



Content Consolidation & Aggregation Impact on the Current State of the ADW Business



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Gary Sproule
Youbet.com



Content Consolidation & Aggregation

Current Impacts on the State of the ADW Business

Motivations for Consolidation include :

Assemble multiple properties of complimentary or like nature in order to maximize benefits of ownership via:

Synergies
Leverage
Market share
Distribution

Examples

Horizontal



Vertical





TVG – TrackNet - HRTV

TV Broadcasts

Increased awareness & fan creation/conversion escalation
Increased Wagering
Improved industry economics
Cost-efficiency of current models



The GOOD

- **Convergence of youth (technology) and entertainment (Horse Racing).**
- **Brings a new level of technology and investment into the racing space.**
- **Customer-centric and convenient (virtual OTBs).**
- **Capable of both capturing new fans while maintaining & retaining existing valued customers.**



The BAD

- Outdated and conflicting business and economic models.
- Lack of consistent licensing, rules, and regulations.
- General lack of understanding and involvement by stakeholders.
- Often times anti-competitive environment
- Too many models & duplication of efforts & investments undermine ultimate efficiencies



The Opportunity

- Inefficient duplication of expenses, investment, and resources.
- Short term is limited content distribution and access with no guarantees for the long term. Open access continues to be hobbled by exclusivity practices.
- Punitive business environment which could lead to the possible elimination of independent competitor, and a market closed to competition & economic options.
- Most important, the alienation and frustration of fan base which may result in the loss of current customers combined with an inability to attract new and potential players.



Questionable business model as evidenced by current events. Restricting content flow and access reduces exposure, negates demand, and limits maximization of handle and purses.

"Broadcast" (vs. wagering) exclusivity has more merit.

Sub-license fees take away from contributions to purses and industry while leaving sublicensed ADW's little margin for promotion, marketing, investment, and profit.

Withholding of key customer driven content such as the Triple Crown or races of national interest or whole racing cards is result of ugliest outcomes to date:

- Confusing and frustrating fans,
- Slowing industry economics,
- Injuring independent competition and future technology investment.



Recent California changes re: ADW's & Exclusivity

Proposed Business Model



Model primarily result of ongoing dialog between Horsemen leadership & Youbet over the years.

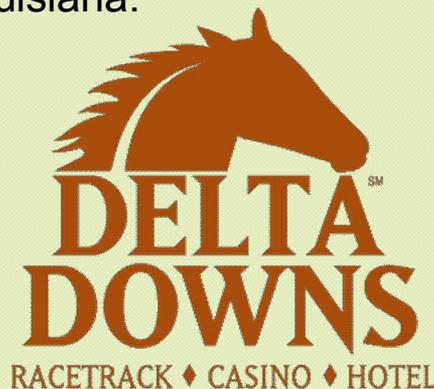
A. Revenue/Expenses Sharing – True Partnerships	OR	B. Higher Host Fees
1/3 Horsemen 1/3 Track 1/3 ADW		If managed properly, take's you to the same place
Inclusive vs. Exclusive (Open Content)		
Cooperation Driven – Actually causes all 3 participating parties (tracks, horsemen, ADW's) to root for each other ... encourages support. Minimizing expenses while maximizing handle & revenue. Success For One = Success For All!		
Longer Term Simulcast Contracts = Market Stability		
Eliminates economic barriers & deficiencies currently caused by flawed models.... Source Market Fees & License & Sub License fees eliminated &/or quickly phased out		



(continued)

Stimulates Facility & Brand awareness outside of the on-track market area.

Allows for incorporation of value-added promotional programs, on a track-by-track basis, special premium on-line marketing and player incentive programs such as these successful Youbet partnerships in Louisiana:



Creates a moving forward template for logical & flexible ADW expansion within a dynamic & hyper-competitive market place.