



**FORTY-EIGHTH ANNUAL
ROUND TABLE CONFERENCE**

On Matters Pertaining to Racing

**SHERATON HOTEL
SARATOGA SPRINGS, NEW YORK**

Sunday, August 13, 2000

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FORTY-EIGHTH ANNUAL ROUND TABLE CONFERENCE
ON MATTERS PERTAINING TO RACING
HOSTED BY
THE JOCKEY CLUB

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The complete transcription of the 2000 Round Table Conference as published in this book is also accessible on the Internet where it may be downloaded in sections or in its entirety.

<http://home.jockeyclub.com>

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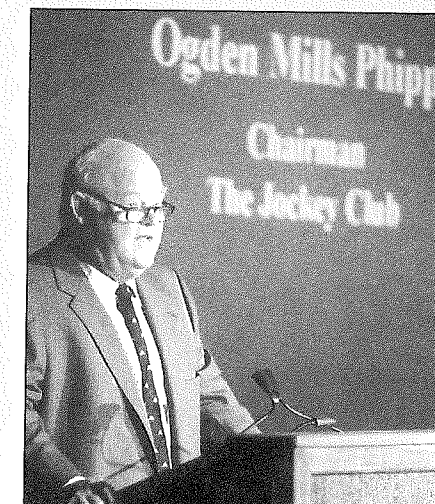
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WELCOME TO PARTICIPANTS AND GUESTS



Ogden Mills Phipps

Ogden Mills Phipps: Good morning, ladies and gentlemen, and welcome to our 48th annual Round Table Conference.

We hope you are comfortable in our new surroundings... and looking around the room we can sort of tell there are a few people at the Gideon who should be joining us in a minute!

We have a lot of material to present to you this morning. So we'll move straight away to our traditional program opening with the Report on the Activities of The Jockey Club by Will Farish.

Will...

ACTIVITIES OF THE JOCKEY CLUB IN 2000

William S. Farish: Thank you Dinny and good morning.

As usual you will find in your packet a detailed summary of the activities of The Jockey Club during the last twelve months.

I am pleased to report that The Jockey Club team has had a most successful year, particularly helping the industry organizations come together for the betterment of the sport. I refer specifically to the growth and success of Equibase and the proposed merger of the NTRA and Breeders' Cup.

Internally the consolidation of various software programs and online services of The Jockey Club Information Systems forms the basis of an exciting new project, *equineline.com*, which you'll hear more about this morning.

Consolidation to make the industry run more effectively is behind the NTRA-Breeders' Cup initiative. Here we have two organizations with basically the same

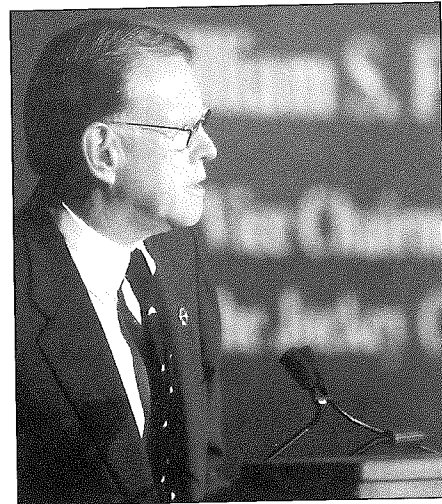
goal - the marketing of our sport. Both organizations will be the winner. Both will benefit from the pooling of resources and expertise... their strengths.

Another major example of consolidation is the move by Churchill Downs and the Magna group in bringing 14 major tracks under two managements, a move that is creating positive synergies and improving efficiencies.

It means generating the opportunity to improve standards universally... all the things we need to grow the sport and ensure economic health for the industry as a whole.

In many ways, the NTRA epitomizes the advantages of consolidation. Nowhere have these been more needed, or more important, than in the recent intense lobbying efforts in Washington D.C., in regard to the Internet Gambling Prohibition Act.

Regardless of the eventual outcome of



William S. Farish

that legislation, there is little doubt that, had we not been able to support the Herculean efforts of the American Horse Council by speaking with one voice through the consolidated efforts of our league office, we would have lost a major part of our national handle.

I cannot overemphasize the remarkable job Tim Smith and Jay Hickey have done on Capitol Hill in our defense. Let me add, though, that the battle is far from over.

It behooves every one of us to continue carrying our message forcefully at every legislative level that we know.

Our program today will focus in more detail on these and other issues crucial to racing's continued success.

Thank you.

Ogden Mills Phipps: As you probably know, we lost Nick Nicholson to Keeneland earlier this year. Nick is a hard act to follow and we thank him for his years of dedicated and successful service to The Jockey Club. We've also been very lucky in having Gary Carpenter join us. He's going to update us on what is really a major step for The Jockey Club - our adoption of cutting-edge DNA technology to verify the parentage of our North American Thoroughbred foal crop.

THE AGE OF TECHNOLOGY - PART I (MEDICAL SCIENCE) DNA PARENTAGE VERIFICATION

Gary L. Carpenter: Thank you for those kind remarks, Mr. Chairman.

Good morning, ladies and gentlemen.

As the new kid on the block, it could be somewhat intimidating to address you this morning on a topic that has such a major effect on the way we register the Thoroughbreds of North America... that is our conversion from blood-typing to DNA for parentage verification.

But my predecessor, Nick Nicholson, and the Registry team have done such an excellent planning job, that my task is easy. I'm pleased to report that the conversion is underway and progressing well.

Let me briefly remind you how we got

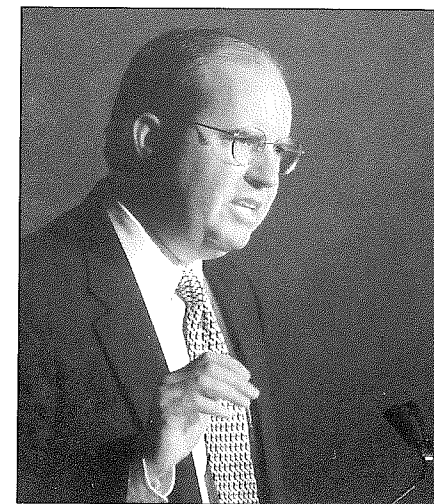
here. Back in 1987, The Jockey Club took a major step in ensuring pedigree accuracy by requiring that every foal should be blood-typed and parentage verified.

The blood-typing technology has served us well. But now technology has given us an even more useful tool... DNA.

We are converting to DNA for three reasons:

- Improved efficacy
- Increased convenience
- Decreased costs

This is a technology which is still maturing. And yet, today, DNA-based parentage verification can give us an efficacy rate of close to 100 per cent... while fully



Gary L. Carpenter

matured blood-typing maxxed out at 96 or 97 per cent.

This is a serious improvement. What this means is that we can essentially eliminate those few cases where we currently have to record two stallions as a foal's possible sire.

I mentioned that the new technology saves us money. The process for collecting and handling the DNA sample is so simple that it just involves pulling a few mane hairs.

More often than not, the drawing of blood involves the expense of a veterinarian. Please don't think that I am beating up on veterinarians!

From my ten years with AAEP, the American Association of Equine Practitioners, I can tell you that most veterinarians would much rather spend their time on more professionally rewarding activities than drawing blood.

Worse than the fees, blood samples cannot be tested if handled improperly. This prompts owners to use expensive overnight mail services, adding even more cost.

Even then, about 6 per cent of samples are still untestable and the whole process - drawing blood and re-identifying the horse

- has to start all over... more inconvenience... more cost.

To put that 6 per cent in perspective, that's roughly equal to the entire foal crop for Texas - our fourth leading Thoroughbred producing state.

But with DNA, as long as the sample contains hair root follicles, the chance of needing to take the sample again is all but eliminated.

The only problem with making this transition is that blood types and DNA types are not interchangeable. So we've been left with no alternative but to re-type all the breeding stock.

That's actually easier than it sounds.

Over the years, the labs doing the blood-typing work have been retaining blood samples. These frozen samples can be DNA-typed. And that's the process we've been going through this year. So far, we now have over 10,000 stallions and mares re-typed.

Going forward, mane hairs will be used in DNA samples, as you'll see in this excerpt from a training video that we are preparing. Let's have a look at what's involved.

[VIDEO BEGINS]

First, the sample kit... no test tubes or Styrofoam containers... just a simple two-part form, preprinted and bar coded... and incorporating a return envelope.

The first stage is to complete the top section - the identity confirmation. That means checking the tattoo number... entering it on the form - or the best guess as to what the number is if it's difficult to read...

Signing and dating it. Then detaching it and putting it to one side. That will go to us at The Jockey Club, together with the four identity photos we always ask for.

In the case of registered breeding stock there's no need for written or diagrammat-

ic markings. We'll compare the photos with the markings we've already got on file.

The actual sample collection is just a matter of using a mane comb - which has been carefully cleaned of other hairs - to pull 50 or so hairs from the mane. The important thing is that the sample includes root follicles.

Next, attaching the sample to the kit... There's a label on the form to hold the sample in place. That needs to be peeled back... (It helps first to twist the hairs slightly to make them more manageable...) before laying them close to the bottom of the label, with the roots on the right side... replacing the label... and pushing down firmly on it to keep the hairs in place.

Then you fold the form... put it in the pre-addressed envelope attached to the bottom... stick on a stamp... and mail it.

As you can see, it's easy... In fact, here's a practical demonstration proving that absolutely anyone can do it.

A couple of warnings... obviously don't use scissors... and don't try to pull the mane when it's wet... you'll find it's more difficult to get hair roots.

No overnight mailing costs... no vet-

erinary fees... and, as long as the hair sample has got some roots to it... little or no risk that it will have to be done again.

[VIDEO ENDS]

One more thing about cost savings... When all costs are considered, we are saving - on average - some \$35 per sample across a crop of more than 36,000 horses.

This means reducing the costs to the industry by more than a million dollars, while making life simpler for the breeder.

It took some ten years to phase in blood-typing. Our schedule for DNA is a bit more aggressive. It calls for full implementation of DNA-based parentage verification for next year's foal crop.

To keep you informed about our progress we've enhanced our on-line system, *Jockey Club Interactive™*. Owners can check this site to get up-to-date information on the DNA-typing status of their stallion or mare.

That's a brief summary of what may be one of the most far-reaching projects ever undertaken by the Registry.

In the age of technology, what we are doing is a fitting way to launch the breed into a new century.

Ogden Mills Phipps: Thank you Gary.

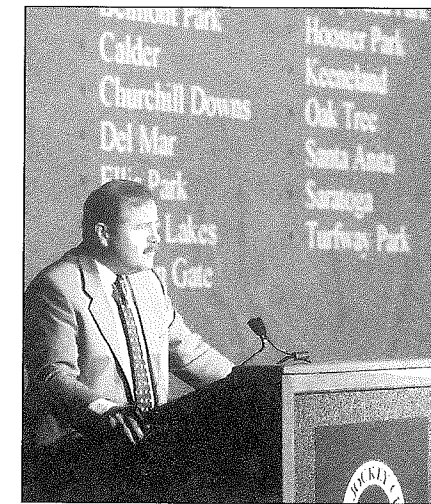
The next subject on the agenda is the Racing Integrity and Drug Testing Standards. We really make no bones about it... drugs in racing - or at the very best the public's perception of drugs in racing - is still one of our biggest problems.

At last year's conference we heard a promising start when Jim Gallagher outlined his program for implementing the goals of the NTRA's Racing Integrity and Drug Testing Task Force. Jim's back this year to give us a progress report.

THE AGE OF TECHNOLOGY - PART I (MEDICAL SCIENCE) RACING INTEGRITY & DRUG TESTING STANDARDS NTRA TASK FORCE UPDATE

James Gallagher: Thank you Mr. Chairman, and good morning ladies and gentlemen.

Last year I outlined the first initiatives the Task Force planned to undertake concerning drug-testing standards, procedures



James Gallagher

and research.

I am pleased to report that good progress was made in addressing our initial goals.

The first project we focused on was the extensive testing - or the supertest - initiative.

Let me remind you, our goal was that urine samples from Graded Stakes... and other races, representative of racing in a particular jurisdiction... were to be subjected to state-of-the-art tests, undergoing a far more rigorous analysis than is done in the normal course of business.

The first priority, of course, was the support and cooperation of individual state racing commissions.

Without that cooperation, the project wouldn't be possible.

I have to report that the response has been tremendous. Racing commissions

across the country have readily embraced the project. No fewer than 23 states have agreed to participate thus far. We're pleased to recognize them here... as well as their laboratory directors.

Then there were the racetracks. And again the response was great, as track after track stepped forward to volunteer their assistance in putting the program into operation.

In fact I can say, in my long experience of regulatory matters, I don't remember an occasion on which everyone has come together and been so supportive of a project.

I might add that some racetracks went even further and agreed to underwrite the early costs of the tests to the tune of more than \$100,000. We are particularly grateful to them.

As a result of all this, we were able to begin collecting samples in the Spring, getting us off to a good start towards our goal of more than 1,500 samples this year. And let me remind you at this point, that these samples will be processed with total anonymity as to their origin.

In the meantime we were able to finalize contracts with two of the leading analytical laboratories in the country... and I can confirm today that sample analysis at Cornell University began on August 1... and that the UC Davis Kenneth L. Maddy Laboratory will begin similar analysis shortly.

I owe special thanks to Dr. George Maylin at Cornell University and to Dr. Scott Stanley at UC Davis for their help in setting up their individual programs.

The supertest is underway.

James Gallagher: No group provides greater up-front investment than owners. To address additional areas of concern it is my privilege now to introduce the chairman of the Thoroughbred Owners and Breeders Association, Stuart Janney.

RACING INTEGRITY & DRUG TESTING STANDARDS
OWNERS PERSPECTIVE

Stuart S. Janney III: Mr. Chairman, thank you for this opportunity to present the work of a committee which first met in Tucson at the end of last year. This committee focused on integrity in racing and the paper that you have in your materials before you entitled *Integrity in Racing* is the result of the Committee's work over the last six months.

I present this as Chairman of the Thoroughbred Owners and Breeders Association and on behalf of this Ad Hoc Committee, which includes many of the primary stakeholders in our sport.

At the outset, we'd like to affirm our strong support for the NTRA Drug Testing and Integrity Task Force and Jim Gallagher. We believe our testing has to be world class.

Thoroughbred racing is not alone in facing challenges of public perception regarding integrity and medication. Look at the Olympics and recent frantic efforts to develop a blood test for epogen in time for the Sydney games.

We've been fortunate to involve a broad spectrum of industry leaders and to reach a consensus on how medication issues should be addressed.

We all have a great deal at stake.

It affects the trainer who loses purse money and clients to other trainers who cheat.

It affects veterinarians whose professional reputation is damaged by the actions of a minority.

It affects jockeys who are placed in greater danger on horses who should not be competing because their natural instinct to protect themselves is masked by drugs.

It affects bettors... our fans... who have to factor in medication when making a wager and who become increasingly cynical... eventually finding "better" things to do.

It affects the breeder who cannot rely



Stuart S. Janney III

on a catalogue page to tell the story, or who breeds to a stallion where credit for his best speed figure or greatest racing accomplishment belongs more to the vet who "pre-raced" him than to his pedigree.

It affects the racetracks trying to sell our sport to the public... the very integrity of their great events is at stake.

And, of course, there's the owner, whose financial investment fuels this sport. Racing is a tough place to be. If you are not prepared to lose at least 75 to 80 per cent of the time, it's not the sport for you.

But what owners don't deserve is to feel after a race that they've been beaten by a cheater.

There are those who say that racing should address these issues behind closed doors and for most of our history we have. But we believe that we have to clearly demonstrate that we're facing these issues straight on and dealing with them. Otherwise someone else eventually will.

Those who met in Tucson and have endorsed this report have shown leadership in addressing this issue. There are

challenges ahead. Clearly implementation is going to be tougher. But we believe the timing is right.

We recognize that the foundation for the actions we recommend is high quality testing, which you've heard about. That is one leg of the three necessary for an effective program. The other two are the focus of our report - pre-race security and stiffer penalties for offenders.

Our recommendations are guidelines to best practices and policies. Some will work at one track, but not work at another. But the underlying theme is that we have to do more.

Let me summarize some measures which can make a significant difference in our opinion:

- A detention barn - selectively employed - can be even more effective than one universally applied and clearly less costly.

- "Earned Surveillance"... defined as when a trainer has a positive. All their horses must report to the detention barn. That can make a difference. You might not know that this practice already exists in the harness industry.

- Our recommendations on identifying "in-today" horses; providing camera surveillance and spot-checking are all part of our belief that we need to know everything that happens to a horse in that period before they run.

- There's sound logic behind our recommendation that horses must be on the grounds of the racetrack six hours before a race. Vanning-in just prior to a race makes a mockery of pre-race security.

We recognize that enhanced pre-race

security requires more professional training of security personnel and others. We also recognize that it costs money. But when the integrity of our game is at stake it's a worthwhile investment.

Isn't it ironic that as racetracks expand with casinos and card clubs, they are often required to install very costly camera surveillance. Yet the core product - the Thoroughbred - is left with little or no protection on the backstretch?

Will this program be fail-safe? No, but we believe it will catch more cheaters quicker, and most, eventually. And it will convince those who would cheat, that the reward is not worth the risk... because it will be coupled, we hope, with stiffer penalties.

As we met in Tucson last December, I sensed that our industry was at a crossroads on medication - brought to that point by lax regulation; new very effective performance-enhancing drugs; a number of unscrupulous vets and trainers; finite resources; and a desire by racing authorities to not air dirty linen in public. We have made progress since then.

Now we have a great opportunity to unite as an industry - owners, racetracks, breeders, trainers, jockeys, vets and regulators alike.

To stand by our principles ensuring that cheaters do not win our greatest races:

that undeserving horses are not crowned champions, and that all our effort and hard work to enhance this sport is not destroyed by compromising its integrity.

That is the sport the public will embrace; that the bettor will play and that sponsors will support.

Stuart S. Janney III: Obviously, none of these recommendations can work without the whole-hearted support of our friends who run the racetracks.

Here to speak from their perspective is Del Mar executive vice president, Craig Fravel.

RACING INTEGRITY & DRUG TESTING STANDARDS
RACETRACK PERSPECTIVE

Craig Fravel: Thank you Stuart.

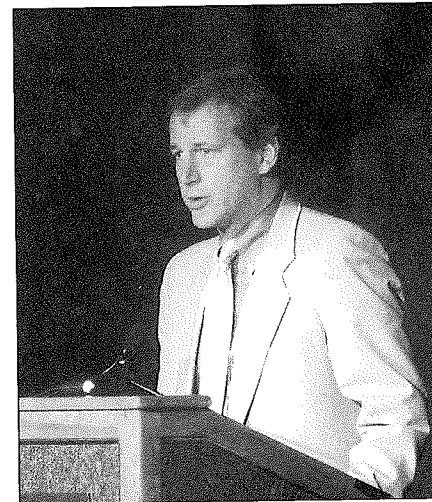
There is a story involving a very famous horse racing fan that brings to mind the difficulties we face in this industry when we renew the ongoing battle with respect to permitted and illegal medications.

Many of you probably know better than I that Winston Churchill frequented the races and owned a horse by the name of Colonist II. Prior to the Second World War, Churchill, arguing for defense appropriations in the face of threats posed by European dictators, was in constant conflict with those who preferred negotiation to confrontation. His frustration resulted in his characterization of how St. George in modern times would go about slaying the dragon to save a maiden.

"St. George would be accompanied, not by a horse, but a delegation. He would be armed not with a lance, but a secretariat." He opined that St. George "would propose a conference with the dragon - a Round Table conference - no doubt that would be more convenient for the dragon's tail. After then making a trade agreement with the dragon, St. George would lend the dragon a lot of money." Ultimately, Churchill concluded, "The maiden's release would be referred to the League of Nations and finally St. George would be photographed with the dragon."

Mr. Chairman, given that this Round Table dates back only forty-eight years, I am sure Churchill meant no disrespect to this gathering by that reference. I do hope, however, that Jim's presentation and Stuart's presentation incite us all to leave here more in the mindset of the mythical St. George than that of the modern version described by Sir Winston.

I have been directly involved in racing



Craig Fravel

for only about ten years, but in that time I have listened to and participated in this debate about the subject of medication with growing frustration. Perhaps I am naive but I've always felt that, real or imagined, if this industry really wanted to deal with this subject effectively, it could do so. That presupposes, however, a national level of resolve, consistent and continued vigilance and sound application of science and medicine. I'm confident that the latter of these will be addressed with the advances in testing Jim has described and the advent of laboratories dedicated to both the science of detection and research into the relationship between analytical chemistry and equine pharmacology. We in California are very fortunate to have what may be the most advanced such laboratory in the United States in the Equine Analytical Chemistry Laboratory at UC Davis named for my good friend Ken Maddy.

With respect to the industry's commitment to this process, the TOBA's *Integrity of Racing* paper is a dramatic first step in

that direction. The Board of Directors at Del Mar unanimously authorized the endorsement of that paper recognizing that both the perception and the reality of integrity and fair play is critical to the success of this game. However, it is of no value for Del Mar or Saratoga to play by one set of rules if other jurisdictions look the other way. While I realize that the topic of over-regulation is worthy of serious consideration and discussion, I firmly believe that state regulatory authorities should and can focus their efforts on issues of fairness and integrity above all else.

For that reason, Del Mar this summer has instituted new procedures for security personnel employed by the track working directly with enforcement officials from the California Horse Racing Board.

Thanks in part to early circulation of the TOBA draft paper we have joined forces with the CHRB to cooperatively

enforce rules relating to "in-today" signage and to establish a more significant and visible presence on the backstretch. Following the season we will undertake a careful review of the other recommendations contained in the position paper with an eye toward implementing as many as possible for the summer of 2001, consistent with our physical layout as well as the input of our horsemen.

I sincerely hope that we don't let the medication dragon run off with the maiden while we debate and negotiate. If we allow the abuse of the animals entrusted to us, whether by disregard of the seriousness of the subject or by rallying around parochial interests, we diminish ourselves and we diminish this game.

To borrow once more from Mr. Churchill, "To improve is to change; to be perfect is to change often." From one track's perspective, it's time for a change.

Thank you.

NATIONAL THOROUGHBRED RACING ASSOCIATION (NTRA)

Ogden Mills Phipps: Thank you Stuart, Craig and Jim. A lot has been done on this issue since last year's Round Table and a lot more should be accomplished in the next six months.

There is no doubt that in a very short period of time the NTRA has made a good start in their efforts to put racing back in serious competition with other professional sports. To introduce a report on the activities of our young league office, we are pleased to welcome back the tireless NTRA commissioner and CEO, Tim Smith. Tim...

INTRODUCTION

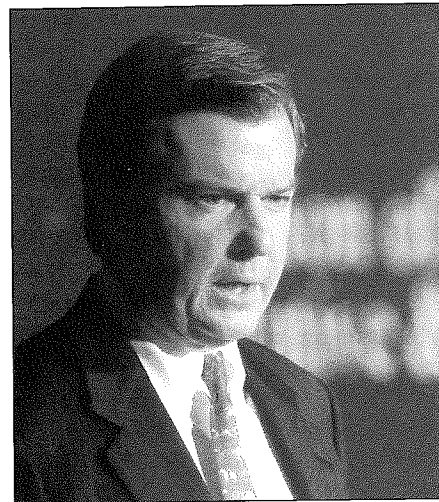
Tim Smith: Thank you, Dinny.

It's always good to be in Saratoga for The Jockey Club Round Table, and especially timely this year. We're in the middle of revising and updating our strategic plan. It might be a reasonable question: "Didn't you just do a plan... Didn't we just have a

big planning exercise a couple of years ago?" We did.

Let me read you the last sentence of that plan:

"The structure, strategies and plans of the NTRA are highly likely to evolve over time and need to be sufficiently flexible to



Tim Smith

adapt to inevitable changes in the marketplace, including technology, government policies, international opportunities and the like."

I think all those have proven to be so. So we're back refreshing and updating the plan and determining where we go in phase two.

This week's Board meeting focused solely on that topic and followed several months of member discussions and study.

In all, some 450 individuals representing more than 100 member organizations took place in that process and, while the update is still very much a work in progress, I'd like to lead off our presentation by sharing some early conclusions.

After two years of operation:

- Our basic mission remains unchanged... to improve economic conditions for our members, whether that's increased purses, larger racetrack revenue and profits or better breeding and sales economics. That's still the core.

- We've made measurable progress in the area of raising horseracing's public profile, particularly on television. You'll recall that this was a threshold challenge... tackling what consumer research indicated was

a serious visibility problem for our sport.

- We've also made progress in creating a stronger national organization - or league office - most recently through our new relationship with the Breeders' Cup, which you will hear more about shortly from D.G. Van Clief.

- Our Board also believes, though, that there are other necessary building blocks that must be considered, if we're really serious about achieving our mission of significantly improving overall industry economics.

- To most of us, these additional steps include bringing about a coordinated technology strategy for our industry - upgrading our outmoded simulcasting infrastructure, improving operating efficiency in numerous ways and using the Internet and interactive television to teach handicapping and market our game. Again, you'll hear more about these topics a little later this morning.

- Another strategic priority, clearly, is in the legislative and political arenas... the best television, marketing and technology strategies in the world can easily be undone in Washington if our representatives there are not adequately organized and funded. The same can occur by over-regulation and over-taxation at the State level if our industry is not focused and proactive in this area as well.

- That more needs to be done to improve industry economics than marketing alone does *not* mean, however, that televising, advertising and promoting Thoroughbred horseracing can or should be deemphasized as we look at our next phase of putting a sensible set of strategic priorities together for the industry... in fact, those areas need to be expanded and increased themselves.

- As you'll hear, expanded marketing and television means not only increasing awareness and public profile, but also increasingly-focusing on increasing turn-

stile clicks at tracks which is a separate issue, and increasing other kinds of clicks on PC's and interactive television remotes as these develop.

- It means we should be - and you'll hear we are - actively exploring Internet-based direct marketing, very possibly as we're discovering the ideal means of reaching the 30 million Americans who say they're interested in racing... watch on television but don't now participate or participate very infrequently.

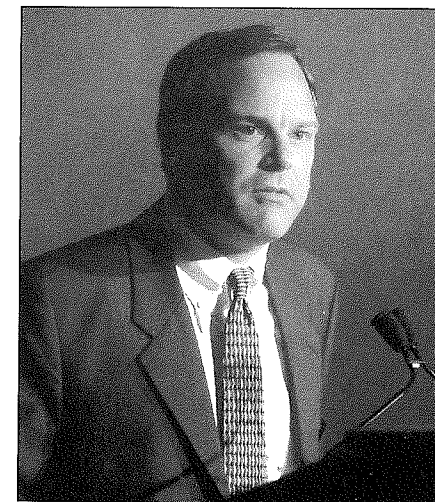
"Participate" here, just to be clear, means

Tim Smith: To tell you more about the latest television and marketing initiatives - and some new programs - I'd like to call on Keith Chamblin.

NATIONAL THOROUGHBRED RACING ASSOCIATION (NTRA) MARKETING & ADVERTISING

Keith Chamblin: Thank you.

One primary goal coming out of the operational combination of the NTRA and the Breeders' Cup is to heighten the awareness of Breeders' Cup Championship Day by increasing national television coverage in advance of the event.



Keith Chamblin

purchase of pari-mutuel tickets. We shouldn't shy away from that fact: those tickets and those fans - directly or indirectly - pay for everything else in this wonderful business... every bale of hay, every stallion season, every hot walker's wages and, yes, every NTRA budget dollar.

We're going to streamline the presentation and leave it to the Annual Report that is contained in the packet which is at each of your places, to give you information about our current operations and finances.

Through the efforts of NTRA Productions, we're delighted to announce this morning that this year's Breeders' Cup will benefit from a new series on the ESPN Classics Network, now available in 30 million homes.

Entitled the "Classics Road Show," the series will visit 37 cities on the eve of major sporting events including the World Series, golf's Skins Game and major college and pro football games. The series will be hosted by ESPN personalities like Chris Fowler, Dick Schapp and Kenny Mayne.

The Classics Road Show will broadcast live from Louisville on Friday, November 3. The three hour telecast will feature historic Breeders' Cup highlights, interviews with leading owners, trainers and jockeys and a preview of the upcoming Breeders' Cup Championship Day.

In keeping with our goal of adding one new television series each year, the "NTRA Two-Year-Old Challenge" was announced in July.

The "Challenge" consists of seven

races with purses totaling \$2.9 million and an additional \$1.3 million offered in NTRA bonus money. In addition to exposing future Triple Crown hopefuls to a national television audience, "Challenge" coverage will feature expanded stories and focus on the owners of the participants. Elements of the "NTRA Two-Year-Old Challenge" include:

- National television coverage on NBC, ESPN and TVG.
- A \$250,000 bonus to any horse who wins a race in the "Challenge" and goes on to win the Breeders' Cup Juvenile; and
- A \$1 million bonus for winning a "Challenge" race, the Breeders' Cup Juvenile and the Kentucky Derby.

This fall, all participants in the "Challenge" races will be eligible for NTRA bonus money. Beginning next year, only participants in the NTRA voluntary auction or foal check-off programs will be eligible for the bonus.

The first race in the "NTRA Two-Year-Old Challenge" will be the Hopeful Stakes from Saratoga on September 2. Here's a tune-in promotion from TVG.

[VIDEO]

The "NTRA Two-Year-Old Challenge" will be sponsored by the Breeders' Cup and *TheGreatestGame.com*.

The latter is a new initiative that will serve as the industry's first integrated, research-based attempt to identify, recruit and retain new Thoroughbred owners and breeders.

Following completion of the consumer research now underway, a number of promotional and marketing programs will be developed. These include:

- *TheGreatestGame.com* infomercials to air on TVG.
- Placement of features on Thoroughbred owners and ownership on TVG, ESPN, and ESPN2.
- Seminars and other functions for prospective owners; and

• Nationally placed advertisements in publications like *USA Today*, *Forbes* and *The Wall Street Journal*.

TheGreatestGame.com would not be possible without the generous support of Keeneland, which has taken a leadership position as the primary funding source of this initiative. TOBA and *The Blood-Horse* also are key sponsors and will lead development of the on-line curriculum and web site.

Fasig-Tipton, The Jockey Club Information Systems, TVG and other industry organizations are also involved and have important roles.

In May at the Kentucky Derby, the NTRA unveiled the NTRA Racing Experience, an interactive mobile touring attraction designed to bring racing to the fans while building awareness, education and sampling.

The "Experience" utilizes non-traditional methods to capture the emotion and experience of racing.

Features include:

- Handicapping games
- Interactive and educational exhibits
- Arcade-style games; and
- Racing memorabilia

Managed by a trained staff, the "Experience" is scheduled to make 150 event stops in its first year of operation.

Thus far, the "Experience" has logged thousands of miles while visiting sites that include the Inner Harbor in Baltimore, Faneuil Hall Marketplace in Boston, the Ballpark at Arlington in Dallas, the South Street Seaport in New York City, as well as numerous racetracks and sales.

As you may have read recently, last Sunday our sport conducted its first national database initiative and one of the largest direct marketing programs ever undertaken in sports. Mystery mutuel vouchers worth anywhere from \$2 to the grand prize of \$1 million, were mailed to more than one-million households in 32 partici-

pating markets across America.

Attendance and mutuel handle increased sharply from coast to coast and fans were exposed to some of the best racing and competition our sport has to offer. The coupon redemption rate exceeded 10 per cent, a very strong direct marketing response rate where two per cent is normally considered a solid success.

Through cost savings based on national volume, the mutuel voucher promotion was provided to members at a cost approximately 35 per cent less than what tracks and OTBs normally pay for this type of promotion. Plus, it included an enticing grand prize that no single member could afford to offer on its own.

Best of all, each mutuel ticket redeemed was bar-coded, providing participating sites with a precise reading of who redeemed vouchers at venues on August 6.

Although the million dollar grand prize - mailed to someone on the mailing list at Mountaineer Park in West Virginia - was not redeemed, the real winner last Sunday

was horseracing.

As Tim mentioned, the NTRA national co-op advertising program has grown substantially in its first three years - from \$20 million in 1998, to \$25 million in 1999, to an estimated \$30 million this year.

In each year, the campaign has focused on turning the camera on the fan to illustrate the participatory nature of our sport. This year's campaign featured five spots utilizing music. Here's one of the five spots produced for our sport this year.

[VIDEO]

We anticipate further growth in the NTRA co-op advertising program in 2001, with future possibilities and expanded benefits including: cooperative media buying; selling web site advertising space together; and utilizing the Internet to market our sport in a more efficient and cost-effective manner. You'll be hearing more about that later this morning.

Now back to Tim for an introduction that he wanted to make personally.

Thank you.

Tim Smith: Last year, we gave the wonderful PEB some extra exposure at this gathering by showing his witty rendition of yours truly as an unshaven panhandler begging for money... which, of course, was basically accurate.

Since my next assignment is to introduce D. G. Van Clief, I've been persuaded to show another recent creation of PEB.

This time, I'm still basically underprivileged, but am sitting on the side of the road... next to a broken-down NTRA tow truck... while a well-heeled character named Van Clief pulls up in a shiny Mercedes labeled "Breeders' Cup"... and he's offering to give me a lift!

PEB, I know you're here, please pay attention to D. G., who's going to shortly explain the *real* Breeders' Cup-NTRA deal.

But, as I hope you'll agree, this is an arrangement that simply makes common sense. Not the least of the benefits to the NTRA is that we regain the services of one of the industry's most talented executives, best communicators and finest gentlemen. It's a special pleasure to introduce D. G. Van Clief.

NATIONAL THOROUGHBRED RACING ASSOCIATION (NTRA)
BREEDERS' CUP

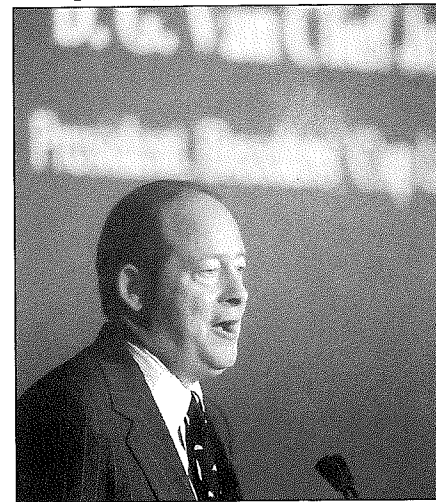
D. G. Van Clief, Jr.: Tim, thank you very much.

I've been assured that, if we implement the Breeders' Cup-NTRA combination I'm about to describe, I too can soon be portrayed by PEB as a down and out panhandler or tow truck driver. I can't wait!

Seriously, I take a much more positive view and it is a pleasure to be asked to report on the status of "giving a lift to the industry" and on the NTRA-Breeders' Cup combination, about which both organizations are enthusiastic and look forward to putting into effect.

Will Farish led off this morning talking about the overall benefits of consolidation. Tim, in his introductory remarks, spoke about the importance of "building blocks" to create a sustainable, effective national office.

The NTRA-Breeders' Cup combination is both an operational consolidation and a building block. In its simplest terms, the proposed agreement combines the sport's league office with its Championship event.



D. G. Van Clief, Jr.

Consolidation in this case will not - at least initially - mean a full legal merger of the companies. But it will provide the business benefits of a classic consolidation: reduced duplication of effort; improved operating efficiency; marketing synergies; and greater clout in a highly competitive sports entertainment and gaming marketplace.

Our agreement is also a building block.

The edifice being built in this case is a stronger national organization dedicated to improving the fundamental economics of Thoroughbred racing, ownership and breeding. The structure, when this next major addition is completed, will look a lot more like other successful major league sports organizations than anything that has existed before in our sport.

The NTRA Board earlier this week approved in principle a joint agreement between the two corporations. The Breeders' Cup Board approved something very similar at our July meeting, so we believe that the necessary formalities can be completed by the end of next month, possibly even sooner.

It's not that both organizations don't already have a lot on their plates during October and November, but we are setting an aggressive target of January 1, 2001 as our goal for putting the two corporations together... from accounting and computer functions to integrated marketing and sales.

The basics of how the new arrangement will work are fairly straightforward and they are as follows:

The joint operations will be governed by a combination licensing and operating agreement.

Breeders' Cup Ltd. and NTRA, Inc. will continue to remain as separate corporate entities, wherein:

Breeders' Cup will license rights to NTRA. And while Breeders' Cup will continue to own and exercise key decision authority over its core assets such as Championship Day, stallion and foal nominations, and the National Stakes program, NTRA will undertake the responsibility for carrying out those programs.

Breeders' Cup operations will become part of consolidated NTRA operations. For example, there will be a single budget, and Breeders' Cup employees will all become NTRA employees.

It is important at this point for breeders and owners to understand that the combined Breeders' Cup-NTRA operations will continue carrying out Breeders' Cup programs including National Stakes and Breeders' Cup Championship Day unchanged except, hopefully, for the implementation of additional improvements. The nomination of stallions and foals to Breeders' Cup in the future will earn the same Breeders' Cup purse program eligibility and prerogatives that such nominations deliver today.

Operationally, the two corporations - both now \$25-30 million businesses - will function as a virtual \$50-60 million enterprise.

Based on additional deployment this year of capital by the Breeders' Cup, the NTRA balance sheet will be strengthened and the corporation will move ahead on a sound and efficient financial footing.

As part of the expansion of the NTRA

Board from 11 to 15 members, the Breeders' Cup will be entitled to appoint two directors.

An office of the Chairman, consisting of Tim Smith as NTRA Chairman, Commissioner and CEO, and myself as Vice Chairman and also Breeders' Cup President, will manage the combined operations.

Our staffs will be combined and, frankly, are already working well together on transition planning and... joint projects.

So, PEB - and he is here, I see him sitting right back there - maybe in a year or two, the right image will be a single powerful vehicle hitting on all cylinders; or better yet, a two horse carriage pulling a successful industry in the same direction.

Over three years ago the Breeders' Cup played a pivotal role in the conception, development, and launch of the NTRA. Our commitment to the concept and our belief in its ability to move this industry forward in fundamentally critical ways is undiminished. If anything that belief has grown.

Thus, I speak for my colleagues on the Breeders' Cup Board, on its staff team, and amongst its membership when I say we are fully committed to the success of this agreement.

Thank you.

As a reminder of what makes this industry so special I invite you to enjoy a retrospective prepared by NTRA Productions.

[VIDEO]

INTERMISSION

Ogden Mills Phipps: The events of the past few months have surely made us all realize how important it is for us to have strong representation in government, not only in Washington but also in our state capitals. We open our second half with a brief summary of the situation concerning the passage of the Kyl Bill given by NTRA deputy commissioner and chief operating officer, Greg Avioli.

Greg...

LEGISLATION & REGULATION OVERVIEW

Greg Avioli: Thank you, Dinny.

My task in approximately 5 minutes is to describe the complex and fluid situation in Washington regarding the Kyl-Goodlatte bill - also called the Internet Gambling Prohibition Act - and to explain our legal and policy differences with the Department of Justice on these matters, along with the implications for the industry.

The core problem for horseracing is that, in the process of opposing the legislation (which the Administration opposes on multiple grounds), the Department of Justice has said publicly that what we do currently, and have done unchallenged for decades, in the areas of regulated, state-licensed interstate simulcasting and

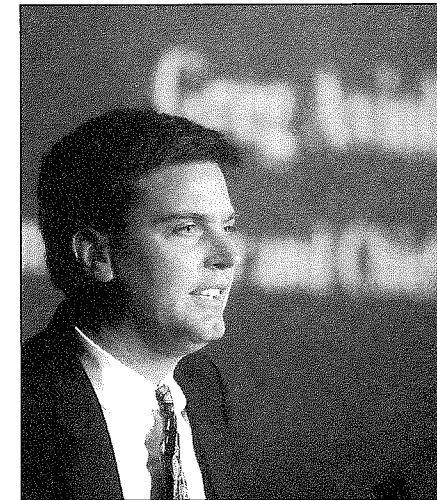
account wagering are criminally illegal under the federal Wire Act.

This extremely questionable Wire Act interpretation by the Department of Justice, if correct, would make criminally illegal most of what the industry does today to produce revenue and purse money. Total wagering on horseracing in the United States is now 80 per cent non-live, with the majority of this handle derived from interstate simulcasting and account wagering.

Now we know of no objective, competent legal analyst - much less any judge or court, because no case has ever been brought - who believes the Justice's unprecedented interpretation of the Wire Act is correct. The Wire Act, enacted in 1961, was aimed at stopping illegal bookmaking by organized crime. Not only is pari-mutuel wagering on horseracing licensed and regulated by state governments, it is further regulated - and, indeed, expressly encouraged - by the 1978 Interstate Horseracing Act, also a federal statute.

It boils down to this: the Interstate Horseracing Act says that Congress' purpose was, and I quote, to "further legal, interstate, off-track wagering." The Department of Justice position is that, based on an anti-racketeering statute passed 17 years before the Interstate Horseracing Act, there is no such thing as "legal, interstate, off-track wagering."

If that is correct, our industry is in seri-



Greg Avioli

ous, if not fatal, economic trouble.

If the Department of Justice position is bad law, it is even worse public policy. Horseracing - and related industries like breeding - have a positive annual economic impact in the United States of \$34 billion; supports 472,000 full-time jobs; and, in the aggregate, the horseracing industry pays over \$500 million per year in state and local taxes.

So, what can be done? The immediate opportunity and best alternative is to pass the Internet Gambling Prohibition Act, known as HR3125, in its current form in the House of Representatives. It provides a limited exemption for currently legal, state-regulated pari-mutuel wagering on horseracing.

Under this bill, racing would be free, as now, to continue interstate simulcasting and account wagering where permitted under state law and in compliance with the Interstate Horseracing Act.

In July, the bill narrowly missed passing the House under a special procedure requiring two-thirds majority. In fact it received 61 per cent, despite an all-out effort by state lotteries and offshore gambling interests to stop its passage. These opponents to the bill are backed by extremely large lobbying, political and PR budgets, which frankly are multiples of our industry's resources in Washington.

HR3125 may come up on the House floor as early as mid-September for another vote and it's likely to be a closely contested vote.

We ask each of you to contact your

Congressman or Congresswoman, and even your Senators and Governor, to urge passage of HR3125 in its current form.

Should this bill not pass, we will need to look for other legislative or political alternatives to reverse or change the Justice/Wire Act position and to clarify that what we do today is in fact legal and good public policy.

After years of little emphasis on protecting our interests in Washington, our industry now finds itself in a sophisticated political environment with very high stakes. To meet this challenge, we have formed both federal and non-federal NTRA political action committees - or PACs - again to work in tandem with the Horse Council and other industry allies.

For the first time, we have added a public relations firm in Washington to our lobbying effort. NTRA staff, led by our Commissioner, have had literally dozens of meetings with key members of Congress, along with two private meetings over the Summer with Department of Justice officials.

This is a somewhat complex area and I hope I haven't been too confusing today. But if you take away only one thing from my remarks I would hope that it would be that strengthening our legislative and lobbying efforts in Washington needs to be a major priority as we move forward.

Well, my five minutes is about up right now, but there is another closely-related topic for our business, and that's the impact of economic regulation and taxation on our industry's prosperity and growth.

Greg Avioli: It is my pleasure to introduce our next speaker, the founder of Stonerside Stables - Robert McNair.

Mr. McNair is well qualified to address this topic, having been a leader in the process of deregulation of electric utilities, culminating in the sale of his Texas-based company to Enron Corporation. He also led the successful effort by his hometown of Houston to secure an expansion NFL franchise, which he now chairs.

To brief you on the NTRA Task Force on Regulation, its Chairman - Bob McNair.

LEGISLATION & REGULATION NTRA TASK FORCE ON REGULATION

Robert McNair: A recent editorial in the Boston Globe described the sport of Thoroughbred racing as "the most regulated of industries." While people may disagree over that conclusion, based on my experience in the energy and transportation industries, I can assure you that Thoroughbred racing is a heavily regulated business compared to most businesses operating today.

In every racing state there is a racing commission that regulates the majority of the day-to-day operations of racetracks, establishes and allocates the number of days of live racing in the state, and licenses racetrack operators, horse owners, trainers and other industry personnel.

In addition to racing commissions, state legislators have established complex legislative and regulatory requirements for the racing industry, covering everything from hours of operation and division of revenues from simulcasting to multi-tiered excise taxes on handle generated at tracks and off-track betting parlors.

An additional layer of regulatory approval was added on the federal level with the enactment of the 1978 Interstate Horseracing Act which requires approval of the racing commissions in the sending and receiving of interstate simulcasting.

To be sure, proper regulation can play an important role in ensuring the integrity of our game and protecting the public from unfair and illegal gambling practices.

Having said that, in light of the change in the competitive entertainment and gaming industries over the last 30 years, I believe we need to review whether - in some instances - over-regulation and over-taxation of the horseracing industry are preventing racing from effectively competing in today's marketplace.

We need to keep in mind that most of



Robert McNair

the statutes and regulations that govern racing have been in place for many decades and were enacted back when racing held a dominant share of the gaming market in the United States. With racing's market share by some estimates now below 7 per cent, we should assess, for example, whether it makes sense for track operators to pay millions of dollars each year in excise taxes... in addition to the corporate income tax paid by all for-profit businesses.

We should review whether there is a real need for owners to continue to endure the complex and time-consuming background checks and disclosure requirements to become licensed separately in every jurisdiction where we choose to race our horses. With the remarkable improvements in technology we have discussed today, do you really believe implementing an effective national licensing system is not feasible?

In order to review these and other potential areas of over-regulation of the horse industry, the NTRA recently announced the formation of the NTRA

Regulation Task Force which I am privileged to chair. Other Task Force members include:

Doug Donn - Chairman of Gulfstream Park
Mark Fleder - Director of the National

Thoroughbred Horsemen's Association
Rick Hiles - President of the National
Horsemen's Benevolent and Protective
Association

Robert Kaminski - Chairman of Lone Star
Park

Jack Liebau - President of Bay Meadows
Racecourse

Scott Mordell - CEO of Arlington Interna-
tional Racecourse, and

John Van de Camp - President of Thorough-
bred Owners of California and former
Attorney General of California.

We have also engaged a leading
authority on the economics of regulation,

National Economic Research Associates,
and longtime industry legal and regulato-
ry expert, Michael Shagan, to assist the
Task Force in evaluating the effects of
current regulation on racing's ability to
compete in the gaming and entertain-
ment marketplaces.

Our goal is to spend an intensive four-
month period reviewing these issues and
present our findings at the University of
Arizona's Symposium on Racing in
December. Hopefully, by bringing a fresh
look from qualified professionals to this
important and complex area, we can
develop the arguments and supporting
materials that will help NTRA members
throughout the country to address areas
of over-regulation or excess taxation in
their individual markets.

Thank you.

Tim Smith: Mr. Chairman. With your permission I'd like to introduce the next speaker and say just a few words about his topic - technology - and about his contributions to the industry in this area which have been truly important.

In standard NTRA fashion, we asked Alan Marzelli, who already has a day job, to volunteer to head up a team to work with IBM Global Services to study - and, ideally, plan and launch - an industry-owned, NTRA-led technology services venture.

Those of you who attended last year's Round Table will remember that this technology services venture, built around an industry-owned tote function, was the central recommendation of IBM Global Services.

IBM pointed out that the technology would not be the hard part; it would be the industry collaboration... the part sometimes described as "herding cats."

Fortunately, there is a parallel in the industry's recent history... a precedent for multi-party cooperation in the area of technology and data management.

That parallel, of course, is Equibase, whose leadership combined the management skills and powers of persuasion to make that collective effort work.

Once again, The Jockey Club, by making him available - and Alan, by taking on another important role for the NTRA and the industry - are taking a crucial leadership role in an area of crucial importance.

There is no better person to lead us through the role of technology to the industry's future - the centerpiece of today's presentation - than Alan Marzelli.

THE AGE OF TECHNOLOGY - PART II (COMMUNICATIONS) INTRODUCTION

Alan Marzelli: Thank you, Tim, and good morning.

Today's topic, the age of technology, is one that is of great interest to me. But, to be honest, when it comes to technology, I have a contrarian view. For I am a firm believer that technology for technology's sake doesn't mean anything. It only exists to make other things possible.



Alan Marzelli

But properly used, it can serve as the most powerful of tools that we can use to improve our industry; to reduce costs and increase productivity; to enhance and speed up the delivery of the information that our industry is so reliant upon; and, as you'll hear later, to bring our sport to a new generations of fans.

Alan Marzelli: Here to give us an update on what has happened in the ensuing twelve months are Hank Zeitlin, executive vice president of Sales and Marketing, and David Haydon, executive vice president of Operations, for Equibase.

In the course of today's presentation, you will hear about exciting ways that technology can be applied in the future to achieve all these things. But you will also hear about what we are doing today, using technology for the betterment of Thoroughbred racing.

Those of you who were at the NTRA membership meeting in Dallas earlier this summer will recall the presentation by Mark Elliott, the general manager of IBM's Global Services business. In response to a question from the audience, Mark offered his opinion on the industry's use of technology.

"I don't want to be overly abusive," he said. "But as an industry, you are as far behind in the use of technology to improve your business as any I have ever seen."

Naturally, our industry media jumped all over that juicy little sound bite and it made headlines the next day. However, it was the rest of his response, which went unreported in the press, that got my attention.

You see, his next sentence was "Of course there are individual organizations in the industry, most notably Equibase and The Jockey Club, that do a wonderful job of utilizing technology and the success of those companies reflects that."

We start our program with a look at what both of those companies are doing with technology today.

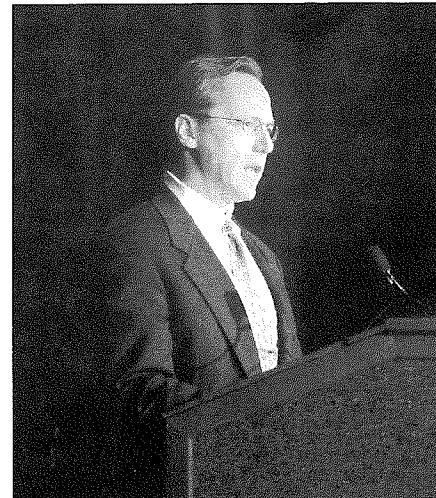
At last year's Round Table, I announced the relaunch of *equibase.com* as a consumer-oriented web site with full e-commerce capability.

THE AGE OF TECHNOLOGY - PART II (COMMUNICATIONS)
EQUIBASE COMPANY LLC

Hank Zeitlin: Thank you Alan.

That relaunch positioned us to take advantage of the emerging opportunities in the electronic and interactive marketplace.

Our goal was to offer a full range of products for every level of handicapping sophistication... providing a building block, or a tool if you will, for the industry to meet the needs of new and casual fans to our sport.



Hank Zeitlin

Accomplishing this requires two things: Accessibility - the information has to be easy to reach, and intuitive to retrieve; and Product Design - we have to give the new fan something that is visually appealing and easy to understand... and in this regard, the information products that our seasoned, serious fans demand are a hindrance rather than a help.

The first thing we did was to add our fan friendly race programs for every track in North America to the wide variety of racing information that was already available at *equibase.com*.

Then we added speed, pace and class

figures that provide simple, single numeric snapshots of a horse's performance throughout the product line.

We then took it a step further by presenting these same figures in a variety of colorful, pleasing-to-the-eye, graphical formats.

This combination of sophisticated software and databases to process large amounts of data, and a high-speed telecommunications network, has enabled us to further broaden our product line and make available third-party handicapping products.

Leveraging their established brand name, a seasoned player can now purchase the *Daily Racing Form's* full past performances in electronic format at *equibase.com*.

Also from our site, this same fan can purchase narrative race previews from a menu of highly acclaimed professional handicappers offered in TrackMaster's *Winner's Circle Selections*.

Race results are also more accessible. Our new results ticker launches in its own browser, and can be left open and running in the background while you work on other things. Then, a single click on your toolbar lets you keep up with results nationwide, literally as they happen.

There's more to the story.

Because of the acquisition of Winner Communications by NTRA Productions, treatment of horseracing on *ESPN.com* has changed dramatically. From our sport being buried under an Other Sports icon, horse racing is now listed individually right alongside the other major sports.

And Equibase is there, behind the scenes, using that same high-speed telecommunications network to push race results and leader lists to the site.

But there's still more to the story.

As TVG reaches out to find new fans through the investment its parent company is making in our sport, Equibase is there too.

Through our close working relationship, Equibase will be making available TVG-branded editions of our entire product line, including the fan friendly products, to their viewers at *tvgnetwork.com*.

We've also added an interesting, and dramatic packaging twist - the products

are customized to accompany the TVG broadcast schedule. For the first time, a fan who wants to watch racing from 5 to 6 p.m. can get one product for the races telecast during that hour, from the 8th race at Saratoga to the 2nd race at Del Mar.

Hank Zeitlin: Here to tell you more about the technology backbone that enables the creation, distribution, and packaging of these new products is David Haydon.

THE AGE OF TECHNOLOGY - PART II (COMMUNICATIONS)
EQUIBASE COMPANY LLC

David Haydon: Thank you, Hank.

One of the major features of the system architecture established by Equibase and its technology partner, The Jockey Club's Information Technology Group, is a relational database. Operating over a secure system-wide network, internal and external users can work directly in the same computer system.

As an example, when racetracks electronically transmit their overnight entry files to Equibase over high-speed telecommunication networks, they directly inter-



David Haydon

face with the same database that the Equibase staff uses on a daily basis. The entry files are received by secure communication servers and instantly processed against the most current pedigree and race result data available.

For instance, if Equibase receives a workout for an unnamed two-year-old at 10 o'clock in the morning... The Jockey Club issues a name for that same two-year-old one hour later... and this same horse was included in an entry file received by Equibase five minutes after that... the full pedigree and workout data for that horse and all of the other horses on that race card, would be returned to the racetrack to publish in their program within minutes.

While the computer system was generating the data for the track's daily racing program, that same entry file information was also being processed in our Simulcast Distribution System.

This system interfaces with the same database and works in parallel with sophisticated telecommunication tools to deliver racing data that is published in simulcast programs at over 1,200 wagering outlets on a daily basis... automatically and instantaneously.

These servers also process the race results.

Using our own *eBase* software, chartcallers now enter race results directly into the database via the Internet, completely eliminating upload and download times. When the race result data is compiled after each race, the chartcallers post the information to the database with one mouse click. The implementation of this type of cutting-edge technology, makes the results ticker that Hank referred to possible.

In the meantime, looking to create products that would be accepted by new fans, we have incorporated a new Oracle database, designed to manage the millions of data elements required by the fan friendly products.

By integrating desktop publishing technology with the Oracle database, we generate the entire set of fan friendly products, including all of the charts and graphs for all North American races every day, in less than 20 seconds per race. As the prod-

ucts are generated they are automatically posted to our web site for access by those new fans who we are all striving to reach.

We've achieved significant progress in a short period of time, but much remains to be done.

For example, although we've automated much of the race results collection process, our chartcallers still have to manually transcribe the fractional and finish times; the mutuel pools and payouts; the placing judges' sending of the photo finish - the order of finish and finishing margins; and the horsemen's bookkeeper purse splits.

All of these - and many other race track functions - currently utilize technology. The key, however, to improving service, reducing costs and increasing efficiencies is identifying those areas that can effectively work together to take full advantage of the benefits that well-planned technology offers.

Alan Marzelli: Thank you David and Hank.

Before Equibase was even conceived, The Jockey Club was using technology to improve the interaction between breeders, owners and the registry.

When Hans Stahl and I first came to The Jockey Club in 1983, registering a Thoroughbred foal took anywhere up to 18 months. And that was before foals were parentage verified. Trying to name your foal? Don't ask.

Today, applications are processed in a matter of days... and certificates mailed in a matter of weeks after that parentage verification is complete. Submit a name through The Jockey Club's Internet-based Interactive Registration service, and you'll have your answer within 24 hours.

Over the years, The Jockey Club has used that same technological know-how to grow a family of commercial companies that serve a wide cross section of Thoroughbred racing. They include The Jockey Club Information Systems, who provide a comprehensive array of services to the breeding and sales market.

Here to tell you about their latest applications of technology is Carl Hamilton, President of that company.



Carl Hamilton

Carl Hamilton: Thank you, Alan.

Mr. Chairman, ladies and gentlemen, good morning.

What we're going to show this morning is, we believe, one of The Jockey Club Information Systems' most aggressive and comprehensive applications of technology for this industry to date... a system that is built on the concept that the Internet should be used as an aggregator to search out information for individuals, rather than individuals searching out information on the Internet.

What you're going to see is not another web site, but a unique personalized on-line service.

It's my pleasure to introduce to you our newest contribution to the equine industry... *equineline.com*, an Internet-based system that will allow individuals to create a customized equine portfolio, and have that portfolio automatically updated with information from a number of sources.

These sources include:

- Pedigree and performance information from *Equine Line*® 2000, including its

direct feed from Equibase.

- Condition book and other racing office information processed by our subsidiary, McKinnie Systems, Inc.

- Plus the secure messaging system, which handles the confidential exchange of breeding and foaling information collected from our Farm Management software. And also the exchange and storage of individual messages between trainers, owners and farms.

It's a lot of information coming from a lot of places. This is how *equineline.com* handles it.

From the home page, with its activity-specific navigation bar, we'll start with the user logging into their individual, totally secure, equine portfolio. *[Slide]*

Here, this one line summary for each horse provides a high level snapshot of the most important information for each horse. *[Slide]* You can see that it's a mixture of constantly updated information from the database... and the more personal information entered by the farm or their representative. This snapshot allows the

user to drill down for more detailed information if needed.

For the horses in training, this detailed information includes Equibase past performances... linked to official charts for each race. I would add that this info is updated on a real-time basis, thanks to the deployment of the Internet-based field collection system that David referred to earlier.

For broodmares, the details include produce information... with sales and earnings statistics for each foal. [Slide]

In the message center, messages regarding each horse will be sorted and stored. [Slide] For horses in training, these would most likely be a complete history of trainer notes, which trainers can easily update on-line.

For broodmares, these could be notes from boarding farms regarding breeding dates, in-foal exams and foaling information. As I said, our Farm Management Software is being modified to allow this information to be extracted and automatically disseminated to individual owners via *equineline.com*.

To help plan a race schedule for horses in training, McKinnie Systems, in association with participating racetracks, is developing an Interactive Condition Book. Users will be able to search a central database of condition books, to identify upcoming races by a number of predefined criteria, including track, distance, surface and class. [Slide]

As you can see, once a user builds their equine portfolio, *equineline.com* is continually searching, gathering, and storing information for the user, rather than the other way around.

We think this system will not only change the way we do business inside the industry, but do so in a way which presents us as a modern, technologically-aware industry to those outside, such as potential new owners, who are becoming accustomed to tools like this to manage their

business investments.

In closing, I should emphasize that we haven't been developing this project in a vacuum. From the beginning we've sought advice and input from those the system is designed to serve.

[VIDEO BEGINS]

Carl Hamilton: We've taken our ideas to farms... We've been to tracks and consulted with trainers... We've held focus groups all over the country... sounding out our ideas... listening to what people had to say... incorporating their ideas into the system. It's been rewarding.

Computer use is new to a lot of people in our industry... but they're catching on.

David Donk, trainer: I've had a computer for maybe about two and a half years, so I'm a novice. I've never taken a class, and certainly taught myself. But, you know... the times change. We're not any different than the outside world. This is just another business.

Hamilton: Others have been at it a long time.

Dan Rosenberg, General Manager, Three Chimneys Farm: This business is very much about managing information. And providing service to our clients is about managing information. So we use computers for almost everything we do.

Dan Metzger, President, TOBA: Most people in this new economy... in this new world - and most of the investors that we're looking to attract to Thoroughbred ownership - that's what they deal in on a day-in day-out basis.

Hamilton: It's been a rewarding process and the response has been almost universally positive.

Lynn Davis, Sales Director, Darby Dan Farm: I think Equineline has made it very accessible to anybody. To get this much information in one place is very hard. You can get all this information on-line, but you'd have to go to several different sites in order to be able to do it. To have it all in

one place... as you can imagine... one-stop shopping. It really helps.

Reynolds Bell, Jr., Thoroughbred Services: For an owner to be able to put up on the screen, at the same time I'm putting it up on the screen... and be able to talk to them as it's on the screen through a whole portfolio of information... mares, horses in training, whatever... that's updated on a daily basis. That's tremendous.

John Phillips, Darby Dan Farm: This is very useable information and really useable and organized.

Donk: It's going to be so much easier for me to, regardless of how much of a partner you are in a horse... if it's five, or ten or 50 per cent... that I'm going to be able to communicate with each person on the same basis.

Alan Marzelli: This will be a revolutionary way for industry stakeholders to manage a portfolio of their Thoroughbred interests. Thank you, Carl.

As most of you know, we have been fortunate to retain the services of one of the world's leading technology companies. For the last several months, IBM has been conducting an in-depth survey and analysis of our industry's technology infrastructure, with the goal being to give us a blueprint for our technological future.

Here to give us an update is the NTRA's Senior Vice President for Industry Development and Technology, Reed Farley.

THE AGE OF TECHNOLOGY - PART II (COMMUNICATIONS) IBM TECHNOLOGY INITIATIVE

Reed Farley: Thanks Alan, Mr. Chairman, and good morning ladies and gentlemen.

Alan spoke about Mark Elliot's comments in Dallas. Those of you who were here at the Round Table last year heard Mark talk a little bit about IBM's initial technology consulting in Thoroughbred racing, and also he shared some of their initial observations and recommendations at last year's meeting.

Because Mark is out of the country on IBM business, he's not able to be with us

Rosenberg: I think it will allow our clients to have some information whenever they want it, wherever they are. Much as you can look at your stock portfolio from your hotel room or from the seat of your airplane, you'll be able to look at your horse portfolio in the same way. I think it's very exciting. I think it'll be a very useful and valuable tool.

Metzger: I think it's a potentially tremendous tool for Thoroughbred owners to treat this as a business... and to make the experience of owning a Thoroughbred much more enjoyable.

Hamilton: This is an information system for the industry, designed by the industry. We believe it will be a system which will revolutionize the way industry professionals manage their equine interests.

[VIDEO ENDS]

today, but he did ask me to pass along his apologies as well as his well wishes for a successful Round Table.

This morning, I would like to take just a few minutes to tell you a little bit about what has happened since last year, and actually what's going on right now in this venture that's become known as the IBM Technology Project.

As I reflect back to Mark's comments last year... he shared a number of consulting discoveries with us. But I thought it

was interesting that the most significant had nothing to do with technology.

In fact, it was a marketing issue. From IBM's point of view, and as an industry, they would report that Thoroughbred racing just doesn't have enough fans. And when you look at the market shares and the growth for the gaming and entertainment venues with which we compete, we have a long-developing and serious competitive problem.

But specific to technology, though, Mark did suggest that we do need some upgrades in some of our most strategic business areas. And he pointed directly at simulcasting and tote that, by and large, are the industry's life's blood.

As part of the initial recommendations, Mark suggested a series of actions that would help make Thoroughbred racing more internally efficient, more financially successful and more competitive in the gaming marketplace.

In fairness, and given the fact they had only been with the project for a short amount of time, he was very quick to point out that they needed some more time to validate their observations.

With the assistance of The Jockey Club - and, Hans Stahl, we thank you very much - along with the cooperation of the tracks, IBM began a very in-depth study of all of the racing's business processes. This effort took multiple days at a number of different tracks.

In the end, they made a very complete front to back analysis - the Racing Office, the Simulcast and Tote areas; the clearing-house functions, including Horseman's Bookkeeping and, in general, the multiple technologies that we use to drive our industry.

I found it very interesting and even somewhat comforting that their fundamental recommendations remained virtually unchanged. But we were comforted by the fact that this deep dive analysis gave us a crisper picture on the actual issues and on the solutions.



Reed Farley

The essence of this IBM Technology Project has now been reviewed with the NTRA Board of Directors. With their blessing, we continue with solutions development and potential deal structuring... and we've begun to communicate our findings along with our recommendations.

Subject to this industry review, and then with the NTRA Board's final approval, we are moving forward with plans that could potentially:

- Create a very long-term relationship between IBM and the Thoroughbred industry.
- Most importantly, we would establish a technology company that would provide a myriad of strategic but fundamental technology services to the industry. And, as Tim mentioned, this would be very much in line, as when the racing industry took charge of its own destiny relative to racing information, with the creation of Equibase.
- We are working to identify and prioritize potential services to be provided and, with approval, those will be procured, upgraded, kept state-of-the-art and, most importantly, provided back to the industry in an efficient and economical manner such that we get very broad-based industry benefit.

• Using IBM's leverage with a major provider of broadband services, we're developing an industry Intranet... A national racing network, if you will, that will facilitate improvements in a multitude of our business practices and which can be used by all facets of our business.

• You've heard a little bit about this thing called e-marketing so, along with IBM and other e-business companies, we're really gearing up to use the Internet as a demand generation engine for Thoroughbred racing. This effort will be aimed directly at attracting, educating, and even finding, new racing fans, with the real objective to get them to wager at a track, an OTB or an in-home signal like TVG.

• In parallel with the fan development activity, we're also gearing up to use the Internet on a much more all-around use for our sport, such as the merchandising of our goods - including our horses - to a broader base of interested consumers, and that being on a real-time basis. This should attract consumers who today either don't know about us, or who spend their disposable income in another manner.

I'm talking a little bit about planning here, but along the lines of e-marketing, we are actually doing more than planning. We are in the field today conducting test marketing of the Internet aimed directly at increasing fan attendance and participation.

At both Arlington Park and then at Del Mar, with the participation of their market-

ing department - and during this current meet - the NTRA, IBM and one of our new e-business partners, *e-Dialog*, from whom you will hear shortly, we're out there testing this very concept of e-marketing.

So, I believe the answer to my initial question of: "What's really been going on in the last year?" is a real simple, "an awful lot."

Lots of discovery, significant analysis, and some thoughtful solution development. And, with IBM as a partner, we are on the verge of delivering to the Thoroughbred industry an unparalleled opportunity. And I think I would actually categorize it as a "once in an industry opportunity" and one that we just can't afford not to take advantage of. Here's a chance to use today's technology to improve and compete and to control our own destiny, all with the support of one of the world's premier corporations.

Now I wouldn't want to mislead you. As much work as we've accomplished in the last year, there is really an awful lot left to be done.

And I harken back to Mark's comments at the meeting last year. He challenged us to find a way to deal with our toughest, and most predictable obstacle. Tim referred to it earlier as herding the cats. Mark talked about something called "Virtual Enterprise Behavior." But it's simply working together trying to solve the industry's problem. The technical side of this, I assure you, is the least challenging. It's doable and it's very affordable.

Reed Farley: I've spoken a little on IBM's behalf, but I'd like to introduce to you Rob Law, Senior Consultant at IBM, who has led their effort from the beginning, and let him talk a little bit about IBM's role with Thoroughbred racing.

THE AGE OF TECHNOLOGY - PART II (COMMUNICATIONS)
IBM TECHNOLOGY INITIATIVE

Rob Law: Thanks Reed, Mr. Chairman, and good morning ladies and gentlemen.

About a year ago, IBM placed a wager on Thoroughbred racing. We now believe that it was a good bet and think we have found a significant mutually beneficial business opportunity.

We have done our homework, validated our findings and created realistic "change management" recommendations. We are so confident in our recommendations that we are willing to partner with your industry on a performance-based manner.

With your agreement, we would like to play three roles:

First, we will continue as a consultant. Second, we want to partner and provide some of the base services of NTRA Technologies. And thirdly, we are willing to negotiate a long-term contract whereby we are willing to provide financing for this venture. And that's where we are prepared to make our next wager... and in your terms we think it's a 1-to-9 shot.

If the recommendations we make only deliver improvements in costs and efficiencies - by the way, a single worthwhile objective and sorely needed result on its own - we will recover our investment in only a nominal manner. That is, we would realize a rate of return that might not otherwise be acceptable.

But and if, as we suspect, you do realize these improvements and, in addition, begin



Rob Law

to address your number one problem - that is, creating more racing fans and that, then, the handle grows at far greater than at present - then we would expect to be compensated at a greater rate. This is the scenario we envisioned early on in our analysis, and this is what has kept us in the race.

It's a "win-win" situation. You begin to realize your real potential. We validate our belief that investing in Thoroughbred racing is a good business decision.

And, finally IBM remains deeply committed to this effort and we are excited about the mutually beneficial opportunities that exist.

Thank you very much.

Alan Marzelli: While IBM is giving us a wide, far-reaching evaluation of how we conduct our business, part of that evaluation includes the tremendous opportunity we have to market our sport to tens of millions of homes worldwide via the Internet.

e-Dialog has already explored this new marketing dimension in the arena of professional sports and entertainment, counting among their clients Ticketmaster and the NFL. To share his experiences, we are fortunate to have *e-Dialog's* chairman and chief operating officer, Bill Herp.

THE AGE OF TECHNOLOGY - PART II (COMMUNICATIONS)
INTERNET MARKETING

William E. Herp: Thanks, Alan.

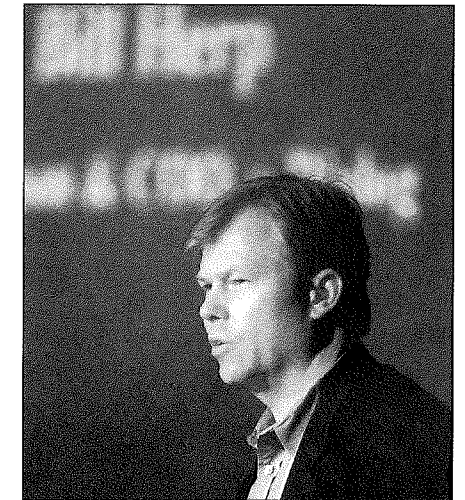
Good morning, I'm Bill Herp from *e-Dialog*. We've been retained by the NTRA, in partnership with IBM, to use our experience in direct marketing and the Internet to meet the objectives of educating sports enthusiasts, gamers and others to meet the objective of broadening the fan base.

And to demonstrate my personal commitment, I've brought a new fan with me today... I've brought my 8-year-old daughter Christina. We're going to go over to the track after this and give her a quick intro into the sport.

I wanted to, at this point, reference back a little bit of our history and show you some of the work we've done for our clients. Our clients include, as Alan mentioned, the National Football League, Ticketmaster, Charles Schwab... you can see some of the other names up here. [Slide] We have a fairly broad base of experience with business-to-business and business-to-consumer - b2b, b2c - to use the Internet commerce parlance.

But the work that we've done, basically shares one common theme, and that's to utilize the power of e-mail as a direct marketing channel to drive down the cost of generating new fans, and in the case of the National Football League - new customers, in the case of most of our other clients - at a much reduced cost. In many cases, the cost is most often compared to direct mail and is generally about half the cost of direct mail. Some of our clients have experienced up to a 7-to-1 ratio using e-mail vs. direct mail.

But the other important benefit is to improve the interactivity. Because, unlike other forms of direct media, e-mail has the capability to provide a significant level of interactivity.



William E. Herp

And, in fact, there's a program that's underway as we speak, which is the test that Alan referred to for Arlington Park, to drive folks whose e-mail addresses were rented to a web forum which we're hosting, which will allow us to gather some information about them and deliver to them an offer, which is an attempt to drive those folks to Arlington on Labor Day in exchange for an opportunity to win \$5,000. I can't share the details of that, because it just started on Friday, but suffice to say that it's underway and results are being compiled already.

One of the things that IBM noted in their initial research is that there is a significant cross-over between interest in horse racing and interest in football, both college football and professional football, so I wanted to describe for you quickly the work that we're doing for the National Football League, which began during the 1999 season, last year, with a base of about 60,000 e-mail addresses that the NFL had gotten through prior subscription to a rather generalized newsletter.

We took that base of 60,000 fans and began to deliver to them additional content and information via a newsletter and attempted to get them to provide additional information about themselves so that we could further customize the experience, which has the benefit of increasing interactivity.

And so we've been asking recipients to come back and tell us a little more about themselves and build a personalized profile which provides us with basic consumer demographic information - where they live, how old they are, and so forth... But also asks them for their favorite team and some other information related to their specific level of interest and educational status with regard to professional football.

And what we've been able to do since then has been tailor the content. As you can see, the next slide is the message that we delivered to the St. Louis Rams fans after having won the Super Bowl. [Slide] And you can see that this e-mail is delivered in what's described as html context, which is very similar to a web page, which is delivered right to someone in their e-mail browser. And about half of the peo-

ple out there at this point have e-mail clients that are capable of viewing this sort of higher level e-mail.

This program has performed extremely well for the National Football League, increasing the number of subscribers from that 60,000 base to about 480,000 at this point; increasing the level of interactivity from virtually no click through to click through rates in the 20 per cent range on highly customized, tailored e-mail content; and allow the NFL to very cost effectively educate its fan base as to other initiatives that are sponsored by the NFL, such as the National Football League in Europe, the National Football League's high school program, NFL Charities, and so forth.

So, it's our hope that as we begin to see results from the program that's being tested for the NTRA, that we'll be able to show positive results that in the next year that we'll be able to roll out to all of the racetracks nationwide toward the objective of educating the fan base and increasing the fan base to include a wider group of people at low cost.

Thank you very much.

THE AGE OF TECHNOLOGY - PART II (COMMUNICATIONS) SUMMARY

Alan Marzelli: Good luck to you and your daughter at the track and we look forward to seeing you back here again.

To all of our speakers, thank you. Their presentations provide us with a small sample of what has been achieved through technology by the industry to date... and what is achievable as we go forward.

Creating an industry-owned technology infrastructure that integrates the collection of all race-related information and financial transactions that originate at racetracks will create economies of scale and operational efficiencies that will benefit the entire industry.

Creating a state-of-the-art communications network that will allow the passage of voice, data and video between host tracks and simulcast outlets similarly will create economies of scale and operational efficiencies.

And providing database marketing capabilities to its member racetracks... utilizing the power of the Internet... could turn out to be the single most important benefit the NTRA will deliver to its member racetracks as we go forward.

We have shown in the past that when industry-wide initiatives are carefully thought out, properly designed and well



Alan Marzelli

executed, those plans are embraced by the industry at large.

The success enjoyed by Equibase provides ample evidence of this.

A more recent example, the NTRA itself, is still a work in progress. But I doubt that we would have received the attention of a world class technology company like IBM, much less the

Alan Marzelli: The last item on our agenda is a look from TVG at what they're doing to adopt new technologies and techniques in reaching an ever-widening audience for our racing product.

Here to tell us about it is TVG president and CEO, Mark Wilson.

THE FUTURE THROUGH THE EYES OF TVG

Mark D. Wilson: Thanks Alan. Mr. Chairman.

TVG is now a year old and within this last year we've come much closer to our number one objective, which together with the NTRA, is to mass market racing.

TVG's parent company, Gemstar-TV Guide, just completed their merger, resulting in a \$30 billion media giant. Our other two partners are Liberty Media and News

resources that have been committed to date, without a central office that enjoys the support of the industry at large.

The opportunities for the industry to leverage technology have been identified, and for that we have IBM to thank. Furthermore, in IBM we have a capable partner who, as you heard earlier, is willing to assist us as a consultant, as a source of capital, and as a vendor.

But what is most encouraging is that IBM believes in these opportunities before us to the point that they're willing to structure their financial arrangement with the industry accordingly, in the form of a win-win proposal.

That should be validation enough, and encourage us to move forward... to formulate business plans from these opportunities... identify or create the companies best suited to carry them out... and formalize our relationship with key strategic partners, beginning with IBM.

And with your support and commitment, that is precisely what we intend to do.

Corp. who recently have even further consolidated their cable and satellite assets, making worldwide distribution of racing a near term reality. Most importantly for racing, Gemstar-TV Guide's technology innovation in Interactive Program Guides is acknowledged as the gateway to selling TV, movies, music and consumer products to mainstream America and beyond.

Racing through TVG will be at the cen-

ter of the Interactive Program Guide, the television portal to virtually every product a consumer may want - or desire.

Every time a person turns on their TV set in the digital world, they will be confronted by 200-plus digital channels. The Interactive Program Guide is a necessity to decide what to watch in that environment.

But the Gemstar-TV Guide Interactive Program Guide goes much further. It becomes the portal that is used on average 4 times an hour, 7 1/2 hours a day, every day of the week by every household that has television in America.

The best news is that TVG will be on that Interactive Program Guide seamlessly guiding a viewer from home to our web site which is cross-linked to the NTRA and Equibase sites where one can get merchandise or handicapping information; or the consumer can see what races are on TVG and go directly to the channel... sign up and then wager.

Never before has racing had this opportunity to be mass marketed to every person who has a television set. Yet, in the next two years as digital television explodes, TVG and racing will be in front of millions of viewers at the click of a remote control. Yahoo! and AOL control much of the Internet portal; Gemstar-TV Guide and TVG will control the Interac-



Mark D. Wilson

tive TV portal, bringing our sport to mainstream America in a technologically advanced manner that we only used to recently dream about.

So join me and take a look at last year's programming highlights and our view of the future featuring the Interactive Program Guide and Internet, seamlessly integrated with our state-of-the-art TV programming.

This is true interacting television, meaning that a mass market for racing is literally here.

[VIDEO]

Ogden Mills Phipps: Thanks all of you. We appreciate that whole group of speakers, they did a wonderful job. As part of the concluding remarks, Tim Smith is going to give you a couple of minutes.

NTRA CONCLUDING COMMENTS

Tim Smith: Thank you, Alan and all of the presenters. Thank you to Rob Law and your colleagues at IBM Global Services for a year's worth of important work. You've shown us new ways to increase revenue, reduce costs... in short, how to improve all of our businesses.

Best of all, you've listened well and learned that we don't just need expertise, we need capital and financing to realize these benefits and IBM has offered to help in those areas as well.

Mark Wilson, thank you for sharing TVG's vision of the future of interactive television. Your goal of building a mass audience, 24-hour horseracing network is a daunting proposition but also one with vast potential.

Like IBM, TVG also has listened well and figured out that, in order to gain broad industry support, you needed to take an entirely new approach to interstate account wagering... you needed to leave the majority of each net dollar generated in the state where the account holder lives, to support live racing and purses all over this country.

Now the NTRA and its supporters also need to listen well. In order to make national marketing and television programs work, in order to make IBM's vision of a virtual enterprise work, in order to take advantage of TVG's considerable resources and great promise... we clearly need as much industry support and participation as possible.

In order to have a virtual enterprise, you need - or certainly would like to have - virtually everyone. What does this reality mean for the NTRA?

It means that we need to understand and deal with the fears that some in the industry have about a stronger national office, not simply assume acceptance of our good intentions and the logic of con-

solidation.

It means that we need to redouble our commitment to improved communications, not just between the NTRA and its members, but among different players within the industry itself. Because while it's possibly true that some members fear the NTRA, it's definitely the case that a number of our members fear each other.

There can be little doubt of one thing: this listening and consensus-building business can be hard work.

But if it were easy, the industry would have taken a consolidated approach to upgrading its technology infrastructure and developing an Internet strategy long before now.

If it were easy, the industry would have had a national horseracing channel the first time it was proposed several years ago. It would be in 50 million or so homes by now and would already be a multi-billion dollar handle generator.

If it were easy, Thoroughbred racing and breeding would be treated with understanding and respect in Congress and key state capitals as a vital agribusiness and unique sport, not lumped together politically with other forms of wagering as too frequently occurs today.

But "hard" does not need to mean "impossible." "Hard things," as we've seen, can turn into industry achievements like Keeneland 65 years ago, like the Interstate Horseracing Act 22 years ago, the Breeders' Cup 17 years ago, Equibase 10 years ago and the original creation of the NTRA three years ago.

The industry has always done these hard things best when it found a way to hammer out its differences internally and to present a united front externally, when it realized the potential of big new ideas and then used the age-old concept of strength in numbers to bring about posi-

tive change.

Having conceded the need to build consensus through improved communication and patient persuasion, we also need the courage sometimes to just put a stake in the ground and say, "This is the right thing to do... we invite your participation and support, we will objectively and respectfully address every legitimate concern, we will give you the chance to opt in or opt out of specific programs, but we

can't be paralyzed by giving equal weight to every separate agenda in this business or we will be guaranteed to accomplish nothing of substance."

So, we pledge to keep listening and hopefully to listen well; to stay flexible and open to good ideas whatever their source; to keep focused on the interests of the industry as a whole; and, with your help, to keep trying important, "hard" things.

Thank you.

CLOSING REMARKS

Ogden Mills Phipps: Thank you for your attention. I have one last request... When you leave please be sure you take your PAC material from your NTRA folder and we ask that you do your utmost to act on its recommendations.

Thank you for coming again. We hope to see you back here next year. But I will

say to you that maybe between now and then you should check the calendar because we possibly are going to be a week later in the Saratoga meeting schedule. That is our plan today as long as we can get the hotel a week later next year. Thank you very much and have a good day's racing.