



**FORTY-FIFTH ANNUAL
ROUND TABLE CONFERENCE**

On Matters Pertaining to Racing

**GIDEON PUTNAM HOTEL & CONFERENCE CENTER
SARATOGA SPRINGS, NEW YORK**

Sunday, August 10, 1997

Lexington: 821 Corporate Drive Lexington, Kentucky 40503-2794

Telephone (606) 224-2700 Fax (606) 224-2710

New York: 40 East 52nd Street New York, New York 10022

Telephone (212) 371-5970 Fax (212) 371-6123

Copyright © 1997 The Jockey Club

FORTY-FIFTH ANNUAL ROUND TABLE CONFERENCE
ON MATTERS PERTAINING TO RACING

HOSTED BY

THE JOCKEY CLUB

Gideon Putnam Hotel & Conference Center
Saratoga Springs, New York

10:00 a.m.
August 10, 1997

WELCOME TO PARTICIPANTS AND GUESTS Ogden Mills Phipps, <i>Chairman, The Jockey Club</i>	page 11
ACTIVITIES OF THE JOCKEY CLUB IN 1997 William S. Farish, <i>Vice-Chairman, The Jockey Club</i>	page 11
UPDATE ON RACING IN THE EUROPEAN UNION Louis Romanet, <i>Director of International Relations, France Galop</i>	page 15
THOROUGHBRED INDUSTRY ALLIANCE (PART I)	
OVERVIEW OF PLANNING PROCESS D.G. Van Clief, Jr., <i>Chief Executive Officer, Thoroughbred Alliance Planning Corporation</i>	page 20
INTRODUCTION OF RESEARCH AND SURVEY RESULTS Hamilton Jordan, <i>Advisor, National Thoroughbred Association</i>	page 24
RESEARCH AND SURVEY RESULTS William Feltus, <i>President, Marketing Consensus Surveys</i>	page 25
THOROUGHBRED INDUSTRY ALLIANCE (PART II)	
RACE TRACK PERSPECTIVE Corey S. Johnsen, <i>Vice President and General Manager, Lone Star Park</i>	page 30
TELEVISION AND MARKETING Michael Trager, <i>Chairman, Sports Marketing & Television International, Inc.</i>	page 32
FUNDING Tim Smith, <i>National Thoroughbred Association</i>	page 36
TRACK BENEFITS Doug Donn, <i>President, Gulfstream Park</i>	page 39
STRUCTURE AND CRITICAL NEXT STEPS D.G. Van Clief, Jr., <i>Chief Executive Officer, Thoroughbred Alliance Planning Corporation</i>	page 41
CLOSING REMARKS Ogden Mills Phipps, <i>Chairman, The Jockey Club</i>	page 45
APPENDIX The Jockey Club & Related Organizations, 1997 Report <i>Program Chairman, John Hettinger</i>	page 47

The complete transcription of the 1997 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.

www.jockeyclub.com

IN ATTENDANCE:

Josephine Abercrombie
Member, The Jockey Club; Owner/Breeder

Dr. Richard Abbott
Veterinarian; Owner/Breeder

Mrs. Richard Abbott
Owner/Breeder

Mimi Able-Smith
Owner/Breeder

Helen Alexander
Member, The Jockey Club; Owner/Breeder

Joe Allbritton
Member, The Jockey Club; Owner/Breeder

John E. Anthony
Member, The Jockey Club; Owner/Breeder

Mrs. John E. Anthony
Owner/Breeder

Thomas L. Aronson
Racing Resources Group

Dr. Rick Arthur
President, American Association of Equine Practitioners

Greg Avioli
International Sports & Entertainment Strategies

William Baker
Chairman, Los Angeles Turf Club

Craig Bandoroff
Owner/Breeder

H. Douglas Barclay
Trustee, New York Racing Association; Owner/Breeder

Laura Barillaro
Vice President/Controller, The Jockey Club

Norm Barron
American Racing Commissioners International

James Barton
American Quarter Horse Association

James E. Bassett III
Member, The Jockey Club; Chairman, Keeneland Association

Howard Battle
Racing Secretary, Keeneland & Saratoga

Stacy V. Bearse
Publisher, The Blood-Horse

W. B. Rogers Beasley
Director of Sales, Keeneland Association

Stanley Bergstein
Harness Tracks of America

Paul Berube
President, Thoroughbred Racing Protective Bureau

James H. Binger
Member, The Jockey Club; Owner/Breeder

Edward A. Bishop
Registrar, The Jockey Club

William T. Bishop III
Attorney, Stoll, Keenon & Park

Ellen Bongard
Owner/Breeder

Edward S. Bonnie
Member, The Jockey Club; Owner/Breeder

Peter Bournias
National Director, The Jockeys' Guild

Edward L. Bowen
President, Grayson-Jockey Club Research Foundation

Stan Bowker
Colonial Downs

Peter Boylan
Chief Operating Officer, United Video

James C. Brady, Jr.
Secretary-Treasurer, The Jockey Club; Owner/Breeder

Dr. Lawrence R. Bramlage
Orthopedic Surgeon, Rood & Riddle Equine Hospital

Dennis Brida
President, New York Thoroughbred Horsemen's Association; Trainer

Boyd T. Browning, Jr.
Executive Vice President/Chief Operating Officer, Fasig-Tipton Company

Alexander G. Campbell, Jr.
Member, The Jockey Club; Owner/Breeder

W. Cothran Campbell
Owner/Breeder

Timothy Capps
Executive Vice President, Maryland Horse Breeders' Association

Tom Carey
Thoroughbred Owners and Breeders Association

Gary Carpenter
Executive Director, American Association of Equine Practitioners

Norman Casse
Owner/Breeder

R. Anthony Chamblin
President, American Racing Commissioners International

Helen B. Chenery
Member, The Jockey Club; Trustee Emeritus, TOBA; Owner/Breeder

George M. Cheston
Member, The Jockey Club; Owner/Breeder

Mrs. George M. Cheston
Owner/Breeder

Sherwood C. Chillingworth
Member, The Jockey Club; Executive Vice President, Oak Tree Racing Association

Eugene Christiansen
Christiansen & Cummings

Peter Boylan
Chief Operating Officer, United Video

Robert N. Clay
Member, The Jockey Club; Owner/Breeder

Mrs. Robert N. Clay
Owner/Breeder

Jack Cohen
Editor, Sports Eye

Charles Colgan
Executive Vice President, National Steeplechase Association

Terence Collier
Senior Vice President, Fasig-Tipton Company

William J. Condren
Owner/Breeder

Drew Couto
President, Thoroughbred Owners and Breeders Association

Steven Crist
Consultant

Robert Curran
Thoroughbred Racing Communications

Nick D'Altilio
Vice President, Information Technology Group, The Jockey Club

Bernard Daney
Commissioner, Delaware Racing Commission

Mrs. Bernard Daney
Owner/Breeder

Robert Decker
Vice President, Churhill Downs

Pamela Donehower
Owner/Breeder

Douglas Donn
President, Gulfstream Park Racing Association

William Dow
Chief Operating Officer, Daily Racing Form

Allan R. Dragone
Member, The Jockey Club; Trustee, New York Racing Association; Owner/Breeder

Allaire duPont
Member, The Jockey Club; Owner/Breeder

William duPont III
Member, The Jockey Club; Owner/Breeder

Stanley Ersoff
Florida Thoroughbred Breeders Association

Robert S. Evans
Steward, The Jockey Club; Owner/Breeder

Robert Farinella
General Manager, Prairie Meadows Racetrack

William S. Farish
Vice Chairman, The Jockey Club; Owner/Breeder

Mrs. William S. Farish
Owner/Breeder

William S. Farish, Jr.
Member, The Jockey Club; Owner/Breeder

Mrs. William S. Farish, Jr.
Owner/Breeder

William Feltus
President, Market Consensus Surveys

Dan Fick
American Quarter Horse Association

Bill Finley
Columnist, New York Daily News

Mrs. Bertram Firestone
Owner/Breeder

Hugh A. Fitzsimmons, Jr.
Member, The Jockey Club; Owner/Breeder

Elizabeth Flynn
Boston Ventures Management, Inc.

Michael Flynn
Executive Administrator, New York Thoroughbred Breeding & Development Fund

Robert Flynn
Executive Director, New York Thoroughbred Horsemen's Association

Alan Foreman
Weinberg & Green

Albert Fried, Jr.
President, New York Thoroughbred Horsemen's Association; Owner/Breeder

George Frostad
Member, The Jockey Club; Owner/Breeder

Carol Fry
Owner/Breeder

John R. Gaines
Trustee, National Museum of Racing; Owner/Breeder

Edward H. Gerry
Member, The Jockey Club; Owner/Breeder

Martha F. Gerry
Member, The Jockey Club; Owner/Breeder

Dr. Manuel Gilman
Retired Racing Official/Veterinarian

Tyson Gilpin
Member, The Jockey Club; Owner/Breeder

John Giovanni
National Managing Director, The Jockeys' Guild

Jim Gluckson
Sports Marketing & Television International

John K. Goodman
Member, The Jockey Club; Owner/Breeder

Masayuki Goto
General Manager, Japan Racing Association, NY

Mrs. Gordon Grayson
Owner/Breeder

William C. Greely
President, Keeneland Association

Bob Gulick
Ocala Breeders' Sales Company

Allen Gutterman
Vice President, New York City Off-Track Betting Corporation

Leonard C. Hale
Vice President, Maryland Jockey Club

Carl Hamilton
President, The Jockey Club Information Systems, Inc.

Richard L. Hamilton
Communications Officer, National Museum of Racing

Peter Hammell
Director, National Museum of Racing

Arthur B. Hancock III
Member, The Jockey Club; Owner/Breeder

Mrs. Arthur B. Hancock III
Owner/Breeder

Dell Hancock
Member, The Jockey Club; Owner/Breeder

Richard Hancock
Florida Thoroughbred Breeders' Association

Greg Hawkins
Long Term Capital Management; Owner/Breeder

David Haydon
President, The Jockey Club Racing Systems

Charles Hayward
Trustee, New York Racing Association; Owner/Breeder

Matt Hegarty
Industry Editor, Daily Racing Form

Bernard J. Hettel
Executive Secretary, Kentucky State Racing Commission

John Hettinger
Steward, The Jockey Club; Owner/Breeder

James J. Hickey, Jr.
President, American Horse Council

Dave Hicks
Steward, New York Racing Association

Jamie Hill
Owner/Breeder

Sally Hill
Owner/Breeder

Dr. James M. Hill
Veterinarian; Owner/Breeder

Mrs. James M. Hill
Owner/Breeder

Dr. Ted Hill
Racing Steward, The Jockey Club

Clyde Hirt
Columnist, Sports Eye

Michael Hoblock
Chairman, New York State Racing & Wagering Board

Edward E. Houghton
Member, The Jockey Club; Owner/Breeder

G. Watts Humphrey, Jr.
Member, The Jockey Club; Owner/Breeder

Mrs. G. Watts Humphrey, Jr.
Owner/Breeder

Alexander Ingle
Vice President, New York Racing Association

John W. Jacobs
Owner/Breeder

Stuart S. Janney III
Chairman, Thoroughbred Owners and Breeders Association; Steward, The Jockey Club; Owner/Breeder

Marshall Jenney
Owner/Breeder

Corey Johnsen
Vice President/General Manager; Lone Star Park

William Johnson
Publisher, Saratoga Summer

Braxton Jones
Owner/Breeder

Richard I. G. Jones
Member, The Jockey Club; Owner/Breeder

Mrs. Richard I. G. Jones
Owner/Breeder

Russell B. Jones Jr.
Member, The Jockey Club; Owner/Breeder

Hamilton Jordan
Advisor; National Thoroughbred Association

John P. Joyce
Racing Steward, New York State Racing & Wagering Board

John K. Keitt, Jr.
Attorney, Rogers & Wells

Nancy Kelly
Director of Development, The Jockey Club

Patrick Kelly
Trainer

Bryan Krantz
President, Fair Grounds Corporation

Hon. Lawrence LaBelle
Judge, Saratoga Springs

Dr. A. Gary Lavin
Steward, The Jockey Club; Veterinarian; Owner/Breeder

Elizabeth Lavin
Owner/Breeder

Gerald Lawrence
President, Autotote Systems

Bob Lee
Commissioner, New York State Racing Commission

Michael Letis
Chairman, Sports Marketing & Television International

Robert Lewis
Owner/Breeder

Bennett Liebman
Member, New York State Racing & Wagering Board

Jane duPont Lunger
Owner/Breeder

Patrick W. Lynch
Journalist

William C. MacMillen, Jr.
Member, The Jockey Club; Owner/Breeder

Catherine Maguire
Assistant Director, National Museum of Racing

Robert R. Mahaney
Attorney

Frank L. Mansell
Member, The Jockey Club; Owner/Breeder

Edward J. Martin
Executive Administrator, New York State Racing & Wagering Board

Alan Marzelli
Executive Vice President/Chief Financial Officer; The Jockey Club; President, Equibase Company

Sloane Maurer
Administrative Assistant, The Jockey Club

Claude R. McGaughey III
Trainer

Timothy McGinn
Trustee New York Racing Association; Owner/Breeder

Edward McGrath
Insurance; Owner/Breeder

John Meriwether
Trustee, New York Racing Association; Owner/Breeder

Thomas Merritt
Executive Director, Thoroughbred Racing Communications

Terence J. Meyocks
President, New York Racing Association

Leverett Miller
Director, Grayson-Jockey Club Research Foundation; Owner/Breeder

Ellen Moelis
Owner/Breeder

Herbert Moelis
Owner/Breeder

John Mooney
Chief Operations Officer, Laurel Racing Association

James B. Moseley
Member, The Jockey Club; Chairman, Suffolk Downs; Owner/Breeder

Mrs. James B. Moseley
Owner/Breeder

Edward T. Mudge IV
President, Autotote

William Nader
Director of Broadcast Communications, New York Racing Association

Joseph P. Neglia
New York State Racing & Wagering Board

John A. Nerud
Owner/Breeder

Nick Nicholson
Executive Vice President/Executive Director; The Jockey Club

Dr. Gary Norwood
President-Elect, American Association of Equine Practitioners

Robert O'Connor
Sports Marketing & Television International

Dr. Joseph O'Dea
New York State Racing & Wagering Board

Paul Oreffice
Trustee, New York Racing Association; Owner/Breeder

Ray Paulick
Editor-in-Chief, The Blood-Horse

Virginia Kraft Payson
Owner/Breeder

John H. Peace
Member, The Jockey Club; Owner/Breeder

Mrs. John H. Peace
Owner/Breeder

James H. Peden
Vice President, Corporate Communications, The Jockey Club

Diane Perkins
Owner/Breeder

Cheryl Petersen
Executive Assistant, The Jockey Club

Stanley D. Petter, Jr.
Owner/Breeder

John W. Phillips
Owner/Breeder

Lilly Phipps
Owner/Breeder

Ogden Phipps
Member, The Jockey Club; Owner/Breeder

Ogden Phipps II
Owner/Breeder

Ogden Mills Phipps
Chairman, The Jockey Club; Owner/Breeder

Mrs. Ogden Mills Phipps
Owner/Breeder

Clinton Pitts
Steward, Royal Hong Kong Jockey Club

Josh Pons
*President, Maryland Horse Breeders Association;
Owner/Breeder*

Fred Pope
Pope Advertising

Anne Poulsen
President, Virginia Thoroughbred Association

Lonny T. Powell
President & General Manager, Turf Paradise

Art Preston
Owner/Breeder

Douglas Reed
*Director, Race Track Industry Program,
University of Arizona*

Mrs. Douglas Reed
Owner/Breeder

Dr. William O. Reed
Veterinarian; Owner/Breeder

Mike Reicher
Publisher, Sports Eye

Steve Richman
*Attorney, New York City Off-Track Betting
Corporation*

Norman Ridker
Publisher, Thoroughbred Times

Dr. Jack Robbins
Member, The Jockey Club; Owner/Breeder

Walt Robertson
President, Fasig-Tipton Company

J. Mack Robinson
Member, The Jockey Club; Owner/Breeder

Louis Romanet
Director General, France Galop

Dolph Rotfeld
*Trustee, New York Racing Association;
Owner/Breeder*

David Rovine
Director of Marketing, Gulfstream Park

Donald Rudder
*Chairman, National Association of Thoroughbred
Owners*

David Ruffra
President, McKinnie Systems

Christopher N. Scherf
*Executive Vice President, Thoroughbred Racing
Association*

Barry Schwartz
*Trustee, New York Racing Association;
Owner/Breeder*

Bayard Sharp
Member, The Jockey Club; Owner/Breeder

Allie Sherman
*President, New York City Off-Track Betting
Corporation*

Joseph V. Shields, Jr.
*Trustee, New York Racing Association;
Owner/Breeder*

Wilson Shirley III
*Director of Information Services, Thoroughbred
Owners and Breeders Association*

Mark Simon
Editor, Thoroughbred Times

Tim Smith
National Thoroughbred Association

Harry D. Snyder
Member, New York State Racing Commission

Viola Sommer
Member, The Jockey Club; Owner/Breeder

Joseph Spadero
New York State Breeding & Development Fund

Hans J. Stahl
President, The Jockey Club

Barbara Stevenson
Stevenson & Associates, Consultants

David Stevenson
Stevenson & Associates, Consultants

Dwight Sutherland
Owner/Breeder

Mrs. Dwight Sutherland
Owner/Breeder

David Switzer
*Executive Director, Kentucky Thoroughbred
Association*

Shirley Taylor
Member, The Jockey Club; Owner/Breeder

John A. Tesiero, Jr.
Chairman, New York State Racing Commission

Stella Thayer
President, Tampa Bay Downs

Charles Thieriot
Member, The Jockey Club; Owner/Breeder

Whitney Tower
Chairman, National Museum of Racing

Michael Trager
*Chairman, Sports Marketing and Television
International*

Thomas Trotter
Steward, Arlington Park, Gulfstream Park

D. G. Van Clief, Jr.
*Member, The Jockey Club; Executive Director,
Breeders' Cup Ltd.; Chairman, Fasig-Tipton
Company; Owner/Breeder*

Mrs. D. G. Van Clief, Jr.
Owner/Breeder

John Van de Kamp
President, Thoroughbred Owners of California

Alfred G. Vanderbilt
*Member, The Jockey Club; Ex Officio, Thoroughbred
Owners and Breeders Association; Owner/Breeder*

John Veitch
Trainer

Michael Veitch
Columnist, The Saratogian

Charles E. Vickery III
*Executive Director, National Association of
Thoroughbred Owners*

John Von Stade
*President, National Museum of Racing;
Owner/Breeder*

Charles Wait
*Trustee, New York Racing Association;
Owner/Breeder*

Bill Walmsley
*National Horsemen's Benevolent and Protective
Association*

David Wargo
President, Wargo & Company

Charlotte Weber
Member, The Jockey Club; Owner/Breeder

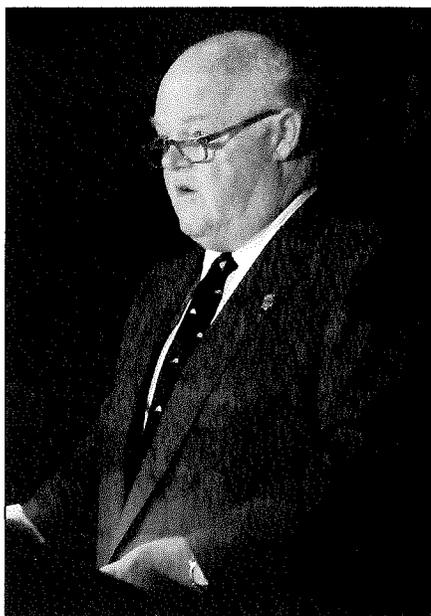
John Weber, Jr.
Owner/Breeder

Richard Wilcke
Consultant

James Wilson
Boston Ventures Management

Jacques D. Wimpfheimer
Member, The Jockey Club; Owner/Breeder

David L. Yunich
*Trustee, New York Racing Association;
Owner/Breeder*



Ogden Mills Phipps



William S. Farish

WELCOME BY OGDEN MILLS PHIPPS

Ogden Mills Phipps: Good morning ladies and gentlemen, and welcome to our 45th Round Table Conference.

I believe this year's conference may well go down as one of the most momentous for our sport in the nearly half-century since we started these annual gatherings.

This morning, the larger part of our program is devoted to reports from the Thoroughbred Industry Alliance — an historic coalition of all segments of the Thoroughbred industry, committed to charting a course towards a truly representational central national organization for the coordination and development of our sport.

We owe our usual debt of gratitude to John Hettinger in his capacity as Program Chairman.

And, in accordance with tradition, we open proceedings with a Report on the Activities of The Jockey Club presented by our vice chairman, Will Farish.

Will ...

ACTIVITIES OF THE JOCKEY CLUB IN 1997

William S. Farish: Thank you Dinny.

If this were an ordinary year, our 1997 report on the activities of The Jockey Club would be extensive and impressive. It has been a year when several major projects came to fruition.

The massive task of re-engineering our entire computer system has let us improve our service to owners, breeders and the industry at large in many ways. The interactive registration system we showed you last year is up and running successfully on the Internet.

We've just launched Equine Line® 2000, a new generation of our on-line racing and breeding information service. That's on the Internet as well, and is being tremendously well received. Our coverage of foreign information continues to expand, particularly the addition of Japanese racing is worth mentioning.

The industry's first comprehensive Economic Impact Study was completed and we proved what we already believed - that horses in the United States are a big business. Horses account for \$112 billion to our economy including \$25 billion in

goods and services. They are responsible for 1.4 million jobs. There are more than 7 million Americans involved with 6.9 million horses and these people pay almost \$2 billion in direct taxes.

This exciting study was done under the umbrella of the American Horse Council and has already strengthened our effectiveness in Washington. Recent proposed legislation such as the Reed Bill and the Kyl Bill are current examples that we must remain vigilant to the activities on Capitol Hill. If you are not a member of the Horse Council please join and if you have not contributed to the Horse Council Political Action Committee, please do.

Each of these items surely deserve more attention this morning, and there are other significant Jockey Club happenings in the brochure at your place. There, I think you'll find ample evidence that The Jockey Club is, as our charter says - "An organization, dedicated to the improvement of Thoroughbred breeding and racing," and is adopting a leadership role in successfully applying the tools of

modern technology to the benefit of the industry it serves.

However, as I said, this is no ordinary year. The formation of the Thoroughbred Industry Alliance is in my judgment so significant that it deserves virtually our full attention this morning.

This is a truly exciting venture . . . probably the most exciting one of my lifetime in the Thoroughbred industry as an owner, breeder and race track executive.

We have a narrow window of opportunity to change the whole future of our sport. And we must take advantage of it.

As I'm sure we'll hear, this unprecedented coming-together of the varied segments of our industry has gone a long way within a relatively short time-span — much further, I suggest, than many people believed it could have gone. And I'm particularly pleased that The Jockey Club has been able to play such a significant role in the process.

Indeed, I would go so far as to say that, without The Jockey Club, we would not have the fairly-balanced representation sitting at the same table we have today. And without a truly representational process, no industry initiative has ever had — or ever will have — any chance of success. This will be a national office based on the philosophy of inclusion not exclusion.

Some cynics say the industry is fragmented - but I don't believe it. I believe that we will all come together and create a national office that will give us the structure, marketing, promotion and presentation that sports fans have come to expect and are receiving from other sports. You will hear a plan that, while still in the making, can be the foundation that all of racing, together, can build on.

I get frustrated when I hear that racing is too fragmented to work together. That often is an excuse for inaction. The reality is that racing can act in a unified

manner. We are cooperating every day. Let's look at some of the results of this cooperation.

Four examples come to mind:

One, I already mentioned, is the recent Economic Impact Study. Many segments of the Industry helped pay for it and all segments cooperated by sharing economic data that was then completed and analyzed to create the report.

Another example is the Breeders' Cup. Our memories tend to be short, but I recall the early days when the whole concept was close to sinking. Even up to post time on the first Breeders' Cup Day, there were probably more doubters than believers.

Yet, today, in little more than a decade, tradition has been forged, and the occasion is universally accepted as our undisputed national championship. Its success is a tribute to successful cooperation between breeders, owners, jockeys, trainers, race tracks, the media and many others all over North America.

It is a great example of an innovative idea being brought to fruition by sheer determination in the face of extensive skepticism. Thank goodness that skepticism, parochialism and short-sightedness did not rule the day then and they certainly should not be allowed to stall the National Alliance.

Equibase is another example. Here was a project that simply set out to put racing's own records and the right of their distribution back in its own hands. Many people thought it couldn't be done. It was a partnership between The Jockey Club and the Thoroughbred Race Tracks of North America. Fortunately, most tracks were wise enough to see the long term vision and help work through the start up details. Thanks to their support, Equibase is one of the most valuable assets in racing today. The American Horse Council, Breeders' Cup and Equibase are outstanding proof of what

can be done by our industry with cooperation and strategic alliances.

The fourth example is the most current and the most relevant. It is the planning process of the National Alliance.

Over 5,000 people-hours have already been spent by unselfish, dedicated, competent workers during the past five months. It may surprise you that through all these hours and long meetings there's not been a single major fight. That's right, people from differing perspectives, but all dedicated to Thoroughbred racing, are proving to all that we can work together and trust each other.

I am personally inspired by the dedication that I have seen first hand. I consider these people the true heroes, working behind the scenes as a unified force to achieve one goal — a strong national office that will market and advertise our sport, resulting in bringing more people to racing, reducing operational costs for the tracks, and increasing purses.

Let me tell you briefly about the ongoing committees that make up the process, for they've done a phenomenal job.

The Facilitating Committee, the people who've taken on the brunt of the load, forging something tangible with nothing but gut feel and raw material to work with, consolidating the results of the Working Groups' deliberations and recommendations and weaving them into a substantial, substantive policy document: Doug Donn; Hamilton Jordan; Alan Marzelli; Tom Meeker; Nick Nicholson; Tim Smith; Hans Stahl; and D. G. Van Clief have done a remarkable job.

And the Working Groups, each of them chaired by a member of the Facilitating Committee, all of whom whenever possible sat in on meetings to hear the way things were going first hand:

Television and marketing — Bill Baker, from Santa Anita; Alan Foreman of the Thoroughbred Horsemen's Associa-

tion; Mike Letis and Mike Trager of SMTI; Tom Meeker, David Rovine of Gulfstream; and David Willmot.

Simulcasting — Greg Avioli, NTA; Hollywood Park's Rick Baedeker; Bob Bork, Sam Houston; Chris Scherf representing the TRA; David Haydon, Equibase; Ken Kirchner, Breeders' Cup; NYRA's Bill Nader; Wilson Shirley from TOBA and Bill Walmsley from the National HBPA.

Finally, and perhaps the group with the biggest task because they had no precedent and little or nothing to go on, the Interactive and Technology Working Group: Drew Couto, Craig Fravel from Del Mar, Bill Greely, Bill Hogwood from Philadelphia Park, Jay Hickey, Mark Wilson and John Van de Kamp from the Thoroughbred Owners of California.

And I should also recognize my fellow members of the Oversight Committee, a group balanced to ensure fair representation of our diverse interests — Ted Bassett, Gary Bisantz, Sherwood Chillingworth, Bob Clay, Hal Handel and Dinny Phipps.

Every one of these people I have mentioned have responsibilities of their own . . . demanding responsibilities which require their day-to-day attention. And yet, each one found the time from their busy schedules to meet and address the issues at hand. These are the people who, virtually from scratch, have defined our future. With little or no historic model to work from, they have crafted the blueprint of an ever expanding and healthier Thoroughbred industry that can stand the test of time.

One thing that we cannot repeat too often . . . from the very beginning, when the people we brought to the table were first discussing the idea, the key words were balance and inclusion. Even more intrinsic in the thinking was the insistence that any plan had to respect the

interest of all levels, all shapes and sizes of race tracks and owners.

And let me make it very clear, we believe that the survival and the economic health of the small and midsize race tracks is absolutely essential for a prosperous future for the Thoroughbred industry in North America. Obviously the same goes for the owners.

Never far from anyone's mind is the question of funding. How are we going to pay for it all? I have to tell you that we're all going to have to pay for it. Owners, breeders, race tracks, sales companies, veterinarians, van companies, every segment of our diverse industry, if we want to stay in the game, and stay in the game with any chance of success, we're going to have to all ante up.

The funding formulas continue to be fine tuned. You will hear more about them. But let me reiterate, everyone will be asked to sacrifice. The task ahead is to make this initiative work. As was said a

Ogden Mills Phipps: Thank you, Will.

few years ago at this very meeting of Equibase, the task of transforming vision into reality — the transformation to reality, requires that we all pitch in. We must all invest in this Alliance.

Some short term sacrifices and investment will be needed. But the sacrifice will be short term and not really very painful. Other sports have shown that within approximately four years the national office can be self sufficient, fully paid for by new initiatives. In the context of the long history of our sport, that's not a very long time.

But do not delude yourself. Time is not in racing's favor. We do not have the years to spend to go down the same road as we are now. For as we talk, debate and criticize, our competitors are acting and moving ahead. We all have an investment in making this project a successful one. If we do it right the long term benefits will be immeasurable.

Thank you.

Ogden Mills Phipps: Another tradition of these occasions has been to invite talks from Thoroughbred industry leaders from other parts of the world. Although individual circumstances may differ widely from country to country, just as they do from region to region in the United States, there is always commonality of interest, problems and challenges wherever Thoroughbred racing is concerned and wherever it takes place.

This morning we're fortunate to have with us Louis Romanet to give us an update on the state of the industry in France, a nation steeped in the tradition of our sport, which has itself recently undergone a process of centralized reorganization.

Louis . . .

UPDATE ON RACING IN THE EUROPEAN UNION

Louis Romanet: Mr. Chairman, Members of The Jockey Club, ladies and gentlemen. First, I would like to thank The Jockey Club for inviting me to speak at the Round Table today. It is my first ever visit to Saratoga and I must say that the two days I have spent here made a great impression on me.

It is a great privilege for me to address you today as you are the representatives of such an important racing and breeding country who will certainly play a key role in preparing our industry for the next century.

I am the fourth member of my family, over three generations and ninety years to work into French racing administration. I myself started nearly thirty years ago, in January, 1968.

During this time, I had the great fortune to work with my father and some of the great racing administrators around the world to organize new structures in France, in Europe and worldwide, all of which have been benefiting to the racing industry.

In France, after my grandfather had created in 1919 an overall body to represent the national interests of racing, called the National Federation of Racing Associations, he was successful in putting in place in 1930 a national bet-



Louis Romanet

ting organization called the PMU which is still controlling the 8,000 betting places existing in our country.

We have been very recently increasing the centralization of racing by merging in 1995 four of the most important racing associations to create France Galop. This is now controlling all flat and jump racing in the country and is managing at the same time the eight principal racecourses.

We are also in the process of modifying the statutes of the overall body, the National Federation, in order to have the

Chairman rotating on a yearly basis between the President of France Galop and the President of the Association which controls harness racing so as to increase the strength of racing to negotiate with the Government.

At the European level, our most important structure is the European Pattern Committee, created in 1971, which has been developing the concept of Group races and has been enforcing a centralized control of programming throughout Europe.

All the racing associations in Europe need its endorsement in order to create any new important race, to upgrade it or to change its date.

I must say that it has been the foundation of the grading system around the world and has played an important role in the creation of the International Cataloguing Standards Committee.

Since then, the International Classifications Committee with all the handicappers and the Racing Secretaries has succeeded in establishing a Northern Hemisphere Classification.

Mr. Will Farish, who chaired, in New York in October 1983, the International Stewards Meeting, where the composition of the International Cataloguing Standards Committee was ratified, will certainly remember the remark of an English Steward attending the meeting who was arguing that the Jockey Clubs were getting too much involved in the commercial aspects of racing and breeding by becoming members of a Committee in charge of establishing criteria for black types around the world.

Fourteen years later, I am absolutely convinced that all the racing administrators in the world must have a much more commercial approach like the one which you are presently taking in the United States and which had a first major success with Equibase.

Television, marketing, simulcasting, interactive in-home wagering, Internet, constitute the challenge of the racing industry for the next century and centralization of forces and control both nationally and internationally will be a key to our success.

I know that one of your projects is the creation of a national racing channel and I would like to give some information on what has been happening in Europe and in France in that area.

First England. Ten years ago, SIS was created in England to provide pictures of racing in the betting shops.

The intention was to create a real betting product as England was lucky to have already most of its best meetings broadcast on national television through the BBC and Channel 4.

Last year SIS developed a new racing channel which is showing two additional meetings per day and is available by subscription.

Ireland: In its strategic plan for years 1997 to 2001, the Irish Horseracing Authority has taken a commitment to ensure that at the earliest possible date, Irish racing will be broadcast by satellite and available in outlets on the high street.

Italy and Germany are presently working on similar projects.

In France, we started transmitting pictures in the afternoon to betting shops nine years ago, but on national television the general public could only watch four races a week on which we organize our most popular national bet, the Tiercé, plus a small number of our top-class races.

In April last year, were launched in France the first digital compression satellite programs and their operators showed an immediate interest for racing because of the interactive wagering potential.

In June 1996, we created a racing industry task force in order to launch a national racing channel and to conduct all

negotiations with the satellite operators.

Two months later, at the end of July, we signed the first contract and the first week of September, "FranceCourses," the French racing channel, was on the air.

One of the most difficult decisions we had to make was whether we would sign an exclusive contract for distribution rights with one of the operators or if we should have a special subscription fee for the racing channel.

We finally decided to sign with the three operators on a non-exclusive basis and to oblige each of them to include the racing channel in their basic offer of programs without any specific fee.

In this way, we are receiving an overall fee from the operator and every individual subscribing to any satellite digital compression set of programs is automatically receiving the racing channel.

Our objective was to have the racing channel entering in the homes of people who were subscribing to these programs to get sport, films or news but who would never have subscribed to a racing channel.

The three main cable operators are now launching their digital compression programs in France and we have decided to apply a similar strategy. This means that by the beginning of next year, around one million subscribers to digital compression programs through satellite or cable, will get racing at home.

In France, we offer already two alternatives for betting from home, either by telephone or with a small terminal delivered free of charge by the Post Office services called the Minitel, which can be used for many different public services.

Until last year, betting by telephone and Minitel represented an annual turnover of around \$100 million which means around two percent of the total betting turnover on racing in France, which may look very small compared to countries like Hong Kong where telebets

represent 36 percent of the total handle.

However, it means that there is a great potential for growth and since the start of the racing channel in September 1996, we have already had an increase of 25 percent last year and the present trend this year is around 35 percent for the Minitel and 40 percent for the telephone betting.

We are now negotiating with two satellite operators in order to offer the capability to use credit cards to open an account with the French Tote directly through the satellite decoder and then to place money with it at any time.

Concerning the programs of the racing channel, we are probably the only one in the world which is on the air 365 days a year and 24 hours a day, as we are showing day and night racing plus replays and previews on a permanent basis.

We are also offering the best international races, especially when there are French-trained competitors.

These are broadcast live, whatever the time of the day, and since last September, we have been able to show the Breeders' Cup races, the Japan Cup and the Dubai World Cup.

I would like now to give you some information on the development of international simulcasting in Europe.

For the 1997 Dubai World Cup, we were able to organize betting in France with a separate pool, as there is no betting organization in the Emirates, and we registered a total of \$400,000.

This year, we have started showing the best English and Irish races on which we are also taking bets through the French Tote which are then transmitted in order to be commingled in the host site pool.

For nine races, the total amount of bets we registered was around \$500,000, representing 20 percent of the total betting at the host site of the corresponding

race and it even reached 31 percent of the on-site total winning, place and exacta pools for the 1000 Guineas.

Last year, we transmitted to Italy the pictures of the principal Group races of the weekend of the Prix de l'Arc de Triomphe, and betting on French racing was organized for the first time in the Italian agencies with separate pools.

The total turnover on the eight principal races of the weekend was around \$1 million.

Following this success, we agreed to renew this experiment for other meetings in 1997 and in May we made the racing channel transmissions available to the Italian agencies.

Betting has since been organized on 20 different days and generated a total turnover of \$8 million on which a three percent commission is paid to us. So it can be considered as a great success.

For the Prix de l'Arc de Triomphe, two other experiments have been made over the past years.

The most successful one has been the simulcasting of the Prix de l'Arc de Triomphe to Hong Kong with a separate pool which generated in 1996, for the third year, the record figure of \$5 million on one race.

In 1996, we also signed an agreement for simulcasting the Prix de l'Arc de Triomphe in the States. But that was done very much at the last minute, only three days before the race, and so only 26 sites and three racecourses took bets for a total amount of \$30,000.

We have already authorized Arlington to renew this agreement and I hope that you will all take the transmission this year.

All these experiences make it very clear for us that we are facing a new world where we may need to consolidate pari-mutuel regulations if we want to create an international pari-mutuel pool.

For example, the system of coupling

horses is very different from one country to another and makes it very difficult to take bets in Europe on American races.

At the same time, our bettors do not like the same types of bets and from these experiences, we came to the conclusion that the ideal solution would be able to offer them a mixed system giving them the alternatives of either betting in the commingled host track win, place and exacta pools, in order to have each country supporting its own competitors and betting against each other, or offering them their own national exotic bets which are always very popular.

We are presently discussing a change of the betting legislation with our government to make that mixed system possible.

Coming back to the racing channel, I must say from our experiments that we have learned many things which may be of help to you when you prepare it.

The first one is that before starting, you must clearly decide what is your main priority because there are so many different populations concerned, each of which may be looking for a different product;

You have owners, breeders, trainers, nationally and internationally; regular bettors; occasional bettors; and the general public.

You must also take into account those who work during the day and who want to see the races when they go back home in the evening.

But there are also some other important aspects: you must offer a quality product; it must be informative; owners, trainers and jockeys must play the game and answer interviews; you must present all data and betting information in a very understandable way for the general public.

Last but not least, you must never forget that the presenters working on the racing channel are playing a vital role to attract the general public while

they at the same time satisfy the racing professionals.

As you can imagine, there are a lot of other possibilities for using the racing channel, one of them which we are presently studying, would be to show the major bloodstock sales live with the possibility of bidding by telephone.

To conclude, I would like to say that many many years ago, when I discovered the world of racing, I was fascinated by the differences existing between the structures of racing administrations and the betting organizations around the world.

One of my very strong personal convictions was that the day the U.S. racing and breeding industry would succeed in

creating a strong and efficient national racing structure, it would be the day it would completely dominate other countries because of the strength of its breeding industry, the quality of its race tracks and the fantastic potential for creating new owners and new fans.

When I was expressing that view to my father, he was automatically answering: "Louis, you are absolutely right, but they will never be able to agree to do it."

My father will certainly never have been so happy to be wrong and we are wishing good luck to the Thoroughbred Industry Alliance as its success will inevitably benefit the worldwide racing and breeding industry.

Thank you for your attention.

Ogden Mills Phipps: On a personal note, I've known Louis and his wonderful father Jean for, I guess, over 30 years. They've always been a major force in improving racing, not only in France but worldwide. I know it was not easy for you to leave Deauville and we appreciate the time that you've taken to come here today.

THOROUGHBRED INDUSTRY ALLIANCE (PART I)

Ogden Mills Phipps: We now turn to our own Thoroughbred Industry Alliance. Will already touched on the genesis of this extraordinary initiative in his opening report.

Since the spring of this year, a group of some of the brightest minds in our business have worked at an intense pace to put shape and substance to the idea of establishing a representative central office for the organization of our sport on a national scale.

To formalize the planning process and set up a financial mechanism for it to operate, the Thoroughbred Alliance Planning Corporation was formed. In their wisdom his peers unanimously voted D. G. Van Clief as their interim president.

There can be few of you who don't know and respect D. G., both for his contribution to the success of the Breeders' Cup, first as the Executive Director and now as president, and chairman of Fasig-Tipton.

But today, it is in his most recently appointed capacity that I've asked D. G. for a progress report on the Thoroughbred Industry Alliance planning process.

D.G.

OVERVIEW OF PLANNING PROCESS

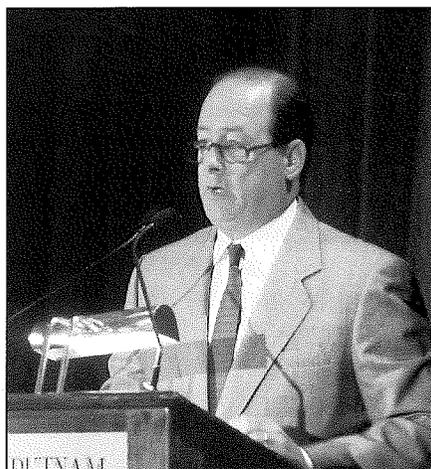
D.G. Van Clief: Mr. Chairman, thank you very much. We, all of us who've been involved in the formative stages of the Thoroughbred Industry Alliance, appreciate the leadership that The Jockey Club and you personally have provided in bringing the racing community together on this very important and historic occasion to address the issues.

We're going to begin our program today with a rather sobering and brief video.

(VIDEO BEGINS)

"Horsing used to be the only game in town. Now it's just one of many and we've lost out. We've lost a lot of ground in that area. Other sports have moved ahead of us in the marketing era..."

"We're definitely behind the Eight Ball. We should've started years ago. It's not the best kind of reason not to start today, but if you look at all of the numbers, the indicators are that we're on the downslope and we've got to reverse that trend. The



D.G. Van Clief

status quo is not acceptable..."

"We seem to be a group, a very large group, with no sense of direction. Everyone's running around doing their own thing and we need some kind of cohesive structure so that we're all pulling or pushing in the same direction..."

(VIDEO ENDS)

The film we just saw is a vision of the past, but it need not be a vision of the future. My assignment today is to give you a progress report on our efforts to date and an outline as to where we're going.

Let me explain first how our effort — temporarily, as you know, named the Thoroughbred Alliance — has been organized.

At the outset five prominent industry organizations — The Jockey Club, the Breeders' Cup, the NTA, Keeneland and the Oak Tree Racing Association — came together to compose our Alliance founders group. Four of these founding members, The Jockey Club, Breeders' Cup, Oak Tree and Keeneland, have backed their support with a pledge of \$1 million each.

D.G. Van Clief: At this point we have a special announcement.

John Gaines is a visionary in our sport. He is the founder of the Breeders' Cup and the recent founder of the NTA. That organization has in the past year been a positive catalyst in stimulating fresh discussion about how the Thoroughbred racing industry should be organized.

It brings us here in many ways today, and it is my pleasure to introduce John Gaines.

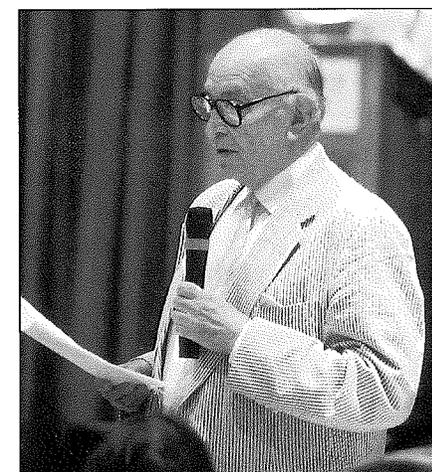
John Gaines: Thank you very much for your kind remarks, D. G.

Ladies and gentlemen, if you don't believe in miracles, you're not a realist.

Miracles don't spontaneously appear upon the horizon. Miracles only occur when high-principled, like-minded people form a community who have the common sense to stand on common ground to speak with a common voice, to unite in a common cause, to serve the common good.

It is people who create miracles. I can absolutely assure you that we would not be gathered here today in what is surely an historic moment in the history of our sport and a defining moment in preserving our cherished way of life...

Without the inspiring leadership of Ogden Mills Phipps; the conceptual thinking of Fred A. Pope; the undeviating determination of Robert N. Clay; the pragmatic vision of Ed Friendly; the enlightened statesmanship of Bob Lewis; the dynamic presence of Gary Biszantz; the wisdom of Bill Condren; the profound understanding of Paul Orefice;



John R. Gaines

the keen intelligence of Stuart Janney; the mature convictions of Donald Dizney; we would not be gathered here today at this historic moment.

Nor without the lived experience of Ted Bassett; the balanced judgment of William S. Farish III; the immense good will of Joe Harper; the total endorsement of Kenny Noe, Jr.; the decisive conviction

tions of Sherwood Chillingworth; the enduring contribution of D. G. Van Clief; the probing intellect of Tom Meeker; the good council of Bill Marquard; and the focused awareness of W. T. Young.

We would not be gathered here today at this historic moment without the entrepreneurial spirit and genuine concern of R. D. Hubbard, Dick Duchossois, Doug Donn, Bill Baker and Hal Handel.

And I can absolutely assure you that we would not be gathered here today at this historic moment without the unrelenting work ethic, the cooperative spirit and multi-faceted talents of Tim Smith, Hamilton Jordan, Nick Nicholson, Hans Stahl, Alan Marzelli, and Drew Couto.

All of this being said, there's only one

D. G. Van Clief: John, thank you very much for those inspirational words, your leadership and the tangible commitment of the NTA. It will move us forward immeasurably.

Now, back to the structure of our organization.

D.G. Van Clief: As Will Farish pointed out, we've thus far been driven by a committee system of diverse interests and the founders began by appointing an Oversight Committee which has served as our policy board for the work to date. As you can see, the founders tried to bring some of the best thinkers in the industry together and also strived to make this a truly representative group.

A group was needed to coordinate our work, so the Facilitating Committee was appointed and has served to date as the executive management team.

We on the Facilitating Committee soon recognized three things:

Number one, there was more work than we could do alone. Number two, there were other voices and experts within the industry that we badly needed to hear, and outside too for that mat-

person that can change the economics and culture of Thoroughbred breeding and racing and that is our customer. It is our most fervent wish that the new Thoroughbred Industry Alliance will never lose sight of this fundamental truth.

On behalf of the 107 founding members and nearly 2,000 supporting members of the National Thoroughbred Association, it is indeed a great privilege and proud moment to join hands with our distinguished fellow organizations and commit \$1 million of the National Thoroughbred Association to the Thoroughbred Alliance which is the last best chance for the future of our great sport.

Ladies and gentlemen, if you don't believe in miracles you're not a realist.

ter. And number three, by including and listening to others we could begin to forge the important relationships amongst people and groups across the industry that would be necessary to carry this effort forward.

Consequently, the Facilitating Committee appointed the three major working groups to which Will referred and they have developed many of the ideas you will hear today.

Those committees are, again, the Marketing and Television Committee, which has explored ways in which the industry, when centrally organized, can utilize television to build a national brand, to grow new fans and to apply marketing principles from other successful sports and to develop new ideas and programs designed particularly for racing.

The Interactive and Technology Commit-

tee has explored the role of technology, particularly in the interactive field in our sport.

The future is staring us in the face as companies are now endeavoring to sell new home wagering systems to the industry. This committee has worked hard to understand how we can exploit that technology as part of the marketing and financial glue that will bind the industry together, helping to build a brand and produce revenues which can be used to grow new racing fans.

And, finally, the Simulcast Working Group has put forth a tremendous effort in identifying potential savings for the industry in the simulcasting area. They have conducted in-depth reviews of simulcast trends and have explored fair ways that simulcast revenues can be used in the initial phases to fund a national office for the sport.

Over the last five months the Oversight and Facilitating Committees and the three appointed working groups have done an incredible amount of work. The 5,000 hours to which Will referred is in my opinion a conservative estimate. More important than any particular finding or recommendation in the process thus far has been the mutual understanding and the common interest that has grown from the interactions to date.

I want to thank, on behalf of all of us, all of the people who've worked on these committees and moreover, the organizations who have allowed them the time to do so. Included in that organizational list is a wide range of tracks, owners groups and breeders associations.

While we have done a lot of work to date, we've done very little talking publicly or to the media. It is important for you to understand the nature and the extent of our efforts and this is a summary of what has been accomplished.

Again, 5,000 hours in meetings, side bar meetings, research and related

efforts. Our research plan has been developed and is well underway at this point. Creative work and thought is underway both in a national ranking system and related promotional programs.

Television and marketing experts are on board, and are hard at work on a 1998 television plan and a plan for coordinated and cooperative advertising. We've done extensive research and analysis on simulcast cost savings and revenue raising alternatives. We have experts on board to give us an independent view of our interactive options and have this week begun serious discussions with potential strategic partners.

We have reached a consensus on the need for a strong chief executive officer of the new organization and developed options for the composition of a representative board of directors. We've developed a structure for the new organization and a staffing plan and related budget. We're at present reviewing search firms so when the time comes we can move briskly to the selection of chief executive. And we've completed graphic work and consumer research towards the development of a national logo. We have raised, with the announcement this morning by John Gaines, \$5,000,000 and are legally constituted as a corporation.

We've developed a preliminary memorandum of understanding which sets forth the principles of the Alliance membership. And legal research is underway on membership and related corporate issues. We're in the process of reviewing the various tax, anti-trust and legal issues and the development of legislative reviews and analysis that will be necessary to going forward with the new corporation.

It has been, to say the least, a busy and productive time for all those who've contributed their time and effort to the Alliance.

At the end of the session today, we're going to make available to everyone a

copy of the preliminary business plan summary. It contains detailed informa-

tion about the broad topics we're touching on in the program here this morning.

THOROUGHBRED INDUSTRY ALLIANCE (PART I)

D.G. Van Clief: One of the most important things the Alliance has done was to commission new industry research to guide us in our work and confirm our assumptions. While many of you may know or have known or remember Hamilton Jordan as a White House Chief of Staff, you probably don't know that he's had a very successful career in sports and as an advisor to CEOs of major companies like Nike. Hamilton was named Sports Executive of the Year in 1990 for his work in reorganizing the global men's tennis tour. He's organized and led the formation of a successful NFL franchise and has written, with Tim Smith, the marketing plan for the Atlanta Olympic Games. Hamilton's going to talk with us at this point about the research in which we're engaged and the attitudes it reveals towards racing.

Hamilton...

INTRODUCTION OF RESEARCH AND SURVEY RESULTS

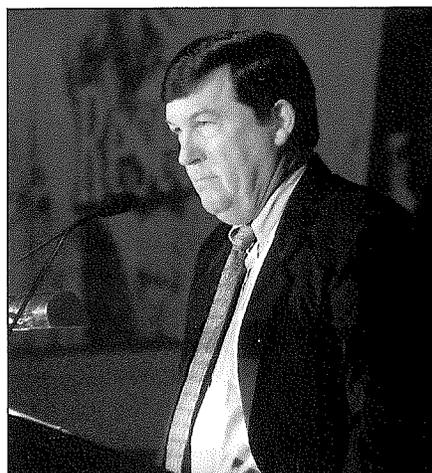
Hamilton Jordan: Thank you D. G. Thank you ladies and gentlemen.

It's good to see my old friend Mack Robinson. Good morning Mack.

Twenty years ago in my previous life I was invited to speak to the young lawyers section of the American Bar Association. A young lawyer whom I had never laid eyes on stood up to introduce me and like some lawyers this gentleman was long winded. Unlike my friend Bill Condren, this man was not a gifted storyteller, let's say.

But he'd gone to a lot of trouble in preparing the introduction. He'd talked to my mother, talked to my kindergarten teacher, he'd talked to my football coach. Started off it was kinda cute, but after he went on about 15 minutes it began to be embarrassing. Because he spent about 20 minutes introducing me for a six-minute speech.

Still when it was all over I felt the need to acknowledge the hard work that he'd put into the introduction so I went over to the young fellow and I shook his hand and I said "I don't know how to thank you for that nice introduction". Without missing a beat he looked me



Hamilton Jordan

right in the eye and he said, "I do. I want to be a federal judge."

So, Judge Van Clief, I thank you for your nice introduction this morning.

I am a newcomer to your wonderful sport and its rich history. When I first became involved 16 or 18 months ago with John Gaines, I asked to see all of the current research on Thoroughbred racing, and I was dismayed to find that there

was none. But it made sense ultimately, in a sport that is not centrally organized, that does not have a national office, that

does not spend one dollar marketing itself nationally to the consumer, why would anyone need national research.

THOROUGHBRED INDUSTRY ALLIANCE (PART I)

Hamilton Jordan: One of the first things that the Thoroughbred Alliance did when it was formed was to commission fresh and comprehensive research on Thoroughbred racing. We turned to a young man named Will Feltus to help us. Will is one of the most gifted research analysts in our country. Hailing from Mississippi, Will graduated from Yale and went on to Harvard Business School where he got an MBA. For the past 20 years Will has had a highly successful career in both the public and private sectors. Will works for Fortune 500 companies and he developed a few years ago a new system for the electronic transmission of financial information.

Working with Bob Teater, he served as President Bush's pollster in the presidential campaigns and he served one stint as Staff Director of the Republican and U.S. Senate Conference. Please welcome Will Feltus.

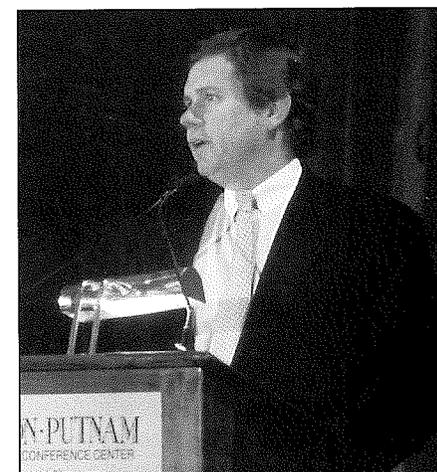
RESEARCH AND SURVEY RESULTS

Will Feltus: Thanks, Hamilton.

Hamilton's new to your sport and I'm fresh out. I knew nothing about racing until three months ago. Like Hamilton said, when we started out we wanted to look at the existing research and there was none. The most recent study we had was one done by The Jockey Club 12 years ago, so we commissioned our own poll. We went into the field between the Preakness and the Belmont, and this should have been a time when interest in racing was at a peak.

When we move along to our next slide you can see some trends. The percent of Americans who say they live close enough to a race track to go the races is up. Fifty three percent, a majority say they could go to the track. The problem is, though, among those who live near a track, interest among the core fan group is down, 5 points among those who are very or extremely interested in racing. And you'll see this over and over in the data that the core fan group, your customer base as Mr. Gaines says, is shrinking.

Only four-tenths of one percent of



William Feltus

Americans volunteer racing as their favorite spectator sport. You're not supposed to report polling numbers beyond the decimal point, but in this case we had to go there. Another 3 percent mention it as a sport they have some interest in. This is an off the top of the head question. We didn't read people a list.

And, remember, when we conducted

this poll, it was with the possibility of the first Triple Crown winner in twenty years. The problem is the customer. Only about 8 percent of Americans tell us they've been to the track in the past year, for at least one race. That translates into 16 million Americans, roughly.

This is your core customer base. This is not the gate. Remember that some people go to the races more than once, but your core base, customer base, is 16 million Americans. And this is roughly half of what it was 12 years ago.

If you look at the people who live near a track, 14 percent say they've been in the past year. This compares to 26 percent 12 years ago. So it's shrunk by about half.

The bad news though is really down at the bottom. The frequency of attendance has dropped from about 6.2 down to about 3.4.

Somebody asked me what other industry did this remind me of and my first thought was the brown liquor industry, scotch and bourbon. Fewer people are drinking it and they're drinking it less often. The 3.4 visits per year is not a bad number by itself. The average baseball fan goes to about 3.6 games a year. But the fact remains that this is just half of what it was 12 years ago.

Americans aren't buying racing because they never see it. It's not well known. They think it needs more TV exposure. By a 2-to-1 margin they think it's interesting without the gambling. Thirty-nine percent admit that they really don't know how to bet on races. But these numbers show you that there is no barrier out there to a larger market for the sport.

Let me show you some other study results that confirm that. We had done our national survey between the Preakness and the Belmont so we asked some of the people we interviewed in the first study if they might be interested in watching the

Belmont on TV and telling us what they thought about it. And what we found out is when they watch it they like it.

Racing can compete with other televised sports.

Fifty-one percent said they enjoyed the Belmont more than other events on television. Three fourths of the people said they were rooting for Silver Charm, 51 percent said it was a great race, 45 percent said it was exciting, 23 percent told us it was close and 23 percent said it was a surprising finish, which Mr. Lewis might agree with.

He was mentioned by 17 percent as someone they remember from the telecast. Thirty-two percent mentioned Gary Stevens, 28 percent Chris McCarron. Almost everybody could tell me the names of the top three finishers, plus an average of about two other horses in the field. And this is one of the things we found that nobody can tell you anything, cannot name anything about racing.

Maybe the most important finding was from the television study in that 44 percent of the people who saw the telecast could remember that it was sponsored by Visa, which is important for selling racing to broadcasters.

When people watch racing they want to play. We asked them if you would bet on the race. Fifty-seven percent of the people who saw the race said that they would be either very or somewhat likely to bet. And remember these are the same people that we talked to a week earlier and really had no interest in racing. But once they're exposed to the product they like it. If just those 33 percent had placed one bet on race day that would have translated into an additional two million wagers, which would cover the overhead for a couple of weeks probably!

We found that as part of our efforts to learn more about the core racing fan, we're in the process right now of doing inter-

views at a number of tracks around the country to find out who the target fans are.

Last weekend we were at Arlington, Calder, Del Mar, Ellis, Laurel and Thistle-down. And I want to show you some of the preliminary numbers from the fans at those tracks.

You can see that your fans, your current customers, agree with the general public, that they'd like to see more racing on TV, they'd like to see a national circuit. Like all sports fans, racing fans want to see improved facilities by a large margin. But to me the one number that jumped out in this whole poll was that last one, that 50 percent of people at the racetrack wanted easier and simpler ways to bet on horses.

These are your current customers, these aren't people at home. These are the people that know better than anyone how to bet on racing.

Let me show you a chart here. We're now moving into the phase of taking this research and creating a strategic marketing plan with it. We know that the racing fan is motivated by two things — one is an intrinsic interest in Thoroughbred racing, the other is the opportunity to wager on it.

So if you look at the population and see where they fall, it's interesting that they just roughly fall into about four equivalent groups.

Obviously, the upper right hand is your core target market. These are the people that have a higher than average interest in racing and they have a higher than average interest in gambling. The goal here is to increase the frequency of these people visiting the track. It's always easier to get more volume out of your current customer than to attract new customers. The problem is that only 23 percent of this core target group have been to the track in the past year.

On the lower right are the 24 percent that are more interested in racing than

gambling. The goal here is to get trial.

What we saw in the Belmont data you just looked at is once people are exposed to racing, once they get to the track and see the race, they do want to gamble. The goal here is to find these people and get them to the track.

The final group, those who like gambling more than racing, are a problem in that only about one-third of these people live in an area where there is a track. So here we have to bring the sport and the gambling opportunity to them through the internet, telephone and new technologies.

The non-target group, we don't need to worry about.

Our research now is geared toward learning more about these different target groups. So there's good news and bad news in the research. People point to other campaigns for products that have come back — the successful milk marketing campaign, beef and pork. But my favorite model would be, frankly, the cigar and the martini, which have stormed back. They're old, venerable products with a mystique. So I think if the cigar and the martini can come back, so can racing. It'll take a little work though.

Hamilton Jordan: Thanks Will.

On your way out, not at the break, but after the final session is over, there are copies of the summary of the preliminary business plan, and summaries of the racing research which I think you'll find very interesting.

Will said good news, bad news and reminded me of another story. A beautiful Sunday like this, the Pope is sitting in the Vatican, he's had a busy day, he's blessed several hundred thousands of people. He's sitting there relaxing, reading poetry and he hears a loud knock on the door. A nervous Monsignor sticks his head in and says "Holy Father, there's a phone call." The Pope says, "So what." The Monsignor says, "There's a man on the

phone and he claims to be the Lord."

Well the Pope had been trying to talk with the Lord all of his life. He'd never received a phone call from him. So he picked up the phone very skeptically and the minute he heard the booming voice on the end of the phone he knew that it was in fact the Lord. He said "Lord why are you calling me." And the Lord said, "I've got some good news for you and some bad news. Which do you want first?"

Well, the Pope is by nature an optimistic man, so he said "Give me the good news first."

The Lord said "I've looked down at this Earth that I have created and I'm very unhappy with what I see. I look in the Middle East and I see Jews and Muslims killing each other and I look in Ireland and I see Protestants and Catholics fighting. I look in the United States I see all the religions at war with one another and what I have decided to do, I have decided to start all over and just have one religion in the world."

Well the Pope is not a dumb man, and so he's thinking, "The Lord has called me to tell me that the Roman Catholic Church is going to be the only religion in the world." Then he said, "Lord, what's the bad news?" The Lord said, "I'm calling you from Salt Lake City."

The bad news is some of the stuff that Will just showed us. Ask sports fans what their favorite sport is, point four percent say Thoroughbred racing. That's pretty

bleak news. But let me tell you, I find in Will's work things that are wildly encouraging to me. Jerry, would you run back and let's revisit the slide that Will showed us?

If you look at these top two numbers, remember these are people that are not racing fans who watch the best that racing has to offer. The Triple Crown and the possible Triple Crown victory by Silver Charm. Fifty-one percent of them said it was better, more interesting than other sports.

Next one, Jerry. As a newcomer I've heard this argument between the sport and the wager, which is more important. This research debunks that argument or makes it moot. This shows that if first people will watch the sport and if they watch it the wager will naturally follow.

So, by looking at this it tells me three things as an analyst. It tells me that there's nothing wrong with the product. There's nothing wrong with the pure racing product. What is wrong is that it is not branded, it's not marketed nationally, because we're not organized nationally.

And that's our challenge. And the people in the room can solve that problem and all that's needed is the resolve and commitment to do so.

With the support of every person in this room I would guess, Dinny, next year that we'll all be gathered here talking about how racing has begun to turn around and once again establish itself as a great sport in the minds of the American people.

Thank you.

INTERMISSION

D.G. Van Clief: Hamilton, we want to thank both you and Will for the excellent work. I think you'll all agree that this glimpse at the preliminary research is fascinating. It is hugely optimistic and we must continue to devote funding and resources to this research if we are to continue to be truly customer driven.

And we want to end on a bit of an up note. And prior to the break we'd like to revisit the power, the grace, the beauty and the raw excitement of this year's Triple Crown.

(TRIPLE CROWN HIGHLIGHTS VIDEO)

Ogden Mills Phipps: We're going to open the second part of this presentation about the Alliance with the race track perspective. Not from one of our old state-race tracks born in the heyday of Thoroughbred racing but from a bright new one successfully re-introducing the sport in a state where earlier results have been less than encouraging.

Lone Star Park in Grand Prairie outside Dallas has enjoyed an upbeat inaugural season this year. Its success is all the more of an achievement because it has been gained in a metropolitan area in the face of a wide array of competing professional sports.

Lone Star vice president and general manager Corey Johnsen is a hands-on executive who has nursed this new track through its building phase and played a large part in its successful opening season. But he isn't complacent about his success, and he's here to tell us his views on the need for a central national office.

THOROUGHBRED INDUSTRY ALLIANCE (PART II)

RACE TRACK PERSPECTIVE

Corey Johnsen: Thank you Mr. Chairman. It's an honor to speak before this group.

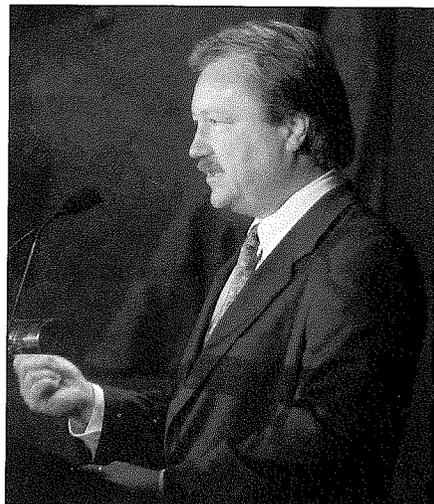
Lone Star Park at Grand Prairie, located in the middle of the Dallas/Fort Worth metroplex, opened its live Thoroughbred meet April 17 of this year. I'm pleased to report that our average daily attendance was nearly 10,000 and those fans wagered \$1.3 million on our live and simulcast end products.

Based on the characteristics and demographics of the Dallas/Fort Worth marketplace, I think it was a very important introduction of our sport.

Dallas/Fort Worth has a population of 4.6 million. The economy is great. And in true Texas spirit, those people love to have a good time and have the income to pay for it.

But those of you in the retail business understand that when you're in the middle of a lucrative market there's always a lot of competition. I'll briefly itemize some of ours in the sports area.

We have the world's most valuable franchise, the Dallas Cowboys of the NFL; the NBA's Dallas Mavericks; the NHL's Dallas Stars; Major League Baseball's Texas



Corey Johnsen

Rangers. Major League Soccer has a team there, the Dallas Burn. The new gem of NASCAR racing, the Texas Motor Speedway, is in our market. And the PGA has two very established tournaments — the Byron Nelson and the Colonial.

During the first month of our meeting, we had competition from the Dallas Stars and the Stanley Cup playoffs; the Texas Rangers were opening their sea-

son and they're going to draw about 3 million fans; Major League Soccer was opening; the Texas Motor Speedway drew 150,000 people to their races; and with the Tiger Woods show, the PGA at the Byron Nelson had 85,000 people on two separate days watching Tiger Woods.

At Lone Star Park though, we don't stop our competitive analysis with just sports. While we present a great sport, we are truly entertainment. So we also must look at theme parks, restaurants, and the movies as competition.

Six Flags Over Texas, national restaurant chains, Blockbuster Video — they all compete for the leisure dollar and the dwindling recreational hour.

What do they all have in common — meaning our competition? They all have a national office with strong national marketing and all the other resources that go along with a strong national organization.

At Lone Star Park, we had a very encouraging first season and I'd like to thank a lot of people in this room for their support: race track owners who took our signal via simulcasting, race horse owners who sent their fine animals to compete at our race track, and many organizations who supported us. As I said we had a lot of support but there was no entity to organize that support. And unlike our competition we were at a distinct disadvantage.

I want to visit with you about three things I learned from our inaugural meeting.

First of all, we are barely on the radar screen of most of our potential audience. We did a lot of research in the Dallas/Fort Worth marketplace. We spent millions of dollars on very creative advertising. We had ten hours of national and regional television during our three-and-a-half month meeting. We hosted some great events such as the National All Star Jockey Championship. And we had very

good attendance, but I must say we barely raised the level of consciousness in our marketplace.

I also learned that once we do get those people to the race track, we must educate them. We spent probably more time and money than any race track opening ever on fan education because it's a lesson I learned when we opened up Remington Park in Oklahoma City. If you don't teach people how to play your game and you don't get them comfortable with it, that will always limit their wagering and the number of times they attend your facility.

And I don't think that education is seminars in the paddock of a race track or a pamphlet.

I really believe one of the areas we're at a major disadvantage is televising our live product. When you look at all the other sports that are itemized they have hundreds and thousands of hours on television where people can watch that telecast and learn more about that sport. I think that puts us at a tremendous disadvantage that we don't have that time on TV.

And last but certainly not least I learned from our experience that people genuinely enjoy Thoroughbred racing.

The only job I've ever had in my professional career has been at a race track. I dearly love horse racing. I love the sport. I love to introduce people to the sport. And it was very gratifying to see a very competitive sports and entertainment town such as Dallas/Fort Worth come out to the races and the people truly enjoy it. It was a great afternoon or evening of entertainment.

Now I know there's a lot of people who are track owners and horsemen who understandably ask "what can a national organization — what can the Alliance — do for me?" And especially in small-and middle-size markets.

Well let me give you two examples

that show the positive benefits for our entire industry.

Let's take Kentucky Derby Day at Lone Star Park. We had over 25,000 people on track. It was the second largest attendance behind Churchill Downs in North America.

Why did we have that big crowd? Because Triple Crown Productions did a tremendous job marketing the Kentucky Derby and the other Triple Crown events and they've been doing this for a number of years. So we, as a race track, had a day that probably had double the attendance that we would get on a normal Saturday.

Now let me give you another example that's a little bit closer to home.

We ended our season on July 27. Well we offer full-card simulcasting from races all over the country in our Post Time Pavilion. Last Sunday, we were up

over 15 percent on our simulcasting.

Now there's no reason we were up that much except for the Haskell. Touch Gold, Free House, two horses people were familiar with were running in an excellent race and they came out to wager on that race. And there were 15 percent more people and they bet 15 percent more on our card.

That's tangible evidence to the positive effects that nationally publicizing racing can have on every racing facility, OTB facility in the country.

I believe that rather than fight over a dwindling share of revenue, we must work together to grow the revenue in our industry. And the best way to do that is to have a national organization like the Alliance and support it very strongly.

Thank you.

THOROUGHBRED INDUSTRY ALLIANCE (PART II)

D. G. Van Clief: Corey, thank you very much and congratulations on your success to date at Lone Star. Many thanks for your perspective and an excellent presentation.

At this point we'd like to talk about television strategy for the industry.

Mike Trager is chairman of SMTI, the sports marketing agency which has negotiated broadcast contracts for the Breeders' Cup from its outset. He also serves as a director of the International Marquee sports marketing group. He was formerly a vice president of NBC Sports, was involved in both the 1980 and 1984 Olympics, and has negotiated television contracts over the years for the College Football Association.

I present Mike Trager.

TELEVISION AND MARKETING

Mike Trager: Since 1982, my partner Mike Letis and I have been involved in the marketing and televising of the Breeders' Cup. There is no doubt in my mind that television exposure aided in accelerating the growth and credibility of this event to the media and to our sports fans. We must find a way now for

racing to increase its access to this powerful outlet for our sport and a powerful outlet for media.

Let me give you a short background on the state of television so you'll understand where we are.

In the late 1970s, the three networks, ABC, NBC and CBS, supplied the bulk of

entertainment and sports programs to local stations. At times the networks commanded up to 90 percent of all of the viewing audience. And cable TV at that point was merely a mechanical device, just a piece of wire that came into our house and helped us increase reception for people in rural areas.

In the late 70s and early 80s, things changed. Satellite technology enabled television programmers to deliver movies, sports and entertainment shows directly to local cable companies, effectively bypassing our local stations. Leaders such as Home Box Office, followed by ESPN and Turner Broadcasting were early pioneers in providing programming directly competitive to NBC, CBS, ABC and the established networks.

Currently, over the past few years, we have witnessed an inordinate explosion in cable programming. This year alone there will be almost 100 networks programming for cable and for direct broadcast satellite, ranging from Litany, ESPN, CBN, TNT, the Food Network, USA, Discovery Channel, Disney Channel, on and on and on. Some of you get all of them and some of you get only 50 or 60.

Today, even with the strong addition of a fourth network, FOX, and two start-up networks, UPN and WB, the total over-the-air share of audience in prime time has fallen precipitously from almost 90 percent to 62 percent.

What does all this mean? Simply, there has been an inordinate fragmentation of the viewing marketplace, and we'll try to see if we can take advantage of that.

Now where does racing fit in this national television picture? I need to give you a bit of history. For, in order to step into the future we must understand the past.

Racing missed a golden opportunity to establish itself as a mass market television sport when we failed to utilize network television at a time when the net-



Mike Trager

works commanded a large share of our audience and cable was non-existent. Further, racing failed to expose itself through local television.

Other major sports found that increased local television exposure ultimately enhanced live gate and built a viewer base for national television packages. As the television sports marketplace exploded, racing remained on the sidelines as other sports experienced growth through extensive television coverage at both the national and local level.

This year, the four major networks will broadcast 1,900 hours of sport programming. Racing has 11.5 hours. We are still left at the starting gate.

So I'm going to focus this discussion today primarily on network television where racing coverage is minimal.

In defining the network marketplace, there are approximately three levels that we need to deal with.

Level one is what I call the mass market sports, the "must haves." These are sports that command significant rights fees for the network on a competitive basis. These are NFL, NBA, Major League Baseball, the Final Four, Olympics, college

football and, to some extent, the PGA Tour and NASCAR which is most recent by a hot sport.

The second level is what I call championship and special events. These are preferred properties and events that still receive rights fees from the networks. These include figure skating championships, the Wimbledon and U. S. Open in tennis, Triple Crown and Breeders' Cup for racing, Indy 500 and in golf, the Masters and U. S. Open and sports like that.

The third category and one I think we're going to talk extensively about is called time buys. These are sports and events that do not receive rights fees but access network television by purchasing air time, producing their own broadcasts and selling their own advertising. Surprisingly these include regular season college basketball on ABC Sports, the Professional Bowlers Tour which is now on CBS and various events that have corporate advertising support where the corporate sponsor or the sport itself underwrites the purchase of broadcast time and its production in order to gain exposure.

There has been a recent growth in this area on all four networks and I believe this is a path that racing must take to pursue in the short run and regain a foothold in the national television marketplace.

Now we might ask ourselves is racing still viable as an entertainment and television vehicle within the current broadcasting environment? If ratings are the sole criteria, then the answer is yes. Let me give you a few ratings. I didn't do a lot of charts because I think ratings need another whole discussion and it's tough to understand but in their relative value I think you'll understand this.

Over the last three weekends, Major League Baseball did a 2.5 rating. Wide World of Sports, the venerable Wide World of Sports, did a 1.3 rating. Major

League Baseball the next week did a 2.9. The British Open did a 3.3. The NFL Hall of Fame Game did a 3.9.

In comparison, the Breeders' Cup in the Fall against CBS, ABC and ESPN's college football over a 4 1/2 hour span did a 2.5. The Derby did a 7.1, the Preakness a 4.8 and the Belmont a 5.3. We certainly are competitive when it comes to ratings.

Within this framework then, our Grade I racing should be a viable network commodity. Parenthetically on cable where the average ratings are less than a 1.0 which translates into a 0.7 network rating, we are also quite viable and consequently we have received competitive successes with properties such as Racing to the Breeders' Cup on ESPN and various other racing shows.

So if we're viable from a ratings standpoint then what's the problem? Why aren't the networks interested in programming racing on their own?

Well, we're facing some obstacles and I think we know them but I need to reiterate them again.

We have negligible sponsorship and advertising support because racing never attained nor sustained a long-term programming continuity. We have failed to build over the years a meaningful base of support from advertisers. And unlike golf and auto racing we have little national sponsors and advertising support from what I call indigenous businesses. For example, golf has national branded equipment — golf balls and clubs — and auto racing certainly as we know has gasoline, oil, tires and automobiles who spent an awful lot of money in supporting their sports on their telecasts to keep those sports on the air.

So to date, racing has not shown the networks that they can profit from buying and paying us rights, selling our broadcasting of the sport on a regular basis.

The second area is a lack of availability of time. All the networks are contracting on a long-term basis their relationships with their prime affiliates. I looked at a September weekend and let me give you an example of what's on. CBS, NBC and ABC all have college football. NBC and FOX have the NFL. NBC and FOX have Major League Baseball. NBC, CBS and ABC may be telecasting golf on any one of those weekends. And ABC and CBS are committed to auto racing and figure skating throughout the Fall.

The third problem is what we call affiliate clearances and acceptability. The networks cannot exceed the designated programming hours contracted with their own affiliates. So we are going to have to come up with a substantial reason for the networks to displace other programming and program racing.

Other considerations which we are also fighting, and I think if you see some of the research I think we have answers for now, is viewer demographics, our long-term commercial viability — Are the networks going to believe that we are serious about this endeavor — and our ability to produce network quality broadcasts. All of these are going to come into play.

Can we overcome these obstacles? I believe we can. We will have to convince the networks to displace other programming. We will have to give them a compelling reason to program racing. We believe we can do that by purchasing time, creating product on the network of quality programming and building new sponsorship support through this exposure.

So to summarize, racing is a viable sports and entertainment vehicle for network television and we are doing the right thing in forming this Alliance which will, for the first time, serve as a basis for the national marketing of our sport. Re-investing in our own sport is the much needed first step in convincing the networks, advertisers, the media and our fans that Thoroughbred racing is worthy of their attention and support.

Based on the Alliance's four-year funding projections which you will see, we're ready to move ahead. In that regard, some of the plans include: a comprehensive analysis of the television sports marketplace; expanded coverage leading to the Triple Crown and Breeders' Cup championships, our two most significant and stable televised events; the creation of our own nationally-televised series of handicap races; the development of new ideas and special events under the Alliance, sanctioned like baseball's All Star Game or golf's Ryder Cup, that attract unique attention to the sport; the creation of a new weekly highlight magazine show such as This Week in Racing.

Can we accomplish all this? I think with the proper long-term funding and the united commitment by the entire industry through this Alliance, we can build a sustaining relationship with national television. Our sport needs consistent exposure to a new and larger audience base. The best and fastest way to get this is through television. I think we can and we will do it.

Thank you and I hope you will please stay tuned.

D. G. Van Clief: Mike, thank you very much for that excellent situation analysis and your contribution to our vision of the future.

THOROUGHBRED INDUSTRY ALLIANCE (PART II)

D. G. Van Clief: Now the question is where do we go from here? We studied the issues. We've developed broad consensus. And we find most people and organizations in the industry are ready to act. This leads us to two critical and basic questions. Number one, how will the new organization be funded? And two, how will it be structured?

Tim Smith is going to first address funding. He was an anti-trust lawyer with Rogers and Wells when serving as Dean Beemon's outside counsel in the early years of the PGA Tour. Tim later joined the Tour for eight years where he served as chief operating officer, and he currently serves as managing director of ISES, an international sports marketing firm based in Atlanta and one which has been critical to our efforts to date.

Please welcome Tim Smith.

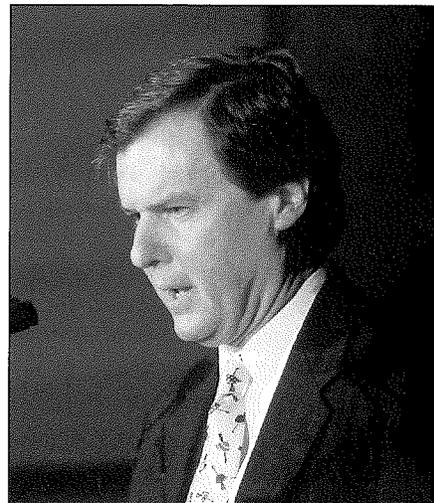
FUNDING

Tim Smith: Thank you D. G. The Alliance planning process included focus, as D. G. mentioned, on two basic questions: where the money will come from and what it will be used for.

The numbers you will see are preliminary and subject to change based on a variety of factors: additional research, industry input, professional advice, development of more detailed marketing and TV strategies, and the outcome of various pending negotiations.

But the Facilitating Committee thought it was important to develop and present some initial financial projections. One, it's a good planning discipline. Two, it's necessary to define what you can and can't do under different revenue-raising scenarios. So now let's look at the main revenue sources the planning process has identified.

Clearly the main near-term funding source needs to be the interstate simulcast revenue stream. In contrast to some prior formulas and systems in this area, the Simulcast Working Group hammered out a quite broad-based and new approach to tapping into this stream. A simulcast surcharge, or investment as my good Republican pollster friend Will Feltus sug-



Tim Smith

gest we rename it, citing of all people Bill Clinton. . . This surcharge or investment from the simulcast stream would apply to both senders and receivers, weekdays and weekends, and with proportionate contributions from both tracks and horsemen.

The most important future revenue stream clearly will be, in the judgment of the Working Groups, the interactive television area — at-home wagering. You will see when we get to the actual pro-forma, broad-based contributions in the form of

membership fees, as mentioned, from a broad array of industry stake holders. Sponsorship is directly linked, as Mike Trager said, to our ability to invest in television time and savings from the ability to act collectively in joint purchasing.

Now let's look at the expenditure categories.

As you would expect, the main expenditure categories are the key engines that have been identified for future growth — marketing, advertising, promotion and television, along with a cross of professional management accountable for the coordination of these and other important programs.

Next is a look at how the first four years of the business life of this new organization could plausibly unfold. With a two-to-three percent simulcast surcharge, not of handle but of net retainage — applicable as I mentioned in equal proportion to tracks and horsemen — and then a two percent share of what we believe will be a slowly growing, but increasingly important, interactive handle, an initial \$20- to \$30-million business, reaching \$50 million or more by the fourth year, is possible in our judgment. In round numbers there would be a national office marketing and advertising budget of \$20- to \$30-million per year.

I'd like to just underscore one thing. This does not mean spending confined to branded image advertising, but marketing broadly defined, including syndicated training and development of new customer programs, education and customer relations training, etc....marketing broadly defined, however the research and strategy leads us. Plus \$8- to \$12-million in addition per year to increase the sport's television profile and frequency. And then approximately \$4- to \$5-million per year to operate the league office, which we based on fairly careful study of other organizations in their startup phase.

The projections contain a mixture of good news and bad, or at least realistic news.

Reality is that even \$20- to \$30-million per year as an annual marketing budget by itself may not be sufficient to move the needle, so to speak, with consumers. That's not as big an advertising and marketing budget as many others, including the milk, pork and beef campaigns that have been mentioned. Eight- to \$12-million of television spending won't by itself pay for a multi-month major network TV series.

The good news is what these numbers don't include. In uncoordinated fashion, the industry now spends more than \$60 million in advertising. Some of this clearly can be pooled and co-opted and turned into a unified, effective campaign. The television numbers don't include the existing expenditures. For example, by the Breeders' Cup to put a number of races on currently which could be re-branded and put into the mix for a unified presentation of a new branded Thoroughbred racing product.

Finally, the League budget doesn't include the considerable value of cross promotion and branding — help that prospective media partners have already offered to contribute. As D. G. mentioned, we're in about the first week of those serious discussions.

So the total effect if these expenditures are coordinated and leveraged could be much larger and collectively, indeed, enough to move the needle.

Research case studies, common sense and recent experience show that well-conceived and adequately-funded marketing will have positive effects on racing's marketing challenges — awareness, image, increased customer participation. Precise quantification and absolute proof of return on investment for marketing expenditures, as you know from your business lives, are always hard to deliver,

especially in advance. But some case studies that we want to show you, and some preliminary quantitative analysis, show the upside potential for racing and at the very least the high probability for solid return on investment particularly compared with the status quo.

Convincing evidence exists that even sports once considered declining, like golf or minor, like volleyball, can experience successful turnarounds or startups and then can achieve impressive, indeed double digit, annual growth rates where a structure exists to provide aggressive centralized marketing and television help. Volleyball — this is a league which didn't even exist ten years ago. Men's tennis used to try and sell television rights event by event, then pooled those rights and has reached new financial levels as a result.

Major League Soccer, a total startup organization that grew out of the '94 World Cup, in its first year at the League Office level produced \$27 million in annual revenue. NASCAR, perhaps the ultimate example of the potential progress moving from a regional to a very strong national sport through television.

The NHL — an incredible increase as you'll see in licensed merchandise sales, the result of a new policy and commitment to branding and merchandising. And the PGA Tour continued dramatic growth interestingly with a demographic similar to Thoroughbred racing.

The common thread in these examples is that each at one point was fragmented and undermarketed. Each then committed to a strategy of centralized promotion, pooled media rights, branding and television focus in priority, plus other customer-driven, fan-friendly marketing

tactics — rankings, statistics, web sites, logoed merchandise, sponsored consumer sweepstakes tied around major events in the sport. You know them well. We don't have them. We can have them.

Some preliminary quantitative analysis is possible, at least directionally.

First, without the proposed investments in marketing and television, it is pretty safe to predict that handle growth will likely be flat or possibly even declining by 2000. And that's because of some simple math.

Live attendance and handle have been declining at double-digit rates and most people would say that, without these kinds of initiatives, would continue to decline at about 10 percent a year, perhaps more.

Simulcast growth, on the other hand, predictably will be less robust in percentage terms than in recent years due to the maturity of that market — meaning that there are less new states to open up for whole-card simulcasting.

In contrast, if expenditures provided for in this plan are made, \$30- to \$50-million per year plus co-op and media partner expenditures, and if they can stimulate interest and participation, not necessarily by the double digit increases we saw in golf and NASCAR, but at least by 3 to 5 percent annually compared to the base line, then the handle gains alone would be substantial at the 3 to 5 percent level between \$500- and \$750-million a year. In the long-term, potential is obviously even greater.

Finally, long-range handle gains and attendance decline reversals are not the only reasons for the industry to invest and coalesce. Properly organized, a national office also can offer a range of other immediate and mid-term incentives and benefits as you will hear next. Thank you.

D. G. Van Clief: Tim, thanks very much for your excellent exposé and some discussion regarding strategic payoff.

D. G. Van Clief: At this point, we'd like to talk about the return on that investment and some of the payoff, particularly from the race track perspective.

Everyone in this room is aware of the special role played over many years in our sport by the Donn family. Doug Donn has been an innovator, a leader and a strong proponent of what we're doing here today.

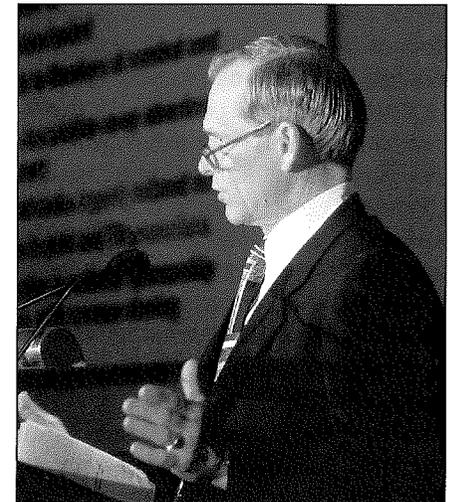
Please join me in welcoming Doug Donn, chief executive officer of Gulfstream Park.

TRACK BENEFITS

Doug Donn: Thank you D. G. We've heard a lot of good things so far today. But in reality, there are certain truths that have to be answered. And one of those truths is if this is going to work everybody in this room and involved in the effort must end up better off than they would have been if there were no Alliance created, which means simply that benefits must exceed contribution. And there's little doubt to me that they will.

Let me review some now with you. From the track's perspective we could have access to quality produced advertising. We all produce our own ads but we really can't, at least Gulfstream can't, produce ads of the quality that we would like. Nor could we use celebrities, for instance, to be in them. In an alliance we could produce those ads for every member and probably give it to them at less cost than they currently spend for their production. There also would be a variety of marketing programs that we could offer to all the members that would be far less costly than we could do ourselves if we ever could do it at all.

Next, in joint purchasing for instance, we could establish joint purchasing from telecommunication services all the way to janitorial supplies. We're convinced, in the little analysis that we've given to this so far, that millions could be saved to all of us. Customer service is an area that I



Doug Donn

can tell you at Gulfstream at least we don't feel we can adequately do. We just don't have the resources to do it right. We don't have access to the professionals we need. We can't train our people like we would like.

In an alliance, we could establish a program that would be available to all members. We could even standardize some of it. We could offer films to our members that we couldn't afford ourselves. We could increase the standards that we all know that we should increase to get more people to come to Thoroughbred racing. And the Breeders' Cup, our Super Bowl, would be available

under this structure to members for significant benefits for those involved.

Next, branding of our sport. You've heard a little bit about it and that alone could do a great deal to increase the benefits to every one of us. This would give meaning to our races. If we want people to watch them, we have to develop some more meaning to them. Not just the outcome of that particular race, but does the outcome of that particular race impact something else, for instance, our Super Bowl? And surely it does. And we need to create fan interest and awareness which we can do through an alliance that I don't think most of us, at least Gulfstream can't, do by itself.

The interactive area is the next frontier. This is like the Wild West a couple hundred years ago. In order for us to get involved in this as an industry, we're going to need to attract capital. We're going to need to have a collective effort. And if we do that, and none of us, at least Gulfstream can't, can do that individually, we can grow new customers through that medium and we can beat the competition. In my view this is extremely important because here it is in front of us now and now is the time to act.

As Tim has mentioned this is a total marketing effort, not just advertising. And this is what the Alliance can offer to us.

We cannot just do it by producing one particular ad. It's going to be a total packaged program of race series, for

D. G. Van Clief: Doug, thank you very much for the excellent review of the benefits to tracks accruing from the national organization and an integrated marketing campaign.

instance, somewhat like the old ACRS. We can link it to the Triple Crown. We know we can link it to the Breeders' Cup. We can't do that as individual tracks. The benefit of this Alliance will be that we can create a total marketing package that none of us could do ourselves.

Increased services and systems. We can do a lot of things together that we can't do individually. We can have all sorts of video transmission access that we can't do individually. There are some technical accounting issues that we can get into — reconciliation for instance — just trying to figure out where your handle is coming from. We can do that on a national basis and provide that to all the members. And so that would be a great benefit.

These benefits will give direct paybacks to its members. But more importantly they will give small and not-so-small tracks, and small and not-so-small owners the muscle to compete. To me this is crucial. I don't feel like at least at Gulfstream we can compete because we just don't have the resources. This Alliance will give me the ability to do so. And it will give the ability to grow new customers in ways none of us individually could ever possibly accomplish.

Yes there will be some reasons not to do this. But when you look at all the enormous advantages, those few reasons will seem inconsequential and petty. This Alliance will raise everybody's bottom line. And the only losers will be our competition. Thank you.

THOROUGHBRED INDUSTRY ALLIANCE (PART II)

D. G. Van Clief: At this point Tim Smith has told you how we'll pay for the organization and Doug Donn has described the benefits to the tracks that will flow to the tracks from the investment.

Now we'd like to speak a bit to our thinking on how the organization will be organized in management, in short about governance.

STRUCTURE AND CRITICAL NEXT STEPS

D. G. Van Clief: First the entire group has agreed that the entity must be run by a strong chief executive officer overseen by a Board of industry stake-holders representative of the entire Thoroughbred industry.

While we're still in discussion as to the precise numbers to be included on the Board of Directors, we've agreed in principle that: number one, there be an equal number of horse owners and track owners on the Board; number two, The Jockey Club and Breeders' Cup will have a single seat each; that the chief executive will be a member of the Board. And lastly, that we reach out like the PGA Tour has done so successfully, and other successful companies, and bring into the Board independent directors which will give the Board additional clout, experience and prestige; and the hope would be that these independent members can come to the table and look at issues from an overall perspective and thereby bring a great deal of benefit to the thinking process moving ahead.

As we all know, our sport is filled with numerous organizations, all of which would like to be represented and heard. For that reason we feel it is important that these Board positions be rotated regularly and allow equity stakeholders in our industry a seat at the table. We also believe it is paramount that there be limits to the time any one individual can serve on the Board.

We've also done some preliminary work, as you can see here, on our basic staffing structure and task organization.

Looking ahead now, there is still much to do. And I'd like to take a moment to just recap a few of the major tasks and activities underway. The charts you see here are timelines and I'll touch briefly on them.

Firstly, we've got to complete our business plan, a copy of the preliminary summary of which is available to you today, and the tax reviews and to move ahead with the organization of our Board. In the fourth quarter of this year, we plan to complete the search for a chief executive and open the national office.

Completing our research projects, launching the national brand, selecting an ad agency are all urgent and important tasks. Those are underway and the most recent meeting in that regard was held yesterday afternoon.

The official sign-up of membership tracks and owners and owners groups is critical. We're currently circulating a memorandum of understanding and, later, binding contracts will be drafted. The process has already begun.

Negotiations for both television and interactive rights on behalf of the new organization and the industry are critical and important, as well as the development of sponsorship packages and the integrated marketing plan to which Tim and Doug alluded.

As we've shown you this morning, we have an aggressive timeline. We firmly believe that it is absolutely vital that we act quickly and keep this momentum going. That's not just the feeling of those of us within the current committee system. It's what a wide and varied constituency across the country is telling us. We've included this morning a brief testimonial video with some of those opinions.

[VIDEO BEGINS]

Phil Gleaves, trainer: *The coming together of all these different factions of the sport has got to be good, as long as people check their egos at the door and don't have their own self-interests in mind. We have to all come to the table with different opinions on the sport and with different interests but we have to have one goal and that is the promotion of the game as a whole. The Thoroughbred Alliance is our last chance, our best chance, to do that and I fully endorse and support it.*

David Switzer, executive director, Kentucky Thoroughbred Association: *We do have a product that can compete with the NASCARs, the NFLs, the NBAs. It is through cooperation and unity and supporting the Thoroughbred Alliance that we can accomplish this and compete for this. The Kentucky Thoroughbred Association supports the industry Alliance.*

Sam Ramer, executive director, United Thoroughbred Trainers of America: *I think we've proven that 200 years of languishing and everybody going in different directions is not the answer. And the status quo is getting us nowhere. We know that the public likes horses and we know that properly introduced to horse racing the public will get behind it.*

The UTTA certainly supports a national Alliance to give us all some

kind of map so that we can accomplish and all try to obtain a national objective.

Gary Biszantz, owner/breeder: *We have a great product in horse racing. We have great horses. We have marvelous athletes. We have some of the most exciting opportunities in sports and we don't tell the American people about it.*

The opportunity we have today for the first time with race tracks and horsemen actually working together to try to bring the sport back to a level of major league consequence is an opportunity that will only come by us one time.

And each one of the participants in this has got to be prepared to invest some money and some time and try to create the brand image again of Thoroughbred racing, major league quality horses to bring the fans back to the race track and to sell the athletes and the great sport that we have.

I'm very excited about that opportunity. I think we have some enormous chances ahead of us to raise this sport. And when we do, everybody in it including the owners and the tracks and the people that work here will prosper as a result of us being a major league sport.

Drew Couto, president, Thoroughbred Owners and Breeders Association: *Is it time to get the Alliance moving? Absolutely. Probably we have a sport within a sport in racing. Sometimes we look at ideas and instead of trying to figure out how to make them work we spend so much time thinking about why it's not going to work or what are the reasons it won't work. This is a good idea. This idea will work. If you want to spend time thinking about*

how to make it fail, it's a bad idea. Together we can make it work. It's really a simple concept. It's time to go forward and we can do it.

Robert Clay, president, National Thoroughbred Association: *I support emphatically the Alliance for the Thoroughbred industry. I think it's a great opportunity for all of us to come together. It's a rare opportunity and it's one we have to take advantage of. This is something we have to do. We must do. And it's an opportunity we can't miss.*

Bob Lewis, chairman, Thoroughbred Owners of California: *On behalf of the Alliance and in representation of the TOC, the Thoroughbred Owners of California, we're very pleased to be part of a segment of the industry that is in complete and total support of the Alliance. We need to act and we need to act in harmony and in unison through all organizations throughout the country to bring this great sport to the American people in the manner in which we feel it can be most effective.*

Thomas Meeker, president, Churchill Downs: *Racing is on the threshold. Racing can grow. Racing needs a national focus and the Alliance will provide the platform for growth in the future. There's no question that those of us here at Churchill Downs from senior management to our Board of Directors down to the rank and file believe in the concepts that have been espoused by the national Alliance. We're here to support the organization and we'll be on the train that will lead us to the future.*

Joseph Harper, president, Del Mar: *This is an incredible opportunity I think we all have in racing to put together our differences and get*

together and form an alliance that will really mean something to our business. And it's time now. We can't wait any longer. We can't put off signing memorandums of intents and things like this. We have to get going with this program now. It's got the steam behind it. It's at a critical phase.

James E. "Ted" Bassett, chairman, Keeneland Association: *Time is of the essence and it's urgent that we mobilize our entire industry in a coordinated effort. Keeneland feels a very strong moral obligation to provide support to the Thoroughbred racing and breeding industry in their efforts to unify the industry and maximize its promotional opportunities. The national Thoroughbred Alliance of the breeders, the owners and the racetracks seems to be the most logical and positive course of action to follow and it has Keeneland's unwavering support.*

[VIDEO ENDS]

Ogden Mills Phipps: Thank you, D. G. In addition to the commitments we have just heard — and those of the other initial funding guarantors — I am pleased to tell you that, as of today, we have further agreements to the general principles of the Thoroughbred Industry Alliance, as presented this morning, as follows: the New York Racing Association, Arlington International, Gulfstream Park, Hollywood Park, Santa Anita, the National HBPA, and the New York Thoroughbred Horsemen's Association. These join the original guarantors: Breeders' Cup, Keeneland, Oak Tree, and The Jockey Club. Plus, today's addition, on the same terms, of the NTA. And those tracks and organizations you've heard give their commitments on tape: Churchill Downs, Del Mar, the Thoroughbred Owners and Breeders

Association, the Thoroughbred Owners of California, the Kentucky Thoroughbred Association and the United Thoroughbred Trainers of America.

This is a great start. Quite honestly, the list could be a great deal longer. We have not had the time. This has only been occurring over the last ten days that we've had the ability to talk to a few people and I think it's a great start.

Before we close this presentation, D. G. I think you have one more thing to show us.

D. G. Van Clief: One last announcement.

While Industry Alliance is indeed what we are, it's not what any major sport should call itself.

As part of our consumer research effort described earlier, we've taken a very careful and research-based examination of what to call the new entity and how it should be expressed and represented graphically.

It is with great pleasure that we present to you today the new and official name of our organization going forward. We are the National Thoroughbred Racing Association.

VIDEO



NATIONAL THOROUGHBRED RACING ASSOCIATION

CLOSING REMARKS

Ogden Mills Phipps: In the last couple of hours, we've heard a lot about what the National Thoroughbred Racing Association will be. But now let me tell you bluntly what it won't be.

It will not be dominated by any one group or any one state or any single economic interest. It will not be race tracks to the exclusion of owners or owners to the exclusion of race tracks. It will not be New York versus Kentucky or East versus West or big versus little.

This is non-negotiable and those who would define this movement in any of these divisive terms will be proven wrong. You have my word. And I can state categorically that I'm speaking for each of my colleagues on the current Oversight Committee.

What we have heard this morning is a good plan. It is a sound plan. And it is an equitable plan. The finer details have not yet been hewn in stone but the principles are.

The projects and programs of the National Thoroughbred Racing Association short term and long term will enure to the benefit of all in racing. The approach will be one of balance and mutual respect. Now is not the time to equivocate.

The preliminary business plan has been written and you will find copies of it in the hallway as you leave. We are working as has been stated on a memorandum of understanding which is an endorsement of the general principles you have heard outlined this morning. And we are asking all race tracks, owners and associations who support the National Thoroughbred Racing Association to sign this document as a demonstration of their support.

Are there any unanswered questions? Are there items still to be worked? Of course there are. To be honest there are

some questions that cannot be answered until the organization is launched. It is impossible and unrealistic to guarantee everybody on every point. But for those who need guarantees before they take the first step, I will give you some.

If we don't form a national cooperative structure; if we don't have a national television strategy including cable and interactive capability; if we don't promote the sport at the same level of professionalism as other sports, then I will guarantee you:

Racing will be stuck in the same rut it is in now; other sports will continue to pass us; there will be fewer race tracks, and those that are around will not be near as healthy; there will be fewer horse farms, lower stallion and mare values; a plummeting commercial market; and an annual foal crop in constant decline. And yes if you think, there are few new owners today...

Finally, if the National Thoroughbred Racing Association doesn't become a reality, ten years from now, those who are still around will rue the day we let this opportunity slip away. I guarantee it.

Now I understand those who are afraid or untrusting at this stage, they're probably asking themselves what's going to happen to them with the national office. The more relevant question is, what will happen to you if you don't have a national office.

Our current situation shouldn't need repeating. You all know the story chapter and verse — shrinking attendance; an aging fan base; a simulcasting boom that has all but reached its peak and will no longer camouflage our lack of growth and need for new distribution systems; the need to turn around the demographics and increase the size of our fan base, expand our markets and bring our products into the home; the

need to reverse the situation for owners whose total horse expenses far exceed their revenues.

By contrast what are the potentials for the nationally coordinated sport with a professionally run NTRA? Annual purses in the billions; higher race track returns; secure employment for families dependent on Thoroughbred racing; a new, younger and expanding fan base.

The evidence that these are achievable expectations, not wild promises, is clear and unequivocal. It comes from the experience of just about every professional sport in this country.

From this platform here this morning and from other voices across the country, you've heard calls for urgent action. Here and now The Jockey Club heeds those calls for action and re-affirms our total commitment to the cause. This is

our leadership responsibility.

The improvement of our Thoroughbred industry is our sole reason for existence. And I can assure you our determination in this regard will never waver.

So, in closing, I now ask and challenge every member of every segment of our industry to join us together with those many others who, as you have heard this morning, have signaled their commitment from coast to coast to stand up and be counted.

I ask you to join together in good faith, bound together by the common denominator of the Thoroughbred. The National Thoroughbred Racing Association is an idea whose time has come.

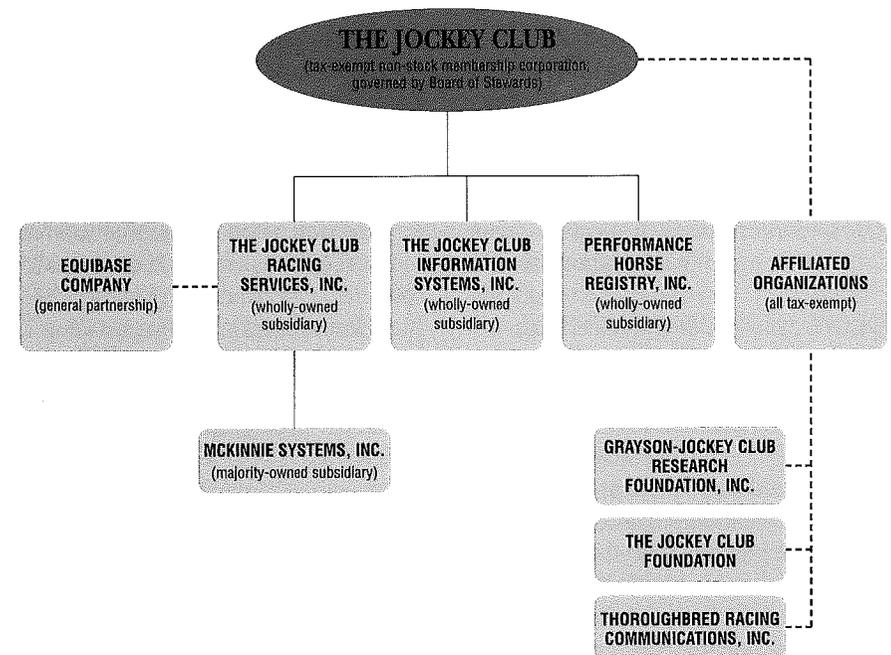
We thank you for being here this morning. We look forward to seeing you next year. And we hope we can enlist all of your support.

102nd Annual Report of THE JOCKEY CLUB & RELATED ORGANIZATIONS

THE JOCKEY CLUB

As an organization dedicated to the improvement of Thoroughbred breeding and racing, The Jockey Club also pledges its support and assistance in all matters concerning the Thoroughbred industry.

www.jockeyclub.com



Registry

The primary responsibility of The Jockey Club is to maintain The American Stud Book in a manner which insures the integrity of the breed in the United States, Canada and Puerto Rico.

INTERACTIVE REGISTRATION PROGRAM LAUNCHED

The Jockey Club's aggressive pursuit

of new technology to improve service while keeping costs to a minimum resulted in a new computer system which began operation last Fall following a massive migration of data from the old mainframe to a new client-server platform.

This paved the way for the May release of *The Jockey Club Interactive Registration*, a revolutionary online pro-

gram, accessible on the Internet and by direct-dial, which allows owners and breeders to fulfill a broad range of Registration requirements through their personal computer. The program includes a special online Names Book which simplifies the naming process by putting users in direct electronic contact with The Jockey Club's database of names in active use.

The Jockey Club Information Systems, Inc.

Incorporated in 1989 as a wholly-owned for-profit subsidiary of The Jockey Club, all the profits from The Jockey Club Information Systems (TJCIS) are re-invested in the Thoroughbred industry, helping to stabilize Registration fees and fund industry projects.

www.equineonline.com

EQUINE LINE® 2000 UNVEILED, INTERNATIONAL DATABASE EXPANDED TO INCLUDE JAPAN

The Jockey Club Information Systems, Inc. (TJCIS) further solidified its position as industry leader in the electronic dissemination of Thoroughbred breeding information with the recent unveiling of *Equine Line® 2000*, a new generation of the internationally-acclaimed on-line information service, Equine Line®. The new service has been designed in an easy-to-use "point and click" format and made accessible via the Internet (at www.equineline.com) as well as by direct-dial.

Among the innovative new features incorporated in *Equine Line® 2000* is Personal Equine Line®, a unique service which allows users to design their own queries. Additional types of information now available include currency conversions and race records in past performance and race chart format.

As part of an ongoing program to

augment its already comprehensive worldwide database, TJCIS also enhanced data content for *Equine Line® 2000* to include detailed racing starts for all Japan Racing Association-sanctioned races since 1991.

The Catalogue Division has expanded its services to sales companies by offering the capability to create and post entire sales catalogues on the Internet. Industry professionals worldwide now can download entire sales catalogues onto their personal computers before the printed publications are mailed.

TJCIS' Consulting Division has introduced a Windows-based version of its highly-popular Farm Management software. The program, designed to interface with *The Jockey Club Interactive Registration*, allows users to create customized queries using standard database software. Overall demand for services provided by the Consulting Division continues to grow as Thoroughbred industry professionals integrate state-of-the-art technology into their business operations.

Equibase Company

A partnership between The Jockey Club and TRA founded in 1990 to establish a single industry-owned database of racing and pedigree information. Equibase Company is recognized as the industry's official source of racing information in North America.

www.equibase.com

EQUIBASE SUCCESS PAVES WAY FOR INDUSTRY ALLIANCE

Equibase Company continues to grow in stature and further its goal of broadening the scope and accessibility of racing information.

Equibase Company past performances are now seen in more than 24 million racetrack programs nationwide

each year. Expanded capabilities have been developed to service mixed-breed meets. *Bettor Times®* pages continue to serve the needs of neophyte racing fans. And the network of simulcast outlets using the simplified *Simulflash™* software to print past performance programs continues to grow.

New ground has been broken with the publication of the *Daily Racing Program* — a product specifically designed for the Las Vegas market, and a proactive demonstration of what can be done to serve the racing fan. Equibase's presence on the Internet, which includes entries, results and charts from more than 45 tracks across the country, is blazing a trail in the electronic presentation of racing information, as well as its use as a communications tool to streamline simulcast operations at race tracks and countless off-track facilities.

The Company has been profitable every year since 1993 and, thanks to unstinting support from partner tracks, the initial start-up loan is on schedule to be fully retired before the end of 1997.

The Equibase Company success story is a classic demonstration of what can be achieved with true industry cooperation. Its example has been a major contribution and source of encouragement in the formation of the Thoroughbred Industry Alliance.

Grayson-Jockey Club Research Foundation, Inc.

Established in 1940 to raise funding for equine veterinary research; the Grayson Foundation was combined with the similarly-chartered Jockey Club Research Foundation in 1989.

www.jockeyclub.com/grayson.html

MORE THAN \$1.2 MILLION FOR RESEARCH PROJECTS IN TWO FISCAL YEARS

The Grayson-Jockey Club Research Foundation has continued its high-level of funding. In each of the last two fiscal years, 1996-97 and currently during 1997-98, the Foundation board has approved annual expenditures in excess of \$600,000 to fund research projects on horse health and safety. This has meant direct support for 27 separate research projects at more than a dozen universities.

During the current fiscal year, 17 projects are being funded. Subjects of emphasis include Equine Protozoal Myeloencephalitis (EPM) and race track safety. During the 1990s, the Foundation has provided more than a quarter-million dollars for various aspects of the development of knowledge and treatment on EPM, the protozoan-borne malady which has affected a great many horses in various parts of the country. The understanding of the life cycle of the disease and methods of diagnosis and treatment have been advanced to an important degree by work funded by Grayson-Jockey Club.

Contributions in support of the Foundation may be addressed to: The Grayson-Jockey Club Research Foundation, Inc., 821 Corporate Drive, Lexington, KY 40503.

The Jockey Club Foundation

Established in 1943 to provide relief of poverty and distress among indigent members of the Thoroughbred industry and their families.

www.jockeyclub.com/tjcf.html

RECORD AMOUNT DISBURSED AMONG RACING'S NEEDY

Grants from The Jockey Club Foundation reached an unprecedented \$613,000 in 1996, providing an invisible helping hand to many of racing's neediest individuals.

The Foundation's monthly assistance program disbursed \$359,000 to 50 individuals in 1996 to help them meet their daily living expenses. Another \$195,000 was bestowed to other individuals to assist with funeral expenses, cover outstanding medical bills and assist in cases of extraordinary circumstance.

The Foundation also makes lump sum distributions to other benevolent organizations in the Thoroughbred industry, including Chaplaincy Programs, the Backstretch Programs in New York and Massachusetts, the Don MacBeth Fund and the Jockey's Guild.

Distributions from the Cavanagh Trust amounted to over \$40,000 and included grants to the University of Arizona Race Track Industry Program, New York Division of Race Track Chaplaincy of America and the National Museum of Racing's educational program.

Contributions in support of the Foundation may be addressed to: The Jockey Club Foundation, 40 East 52nd Street, New York, NY 10022.

Performance Horse Registry, Inc.

Established in 1994 to create the first central database in North America to combine the pedigrees and performances of Thoroughbreds and half-Thoroughbreds competing in non-racing equestrian events.

www.equineonline.com/phr.html

ENHANCING SERVICE TO ENTIRE SPORT HORSE INDUSTRY

The concept and philosophy of the Performance Horse Registry (PHR) continues to attract ever-widening attention in the sport horse media and in the sport horse industry at large.

Spurred by the support of leading industry organizations such as the Federation of North American Sport Horse

Registries, the American Horse Shows Association (AHSA) and the United States Equestrian Team, the PHR has expanded its scope and is now working with the AHSA to establish a comprehensive database of pedigree and performance to benefit the entire sport horse industry.

This alliance ultimately will make comparisons of Thoroughbred performance and pedigree in non-racing equestrian disciplines more meaningful, and go far towards fulfilling one of the Registry's primary goals to provide owners, riders, breeders and trainers with the most complete information on which to base buying and breeding decisions, a facility already available in many European and other countries.

McKinnie Systems, Inc.

The Jockey Club acquired a majority shareholder interest in pioneer race-track computer system developers McKinnie Systems, Inc., and its Track Manager® product line, in 1994.

www.jockeyclub.com/mckinnie.html

TRACK MANAGER® UPGRADED, MARKET SHARE EXPANDS

As the pioneer developers of computer software solutions designed specifically for use by the racing industry, McKinnie Systems, Inc. continues its impressive track record of performance and service to the industry.

McKinnie's *Track Manager*® software application suite has been re-engineered to expand its range of performance, function and reliability. The modified software has had overwhelming appeal among current and prospective customers alike.

Eight tracks, including newcomers Lone Star Park and Colonial Downs as well as more established venues like Sportsman's Park and the trio of Mary-

land Jockey Club tracks, installed *Track Manager*® in their racing office for the first time in 1997. An even greater number of current customers have committed to McKinnie by upgrading to the new system. These upgrades not only reflect the quality of the product but McKinnie's dedication to customer service and training as well.

In all, tracks using a McKinnie Systems' product now represent 55 per cent of the total racing days in North America. Growth has been generated through product enhancements, a more concentrated marketing effort and an extensive revision of pricing policies.

McKinnie also develops and supports custom software to meet the needs of individual tracks on an "as-needed" basis. In these and other areas, McKinnie's unrivaled racetrack experience is providing industry leadership in integrating the diverse technologies required to manage today's modern racing operations effectively.

Thoroughbred Racing Communications, Inc.

Funded by The Jockey Club, Breeders' Cup Ltd. and the TRA and established in 1987 as a national media relations office to expand awareness of Thoroughbred racing.

www.jockeyclub.com/trc.html

TRC SERVES MEDIA, EDUCATES FANS WITH WIDE VARIETY OF PROJECTS

Thoroughbred racing's national media relations office, Thoroughbred Racing Communications, Inc. (TRC), recently observed its 10th anniversary. Heading into its second decade, the organization continues to serve ever-expanding electronic and print media outlets while also reaching out to both prospective and current racing fans

throughout the country.

One of TRC's most visible projects is "*Thoroughbred World*," a monthly national TV magazine show which now can be seen in over 40 million homes on FOX Sports, PRIME and SportsChannel regional affiliates throughout the country. "*Thoroughbred World*," sponsored in part by Equibase, also is distributed to racetracks throughout the country for airing during in-house and simulcast TV programming.

TRC also coordinates *EquineCare-Watch*, a national communications project with multi-breed sponsorship, which promotes programs throughout horse racing dedicated to the humane use and care of all horses. The program has produced and distributed a 35-page informational reference kit entitled "*For the Record*," to help track and regulatory officials better explain equine injuries and treatment techniques to the media.

Among the other ongoing TRC projects are: *TRC Media Update*, a weekly media newsletter; ready-to-air TRC Video News Features; the TRC National Thoroughbred Poll; and the TRC Notebook, which appears on the Associated Press wire as well as Bloomberg Business News, Dow Jones News Service, The Sports Network, and on the Internet through Prodigy, The Microsoft Network and ESPN SportsZone.

TRC also produces audio feeds to radio networks and stations from important races and events; TRC media teleconferences with racing newsmakers; and TRC Fax Findings, a research service consisting of published articles relating to sports and gaming business issues and marketing techniques articles, which are faxed or mailed to an extensive list of racing industry officials.

Members of The Jockey Club

Josephine E. Abercrombie	Hugh A. Fitzsimons, Jr.	James B. Moseley
Helen C. Alexander	George Frostad	Allen E. Paulson
Joe L. Allbritton	Richard L. Gelb	John H. Peace
John Ed Anthony	Edward H. Gerry	Ogden Phipps
Charles Baker	Henry A. Gerry	* Ogden Mills Phipps
William W. Bancroft	Martha F. Gerry	William A. Purdey
James E. Bassett III	M. Tyson Gilpin	David P. Reynolds
John A. Bell III	John K. Goodman	Reuben F. Richards
James H. Binger	Arthur B. Hancock III	Jack K. Robbins
Edward S. Bonnie	Dell Hancock	J. Mack Robinson
Frank A. Bonsal, Jr.	Seth W. Hancock	William P. Rogers
* James C. Brady, Jr.	* Joseph W. Harper	Donald P. Ross, Jr.
Nicholas F. Brady	John C. Harris	Timothy H. Sams
Baird C. Brittingham	George M. Hendrie	Ernest L. Samuel
Alexander G. Campbell, Jr.	* John Hettinger	Peter G. Schiff
Charles J. Cella	Clement L. Hirsch	Bayard Sharp
Mrs. Alice H. Chandler	Fred W. Hooper	Viola Sommer
Helen B. Chenery	E. Edward Houghton	Robert S. Strauss
George M. Cheston	* G. Watts Humphrey, Jr.	George Strawbridge, Jr.
Sherwood C. Chillingworth	* Stuart S. Janney III	Shirley H. Taylor
Robert N. Clay	Richard I. G. Jones	Charles H. Thieriot
F. Eugene Dixon, Jr.	Russell B. Jones, Jr.	Oakleigh B. Thorne
Allan R. Dragone	* A. Gary Lavin	Donald J. Valpredo
Jack J. Dreyfus, Jr.	F. Jack Liebau	Daniel G. Van Clief, Jr.
Richard L. Duchossois	John C. Mabee	Alfred G. Vanderbilt
Allaire duPont	William C. MacMillen, Jr.	Joseph Walker, Jr.
William duPont III	Kenneth L. Maddy	Charlotte C. Weber
Edward P. Evans	Frank L. Mansell	Wheelock Whitney
* Robert S. Evans	J. W. Y. Martin, Jr.	David Willmot
Thomas M. Evans	James K. McManus	Jacques D. Wimpfheimer
* William S. Farish	Paul Mellon	Martin Wygod
William S. Farish, Jr.	Robert E. Meyerhoff	William T. Young

* *Stewards*

Honorary Members

David J. Bourke (Australia)	Shigeru Motai (Japan)
R.L. Charley (Australia)	Dr. Michael Osborne (Ireland)
Yoshihiro Hamaguchi (Japan)	Sir Thomas Pilkington, Bt (England)
Jean Luc Lagardere (France)	C.H. Wong (Hong Kong)

Officers

Ogden Mills Phipps <i>Chairman</i>	William S. Farish <i>Vice Chairman</i>	James C. Brady, Jr. <i>Secretary-Treasurer</i>
Hans J. Stahl <i>President</i>	Alan Marzelli <i>Executive Vice President, Finance & Business Development & Chief Financial Officer</i>	Nick Nicholson <i>Executive Vice President & Executive Director</i>