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CHRB NEWS RELEASE

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CHRB ACTING ON REPORT OF TAKEOUT ERROR

SACRAMENTO, CA – The California Horse Racing Board is taking steps to insure that no bettors were shorted in Pick 5 payoffs due to a takeout computation error by Sportech, the totalizator company that serves California and other racing jurisdictions.

The CHRB was notified of a potential problem on Monday (September 17) by a patron at Emerald Downs, who on the previous day (Sunday) had noticed the discrepancy in the Pick 5 payout posted at Emerald Downs (\$1,118.15) compared with the payout posted on the simulcast program from Fairplex Park (\$1,282.50). The CHRB immediately sought to determine if there was a reasonable explanation for the payoff discrepancy and easily determined that Emerald Downs uses the host takeout rates for all wagers, so the discrepancy shouldn't have been attributable to differing takeout rates. The CHRB also determined that Emerald Downs and its OTB outlets do not impose a surcharge of any kind.

Further conversations and e-mail correspondence on Tuesday with California simulcasting interests, management at Emerald Downs, and Sportech representatives quickly pointed to an error in the takeout rate applied at the Sportech data center in Sacramento.

The CHRB is requiring Sportech to review all takeout rates for the Pick 5 applied for all racing jurisdictions since April 2011 to confirm this was an isolated incident. If it were determined that similar errors were made in other jurisdictions or for other meets, the CHRB would require Sportech to establish a process for settling claims from bettors who could establish they had been shorted in payoffs. For example, in cases where payoffs were substantial, bettors could present IRS withholding documentation.

An initial review by Sportech indicates the problem was isolated to wagers placed in the State of Washington on the Pick 5 offered during the first eight days of the Fairplex meet. Sportech reported that during that period there was only one winning Pick 5 ticket on Fairplex races sold and cashed in Washington – on Sunday, September 16 – and the error was recognized in time to pay the patron the correct amount based on the proper takeout.

According to Sportech, the correct takeout has been applied since the error was discovered on Sunday, creating the possibility that no bettors anywhere were ever harmed by the error. Still, the CHRB is requiring the more comprehensive review to insure this is the case.

The Pick 5 is a reduced-takeout wager introduced by Hollywood Park in April 2011 that has since been offered by most California racing associations and fairs. The normal takeout for such a wager would be 23.68 percent – or 25.02 percent if adjusted for net-pool pricing at California fairs. California race meets, including Fairplex, have been offering this wager with a 14 percent takeout. Without question, the takeout for all such Pick 5 wagers placed in California has been 14 percent. But for reasons yet to be fully explained, the takeout applied to Pick 5 wagers placed in Washington on races run from opening day of the Fairplex meet, September 7, through Sunday, September 16 (the day the error was discovered), was 25.02 percent, not the proper 14 percent.

The CHRB has asked Sportech for a time frame on the review of Pick 5 takeout rates, a clear explanation of how the error occurred, and the steps being taken to prevent this error from occurring again.

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