



A PERSPECTIVE ON RACING – AS I SEE IT

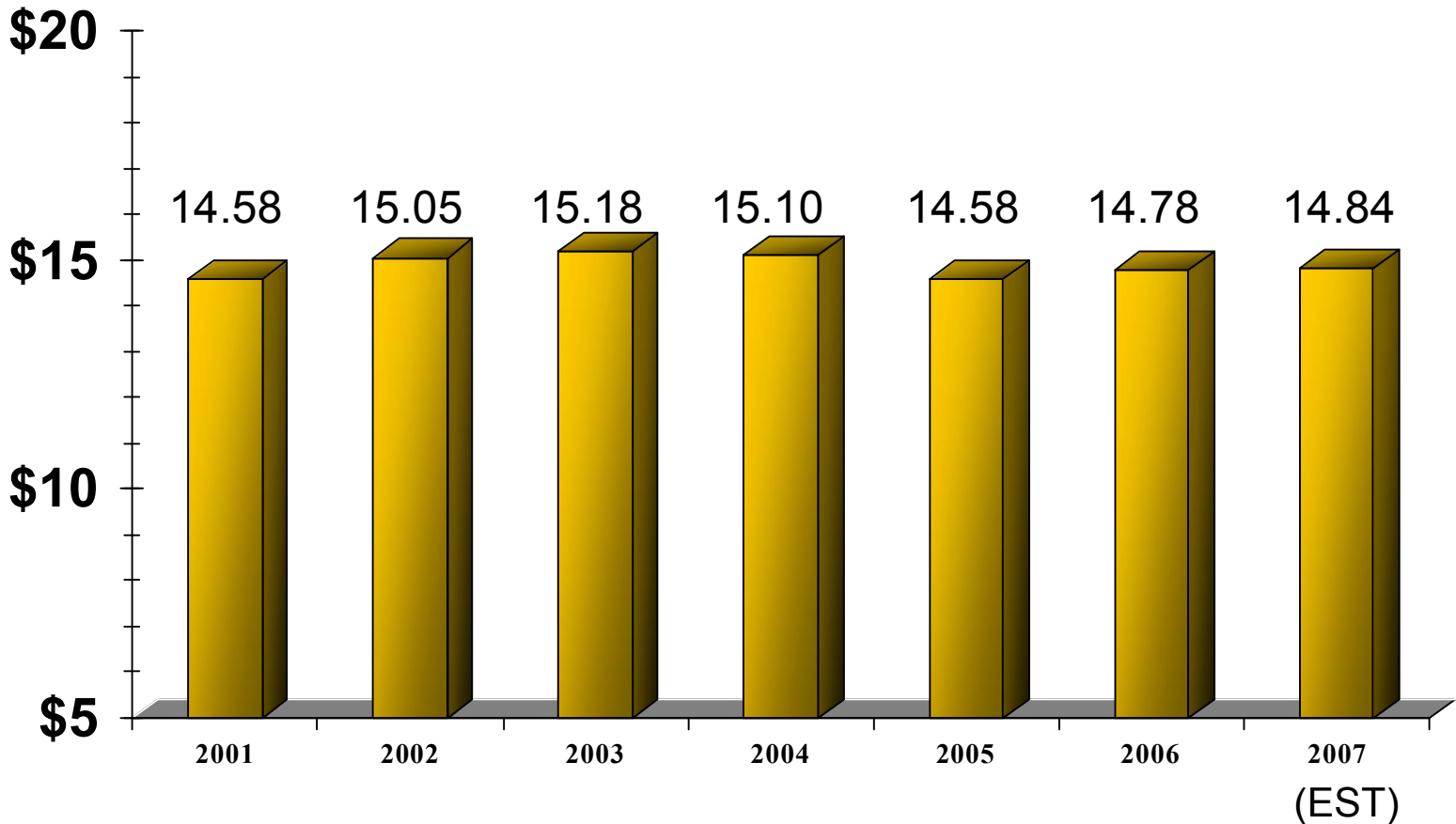
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**Presentation to the University of Arizona
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Thoroughbred Racing Economic Indicator* Wagering on US Races** (In Billions)

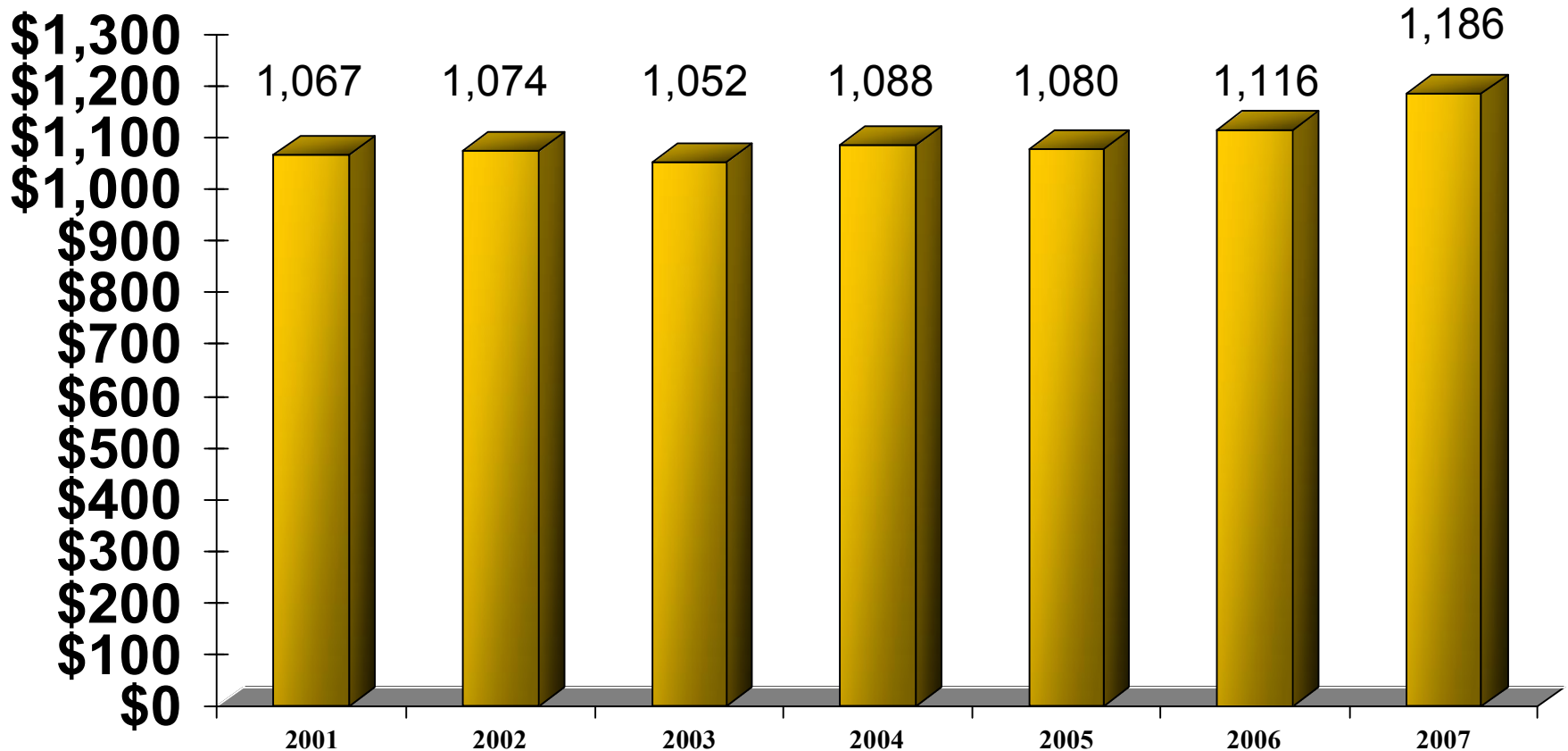


*Source – Equibase Press Releases

**Includes Worldwide Commingled Wagering on US Races and Separate Pool Wagering in Canada

Thoroughbred Racing Economic Indicator*

Total US Purses (In Millions)



(EST)

*Source – Equibase Press Releases

**Primarily due to alternate gaming in Louisiana, Pennsylvania, West Virginia, New Mexico, Florida and Delaware

Comparison of Leading Publicly Held Companies in the Thoroughbred Racing Business

	MAGNA	CHURCHILL DOWNS	PENN NATIONAL	YOU-BET	TVG
Revenue (TTM)	\$735m	\$402m	\$2.4b	\$142m	Not Available – Part of Gem Star International
Market Cap	\$170m	\$718m	\$5.2b	\$47m	
EBITDA	<\$21m>	\$56m	\$638m	\$6m	
Total Debt	\$586m	\$69m	\$2.9b	\$20m	
Stock Price @ Nov 30, 2007	\$1.46	\$52.48	\$59.55	\$1.12	
Total Stockholders Equity (Dec 31,2006)	\$401m	\$350m	\$921m	\$53m	

Reflections On Ellis Park's 46 Day Summer Meet of 2007

- Many things beyond our control
 - ✓ Hottest summer in recorded history
 - ✓ During the entire meet Kentucky Department of Highways painted nearby bridges resulting in our main entrance being obstructed
 - ✓ Sudden heavy rains and electrical storms resulted in loss of power and cancellation of two days of racing half-way through the card
 - ✓ Another partial day was lost when the jockeys walked out after a rain downpour
- One major problem that the parties and the industry must resolve immediately
 - ✓ The TVG and Tracknet battle is harmful to all
(Extremely detrimental to Ellis Park, but Claiming Crown 2007 is a beacon of hope – a win-win!)

Details of Win-Win Nature of the 2007 Claiming Crown at Ellis Park on August 4, 2007

- ✓ National Horsemen and Kentucky Horsemen persuaded Tracknet, TVG, You-Bet.com and all other ADW's to provide coverage of 2007 Claiming Crown
- ✓ HRTV and TVG Television provided coverage of all the 2007 Claiming Crown races with HRTV crew on site at Ellis Park
- ✓ The result was an all-time Claiming Crown record of \$4.9 million all-source handle, surpassing the previous record of \$3.6 million at Canterbury

(Let's all get behind Claiming Crown 2008 hosted by Canterbury in the summer of 2008 and set some more records!)

Other Observations

- ✓ A partnership approach between horsemen and track can work;
- ✓ Tote technology needs to improve greatly and quickly to be competitive with other forms of gaming;
- ✓ A horseplayer focus such as Ellis Park's hosting of four NTRA/DRF qualifiers in 2007 and the experiment with the 4% take out pick four bet has carved out a niche for Ellis Park with the horseplayers;
- ✓ With gaming recently passed in Indiana, plus presently in Illinois, Pennsylvania, and West Virginia, it is critical that Kentucky enact gaming to remain competitive. 2008 is the best chance of getting gaming in the last 12 years!

Economic Realities are Tough to Overcome

- ✓ TVG's pioneering efforts and capital investments make their insistence on exclusivity understandable;
- ✓ HRTV and Tracknet's clout through Churchill and Magna's numerous and strong track ownership is a strong lever;
- ✓ Race tracks and horseplayers are put in the middle with no good way to maximize their involvement or outcome;
- ✓ The fact that TVG's parent (Gem-Star) is looking at strategic alternatives (for sale) and Magna's tenuous financial condition adds much more uncertainty to the equation;
- ✓ A free market outcome (survival of the fittest) could take years and do much harm to the industry in the interim;
- ✓ If one side gains dominance as a result of the above point, not sure that would be good in the long run either.

In light of such economic realities --

I would like to propose a possible approach that seeks a win/win/win outcome:

“A Centralized Betting Exchange”

- ✓ Goal of maximum content availability and maximum signal distribution (content made available to everybody)
- ✓ A neutral party administering it in a location that is neutral that has the technology infrastructure to function quicker and better than today
- ✓ Free market setting of rates by all tracks for content and made available to all legal groups that want to buy it – no need for middleman under this model
- ✓ A Centralized Betting Exchange should have the infrastructure and technology to result in “final settlement” in one business day (as opposed to the current archaic and elongated settlement process we all currently use)

- ✓ Industry has a positive experience in data gathering with integrity and efficiency with the Equibase model; maybe some adaptation;
- ✓ Fees set by Centralized Betting Exchange to cover their costs of operation as well as to cover debt incurred to acquire TVG, HRTV, Tracknet and to build infrastructure;
- ✓ Envision industry-wide ownership with a non-profit charter or capped return on investment for a for-profit entity;
- ✓ End product should result in less expensive availability of content and distribution of signal; a level playing field for all should result in increasing handle by squeezing out illegal operations
- ✓ A market driven Centralized Betting Exchange will squeeze out unneeded multiple levels at less cost with higher handle – a win for the industry and our customers!

My thanks to the hundreds of industry representatives I have discussed ideas with over the last 18 months and to the University of Arizona for hosting this wonderful 2007 Symposium. In particular, I want to thank Joe Riddell of Lexington, Kentucky for his numerous ideas regarding, and including, the Centralized Betting Exchange concept.