



MARYLAND JOCKEY CLUB PRESENTATION TO THE MARYLAND THOROUGHBRED RACETRACK OPERATING AUTHORITY

September 29, 2023



PRESENTERS



Kevin Gilmore
Executive Vice President and COO, The Stronach Group

Formerly:

- *President and CEO, Montreal Impact / CF Montreal, MLS*
- *EVP and COO, Montreal Canadiens, NHL*
- *Senior VP, Anschutz Entertainment Group*



Craig Fravel
Executive Vice Chairman, 1/ST RACING & GAMING
President, Maryland Jockey Club

Formerly:

- *President and CEO, Breeders' Cup Limited*
- *President and General Manager, Del Mar Thoroughbred Club*



ABOUT THE STRONACH GROUP

The Stronach Group’s (“TSG”) consumer-facing 1/ST business is a world-class technology, entertainment and real estate development enterprise with Thoroughbred racing and parimutuel wagering at its core.

Racetracks and Training Centers



Major Events

Preakness Stakes
Second jewel of the Triple Crown

Pegasus World Cup
South Florida’s leading luxury sports and lifestyle event of the year

Florida Derby
Top East coast three-year-old prep race for the Triple Crown

Santa Anita Derby
Top West coast three-year-old prep race for the Triple Crown

Breeders’ Cup
2023 running will be the record 11th time at Santa Anita Park



1/ST & AFFILIATES CORE VALUES

Be 1/ST... Our mission for 1/ST is driven by these core values:

- **Safety** – For the benefit of human & equine athletes before, during and after racing and training at our tracks
- **Community Support** - Use our platforms to serve and enhance our communities (create economic impact for both the community and the individual)
- **Innovation** – Across racing practices, our sport, entertainment and technology

Track Optics



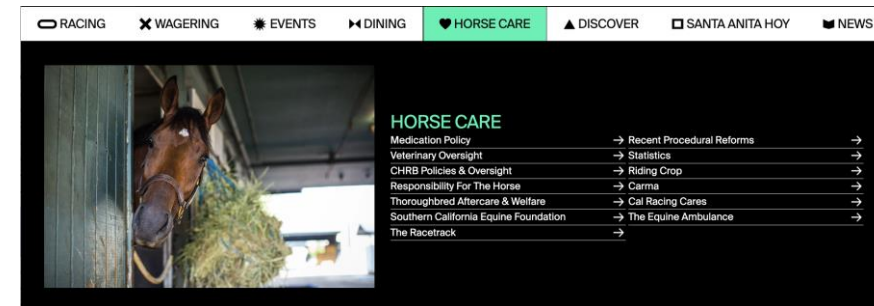
PET and Standing MRI



College Day Scholarships



Transparency in Horse Care (Website)



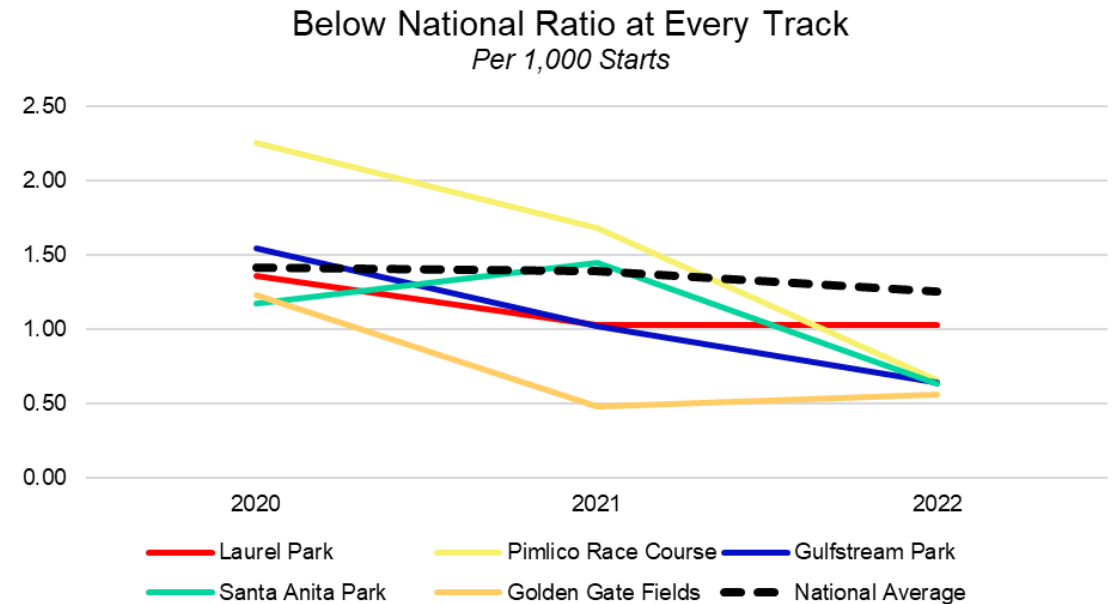


COMMITMENT TO SAFETY AND INTEGRITY

1/ST RACING has led the nation in implementing safety and medication reform while significantly reducing equine injury:

Select Reforms

- Enhanced pre-work and pre-start veterinary examination
- Elimination of Lasix in two-year old and stakes races
- Advanced diagnostic imaging investments in standing MRI, PET, and nuclear scintigraphy
- Post-mortem reviews with connections
- Limitations on corticosteroid injections
- Early support of HISA introduction and passage
- Control of medication in racing and training
- Elimination of use of the whip in training
- Veterinary monitoring of training by Association Veterinarians
- Identification of at-risk horses based upon past performances and vet list history pre-workout
- Pre-workout examinations by Association Veterinarians
- Pre-workout and pre-entry examinations by Attending Veterinarians





HISTORY OF THE MARYLAND JOCKEY CLUB

Long-Term Highlights

- The Maryland Jockey Club (“MJC”) was founded in 1743. It is the oldest chartered sporting organization in North America.
- MJC through its subsidiaries, The Maryland Jockey Club of Baltimore City, Inc. and Laurel Racing Assoc., Inc., currently operates Pimlico Race Course (opened 1870) and Laurel Park (opened 1911), respectively.
- Pimlico Race Course is the home of the Preakness Stakes, inaugurated in 1873, is the second jewel of the Triple Crown.

Acquisition

- In 2002, Magna Entertainment Corp. (“MEC”) acquired from the De Francis family Pimlico Race Course, Laurel Park and Bowie, together “MJC” for a total acquisition cost before acquired debt of \$84.9 million (\$143.8 million in 2023 dollars).
- Currently the MJC assets are held by TSG, controlled by the Stronach family.



KEY CONSIDERATIONS

- The Preakness is a critical and valuable component in the 1/ST portfolio of entertainment and racing properties.
- 1/ST is committed to continuing conducting the Preakness in a first-class manner at a re-developed Pimlico Race Course.
- Day-to-day Maryland racing must be reimagined to be made economically sustainable.
- Strong consideration should be given to Pimlico as a single racing facility, a supporting training center, a racing calendar that aligns with the Mid-Atlantic region, and a financial model that accounts for ongoing operating and capital expenditures.
- The adoption of RCDA confirmed the State's commitment to continue the legacy of Thoroughbred racing and the Preakness.
- Specifically, RCDA as amended set forth a framework to address various operational and facilities challenges in the industry; to right size and modernize those racing facilities; and to provide for the long-term sustainability of the industry.
- 1/ST will continue to work constructively with the Maryland Thoroughbred Racetrack Operating Authority ("MTROA") and other stakeholders to listen to ideas and concerns and address these critical issues.



CURRENT OPERATING ENVIRONMENT

Summary of 10-Year Agreement Economics

- In 2012 MJC, the MTHA, and the MHBA entered into a 10-year agreement addressing stall counts, race days and op-ex.
- MTHA and MHBA agreed to purchase additional race days and shift 3% of their statutory share of parimutuel wagering revenue to MJC (approx. \$2.6 million in 2022).
- MTHA and MHBA currently pay MJC a flat \$5.2 million/year from parimutuel wagering revenues which partially supports operations; an amount set in 2016 and not adjusted for inflation.
- The 10-Year Agreement has been extended through December 2023, whereby MTHA agreed to pay an additional \$4 million to support the operations and capital expenditures of MJC.

Illustrative Example of 2022 Revenue

\$ millions

	MJC	MTHA	MHBA	Total
<u>PARIMUTUEL</u>				
Parimutuel Revenues	23.2	23.3	2.9	49.4
3% Shift	2.6	(2.3)	(0.3)	-
Purchase of Days	5.2	(4.6)	(0.6)	-
Net Parimutuel	31.0	16.4	2.0	49.4
<u>VLT</u>				
Gross Revenues	0	55.3	6.8	62.1
Less: RCDA Contribution	0	(5.0)	-	(5.0)
Net VLT	0	50.3	6.8	57.1
TOTAL NET REVENUE	31.0	66.6	8.9	106.5

<i>% of Total Net Revenue</i>	29.1%	62.6%	8.3%	100.0%
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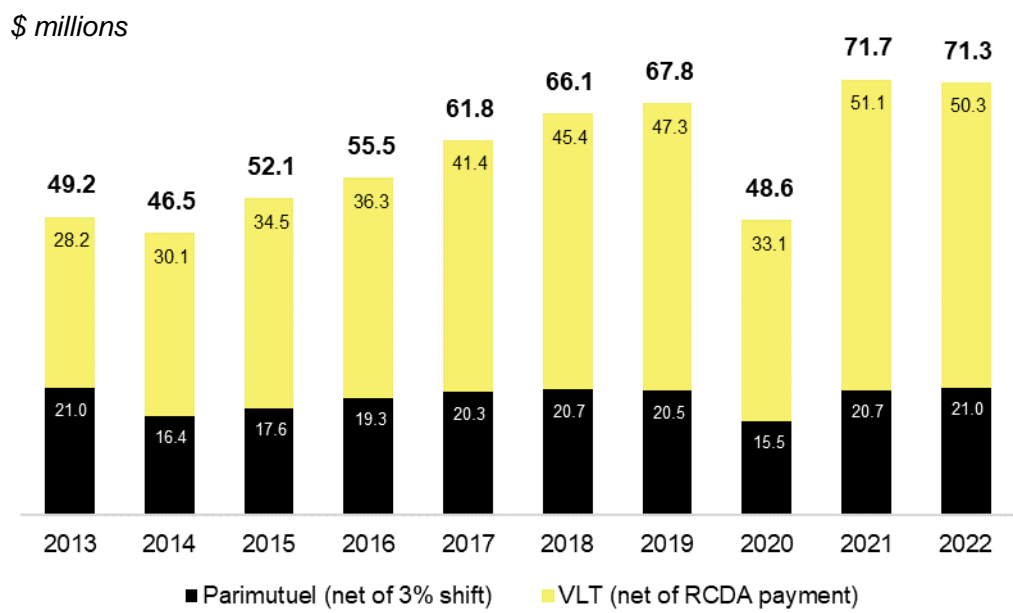
Note: RFRA money previously received by MJC for capital improvements was terminated under RCDA.



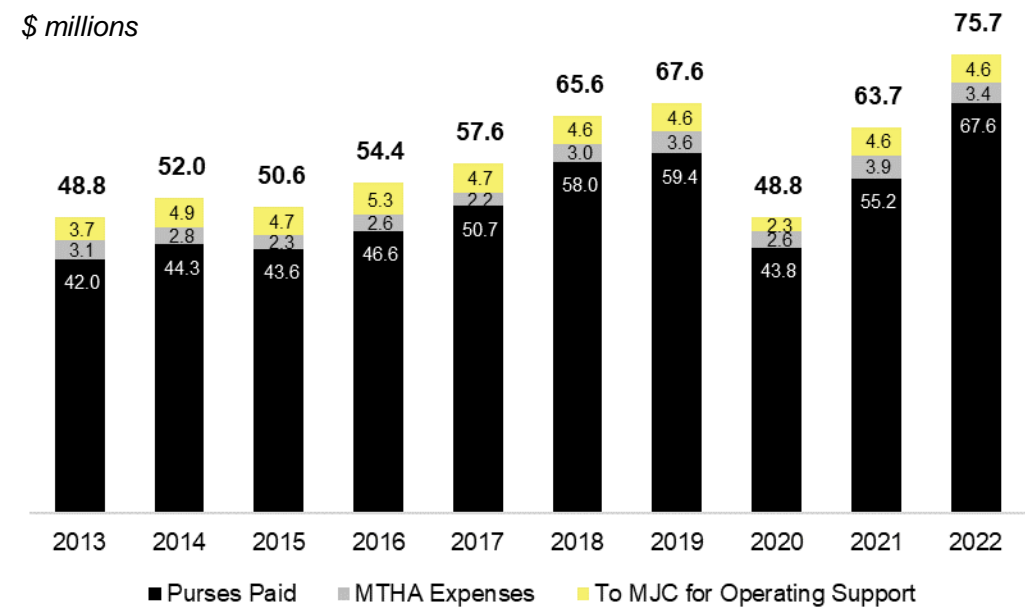
CURRENT OPERATING ENVIRONMENT

Statistical Matters – Maryland Thoroughbred Purse Account Revenue & Disbursements

Purse Account Revenue¹



Purse Account Disbursements¹



+4.2% CAGR
(N/C parimutuel, +6.6% VLT)

¹Incl. Timonium meet.



COMPARATIVE DISADVANTAGE TO OTHER STATES

A comparison of Thoroughbred and Standardbred racing support:

	MD	NY ¹	VA ²	KY ³
Annual Support to Racing Industry	\$89 million	\$230 million	\$346 million	\$560 million
To Purses ⁴	\$63 million	\$150 million	\$27 million	\$131 million
To Breeders	\$8 million	\$25 million	\$1 million	\$5 million
To Tracks - Operating	\$0 Thoroughbred \$1.4 million Ocean Downs	\$24 million	\$318 million	\$424 million
To Tracks - Capital	\$3 million (standardbred only)	\$32 million	-	-
To RCDA (MD only)	\$13.5 million			
Source of Racing Support	VLT	VLT	HHR	HHR
<i>Period</i>	<i>12mo ending Jun '23</i>	<i>2022</i>	<i>12mo ending Jun '23</i>	<i>12mo ending Jun '23</i>

¹NY: NYSGC Video Gaming Reports

²VA: VA Racing Commission HHR Reports

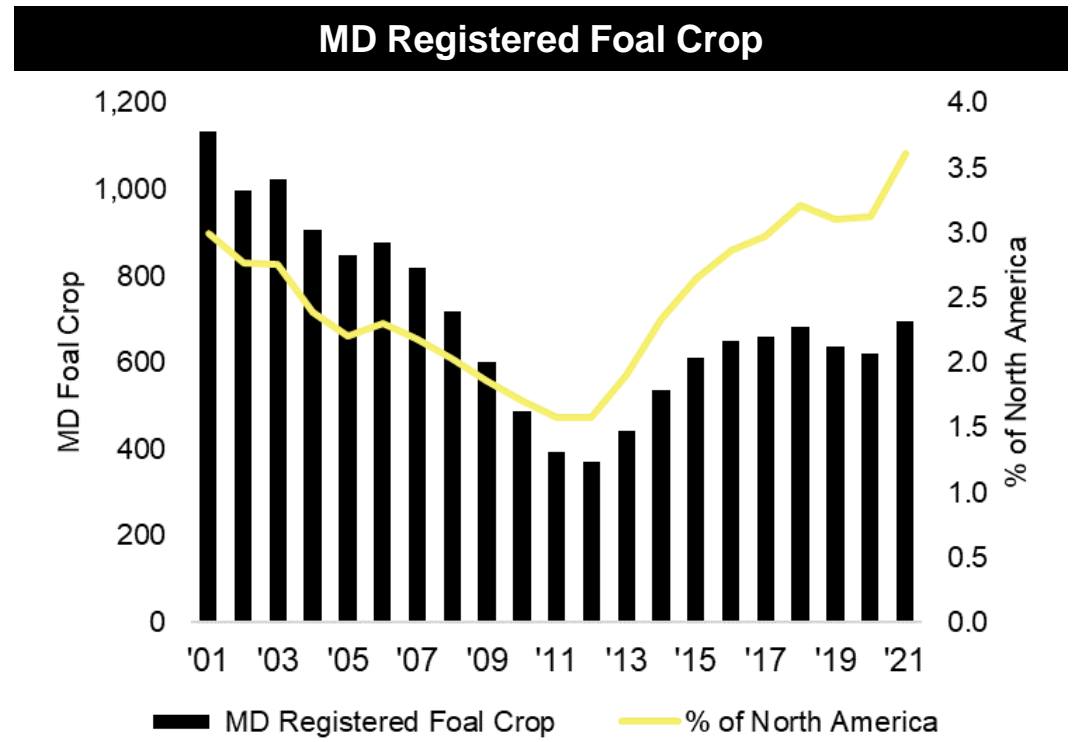
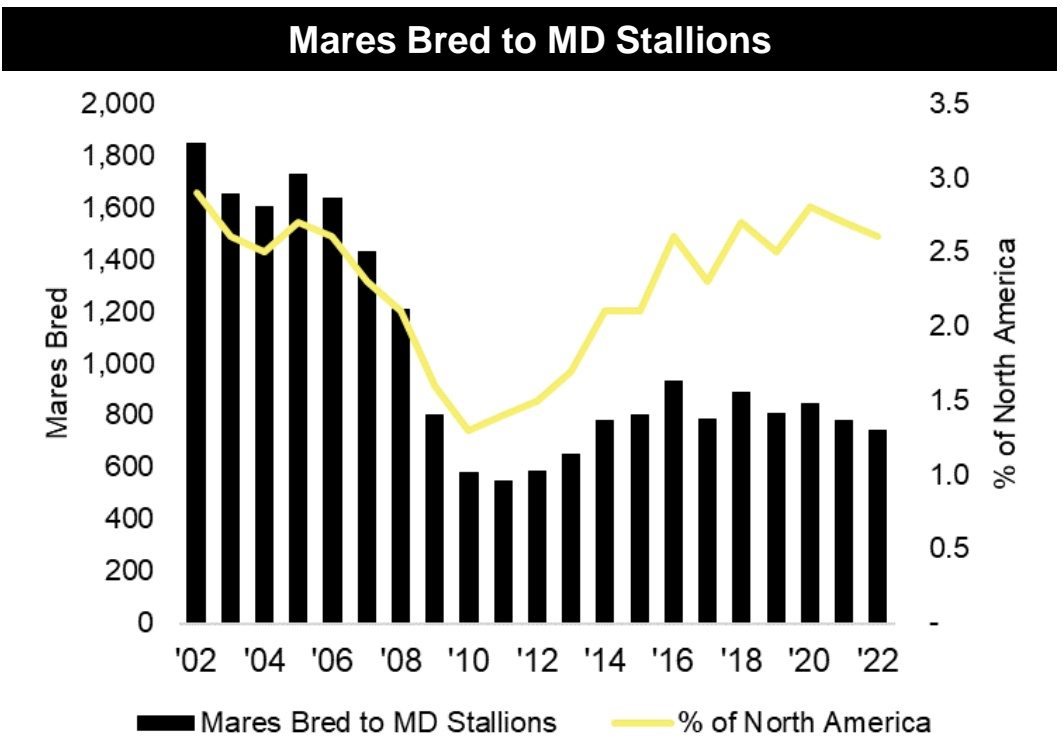
³KY: KHRC Pari-Mutuel Wagering for June 2023 & Analysis of Kentucky Historical Horse Racing Tax Rates (2021)

⁴Also may include development funds.



CURRENT OPERATING ENVIRONMENT

Statistical Matters – Maryland Thoroughbred Breeding & Foal Crop



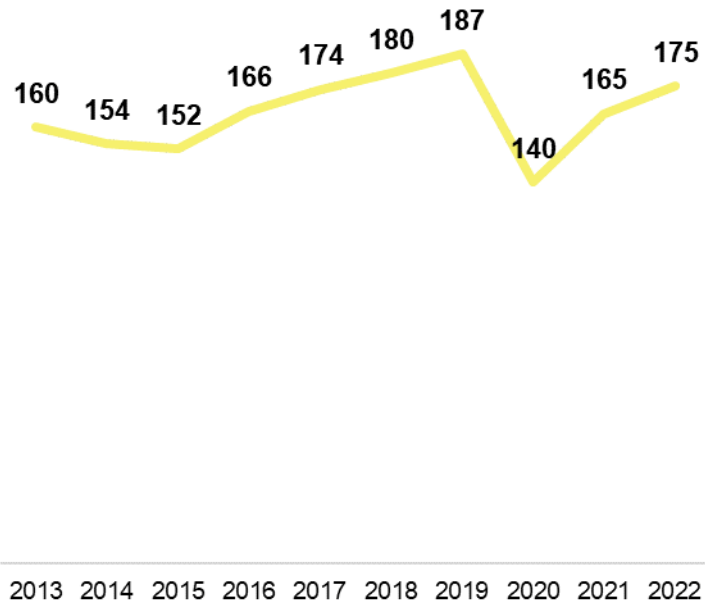
Source: The Jockey Club 2023 Maryland Fact Book



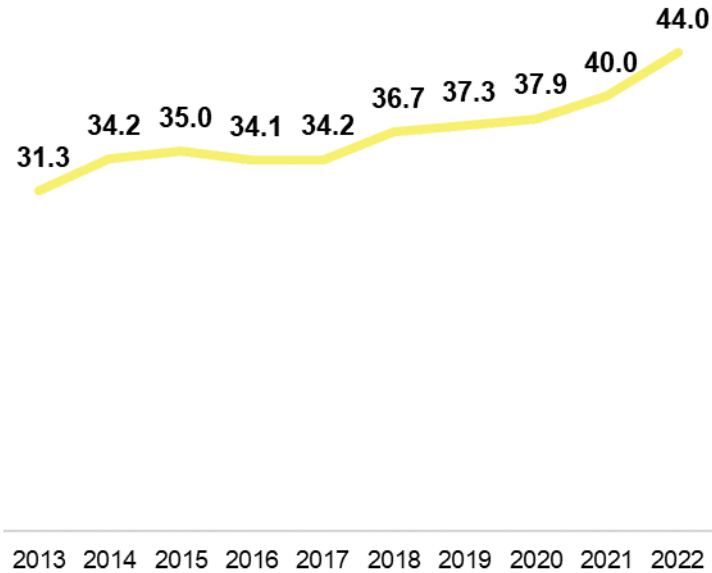
CURRENT OPERATING ENVIRONMENT

Statistical Matters – Maryland Thoroughbred Race Days & Field Size (statewide)

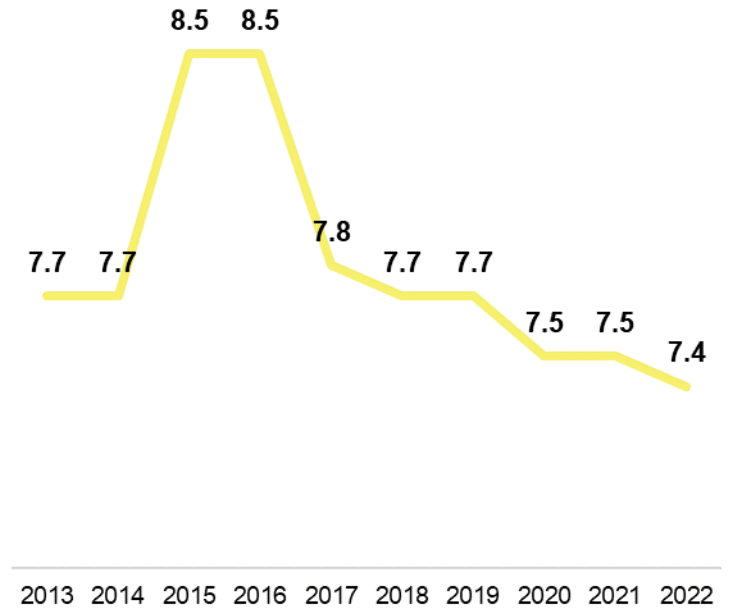
Maryland Race Days



Maryland Avg Purse Per Race (\$000s)



Maryland Average Field Size



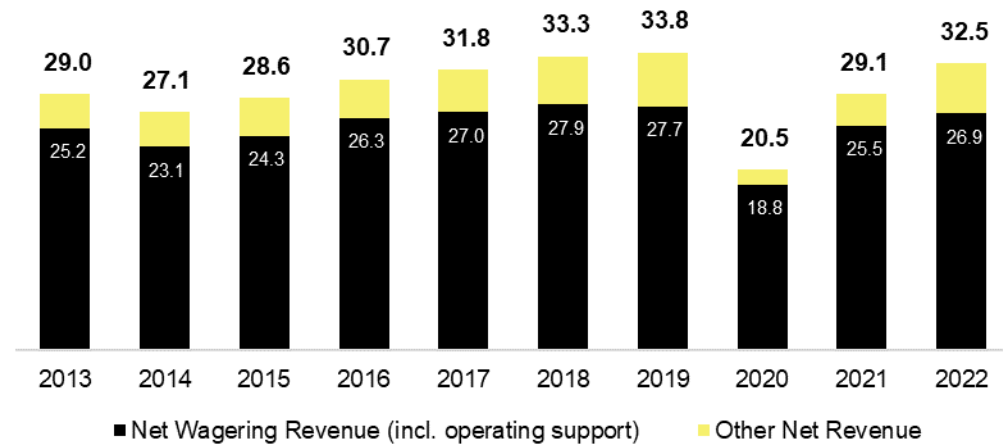


CURRENT OPERATING ENVIRONMENT

Statistical Matters – MJC Net Revenue & Expenses

MJC Net Revenue^{1,2}

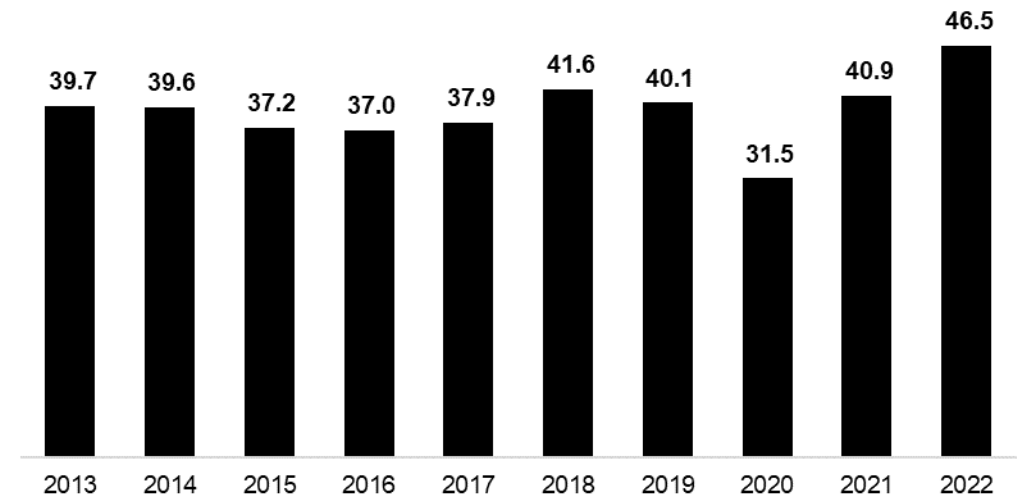
\$ millions



+1.3% CAGR
 (+0.7% wagering, +4.3% other)

MJC Expenses¹

\$ millions



+1.8% CAGR

¹Excl. Preakness day and Rosecroft.

²Incl. Operating support payments (3% shift and purchase of days).

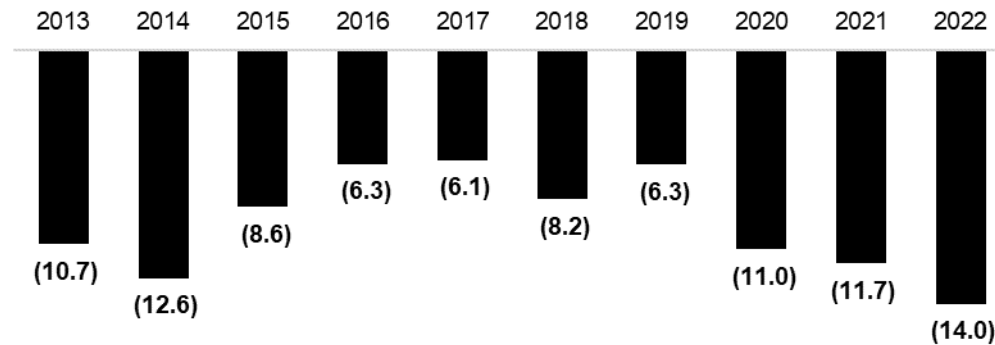


CURRENT OPERATING ENVIRONMENT

Statistical Matters – MJC Operating EBITDA & Capital Expenditures

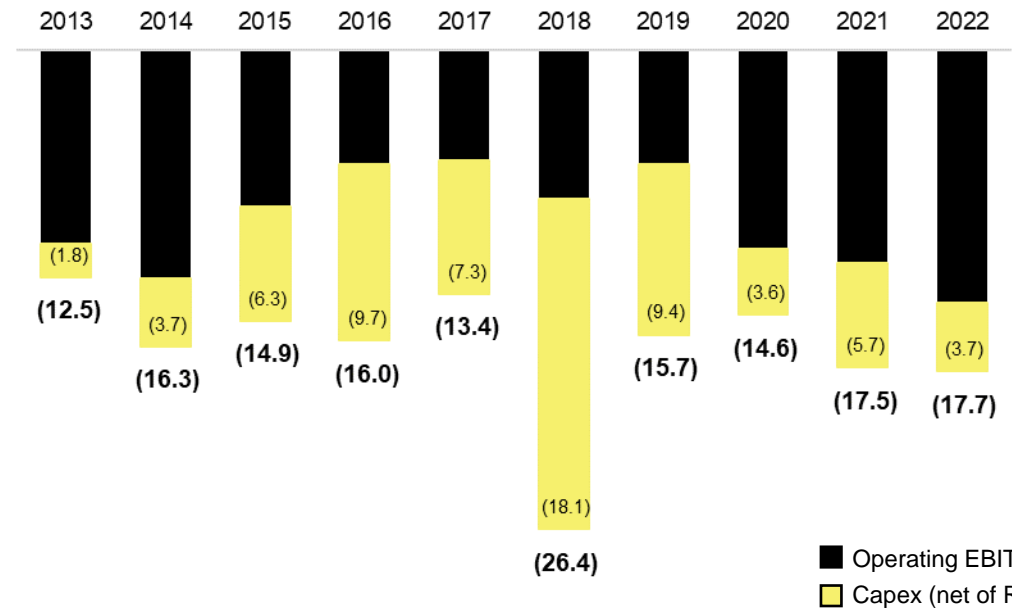
MJC Operating EBITDA¹

\$ millions



MJC Operating EBITDA and Capital Expenditures¹

\$ millions



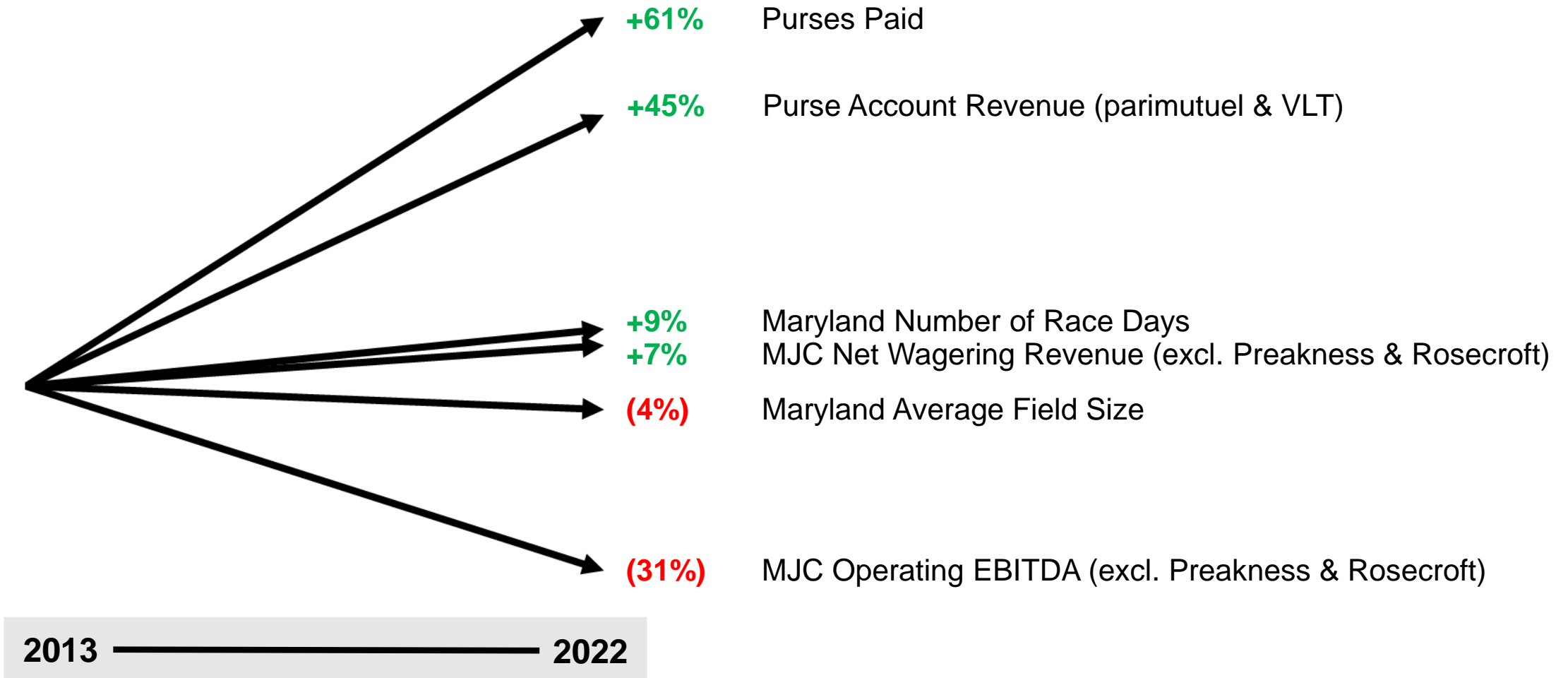
■ Operating EBITDA
 ■ Capex (net of RFRA)

Over the last 10 years, MJC has been cash flow negative in every year, and all stakeholders have contributed over \$260 million to support the racetracks.

¹Excl. Preakness day and Rosecroft.



DIVERGING TRENDS SINCE 2013



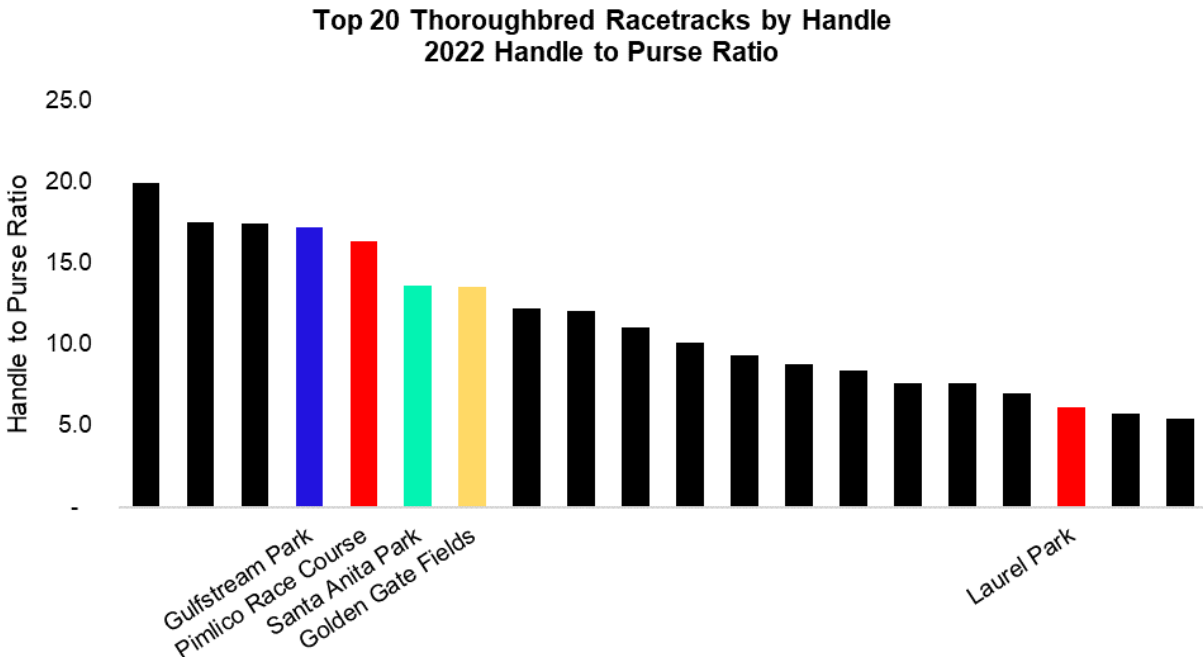


CURRENT OPERATING ENVIRONMENT

Statistical Matters – 1/ST Operating Efficiency

1/ST operates some of the most efficient racetracks in the U.S. generating handle from its purses.

However, Laurel Park generates less than half of the handle of other 1/ST racetracks on a handle to purse ratio. At the levels of the other 1/ST racetracks, Laurel Park would be generating over \$4 million in average daily handle, compared to just over \$2 million today.



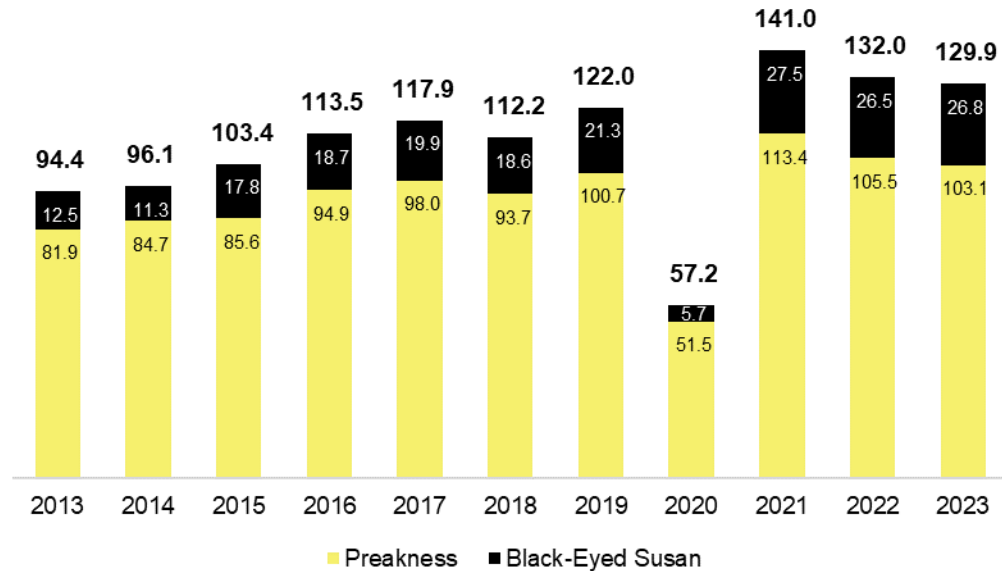
Industry Top 3 are short meets that last fewer than 6 months.



THE PREAKNESS STAKES AND BLACK-EYED SUSAN

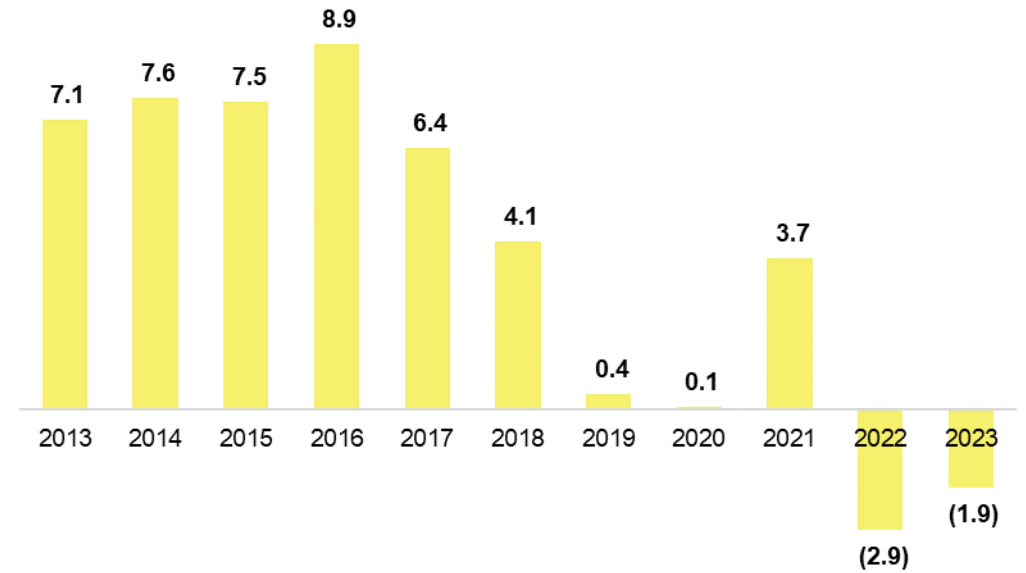
Preakness Handle

\$ millions



Preakness Operating EBITDA

\$ millions





PREAKNESS ANNUAL ECONOMIC IMPACT (2019)

**\$52.7
million**

State economic activity, including \$48.8 million in Baltimore City.

488

Statewide jobs supported, resulting in \$33.4 million in labor income.

**\$3.9
million**

Combined State and local government revenues.

**These impacts only include the impacts associated with the Preakness
and do not include any other events at the Pimlico Race Course.**



PREAKNESS INVESTS IN THE COMMUNITY



PARK HEIGHTS RENAISSANCE – MJC has increased its commitment to the Park Heights Renaissance in recent years, including monetary donations, providing thousands of complimentary tickets to the PHR to serve the community, investing in content to feature and highlight businesses in Park Heights, beautification efforts with MJC's art partners, naming the George E. Mitchell Black-Eyed Susan race, and 1/ST's web development team completely overhauling the PHR website.



PREAK WEEKS PROGRAM – In 2023, MJC initiated the "Preak Weeks" campaign to drive in-store visitation to local Baltimore-based businesses by conducting surprise in-store Preakness ticket giveaways. 24 businesses participated across 11 neighborhoods, featuring 14 minority-owned businesses and 11 women-owned businesses.



MILITARY SUPPORT – MJC celebrates the US Military on Preakness Day by incorporating fly-overs, The Navy Seals, and The Maryland National Guard to carry out the historic Woodlawn Vase trophy. Furthermore, MJC donates approximately 1,000 Preakness tickets to Vet Tix, a non-profit organization which ensures that tickets directly benefit active and retired military personnel.



ART OF RACING – In partnership with Baltimore's MICA, MJC hosts a nationwide art competition with the legacy of Preakness as the core theme. The winner's artwork is printed on select merchandise and proceeds from sales benefit the Park Heights Renaissance. In 2023, there were hundreds of submissions across 19 states, with over 11,000 votes cast.



PREAKNESS INVESTS IN ENTERTAINMENT



GLOBALY RECOGNIZED MUSIC PERFORMANCES – Each year, MJC continues to invest in Preakness beyond racing, by bringing internationally-recognized music acts, chefs, celebrities and artists to place a national spotlight on the city of Baltimore. Preakness has showcased global superstars like Bruno Mars, Post Malone, Diplo, Kygo, Marshmello, and the Chainsmokers. These performances have been attended and enjoyed by thousands of people each year and our "Baltimore 1/ST" platform, launched in 2020, has given rise to Baltimore-based performers, artists and businesses to share the same stage, creating a halo effect for the city.



We leverage Preakness as a platform to shift the gravitational pull toward Baltimore, with the aim to showcase the city as a cultural center and important driver for world-class sports and entertainment.



KEVIN LILES – Since 2022, MJC has partnered with Baltimore native Kevin Liles and 300 Entertainment to curate the entertainment lineup. This partnership has brought acts like Megan Thee Stallion, Ms. Lauryn Hill, and WanMor to Preakness.



LOCAL MUSIC ACTS & THE CHARM CITY STAGE – On the Preakness infield, MJC also programs the Charm City Stage, to introduce audiences to Baltimore's emerging music artists. In 2021, MJC partnered with Darin Atwater and Baltimore's Soulful Symphony to conduct an orchestra performance in the infield.



BALTIMORE CULINARY SCENE – With the launch of Preakness LIVE in 2021, the Preakness infield has hosted renowned celebrity chefs and local Baltimore-area chefs. In addition, Baltimore-area eateries have been featured in both the "Restaurant Row" concessions area in the infield, and in premium ticketed areas. Each Preakness, MJC features its own "Preakness Ale", crafted and brewed by its local partner, the Guinness Open Gate Brewery.



TAKEAWAYS

- 1/ST remains committed to Maryland racing.
- The Maryland racing model is at a crossroads and must change to create a viable and sustainable economic framework.
- The key priorities for the industry at this time must include:
 - The re-development of Pimlico as the future home of racing and a home worthy of the second jewel of the Triple Crown.
 - Identifying and developing a supporting training center.
 - Re-aligning the racing calendar around the Mid-Atlantic.
 - Updating the economic model to fully support racing and training operations.