



Northern California

Off-Track Wagering, Inc.

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ORGANIZATIONAL & OPERATIONAL OVERVIEW

Presented to the California Horse Racing Board
by the NCOTWINC. Board of Directors
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NCOTW, INC. HISTORY & FORMATION

BUSINESS

AND PROFESSIONS

CODE 19608.2

The original enabling legislation for simulcasting, SB14, provided that the racing associations, the Fairs and the horsemen form an organization to oversee and administer simulcast activities.

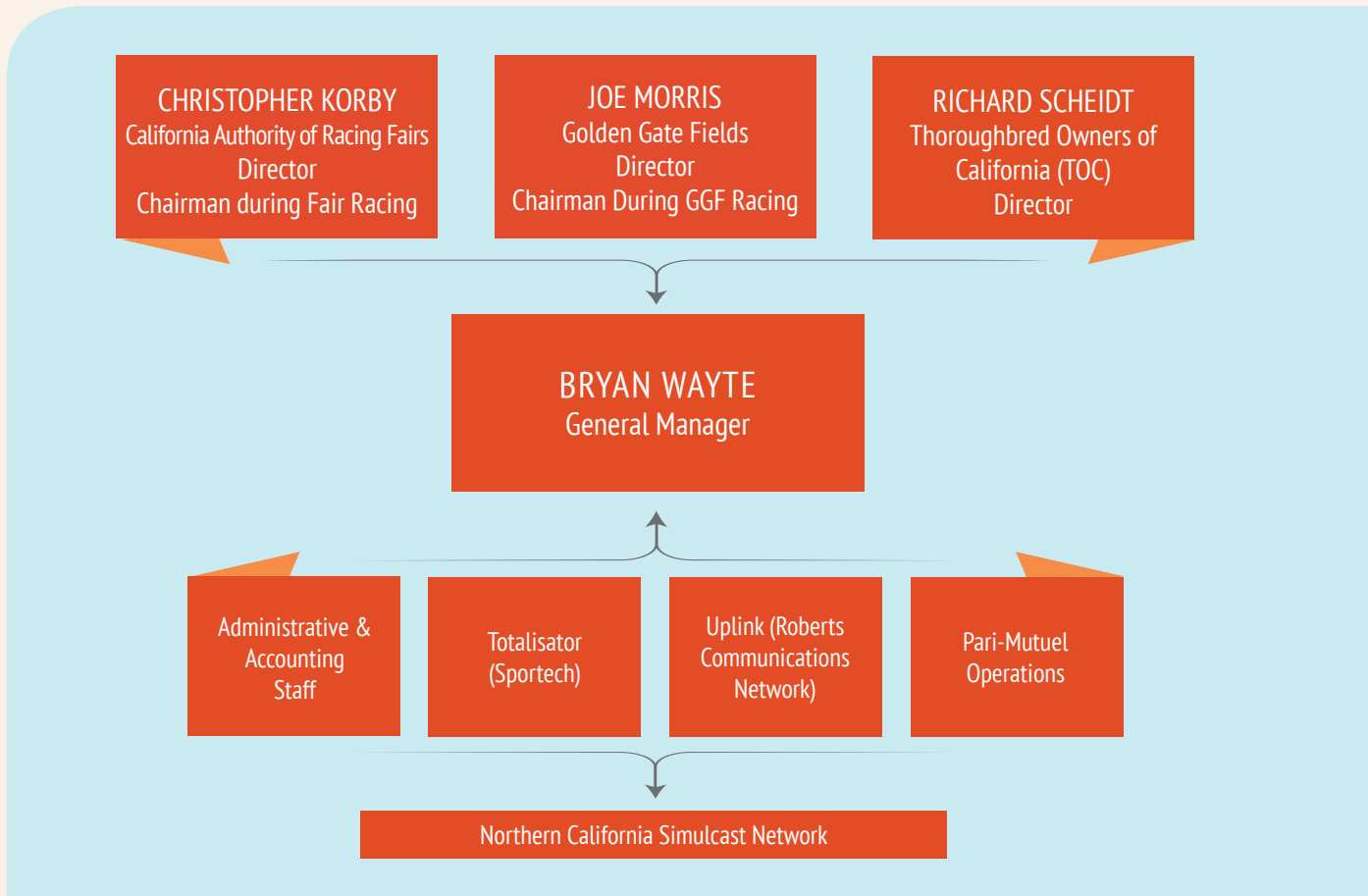


Two such organizations have been formed: Northern California Off-Track Wagering Inc. (NCOTW, Inc.) and Southern California Off-Track Wagering Inc. (SCOTW, Inc.). They are responsible for totalisator (wagering computer) services, satellite transmission, pari-mutuel clerks, banking, and accounting. Statute requires that satellite wagering Fairs have a contract, approved by the CHRFB, with the appropriate regional simulcast operator.

NCOTW, Inc.

Northern California Off-Track Wagering Inc., oversees the administration of simulcast operations in Northern California. Its members are horsemen (TOC), Golden Gate Fields and the California Authority of Racing Fairs (CARF). NCOTW, Inc. sets policy, manages contracts for conduct of pari-mutuel wagering and employs pari-mutuel personnel at off-track simulcast facilities.

NCOTW, INC. ORGANIZATIONAL FLOW CHART



BUSINESS & PROFESSIONS CODE 19608.2

Business & Professions Code 19608.2

(A) In order to permit associations providing audiovisual signals the ability to do so without undue burden

and expense, to avoid unnecessary duplication of facilities, to permit the associations to protect the security of their signals, and to permit the associations to protect the integrity of their pari-mutuel pools and to account for wagering proceeds included in those pari-mutuel pools, associations and fairs providing audiovisual signals pursuant to Section 19608 or 19608.1 may form an organization to operate, pursuant to board supervision, the audiovisual signal system.

(B) An organization operating

under board supervision pursuant to this section may consist of any combination of associations and fairs.

(C) Nothing in this section precludes any other person or business entity from

participating in, or holding a financial interest in, an organization formed by associations or fairs to operate satellite wagering, except that the person or business entity shall be approved by the board.

(D) Any organization formed

shall provide horsemen's organizations contracting with associations and fairs for racing meetings and non racing fairs operating satellite wagering facilities meaningful representation on its governing board, and shall administer the audiovisual signal and pari-mutuel operations at satellite wagering facilities.

(E) (1) An organization shall bear the costs of operating the audiovisual signal system, including the costs of leasing or purchasing and operation of equipment for transmission and decoding

of audiovisual signals and wagering data, the costs of totalisator equipment, mutuel department labor and equipment charges, and the costs, including labor, and overhead of the organization administering the satellite wagering program.

(2) A satellite wagering facility shall

bear the costs of satellite receiving dishes, head-end assemblies, television monitors or screens, facility buildings, labor at the satellite wagering facility other than mutuel department labor, and any and all other costs at the satellite wagering facility not specifically referred to in paragraph (1).

(3) The board shall approve all costs

and resolve any differences between an organization and a satellite wagering facility as to which party is required to bear the costs for a disputed item.

RESPONSIBILITIES & DUTIES

Core functions for conduct of pari-mutuel operations in Northern California are provided and paid for by NCOTW, Inc.

Duties and Responsibilities of the NCOTW, Inc.

The simulcast organization provides and pays for audiovisual signal transmission and all pari-mutuel costs, including pari-mutuel employees on-site at satellite facilities. To cover these costs, it receives a small percentage of the off-track handle.

Pari-Mutuel Personnel and Operations

The Host Track Mutuels Manager assigns the clerks and supervisor at each site. The local supervisor is also the Money Room attendant and has responsibility for the cash bank on-site.

Pari-mutuel personnel (clerks) handle operations directly related to processing wagers. These operations include having a clerk at each terminal, money room and supervisory staff, and administrative support at the Host Track.

NCOTW, Inc. manages and provides staffing for pari-mutuel operators



SELF SERVICE

TOTE MACHINES

at all Northern California simulcast locations.

All pari-mutuel clerks in California are union members and belong to the Pari-mutuel Clerks Guild Local 280 SEIU. The simulcast organization is also responsible for banking, armored service, currency counting machines, payroll and audit.

Totalisator

The Totalisator is a computerized data processing operation that tabulates wagering pools, issues bet tickets, and calculates payoffs. The system extends from cash register-like terminals at each wagering location, through a high-speed data communications system to a central data processing hub.

All wagers are processed identically; a wager at any satellite location is tabulated into the same pools as wagers at the Host Track. Totalisator services include technical operations and maintenance personnel.

Data Processing Hub

The wagering data processed by the totalisator computers is transmitted back and forth between the hub and satellite sites via specially dedicated telephone data lines. The system must operate fast enough so that entry of a wager at the satellite site, relay of that wager to the central computer, tabulation, and issuance of the bet ticket hundreds of miles away takes less than one second.

Audiovisual Transmission; Satellite Uplink; Encryption; Satellite Transponder

Four primary elements constitute the audiovisual transmission system. These are 1) satellite uplink, 2) encryption (scrambling), 3) satellite transponder time, and 4) satellite downlink and closed circuit television system. The satellite downlink and closed circuit television system are the responsibility of the Fair and will be discussed below. The other three elements are the responsibility of the simulcast organization. Here is a brief description of these services.

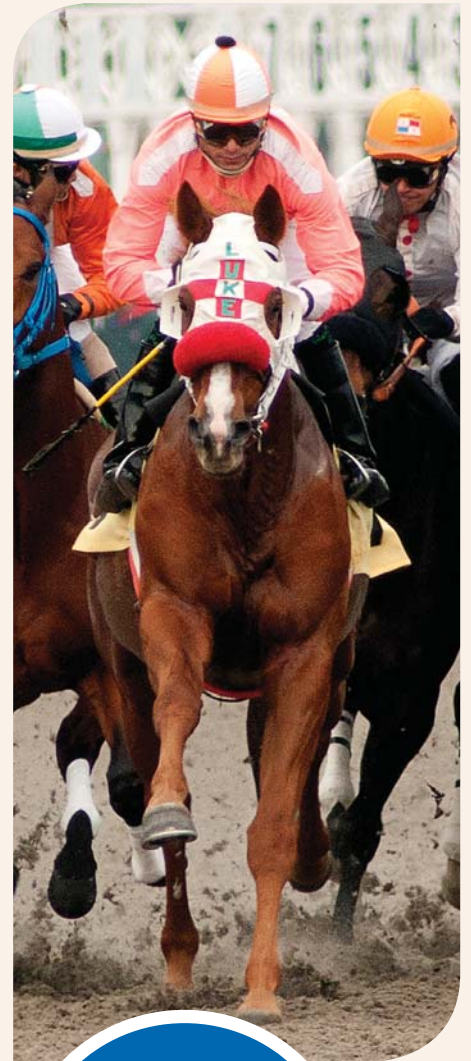
The satellite uplink is an earth transmitting station that beams a television signal from the Racetrack to a telecommunications satellite in orbit over the equator. The uplink sends a signal supplied by a television production facility at the track.

Encryption is the technical term for electronically scrambling a communications signal. The audiovisual television signal is scrambled to prevent recognizable reception by unauthorized users. A

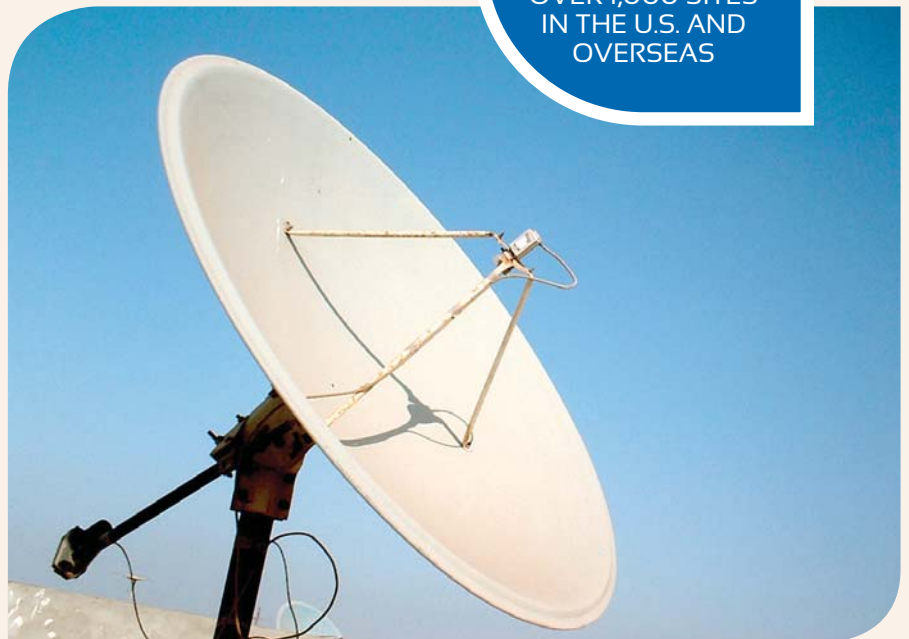
NCOTW, Inc.
manages and
provides staffing for
pari-mutuel operators
at all Northern
California simulcast
locations.

special code that authorizes decoders to reconstitute the signal into recognizable form is carried directly on the scrambled signal. Unlike most residential scrambling systems, this system can turn decoders on and off immediately.

The telecommunications satellite parked over the equator functions as a distant relay station. Signals beamed to it are amplified and retransmitted back to a wide coverage area on earth. Users rent or lease time on these satellites as needed. As satellite distribution of live racing has expanded, the horse racing industry has become a major purchaser of satellite time.



NCOTW, INC. SENDS AN ENCRYPTED SATELLITE FEED TO OVER 1,000 SITES IN THE U.S. AND OVERSEAS



SPORTECH SACRAMENTO

TOTE HUB

The state of the art facility began operations in September 2006 with NCOTW, Inc. locations migrating to the hub in August 2007. Since the migration the hub has processed over \$2.25 billion in wagers placed at Northern California wagering locations. Additionally almost \$2.5 billion in wagers made on Northern California tracks and fairs have been processed from wagers made in Southern California, through ADW providers, and at out of state and international locations.

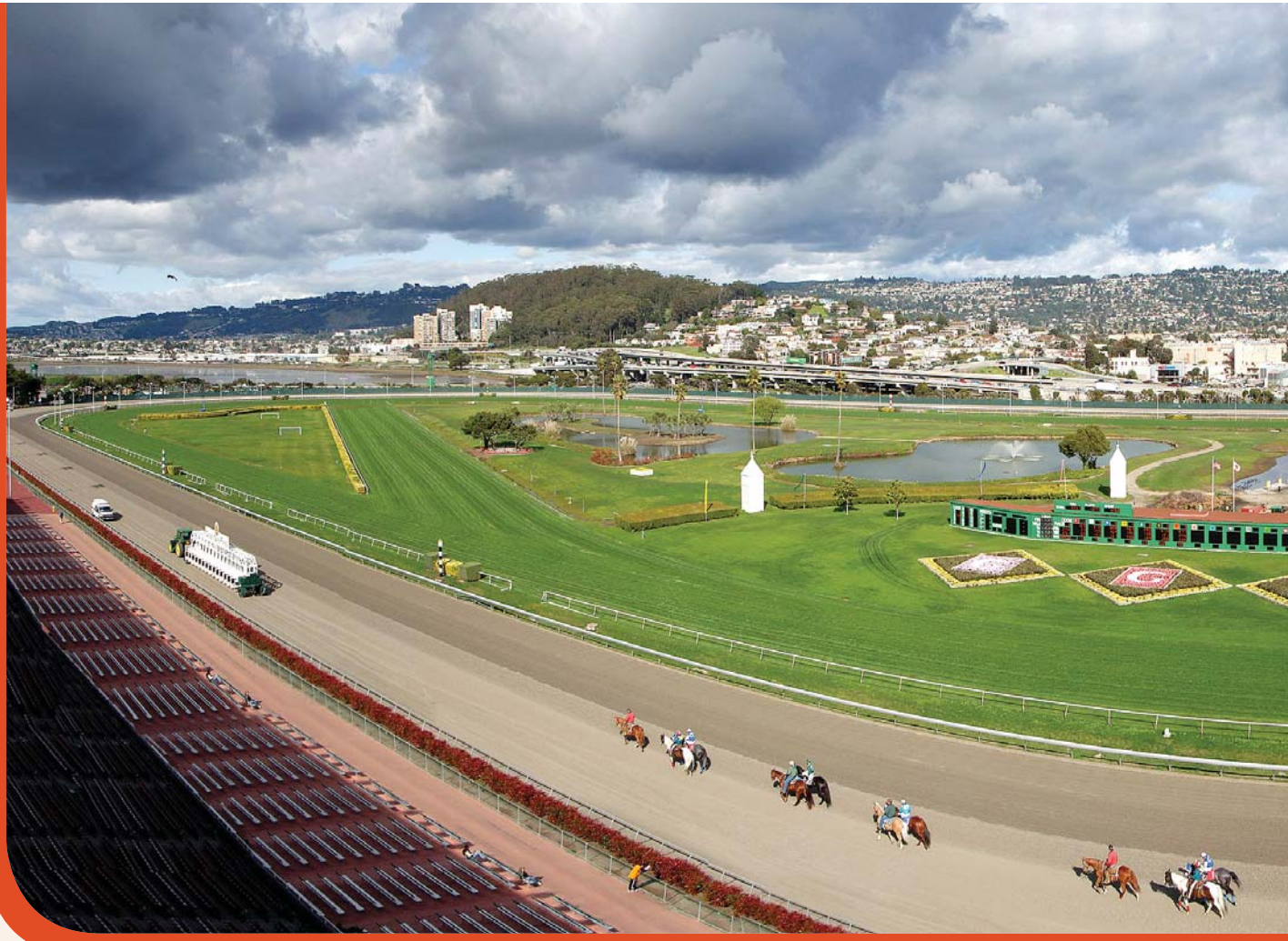


The Totalisator Hub (Tote Hub) operated by Sportech in Sacramento handles data processing for pari-mutuel wagering operations throughout California and the Western United States.



Sportech
Racing





DISTRIBUTIONS

Commissions from pari-mutuel handle are apportioned to the various beneficiaries according to a schedule that includes region (Northern California or Southern California racing), breed of horses (Thoroughbred, Quarter Horse, etc.), and whether the handle is generated on-track or off-track.

The following sections describe major distributions of the satellite pari-mutuel handle for Northern California Thoroughbreds. Distributions for other breeds and regions are similar.

RETURNED TO WINNING BETTORS

All money wagered on losing horses is divided up for payment to the winning bettors and other beneficiaries. Winning bettors receive the largest portion of pari-mutuel distributions.

RACING ASSOCIATIONS

Racing associations derive a significant portion of their revenues from commissions on pari-mutuel handle generated at satellite facilities. The association commission is equivalent to the Purses, or Horsemen's, commission.

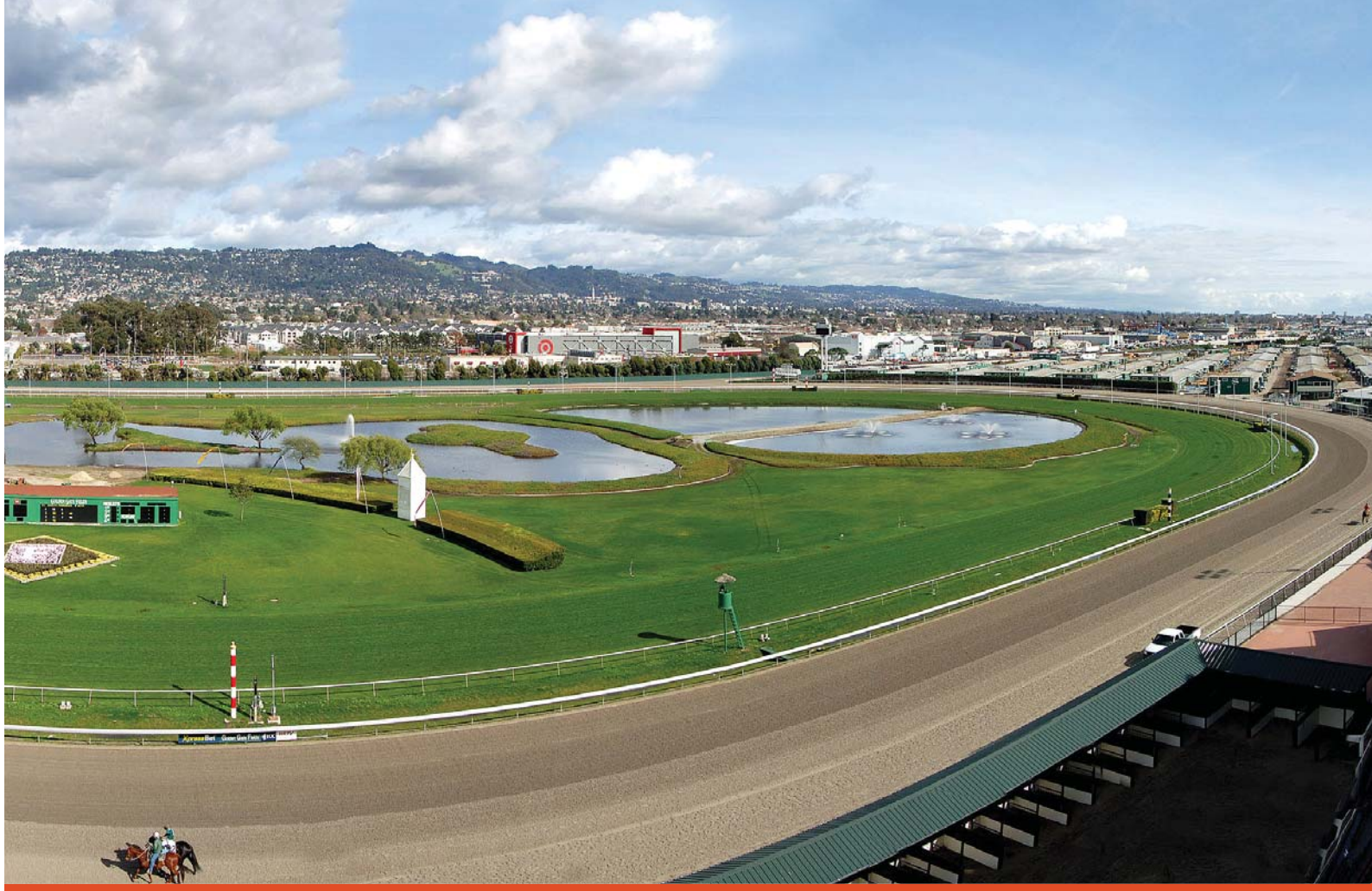
PURSES PAID TO HORSEMEN

The commission for payment of purses is racing's mechanism of self-sustenance. A percentage of the handle, equivalent to the commission

paid the racing association, flows back to the owners of winning horses. Purses are normally paid, in diminishing amounts, based on the order of the horses finishing the race. Associations may supplement the purses from time to time, but the primary source of purse money derives from a portion of the handle.

STATE OF CALIFORNIA

The State receives a license fee from racing conducted at Fairs. The funds are paid to the California Department



of Food & Agriculture.

DISTRIBUTION FOR SIMULCAST EXPENSES

(Paid to NCOTW, Inc.)

This distribution is used for payment of satellite wagering expenses such as satellite transmission, totalisator, and off-track pari-mutuel labor. Any portion of this fund left unspent after expenses are paid is divided equally between the horsemen and the association.

COMMISSION TO SATELLITE FACILITY - 2% LOCATION FEE

Each satellite wagering facility receives 2% of the handle generated from its operation. In the pari-mutuel reports, this is shown as a Location Fee. This constitutes approximately half of the gross operating revenue. Admissions, parking, and concessions constitute the other half.

DISTRIBUTION FOR PROMOTION & MARKETING

(Paid to California Marketing Committee) A proportion of handle flows to a fund used for promotion of horse racing and satellite wagering. This money is administered by the California Marketing Committee (CMC). Fair satellite facilities receive an allocation for marketing and promotion from this fund. CARF coordinates marketing plans and budgets with individual Fairs and with the CMC.

BREEDERS' AWARDS

This portion goes to breeders of winning horses as an incentive to successful operations and for financial support of California's Thoroughbred breeding industry.

STABLING AND VANNING FUND

This fund helps pay the expenses of

keeping and transporting horses. It helps ensure the long-term vitality of the racing economy by off setting the high cost of stabling and moving fine competitive racehorses.

LOCAL GOVERNMENT

Local government may receive 0.33% of handle generated at each satellite location. This goes to the municipality or county in which the facility is located or to a combination of both. The local government must formally request payment; if it does not, the money reverts to the State.

UC DAVIS EQUINE VETERINARY RESEARCH

The Veterinary School at University of California, Davis has a world-renowned Equine Research Facility. This fund helps sustain that education and research facility.

NCOTW, INC.

360°

248

JOBS

NCOTW, Inc. is responsible for 248 annual jobs at pari-mutuel wagering facilities.

NCOTW, Inc. Provides Essential Services and Revenues to Support the Racing Industry in Northern California

NCOTW, Inc. Handle 2008-2012

TOTAL HANDLE \$ 1,955,686,882

DISTRIBUTIONS

License Fees	6,964,010
CHRB Support Fee	5,938,259
CDFA F&E	2,007,206
City Tax	6,412,715
Equine (UC Davis)	1,955,720
Worker's Comp.	3,708,313
Location Fees	30,337,624
Expense Fund (NCOTW, Inc.)	66,018,054
CMC Promotion	6,204,652
CHRIMS	286,113
Vanning & Stabling	17,049,385
Proxy Fees	1,636,336
Harness Loc. Fees	757,039
Track Commissions	108,839,141
Purses	106,943,264
SB 1072	5,255,860
Owners (TOC)	1,172,552
Breeders/Sires	10,435,093

TOTAL DISTRIBUTIONS \$ 381,921,337

\$17.0 MILLION

STABLING & VANNING

Northern California Stabling and Vanning Fund.



\$5.94 MILLION

CHRB SUPPORT

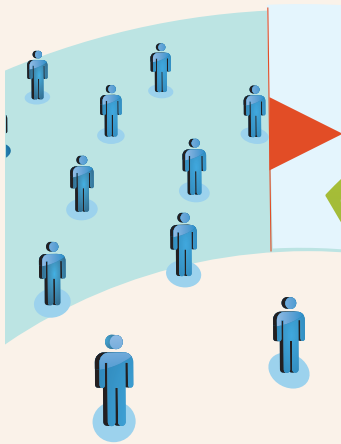
Distributions made through NCOTW, Inc. support CHRB Administration and programs.



INDUSTRY DISTRIBUTIONS

Industry distributions include CHRB Support Fee, UC Davis, Worker's Comp., Location Fees, Expense Fund, CMC Promotion, CHRIMS Administration, Stabling and Vanning Fund and Track Commissions.

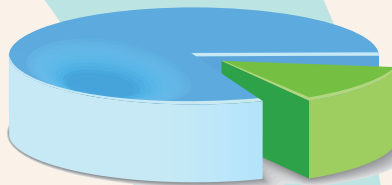
\$242.7 MILLION



**\$1.95
BILLION**

TOTAL HANDLE

Total Northern California Handle
2008-2012



DISTRIBUTIONS

Approximately 80% of total handle is paid back to winning bettors and 20% is retained in distributions made to the State of California, Horsemen and the Racing Industry.

**5
YEAR**

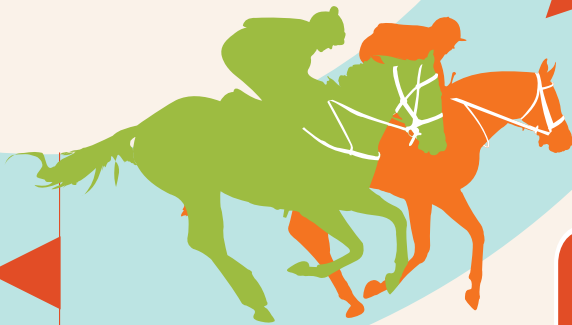
NORTHERN CALIFORNIA HANDLE & DISTRIBUTIONS 2008-2012



**\$15.4
MILLION**

CALIFORNIA

City Tax, F&E Support and License
Fees (through 2009).



**\$123.8
MILLION**

HORSEMEN

Paid to Horsemen through Purses,
Breeder's Incentives and TOC
Administration.



NORTHERN CALIFORNIA

SATELLITE

When advances in technology made simulcasting possible in the 1980's, the horse racing industry and Fairs joined together to pursue this new opportunity.

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to implement simulcasting in California.

The marriage of Fairs and horse racing has deep roots in California, going back to the beginning of modern pari-mutuel wagering in 1933. Working together to realize this new opportunity through

technological innovation was a logical next step in a long political relationship.

Simulcast wagering in Northern California began with a pilot test between Golden Gate Fields and the Fresno Fairgrounds race track in 1984. In 1987, legislation carried by Senator Maddy, SB 14,

1985



Bar area at the Stockton satellite facility.

FRESNO, SACRAMENTO, SANTA ROSA & STOCKTON:

The Fresno District Fair, California State Fair, Sonoma County Fair and San Joaquin County Fair open satellite wagering facilities.

1 9 8 4

1984

SB 1499 (MADDY):

Implemented satellite wagering in the central and southern part of the state, and made conforming and technical changes in the northern part of the state.

NETWORK

enabled creation of a simulcast network at Fairgrounds and race tracks throughout the state.

Golden Gate Fields and Bay Meadows were operating as simulcast locations in 1987, so the primary expansion effort in Northern California moved to Fairgrounds locations. A team led by California Authority of Racing Fairs (CARF) undertook design, specifications, construction and installation of technical systems necessary

to bring new locations into the simulcast network. California Department of Food and Agriculture (CDFA) provided financing for this effort on behalf of Fairs. This team began a decade-long program of building satellite wagering facilities at Fairgrounds throughout California.

By the late 1990's, twenty-three Satellite Wagering Facilities had opened at California Fairs. Fourteen of these satellite facilities are located in Northern

California.

In recent years, Federal courts have ruled that certain Native American tribes may operate Satellite Wagering Facilities. Subsequent California legislation now allows smaller mini-satellite locations throughout the state.

Currently, the Northern California network is composed of one location licensed to a race track, Golden Gate Fields, and 15 satellite facilities licensed to Fairs.

1987



Bar and general seating at the Pleasanton satellite where patrons have wagered \$1.26 billion since 1987.

BAKERSFIELD, EUREKA, PLEASANTON, VALLEJO:

Satellite facilities open to the public at the Kern County Fair, Alameda County Fair and Solano County Fair.

1988



Winner's Circle seating at the Monterey satellite facility.

ANDERSON, MONTEREY, SAN JOSE:

Satellites open at the Shasta District Fair, Monterey County Fair and Santa Clara County Fair.

1 9 8 7

1987

SB14 (MADDY):

Expanded satellite wagering statewide.

1989

TULARE:

The Tulare County Fair satellite wagering facility opens.

1993

TURLOCK:

The Stanislaus County Fair satellite wagering facility opens.



➤ FRESNO CLUB ONE

The first mini-satellite in California, Fresno Club One handled \$60 million from 1998 to 2012, contributing \$3.1 million to purses.

➤ MONTEREY

Located on the California coast at the Monterey County Fair, the Monterey satellite has handled \$328 million since opening in 1988.

➤ SACRAMENTO

Patrons of the Sacramento satellite, located on the California State Fairgrounds, have wagered \$1.1 billion since the facility's opening and contributed \$48.6 million to purses.

➤ SAN MATEO

Since opening in 2008, the San Mateo County Fair satellite has quickly become the most significant Fair satellite in California, contributing \$62.9 million in industry distributions from \$320 million wagered.

1998



FRESNO MINI-SATELLITE:

The first mini-satellite in the state, Fresno Club One, opens as a joint partnership between Club One Casino and the Fresno District Fair.

2008



SAN MATEO:

After the closure of Bay Meadows, the Fair organizations invested \$4.2 million to open a satellite wagering facility on the Fairgrounds. The San Mateo satellite has become the largest Fair satellite in Northern California.

2013

2001

AB 471 (HERTZBERG):

Authorizes Advance Deposit Wagering.

2013

SALINAS MINI-SATELLITE:

The Triple Crown mini-satellite wagering facility in Salinas opened in early 2013 as a partnership between the Monterey County Fair and Banker's Casino.



▶ SANTA ROSA

The Jockey Club at the Sonoma County Fair in Santa Rosa has handled \$504 million since opening in 1985 and has contributed \$23.1 million to purses.

▶ STOCKTON

As one of the first locations to conduct satellite wagering in 1985, Winners at the San Joaquin Fair in Stockton has handled \$694 million since opening.

▶ TURLOCK

The satellite wagering facility at the Stanislaus County Fair in Turlock has handled \$184 million since it opened to patrons in 1993.

▶ VALLEJO

Patrons of the Solano Race Place at the Solano County Fair in Vallejo have wagered \$529 million since the satellite opened in 1987.

5 YEAR

5-YEAR SNAPSHOT SATELLITE DISTRIBUTIONS

SATELLITE HANDLE 2008-2012

TOTAL HANDLE \$ 1,426,226,721

DISTRIBUTIONS

License Fees	5,538,305
CHRB Support Fee	4,694,609
CDFA F&E	1,200,924
City Tax	4,675,210
Equine (UC Davis)	1,426,258
Worker's Comp.	2,617,717
Location Fees	28,831,859
Expense Fund	57,206,255
CMC Promotion	5,221,236
CHRIMS	240,489
Vanning & Stabling	13,784,506
Proxy Fees	1,636,336
Harness Loc. Fees	757,039
Track Commissions	69,578,026
Purses	70,008,887
SB 1072	3,578,728
Owners (TOC)	817,930
Breeders/Sires	7,445,550

TOTAL DISTRIBUTIONS \$ 279,259,863

\$1.43
BILLION

TOTAL SATELLITE NETWORK HANDLE

\$279
MILLION

TOTAL SATELLITE NETWORK DISTRIBUTIONS

\$1.15
BILLION

RETURNED TO WINNING BETTORS

\$73.6

MILLION

PURSES TO HORSEMEN

\$8.26

MILLION

OWNERS/BREEDERS/STAKES

\$4.69

MILLION

CHRB SUPPORT FEE

\$57.2

MILLION

NCOTW, INC. EXPENSE FUND

\$13.8

MILLION

VANNING & STABLING FUND

\$5.2

MILLION

PROMOTION FUND (CMC)





Fresno Mini-Satellite - Club One



Fresno Mini-Satellite - Club One



Fresno Mini-Satellite - Club One



Alameda County Fair Pleasanton



Alameda County Fair - Pleasanton



Alameda County Fair - Pleasanton



California State Fair - Sacramento



California State Fair - Sacramento



San Joaquin County Fair - Stockton



San Joaquin County Fair - Stockton



San Mateo County Fair - San Mateo



San Mateo County Fair - San Mateo



Sonoma County Fair - Santa Rosa



Stanislaus County Fair - Turlock



Solano County Fair - Vallejo

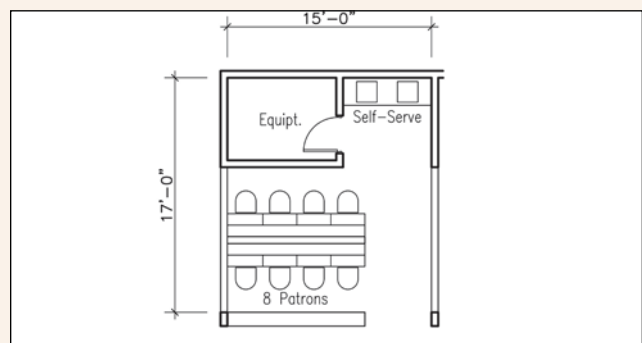


Solano County Fair - Vallejo

MINI-SATELLITE DEVELOPMENT

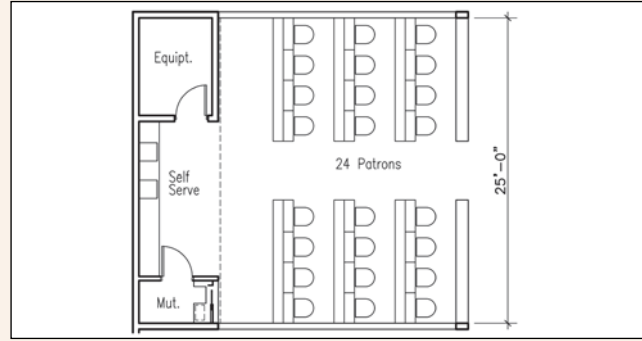
NORTHERN CALIFORNIA

NCOTW, Inc. has efforts underway to develop mini-satellite wagering facilities in Northern California. A mini-satellite opened at Banker's Casino in Salinas in early 2013. CARF commissioned these mini-satellite design scenarios to assist in the development program.



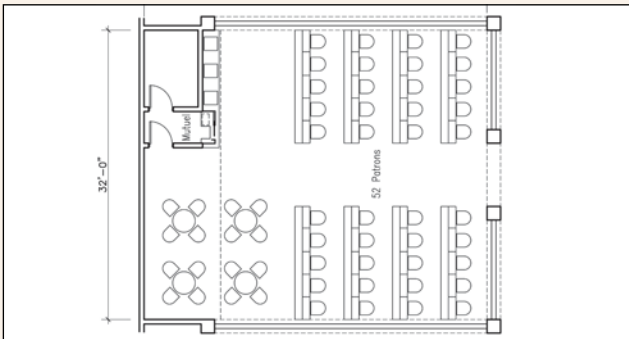
Mini-Satellite Wagering Facility - 225 Square Feet (15' x 15') - 10-12 Patrons

Two (2) totalisator terminals with 6' X 8' secure Money/Tote Room. Installation is designed to be fully self-service, but may require pari-mutuel clerk/attendant. Money/Tote Room contains wall-mounted electronic equipment rack, telecom/tote interface lockable cabinet/cupboards and money safe. Ventilation of Money/Tote Room must be a consideration and may be accomplished with open grate (chain-link) ceiling. Eight (8) 26"x32" screens. Seating for 8-10 patrons with food and beverage service. Walk-up wagering.



Mini-Satellite Wagering Facility - 500 Square Feet (20' x 25') - 20-25 Patrons

Three (3) totalisator terminals with 6' X 8' secure Money/Tote Room. Design will provide one for pari-mutuel clerk/attendant. Money/Tote Room contains wall-mounted electronic equipment rack, telecom/tote interface lockable cabinet/cupboards and money safe. Ventilation of Money/Tote Room must be a consideration and may be accomplished with open grate (chain-link) ceiling. Ten (10) 32" screens. Seating for 20x25 patrons with food and beverage service. Walk-up wagering.



Mini-Satellite Wagering Facility - 1,050 Square Feet (30' x 35') - 50+ Patrons

Four (4) totalisator terminals with 6' X 8' secure Money/Tote Room. Money/Tote Room contains wall-mounted electronic equipment rack, telecom/tote interface lockable cabinet/cupboards and money safe. Ventilation of Money/Tote Room must be a consideration and may be accomplished with open grate (chain-link) ceiling. Design will provide for one pari-mutuel clerk/attendant. Twelve (12) 32"x42" screens. Seating for 50+ patrons with food and beverage service. Walkup wagering.

