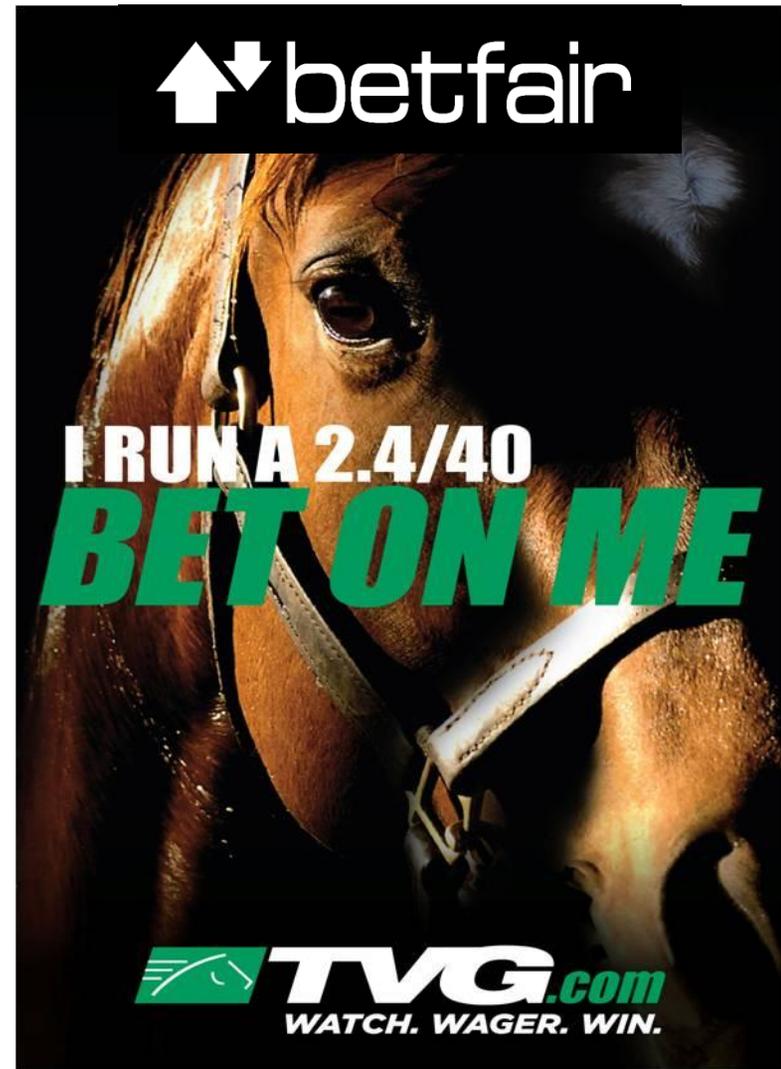


Exchange Wagering:
*A Way to Grow
Texas Horseracing*

December 2010



betfair

I RUN A 2.4/40
BET ON ME

TVG.com
WATCH. WAGER. WIN.

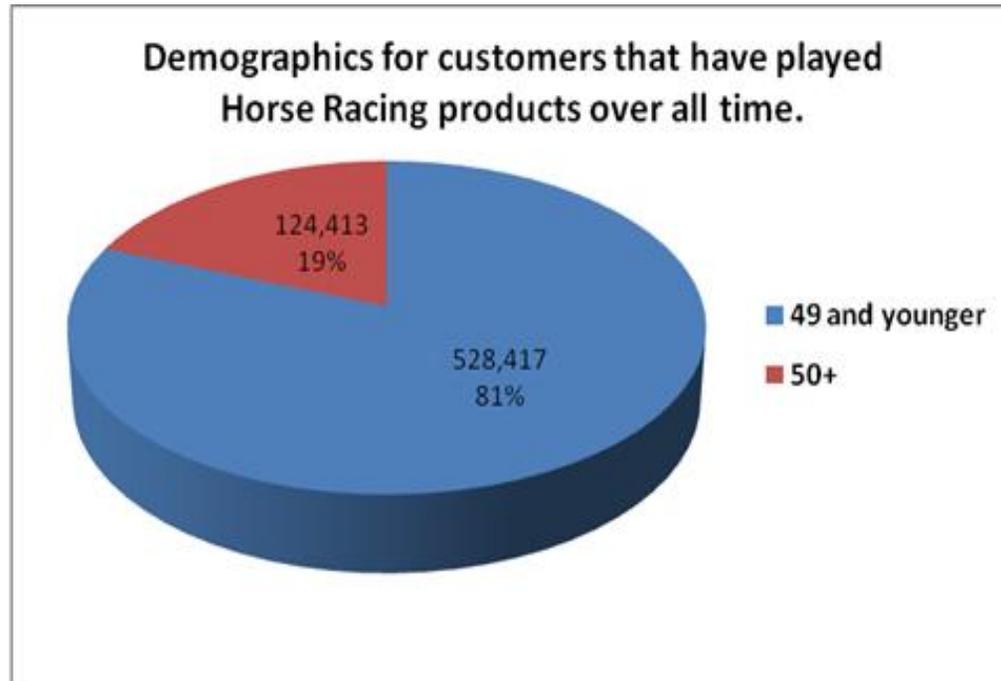
The advertisement features a close-up, high-contrast photograph of a brown horse's head, looking slightly to the left. The horse is wearing a white halter with a black strap. The background is dark, making the horse's face the central focus. The text is overlaid on the image in white and green colors.

WHAT IS EXCHANGE WAGERING?

- Allows individuals to bet against each other and set their own odds
- Delivers consumer a fixed price at the time the bet is made
- Uses technology to match up supply and demand with the operator bearing no risk, similar to a stock market exchange
- Enables wagering to occur even during the race, right until a horse crosses the finish line

Complements, but does not replace,
the traditional tote system

EXCHANGE WAGERING DEMOGRAPHICS



Currently, the same figures for TVG are:

49 and younger = 51%
50+ = 49%

- Betfair's global customers are younger with higher disposable income
- Betfair is of obvious appeal to the "Internet Generation"
- Betfair is a place for the price-sensitive gambler

BENEFITS TO TEXAS HORSERACING

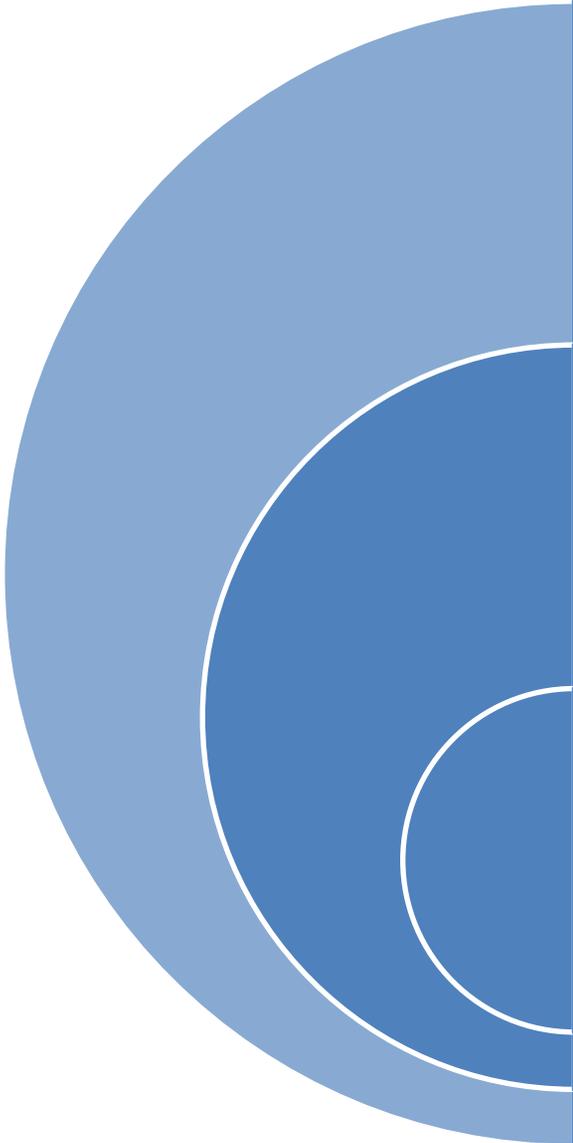
- Expand distribution for horseracing statewide through online technologies
- Attract new customers to sector, particularly young, tech-savvy & price sensitive users who enjoy sites with user-generated content
- Grow revenue to industry and stakeholders
- Preserve jobs
- Protect integrity of the sport

IMPACT ON HORSERACING IN UNITED KINGDOM AFTER LAUNCH OF EXCHANGE WAGERING

	1999	2008	Change
Levy (tax) yield	£59.4m	£91.6m	54%
Horses in training	12,737	15,154	19%
Owners	8,731	9,537	9%
Prize money	£69m	£106m	54%
Racecourse attendances	5.2m	5.7m	10%
Races	7,528	9,494	26%

Source: *The Racing Post*

BETFAIR OPERATES LARGEST COMPLIANCE & INTEGRITY PROGRAM IN THE INDUSTRY



“Know Your Customer” (KYC) program continually confirms customers’ identities during the life of their accounts

Fraud Team works in close partnership with law enforcement and regulators and operates 24 hours a day, 365 days a year

Responsible Gambling Policy sets out commitment to minimizing negative effects of problem gambling and to promoting responsible gambling practices

“The real watershed for racing was the betting exchanges because they didn’t cause the corruption, they brought it out into the open and exposed what was already there”

**Paul Scotney
Director of Integrity Services & Licensing
British Horseracing Authority**

LEGISLATIVE PROPOSAL

- Authorize ADW & Exchange Wagering for Texas residents
 - Require licensing of companies by TX Racing Commission
 - Allow TX Racing Commission to properly regulate activity
 - ADW and Exchange Wagering compliment each other, providing access to largest suite of products possible to customers
 - Expand distribution of product in state (no OTB system in TX)
 - Capture much needed revenue for Texas tracks and horsemen
 - Protect the public with best practices in integrity programs, AML procedures and oversight