \$10,000.00 in a double pool can be very predictive.

Now, you can't predict the first race, right, but you can predict these other races, and you can give imputed odds. It's a very straightforward calculation.

It's something that I teach to my students maybe in the first or second class, right?

The tote board gives us a lot of information.

These are separate pools that the public is establishing prices on. Across these pools, the market is very efficient. I spent a decade studying market efficiency.

These markets are efficient across pools, and so the double tends to be an excellent predictor. It's data within our hands, something that we could display and help us get more information. Now —

Mr. Pat Cummings: I was gonna say, a place that you see this happening before it even — within the confines of a single race, you tend to see this happening in the exacta pools within the race.

The exacta pool will move before the win pool will. This is a trend that basically exists in almost every tote jurisdiction, that the professional players within that jurisdiction are going to wait on the win pool because it's easier to see what the market is doing currently, but if you watch the probable payouts, very often, you will see the probables will tumble down on certain combinations before the win odds will tumble, which they'll wait until the very last second to do.

Hong Kong has the world's largest per-race tote pools in the world. They also have the world's largest odds changes, late odds changes. I've seen horses go from 60-to-1 to 8-to-1. This is with \$2 million in the win pool. It takes a lot to do that.

What did Hong Kong do to make players feel better about this? They started highlighting on screen the odds changes, that when a horse's odds change 20 percent downward in the last five minutes, from five minutes to post to the start of the race, they'll highlight the odds with a green bar around that price. When it goes to 50-to-1, it'll be a brown bar.

It really draws your attention to the fact that there is a big movement on this horse.

Players won't feel as bad if they know they're about to get screwed. If they see it coming, it's not going to feel as bad, but when the last flash on the screen is 7-to-1, and you didn't notice it, and you've backed the horse at 7-to-1, the gate opens, and then the graphic comes up that says 7-to-2, come on.

If I saw, because of the color coding, that every exacta combination with Preservationist was being cut by 25 percent or 50 percent, I can see what's coming. If I've shown people the imputed odds from the previous race's double pool were always gonna be 3-to-1, then I don't feel so bad when the horse ends up 7-to-2.

I almost feel like I've got value.

Mr. Jonathon Kinchen: If you see it coming, you can also prepare. You can pass on the race while everyone else in the world is like, oh, 6-to-1, 6-to-1, 6-to-1, but you know your fair price is three. You know it's gonna go to two. Then you just pass on the race. Then no one's upset, and Twitter can be its normal negative self without that part of the equation.

Dr. Marshall Gramm: Every sports betting customer knows exactly what price they're getting when they make their bet.

Mr. Rick Hammerle: Think about this. This is what I consider a situation where it could happen. We can move this along. We can figure out.

When we talked about the TV, the odds, it's the same as it's always been. There's room up there to do exactly what they said in some way, whether you put the odds prices up or the imputed odds. Next to the 8-to-1 is 5-to-1.

Dr. Marshall Gramm: Put a different color.

Mr. Rick Hammerle: Something along those lines where this could happen. Just more information on the screen.

That's one of the things that, at the end of this, I think we're gonna talk about getting racetrack managers — I'm hoping there are some racetrack operators and regulators out there that are hearing what these guys have to say and going, you know what? Maybe that's not a bad idea.

I was lucky enough to have Jonathon and Marshall speak to some of the students here in one of our classes on — just like this, conversationally, general questions, one of the questions I asked. Nowadays, as we know, the racetrack puts on a show.

Between 80 and 90 percent of the money is not bet at the racetrack anymore.

It's bet from the couch, or it's bet from an ADW or somewhere else. The deal is, the racetrack is the one putting on the show, and they still need to do the right thing.

In other words, by running the race, getting out information, current information. Some of the information that's gone out, it's gotten stagnant. I don't think we get out anything new, but there's a lot of stuff there that maybe could be brought out.

When I asked these guys, just out of the blue, I didn't know what they were gonna say.

I said, what would be some simple information that would help you that you would like to know on a daily basis, race to race basis?

Both of these guys, and a couple other handicappers that we had on, the number one thing, you know what it was?

Very simple. We'd like to know the track maintenance schedule every day. That sounds pretty doable, right? Simple information like that, whether it's a sunny day, a rainy day, how does that help you guys and people like you that maybe do figures or biases or — the complicated stuff that the regular guys don't know but maybe would like to learn.

Mr. Jonathon Kinchen: Right.

Yeah.

I think there's two different conversations.

From a figures standpoint, obviously, the racetracks change with all the weather stuff.

We saw in the presentations yesterday. When you're trying to — you have these baselines for where races are supposed to be, and when they're running slower or faster, you need to understand what — how the track contributed to that.

All of that data that they seem to be collecting and that they make all these decisions about, it'd be great if they shared it. They went over it yesterday. That was gonna be one of my questions.

I was going to hide in the back and ask why they don't release it.

I think that information could be beneficial.

Also, from a bias standpoint, I know a lot of novice handicappers think that it's hocus-pocus, but it's real, and I don't know a real horseplayer that doesn't believe that it's real.

I don't think it's so much forward, like horses that are on the lead are gonna win, horses that are coming from — I think it's more of a path situation, but that's for another conversation.

Understanding what the track teams are doing would help me feel more informed and help me feel more confident to make larger and more frequent wagers. It's a new trend, and it's another question that I kind of had. I don't know the answer to it.

It's a new trend that the rail has not been ideal. If you look at head-on videos from the 80s, all those guys were on the rail. All of them.

They're all down on the rail, trying to save ground. You watch our head-ons now, guys are on the lead in the four path. They don't want to be down there. It's not where you want to be. I don't know if the tracks think it's a safer racetrack when the rail is dead, so there's not guys trying to get down there. Whatever. It's a real thing.

It happens at an alarming rate where a pick six sequence will start with the rail being bad, and then a 50-to-1 shot will win the last up the rail.

As a horseplayer, it's my opinion that the racetrack was changed. That's great if we're changing it for safety reasons. That's obviously the most important thing.

It's more important than any wagering dollar but provide that information to us so that we can assess it and have an understanding of what's gonna happen or what could happen.

Right now, it's — you're just guessing. We've considered hiring a teenager to sit on the racetrack and — at the apron and tell us what the tractors are doing 'cause we have no idea.

No clue.

Dr. Marshall Gramm: Look, the more transparent you can be, the better, right? The more information you can give horseplayers, the better off you're gonna be. There's no reason to hide that information.

I would even go as far as to say, as part of your paddock show, you bring in the track superintendent, and he goes through — he or she goes through what their logic was in terms of working with the track, what they see the weather, how they plan to treat the track during the day because I think that all might matter. I'd love to build a data set and see what happens and how it affects times and all these different things, but ultimately, it's more information.

Horseplayers share you all's concerns about racing. I feel like I've had the most in-depth conversations about racing and the problems in racing with other horseplayers.

We'd be willing to do part of the research, right?

If you make that data available, maybe horseplayers will look at and find something in terms of the relationship between the way a track is handled and the way horses run.

I would say, in almost anything you do, right, be transparent.

If you think it might help people — might help handicappers, if it's something you're already telling trainers, then go ahead and just release it out there.

NYRA puts their track maintenance schedule on their website. It's somewhat costless, right? I think that, in a broad sense, transparency is very important.

Mr. Pat Cummings: The concern that I think operators would have is, geez, is my track maintenance manager capable of getting on air and talking about it?

Are my stewards capable of getting out in public and talking about why they demoted a horse from the previous race? They're not going to get better not getting on air.

They won't improve until you start putting them out there. ®

I heard the term used yesterday in the dirt session, the moisture content. I don't think anybody here outside of a track supervisor or a maintenance supervisor would be able to tell what you moisture content is at any track, but the Japan Racing Association puts it out to their bettors.

Here's what the moisture content is today. They run a lot of dirt racing, although is a little more sand-based, as was brought up.

One of the great hunch plays this year at the Breeders' Cup — not hunch plays, but quirky plays is, when the track seemed like it was playing kind of deep and slow and tiring, man, I really should have taken Blue Chipper much more seriously in the dirt mile 'cause if you've ever watched racing from Korea, it is deep and slow and tiring.

I don't know how they get through it, but they do. Blue Chipper ran his — ran lights-out. I was kicking myself saying, we're sitting here, watching how slow this

track is, and there's a horse who runs through a slow, deep track every day, and we didn't play him.

There's no reason that sort of information shouldn't be shared.

If you're concerned, if you think there might be legal ramifications or that it will turn people off in some capacity, I've heard the idea floated — we haven't really heard enough from the Kentucky Horse Racing Commission about the Derby decision and why the stewards acted necessarily the way they did because of fears of lawsuits.

There is a lawsuit, but the part of the reason why they didn't really say more is this fear of a lawsuit. They didn't say much, and there's still a lawsuit, so what's the harm in getting out there and being more public? There was a race at Belmont — at Aqueduct, rather — two weeks ago.

Joel Rosario's on a horse who's a 1-to-5 favorite. This horse is 20 lengths out of it in the five path, and everyone's like, what is going on with this horse? He looks like a complete non-trier. He runs on late, and he does get up for second, but it was very disappointing.

A lot of people on social media jumped to the, "This race is fixed, what was he doing, they should give him a month," et cetera, et cetera.

If they had brought Joel Rosario in and put a detailed explanation on record and published that, and maybe there's a very good explanation as to why Joel Rosario rode the horse in that particular fashion, then you would at least tamp down some of that fervor that right now basically goes unanswered.

All right.

We have lots of questions, and players raise lots of questions, but we don't give our customers and our internal stakeholders answers.

We let rumor fester.

There is literally no benefit to it.

If we cannot take control of our sport and appreciate what we're doing, how can we expect others to think we have an ability to operate? It's incongruous today.

We need to be far more open and transparent on measures like track maintenance.

Put it out there.

Stewards' decisions, questioning tactics, things of that nature, just put it out there.

Let the public decide.

Mr. Rick Hammerle: You know the track maintenance thing, it's not like we're hiding it from anybody.

I look back, and when we were gonna — we had Monday, Tuesday, Wednesday off three days a week. Maybe every other week, Dennis would come in and say, "Hey, I'm gonna dig up the track and kind of turn it over a little bit."

We might put that on the overnight, which is the sheet that goes out to the horsemen.

Horsemen would realize that, and maybe they would defer a work or something for a day or two.

As I listen to these guys, the importance of that, if these guys knew that, maybe that first or second or third race back on that Thursday is gonna be a little bit slower than normal because the track was dug up.

It's not like we're hiding information.

We're just not letting it out for no — we're not doing anything sinister as a racetrack. It's like, wow.

I didn't even think about maybe these guys want to know about it or the public wants to know about it, even as a small thing that — it's not small.

Hey, we aerated the turf course last night for some reason. Maybe it was a little hard, and we decided to aerate it.

Maybe it's gonna be a little softer the next day.

Once again, a doable — something very doable.

I'm hoping some of the track operators out there are taking some notes, and maybe we get together and start getting this information out there. Another topic that we talked about going over is the betting menu.

There are so many bets out there, and they're all \$0.50, \$0.10, \$0.20, which is great. It gets everybody else involved. Maybe there's another bet out there that maybe isn't for everyone. I'd like to go buy a Mercedes. I can't buy a Mercedes. I'll buy the next one down type of thing.

Jonathon has a good idea that we talked about, we've talked about for years, actually. Just something that a little bit out of the box that maybe will attract attention to a track. The minimums are great. It gets everybody involved.

Maybe it brings that price down a little bit. The trifecta should have paid 250. It pays 190. Expound on what — your simple idea.

Mr. Jonathan Kinchen: I'll just kind of graze over the minimums, and maybe Marshall or Pat can get into more math about the explanation for that. I get it. Yeah.

My dad loves playing \$0.10 supers, but more — but it hurts my dad more than it helps my dad because now the computers can bet all these combinations for \$0.10, \$0.20, \$0.40, \$1.20, \$1.80, \$14.00.

They're taking all that meat off the bone that my poor dad playing our address. That's not a battle I foresee us winning up here, of getting the minimums changed to higher denominations

I think it can work in certain pools, but I also think that there's an opportunity to do some larger denominations in certain pools. The pick fives are obviously the most popular bet in the country at the moment, the early pick fives, and now a lot of places are having late pick fives.

The late pick four still does well 'cause people will play the pick four back or if they get beat in the first leg of the pick five.

I think it'd be a great idea to — I implore someone to try to do a \$10.00 late pick three. I don't see the negative. I don't see the problem.

The late double and the early double, for whatever reason — I guess it's maybe tradition — those do better than the middle doubles.

You can go two state doubles — you can go a grade one, grade one double in the middle of a card at NYRA, and the late double will still do better than the grade one to grade one. I don't know. Horseplayers are interesting people.

I think it'd be kind of cool to try to do a \$10.00 pick three. There's opportunities for scores. There are opportunities for carryovers. There's opportunities to kind of play towards your larger customer.

I think they'll handle well. It eliminates computers from taking that meat off the bone. There's a lot of positive things you can do with kind of playing with that.

I think Hammerle and I talked five years ago when he was at Santa Anita about doing the early pick four for \$5.00. No one plays early pick four anymore.

They play the pick five because those are usually the small fields no one wants to play. That's why the players pick five was invented with 15 percent takeout. People play the pick five.

They don't play the pick four unless they lose the first leg of the pick five. Why not make that a \$5.00 bet? Try something different.

That's kind of the biggest thing that we talked about continuously is like, we don't take chances in this sport.

I think part of that reason is — this is no offense to my people that are — have legal backgrounds or accounting backgrounds, but Mattress Mack said it on opening day is like, way too many decision makers are — have legal backgrounds or accounting backgrounds.

Legal guys don't want to take any chances because that's how you get sued, and accounting people are counting pennies, so they don't want to take any chances because that's — they're spreadsheeting it up.

We don't take any chances and do anything different.

If you look at every sport that's big in the United States, they've taken huge chances on changing big parts of their sport.

I was looking at just some random lists on the Internet today, like the two-point conversion being added in the 90s for football.

Instant replay.

Shoot-outs in hockey.

Changing the size of the goalie's paths.

There's a million things.

I'm like, what have we really done to take a chance? I have a lot of friends in places in racing, and I try to have these conversations with them, and there's always these bureaucratic reasons why we can't do things.

That's really frustrating.

It's like, "We can't do that because we haven't done that, and they won't let us do this because then we have to do this."

My favorite answer is, "Oh, we don't have the tech for that. We don't have the technology for that." Get the technology for it.

I don't think anyone from CDI is here, so hopefully, I'm not gonna make anybody mad. I think maybe one person is, but — it's like, we have this issue with the gate at Churchill where horses that are in the auxiliary, they bump into each other all the time.

Why don't we make a 20-horse gate?

Cause we can't afford it?

Stop.

Let's solve these problems with new, innovative ideas.

Mr. Pat Cummings: They've given the impression publicly that they are —

Mr. Jonathon Kinchen: Of course.

Mr. Pat Cummings: - trying to solve that.

Mr. Jonathon Kinchen: My point is, is I dare someone to do a \$10.00 late pick three.

Dr. Marshall Gramm: I think experimentation's really important.

The other part of sort of bringing racing in — compared to these innovations in other sports is the timing issue of our races, right?

We don't time races all that much differently.

We have different run-ups, right?

I'm trying to teach my course, and the six-furlong time at Churchill under 22 might ultimately be not that fast because of the 110-foot run-up, but a six and a half furlong time of 22 and change might be faster because of the short run-up.

I don't know whether we need some consistency in run-ups.

I'd eliminate the run-up altogether or figure out a way to accurately reflect our distances. We have one time for the horse finishing first. We don't time all our participants.

Could you imagine watching the Olympics, and we just have a time for the winner of a race, and everything else is in beaten strides or something like that?

Timing is very important, and it's been very important for 50 years, right?

It's something that, if anything, we've been taking a step backwards, so —

Mr. Jonathon Kinchen: Time is the basis for the wagering dollar.

Dr. Marshall Gramm: Yes.

Mr. Jonathon Kinchen: Every wagering dollar usually starts in some way with time.

Dr. Marshall Gramm: I think it's incredible to look at what other sports are doing in terms of next-gen statistics.

You look at the way they analyze football, basketball, and baseball now, and to think about what we're doing in racing, right, where we have beaten lengths and a chart and a finish, right?

We had Trakus that I think was a wonderful innovation, but it sort of died by the wayside. I think that timing of a race is critical.

Getting that stuff accurate, getting it to bettors.

We need transparency.

We need information in order to expand our wagering dollar.

Mr. Pat Cummings: Basically, everyone's at fault for the timing issue in our sport. No one's decided to act on it.

Almost everywhere else in the world, the clock starts when the gate opens.

It does not happen here.

The horses will run for an indeterminate period of time. Depends on the distance, the track, et cetera. Sometimes, this has some really deep issues in our sport, and most people don't necessarily realize it.

There's a grade two race at Saratoga, the Bowling Green. In 2018, a horse named Glorious Empire almost led every step of the way. He got caught in a dead heat at the finish. The published time for the race was two minutes and 19 seconds.

If you go and you watch the video of the Bowling Green back and you hit play and you count it until he finishes the race in a dead heat, which is the only time he wasn't in front, it's two minutes and 27 seconds.

They ran eight seconds before the clock started.

Eight seconds is a 16th of a mile, minimum. The run-up may have been 400 feet. Glorious Empire won the first mile and three-eighths of the Bowling Green.

He lost the last 16th. Every race distance that we publish is only the race distance we time.

There has not been a six-furlong race at Churchill Downs in decades. Every six-furlong race is six-and-a-quarter furlongs.

Are we serious? Would we give Usain Bolt 10 meters to run until the clock starts in the 110-meter sprint? That's what we do every single day. ®

It's not replicated anywhere else in the world, really, bar Japan and South America.

In Japan, it's a consistent distance every race, every track. Not here, for a variety of reasons. We don't take our sport seriously enough.

Again, as Amy said in the last one, if we want to be treated seriously, we need to change. I echo what both of these guys said. What is the harm in experimenting?

When we behave as if we are an industry where everything is going well, we don't take chances to make changes.

It defies the metrics of the sport as it is today.

Mr. Rick Hammerle: Just for a little exercise, when you guys go back to your room and you plug in your iPads, six furlongs, common distance. Everybody runs it. Gate's over there at the three-quarter pole and a little bit further.

Go to results. Pick a day. Find a day. Pretty much every track that runs that day will have run a six-furlong race. Every run-up. It's published. It's not hidden. Published. It's in there. It's in the chart.

Every run-up is different. Some will be 20, some 48, some 60, some 32, some — it's consistent for the track, but every track's different for run-up.

Mr. Pat Cummings: Only on dirt.

Mr. Rick Hammerle: Only on dirt.

Mr. Pat Cummings: If you have multiple turf courses, the run-ups vary based on the distances and the gate placements.

You can, on the same day, run races the same distance, use different gate placements.

Gulfstream has done it for years. One race will have a 20-foot run-up. One race will have a 300-foot run-up, and it's both — both races are seven-and-a-half furlongs.

Mr. Jonathon Kinchen: Here's one of the reasons why that's important.

If you know this, I don't mean to be repetitive, but if you've never read "Beyer on Speed", like I said, the wagering dollar's determined on time.

When Marshall teaches his 40 students that are interested — and I actually went to that class one time, and we went to the dog track after, and almost all 40 kids came, and they were asking questions the entire time. They want to learn. They want to know. It's exciting to them. Like he said, it's an intellectual thing.

Now, from an intellectual standpoint, you need the time to come up with speed figures.

When the run-up just makes it more complicated to make an accurate speed figure, and if you don't have an accurate speed figure, then your \$100.00 bet that you were feeling really good about suddenly has gone down to 20 because you're not sure if that figure was right.

You think the race was fast, but the run-up was funny, so you're not really sure. Let me watch and see.

Then the horse wins by 12, and you're mad, and you go home. You know what I mean? It's an important aspect to the wagering dollar.

It's not just like — it's not like we're trying to take ourselves so seriously that we want to pick on little things. It impacts the wagering dollar and the confidence of the bettor.

Mr. Pat Cummings: We are consistently inconsistent.

Mr. Rick Hammerle: I think we've covered what we talked about. I know we could go on forever. I'm hoping that these three guys have inspired a little thought in some of your heads out there.

We've just touched the surface on some of the small little things that we can do to be more transparent, to help the bettor, simple little things that'll start the ball rolling, and we can keep going. I'm hoping we have another ten minutes.

We can get some questions if anybody has any questions of these three guys. I don't know what the timeframe is, but — do we have anybody who wants to ask a question?

A volunteer?

Sorry. I can't see who it is because of the light.

Audience Participant: All right.

I think this is great, the panel, finally hearing a panel that's talking about transparency, data, things that will help you guys make better bets.

What about a program out there that maybe you can buy from Equibase raw data, that you can take to the data, instead of looking at the form, put it in the format that you want to bet?

Maybe there's — a horse races better at a certain temperature or whatever. I've been talking with — and this always seems to happen on this panel — I got the over-under on who was gonna bring up lowering takeout's and giving back penny breakage. I've done that analysis on handle.

I had a track lower their whips five percent. What we bet before, what we bet the same, or what we bet after, it was the same. What happened? I lost five percent of revenue.

I had a choice of two different tracks. One had a higher takeout. One didn't. Ran at the same time.

When that track closed, I took the other one. They bet the same amount on both tracks. I lost five percent of revenue. The penny breakage. Are you willing to take the negative breakage? Is the track gonna be responsible?

Also, with lowering takeout, are tote companies gonna lower expenses two percent? Is RCN gonna lower two percent? Are the horsemen gonna take two percent less of the handle?

Unfortunately, I feel, in this business, we're trying to take money from each other instead of building the pie. Make that pie bigger. Get the transparency.

Get the data out there because more information is more bets, is better bets, more intelligent bets. You guys are gonna bet more money, knowing more information and having that information at your hands, than taking away the things that we're trying to do to keep our places open.

Mr. Jonathon Kinchen: I'm gonna leave the data thing to Pat 'cause Pat's done some extensive work when it comes to the data. I think he agrees with some of the similar ideas you have.

When it comes to the experiments, I think we have had with lowering takeout, I've been a horseplayer pretty seriously probably since 2010-ish.

With all due respect, I've never bet Canterbury.

I think I actually had a friend who ran a horse there one time. That was probably the only time I ever watched it. The fact that they're the failed experiment for lower takeout, I don't think it really counts.

Like I said, no offense, but tell me that NYRA dropping their takeout or Stronach or the Derby or Keeneland or Del Mar, and that doesn't move the needle, then I would take that on the chin.

I also think that the experiment is not a — it's not a one-meet experiment. I think it's an over-time experiment. That's the problem, right, is — I know you kind of agreed with the pie thing, but I think that's what we do in this industry is we say, "I tried it.

I lost five percent of my piece of the pie.

I'm out."

Dr. Marshall Gramm: I think there are a couple things there that you're exactly right about. I would play Canterbury, but the price didn't change for me because the host fee didn't change.

If the host fee doesn't change, all the price fall does is reduce my rebates, so my effective take didn't change. For professional players, no rate change.

The other part is this game theoretic problem we face, right, is that if you're a horseplayer and you have a set of racetracks that you're betting, and one track lowers the takeout rate, right, so what's gonna happen is that that track is gonna get less of my hold when I bet that racetrack, and the other four, which haven't changed their takeout structures, I'm betting those four tracks are gonna eat more of my money up.

Unfortunately, that creates a race to the top. This is where the cooperation can be good, right, working together, seeing if, overall, we can grow the pie by lowering takeout and lowering takeout in consortium.

Unfortunately, we've gone the other direction.

Mr. Jonathon Kinchen: To answer your question, the tote — yes, the tote needs to take less than their two percent cut too. It's that pie thing. We all have to take it on the chin a little bit.

Dr. Marshall Gramm: It should be a host track, the track that initiated the bet, and the — and then the tote takes a sliver.

There are a lot of hands in that pie, and a lot of hands historically have been in that pie.

Mr. Pat Cummings: I know we're up against it on time.

If you switch to penny breakage, you almost always will eliminate minus pools.

Dr. Marshall Gramm: Yeah. The minus pools go.

Mr. Pat Cummings: Minus pools basically go away. Not totally empirically, but almost always will go away.

Relative to data, our organization has said Equibase should put out free raw data for private non-commercial use.

Put it out there for data feeds to registered users and let them have it and let's see what happens.

Dr. Marshall Gramm: Half my kids are programmers. They want to build models. They want to experiment with models.

I can put together a data set in baseball almost instantly. I could take data from the 1930s to today. I can do it in football.

Can't do it in horse racing.

Mr. Jonathon Kinchen: You can for \$15,000.

Mr. Pat Cummings: There's a huge price to it.

Dr. Marshall Gramm: Yeah. You're right. I have to clean the data, so it costs me.

Audience Participant: Just quickly interject this question 'cause it's not really a question. It's kind of a comment in relation to what you guys have talked about with reducing takeout rates.

I've played around with this model a little bit myself based on the fact that you can now do net pool pricing with — it was created back with Woodbine for the Breeders' Cup, created that model with Woodbine doing net pool pricing — it was in regard to breakage.

You could now do net pool pricing within a single pool. In response to some of what you're saying, you want to get a better bet. You want to be able to come up and say, I want to put \$10,000.00 on this race.

Within that single win pool, we can give you a net pool price of, say, 10 percent. The guy who's betting 10 bucks can still only get a 20 percent takeout rate.

You can get better liquidity within a single pool just by implementing a net pool pricing model within a single pool and doing that not necessarily full breakage, but for that single pool.

I think that would get us closer to what you're trying to say because, as Paul just mentioned, when you do the entire amount, that's when they see it. That's when they feel it.

Dependent upon the track and dependent upon the players that they have there, they might have a better shot of actually making return.

You guys are coming in with your 5, 10, \$100,000.00 bets and getting the lower takeout amount versus the guy who betting the \$2.00, the \$5.00, the \$20.00.

What those amounts are, I honestly don't know. I don't have percentages, but that might be something you could think about and work into an actual working model.

Mr. Rick Hammerle: Thanks, everyone.

Have a nice hand for our three experts. Expect if you don't get a letter or a call from — try and get some of these things done.

Thank you all.

Ms. Jane Murray: We're going to turn this around real quick and get our last panel in before the reception, so stay with us please.

