



Race Track Industry Program

**38th ANNUAL
SYMPOSIUM ON RACING & GAMING**

WEDNESDAY, DECEMBER 7, 2011

Touting New Developments in Tote

MODERATOR:

Mark Thurman, President/CEO, CHRIMS

SPEAKERS:

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David Haslett, Managing Director, Racing, Sportech Racing LLC

Ines Hendili, Country Manager, PMU

Steve Keech, President, AmTote International, Inc.

Mr. Doug Reed: I'd like to welcome a new sponsor. This evening we have a reception once again in the exhibit area, Groupe Carrus – The Parimutuel Company from France is our sponsor of our beverages this evening. Once again, we have Mark Thurman, CEO and President of CHRIMS as our moderator. He's taken double duty for us here, kinda tying the two panels together. The one we had before was certainly very provocative and interesting and I'm sure we'll find the same with this one. So Mark, it's back to you.

[Applause]

Mr. Mark Thurman: Round two. We scared a bunch of 'em away, though. Well, this is on the new developments in tote and I think they get — I don't wanna be an apologist for tote companies, but I really do think they take a bad rap. They're the backbone of our industry as far as wagering and we've beat them up over the last 20 years to the point where it's really hard for them to be innovative. That's just my opinion, but first up here we have David Haslett. I've worked with David for many, many years and if you ever get a chance, have him give you some South Africa stories cuz he's got some good ones. David?

[Applause]

Mr. David Haslett: Thank you, Mark, appreciate that, and good afternoon everybody. It's like the last man standing, the last people here.

[Laughter]

Clearly, the people who don't know how to play golf are left here. As Mark mentioned, my name's Dave Haslett. When I first heard about the panel and I spoke to Mark a couple of days ago and said you know, Mark, what are we gonna talk about? Its new developments

in tote. I said please don't tell me it's another one of those panels about tote 101 and what's wrong with the tote?

Mark said no, no, no. That's not what it's about. Talk a little bit more about, from an international perspective, where the totes are going, what's happening about connecting the totes up, what are some of the barriers and more about the pools and global pools, and where we're going and how we're gonna get there. I said well, I said that's pretty interesting. I'd be happy to do that.

Then thinking about it a little bit, I said okay, we can cover the conventional stuff and you've heard — excuse me — we've heard a lot about, from various speakers over the last day and a half, about some of the drivers and clearly some of the issues and some of the barriers, and all of them are important. I don't think there's any one single answer and I don't pretend to come up here and give you one straight answer that's gonna say here's the silver bullet. I think that the answers lie in a combination of things and you've heard some very good ideas from some speakers, particularly on the earlier panel and some of the panels yesterday. I think some combination of those is certainly part of the solution.

One thing I will say, that — and some people call me crazy, but I'm very optimistic about this industry being in it for, whatever, 26 years. Yes, there are some difficulties and yes, we have challenges, but I remain optimistic and wake up every day and ready to have a go at it again, and I believe we will be successful and yes, the model in the business as we know it may change and we get that. Today I'm just gonna talk through a couple of thoughts and really just have one underlying concept which I'd like to get across to you.

Just briefly, people talk about technology and yes, I get the idea about the technology. We're in the technology business and at the end of the day I guess what I wanted to say is technology is not the silver bullet. Everyone says well, if only the technology was newer or better or bigger or faster, and all those things are important. Technology is clearly an enabler and we accept that. To enable certain things to happen, technology is gonna help drive it, but we have come a long way in technology and it's just a small graphic up there.

I mean right now we're connecting our main data centers in California and New Jersey and in Essen in Germany. We are processing wagers from roughly 30 different countries, roughly 40,000 terminals all connected. We interface with our colleagues in the industry, many of them here on this panel. Yes, we do that day in, day out, and every single day more countries are coming onboard and we're figuring out ways to connect them and how it's all gonna work. That is what we do. That is important.

That's not really what I wanna talk about today, so Mark, whatever you saw on the presentation, that's about as far as I'm gonna go with it. I wanna go a different direction cuz what I really do wanna talk about is technology, recognizing that's an enabler and that's important. It all comes down to the one item I wanna talk about is the pools. Being in pari-mutuel wagering for the last 26 years, I'm very passionate about pari-mutuel wagering in the pools and at the end of the day, bigger is better. For you gentlemen out there, despite what people tell you, size does matter.

[Laughter]

I'm gonna keep coming back to that cuz it is important and the real underlying issue we should all be looking at is how do we get everyone to participate in the pool, to get the biggest pools possibly we can?

In other words, why should we try and alienate people? How do we get everyone to participate? A couple of things in that regard is how good are we at doing that? How good are we at getting people to participate? I thought I'd just, by way of example, tell a story and I'll put myself in this story as a player and I'll put myself back in my native country in South Africa, and it's going to be a — and it's not a joke. You know, a guy walks into a bar, but it is really you walk into a betting outlet and say you know what? I'm gonna take a wager. It'll be great. Walk in there and there's plenty of information.

It says there's this great multimillion dollar pick six in the United States and I'm at this small bar in St. Johannesburg in South Africa and I said well, I'm a pick six player. I can deal with that. I've been playing pick sixes for 20 years, this is pretty straightforward. I can get some information. I'm gonna have a go at this. I'm gonna win this million dollars and I'm getting pretty excited about it. I pick up my mark six card and I go and fill it in. I know how to do this. I've been doing this for years. Fill in the card and I am good to go. I'm heading to the window and I'm getting pretty excited about this. I'm already spending the money. I know I'm gonna win \$1 million. Winning \$1 million, that's really gonna be a game-changer for me. I'm gonna get lots of money and I'm thinking about it, I'm getting more and more excited about how we're gonna win this money and what am I gonna do with it, and how am I gonna spend it? Is it gonna be on the boat, the car, and really go with it?

So eventually I get to the window. This is great. Hand the ticket over, nice teller takes my ticket, puts it through the — my mark six card, puts it through the terminal and the ticket comes out. That's the technology piece. Great. Ticket comes out. Then the teller says to me that will be 15 rand and 92 cents. It just blows my mind. I've been betting at one and two rand on every single pick six for the last 20 years and now its 15 rand and 92 cents. Why? Because some tracks suddenly made a decision that this was a \$2.00 minimum. I know that Ben touched on it at his presentation, but as a player walking up to take the bet, it's just really blown my mind. Now, how do I deal with this?

All right, fortunately I dig into my pocket and I come out with 20 rand and I hand it over to that teller. Then the teller says well I don't have change. Well, why don't you have change? Well, because we don't normally bet in 1 cent units because it's ten cent units so I can't give you 7 cents change, whatever the change is gonna be. Anyway, we eventually get all this figured out and I've now spent my 15 rand and 92 cents, and we go off and I head out and watch the races. We got great pictures, thanks to Roberts Communications Network. There's your plug, Todd.

So we look at the picture and the race is run and everyone gets excited and I head up and I think I've won something. I get to the window and said I'm gonna cash out my ticket. I'm spending the money already. I'm heading off to some Caribbean island to go and enjoy it and spend it, and they say oh sorry, you're not getting paid on this ticket. You're getting a refund. Why are you getting a refund? Well, at that particular track you were betting on, it started raining and suddenly the horses were running on the grass and they no longer on the grass, they're now on the dirt and something else happened, so guess what? You're getting a refund.

As a player it just blows my mind because I've never played a pick six where they suddenly said well, they just changed those rules in the middle cuz I've never had that rule. I think you all understand where I'm going with this. This is the types of things that come up again, and it's no different to if I bet on track X and there's an issue with the communications when it comes time for the race. Then if I was in one state I'm gonna get

a refund and the other state's gonna book the pool and now this state's gonna treat it differently.

The whole issue is, is as a player how can we get more and more people to participate when they don't even understand the rules and how it works and what is important about that? You know, coming back to participating in the pools, it's all about, again, size matters. How do we get more and more people in the pool? Just a couple of days ago, one of my managers called me up and said hey, I got a call from a friend of mine who said why can't I play this new bet up? I said well, what are you talking about? I don't know about a new bet up. Yes, this track has just introduced a new bet up and I want to play it. I said well, okay. I haven't heard about it yet. When is it going to start? No, it started three days ago. Okay, still don't know anything about it. Then said well, why don't you call up the track and maybe try and get ahold of the mutuel department and try and find out what's going on.

Eventually we tracked someone down in the mutuel department and said oh yeah, we started this new wager, started three days ago. Well, how come we didn't know about it? Well, it's in the simulcast agreement. Okay, we're not party to the simulcast agreement. I've never seen it. Didn't know anything about that. I said well, hold on. Maybe let me call Germany. Let me call Essen, our data center. We probably got seven, eight different countries coming through there. Let me see if they know about it. Never heard of it. I said what are you talking about? I said well this track's got this new pool that's going. Said never heard of it.

Now we have a situation where the goal is to get as many people participating as we can, and yet we're shooting ourselves in the foot because we're just not communicating it out. We're not finding out how many people can communicate, can participate, what's it gonna take for them to participate? Then out of curiosity, I had to ask the person, I said well what is this new pool? Maybe this bet is actually gonna do some great things for the industry. They said, well — I forget the name of it, but it's a ten cent unit, ten cent bet. People are gonna bet in ten cents. I said, oh I just cannot believe it.

Although I did promise Mark I wasn't going to talk too much about how tough we have it in the tote business, but sorry Mark. I lied a little bit. I am gonna talk about it because where I did some analysis on ten cent bets, on the Superfec just to be exact, the location, that 60 percent of the takeouts are actually for ten cents and only ten cents. Then I went back and actually looked at what it cost us as a tote company to issue a ten cent ticket. Most, if not all, of you have got some sense of the kind of rates that the tote companies get for the services we provide.

If I ignore the central system or the development and the labor costs and the wear and tear on the terminals and maintenance, putting all that aside, the ticket paper alone does not get covered by that ten cent wager, so every ten cent ticket they get issued out at terminal, we lose money. I said to a track and I said these ten cent wagers, we actually lose money on every single ticket that gets issued. The response I got was don't worry. You'll make up for it in volume.

[Laughter]

I had to think about that for a short while and say well, I may have gone to a different school, and maybe I missed that class, but I just don't quite get that equation, so maybe Doug, if you're looking for a new class to add onto your curriculum, maybe we can figure that one out. Anyway, the point I wanted to make with that, I wasn't gonna bang on about the ten cent wagers. The example in that was about pools coming up and yes, we support

them and yes, we're happy for them and yes, we'd like to go after them, but the whole thing is how do we get more and more people participating? The only way that we're really gonna attract more and more people in the pools is get the bigger, bigger pools and end of the day, I'll keep coming back to it, size does matter.

Just thinking about what is the takeaway from all that? I know in the previous panel, Ben put up his enlightening ten point list and I thought there was some valuable information in there. Listening to the first panel yesterday on the young guns, Andrea from Sam Houston had her list for Santa which I thought was very enlightening, and certainly has given Santa a lot of work to do. At the end of the day, I thought I've got one thing on my list. I know Santa's pretty busy and it is one thing and one thing only. The only thing that I ask for is we don't really care what the rule is, I really don't care. Can you just make it the same for everyone? Thank you.

[Applause]

Mr. Mark Thurman: All right. Well, last night I had the pleasure of meeting Ines and Jerome, and it's been probably over, way over ten years since I went to France and visited the PMU, but it was interesting talking to her. The one thing that I learned was how many betting shops they have in France compared to the state that I hail from, California. I mean, it's just — it'll just boggle your mind. We have 36 and they have how many?

Ines Hendili: 11,000.

Mr. Mark Thurman: 11,000.

[Laughter]

And we wonder why our distribution isn't good. So, Ines.

[Applause]

Ms. Ines Hendili: Hello everybody. Maybe a few of you have already met me a year ago. I spoke about PMU and international simulcasting. A few things I will start to talk about today, you might have already seen it and for those who haven't, there would be some information. I'm here later on if you have any question about it. I introduce PMU. I have a focus on the international activity that we have as I work with the international department, exporting the French races for betting. Then I'll pass the word to Jerome to introduce what they're working with us on.

What's PMU? PMU has been created by the racing associations. It's a non-profitable company. Everything what PMU earns goes back to the racing associations. What we do, we create our own bets. We do all the tote. We sell the bets, and we market them in France and we try to do the same abroad. In 2010 there will be a change in the law for online betting in France, so that was back to June. I spoke a little bit last year just to say that PMU took the opportunity to do some kind of other games which is sports betting and poker, and we are really happy that it's been very successful for us. Again, it all goes back to the racing. What we get from poker and sports betting goes back to the racing anyway.

So we are the first pari-mutuel company in Europe, the second in the world, right after the Japan Racing Association. Last year we had a 9.45 billion euro handle including sports betting. This year we will have a little bit more than the 10 billion euro. We have a great bet called Quinté+. It has a minimum of a million euro available each day. We offer it once

a day and we had a great winner in October of more than 10 million euros. Yeah, so we do the distribution. We have also online betting so it's 500,000 customers. We have also a TV channel called Acadia and we can show the races in more than 50 million households.

The sales network, 11,000 outlets. It's 89 percent of our total handle. Seven percent is done on internet and telephone betting, I don't know. Yeah, I can see it. It's the 1.60 percent. Horse racing. So 9.45 last year was 9.33 for horse racing bets. We only do pari-mutuel bets. Fixed odds on horse racing is forbidden in France so we just do fixed odds for sports betting. What kind of program we have, we race from mid-day to 8:00 p.m. every day and we also have some night meetings. We do have trotting or harness, as you — I mean, it's more famous as harness here, but it's really trotting. We have thoroughbred and jump races.

We try to keep as much picture available before each race, so we try to have a race every 15 minutes. It's three meetings a day, usually, and our customers really do appreciate having time to see the horses getting ready and they will also—I mean, we can see if we don't have the pictures before the races they just don't bet. The product range we have, so we have eight kind of bets. We have what we call, so the simple bets which is the win in show, quinella exacta only, and trio.

And we have great exotic bets. You can see that Quinté+, this 10 million euro win of October, is 21.5 percent of our total handle. I thought as we were speaking about tote that it would be a good opportunity to speak about what we call Pariez spOt. Pariez spOt is a service we are providing to our customers to help them bet on horses. The idea was to bring new customers to our horse racing bets, helping them choosing the horses according to what has already been played by the others. Indeed, what we have noticed is we have new customers using this and we also have regular customers who would place, would choose some bets with their own horses and add another one. They also use it just to see what the others have played, just because it's all proportional to what has been played by the others. You can even let the machine choose all the horses for you or you can say okay, I've got two horses. I like them and I'll let the machine give me the three others for the Quinté+, for example.

The focus on the international. We still, as I said, do all this for the racing associations. What we do is we try to make something quite easy. You can choose the races you'd like to bet on. It can be the whole races, all disciplines, can just a few of them, countries where more thoroughbred — would choose thoroughbred races and those who are more trotting races, they have all this available. We also promote our big races. Until now, we've only had in the U.S. The Prix de l'Arc de Triomphe early October, and we have Prix d'Amerique which is the trotting major race end of January.

What do we do to sell our races abroad? We bring the pictures, of course. Its live pictures either through satellite or with a web service live-streaming. We have commentaries, of course in French, and we have English, German, and Spanish. We use a website to bring all the information about the races. We have two kind of agreements abroad so there is a separate pool. Each operator in its country would offer his own bets but he's got the pictures from us and he got the information. So it was 49 partnerships in 38 countries last year for a revenue of 12.1 million euros.

Common pool betting, we have nine partnerships last year and we added some this year and this is also thanks to the work we've done with PMC. This is to show you where the French races are available. The dark green would show who takes just a few of them and then you can see that we have been mainly on all the timeslots, Europe and Africa, and we

also have races in Australia and the U.S. Common pool. This is really something we're trying to promote because we believe that the French pool is very interesting, so I said its 10 million euros as a whole on a race without exotic bets, just the simple bets. Its 600,000 euros pool for just regular races. Quinté+ is 5 million euros on a regular basis each day. It goes more than double for the big races. What we have done is we have tried to develop — I mean, we've been using ITSP for some time and we also use what you call the centronics interface but I will let Jerome enter into details for this, to be able to promote also the exotic bets.

The international platform, it's PMC who is providing PMU with this international platform. The idea is really to have an easy way to connect with the PMU central system and you can see we have all our partners from Europe; we have Sweden, Spain, Germany, Austria, Poland, UK, and Switzerland. It's been 20 years we've been comingling with Switzerland. They have all our races, all our bets, and it's doing great. We are also connected to the Essen hub of Sportech for the Netherlands and Finland, and very recently we're very happy that we've started comingling with U.S., too, and we have all the bets from the win to the trifacta available. Now Jerome, it's your turn. Thank you.

[Applause]

Mr. Jerome Carrus: Thank you, Ines, and thank you Doug for your welcome. It's a pity I haven't come before because it's very interesting. I've been working in this business for more than 23 years now, it'll be 24 next year, and I have weekend meets here. All what is important in this business in the world and perhaps I'm trying to present my company, what we have been doing for the last 120 years.

I will come back, come back, come back to the last slide that Ines comment and you see that's the yellow thing, the platform, this is the cook — this is the kitchen where we are. We are in the kitchen for the PMU for the — we started last June and we just operate the platform to concentrate the betting that comes from those different operators, mostly in Europe but you can see also it has started with U.S. with the DAT internet betting. Unfortunately, I can't see so much from here and there is no — so you can see better than I do. The platform has been installed by PMC and it's connected either to operators that are not equipped by PMC. That is unfortunately more often they have their proper system for the moment. I believe we have some business to do with them so there are two types of connections.

Connections with independent operators. That's case with DAT which has been equipped by AmTote. This is the case also with the Netherlands which is equipped I think by Sportech. The Sweden central system, it's proper — I think they have their proper system which is the case of Finland, or it's Sportech also in Finland, so you know, we are connected to so much different operators that I don't remember which one is operating which. In Poland it's also a system that has been designed by themselves. It's a new operator. They have — it's not finish, it's not Sportech, neither I'm told. I don't know. I think it's sort of designed by Polish people and the one under there is — I can't read the other. You can read it. I can't see it from here, you know? Under Poland which is the green thing there. What?

Belgium, yes. Belgium, it has started I think today in fact. It has started today Belgium. Other operators are connected to our platform and we are operating them. That's the case of the Spanish, that's the case of the German. That's the case of the Swiss people, and that's really of a Swiss organization which is the Loterie Romand and that's the case also of the German totes. It's a very big company in Germany.

Those what are connected to CPU that is in Paris. Close to the platform international in connected to the PMU system. Two type of connection has been installed. ITSP, this is operating bets from the single bets to the trifecta. For the other bets there is a synchronous protocol that has been developed with PMU to connect bets from — each bet is transmit to the PMU system after have been transferred in euro. For the moment it's euro. I don't know what's your future will be, but we all transmit in euro to the French PMU, to the French central system, the SIC, which is the Système Information Central off the PMU. All the currency are translated in euro. That means Polish zlotys or Swiss francs are transmitted in euro before being transmitted to the PMU.

Next slide, it gives you what is the synchronous interface and what is the ITSP? ITSP you know what it is because it has been developed in United States at the beginning, at about 25 years ago or 30 years ago. The synchronous interface has been developed recently for the purpose of the platform which is operated by PMC for the PMU. Different mode of connection can be done. You find that in the special — you find all this information in a special issue that we have done of the *Groupe Carrus Journal* that will be at your disposal when you leave this room, and you will be able to find all the details about the connections that are used and that are proposed to the different operators.

This is the Star Totalisator which is similar to the platform. Well, it's the same technology. It can be connected to terminals, to outlets, to internet, or to different type of networks, developed by PMC. You can wonder why because you never seen PMC before in this international symposium, but we have been in this business for 120 years as a matter of fact. My great grandfather created the pari-mutuel in 1860-something and my grandfather created the PMU in 1930. My father and uncles were involved in this business from the '50s 'til two years ago when my father died and my uncle is still alive but he has retired. I have been working, myself, for 34 years in this business. I've been, I think, in more than 40 countries for my duty and I've been visiting more than 400 race tracks. The pari-mutuel which is a French word. Unfortunately it's the only French word that has kept the industry because it would have been more easy for me if we have some other French words because — so I will try to say very, very often pari-mutuel so that this is the only word I can say properly in your language, which is pari-mutuel, in fact, yeah?

[Laughter]

We have been there in this business for quite a long time as you know, and it's a pity that we haven't been here before to meet people, more cool way that we can meet them on the race track because when you go on race track you know how it is. There is the fever and we cannot have good exchanges. This is the same as this microphone, as a matter of fact. I am not so relaxed as you can see. PMC has been the — is not coming from nowhere. It's in direction of three business units. One is for the services. This one has been created in 1888 and the two others are creating solutions and creating technologies and for us is a start-up. It has been created in 1970, both of them.

Those two, we were the first in the '60s to create the first electronic totes in the world for the Vincenne Race Tracks and we have created the company from this new development that has been made by the previous generation. Groupe Carrus is — Carrus is my name — it's dealing with pari-mutuel. Pari-mutuel, two words, closely in track, closely intertwined with our company. Since its creation more than one century ago, the company has been devoted to this now global way of betting. I don't know if the betting exchange will exist in more than one century, but this pari-mutuel that has been some problems now and the new developments that are competing with pari-mutuel, but pari-mutuel is strong and still in the picture.

It offer horse racing association and bettors the best possible services and technology, including several hundred tellers at the racecourse and exclusive state of the art tote system, full service data center, 365 days a year, cutting edge self-service kiosk and terminals. 2 billion tickets are issued in France every year, in Belgium and Spain through our systems. In Austria, Germany also where we have — and in Africa where the betting's a separate pool on French races. We open 30,000 windows a year on three different racecourses, most of them in Europe that we operate ourselves. We have 10,000 active terminals every year, principally at the OTB at the PMU which as 8,000 on itself and in other OTB in Switzerland and in Germany and Spain.

We have 5,000 kiosk in the three Europe and OTB operators. We don't have any in Germany. It is forbidden in Germany to have kiosk. I don't know what's the reason, but they don't authorize self-service machines. We are supplier of the majority of pari-mutuel internet operators that has been introduced on the French market last year. That is to be — that is Betsclick or well, typical operator or European operating companies. This is the places where we have system installed. You can see we are well in — we are in certain number in country in Africa which are betting mostly on the French races. It's a French-speaking country. We are also in Lebanon. We have an installation in Russia, and we are in Spain, different race track in Spain and in Belgium, Germany, Switzerland, Lebanon I already told you, and that's where we've been implemented.

We have been devoted to the racing operators for more than one century. I'm representing the fourth generation of the company with my brother. We have been — the origin of the combination bets, you know the TSA was created in France in the '50s after the World War II and the country was reconstructing. It has been a fantastic success, that as permit to the racing association to be — racing in France was quite poor before and the greeting was not so famous and since that development of the TSA in the '50s. They are now one of the top four or top five in the big nations in the world in terms of breeding and prize money that is distributed in France should be now the second or the third in the world in the three disciplines that are harness, gallop, and jumping — and steeplechase.

We have been all the time — we have created the PMU in the '30s and we have been involved in all this development in France and now with this new platform we are at the door for the PMU to open the PMU to the rest of the world and to offer the pool which is every day there is a pool that can permit the bettors to win more than 1 million euros which is Quinté+ every day you can on betting \$1.00 on the French pool you can be the winner of the 1 million euros dividend that is assured every day. We have 245 racecourses in France. Some of them are very small, racing only once or twice a year. Some of them like Clairfontaine Race Track that you have heard yesterday is quite important, more important because they have the best on-track betting average.

We are present in all these race tracks in France from the smaller to the biggest. The biggest which is Longchamp which is the big Prix de l'Arc every year so we are present in all these race track with 900 people, part time people. They are not full time operators, which represent 100 equivalent full time. We know them. I am going nearly every twice a week and it happen very often that I am selling bets myself, so I know how they behave and I can feed my engineers to help them to find new developments to help them to go to the market and to satisfy the market.

This especially is used to understand the demands of the operators and their points of sale, design computer solution and proof the user interface of the journals, optimize their performance and security, and train tailors. Specialists of the very specific pari-mutuel

betting, we invent and develop new products and new service that offer optimal response to the needs of operators and bettors alike. Merci beaucoup. I am very sorry because I was a bit — it was a bit difficult. You know I'm — I can't read anything there. It's very difficult to read. I didn't know that we didn't have the return of the slides here and I'm sorry for that.

[Applause]

Mr. Mark Thurman: Thanks Jerome. I was in awe meeting somebody that his great, great grandfather invented pari-mutuel wagering. I remember reading about it when I first got into the business and being able to meet somebody like that, that was very exciting. Now we're going to come back and, just like me, Paul's gonna do double duty here. We'll get Paul Cross from the Tabcorp in Australia. He presented at the last session and it was very interesting, so we'll see what he has on tote.

[Applause]

Mr. Paul Cross: Thanks Mark. This will be a bit quicker than the last one, so I know everyone's anxious to get out. When talking to Doug, we looked at what else is happening and some new things, and I'll put new in inverted commas, and one thing we have done now is this international gateway, but before I got onto that, one thing that was coming out through the speakers on various panels I've heard today was this issue of retail outlets and we've got two and a half thousand in our country, 11,000 in France, I think 8,000 betting shops in the UK. It's one thing that staggered me about the North American market every time I've come here is the lack of the retail penetration.

I don't understand completely the reasons for, but the — and whilst there's growth on the ADW side and internet side, obviously. I always wonder why there's never been a great retail penetration within the U.S. given that it's primarily a — it is a type business within the U.S. and you can see evidence from other countries about how well and how significant and how important it is from a revenue point of view that we don't see the same thing in other jurisdictions over the USA. I'm sure there are quite valid reasons, but it's one thing that's always astonished me.

Okay, the gateway we've got in the Isle of Man is a thing called Premier Gateway International and it's a joint venture, and I'll skip all this because I think most of the people who were in the last session are in this session. It's a joint venture with Phumelela and I just wanna go back a bit and do the background so I'll try not to repeat some of the things that people have already mentioned apart from Dave's comment about size does matter. In Australia, we now import over 25,000 races each year from around the globe. We bring in races from Japan, Hong Kong, Singapore, New Zealand, South Africa, Dubai, France, UK, Ireland, and some races from the U.S. and Canada. The reason why we haven't done the U.S. and Canada just yet is because it comes in at around 6:00 to 7:00 in the morning.

There's a famous saying about Aussies in that Aussies will bet on two flies crawling up a wall. To a certain extent that's true and that's why we've got so many races that we cover now. It's been growing each year and now it's 25,000 races a year and surprising enough, ten years ago — and if you picture the U.S. market ten years ago and you compare our market ten years ago, ten years ago we imported maybe 1,000 races per year from overseas and now it's gone to 25,000 in the space of ten years. It's really ramped up in the last three or four years so we regard the internationalization or globalization of racing as quite an important step not only from the racing industry's perspective, but also from a customer demand perspective.

We're only going on this route because customers are demanding this sort of thing. The more we do it, the more customers want. On the other side, while we're comingling, we export Australian and New Zealand racing to over now 30 countries around the world. The PMU on the French side was quite exciting and what they're doing, and most of the countries around the world, the bigger tote operators or the countries which have tote operations as their fundamental part of their business, and I excuse the UK at the moment, but there seems to be a drive more and more on the globalization front and, again, it's sort of astounds me — not so much as far as the retail goes, but it still astounds me that there's not enough activity in the U.S. to get your product overseas. I still find it rather amazing.

We broadcast to over 30 countries around the world and it's going quite well. It's been going now for some 10, 12 years. We continue to look at enhancing those markets, so what else can we do within that market? We work with our partners overseas to find out what else we can do and that's one of the issues of why we've come up with comingling. We continue to look at new markets and it's easy to take off the low-hanging fruit. It's much more difficult to get into new markets which do not have any semblance of a racing industry or any semblance of tote betting or any semblance of fixed odds betting. We continue to look for new markets, and comingling is a great tool for new markets.

Time zone. We now operate from 10:00 in the morning, sometimes 9:30 in the morning right through to 3:00 a.m. the following morning, so we'll cover New Zealand in the morning from 9:30, 10:00 right through to UK racing, French racing 'til about 3:00 in the morning. We used to start from 11:00 a.m. to 11:00 p.m. That was about ten years ago so I ask the same question. If you think about the U.S. racing industry ten years ago, what were you doing? Compare what we're doing now ten years on. We've moved from 11:00 a.m. to 11:00 p.m. to 9:30 in the morning right through the 3:00 a.m. Once we get a bit more confidence about the U.S. market and we're able to comeingle into the U.S. market, we'll probably be operating more or less 24 hours a day.

The next round was the size does matter. You'll hear it time and time again. From a customer's perspective, they don't care where the pool is. All the customer cares about is the size of the pool. If the pool is located in France, whether it's located in Australia, Isle of Man, UK, US, it doesn't really matter. If there's a way of finding a simple solution for all to connect from tote to tote via a hub, then it's gonna be in everyone's interest to pursue the type of thing that we're trying to pursue with the gateway in the Isle of Man. It also gives us the opportunity to embark on new and exciting bet types. Sweden, Magnus. I can see Magnus over there on the right hand side there. Sweden has a great product called V75. I wonder how many people have heard of V75 and actually pool into V75? Fantastic pools and I've probably quite wrong turnover numbers but I think about 5 million euros a day, 6, okay, I'm going up. 10 million euros a day. 12, okay. 12 million euros a day. Now, isn't that great? Again, size does matter.

Liquidity does matter. There's a perfect opportunity to go in the Swedish market if they'll have us, with that such a big size of the pool. Now the side effect of all that, of course, is whilst it's a big pool it's a great takeout rate and, correct me if I'm wrong, it's about 35 percent takeout. Again, it's a great pool. Great pool to get into, so if we can come up with tools that enable us to get into other countries' pools that makes life so much simpler for everybody. The last one there is customer demand. At the end of the day it's what customers want. We've found that with the racing product we offer, the more we do it the more our customers want.

We recently entered into a new agreement with our UK colleagues, some of which are still over there, about the import of UK racing. We started UK racing on a regular basis, I think

about four years ago now. We started with things like Royal Ascot. Once we did Royal Ascot our customers then said well, why aren't you covering the Cheltenham Cup? Why aren't you doing that? And if we didn't do that, why weren't we covering the Arc? So our customers have demanded. The more they saw it, the more they wanted product from around the world.

The trouble with that is the liquidity that you sometimes lack, particularly at 1:00 in the morning, it's rather difficult, but I must say three years ago we had two Australian horses at Royal Ascot and I can't remember what particular race it was. I should, but we turned over something like \$5.3 million on the one race in Australia. My suspicion for the UK tote — we haven't got any reps from UK tote here today — my suspicion for the UK tote hold, for that exact same race, I would probably be generous at saying probably \$2 million. I'd be generous at saying \$2 mil, so there's a great interest from our customers for international races, a great interest. The more we can get liquidity, the quicker it's going to happen, and that's why we'd like to look at bringing in U.S. racing. When we can set up the comingling arrangements the U.S., the quicker we'll look to bringing the U.S. That'll lead us to the 24 hour operation.

The gateway, itself, we've looked at some ways for a while about Tabcorp setting up an alternative solution for the development of global comingling. It's been a bit of a struggle for us. Apart from comingling domestically, so yes you do it within the U.S. quite easily. You've done it for years. We've done it for years internally within Australia, but we needed to branch out towards the international environment. We started that back in 2007 with New Zealand. Since then we've extended that to South Africa and our partners in Singapore.

We've more recently begun pooling with Singapore in our partnership with the Singapore Turf Club. It's happening, but it's happening rather slowly. For every partner we wanna choose to partner with, it can often take one year, 12, 13, 14 months to actually get it going. It often costs us — I don't wanna tell you the exact numbers that it costs us, but we're talking large sums of dollars to get connectivity with another country. We've been searching for a way of making life so much easier for everybody. We looked to several options and after looking around the marketplace we decided to enter into a JV with our trusted partner because we've been dealing with them for some time, Phumelela, which is a South African based tote company.

Now, this is interesting. Since I've been at this conference, I think first time that I came here in 1999, I've been coming most times ever since, I've heard the — you can't call it a country I don't think — I've heard of the Isle of Man at least 20 times in the last few days that I've been at this conference. It seems to be the place to be at the moment. The beauty of the business that Phumelela had is that it's been going since 2006 and has profitability growing each year so they're logical partners for us to come and become a joint venture.

We had similar objectives. It's not a case of selfish objectives; it's a case of what can we do globally that everyone can share in that makes life easier from a connectivity point of view, that makes this idea of meeting customer demands in different jurisdictions, meeting that customer demand far more efficiently than is currently the case? We wanted to create — want international takeout. Why? To make it easier for connectivity. We wanted to encourage the major international tote operators to be users and, if necessary, join owners. It's not about the ownership of the gateway; it's about the connectivity between different totes around the world.

Lastly, they are providing additional revenues to the operators' domestic racing industry. That's a very important point from both JV partners. The business has now evolved into Premier Gateway International, licensed in the Isle of Man. For those who don't know where the Isle of Man is, and most of you probably know by now, it sits up there in the UK to the left of UK, to the right of Ireland. A little island, population 80,000. They tell me that the weather there is not that great, but I've been there a few times now, it's always been fine so I don't know what they're complaining about. It's not a bad place to be.

Today, PGI as we call it, operates virtually 24 hours a day, seven days a week with our tote partner AmTote. We've had to hire additional staff. I don't think there are many totes around the world operating 24 hours at the moment, so it's one unique feature that's happening. That enables us to offer, when we get around to offering betting on U.S. racing, the opportunity to run 24 hours a day. Offers over eight currencies for inclusion in comingle pools. I'm sure Dave, you'll be able to say similar things, I'm sure. Comingles wagers on some 240 tracks around the world. Comingles with major tote operators, and it hosts various pools, so it can be a host of pools if required. It runs various Soccer-type pools such as Soccer 4, Soccer 6, and Soccer 10 so it has many uses, the gateway, but the ultimate use is to enable that connectivity with different totes.

Finally, what do we wanna create? We wanna create this global gateway for wagering operators where wagering operators can come into PGI, make it as simple as can be, and of course going the other way to, again, back to the wagering operators. I think it's a common theme coming through. Can we all try to make life a bit simpler? Because it's far too complicated now. Thank you.

[Applause]

Mr. Mark Thurman: Thanks Paul. Now we have Steve Keech from AmTote.

[Applause]

Mr. Steve Keech: Thanks Mark. I'll be quick cuz I think I'm the last person between you guys and your alcohol.

[Laughter]

It's amazing how we all come to this event and we don't think much changes. I was reflecting on that today and then I realized I've gotten a little bigger around the middle, a little grayer on top, and I have to wear glasses, so I apologize for that. I'll try not to be very repetitive. I think that you've seen a lot of common themes up here today, so I'm really just gonna talk about three topics. I'm gonna talk about a global network, points of wagering, and this international synchronization which I think there's been a lot of conversation on.

I wanna lead into that by saying we took a look at — in horse racing we spend a lot of time listing all the things that we're not good at and all the stuff we gotta fix. So a bunch of us got in a room one day and said let's actually list all the things we're good at. Now, maybe it wasn't that long a list, but we did have a list. Part of it, when we take it all apart is we as an industry globally know how to do global wagers. We can move money back and forth. We know how to settle them. We understand about takeout rates. We do a lot of stuff that if you were to go to a lottery company and say go do an international life-changing lottery, they would be struggling for years to do it. We know how to do that today. We took that as a basis.

We took all these great bets like the Triple Trio or the Quinté+ or the V75 or the Poolpote, or maybe even the Rainbow Six out of North America or the somewhat maligned Quad Superfecta, and said okay, these are wagers that tried to find a way to balance between handicapping, people who are very good at handicapping and people who are somewhat good at handicapping, and trying to give everyone an even playing field so that we can promote life-changing wagers. All right, so we said let's take that as a basis.

Then we said in order for us to be able to do this as an industry and grow our business and compete with lotteries or compete with casinos or whatever, we would need to come up with what's the one thing standing in our way? What we came up with was we need to come up with global ubiquitous points of wagering. We heard 11,000 OTBs or 2,400 OTBs. Well, we need a lot of OTBs globally. These global ubiquitous points of wager are, as we like to say, a GUPOW cuz if you take G U P O W, so GUPOW, so you need those. If you get those, we think you can actually start to get more driving or comingling and a bunch of other things that come out of it.

In order to get that ubiquitous wagering network you need the tote hub. We heard about the one on the Isle of Man and there's others, the Essen hub, but it comes down to a few things you need 24 hours: currency, scale, net pool pricing, flexible pricing, etcetera. We also think looking at things like remote operation in case from a regulatory standpoint you need to be able to place the tote hub in a particular jurisdiction and then operate it centrally. We spent a bunch of time doing that. We've learned through the 24 hour process with the customers who've done it that it really, 24 hours, in and of itself, is easy to say but the moment you go 24 hours all your other business processes have to catch up.

So to David's point when he's saying it's really not just about technology. If you told us today you had to wager 24 hours a day we can turn that on. Then what about the rest of your business processes? Simple things like cash draws or simple things like a day account, does a day account end at midnight or does a day account end after a 24 hour period? The other piece to this, what I'll call this global network, is the network itself. On top of those abilities like scale ability, extend ability, everything else, we looked at it and said this thing had to be simple, cost-effective, and the best way to get to that is shared.

The one thing which we've looked at is trying to build out our international connections. We've created what we like to call our international ITW switch. Uses a bunch of technologies, but the idea is if you can connect to one point we're then able to build what looks like individual sources amongst a bunch of international connections. We've got currently France and South Africa and Ireland and Puerto Rico and a bunch of other people connected through this, but the idea is to make it cost-effective so that expanding your wagering product to include international signals is gonna be creative to your business.

Last piece is the protocol. We talked a lot about ITSP. It works, it's effective. Yeah, it's got some issues but we find a way that it actually works really well, and we think it actually is very aligned to the business model. On the transactional pools, we certainly think they need to be there for a safety net. I mean, there's nothing like saying hey, some guy in a country X just took down a \$24 million Triple Trio pool. You may wanna actually see the details of that bet before you write the check and send it to them. We get the fact that you need that. We don't see it replacing ITSP. We see it working along with ITSP.

The last thing is on this transactional protocol is certainly from an ental point of view, we think let's let the market drive the standard. I know we all took a big run at trying to come up with this wagering transmission protocol. A lot of good people worked on it. It couldn't

get anywhere. It seemed to be big and unwieldy cuz it tried to be all things to all people, but taking a look at the demand for wagers, whether it's Quinté+ or V75 or whatever it is, using that to actually drive our transactional protocols, we think is a good move.

Now, on to points of wagering. In order to get a point of wagering we all know you need video. You need with the actual wager itself, you need some race information but certainly from someone who's spent a bunch of time with North American race tracks, everyone seems to feel they need to have the kind of control over these points of wagering so they're a little bit hesitant maybe to expand. We took a look at each of the pieces, video wagering and race info, and said well you know what? We have this great solution which works, it's existing.

The Roberts Communications Network has done a great job building it out. You got SIS. You've got even the people from Phumelela, etcetera. We know how to deliver quality video, controlled video to our current customer base but what if we wanna expand? That's where we said to ourselves hey, we've gotta take a look at new technologies to get to these new, smaller markets. Putting ourselves and going to that GUPOW thing of trying to global ubiquitous points of wagering, we said all right, we need to find ways to target many, many small locations. Trying to take a page out of the folks in France, taking a page out of the folks from the UK, and from Australia, we need to be able to have these bars or pug tabs or whatever words you wanna put to it. We took a new technology.

We personally don't believe that any of this new technology where the video streaming, etcetera replaces our current. We think it becomes additive to it. We looked at the video and I'll talk about a device which we've got here if you wanna see it, which we think encompasses what we're trying to get at. Wagering, we all know how to do wagering. If someone called me up and said can you stick an OTB here and it's got 25 terminals? We know how to do that. Dave can do it. All the tote companies can do it, so again, it's really around what new technologies can we use to get to these small points?

Again, we're looking at things like a COTS PC, a common off the shelf PC model, selling software, getting around the import duties, that kind of thing allows us to build out these global networks, consumer owned devices. Blackberry, my wife calls it the Blackberry prayer. When she starts to talk to me to something maybe I'm not that interested in, I pull the Blackberry out, my head starts to drop a little and you start thumbing out a reply. She goes stop praying. But how many people have these devices, and you can wager off them, so let's find a way.

I know that the Friends of United told Dave got an application they've run at Keeneland. We've got some applications to it. I'm 100 percent sure that all the rest of the totes up here have them as well, but the idea of being able to tie that into a bricks and mortar experience. Then on the race info, it's been a while since I've been out schlecking international content, but for when I was it seemed that this area, this idea of racing program information seemed to be our sort of weakest. I know that the folks at Equibase are doing a good job, but whether it's real time around odds or it's scratches and changes or it's trying to get that program information, again, it's been a while but I still get the sense that this race card information is really sort of the weakest link of this broad expansion of international wagering.

Then what do the tablets do? I mean, I know I myself — as I said, I'm getting old. I got my glasses, I'm getting a little bit thick in the middle, so I have to print stuff out to read it, but most people today, they just read off those iPad tablets. What is that gonna do to this race card information? We took a look at those three pieces and thought about having a

unified device, something around combining video technology, race info, even a printer port that you can print yourself your programs, wagering, make it high security.

There's a bunch of technology that's kinda neat by it and I'm sure everyone with the other tote companies can all mimic the same thing, but the part we found interesting is from talking to people is the content providers or pari-mutuel licensees liked it cuz they could now control it. Now there's a bit of a safety net where they feel, you know what? If I go out and stick 1,000 of these things out there so I get these globally ubiquitous points of wagering, that if I don't like one of them I can turn it off. It's not gonna be a big hassle.

The idea of the technology that works with all of the existing players in the industry, so it's accretive, it's not competitive. We think with this network focus on expanding these three items you can get to this global expansion of points of presence and that leads me sort of into this international synchronization. I think Dave's story was perfect. I think we've all been there when we've travelled internationally and we go to try to place a bet and we can't figure out the bet's name or we can't figure out how to cost the ticket or we don't understand what happened to us. There's lots of differences.

We've talked about meds, you talk about steward ruling, you talk about pricing, you talk about a lot of things on this international difference, and so if I take a page out of what happened in the internet and where people found a way to just let the market forces drive consistency, we believe that the global pools will be that mechanism to drive towards a lot of these complicated international synchronizations and the more points of wagering is going to force that market to act more efficiently.

In kind of a sum up, we believe that bigger is better, although I should tell my doctor that. He keeps telling me to lose weight, but bigger is better. We believe that finding a way to expand wagering in these small points is where we're gonna get to and we also think our greatest strength is this life-changing wager aspect. We think all of those things together will drive innovation and drive this synchronization internationally. We think actually build the industry globally. Thank you.

[Applause]

Mr. Mark Thurman: Thanks everybody. I guess my HR person has taught me that I can't say bigger is better. Does anybody have any questions? Now, come on, and I'd like you to, if you could, use the microphone.

Audience Member: Is this working?

Mr. Mark Thurman: Yep.

Audience Member: I'm really interested. 11,000 outlets, what do they look like? I mean, are they big rooms? Are they in little coffee shops? One-bet places? What?

Ms. Ines Hendili: Okay, no, doesn't work? All right, sorry. Excuse me. In those 11,000 outlets there are just two shops that do only betting. They are in Paris and owned by PMU. All the others are restaurants, bars, cafes, so we really prefer to go into those kind of shops because they can show the pictures and they have people staying, playing, watching the pictures of the races, and having drinks and food. It's not the classic betting shops.

Audience Member: Are they — they're not self-service? They're live pari-mutuel takers taking the money?

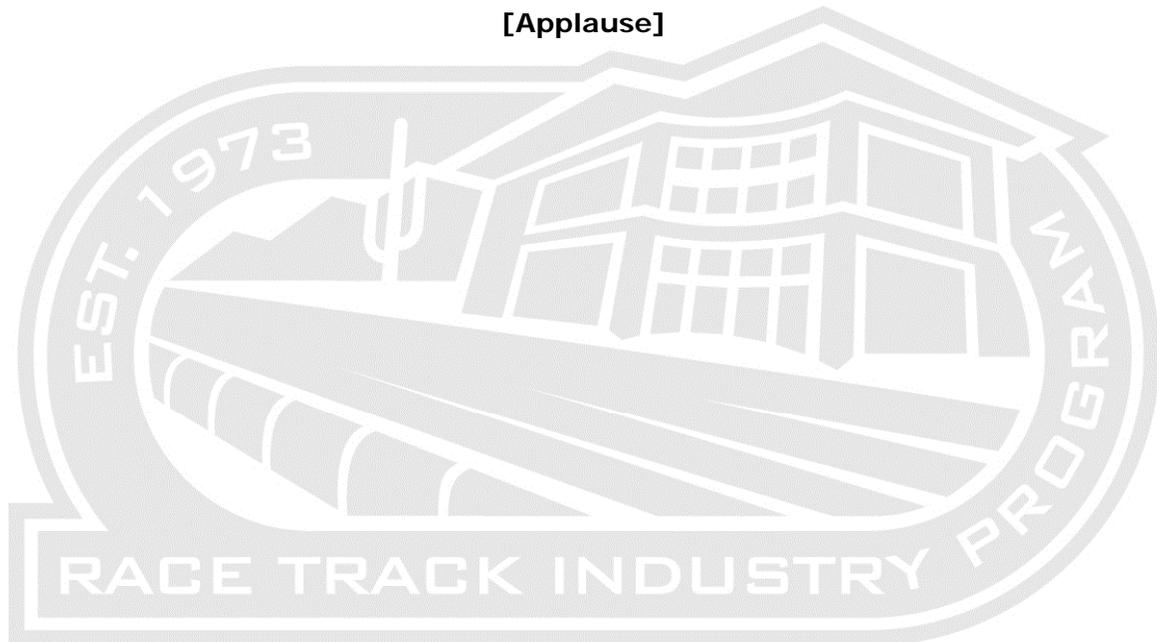
Ms. Ines Hendili: They have both. The shop owner would have its terminal and may be himself behind the terminal or having a teller behind the terminal, and for big shops we would add also self-service terminal so that they don't have — everybody can get its bet played, even through the teller or through the self-service terminal.

Audience Member: Thank you.

Ms. Ines Hendili: Thanks.

Mr. Mark Thurman: I know we're getting close to drinking time. Anybody else have any questions? You guys have any questions? No? Okay, well I thank you all for coming and let's give these guys a big hand.

[Applause]



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