



H.B.P.A.

A Quick Industry Assessment

Paladin Capital Partners, LLC

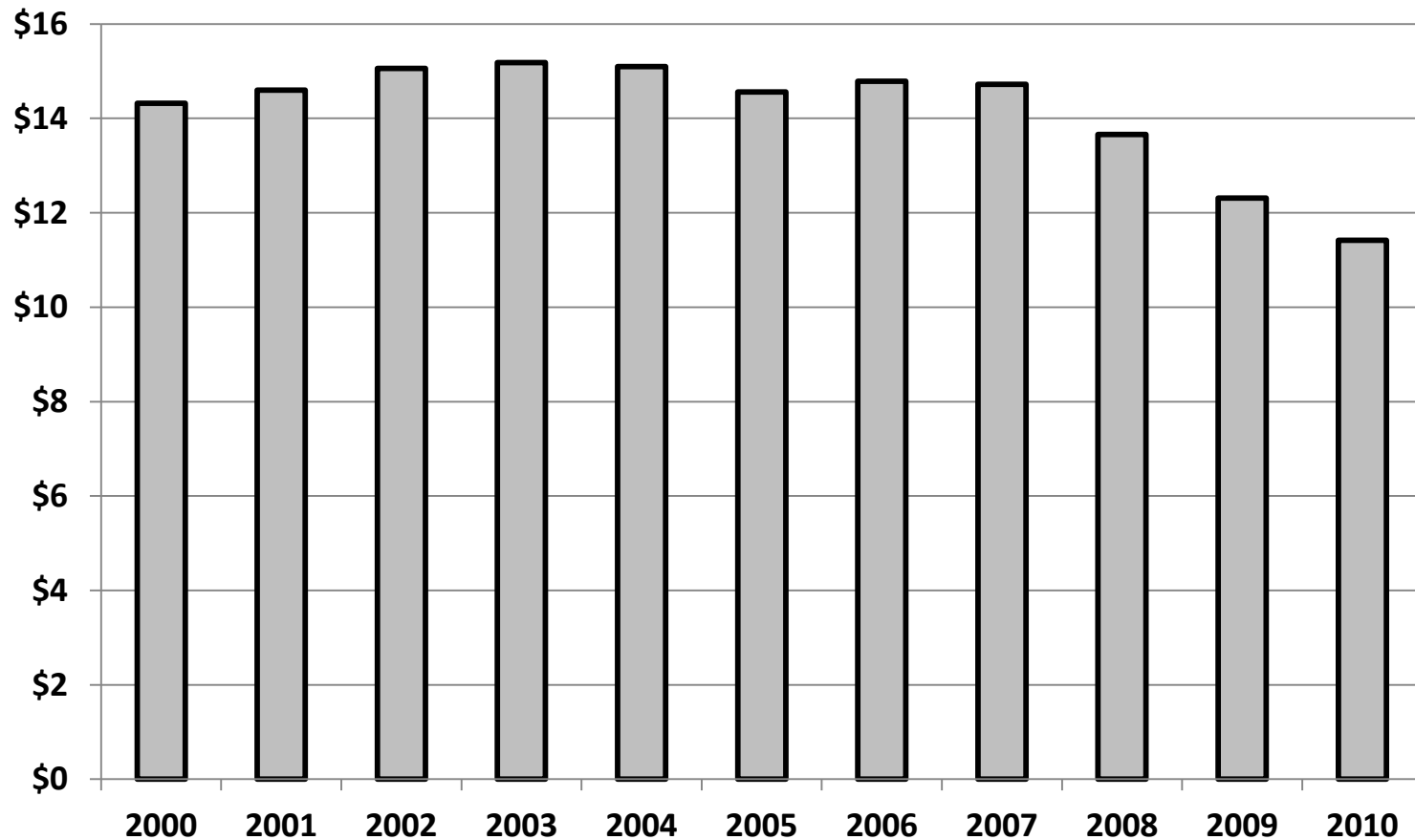
July, 2011

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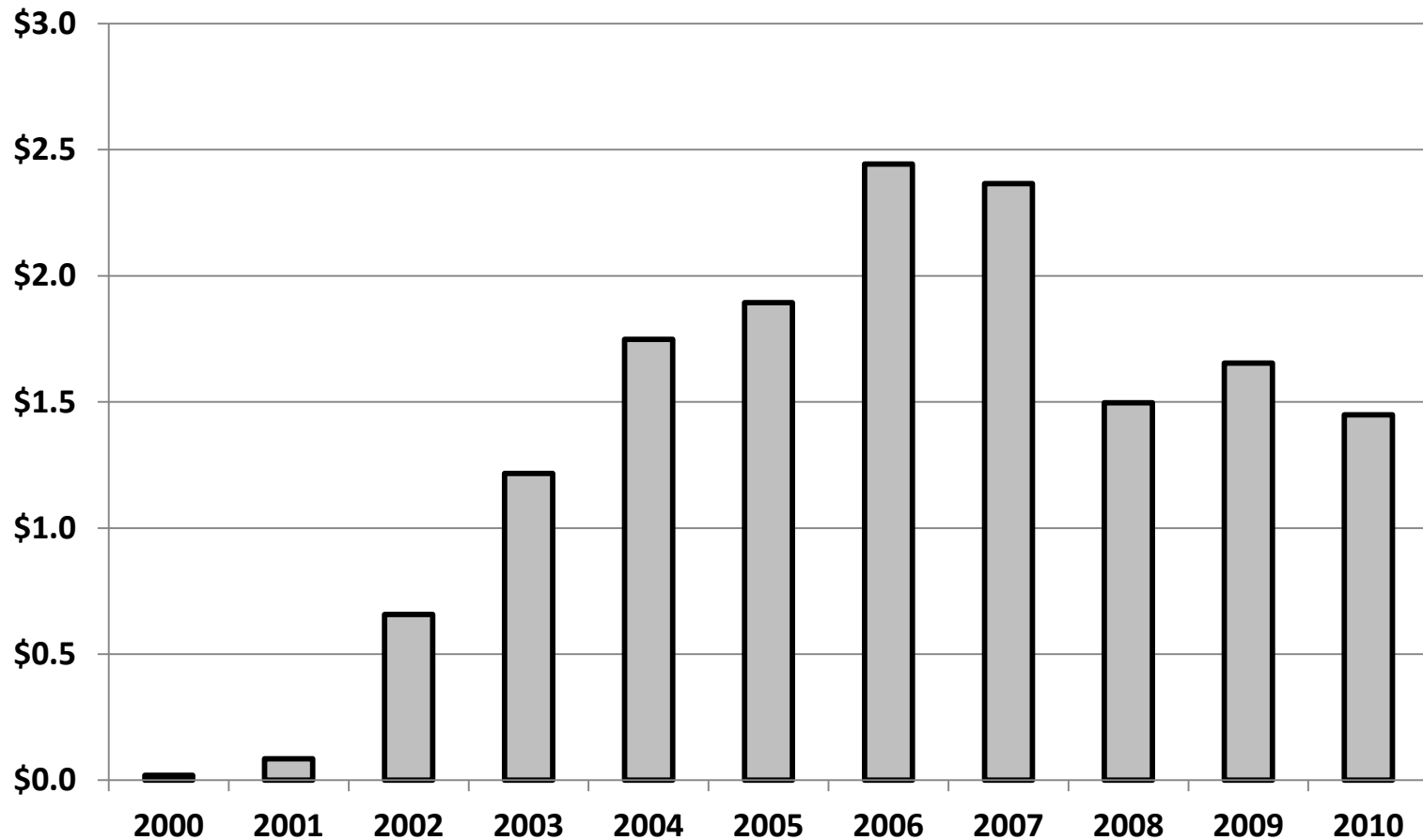
Agenda

- “From Whence We Come”.... Metrics of a Declining Industry
- Strengthens, Weaknesses, Opportunities, Threats (SWOT Analysis)
- Differentiate or Fail
- Key Elements of Strategic Repositioning
- “The White Space”
- “Decision Point” A Need for **ACTION** by an Industry

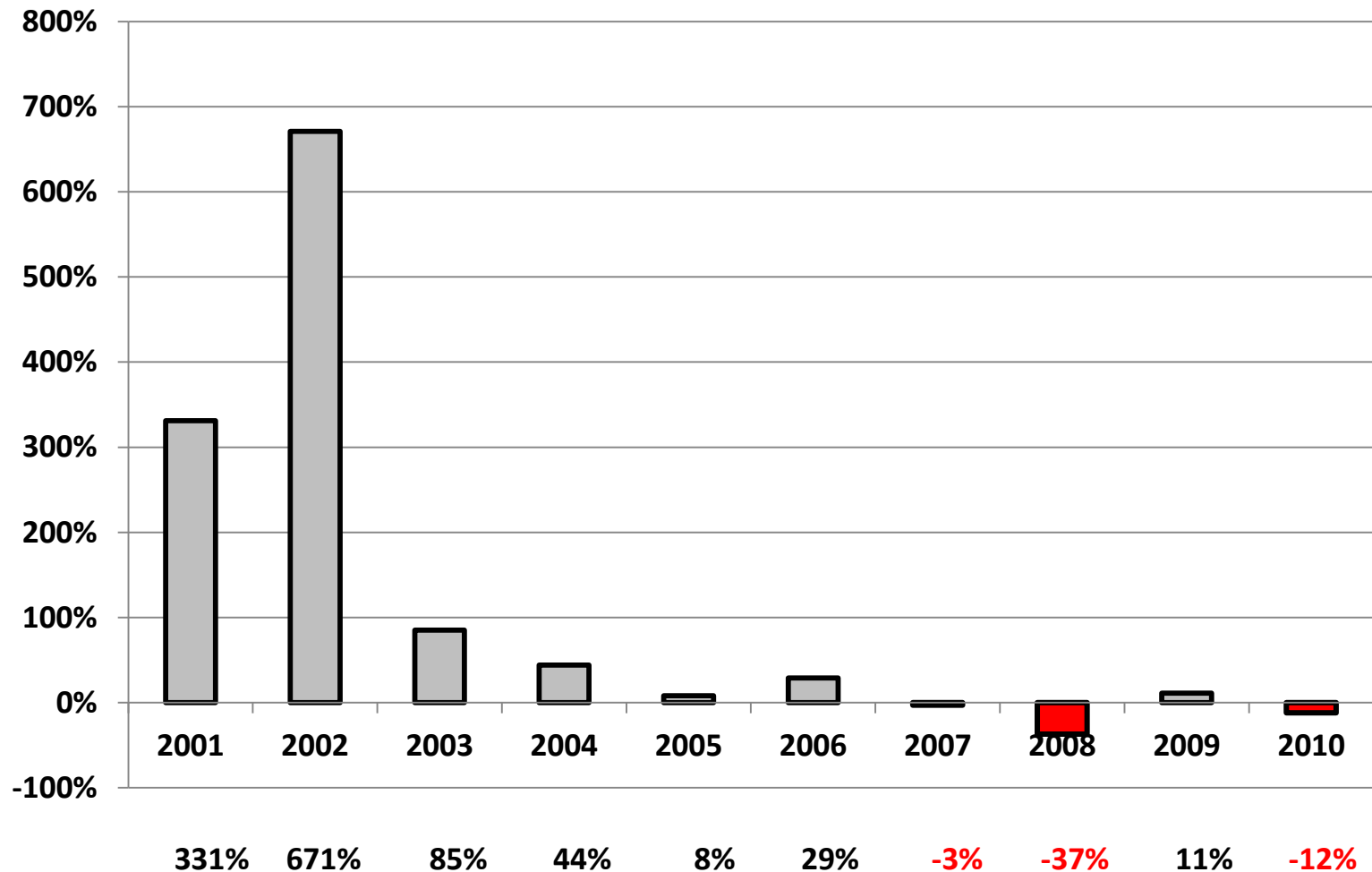
Total US Pari-Mutuel Handle (Dollars in Billions)



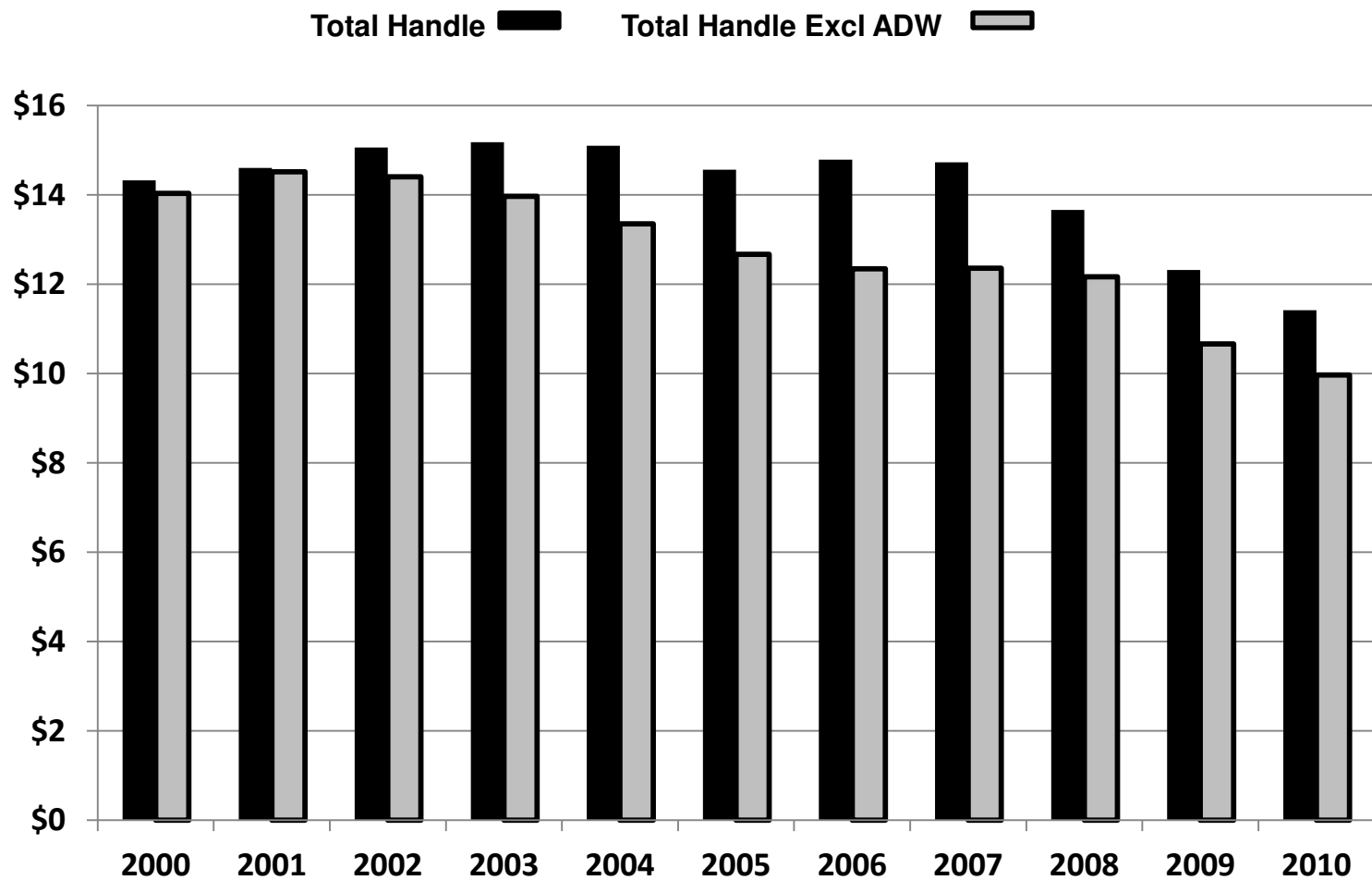
Total Oregon ADW Licensed Handle (Dollars in Billions)



Total Oregon ADW Licensed Handle (Year Over Year Change)



Total US Handle (Dollars in Billions)



SWOT Analysis

INTERNAL		EXTERNAL
POSITIVE	STRENGTHS	OPPORTUNITIES
	<p>Brand Awareness...The Triple Crown Events</p> <p>Attractive sports entertainment value proposition</p> <p>Only legal form of online gaming</p> <p>Electronic Gaming accepted by fan base</p> <p><i>(Exploit)</i></p>	<p>Leverage new technology to rebuild fan base</p> <p>Integrate technology and marketing to drive fans back to the track</p> <p>Create new revenue streams and broaden fan base by repositioning sport</p> <p>Create new revenue engines to fund other industry initiatives</p> <p><i>(Seek)</i></p>
NEGATIVE	WEAKNESSES	THREATS
	<p>Aging and declining fan base</p> <p>Aging technology</p> <p>Lack of Television coverage relative to other sports</p> <p>Lack of united Industry leadership</p> <p>Failure to leverage new technologies and social networks</p> <p><i>(Mitigate)</i></p>	<p>Technologies owned by companies whose fate is not directly tied to the success of horse racing</p> <p>Tracks' focus moving away from core business</p> <p>Diversion of cash to investments outside of horse racing</p> <p>Continuous pressure on take out rates</p> <p><i>(Avoid)</i></p>

Differentiate or Fail

- Market differentiation can be achieved in two ways:

Operational Effectiveness – doing the same things others do, just doing it much better than they do.

Strategic Repositioning – doing something the others do not currently do, nor do they have any interest or ability to do it.

- **Strategic Repositioning** grows the Industry, while **Operational Effectiveness** just grows a business at the expense of another Industry stakeholder.

Key Points of Strategic Repositioning

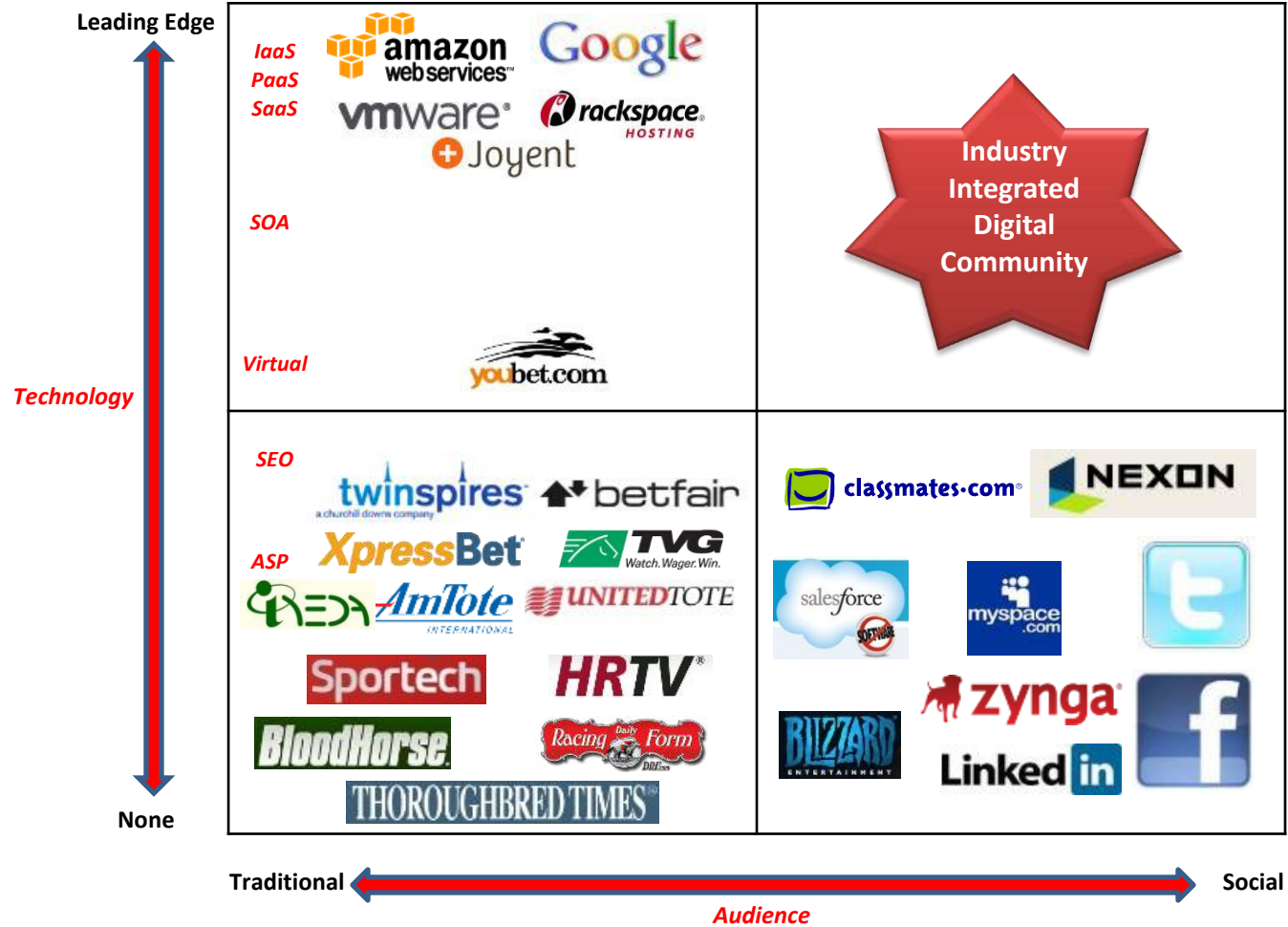
- New and emerging technologies
- New applications

Social Networking
Social Media
Chat / Blogs
Wireless / Mobil
Geo-Location
Internet Television

Facebook, Twitter,
YouTube, Flickr
Xanga, Windows Live
iPhones, iPads, Androids, 4G Technologies
Foursquare, Gowalla, Loopt, Whrri, Where
Google, iTV

- Un-surpassed product features and functionality
- Superior value chain economics
- Industry friendly revenue model

The Industry Opportunity....Seize the White Space



Players



TheChamp
Rank 2
Current \$220.00



SoftwareGuru
Rank 1
Current \$350.00



TheWarden
Rank 3
Current \$195.00



MoneyMan
Rank 4
Current \$-120.00



Invite A Friend

Random Player



Invite A Friend

Random Player

● Dollars

○ Points

Event 3 of 6

Hollywood Park Race 6



Bet Type

Win ▼

Current Odds

3.25678

Wager Amount

\$10 ▼

MTP

2

Total

\$10

Accept

The Industry is at a “Tipping Point”

In summary.....

- Industry handle has declined by 25% (\$3.8 billion) since 2003.
- The ADW channel has stopped growing.
- The current technology is 20 years old, and a legacy system.
- Major tracks are turning their investments away from racing.
- ADWs are being purchased in anticipation of poker and other gaming coming online. Horseplayers will likely be cannibalized in the process
- The Industry audience is aging at alarming rates.
- Yet social games and social media companies are growing by leaps and bounds.

“Decision Point”

*We believe that by offering a superior player value proposition,
and by
leveraging emerging technologies along with social media,
that a business can be strategically repositioned, and start to help grow an
Industry.*

As horseman, in order to a grow this Industry, you must innovate and market through strategic repositioning. You must work cooperatively, move dependently and act immediately.



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