

Canadian Pari-Mutuel Gaming Sector

Presentation to the International Masters of Gaming Law
Spring Conference

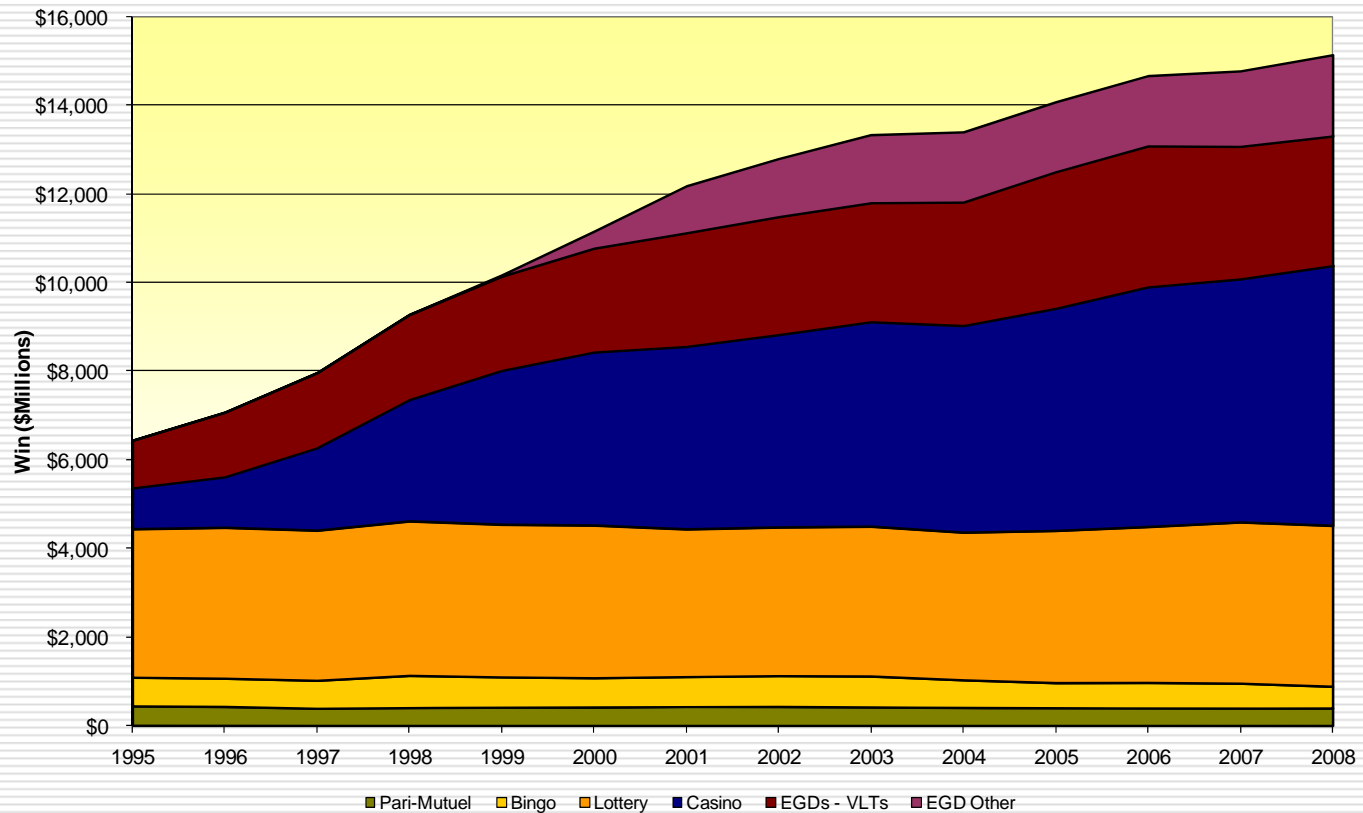
Canadian Gaming Summit, Windsor 2009

Table of Contents

- Horse Racing's Place within the Canadian Gaming Industry
- The State of Canadian Horse Racing – The Numbers
- The Impact of Slots – The Ontario Experience

Horse Racing's Place in the CND Gaming Industry

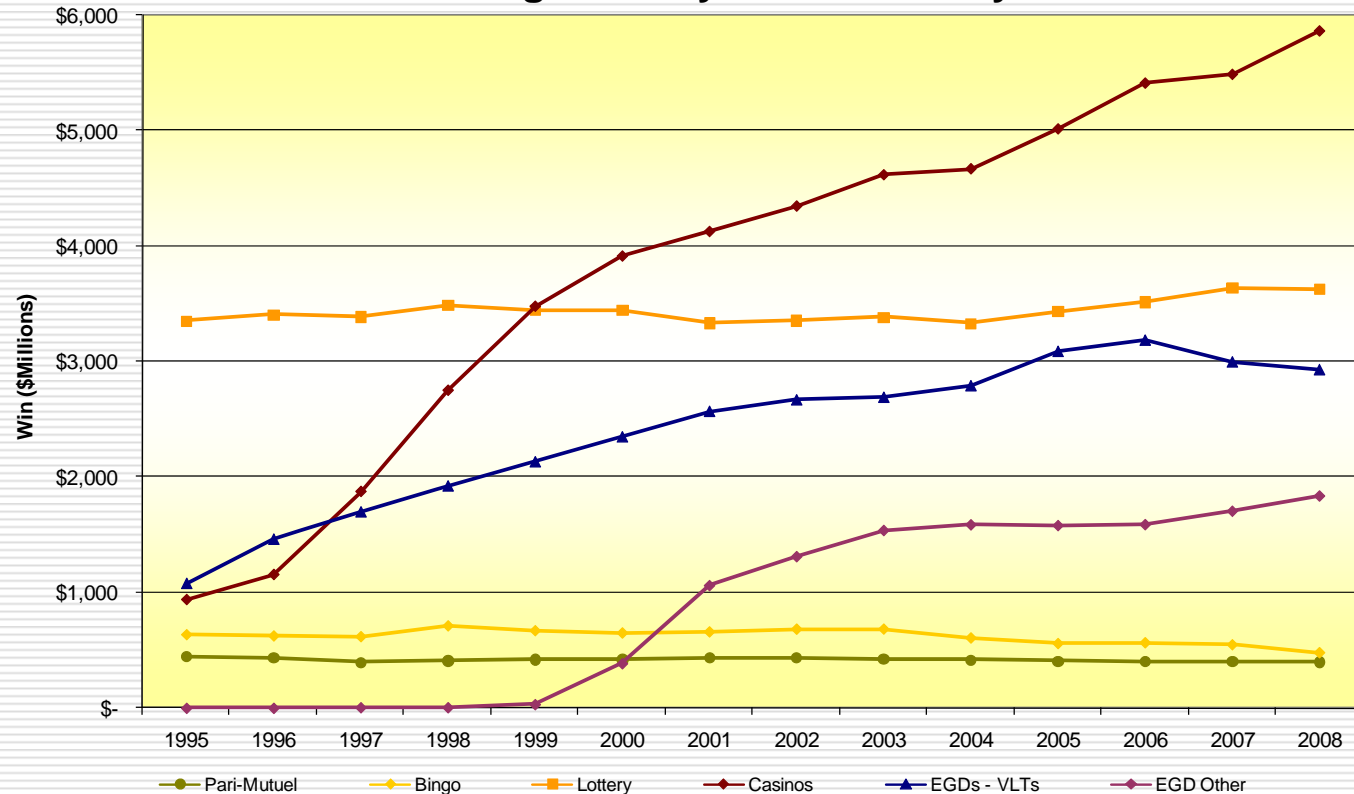
Canada Gaming Industry Win Trends by Sector



Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports, subject to update as further information becomes available.

Horse Racing's Place in the CND Gaming Industry

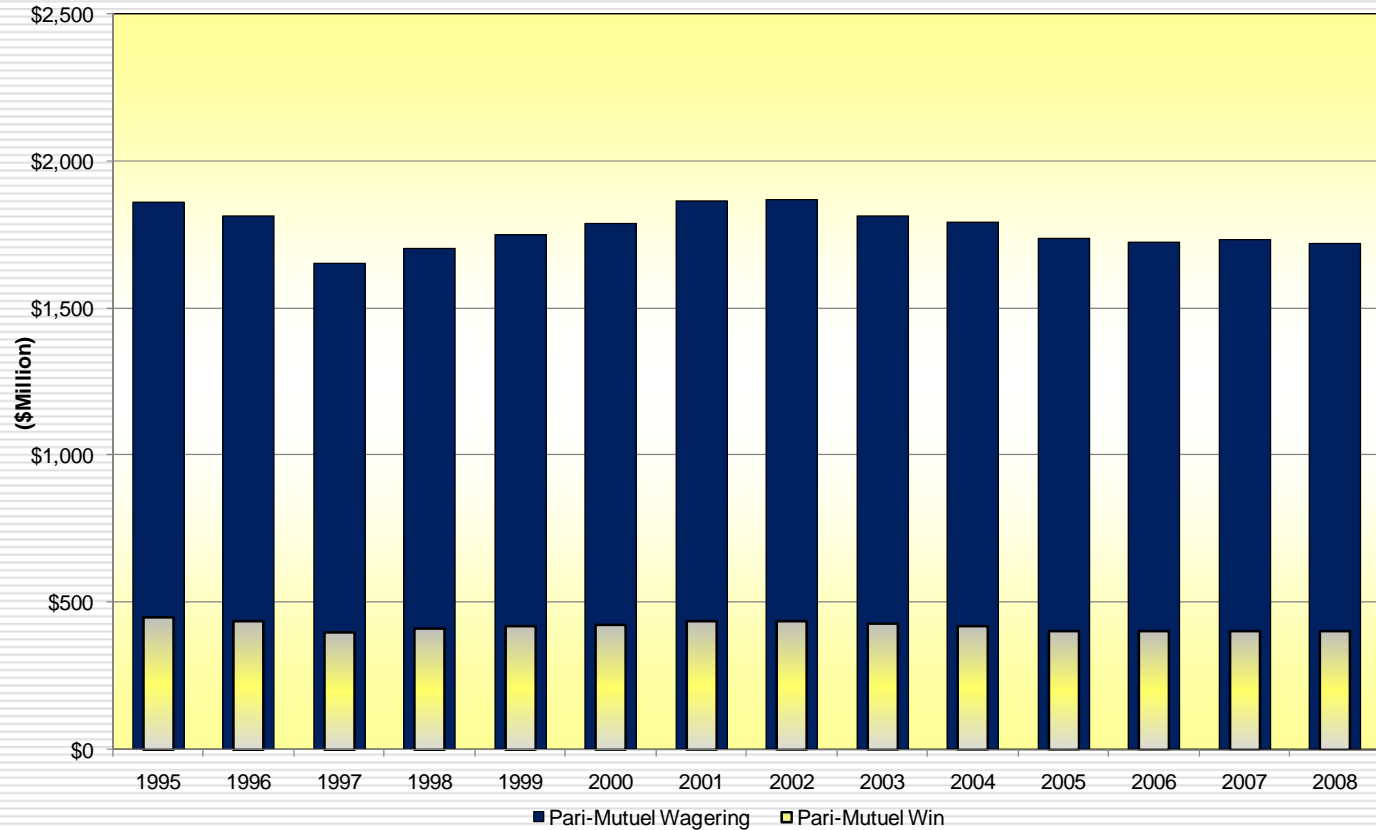
Canada Gaming Industry Win Trends by Sector



Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports, subject to update as further information becomes available.

The State of Canadian Horse Racing

Canadian Pari-Mutuel Wagering and Win Trends



Source: HLT Advisory Inc. based on most recent data available from the Canadian Pari-Mutuel Association (CPMA)

The State of Canadian Horse Racing

Top 10 Canadian Racetracks - Total Wagering (\$Million)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Woodbine (WEG)	\$814	\$855	\$856	\$837	\$820	\$799	\$810	\$836	\$844
Hastings Park	\$131	\$134	\$136	\$141	\$111	\$144	\$134	\$124	\$138
Northlands	\$77	\$86	\$90	\$88	\$94	\$97	\$105	\$117	\$128
Montreal	\$147	\$152	\$150	\$139	\$138	\$139	\$129	\$122	\$116
Fraser Downs	\$66	\$66	\$68	\$66	\$100	\$66	\$71	\$92	\$78
Stampede	\$56	\$58	\$61	\$61	\$59	\$59	\$63	\$60	\$50
Fort Erie	\$42	\$53	\$71	\$64	\$59	\$58	\$53	\$47	\$43
Flamboro Downs	\$62	\$65	\$30	\$53	\$53	\$47	\$44	\$41	\$40
Assiniboia	\$33	\$35	\$37	\$44	\$44	\$42	\$31	\$32	\$30
Rideau-Carlton	\$37	\$41	\$38	\$35	\$35	\$34	\$32	\$32	\$28
Total Top 10	\$1,464	\$1,546	\$1,536	\$1,529	\$1,513	\$1,485	\$1,472	\$1,502	\$1,495
All Other	\$322	\$318	\$331	\$284	\$278	\$254	\$252	\$229	\$223
Total	\$1,785	\$1,863	\$1,867	\$1,813	\$1,791	\$1,738	\$1,724	\$1,731	\$1,718

Source: HLT Advisory Inc. based on data from the Canadian Pari-Mutuel Association.

The Impact of Slots – The Ontario Experience

Government Policy Issues

- Original Policy Objectives
- Has the Slot Program met the objectives?
- What has been the impact of Slots?

The Impact of Slots – The Ontario Experience

Original Government Policy Objectives

The stated policy objectives of the Slot at Racetrack Program referred to:

- Enhancement of Live Racing
- Sustaining the Agricultural Sector
- Generation of Revenue for General Provincial Purposes

From “Strategic Vision and Direction for the Ontario Horse Racing and Breeding Industry”, June 2008, Sadinsky et al.

The Impact of Slots – The Ontario Experience

Has the Slot Program met its objectives?

Cannot tell as benchmarks were never established (Sadinsky, 2008).

With that said, site contracts talk about establishing benchmarks based on “live horse racing product” (not defined). Benchmarks measures could include:

- Purse increases
- Racetrack attendance increases
- Improve quality of live horse racing
- Increase number of live horse races

The Impact of Slots – The Ontario Experience

Has the Slot Program met its objectives?

Ontario was the first major jurisdiction to implement a slot program.

Slots at Racetrack Program (Top 15 Jurisdictions by Wager)				
No.	State/Province	Total Wagering (2005)	Slot Program Year Implemented	Slot Revenue (2006)
1	New York	\$2,644,523,292	2004	\$315,701,000
2	California	\$2,143,744,029		
3	Ontario	\$1,125,543,894	1998	\$1,630,012,176
4	New Jersey	\$1,032,469,282		
5	Illinois	\$1,002,819,877		
6	Pennsylvania	\$1,001,786,691	2006	\$31,567,926
7	Oregon	\$966,055,829		
8	Florida	\$922,806,353	2006	N.A.
9	Kentucky	\$531,480,929		
10	Nevada	\$520,119,725		
11	Maryland	\$505,256,563		
12	Ohio	\$456,730,940		
13	Texas	\$408,787,581		
14	Louisiana	\$341,816,989	2002	\$349,577,898
15	Michigan	\$310,993,746		
Total		\$13,914,935,720		\$2,326,859,000

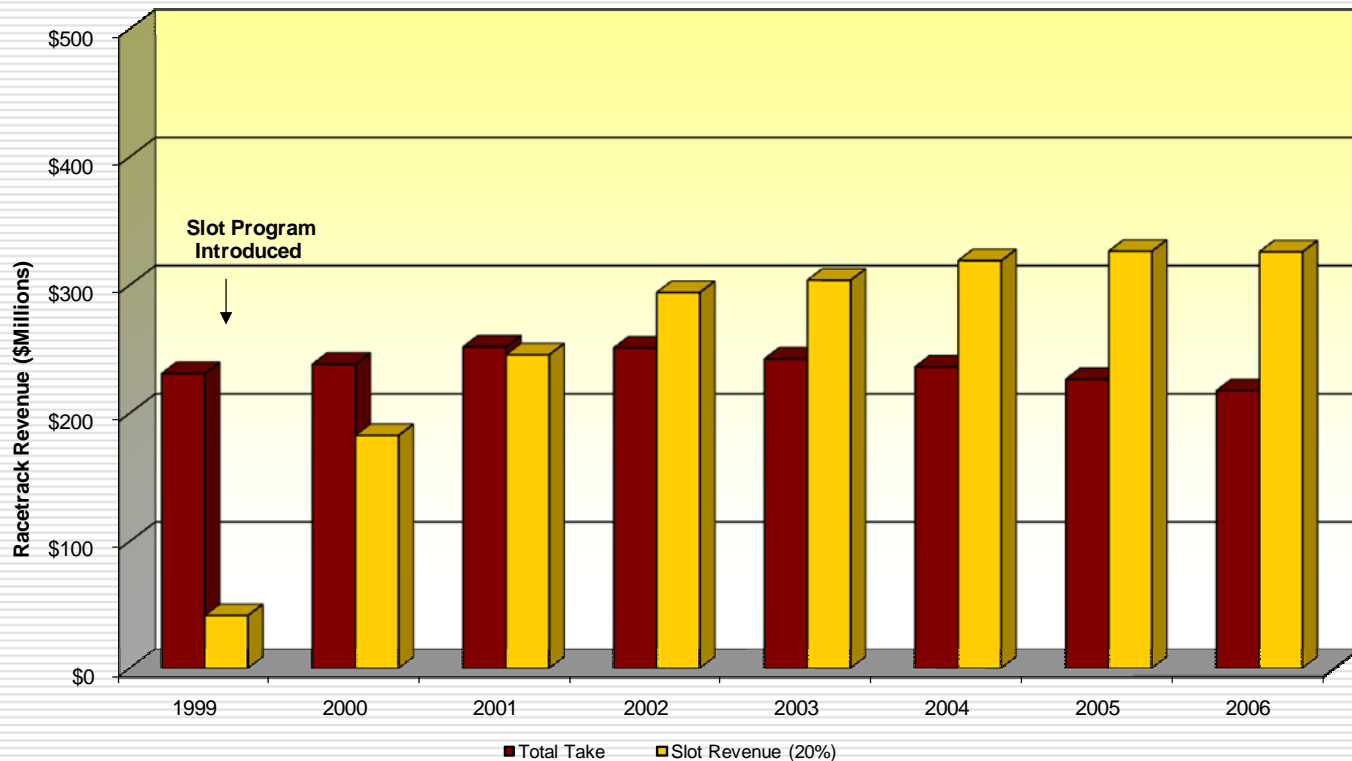
Source: HLT Advisory Inc. based on ARCI Annual Statistical Reports, CPMA Annual Reports, IGWB November 2007, and HLT Estimates.

Notes: US dollars are presented in US dollars and CDN dollars are presented in CDN dollars
 -Slot Revenue (2006) refers total wager less prizes and is based on calendar year for Pennsylvania, FY for New York and Louisiana, and has been adjusted to reflect calendar year for Ontario.
 -N.A. refers to data not available.

The Impact of Slots – The Ontario Experience

What has been the impact of Slots?

Ontario Racetrack Revenue Take and Slot Revenue

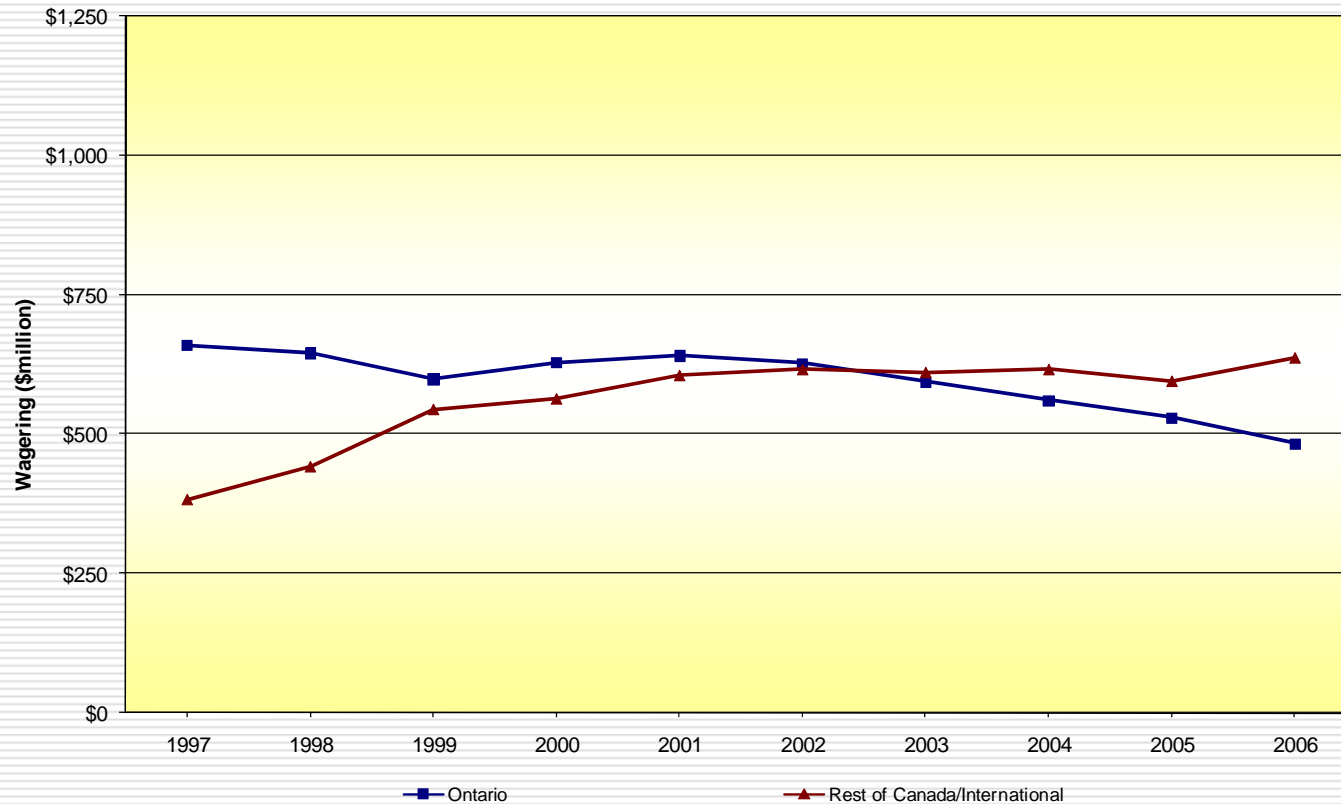


Source: HLT Advisory Inc. based on data provided by CPMA annual reports, OLG., and HLT estimates.
Note: Take based on Calendar Year, Slot win totals have been adjusted to reflect calendar year.

The Impact of Slots – The Ontario Experience

What has been the impact of Slots?

Wagering in Ontario by Origin of Product



Source: HLT Advisory Inc. based on Ontario Racing Commission Annual and Statistical reports.

The Impact of Slots – The Ontario Experience

What has been the impact of Slots?

Comparison of Top 10 North American Jurisdictions for Wager (all horseracing)				
By Live Wager				
No.	State/Province	By Live Wager*	Foreign	Total 2005 Wager
1	California	\$1,524,644,495	619,099,534	\$2,143,744,029
2	New York	\$1,191,193,074	\$1,453,330,218	\$2,644,523,292
3	Ontario	\$530,006,407	595,516,593	\$1,125,523,000
4	Illinois	\$303,605,111	699,214,766	\$1,002,819,877
5	Florida	\$286,421,275	636,385,078	\$922,806,353
6	New Jersey	\$263,442,042	769,027,240	\$1,032,469,282
7	Kentucky	\$233,637,203	297,843,726	\$531,480,929
8	Pennsylvania 1)	\$48,806,383	952,980,308	\$1,001,786,691
9	Oregon	\$5,535,687	960,520,142	\$966,055,829
10	Nevada	\$366,468	519,753,257	\$520,119,725
	Total	4,387,658,145	7,503,670,862	11,891,329,007

Note: US dollars are presented in US dollars and CDN dollars are presented in CDN dollars

** Live wager refers to all wagering within the state/province on product within the state/province.*

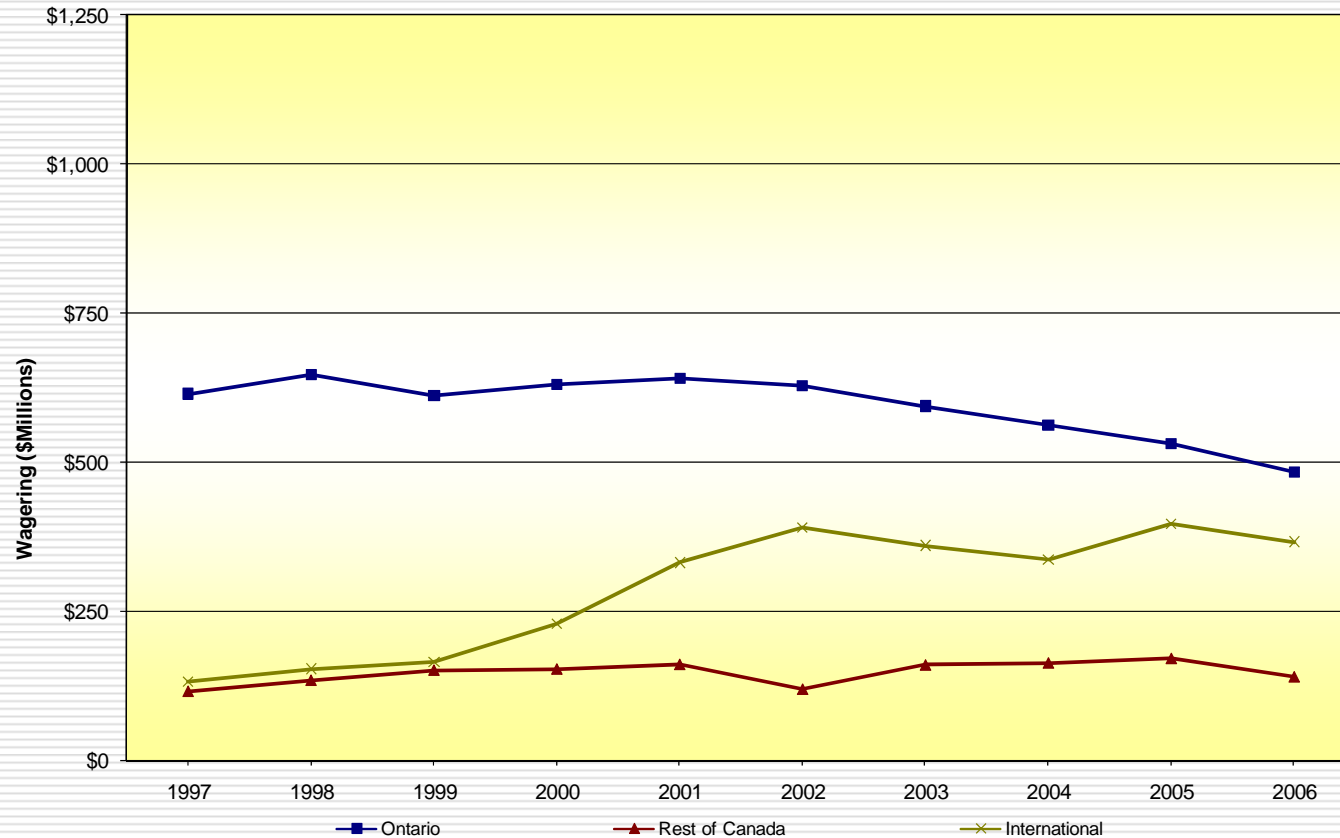
Source: HLT Advisory Inc. based on ORC and the Association of Racing Commissioners International Inc. annual statistical summaries

1) breakdown not available between in-state and foreign wager.

The Impact of Slots – The Ontario Experience

What has been the impact of Slots?

Wagering on Ontario Product by Origin of Bettor



Source: HLT Advisory Inc. based on CPMA annual statistical reports, OLG and HLT estimates.

The Impact of Slots – The Ontario Experience

What has been the impact of Slots? – Horse Perspective

	1997	2006
Purse (both breeds) (\$million)	\$121.0	\$274.0
Races (both breeds)	14,746	19,101
Starters (Standardbred)	7,178	10,463
Average Purse/Starter (Standardbred only)	\$10,826	\$17,658

The Impact of Slots – The Ontario Experience

What has been the impact of Slots?

Has slot revenue distorted the traditional economics of horse racing?

Economics of Large Events - Ontario			
Event - 2006	Breed	Total ON Wager	Total Purse For Race
Queens Plate	T	\$2,445,549	\$1,000,000
Breeders Stakes	T	\$1,382,588	\$500,000
Prince of Wales Stakes	T	\$965,979	\$500,000
North America Cup	H	\$1,310,487	\$1,500,000
Breeders Crown	H	\$955,315	\$1,881,500*
Canadian Pacing Derby	H	\$927,700	\$933,000
Metro Pace	H	\$937,408	\$1,000,000
Maple Leaf Trot	H	\$1,007,149	\$877,500
Canadian Trotting Classic	H	\$982,288	\$1,000,000
Total		\$10,914,463	\$7,310,500

** Note, this purse total includes purses for 4 major races (\$500,000, \$800,000, \$331,500, \$250,000)*
Source: HLT Advisory Inc. based on data provided by Standardbred Canada and ORC annual reports.

Conclusions

- Program objectives were not clear
- If objective were clear, appropriate benchmarks can be developed
- Sooner or later Ontario will likely review the program (either directly or indirectly) – this is common practice in government (program reviews including objectives)