33rd ANNUAL
SYMPOSIUM ON RACING & GAMING

WEDNESDAY, DECEMBER 6, 2006

MODERN DAY & FUTURE TOTE ISSUES
PART II-A DOMESTIC VIEW

Moderator:
John Walzak, Chief Operating Officer, Ontario Harness Horse Association

Speakers:
David Haslett, Vice President of Operations, Scientific Games Racing
Steve Keech, President, AmTote International
Jeff True, President, United Tote

Additional Speakers:
Brendan Burgess, Vice President of Technology, United Tote
Louis Skelton, Vice President, Technical Services & Development, Scientific Games Racing

MR. JOHN WALZAK: This morning's tote panel, "Modern Day and Future Tote Issues," we just had part one. Let's gather up and have part two, the domestic view, what's happening in North America with the tote issues.

One housekeeping issue, I want to thank our refreshment break sponsors HBPA, AmTote our breakfast sponsor, and National HBPA. We'll have a short break but we have work to do today. Just to review, tote issues, three things I asked you to keep in mind. Improving the industry's presentation to customers, facilitating the integrity of betting, and management administration.

This panel is going to be our domestic service providers, AmTote International, Scientific Games and United Tote.

We have three panelists on the stage and they will be supported by two of their technical people, sitting up front. I'll introduce them shortly. Our international panel is still here, we can still pose questions to them.

First on the domestic panel, Steve Keech. Steve is the president of AmTote International, he has worked in the horse racing industry for three and a half years,

a CIO for Magna, and he has a leading role now with the AmTote Company.

He worked in the high-tech industry for 20 years, held positions from end user support, software engineer solutions architect, project manager and management consultant. He created solutions for Sony, Microsoft, Nelson Cadbury, P and G and Nintendo. And he's worked for a large outsource service provider and one of the top management consulting firms, and he is bringing the wide range of systems experience as well as organizational experience to our industry. Welcome Steve Keech, president of AmTote International.

MR. STEVE KEECH: Good morning. They said they did this alphabetically, but I think they did it by weight, so that's why I got to go first.

I'm really hoping it works and I'm not changing somebody's TV channel.

Today we will spend time chatting about opening the tote up, simplifying connections and the integrity of the transaction. On simplifying the connections to the tote, there's three points, the wagering, getting at the data, and operational control. We break it down on that piece because a lot of the times we want to get at the data, you don't want to touch the wagering path, as soon as you get in the wagering path you have issues with making sure the regulators are happy.

So how do we address the wagering path? From an AmTote perspective, we have the gateway, it's there, it works, it's reliable, uses XML, uses Web services, API, decom, that kind of thing we have that today. Getting at the data, today we have the real-time feed; also have the first and second stage of the data store and the message broker.

But I want to take a little time to talk about those because a lot of people are familiar with the gateway, from a real-time feed, it's an inline feed, as soon as we get the data give it out to somebody else. Whether you're monitoring the wagers, when you want to put on another kind of display, it's a real-time feed we offer up. A lot of people use it, it's got a lot of sense, you can use it for linking accounts, for CRM.

The operational data store and message broker is the next piece. Sure I can get a real-time feed and the raw data, but what do I do with it? On the operational data store side, it takes the real-time feed, places it in a relational database, and let's customers get into that line of data and and expose it to it's line of business applications. Whether it's CRM reporting, figuring out if you have the right wagers open, right mutuel line open. It opens up all the capability of reporting in the tote system through the operational data store.

The message broker lets you tie it into your real-time transaction system to live off the tote. Whether it's parking, again, with slots, other pieces, the message broker lets you push and pull out of the operational data store, the operational data store can feed to the tote, that's opening the tote up to all those other things that you want to connect it to without trying to vertically integrate it inside the tote.

And the last piece is the operational. Operations control, this is the part, which we're working on.

The ODS and message broker existing in a version today in some of our first go-to-market clients will be taking a look at it at Q1, the first of next year. The GUI Web-based interface and certification pieces are things we're working on now. The idea is to take the functionality of the tote and push it out so you, the customers, can get at and control the tote. Certification side says, just because we expose it doesn't mean you want to use it, you may be nervous, so we put in a training program. So that's opening the tote.

The simplifying connections. We broke that down into you have track devices, third party devices and customer devices. How do we address those pieces from a track device or applications or third party, it comes through peripheral hardware and software.

So you've got, some of you were in the suite last night, we're going to continue to build software that lets you connect to third party and your own devices into the tote in a secure manner. Getting it tested and a lab kit. Some of this stuff is existing today. A lot of things in the international market teaches us you have to have labs and give tests kits and test harnesses out to the developers to make sure their stuff works.

And we're going to continue to build that piece out. We've got addressing the track device and third party device, if we open up the tote from a standpoint of using end user devices; it's going to help us. People will want to drive more software functionality, drive your handle because these devices are new unique. We have a relationship with Opera Glass Networks to connect the piece in there to expose more functionality to you, our customers, and to the end customers.

Last piece on the customer device and applications, we think customer devices will be a growing area in all our businesses. We've all got laptops, people have cell phones, PDAs, they are going to want to show up and engage in a wagering process that needs to be extended beyond the Web browser connection.

And the idea is be able to provide a track infrastructure, if someone shows up at your track, you can monitor and control and the regulators feel comfortable about the connection. There's a big difference if someone shows up at a racetrack connects through a Wi-Fi point than if they set up at a racetrack and join your wagering network. There's a big difference.

In your revenue model and providing that kind of tool helps. And software development kits for the user.

The last piece, integrity. The three W's, who it is, what's this device and where are they. And I'm talking about integrity from the transactional flow.

On the who is this side, off tote accounts, off tote credentials. We have the

capability today and you need to do it in the future. By off tote we're not saying it's not regulated, not managed, but allows it to open up if you are going to a third party trusted provider for log ons and credential certifications, great, let's open it up. If you want to have an account system that you can do more things, let's open it up to you. Who is it, you guys know who it is better than us, they are your end customers.

What's this device? One is soft tokens and TNI in the drive and and a system management environment. On the soft token side. People carry a hard token. Soft token, it's a piece of software that lives on the device so that device and a PIN will activate it and have it join the network. As we push non-captive devices in the market.

If you have a tote terminal at one end, you know where the device is. If you have a device sitting at the small NTB device, someone shows up at a racetrack and someone joins your network. I want to trust the device. I don't want just anybody to join the network.

And using soft tokens, the TNI in the drive takes the capability of our TNI device, it's a polymorphic key Internet connection device and morphs the key on each transaction, putting that on a drive so you can have actual people connect into a laptop and have it secure, have the soft token verify the device and giving you the management tools to make sure you know who it is, and turn it off if you don't like it.

On the where are they, again, it comes down to the TNI and drive. If I have the secure connection I can trace the points between the device and manage the network around it. And then it comes down to data on all fronts. That circles back to opening the data up either through the real-time data feed or the operational data or store or the message broker.

What's important in the data, wagering transmission protocol? At some point in time I've got to get to the granularity of the date, granularity of data, access to the data being able to track the devices starts is to get to the integrity of the wager.

And that's my 10 minutes. Thank you very much.

(Applause)

MR. WALZAK: You weren't fooling when you said 10 minutes. It caught me by surprise.

Quite a style. Opening a system up to access, access points wherever we are, an interesting point, lets keep that in our minds.

Our next speaker Dave Haslett, vice president of operations Scientific Games Racing. He's been the vice president with overall responsibility for operations and

technology services for that company. Twenty-two years experience working in the international wagering industry, including 19 years in the pari-mutuel industry and three years as a licensed bookmaker providing fixed odds wagering on both racing and sports — if we can get him to handicap our industry.

Born in South Africa, spent 12 years in the industry there, running on-track and off-track operations before joining U. K. Tote in 1996 as managing director of race courses divisions. He was responsible for all pari-mutuel operations at the 59 tracks across the U.K. came to the U.S. in 2000 and joined the Scientific Games racing management team. Please welcome Mr. David Haslett.

MR. DAVID HASLETT: Thank you, John, and good morning.

I must admit, a couple weeks ago I was sitting in my office and my assistant came in and dropped something on my desk. And I wasn't really listening and she said there's something here from Race Track Industry Program and you're going to appear on a panel. And I said put it down and I'll look at it later. And out of the corner of my eye I just caught the end of the topic, tote issues, and I said, no not another one of those panels, we're going to be up here, tote companies, and talk about issues, a couple days later, I said, I'll contact John and find out what it's about.

I was blown away. John said, "That's not what we want to talk about, we want to talk about where we are going, what's happening now, what's happening in the future." And he said, "What are we doing, plans in technologies to change things for the fans how are we going to deliver better service and products to the fans."

And increase access to wagering, help our customers to grow their sale and integrity is important. Let's not forget about that. I was pleasantly surprised and, John, I appreciate you bringing that positive aspect to the panel and I appreciate the opportunity to share a couple of my thoughts.

Thinking about that topic, where are we now, where are we going and what are we doing. I went back to think about what we at Scientific Games, the role we play, where do we see ourselves fitting within the industry. What do we do, bring to the table.

And you've seen from some the earlier panels, some of the international colleagues, where they have a a slightly different model, control more aspects of the industry from the marketing and sales, and owning and operating their own tote, they are controlling their own package. Whereas we in the North American market the model slightly different. What do we do, what role do we play, we're all in business, we need to make a profit to stay in business. That's important. But when it comes down to it, as a stakeholder, what role do we play?

And I summed it up in the following sentence, saying what do we do, we invest in technology and services to enable operators to develop their business.

And the key and the key word is "enable." We are not a competitor to our customers, we're not trying to grab their fans, we are about investing in the products, services technology that enables them to grow their business.

Sure we're going to develop the services and technology at a profit. We are in a business. The key goal for us is to enable our customers to grow their business.

What are some of the drivers of that? I narrowed it down to two key aspects of the distribution and services. I recognize there's another piece, talking about the product side of it, the racing and where it happens and how it happens and the marketing. That's probably the topic of a different panel.

Focusing on what role we as a tote service provider play. Primarily looking at distribution and services.

And this is a common theme you've seen a number of panels, panelists spoke about it, talking about outlets, it's really important and making wagering available to a bigger segment of the market and more and more people. And I'm not just talking shoving more terminals in a racetrack, or putting in a new terminal and making it look better. That's an important component, but it's about how do we get the product out to the people? How do we get more outlets?

If we look at the numbers from the international colleagues, the number of outlets, whether you want to break it down to number of outlets per million people, for example, we've seen numbers in places like U.K., France, Sweden, even Australia, where the number is in excess of 200 outlets per million people.

So number of outlets is really really important. And yes, there may be regulators, laws that need to be changed. I don't believe we can sit back and say; we can't do anything about it, that's what the law is. If we want to grow the business and capture a bigger section of the gaming market, the number of outlets is critical. And I think we all have to collectively lobby and push to change the model so we can get into locations where the people are going, sports bars, restaurants, convenience stores, and how do we get our product out there to enable those people to participate and create fans out of those people?

The second element covers distribution channels. And I'll go through them with a couple of brief comments.

First of all, Internet, the recent law passed in the U.S., people are concerned about it and how it would impact Internet gaming. When you look at all the reports and analysis out there, everything suggests the Internet will still grow. And there's nothing to suspect it's not the case. The Internet will be an important channel.

What do we do in the Internet space; we develop the technology and provide the platform to the operators. We don't compete in that space but we certainly provide it as an opportunity for our customers to be able to utilize the distribution

channel, and importantly, and I'll come back to this a couple of times, but it's important for us that the people that we deal with, we know who they are, they must be authorized, they must be licensed, must be approved to operate, and that comes to some of the things that were spoken about in panels yesterday.

Tom Casaregola of the New York Racing Board spoke about the transparency. It's all about who we are dealing with, do we know who they are and do we know what they are doing. It's key in our business.

Mobile gaming is an important channel. Cell phones, PDAs, whatever you call them. They are changing rapidly, increasing in functionality and services. You can pick up a device, watch video, play games and use it for a telephone, I guess. These devices are changing rapidly continue to develop. The networks they run on have evolved and continue to do so, and we're at the point where those devices and networks can provide the needs for our industry. And it's important for our distribution channel to get into it.

We provide the infrastructure and technology to support that, and in effect, some locations and jurisdictions have tried it. We heard a couple of our international colleagues talk about it. We have seen Woodbine Entertainment that took the lead in this area, and developed their own mobile wagering devices, which integrated into our system, and they have had some success, they are ahead of the curve in that space because they learned from their experience. But it's a critical distribution channel and one we need to focus on and embrace.

Point of sale devices, I mention it, comes in with the number of outlets, and that's increasing, points of sale and we spoke about earlier, the convenience stores, bars, restaurants and we need to lobby for that. And also, what are those devices? Is it some custom terminal we put out there, or focusing on what devices with people use and and how do we get the product out there with those devices.

That integration of third-party devices, I'm not talking about taking a third-party device and putting it in a racetrack or OTB. I'm talking about as an industry looking at third-party devices and networks that exist and how can we leverage some of those networks to grow our business, grow sales revenue for our customers.

We've done it with some success, in fact, great success in a couple of international jurisdictions where we leverage lottery networks to sell pari-mutuel or racing wagers, and it's one of the benefits we have as a company. Being big in the lottery space we have a number of relationships, and it's one of the areas we look at, how can we leverage some of those relationships to make use the entire network of lottery terminals and offer the racing product.

And equally in the video gaming business. We acquired a company heavily involved in Net space and how to leverage to be able to integrate our system. It comes back to distribution, are we getting the product out there? We are lagging far behind the rest of the world.

And I do need to talk about international markets. It's important for us, we've recognized that the borders and boundaries are coming down. It's nothing new; it's been happening for a couple of years, we've seen from the previous panel talking about international commingling and what it means to them.

As an international company we have broad reach in a number of countries, and been working for a few years on embracing the whole international commingling and how we deal with it. This is not us trying to compete but us recognizing the needs of our customers and what do they need to achieve and how do we want to facilitate it.

And we've had the experience of whole evolution of commingling over the years and how complex it became to manage these hundreds of links across the country and recognizing some of those complexities when we started look looking and working with our colleagues in the international market, what will they be looking for with us as a provider? Can they go to one location and get one link and access to every product and every country that they choose to do? That was one the drivers in us dropping our data standard in Germany.

I'm not sure if you can read it, there's three data centers, the data center in Germany is running wagering from 14 countries, I listed a couple of them, I may have missed a few. Most importantly, running approximately six currencies through the system, it's one-stop shopping that those countries make one connection and get access to U.S., U.K., Ireland, Sweden, they get access and enables them, one location, they get the administration and reporting information that comes out of it.

And equally supported by facilities here in the U.S. that we invested in. Talking about the data center in Germany for a second, that facility now is running 52 cards a day, 25 or 26 were U.S. cards. And the balance were cards from Sweden, South Africa, U.K., Ireland, Germany, Holland, running through that facility.
Once again, looking at the international market, and I'll reach out to my international colleagues, if you need one-stop shopping it's there for you.

Talking briefly, and I'm conscious about the time, but I'll run a couple minutes over. Some of the services we built, they are self-explanatory, services that we are building on the infrastructure we invested in. Two in the U.S. and one in Europe. The Web hosting, account wagering will become bigger as you move to more points of sale and distribution channels and key one, access to the banking networks, we have worked closely with Chase Manhattan bank, and we're at the point where we are ready to release it and provide access to banking networks, debit card only, but certainly in international markets credit cards are a feasible option.

But it's getting access to the banking networks, allowing people to transfer money into wagering accounts and, equally, out of wagering accounts.

The other thing, moving into, an event-based reporting, as we move more and more information 24/7 around the world. Customers in certain countries, unfinished for the day, we're moving more into event-based reporting, and they do their own administration and settlement as they see fit.

Quick comment on CRM and player rewards. Once again, a critical tool. They can start doing data analysis, what's the customer, what's the play like, and those services are being developed on the foundation of our data centers, providing information at point of sale, who knows what the information is, relays, live video, handicapping information, information on events coming up, and those services are built into point of sale.

And last but not least, game development. What's the next big thing out there? Is there another V75-type product that's going to drive this business?

We, once again, are fortunate in that we have the resources, and those of you that attended our users forum in Atlanta earlier this year got a sense of knowledge about the development from the lottery group and how we are looking to transition it to the racing business so we can bring it to the table and start offering our customers and working with the industry as a stakeholder in the industry.

Talking briefly, possibly finishing up on the integrity issue, it's important to all of us. And maybe worth commenting on a project in connection with the V75 project. We run it from Holland, Germany, bidding direct to Sweden. We did run a trial out of Philadelphia Park in the U.S., for preparation for launching in the U.S. Part of the development was putting together a transaction-based protocol where the wager is not issued until the transaction is in the system in Sweden.

We developed the protocol, trialed it. Running in Holland and Germany and we ran it out of Philadelphia Park successfully.

ATG, as you saw in the presentation, they have a very good, strict, efficient security department. It was one of the criteria for participating in the pool. We work closely with them. And that will roll, there's going to be a full release in the U.S. market and hopefully a lot of your U.S. customers will get access.

We as a company are focused on who we deal with, are they licensed, are they authorized and who are the principles of those companies and what business are they in? We made significant investment in the whole compliance in security aspects of the company. It's not a one-time investment. Security, it's not something you can say, I've done that, lets take it off and move on. There's always someone out there trying to pull off the next scam. Pick up a newspaper, there's always someone that hacked in a government network or collected credit card details, and we are vulnerable as well. And we recognize it and invest in security and the appliance aspect. To make sure, particularly in international market, who are we dealing with; can we confirm there's no money laundering going on? So we

invest significant dollars in that arena, and that's ongoing as a company.

And equally, the whole W. T. P. initiative. We support it, commit resources to supporting it, work with the committee on defining and developing the protocol. It's important for the industry and we actively participate in that. That's going a long way to maintain integrity of the pool and wagers and.

And finally, maybe to finish off, you know, the whole theme of the panel, where are we going, etcetera, and I guess reading some reports and analysis from various sectors, and one of the reports I read, Third Global Gaming Review. Whether you believe it or not, the theme for them was that wagering on horse racing is a finite market. Yes, there's going to be some growth in the short to midterm, there will come a point when wagering on horse racing will not grow.

It's important for us as stakeholders, where are we going, what will we get into and leverage the investment we made in the infrastructure licenses or whatever, as respective stakeholders, and made me think about the approach that Jack Walsh spoke about in his book "Straight From the Gut." Referring to the section where he spoke about redefining the market. What is the market? Where should we be positioning ourselves?

I'll leave you with this comment that came out of the Third Global Gaming Review about the potential of where they thought things may go.

Thank you very much.

MR. WALZAK: More transparencies, good. More WTP talk and more of bringing devices into our networks. It occurred to me, the customers of this panel are different than the customers of the first panel, aren't they? The first panel they deal directly with consumers, bettors. I want to get in the conversation about what racetracks are doing to bring their tote in touch with the customers. We'll come back to that in the discussion.

Our next speaker is Jeff True, president of United Tote Company. He is, had been the vice president of promotions and general manager of western U.S. for Youbet from 2003 to 2006. Helped develop the CBS Sportline.com relationship, and enhance ESPN.com and TV projects with Youbet. Initiated the development of Youbet.net, a free play-for-points promotional Web site.

He's been the marketing simulcast director and then general manager of Los Alamitos from '97 to 2003. He is a native Texan, instrumental in starting the Racetrack Chaplaincy at Los Alamitos, acts as liaison for Youbet with The National Turf Writers Association, National scholarship program. And a surfer from Texas? He was in Los Angeles for a while.

Husband to his hometown sweetheart. I like those kinds of stories. Please welcome Jeff True.

MR. JEFF TRUE: Thank you. It occurred to me this morning after listening to our international guests and hearing David, some people say I have an accent, but I don't know if I can hear it quite as well as I hear those other gentlemen.

You know, talking about the topics that we're going through today, I wanted to look at this thing as more of a marketer. That's what I am, I'm market focused, United Tote is a customer-centric kind of company, and what I'm looking for, what I'm going to talk about today is how we view the world of customer management. How are we enabling racetracks to manage their customer bases, how can we get more access to the customers, more content.

It seemed appropriate to talk about our mission. We want to be the leading pari-mutuel system and service company in the world via continuous product innovation, development of superior technology and unparalleled service aimed at the enrichment of the total pari-mutuel entertainment experience.

We do that through this pyramid. The patron at the top, at the bottom is the tote system, and the middle is the things we are bringing to bear in the market. The F4 terminal, it's the main line terminal; it's a device that will deliver multiple kinds of content in multiple ways. We believe the base of the terminal being at the racetracks and through the rest of the U.S. Being IP based and conjoining with Youbet.com's content we can bring some new things to the customer base ultimately expand the customer base through the use of other peripheral products. You've seen the terminals with the Internet technology, that's an extension of what the United Tote product is.

When you start thinking about the customer at the racetrack and the things they are seeing, the presentation of our product is one of our issues. As a marketer I'm always looking for a new way to present the product. Youbet acquired United Tote at the beginning of the year with the main thought that the combination of Internet content, the combination of features and functionality that the Internet brings to you and the engines that Youbet.com can bring, we can start bringing better presentation of the product.

One of the racetrack operators in the building asked me yesterday. If I have racetrack A sitting next to racetrack B right besides racetrack C, and why is yours better? And I have to point back to the enrichment of that experience. We've had so many customers turned away from the racetrack, we believe messaging, getting behavioral data on these customers tell them what they want to hear. This track banner, Pick Six carryover, how many of us do it on a regular basis on the racetracks. We haven't been successful in presenting our product as we need to.

So if you start thinking about the different ways to present what your product is to the customer, you need a platform to do it on. United Tote's software and terminals will enable you to do that. Think about the evolution of our distribution system. Someone said it's two distribution points per million people. And what is that?   It's all physical locations. We expand it going to OTB, further by personal devices.

I want to talk about personalization of wagers, of that product presentation. We look at different types of messaging that get more specific. Using fast bet cards, non-cash, non-paper wagering. Tying all those things together and creating a single portable account. The customer can be in touch with the racing product and with his racing funds and with his racing data on a 24/7 basis.

You start developing the customer behavior data, expand the services to the peripheral products and get the customer more engaged in what you are doing. Youbet has been a pioneer in the cashless wagering system we have customers using it successfully.

But think about now, you're at the terminal. This is a look at one of our customer interfaces; on the left side is the customized data. If a guy comes to the racetrack, and he is a $10,000 a week player, are you going to show him the same thing as you show to the guy on the grandstand level? You may or may not know, may or may not have interaction with this level of a system.

We have a Youbet advantage program. Could be any CRM product. Introducing real-time CRM products and information and capabilities to the wagering terminal and stream now becomes a way to increase the customer activity. When you know about a customer, you know what to sell him. That's the essence of marketing. The best thing you can do for a customer, give him what he wants. If you don't know what he wants, what are you going to give him?

I'm trying to say personalization of wagering in the data is where we want to go. You can do it on the terminal, start collecting the data, managing it using data analysis tools, the power and the mass capacity of the Internet, and start delivering more product on a day-to-day basis. That's what ultimately winds up on the Internet, on the PDA, on the cell phone.

What's the next device? I don't know.

So then the guy comes to the terminal and you're not talking about Pick Six carryover, the same thing you are giving to all the masses, you are talking about this individual. This is, again, that interbet scene on the left. The guy clicked in; let's give you double points through our real-time CRM activity. We know your wagering history; we know it might be an attractive offer to you. Let's start bringing him real products.

So personalization is just the integration of the services that are all platform neutral. We are offering on-track system communication access based on customer behaviors and offering the real-time merit-based rewards. From on-track to onsite, from on-track to on-person, you make it 24 by 7, the CRM product powered by the broad-based customer population, and we're talking integration geographically, corporately, even to the extent of a continent. We want to continue to take the integration to the greater level, which brings more integrity and administrative ease to the customer actually using it.

Finally, as I mentioned, the Internet source content. Youbet.com and United Tote are together developing new products. New gaming products, new pari-mutuel products to bring to it our customer base, the racetracks, OTB, operators, bring that content to them and expand the customer spend. The customer interaction and enhancement of pari-mutuel experience.

Customer service, I talked about it, administration, we're building, and Brendan will talk about it, Web-based interfaces, real-time data warehouses, and reporting put in a dashboard sort of situation, where racetracks have it on a real-time basis, you can act on data now. Would you like to know that a guy bought a $10,000 cash card in the clubhouse? Would you like to know you have a guy wandering around the grandstand putting down $5,000 trifecta wagers? You'd like to know that from a customer standpoint and also from a security integrity standpoint.

The security, we're moving into data centers, we believe the consolidation of our wagering hubs, gives greater transparency and management capability to all our raw data, makes it easier to go to the security overlay programs that RCI is so interested in. So I'm going to be equally brief and open it up to questions with the rest of us. Thank you very much.

(Applause)

MR. WALZAK: Great presentations, lots to think about.

Jeff mentioned that Brendan Burgess is here. He's the vice president of technology for United Tote. He had his career at the Totalizator Board of Victoria, where he started, came to United Tote as a development engineer developing and producing the company's first color video display. The terminals that got left out of the presentation are there as well.

Brendan is here to answer some technical questions you have or even just to supplement what Jeff may have to offer as well. Draw on his expertise.

We are joined by Louis Skelton, from Scientific Games Racing. Twenty-five years experience in the industry, 17 years at the tote in England. We've continued the international theme on this panel, with this group as well as technical experts. Fixed odds betting technology, operating eight years at Scientific Games, responsible for the worldwide development of pari-mutuel gaming system and wagering terminals. If you have questions for Scientific Games, Louis can be called upon.

So, open to the floor.

We have our domestic tote providers, tote providers from the international sphere still with us, and we have racetrack operators, regulators, people that use tote system? What would you like to know about where we're going with the tote

system? What would you like to ask this group of experts?

One question I want to ask, how do we pay for this? How do we manage the economic realities of the business?

And you guys are ready to talk about it. How much do you need to put forward for research and development internationally, what do you put forward in order to maintain your research and development and stay on top of it, particularly at the international level? You are directly linked to the marketing. Domestic, not quite in touch with the end user, the customer at the racetrack, as much as internationally.

We talked about the integration of Youbet and United Tote. And one of the differences between maybe some of these companies up here and United Tote is we do have a strong B to C experience and knowledge base, and how do we pay for it? The consolidation efforts ultimately lead to cost savings.

You know, cost saving is as good as revenue. And while that's not the only way to pay for some of the new things we are doing, the movement from a straight B to B company or B to C into a pair of companies that provide multiple services for the racetracks ultimately creates a more effective means of delivering the product.

As a public company we are subject to reviews, and we're finding through that effort that the consolidation brings efficiency and cost saving. The industry itself has to get more realistic about the cost of doing business the way we are doing it. Everyone believes that the integrity and security of the system is paramount and we need to be more diligent about enforcement of those kinds of things. We have to work better at defining what we want to do rather than throwing out mandates and expecting everybody to rise to the occasion.

We have to do more planning, long-term thinking. I was excited to see the international guys talking more about international common pooling, the globalization of racing, that's where we're going, and we need to think longer term than this year, next year or whatever the next big thing is.

MR. KEECH: On the how do you pay for this side of the house, it's not something a salesperson wants to tell you, but you need to invest money to grow your business. If you are looking at a cost saving side, we're doing all the right things as an industry. One thing horse racing is good at is how to squeeze a penny out of a penny, from a tote perspective.

We're looking at this global virtual supply chain, how do we drop our cost of delivery of terminals? Our time to market all of those things start to add cost into the capital intensive business. Everything from leveraging our AmTote Australia folks, if you look at all the new terminals, we have going on, they have leveraged their relationships in China, we're giving up cost-effective robust capital from that perspective.

On the side of how do you bring down cost of technology, you know, I think it's almost a given fact, if you go to standards and open it up as opposed to trying to sell large vertical integrated solutions, I think that's how you get cost out of trying to implement something like a wagering transmission protocol or other kind of technology.

You are going to get third parties out there that have the capabilities to bring it to the table or find new ways to bring it to the table. You've got to open up some competition there. You do it through standards. You don't do it by saying, "Hi, you've got to buy my new integrated solution and you buy it all or get none of it."

On—I guess one of the other pieces to this thing; from a where does the tote company play in the B to B world, B to C world. I think it's up to the tote companies to enable and empower and give things to our customers the racetrack, that are B to B salespeople that have B to C capabilities, and we're going to be there to work with them.

I'm looking at if we bring every idea we have to the market, but its about how we as a tote company are going to play with our customers, the tracks, and the learned experts they bring to the table, and making sure our systems are flexible enough to make sure you can implement the stuff you want to do. As opposed to trying to come up with the next thing.

On the paying side, there's a little bit of investment. Opening standards to bring other people to the table and finding a way to get customers to invest capital in bringing their wagering devices helps drop costs.

MR. HASLETT: That's a very important question you asked. That's one we always grapple with. There's no doubt that the investment in technology and services that we do costs money, a lot of money. And I guess a couple approaches we take, one, looking at how we change our operating model and building the — moving away from the traditional tote operating model into our data centers requires investment. We believe long term it's going to change our operating model which would allow us to invest bigger sums of money into the technology side.

The other piece is the work we're doing and some of the comments I made about the whole distribution and how we are getting the wagers out there, points of sale out there. And effectively to enable our customers, being the operators, to sell a wager cheaper and move away from the traditional high cost, tele-based kind of way of selling a wager and in doing that, improve the margins and provide opportunity to invest.

And kind of the final aspect is looking at what are the additional services out there, not only what services do we deliver but at what cost, and if someone wants to make use of the services, how do they pay for it?

It's no different than the traditional ATM model where someone goes to the ATM they pay for their convenience, extra dollar, two dollars, whatever. Those

opportunities in delivering those services, the market has shown customers are prepared to pay for convenience, a buck or two to get money out of an ATM machine. Why should the racing industry be any different?

We think there's opportunity there, a collection of those three avenues we think is going to help change our operating model, the cost model for the customers, and generate more revenue streams and hopefully that will allow us to reinvest in security technology to drive this industry for the future.

MR. WALZAK: That's interesting, the idea of what we charge our customers. We're in this thing; we want to reduce the takeout rate. If we ask the customers they are going to want to bet for free. We're going to reduce the takeout rate out of business. We've got to charge, and then I go to the bank and pay to take my own money out of the bank.

Internationally, I'd like to hear comments on how you integrate marketing to your research and development as well. We have a portable microphone.   Anyone want to take the first shot?

MR. PAUL CROSS: We spent quite a bit on marketing. We try to spend it efficiently, of course. A lot of our time and effort in terms of what our customers want, how our customer's bet, introducing new products into the marketplace, is based on research that we do throughout the year. So we see a great benefit in terms of talking to our customers and giving them what they want in terms of new products, betting products. Racing products.

And I might make a point. There's a couple of issues. David just brought up the issue of charging customers as banks do. We often lose sight of what our regard is on the one hand the cash the customer brings to the racetrack versus the turnover that customer generates. A customer might walk in the door and go to the racetrack with $100. But in reality that customer might turn that money over three or four times. In fact, our research tells us on average, the research through accounts, people turn it over three or four times. That hundred dollars cash is three to four hundred dollars of turnover. We often lose sight of that fact.

In terms of growing the turnover pie, we have to have products that have more application across all races or a small number of races in addition to the lifestyle product we are searching for. We look at market research and our customers determine at the end of the day what products we bring out.

MR. BENNO ELIASSON: I can agree with Paul. To add on some pieces. We invest a lot of money in TV programs and we develop all the time what kind of program format is available, suitable for what kind audience. We have five or six different formats that suits the type of audience we meet with the program. We have a mainstream program, a very deep program to meet the needs of the OTB shops, and a different programs for each audience, and that's, I think, essential to meet the consumer needs.

MR. WALZAK: Aymeric, anything? Perhaps as well, any idea of how much do you spend. What part of PMU's operation is marketing and research?

MR. AYMERIC VERLET: It's difficult to give a percentage. Its true PMU has a lot of investment in marketing and technology. In marketing, when we relaunched, it took us two years to relaunch it, after we made a lot of surveys, we made a lot tests among them, and next time we launch a new product and we're working on it three years. So with marketing we have a lot of investment in technology we're going to launch a new product and we're working on it two years. In marketing there's a lot of investment. In technology we are to launch a new version of the Internet next year and for one year we are working on it, a lot of tests and a lot of marketing.

     For the terminals we make a bid. It's simple. This year we made a bid of 15,000 terminal and we take the best technology offered at the best price.

MR. WALZAK: You have a bid for an open system already?

MR. AYMERIC VERLET: Yes. It's already done we choose two different companies.

MR. DOUG KEMPT: Good morning. I wanted to say this technology advancement is very exciting as we expand in new markets and bring the product into new homes and personal devices.

     Jeff, I was excited about your presentation about personalizing the messages. I just want to remind all of us that this still is a spectator sport and the French gentlemen that presented the interaction with the groups and everything and his beautiful presentation, we need to market to those new people to encourage them to come to the racetracks in our country and our world and to make sure that there's growth in that area as we expand to new markets and customers, lets get them to the racetracks as well to experience it first hand and grow that way as well.

MR. WALZAK: I couldn't agree more. What was your name?

MR KEMPT: My name is Doug Kemp. I'm with local 280.

MR. TRUE: Thank you.   When you start marketing to people and giving them the content they want, analyzing their behavior and watching how they react to what you are giving them, when you learn over the course of time how a person interacts with your product, then you are able to offer them messages that give them the incentive to go where you want them to go.

     Everybody in the room likes to go to a racetrack that's full of people. Everybody on the panel and everybody at all these companies want more attendance at the racetrack, but if we are to sit back and wait for that customer to cross the line, and just try to attract them with the things we've been doing in the

past, it's not going to work. We have to take the product to the customer, learn how he reacts with it, and give him incentives that brings him back to the racetrack in a more enthusiastic way. That's what the whole integration thing is about. Giving customers the choice, the tools to utilize the product. Giving operator's racetracks and OTB the proper analysis and data and security to effectively deliver the product to the customer. It's not about taking people away from the racetrack, ignoring the live presence, it's about taking the actual wagering product and the AV to him, learning how he reacts and giving him incentives to behave the way you want him to behave.

If I may invite Brendan to speak briefly. You want to grab the microphone. Talk about the Web-based API real-time data warehouse.

MR. BRENDAN BURGESS: About a year ago, a year ago today, I gave a presentation concerning the future trends in wagering. And one of the things I emphasized that was so important is the trend of the technology towards service-oriented architecture and Web services.

One of the key factors in our technology is the Web servers building in the systems that will allow us to conform to open standards. Build in security, and build in the ability to quickly react to our customers' needs and build products. In this particular example with the integrated solution product, part of our open systems we're able to bring in CRM technology from Youbet.com directly to our terminals so that the trends, the wagers that are conducted on the track, can be analyzed on behalf of the customer, the racetrack, and allow those offers to be not only offered to the customer on-track but on the Internet.

By having a single portable account that transfers your balance and wagering history to the Internet or different racetracks, whether you are anonymous or fully recognized, it gives you a powerful tool to offer incentives to people to behave like Jeff said.

On the back end we're coupling it to a real-time database technology. So at a very fine grained transactional level our development in the real-time area takes our traditional tote master-slave-slave technology and in real-time populates our database records so that real-time database forms a historic granular history of the entire wagering behavior on that system.

So that allows our business customers to mine that data to create business intelligence dashboards. Create pivot tables on the fly so what it's going to do is allow our business to business customer to have unprecedented intelligence in the system. They can use it for things like determining productivity on-track, determining placement of wagering devices on-track. Tracking the profitability in pools or other wagering in real-time.

They are the kind of things we're working on very diligently, but what is most important is the conformance to industry standards and tote standards with the appropriate security and transparency, so that it's the actual customer that's

important. The customers' need and the ability to interact on a fast and speedy basis and the ability to increase our quality.

MR. BOB DECKER: I'm Bob Decker with Global Leisure Partners.

And I agree totally with what Jeff and the other panelists are saying about the importance of personalization of wagering. And I think it's positive for me and everybody to see what the tote companies are doing themselves.

My question has to do with what is being done to allow for portability customer accounts between the various tote companies and therefore the individual racetrack companies, and off-track betting companies and Internet wagering companies, so I as a customer, whether I go to Churchill or Magna OTB or Youbet, can use one account on any of those formats to place my bets.

I think that solving that problem is really critical to allowing racing in this country to compete with other forms of gaming and entertainment.

I'll take a quick shot. To put a a fine point on it, I think the issue is not technology issue; you have a business process and regulatory issue. To be able to transmit account balances between the companies, we're pretty good to be able to share data, we do it with pools.

The question will become, you are most likely going to need account information that lives outside of the tote system as it's own entity. Where is the money, how does the money move, who owns the money? There's a lot of questions, which come down to a business process and regulatory side. From the technology side, I'm confident we are ready to go from our side, and my colleagues are the same.

MR. HASLETT: I'd certainly echo that. And I think you are correct that there's a business issue that needs to be dealt with, who opens the account and how the margin of the proceeds are distributed, but I think it's a good question and certainly an issue we have embraced and done a fair amount of work already? In a second, I'll call my colleague Louis to come up and talk about it, because there's no such thing as a free lunch, Louis. Laughter.

But importantly, we recognize that as technology it's not a necessarily particularly difficult thing, certainly can be done. And we've embraced it from the point of view of how we want to tackle it and take the accounts off the tote and provide that availability, subject to agreements being in place.

But Louis, if you want to step up and work for your dinner, please feel free.

MR. LOUIS SKELTON: I'm not hungry. But if I must — thank you David.

One of the things that we have been doing for some time, looking at the key architectural systems, to be a service that is everything to everyone. That really

isn't the way the industry is going, not the way technology is going in everybody's world.

One of the developments we've been working on is starting to pull the services apart. One of the key services is account wagering. Because tying in, and you are right, the gentlemen that raised the issue, it's a great issue, is it to take an account and tie it to a physical tote is constraining. We've developed as one of our database-type products, a separate account management system. The idea is, take the account management stuff out of the tote and it becomes like, if you want, the Visa or MasterCard network-type situation. Where you can go to a High Street store and there's a number of things going on. You want to buy a new sweater, you take the sweater and use the Visa card. A number of companies involved, but the store is interested in, I sold a sweater, I have to down the stock by one and reorder. And also that I get funding for the transaction.

The bank don't care about it. They don't care what color the sweater is, what they care about is they need to transfer $45 from one account to another account so the customer's money is debited out of the account and the merchant gets the money. Using that model you have a card, you can go to all the different outlets and it's totally transparent. That's what we're trying to do with the wagering account. To position the account so you have a network service and you can make it available to anybody you want to.

I understand there's serious business issues. Ultimately, if you don't have the technology that underpins it, you won't face the issues. We're providing that infrastructure and take the card and say, I want to integrate it to AmTote, or anything, and say there's a service on the network, you use your card, it goes and funds it from the account and you deal with the stock-keeping part of it. And it's a service we're excited about and we hope it's going to help the industry grow. Did I make lunch?

MR. WALZAK: Quick question for the audience. How many track people or regulators are rubbing their hands saying, I can hardly wait for the real-time open source database?

Nobody is raising their hand. Oops, a couple. It's an interesting question.

Yes, sir.

MR. TOM CASAREGOLA: Tom Casaregola from New York Racing Board. I have a question for the panelists from earlier and now. There was a lot of talk today about common pooling internationally, and I believe it's one of the largest areas for growth. The accountant in me makes me think this provides for a method for individuals to move large sums of money across national borders. What controls are the tote companies developing to address this?

MR. HASLETT: Very good question and one I think is important to all of us. There are a couple of comments I want to make in connection with that. Because we've

obviously faced it in setting up our facility in Germany and wagering from those 14-odd countries and running cards from all those countries. The one thing that's key to us is actually knowing who we are dealing with, from the point of view of dealing with jurisdictions that are licensed authorized and regulated in their own environment.

So that, for example, you know if you have someone from Sweden who is wagering from ATG in one of your pools you understand how they regulate their environment and vice versa. They need to be comfortable in how you as a regulator in the U.S. handle your environment. So that it's not some unregulated, unknown entity who is coming to the pool and moving large sums of money either in or out. We think it's a key aspect.

We make sure all the operators are licensed or authorized or regulated within their own country or jurisdiction, that they operate from, and then the second component is obviously managing the systems and understanding where the money is coming from, where the devices are located and what that money and intended for, is it a valid wager, and a lot of issues the WTP is dealing with, and they will address it but certainly that's the second component that we monitor.

MR. TRUE: The advancement of cashless wagering. The advanced development of it brings a level of security in and of itself. Inherent in the sign-up to the extent we can continue to promote account wagering, and on these kind of cards you have a built in transparency and oversight.

There's been a lot of talk, and Brendan and I visited about this topic earlier. How to we go forward with WTP? We heard from the international partners. They use ITSP. I asked Brendan to address the issue of globalization and how do we deal with the issue. My point is, account wagering brings a level of security and transparency you can enforce and use looking at a broader scope, where do you think WTP and ITSP fit in?

MR. BURGESS: Firstly, based on ITSP, there are no transactional elements in it. It's important to have a trusted party that you are dealing with and you know they are regulated and have their own internal controls that help guarantee the integrity of the pool coming towards you.

With the WTP initiative, it breaks down the transactions to the individual granular transaction and that should point down to the actual device or piece of software that issued that transaction. The goal in the long-term is for non-repudiation of the wager, end-to-end transaction is guaranteed and the person that made the wager is known.

Shorter term, to get the ball rolling, we're looking at creating a new tote-to-tote transactional protocol that we're running parallel to ITSP and connect the totes so the integrity of the pool is guaranteed by the transactions from the tote system. The steps further down the road to look at the transactions down to the wagering source. So there are several hurdles to take into account technology-wise with

international commingling. Transactional calls can be difficult to deal with; can add delays to things, especially back home.

I think there's a combination of technology solution, which is working out the path of WTP over the next several years as the technology is developed. Because networks are mature, broadband is maturing, heading towards the plug into the network. Also, developing business rules and relationships and regulatory policies, all of these mesh together to produce a more secure landscape.

MR. KEECH: I want to echo the statement. Making sure we're selling to accredited people, making sure we know who they are. Getting the information to our customer so we get to know the customers. And I think transactional non-repudiation is important.

Back to the question of the money laundering, making sure the transaction was there and done correctly, getting back to that, it's going to come down to the data, granular data, accurate data, transparent data and timely data. It's about giving access to the data to the people that need to get it. WTP is a part of it. It's about exposing the data captured in the wagering stream and in the customer stream, giving that to people that need to get it.

The second side is going to be controls. Opening up controls in a meaningful manner so if they find the pattern that makes them nervous they can shut it down, put it in a special spot and see what's going on.

So it's process, it's data, it's controls, it's all of those things put together. It's not just the technology bit, and we have to give control to the folks that need it and we have to give the data to the folks that need it.

MR. WALZAK: Anything else on the subject? I remember the Australian story of using telephone accounts to pay for drug transactions. And how quickly they got turned in once they realized we know everybody that has an account. That was from a while ago.

WTP, anybody want to put a date? Talking about it, it seems to be at the base of what we're talking about for the future.

MR. KEECH: It's going to come down to the WTP committee from a standpoint of what we have done because Dan Higgins is a part of AmTote, we started running benchmarking because we have a lot of people saying it's too big, too this, too that. We put together model and starting pushing transactions to test it. Until the standard is fully evolved, you can't build half a standard.

It's going to come down to how we cooperate as a group. And how we work with the regulators to get it done. Technically, it wasn't that much work to get it together. How do you roll it out so it doesn't take the risk, is it a big bang, it's when they get the standard met?

MR. WALZAK: Close to the last word, any panelists like to add anything. Yes, sir.

MR. SKELTON: On the WTP, it was interesting and was good to see a number of international colleagues that made reference to it. I'm not sure that everyone had. One of the key issues, firstly, it's an industry standard. It's not competitive. Everybody is working on it together. For the betterment of the industry. It's important internationally that everybody understands what it is, how it's coming and when it's going to be implemented. I need to see countries like Australia announcing their involvement, or France, we as an industry need to make sure we get the message out internationally. Otherwise we will pay the price in an a year's time. We need to communicate the message. I'm asking everybody here who knows of colleagues, friends internationally, that may be looking at commingling into the US pools, please spread the message around.

MR. KEECH: I echo it as well. Brendan has been the leader on the conversation; we believe we are headed to WTP standard. I could not agree more; the internationalization should be on the agenda.

MR. WALZAK: I want to thank the panelists. You did a great job. Our support.

I learned a lot, and I don't mind saying that I think there's a refreshing change at the leadership of our tote companies and something to learn from international betting that makes me optimistic.

Thank you very much. Please join me in thanking them.

(Applause)