

Woodbine Entertainment Group



International Simulcast Racing

Outline of Discussion

- Separate Pool to Common Pool Wagering
- Wagering Trends at WEG and in Canada
- U.S. Common Pool Initiative
- Simulcasting Overseas Racing

Separate Pool Wagering

- Canadian tracks were required to form a separate Canadian pool when wagering on any U.S. track due to ***IRS tax implications***
- Canadian tracks have been required to form a separate Canadian or North American pool when wagering on overseas racing, mainly because of ***technology and regulatory differences.***

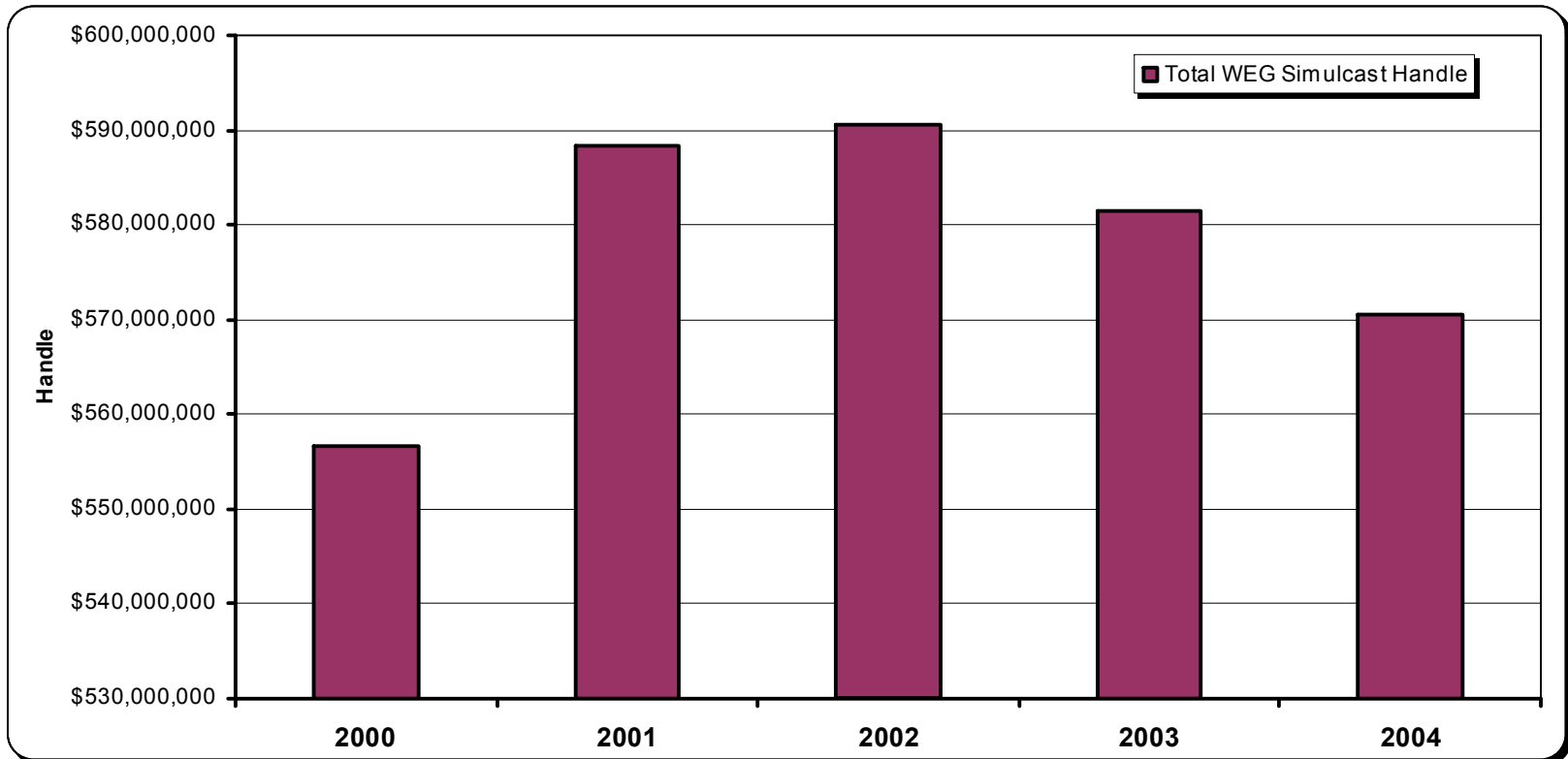
Some Benefits of Separate Pool Wagering

- We have control over
 - the betting rules and calculation process
 - the takeouts used
 - the wagering profiles

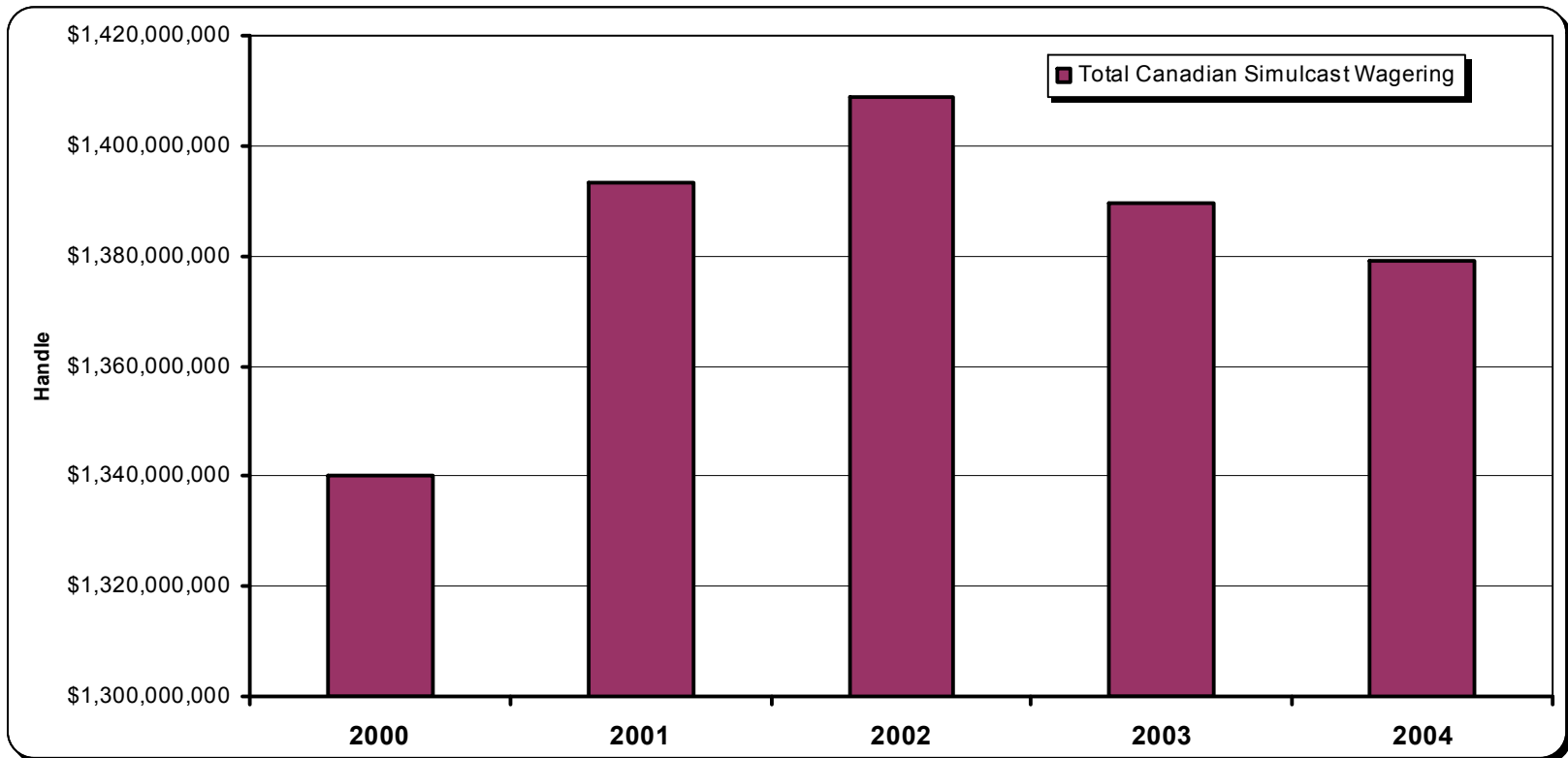
Some Problems With Separate Pool Wagering

- Customers are unhappy with pool sizes and consequently
 - adjust their wagering lower to avoid affecting the odds
 - find ways to bet around us into U.S. and off-shore account wagering operations
 - explore other gaming options such as online poker
- Limits the number of tracks we can offer
- Can't offer the guaranteed pick pools

WEG Simulcast Wagering Trend



Canadian Simulcast Wagering Trend



Common Pool Wagering – Why do it?

- **Customer Demand**
 - Larger pools, host prices, more product
- **Levels the Competitive Playing Field**
 - Gives our customers that have left a reason to come back
- **Increased Handle**
 - Improves the current negative trend and positions us better for long-term growth

The Momentum Toward Common Pool Wagering

- The world's pari-mutuel racing industry has been moving toward common pool wagering at every opportunity
- Process has been slow but has been gaining significant momentum

The Momentum Toward Common Pool Wagering

- Recent successes likely attributable to
 - regulatory and legislative changes
 - globalization mindset resulting in greater customer demand
 - a greater need with the competitive pressures on the pari-mutuel market
 - the adoption of North American industry standards for tote communication and pricing

U.S. Common Pool Wagering

- Our experience to date...
 - What Changed?
 - Implications and Strategy
 - CPMA Requirements
 - Progress to Date
 - Early Results
 - Who's Next?

What Changed?

- There was a change made to the IRS tax law in October 2004 which allows foreign racing organizations to join **U.S. Common Pools**

Implications and Strategy

- Increased handle, but at a cost . . .
- **Different takeout rates**
 - U.S. takeout rates significantly lower in many cases
 - Quickly realized that we will likely not be able to afford to adopt the host rates in every case as the anticipated increase in handle will not cover the lost revenue

Implications and Strategy

- **Different takeout rates** (cont'd.)
 - WEG decided to take a cautious approach
 - We are matching at least all display pools, such as the Win, Exactor and Double, but will set a minimum rate for the other pools
 - The philosophy is that we can always go lower but it would be very difficult to raise the rates should we be short on our projections

Implications and Strategy

▪ Breakage Considerations

- The U.S. commonly breaks to the dime instead of the nickel as we are required to do in Canada
- This will result in customers getting paid more on their winning bets but will come at a further cost to Canadian tracks
- Realized that some U.S. tracks still distribute negative breaks based on handle and not winning money. We require it to be done on the basis of winning money in our agreements to avoid risk

Implications and Strategy

- **Revenue Sharing and Taxation**
 - Quickly realized that WEG was taking on most of the burden of the reduced takeouts because the taxes, levies and the horse improvement program are fixed percentages of the handle
- **Expanded Schedules**
 - Need to expand the number of tracks we take to offset expected losses in revenue

Implications and Strategy

- **Bet Minimums**

- Need to maintain current minimums at least
- Customers will simply bet less if we increase the base cost

Pool	Base	Box	Wheel
<i>WPS</i>	\$2.00	\$1.00	\$1.00
<i>Exacta</i>	\$2.00	\$1.00	\$1.00
<i>Trifecta</i>	\$2.00	\$1.00	\$1.00
<i>Daily Double</i>	\$2.00	\$1.00	\$1.00
<i>Pick 'n'</i>	\$1.00	\$1.00	\$1.00
<i>Superfecta</i>	\$1.00	\$1.00	\$1.00

Implications and Strategy

- **Bet Minimums** (cont'd.)

- However, we realized that we may need to make an exception to this policy for the pools such as the Guaranteed Pick 6
- Tracks may need to consider creative solutions to bet minimums on guaranteed pick pools
- Other jurisdictions such as South Africa, Australia and New Zealand have some possible solutions

CPMA Requirements

- Foreign host system must use Net Pool Pricing
- Communicate differences to pari-mutuel rules
- Communication plan to the public
- Procedures for merging wagers
- Exchange rate policy
- Teller Cancel Delay communication plan
- Successful tote test
- Completion of the Foreign Race Inter-Track Betting (FRITB) Application Form

CPMA Requirements

- Canadian tracks worked with CPMA to ensure that the FRITB requirements were practical
- The ***Teller Cancel Delay*** was one of the main issues
- After several discussions and industry consultation, CPMA agreed to modify their requirements

Revised CPMA Requirements

- Solution was to notify the customer

Teller Cancel Delay Notice:

- *"Some jurisdictions participating in foreign pari-mutuel pools offer what is called a "teller cancel delay". This practice permits tellers to cancel a bet up to 10 seconds after the start of a race. The purpose of the "teller cancel delay" is to allow tellers to cancel mis-issued bets but has the effect of delaying the transmission of final pari-mutuel pools, which in turn delays the posting of final odds. Should a significant cancellation occur, payouts on winning bets may be affected."*

Revised CPMA Requirements

- CPMA struggled with this issue
 - CPMA does not permit teller cancel delays in Canadian pools
 - The purpose of this change was purely for practical reasons
 - Both CPMA and the Canadian racetracks are committed to encouraging the North American racing industry to eliminate them altogether

Progress to Date

- Approvals must be done on a ***state-by-state basis***
 - Discussions with the state regulatory bodies have been done in concert with the tracks
 - Most of these discussions have been very positive, requiring little or no legislative or regulatory change

Progress to Date

- State approvals received to date . . .

Arizona

Maryland

Delaware

New York

Illinois

Ohio

Iowa

Texas

Kentucky

Washington

Louisiana

West Virginia

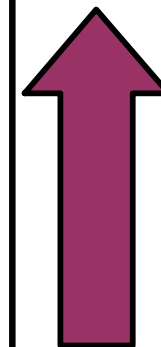
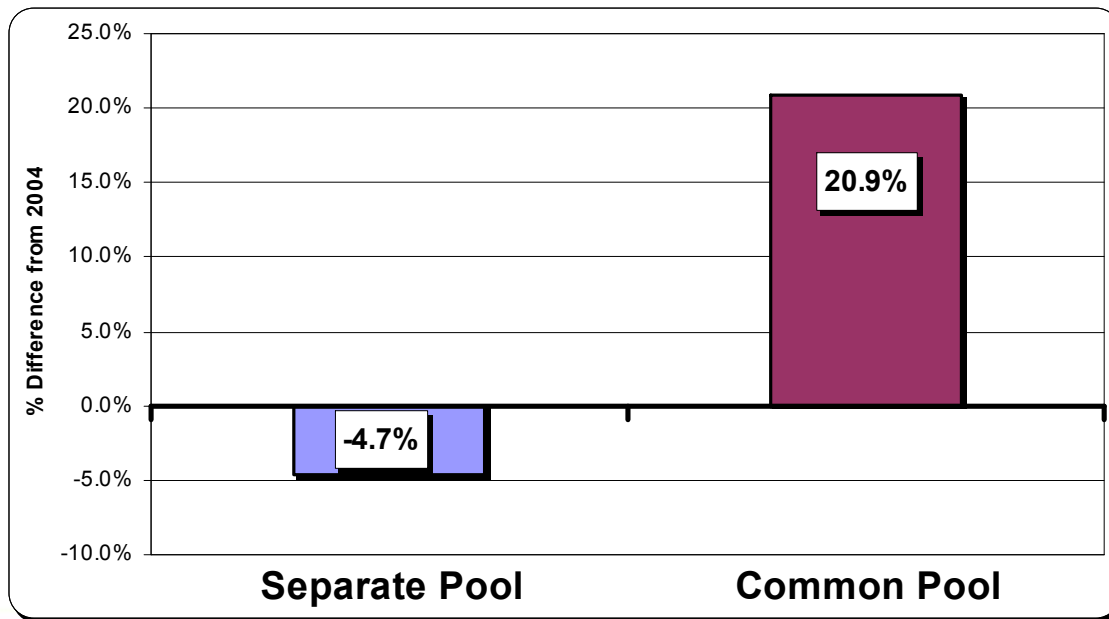
Progress to Date

- We have started with the following tracks . . .

Racetrack	Start Date	Racetrack	Start Date
<i>Balmoral Park</i>	<i>Jul 5</i>	<i>Keeneland</i>	<i>Oct 7</i>
<i>Northfield Park</i>	<i>Jul 6</i>	<i>Belmont</i>	<i>Oct 26</i>
<i>Hawthorne Racecourse</i>	<i>Jul 6</i>	<i>Churchill Downs</i>	<i>Oct 30</i>
<i>Maywood Park</i>	<i>Jul 7</i>	<i>Dover Downs</i>	<i>Oct 31</i>
<i>Arlington Park</i>	<i>Aug 10</i>	<i>Aqueduct</i>	<i>Nov 2</i>
<i>South Africa</i>	<i>Sep 6</i>	<i>Japan (via Emerald)</i>	<i>Nov 25</i>
<i>The Red Mile</i>	<i>Sep 15</i>	<i>Turfway Park</i>	<i>Nov 27</i>
<i>Harrington Raceway</i>	<i>Sep 19</i>	<i>Sam Houston</i>	<i>Nov 30</i>
<i>Delaware County Fair</i>	<i>Sep 21</i>	<i>Mountaineer</i>	<i>Dec 2</i>

Early Results

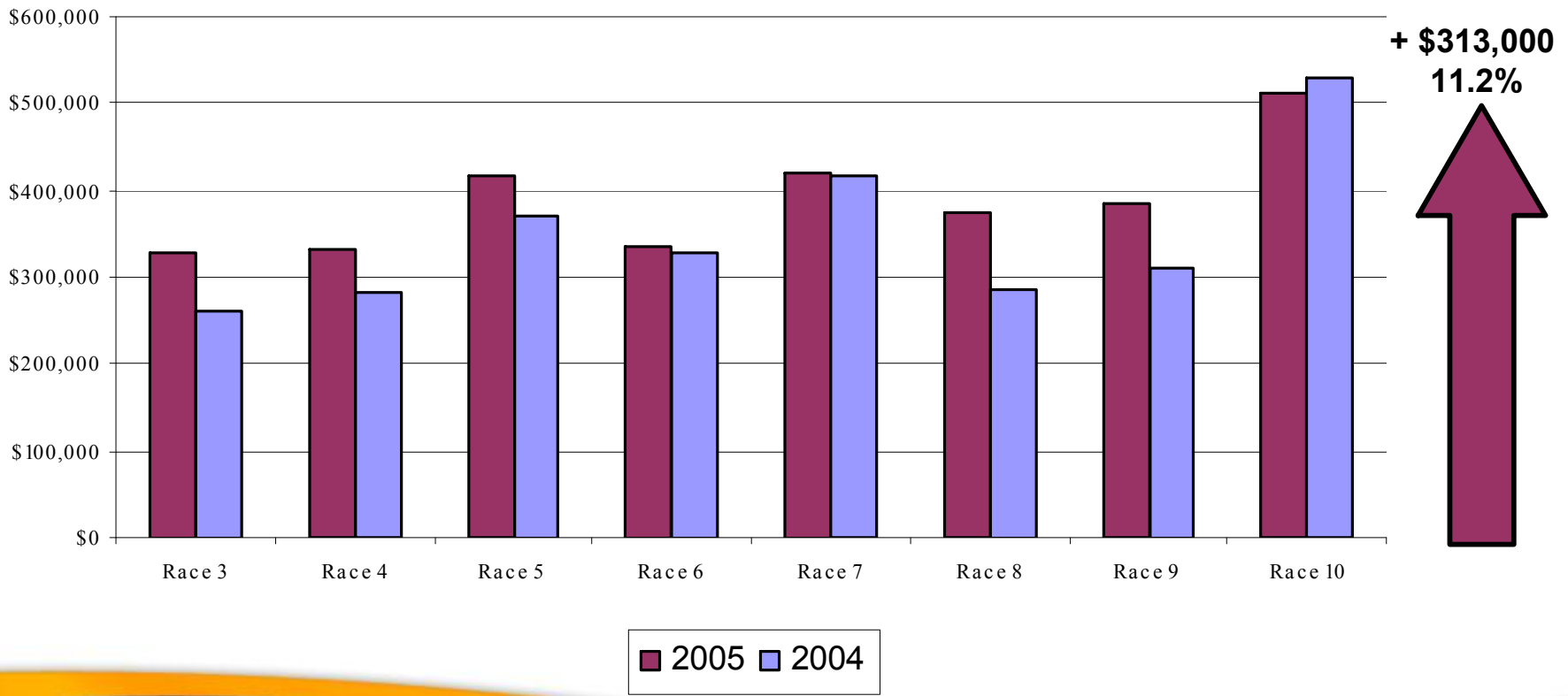
- Arlington Park was WEG's first U.S. common pool thoroughbred track.



+ \$ 1.3 Million

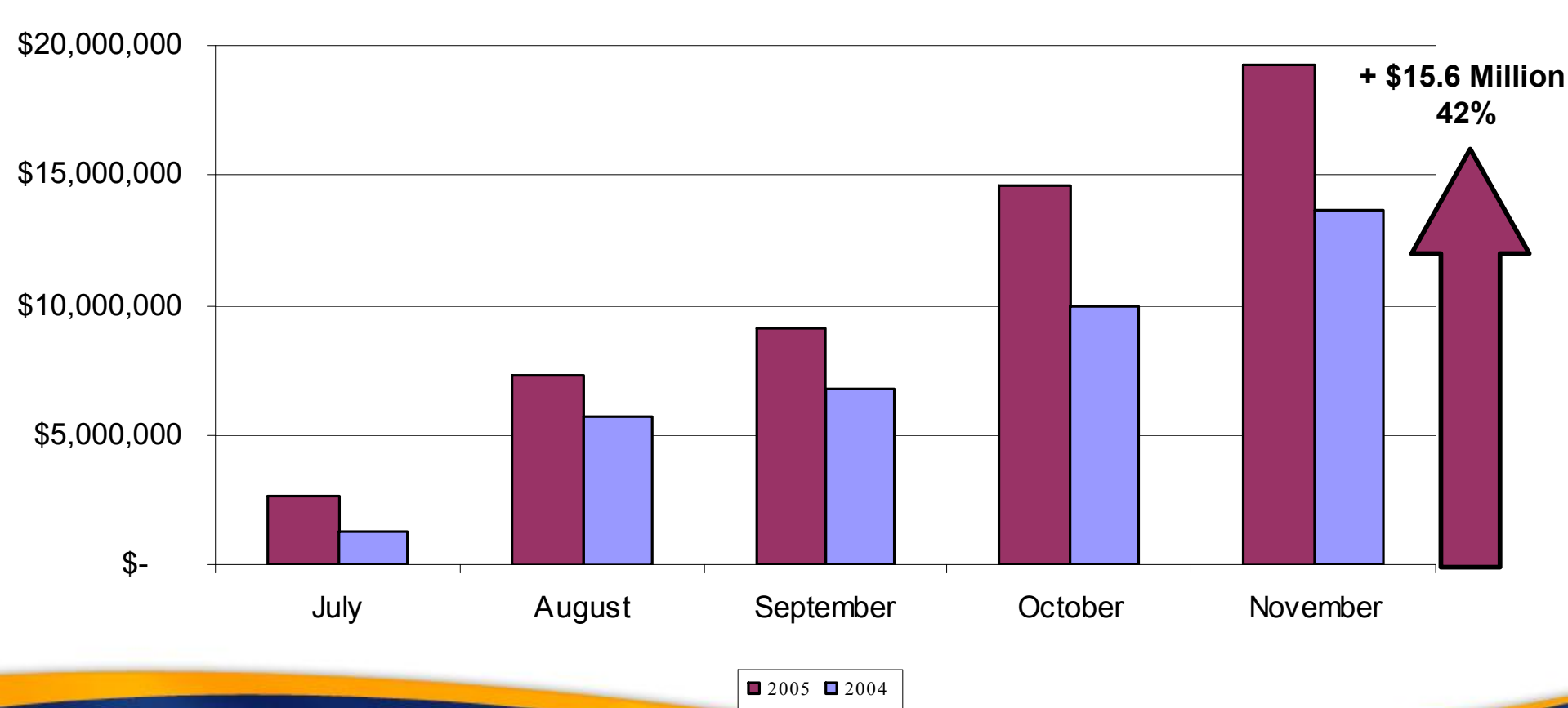
Early Results

2005 Breeders' Cup - WEG Wagering



Early Results

U.S. Common Pool Wagering by Month



Early Results

- Although it's still early in the game...
 - The results thus far suggest that there is a ***first-mover advantage***
 - ***Increased market share*** from those tracks that have not switched
 - We believe that these tracks have a better chance of ***maintaining this market share***, particularly from traditionally stronger tracks that have been plagued by short fields and fewer races

Who's Next?

- *Hopeful Approvals*

Arizona . . .

To start late December

Florida . . .

To start late this year

Arkansas . . .

To start on Jan. 20

California . . .

To start early next year

New Jersey . . .

To start ???

Overseas Racing

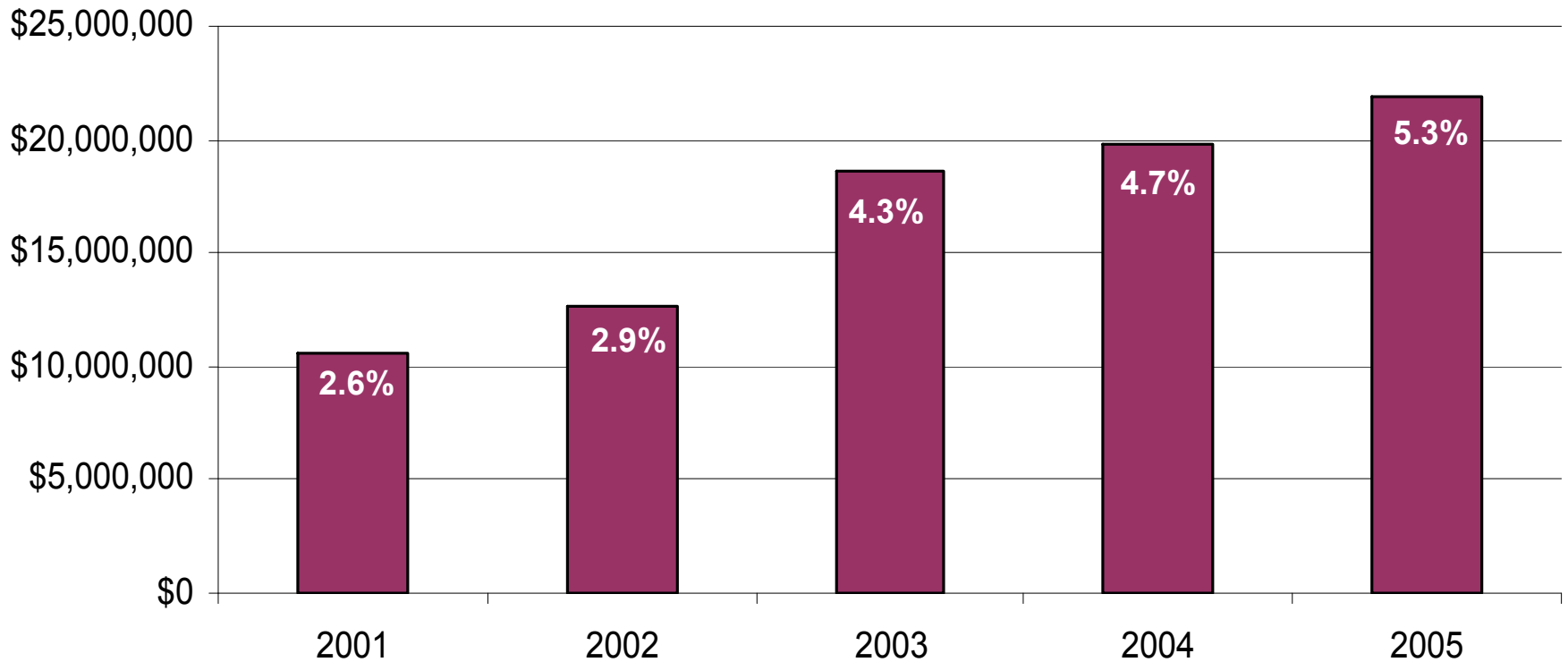
- Our experience to date...
 - Woodbine Hosted Events
 - Progress to Date
 - What's Next?

Woodbine Hosted Products

- Woodbine is the North American pari-mutuel host for ...
 - *The Hong Kong Jockey Club*
 - *Australian Racing*
- Woodbine is the Canadian pari-mutuel host for...
 - *The Dubai World Cup*
 - *The Prix d'Amérique from France*

Overseas Wagering

Australia, Dubai, France, Hong Kong, Japan, South Africa



(Based on calendar years ending November 30th)

Progress To Date

- Common pool wagering with the overseas tracks is really just starting
- In September, Woodbine received approval to wager directly into South Africa
- South Africa is the pari-mutuel host for...
 - ***South African Racing***
 - ***Dubai Racing***
 - ***U.K. Racing***

What's Next

- Sweden is preparing to allow North American tracks to join their V75 pool
- Australia is very close to fully implementing ITSP which will allow North American tracks to join their pools
- The HKJC is undergoing a tax review which may open the doors to common pool wagering

Observations and Conclusions

- The concept of International Simulcasting with World Common Pools in racing is **very exciting**
- This **globalization** will likely not be an easy adjustment for some, but in order for this industry to flourish it is a necessity
- Regulatory bodies **need to understand and support** our continuing transformation

Observations and Conclusions

- Common pool International Simulcasting will bring many benefits and challenges
 - Create more viable betting opportunities for our players
 - Increase the opportunities to sell our racing product but will also raise-the-bar with our racing products... issues such as field sizes
 - Force all of us to respond quicker to customer demand and international trends

Observations and Conclusions

- I believe it will result in and opportunity to...
 - **collaborate** with other industry players outside of our current circles
 - challenge us to **innovate** and experiment
 - challenge us to constantly **improve** our offerings and competitive strength
 - **Thrive!!**

Woodbine Entertainment Group



Thank You!