



August 27, 2012

Wendy Hoogeveen  
Director of Industry Development and Support  
Ontario Racing Commission  
10 Carlson Court, Suite 400  
Toronto, ON M9W 6L2

Re: Request for Variance to Woodbine Thoroughbred 2012 Live Date Schedule

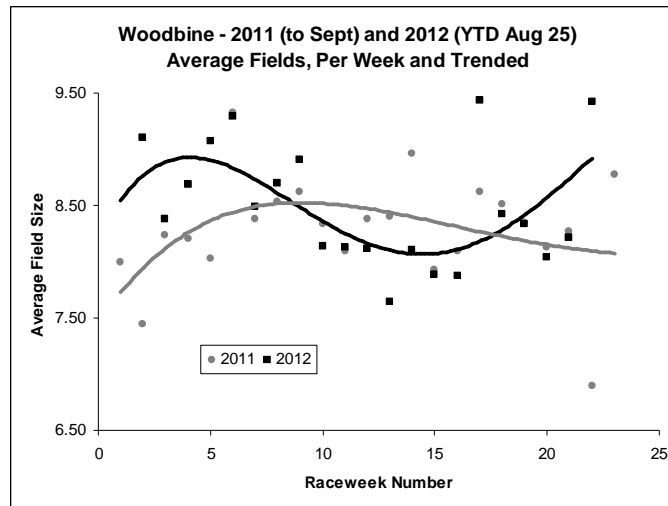
Woodbine Entertainment Group (WEG) requests a variance to the 2012 Thoroughbred live race date schedule. WEG seeks to maintain the current 4-day per week program (Wednesday, Friday, Saturday, Sunday) through to December 2. This variance removes 11 Thursday afternoon race cards beginning September 13 and going through November 29. Varying the dates as proposed nets 88 fewer overnight races by year end (11 dates x 8 races per date).

This request for variance primarily is driven by WEG Thoroughbred Purse Account status. Current forecasts indicate a year end closing balance of \$3.4million overpaid. Entering 2012 WEG had comfort that this overpayment status would erode with future improving business conditions. Since then, the cancellation of the Slots at Racetrack program has brought substantial uncertainty to our industry.

WEG estimates that the proposed 88 less overnight races minus unrealized wagering commissions reduces purse account expenditures about \$3million and lightens the burden of Purses overpayment to about \$400,000 at year end. This sought outcome provides added stability and purse-footing towards the success of the industry's next chapter.

We target Thursday dates for variance as they are our weakest wagering afternoon cards. Thursday per-race pools average \$264k whereas Fridays average \$307k and weekends average \$345k. Wednesdays wager similar to Thursday events but Wednesday evening cards prove more useful for product exposure as well as on-track and HMA business.

After purses, horse supply is the secondary driver behind this proposal for variance. The current racing schedule at four days per week proves to maximize our value for a limited supply of horses. From mid-July when we adopted the 4-day raceweek schedule through August 25 (see graph, weeks 17 through 22) WEG's average field size has rebounded noticeably from our June and early July experience.

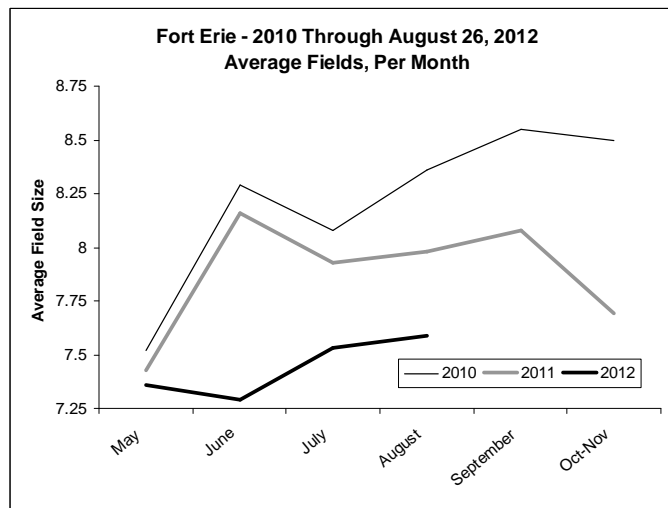


The year to date down-trend in two-year-old races at Woodbine indicates weakened supply of these runners for this fall. We annually rely on developing two-year-olds to fill the racing gaps left by resting or retiring older horses.

Woodbine 2yo Races (May through August 25):

Year	# Races	Average Entries	Total Entries
2011	65 x	9.05	= 588
2012	60 x	8.6	= 514

As we approach the fall/winter racing season Fort Erie runners perennially bolster Woodbine claiming fields. Based on the Fort Erie horse shortage pictured in this graph WEG foresees impacts on our own product this fall.



Reducing Thursday racedates into December intends to continue the successes of the current four day raceweek through to the end of 2012. And, the four day week forestalls impacts from weakness in the fall-time two-year-old and Fort Erie supplies. Clearly this proposal maximizes best usage of constrained purses. As an alternative, overnights purse cuts are the less desirable solution. To reduce the forecasted \$3.4million

overpayment to zero by year end would require an about 15% cut in overnights purses beginning in early September.

With respect to ORC Policy Directive 3-2007:

1. Customer satisfaction and demand for product  
Customer demand remains strong for the Woodbine product. Actions maintaining/increasing field size honours this demand and increases wagering per race. Adding an eighth horse to a seven horse field, based on WEG estimates (document available upon request), induces 9.2% wager increases. Or, even better, 7.3% increases can be seen for an 11<sup>th</sup> horse added to any ten horse field. Per-race wagering is important as ever given the current conditions where Slots at Racetrack injections may soon diminish considerably or entirely.
2. Adequate purse levels  
Conservative purse account management now enhances the industry's operating position as we enter an uncertain future. Reducing dates maintains current average per-day purse levels and responsibly maximizes the industry's return per each purse dollar spent. By contrast, WEG's option to cut overnight purses 15% in September prematurely, and without acknowledgement to current horse supply factors, weakens the industry's ability to attract quality horses and owners.
3. Racing opportunities and available horse supply  
Current horse supply trends, both at Woodbine and Fort Erie, indicate less than maximum conditions this fall. Woodbine endeavours to mitigate some of the lost race opportunities by adding races to Friday afternoon cards. The proposed variance, if adopted, will continue the successes of the current calendar where racing opportunities seem to be perfectly balanced with horse supply.

The remaining indicators stipulated in Directive 3-2007 do not bear relevance to this discussion.

WEG consulted with the Horsemen's Benevolent and Protective Association (HBPA) prior to this proposal. The HBPA Board has communicated its support for the requested racedates variance.

Please call on me anytime if you have additional questions or concerns.

Regards,



Steve Koch  
Vice President – Thoroughbred Racing

cc: John Blakney, ORC  
Sue Leslie, HBPA  
Russell Fernandes, ORC  
Jamie Martin, WEG