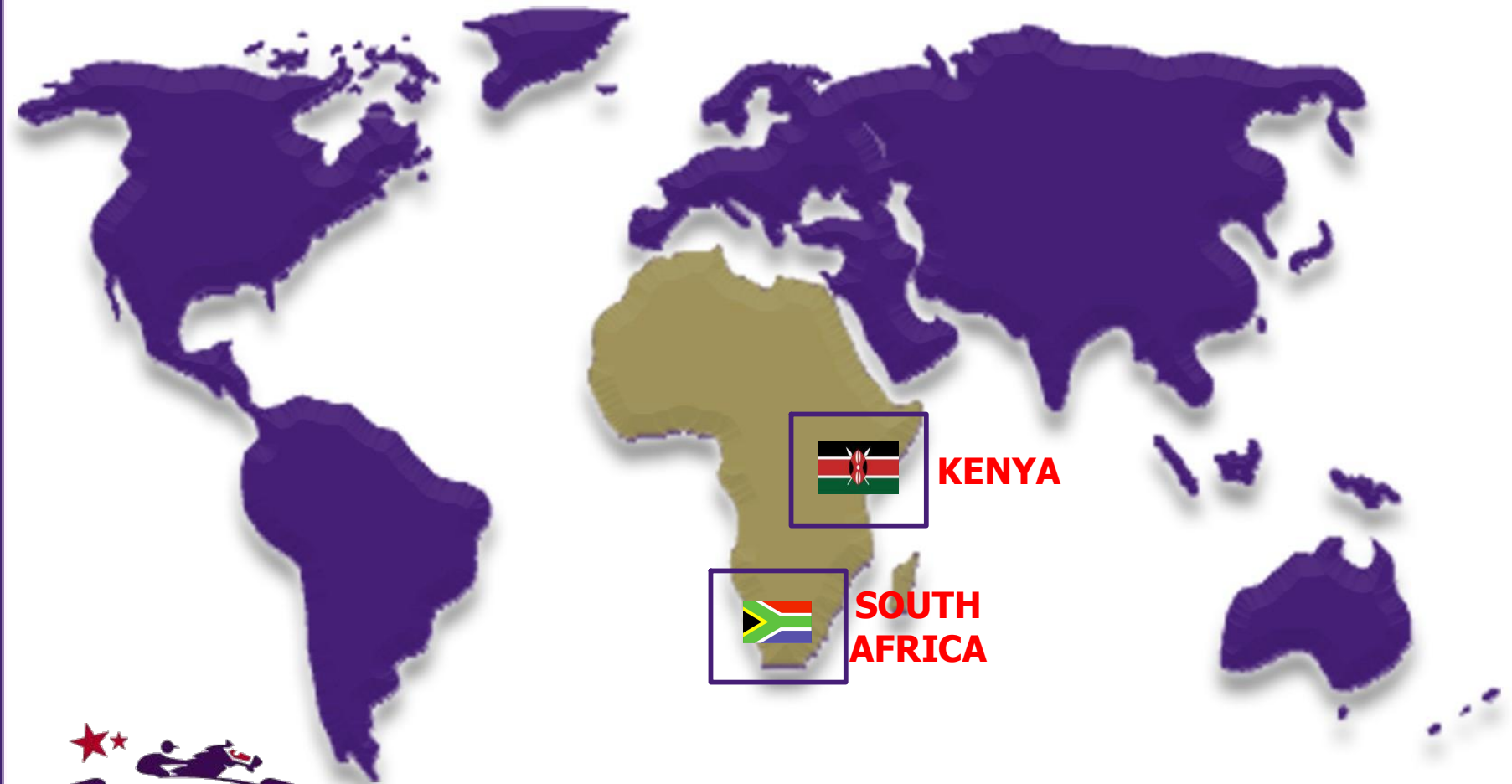


THE SYMPOSIUM ON RACING AND GAMING TUCSON 2005

A PRESENTATION ON INTERNATIONAL SIMULCASTING AND COMMINGLING ISSUES



SOUTH AFRICA





COMMINGLING HISTORY with the USA

- **Oct 2002** – Breeders Cup
- **Oct 2003** – Breeders Cup
- **Nov 2003** – US operators into South African Tuesday night pools
- **Jan to Mar 2004** – Hosted global pools on the Dubai Festival including the Dubai World Cup
- **Oct 2004** – Breeders Cup
- **Jan 2005 to Mar 2005** – Dubai Festival meetings
- **March 2005** – US operators into UK tote pools via SA
- **Oct 2005** – Breeders Cup





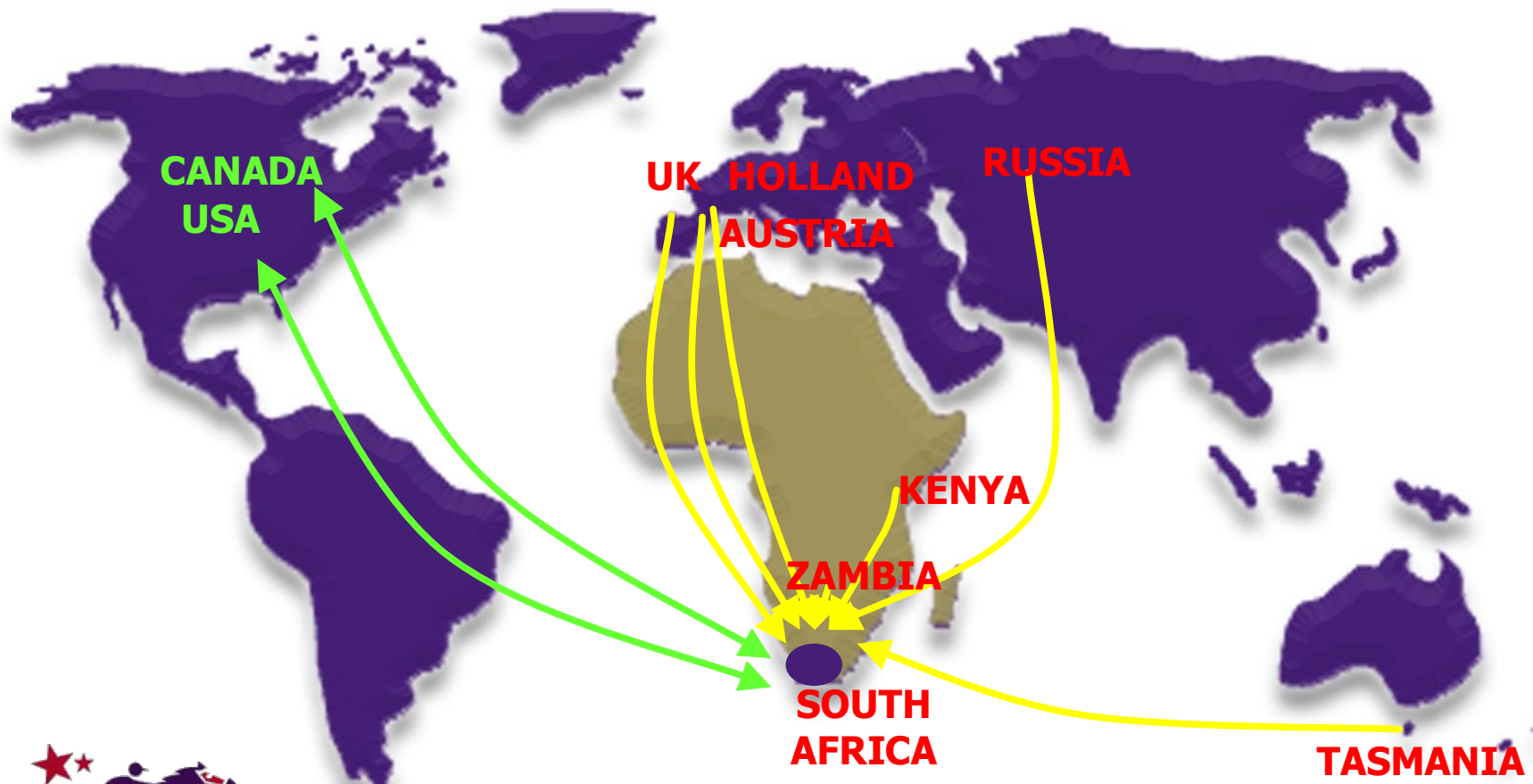
COMMINGLING HISTORY – REST OF THE WORLD

- **May 2004** – Kenya into SA pools on both UK and SA racing.
- **July 2004** – SA into weekly Kenyan pools
- **Aug 2004** – Armenia into SA pools on both UK and SA racing
- **Nov 2004** – SA into daily UK pools
- **Mar 2005** – Montreal into SA hosted Dubai pools and SA Tuesday night pools
- **Mar 2005** – Tote Tasmania into SA hosted Dubai pools
- **Mar 2005** – Both Holland and Austria into daily SA and UK pools and SA hosted Dubai pools
- **Jun 2005** – Russia into UK pools via SA
- **Sep 2005** – Woodbine into SA Tuesday night pools
- **Oct 2005** – Zambia into daily UK and SA pools
- **Nov 2005** – SA into Woodbine hosted Melbourne Cup pools





COMMINGLING WORLD MAP



	Import & Export
	Export only



INTERNATIONAL SIMULCASTING CHALLENGES

- Total service provision
- Regulatory/tax issues
- Risk assessment
- Exchange control risks
- Bookmaker versus tote
- Piracy/betting exchanges
- Commingling





THE NEED FOR COMMINGLING

In most instances simulcasting will not work without commingling because of the:

- Lack of knowledge and information in the guest market
- Different time zones that exist between the simulcast countries

These issues make it difficult to create pools with integrity and they do not get the support necessary to generate sufficient turnover to make simulcasting financially viable. Commingling is therefore an essential element for successful commingling.

In addition to counteract the threat of illegal betting and other threats every racing jurisdiction should be moving towards commingling into global pools.





COMMINGLING ISSUES

- **Government policy/legislation**
- **Tote rules and carryovers**
- **Minimum payouts**
- **Reinstatement of runner scratched in error**
- **Breakages and minus pools**
- **Cancel delays**
- **Manual merges**
- **Net pool pricing**
- **Rebaters and how to handle them**
- **Settling**
- **Full cent betting**
- **Breeders Cup specific issues**





SETTLING ISSUES

- As we are all aware settling comprises the following elements:

Turnover plus royalty and commingling fee minus takeout minus dividends earned.

On this basis if the guest's customers perform to the same level as those of the hosts then clearly the settling, other than royalties, will be zero. There is however a common misconception that commingling means money leaving the country.

- The settlement calculation occurs daily but in practice the actual transfer of funds need only occur once a predetermined threshold has been reached.
- Unpaid tickets and claims
- Breakages





RAND/DOLLAR CONVERSION TABLE

Exchange rate	US cents to the rand
6.16	16.234
6.17	16.207
6.18	16.181
6.19	16.155
6.2	16.129
6.21	16.103
6.22	16.077
6.23	16.051
6.24	16.026
6.25	16.000
6.26	15.974
6.27	15.949
6.28	15.924
6.29	15.898
6.3	15.873

Exchange rate	US cents to the rand
6.31	15.848
6.32	15.823
6.33	15.798
6.34	15.773
6.35	15.748
6.36	15.723
6.37	15.699
6.38	15.674
6.39	15.649
6.4	15.625
6.41	15.601
6.42	15.576
6.43	15.552
6.44	15.528
6.45	15.504

Exchange rate	US cents to the rand
6.46	15.480
6.47	15.456
6.48	15.432
6.49	15.408
6.5	15.385
6.51	15.361
6.52	15.337
6.53	15.314
6.54	15.291
6.55	15.267
6.56	15.244
6.57	15.221
6.58	15.198
6.59	15.175
6.6	15.152

Exchange rate	US cents to the rand
6.61	15.129
6.62	15.106
6.63	15.083
6.64	15.060
6.65	15.038
6.66	15.015
6.67	14.993
6.68	14.970
6.69	14.948
6.7	14.925
6.71	14.903
6.72	14.881
6.73	14.859
6.74	14.837
6.75	14.815

Exchange rate	US cents to the rand
6.76	14.793
6.77	14.771
6.78	14.749
6.79	14.728
6.8	14.706
6.81	14.684
6.82	14.663
6.83	14.641
6.84	14.620
6.85	14.599
6.86	14.577
6.87	14.556
6.88	14.535
6.89	14.514
6.9	14.493





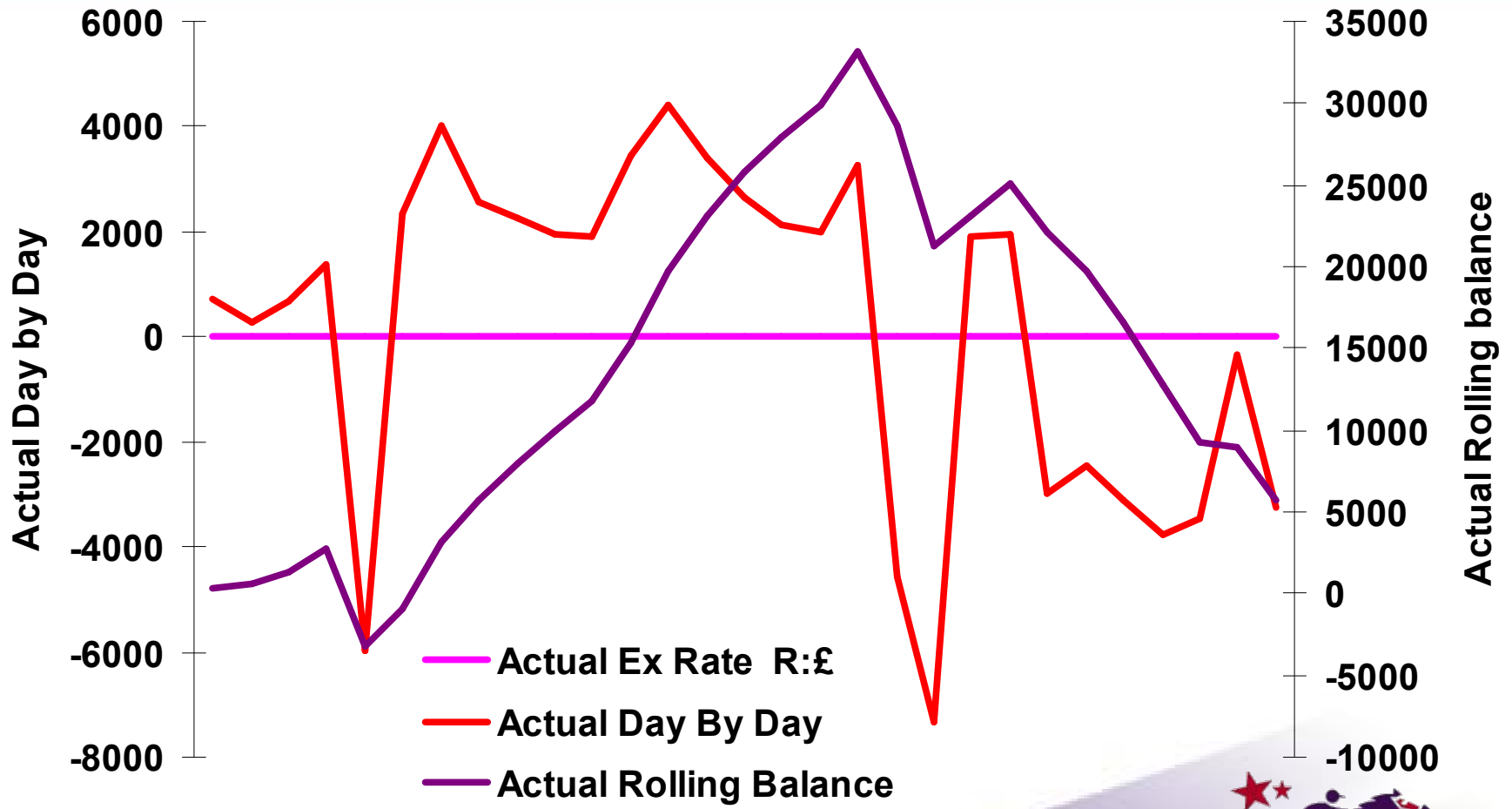
BREEDERS CUP SPECIFIC ISSUES

- Cannot commingle at current exchange rate.
- Cannot use closest exchange rate that does(6.25) or any lower rate that does.
- Cannot use next highest rate that divides as this is 10.00 and at this level no amount of selling would convince our betting public to participate.
- Cannot commingle multiple and boxed type exactas, trifectas and superfectas.
- Cannot offer place and show betting.
- We therefore can only offer win and pick 6 as commingled bets.
- Fortunately the \$2 unit on the win and pick 6 allows us to commingle at 8.00($100/8*2 = 25$ cents)
- The win bet is simple because the customer will get paid at the rate which he purchased at.
- The pick 6 however presents a major problem.





COMMINGLING WITH THE UK TOTE





COMMON THREATS

- Illegal bookmakers
- Burgeoning sports betting
- Legal bookmakers and betting exchanges
- Online casinos
- Other betting websites
- Rebaters





COUNTRIES WITH WEAK CURRENCIES

COUNTRY	EXCHANGE RATE TO THE \$US	SIZE OF ANNUAL LOCAL MARKET	REMARKS
Japan	119.6	\$29b	Huge market
South Korea	1033.4	\$5b	Only twice per week
South Africa	6.5	\$520m	Looking for daily product
Malaysia	3.77	\$370	90% of the market illegal
India	45.95	\$200	Potential is huge
Russia	28.81	Unknown	Potential is huge





THANK YOU

Any questions?

