



Changes to the Ontario Horse Racing Model

December 2013



Starting from the Beginning

- Province decided on new gaming initiative in the early 1990s
- Ontario introduced its first full casino in Windsor, **September 1994** – temporary site
- Casino was a **huge** success
- Some key municipalities **not willing hosts**
- 1996 Provincial budget **announced VLTs at all racetracks**



Starting from the Beginning

- Tracks negotiated **commercial** agreements with the Ontario Lottery and Gaming Corporation (“OLG”)
- Agreement reflected
 - Track’s “Social License” for gaming
 - Compensation for competitive gaming at site
 - Significant capital investments required by tracks
- Deal was 10% to track and 10% to purses



Starting from the Beginning

- First racetrack slots opened **December 1998**
- Mohawk Racetrack Slots in 1999
- Woodbine Racetrack Slots in 2000
- Slot machines were installed at all of the **17 racetracks** over the next few years
- Some tracks **relocated** to accommodate the slots operations



Building WEG's Business

- Woodbine Entertainment Group (WEG) is a corporation **without share capital** and has a core mandate for the **betterment of racing**
- Any profits generated by the company are **reinvested back into racing**
- Invested **\$400 million** in capital improvements over the program
- Implemented or enhanced many services and offerings...



WEG Investment Highlights

Racing

- Improved racing product and increased purses
 - **\$350,000/day** for standardbreds
 - **\$500,000/day** for thoroughbreds
- Offered over 400 race dates per year
- Built new standardbred paddock
- Rebuilt the barns at Woodbine
- Installed Polytrack synthetic surface



WEG Investment Highlights

Customers

- Refurbished all racing customer areas at both Mohawk and Woodbine
- Reduced takeouts and guaranteed pools
- Expanded player rewards program
- Implemented internet, mobile account wagering through **HorsePlayer Interactive**
- Live wagering pools increased by **over 53%**



WEG Investment Highlights

- Created the **Turf Lounge** to attract Bay Street financial executives to fine dining and racing



WEG Investment Highlights



- Created **WEGZ Stadium Bar** to attract the young sports fans and introduce them to wagering through 23,000 sf. facility



WEG Investment Highlights

Television Broadcast

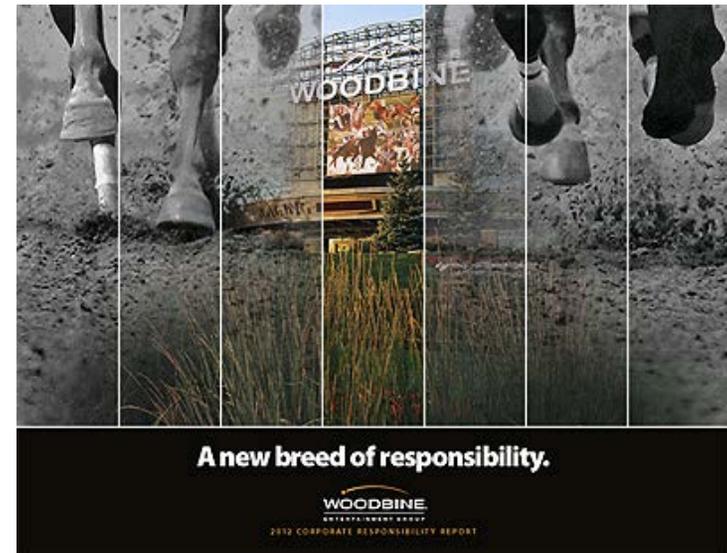
- Piloted and introduced the **Trakus** system
- Offered nation-wide broadcasts and channels
- Introduced the **Bet Night Live** program for new customers to racing – national sports network channel broadcast twice a week
- Invested in broadcast operations, improving our simulcast signal quality and content



WEG Investment Highlights

Corporate Social Responsibility

- 2,700 volunteer hours
- \$1.1 million in donations
- 3,700 lbs. food for charity
- 3,100 trees planted
- 155,000 toys collected
- Zero waste to landfill program



Performance of Slots at WEG

- Started with 1,700 slots at Woodbine and 750 slots at Mohawk
- Hours of operation extended to 24 hours due to demand, some additional machines added
- Woodbine reached **long-term** extension to site-holder agreement in 2010
- Allows for expansion to **3,000 slot** machines at Woodbine and to **refresh** the entire floor



Performance of Slots at WEG

- Significant **investment** by OLG and WEG
- Expansion opened in May 2011
- Refresh to floor not completed until December 2012 – **after cancellation** announcement
- Woodbine is the **most profitable gaming site** in Ontario



March 2012 Announcement

- Province needed solution for **deficit problem**
- Minister of Finance and the Chair of the OLG Announced their Modernization initiative
- Intentions for more gaming sites, privatized operations – wanted private investment
- Promised **\$1.3 Billion** of increased profit to the province in 5 years



March 2012 Announcement

- Slots at Racetracks Program (SARP) now referred to as a “**subsidy**”
- Program is **cancelled** as of March 31, 2013
- New slots deal expected to be **a simple lease** and not at all tracks would have one
- Boarder tracks (Windsor, Fort Erie and Sarnia) had **slots removed** in May 2012



March 2012 Announcement

- It quickly became clear that the government...
 - Didn't understand how the industry operates and had **no workable plan**
 - Didn't know the industry's **\$2.1 Billion** in economic value to the province
 - Didn't realize the **55,000+** jobs from industry in the province
 - Believed that the industry could simply transition away from SARP in **12 months** after spending **12 years building** our businesses around it



Transition Plans

- After months of no real information, the government formed the Horse Racing Industry Transition Panel (“**Panel**”) to provide advice on how to solve this issue
- The Panel took the time to consult with the industry in an effort to better **understand** it
- Advice was mixed for the industry but the **importance** was confirmed and that a significant **investment** was warranted



Transition Plans

- In January 2013, WEG and other tracks entered into **short term transitional funding**
- WEG underwent major restructuring in February 2013 – **cut expenses and about 350 FTEs**
- Other tracks went through similar efforts and some Home Market Areas in Ontario became **underserviced** or completely **vacated**



Transition Plans

- In October 2012, the Premier of Ontario **resigned**
- Then the Minister of Finance announced his **retirement**
- Public admissions by government that they **“dropped the ball”** on the horse racing issue



Transition Plans

- **New Premier elected** who also became the Minister of Agriculture because of the horse racing file
- She publically acknowledged the **importance** of horse racing to the province
- The Chair of the OLG fired by Premier and the full board is replaced



Transition Plans

- Premier announced racing **commitment** and **integration** of gaming and racing initiative



Transition Plans

- Panel continued to work with racetracks and government on a **longer term plan**
- **5-year plan announced** in October 2013
 - Some increases in the subsidized funding
 - Integration opportunities – including casino gaming at tracks and additional offerings through the lottery and racing distribution channels
- Plan to be fully implemented by **April 1, 2014**
- Still a transition subsidy... but getting better



Transition Plans

- The government plan includes
 - Funding for the “**core**” industry tracks – 10 tracks with 800 race dates with fixed purses
 - Funding for “**regional**” tracks – estimated 5 tracks with 180 race dates with fixed purses
 - One operator for “**Non-Track**” wagering in Ontario
 - **Standardbred Alliance** of core tracks
- The Panel members appointed to **key positions** to ensure implementation



Public Scrutiny

- A lot of **noise** in the media
- Ontario government has been defending several spending scandals
- Media hoping this racing issue is another one
- Lots of **mistruths** and **misleading** stories
- While frustrating and not helpful to us or the industry, it's not something that is best fought in the media



Public Scrutiny

- Attorney General **investigation** into SARP decision – report is expected in early 2014
- May confirm some of the stories that the justification came **after** the decision was made – among many other things
- Although this may prove to be **interesting** reading, it likely won't change the past



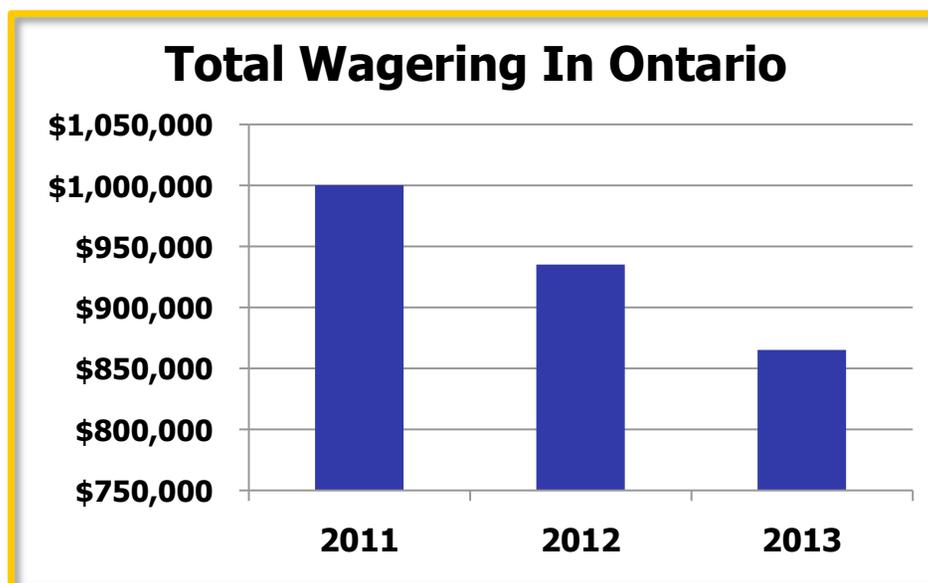
Facts

- The horse racing industry has lost **9,000 jobs**
- **3,000 horse owners** have left the industry along with a **\$1 billion** in industry investment
- Substantial reduction in breeding since 2011:
 - Ontario mares bred are **down 60%**
 - Foals registered from Ontario mares **down 60%**
 - Stallions standing in Ontario are down **54%**



Facts

- Wagering in the province down from \$1 billion to about \$865 million (est.) in 2013



- Holding pattern with uncertainty is **not sustainable** – more investment required soon



Other Jurisdictions

- Many North American jurisdictions have introduced gaming at racetracks
- Some have reportedly been modelled after Ontario's program
- The benefits to racing have been very significant – great to see the reinvestment
- Some government actions and articles reflecting “**subsidy**” language concerning



Some Lessons Learned

1. Governments have **selective** memories
2. Ensure **clear** success metrics are formalized **early** between government and industry
3. Communicate and educate **repeatedly**
4. Track and amplify the ongoing benefits and value of the racing industry to the **economy**
5. Embrace a formal Corporate Social Responsibility program



Hope and Passion

- Our industry is built on **hope** and **passion**
- When the hope is gone, the industry is soon to follow
- There was a lot of hope lost throughout this ordeal and many continue to struggle
- The consequences of that reality is not fully reflected in the numbers... yet
- **It is time to start re-building!**



Hope and Passion

- A new sense of **hope** is starting to emerge
- We remain cautious but more **confident**
- There is **so much at stake**, so many details to be finalized
- We remain **extremely passionate** about this business and we will continue to strive for the **best possible outcome**



**Thank you
for your ongoing support and
encouragement.**

Sean Pinsonneault
EVP and Chief Operating Officer
sfp@WoodbineEntertainment.com

