

Sixth Annual Joint Meeting of HTA and TRA

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10:00 a.m. – 10:30 a.m.

Racing & New Technologies: Having Missed the Television Boat Half a Century Ago, Will We be Left to Sink Again without Adapting to New Forms of Communication?

- **Eric Wing, National Thoroughbred Racing Association**
- **Seth Merrow, Equidaily**
- **Dave Johnson, Sirius Satellite Radio**

Chris Scherf: You come to these conferences and you hear a lot of problems in an industry. I can tell you, coming originally from the newspaper industry, if this was a newspaper conference, they'd make us look like we were cheering because they outline all the problems, and in the past we've often had panels about how do we get more newspaper coverage? This panel is about how do we get coverage if there are no newspapers. It sounds as if that might be fairly far-fetched and overstated, but you can't help but ask the question when last year you have the publisher of the *New York Times* saying he thinks they'll still be publishing the print edition in ten years. When you have Tom Brokaw saying he doubts the *Washington Post* will be printing a print edition in five years. The world is changing and it's going to create a lot of problems. We all have public relations departments; we're all looking to get more media. I guess the question is, are we pointed in the wrong direction and are we going to be trying to ride the right horse? We may be getting on the wrong horse to maintain our fixation on the print media, and there are lots of alternatives here. Our panelists have explored some of that, they've participated in some of that, and they're going to share what they think the opportunity is. This is not a problem, this panel, this is opportunity. To briefly introduce my panel: Immediately to my left is Seth Merrow who edits a Web page called Equidaily.com, I would highly recommend it if you're trying to keep track of what's going on in harness and thoroughbred racing and you go through the internet trying to find things, Seth does all that work for you every day, it's a great site. To Seth's left is Eric Wing who is in charge of public relations efforts of the National Thoroughbred Racing Association and in particular he's going to be able to talk a little bit about how they are redirecting their efforts and trying to take advantage of internet possibilities. If we still need to

introduce Dave Johnson at this point, you guys have been asleep, but Dave has a lot of experience obviously in all medias but one of them now is satellite radio, so he'll talk about what the opportunity is there. I guess I'll just start it by throwing out the question: Do you think we should be redirecting a lot of our industry's public relation efforts to alternative media?

Eric Wing: I think absolutely Chris, and that's not to exclude some of the traditional media that has been the vast majority of our focus in the last 20 or 30 years. Ideally we want to be pigs, we want all of it, but part of having all of it is having irons in the fire on the new media opportunities presented by the internet and in particular all the social networking opportunities that are out there. I'm sure a lot of you have heard of Facebook or MySpace, you're probably aware of it even if you don't have a page, you're vaguely familiar with the fact that young people seem really into it and they seem a little sketchy or shady and to some degree that applies to me also. It's where a vast majority of what's known as the millennial generation, this next generation of people 12-29 year-olds, it's where they live and I think anybody, but in our case racing, would be remiss if it didn't seize upon some of the opportunities to engage the fans who are out there through these less traditional media. What we've found about racing fans that sets them apart a little bit from fans of other sports is, perhaps because of the participatory nature of racing, they do not just follow us but they care desperately about us and they want the sport to thrive. Seth here is perhaps just one example, and Seth, I donate one of my precious dozen or so bookmarks to your site, I don't hand them out lightly. They're happy and eager to promote the sport to friends and other people and yet racing doesn't even really help them or engage them in doing this. If racing does put that hand out halfway and helps them do so as the NTRA plans to do in this coming year with the Web 2.0 strategy that we're getting ready to launch, things are going to be that much better. I don't want to hog the microphone so we can talk about that later.

Chris Scherf: Dave, as someone who has to stay up to date on everything that's happening in the industry, where do you go for your information these days?

Dave Johnson: I'm probably the worst person to be on the technology panel because I actually have a rotary phone in my living room and my laptop upstairs is being held together with a piece of gaffer's tape. Those are actually two truths there. But the question here is: Will we be left to sink again without adapting new forms of communication? Before I worked for Sirius Radio or any of the television gigs or the tracks I've worked for, I was a fan, I'm a gambler, I love the game, my family took me there. But I don't think it's technology that we have to embrace, I

think it's the passion that we have to embrace or use the technology to bring the passion out there. People have lost interest in our game, they have. There are less eyeballs looking at the computer screens and the odds boards and everybody says "well, look at the handle today versus 10 years ago or 2 years ago versus 5 years ago." But I think it's less eyeballs, more cash, and it's all about content and delivery once you have the passion. So I think the problem is the interest in the content is dying off and we ought to use the technology, the basic technology, television, now the computer, to stimulate the passion because it doesn't matter—if people don't have the passion and you don't have the interest, if the fan interest is fading you've got to get it back. I think the goal should be to use the technology, not to make the bet simpler or to bet more money, but to bring the passion back into the game.

Chris Scherf: Well, talking about eyeballs and content, can you tell us a little bit about Equidaily? You might want to explain a little bit about what it is, how you got in there. How many eyeballs do you capture and what content and what passion is there that you're finding?

Seth Merrow: For those of you that haven't visited Equidaily, as Chris said, it's a Web site that essentially we go out every morning spend 3 or 4 hours finding all the horse racing from across the country and around the world and then link it all on Equidaily. We spend 3 or 4 hours so that you can come on our site and spend a couple of minutes, find all the horse racing news from around the world. As somebody who goes out every morning and spends hours like that visiting racetrack Web sites and Web sites for ancillary racing businesses, I think a lot of racetrack Web sites, you can still see them in the box of the old media kind of thinking and I'll give you some examples. When I go out in the morning, very often looking for news stories about racing, I'll find a story of let's say XYZ racetrack and it'll say "XYZ racetrack put out a press release" and then the reporter will maybe pull a sentence or two out or will interpret the press release, which is great, the traditional media can add context to a story like that, but I also want, for my Equidaily people, that traditional news story, but I'd also have the press release which presents the story just the way the track wanted it presented. So I'll then visit the racetrack website, but the press release won't be there, and it happens very often. I think they're still in the box of we print up the press release, send it out to the media, keep our fingers crossed that they use it in their newspaper, radio station, television station. I think a lot of people don't realize that the whole dynamic has changed and their racetrack website or your business website, you now own the printing press, you own the radio station, with broadband you now own the television station.

You can now reach out directly to the entire audience that you had to go through the middle man before to get to. I think now you've got to start thinking about, when you have those press releases put it right on your website, you go out, reach the audience. Churchill had that great jockey panel, the fall meet, it came down to not only the last race, it came down to the last 10 yards of the last race, with Julian Leparoux and Calvin Borel where Leparoux got up and just beat Borel to take the fall meet jockey championship. As a guy going out searching for news, I was dying to get the footage of that stretch line because, as a fan, that's what I wanted to see. And as a person that puts together Equidaily for fans, that's what I wanted to offer, but it was nowhere to be found. Again, I think Churchill, and I'm not pointing a finger specifically at Churchill because they've got some things right and they put some things on their site that other tracks also miss on theirs, so I'm not pointing fingers at anybody specifically, this just sort of jumped out at me. But Churchill I think should now start thinking, "we don't have to go through the local television station and show this, we can shoot the video, put it on our Web site and broadcast to just as big an audience." So it's just the time to get out of that box that we've been in for the past 50 years or so of going through the traditional media to get the stories out.

Chris Scherf: Well, do you think that they're trying to recreate newspapers with their website not utilizing the full capability? I mean you talk about press releases, is there any reason it should just be written, why not have a representative of the racetrack sitting down and going into greater detail explaining visually, as television, what they're doing and that they're doing it?

Seth Merrow: Absolutely, and I think that's been part of the process of getting out of that box. I think the tracks are going to now have people who are kind of thinking in that way are in charge of that: what's the story and how do we present it?

Eric Wing: I think part of what Seth is touching on, with respect to the Churchill Downs rider's title, and his sense of what fans would be interested in was born out in the Risen Star Stakes with Pyro who, within 48 hours had something like 5,500 YouTube hits on what we in the business might consider inside baseball, gee look at this horse goes into a slow pace, that never happens, yet somehow in 48 or 36 hours 5,700 other people managed to care enough to go seek out the same thing. Then Dave, something you said about the passion reminded me of something Mike Maloney said earlier this morning that I'm sure you'd agree with, that content-wise we've got the greatest game.

Dave Johnson: Well it's the best. Seth the thing that you talked about, the jockey, that's something that everybody can get involved in, you don't have to really be a sheikh or really know the breeding lines, it's one guy against another, it's a Kentucky hard boot against a very talented kid from France who can ride circles around other guys. That's the kind of thing that I think really stirs the passion, and with respect to the Internet it has the added bonus of being very visual to this, it lends itself to that medium.

Seth Merrow: Even on your radio show, that call to John Dooley about Pyro, oh my God he's last and now he...it made me a Pyro-maniac, the stretch call on Sirius radio show not two weeks in a row. So these are the things that light the fire under people and it gets them to go to the track or to go to the websites.

Eric Wing: Don't get me wrong, I'm no marketing guy, as Bill Knauf knows anything that comes up in TPA work that remotely involves marketing, I just sort of go right away, however, in a lot of the studies about this next generation that Dave correctly said we've got to do a good job of igniting their passion, there is a bright spot. I think that if you take it one step outward it'll make sense. The people who study these things say that this next generation is a) more likely to wager online than previous generations, not just on racing but on anything: sports, poker, they do now; and b) this is part and parcel of that, what they're looking to wager on ideally are games or sports or whatever that require thinking. They're not just looking to spin a roulette wheel, they want to outfox the other guy in the game of poker, they want to beat their peers in something such as horseracing. So the opportunity is there and a lot of it is going to be getting at these people where they live.

Chris Scherf: Well it's interesting, yesterday at Tampa Bay Downs I went up to the poker room, and what was really evident was how young the crowd was and Lorraine King took me around and said "we get so many young people here for poker," and I go, "well they learned that online."

Eric Wing: Another perfect example, I meant to say and didn't quite, classic example of this age group embracing something online, fantasy sports which are through the roof. And they're basically gambling on decisions involving being the general manager, but it's handicapping if you will, it's just a different game.

Chris Scherf: Well in terms of racetrack efforts and public relations and all that, for instance, how much do you get approached for the Sirius radio show?

Dave Johnson: Sirius radio is still a secret. We get people who are listening to us, they call us and they e-mail us, but it's just like when cable television started, people said "I'm not going to buy cable television," and we realize that we are in the early stages of a growth industry and XM and Sirius will merge and it's because the federal government and the communications people are dragging their feet, they want to make sure, Mel Karmazin is the leader and he's going to be the best and Sirius and XM will survive and there will be a merger and we will be a major part of—but we're not yet. And people that have us, love us, and they would never think of canceling their subscription. Some people came to us because of Howard Stern and they also like to listen to things about racing. We only have, really 3 hours live. We do 2 hours Saturday morning as a preview so people can go out to thoroughbred in the afternoon and harness at night knowing what's going on and then we do live shows for big events. The radio show, compared to television doesn't start for another month. We started out on February 2, so there's an opportunity for little amount of money. We did the Little Brown Jug live last year. Tom Thomson and Jim Ewart made it possible, and we did a 2 hour show, live on Sirius with the Little Brown Jug.

Chris Scherf: Do you think that the racing industry is trying to proactively utilize that outlet?

Dave Johnson: They're looking at us just like any other—how much do you cost? Whether it's worth it. We're really lucky to have some support from the NTRA. Breeders' Cup hasn't come around yet. We broadcast the Breeders' Cup in 2005 on Sirius live, we did 8 straight hours of live radio from Belmont Park and we won the Eclipse Award for our coverage. Last year, they wouldn't give us the rights to do it.

Seth Merrow: You talk about spending a little money to do a live broadcast on Sirius, I'm still waiting for a racetrack website—which can be done for little money because they're already putting out a simulcast signal—to produce their own show that focuses on their Saturday stakes races. Put it right on their Web site. I think a lot of the racing industry says television has abandoned us a little bit, why not produce it on your own web site and you already have the simulcast signal, you're already pumping out, have cameras focusing on the races, you already have some paddock people there that can provide the color, and that's one of the nice things about the Internet and it's being so new. I'm taken aback when all the bells and whistles aren't there, when ESPN shows up for a broadcast they have a big truck and the crew and the extra cameras, but on an Internet broadcast if you throw up your simulcast signal of the races and you

have some color people, you can get away with essentially a broadcast that the folks watching on the internet are going to accept and watch and not at a lot of additional expense to you. Content and delivery, that's all it is.

Chris Scherf: Eric, how many full-time racing writers are there left in the United States?

Eric Wing: Well, not very many, but probably as many full-time hockey writers as there are in the United States.

Chris Scherf: I'm not sure, but I can only think of two now.

Eric Wing: What's happening is, with the exception of a Jenny Rees, they don't want, the newspapers do—the problems you alluded to earlier—not have the resources to have Seth here cover thoroughbred racing 365 a year. Seth, you can do racing, but we also need you to do the stock car racing and we also need you to do high school sports.

Seth Merrow: Well, the flipside of that is now with the Internet it has allowed a whole new breed of racing writers to come out there. You have the bloggers, some of whom open blogs in any subject, there's a bunch of them that don't do very good jobs but there's a handful that really cover the sport intelligently and that we're seeking out. Then there's guys out there who used to write for the newspapers, you've got John Pricci out there, you've got Paul Moran out there, Dick Powell writes for Brisnet, Bill Christine, exactly, guys out there who are Internet-only now, and that allows them the freedom to write longer pieces and pieces that are maybe more in-depth, more critical maybe. So there's a whole different side of the coverage that has now sprung up because of the new technologies.

Eric Wing: I think we're all just kind of in the process, this first wave of figuring out who our favorite bloggers are because, like you say, there's certain guys who have taken the gloves off now that they're not affiliated with their old newspaper and they're shooting from the hip and it's fun to read.

Chris Scherf: Sometimes it's not always pleasant if you're what they're shooting at from the hip, but if you're just a racing fan and you're reading it's a lot more interesting than plain vanilla.

Eric Wing: Or then worrying about lawsuits from their employer.

Chris Scherf: Right.

Seth Merrow: I'd also make a point here, going back to that old media mentality, for folks that do have racetrack web sites who are sitting out there, again there's a mentality, you can now reach a very wide audience with information that before—you go back, the Internet is so

ubiquitous now, broadband is so ubiquitous, that it's hard to believe that 10 years ago virtually no one had this. So you go back 10, 15 years ago, if you had a photo finish, you took the photo finish picture and you posted it on a tack board at your track and maybe 3 people would see it. I'm amazed now, some of the Southern California tracks do it, there aren't a lot of tracks, there are a few out there, but I'd love to see every photo finish at every track on the web site. And if you remember the Indiana Derby out at Hoosier a couple years ago, 2006, they had the big controversy that was based on an Internet photo finish that had been taken off the TV screen and it looked like it wasn't actually a dead heat and there was an appeal. Well when Hoosier, a couple days later, put up the actual photo finish, it was a much clearer picture and the appeal was taken down. That all could have been done away with if the photo, every photo from every race that has a photo, was put right on the web site. And now that most of your business is coming from simulcast, there's a lot of people who are not going to see that photo unless you do something like that.

Chris Scherf: How about explanations of why there was a late odds shift? You could do that on the web site. How about explanations about disqualification?

Seth Merrow: I was just going to say, I'd love to see a daily steward's report, if you go to Hong Kong, Dubai, there are daily steward's reports and I think we've heard people up here talking about perceptions of integrity and I think that would help to address that for fans if you could go and see and read just what the stewards focus on each and every day.

Eric Wing: If I could be permitted to speculate, two years from now I think the direction that that web relationship with the fans is going to take on is like what you and Chris just said, what about explaining late odds jobs, what about explaining the rationale for that DQ last Thursday? It's going to become much more back and forth, much more two-way and interactive. I think you'll see all of corporate America doing this, in fact a lot of big companies like Dow Chemical, some of the traditional old-fogey companies you would think of like Dow and other ones, they're doing this on a regular basis; it's part of their culture now, and I think you're going to see racetracks eventually start to get into interaction with its fans in areas that it used to really shy from, like the controversial.

Chris Scherf: Well we all have customer service people at the track but 90% of our bettors are somewhere else and you could reach them another way, immediately.

Eric Wing: And we know that 90% of the bettors at your track aren't at the track anyway and they've got issues that go beyond "where's the restaurant" or where can I find this or that? It's more like, "Gee, what's going on with that trainer who got suspended? How come he's still training? Gee, where can I go to learn more about handicapping?" From one extreme to another. I think what you'll see is Alex Waldrop, the head of the NTRA, probably getting involved in an Ask Alex type column on ntra.com with racing fans out there. And I think on a smaller scale this is something that you'll probably see at other racetracks as time goes forward.

Dave Johnson: You mentioned Dubai. We did live, five hours from Dubai, the World Cup day, and Bill Finley stayed in the studio in New York and had it on the screen and I was in Dubai with a producer and it was almost like he was watching it. Of course if you can watch it, you're going to watch it instead of listening to it on Sirius radio or radio, but if you're in your car or if you can't get a computer or watch it on TV, but the TV feed from Dubai was incredible.

Seth Merrow: Again, if you go to their web site or you go to the Hong Kong Jockey Club web site I think you see a little more of what I've been talking about, I'm not sure why that is with the international venues that they seem a little bit more progressive with some of these internet issues. Hong Kong, you can get free past performances, and not only do they show photo finish, they show a photo of the entire field spread out. You can get replays of every race, and so I think we have to start to move in that direction.

Chris Scherf: Are there any comments, suggestions or questions.

Todd Roberts: I've got a suggestion. First of all, you're talking about wanting to promote the sport, and to get new people to the sport you've got to have something to promote and unfortunately, in my talks with people that I know who aren't horse racing fans and you ask them "what do you know about horse racing?" you get two things, you get Seabiscuit and you get Barbaro, and that's great but, this year, for example, I honestly believe that if we didn't have this lawsuit going on Curlin' wouldn't be around, it's great that he is. But you talk about a jockey race that came down to the last wire, but you ask anybody in the general populous if they know the name of a jockey, the answer is going to be no and I think if we're going to promote the sport you've got to promote the drivers, the trainers, to a lesser extent than the animals. Every day you watch a poker tournament, Phil Ivey's on TV, and you got somebody you can follow. When you watch baseball, these guys play for 10 years, and you can develop that following and there are hooks there. It's really hard, you're not getting any attraction to the jockeys, it doesn't appear,

maybe advertising on their pants and things maybe helps that, definitely not in the mainstream, but you've got to have something to promote.

Seth Merrow: I think somewhere out there there's the killer app, that's going to combine the Internet and horseracing, and for folks who aren't familiar with the term, the killer app, it's an old personal computer term, back in the early 80s when personal computers first came on the scene, inherently we knew that it was a useful tool but nobody was quite sure how, and then computer makers said well, you can balance your checkbook and you can keep recipes on it, and everybody knew that was kind of a waste of the technology, but then the applications came out, the killer applications, the sophisticated word processors, databases, graphics programs that defined the personal computer. And it was the same with the Internet, the Internet came out we all knew inherently it was a useful tool but we weren't quite sure how, then the killer apps—google and amazon and eBay—came out and defined the Internet. I think horseracing as a game is well-suited to the Internet, starts about noontime on the east coast, racing goes through until well after midnight. I think it's an easy game to understand if you want to get into it, it can be arcane, but I think basically it's the first horse across the finish line wins, so I think basically it's an easy game to understand and somewhere out there there's going to be this killer app that is going to define how horseracing and the Internet work well together and I think you folks in the industry just have to be open and receptive to new ideas because eBay, which we all agree now is a great application for the Internet. In the first meeting I heard somebody come in and said, "Ok, what we're going to do is a worldwide rummage sale," and people probably weren't that thrilled about the idea, so you just have to be open and receptive as people in your organization or outside your organization bring some new ideas because I think there will be something that will combine the technology with horseracing and raise both to a new level.

A Voice: I would definitely encourage, similar to what they've discussed, anyone who hasn't been to the Daily Racing Form community pages with Steve Crist and Dan Ulman's blogs, the community that those two gentlemen have created surrounding their blogs basically definitely could be replicated if you had the right talent at your particular racetrack, maintain a blog about your race meet or anything going on, that'd be a natural for something like a jockey race, I mean clearly you'd need a good writer and someone who knows how to generate content and for a racetrack obviously there would be issues where you could be too critical, but Steve and Dan write for a publication that has those issues too on a lesser extent which I certainly deal with as

well at Thoroughbred Times. So if anyone has an interest in developing their Web site, more as a content delivery and as Seth suggested, which I definitely agree with, definitely check out those weblogs because I think they really deliver a community of people who are very interested in racing, willing to talk about anything from the fan aspect of it to the analytical part as well, certainly Steve's blog has a lot of numbers, but it also is very accessible to someone who just likes racing or betting on it.

Chris Scherf: Do you want to just take a moment to talk about—he brought up community and the Internet has been a useful tool in what they call Web 2.0 now in building communities of common interest and common passions.

Seth Merrow: Right, and the term “Web 2.0” for those who don't know, it's like the next version of the web as we know it, so the old web, when we just got started with it that was Web 1.0 and now we've got Web 2.0, the next version. And yeah, it's gone from “gee, isn't this great, we can check out e-mail or I can e-mail Dave anytime I want, and oh I can go to the NYRA site and get the scratches” to now “I can be in a virtual room with 300 horse racing fans who care about all the same things that I do,” or 300 Metallica fans, or 300 Amy Winehouse fans, whatever. It's the ultimate search for like-minded individuals and these things are happening without us, or Metallica, doing anything to create them, but think of the potential that's there to be unlocked if we actually maybe help them do what they do best, help them spread the word about the sport, help make it easier for them to provide fun things to do on their pages or to come to the top so to speak for thoughts or for their questions. This thing has come from the ground up, it's the next step in the evolution of the internet and those who capitalize on it and mine these people for the value that they inherently mean to us will be that much ahead of the game.

Eric Wing: I think, and the key difference, seeding some control as to what happens. The thing is they set their own agendas as opposed to, and this is the way we're used to dealing with customers and maybe not always to the good, trying to direct them to do what we'd like them to do, the good part of this is they can tell you “this is what we want to do,” and you can make changes to adapt to what your public is going to demand. It's going back again to our first panel.

Dave Johnson: And just a thought that over the next several months you're going to see the greatest race played out and it's the political one for the presidency and as you watch it, think about what television is doing and the Internet is doing for that race and what maybe we can pick up from that for our own game.

Roy Arnold: This is all good and everything you're saying I think we're all thinking about doing, but once again I think we're really missing the main point. If you look at who is being successful in the Internet, if you look for instance, just think about what happened in Hollywood in the last 3 or 4 months, the writer's strike, what was it about? It was about content rights for Internet, just intellectual property rights on content, their product to be put onto the Internet, that distribution of their content. We've lost this game twice at least. We're talking about bloggers and wouldn't it be nice to see an instant replay, what's the revenue model, what's the business model? And what hampers us is the NFL and Major League Baseball have used this to their advantage, as revenue-generating centers, as marketing tools, but they've now come together to cede their respective rights to a central organization that then is able to focus the resources to develop that content right, the intellectual property right, and develop it in ways which benefit those member teams. We don't have that. So we can do nice things for our fans, but I'm not sure at the end of the day, that it's going to drive the business because it's fractured, it's not cohesive. And, I think we're going to find, we've got some serious problems with content rights, with intellectual property rights, we're in a honeymoon phase now because it's all new, but I know I've approached jockeys to do things and the first question out of their mouths is about media rights. We can do all these things, we can bring these services to our customers and we're all doing that and trying to do it aggressively, but I think we also have to recognize that where we've made mistakes in the past, when television came to racing and we rejected it, we did not understand the business model, and then when people came to us for exclusive content rights for TVG and we didn't understand the content model, we licensed that content to third parties and we lost control of our intellectual property. The Internet is a great opportunity for our sport to recover from those past mistakes, but we've got to get serious about it from a business development standpoint first and as an industry. Again, that's the biggest problem I see in these conferences, we've talked about the industry in a lot of these things, "the industry must address medication," well who is the industry? Jeff Gural yesterday brought it up with the marketing fees the differences between horseracing and casinos, the casinos are the industry, they control the revenue, and they are able to make a business decision concerning reallocating assets into the marketing program, able to project the benefit that's going to come out of that investment, but as he pointed out, if you do that in our business, we get to do two sharings of five to people who

have not taken that risk. So it's a fundamental threat to the long-term viability of our industry that we not comprehensively address this. I don't have the solution.

Eric Wing: I can say one thing, and when you talk about the intellectual property of CDI or Arlington Park, that's when I yield to people like Bill Knauf because I don't know anything about that.

Roy Arnold: What I was referring to was the picture, the use of Curlin's name. We aren't enforcing that because we're taking baby steps on this issue by putting content out there. But I have a fundamental question of my right to create new content from somebody else's—from taking a picture with you and your horse in the winner's circle—what gives me the right to distribute that?

Eric Wing: You may be right and that's one element I think of what we were talking about today that could be used up there, and I guess that's for lawyers to figure out as to what constitutes those rights, but in other areas like fan development, I could never with a straight face tell you that there's a way to do a good accurate cost-benefit analysis of that, but I can guarantee you that the cost involved to you would be minimal to do a pretty good...

Roy Arnold: Let me clarify something, I'm all for this, what I'm saying though is: while we play around with this, a third party offshore is going to figure it out and is going to patent it and we're going to have somebody else come in and deliver that comprehensive property like they have for wagering, like they have for other elements of our business where we have ended up losing control because while we have these conferences and talk about it, there's somebody else in the back room somewhere in India that's figuring out how to pull all this stuff together, patent it, copyright it, trademark it, and then they're going to come say "would you like to use our product? We just want 3% of everything you do." And that's what I'm trying to get at. The industry has to recognize what Major League Baseball and the NFL did, they came together as an industry, they dedicated the resources, and they copyright and they protected the content and they deliver it in a way which benefits the audience, builds their fan base, and continues to drive the revenues higher. The revenues are going through the ceiling; they're higher than they've ever been because they have maintained control over their product. I'm just saying, as a cautionary thing, everything you're saying is absolutely right, we've been meeting with Equibase, we have a subcommittee working on developing a casual fan, products that can help us with that, I think everybody is exploring all the elements you're talking about, it's all relevant at

the time, we can continue to talk about it, but this is the fundamental thing to be focused on which is this technology side.

Eric Wing: We can prove out your case in something as simple as simulcasting. We did tremendous innovation, we've moved the business, but we did it off the cuff and we created a lot of problems because we didn't have a comprehensive strategy when we went into it. And I would agree with you that were they worth the industry making that a priority to come up with a comprehensive strategy managing that aspect of our business.

Dave Johnson: Even more pessimistic for me about the industry is the more immediate thing about the Breeders' Cup. Look at what people who love the Breeders' Cup now have been reading Steven Crist's columns, the blogs, etc. We talk about this being a family gathering, but there is a dysfunctional part of this family when you hear about the prime racetrack in the country saying to the Breeders' Cup, you know, maybe you'd better look somewhere else. Can you imagine a stadium owner presented with the Super Bowl for them to say, "you know I think we're going to pass on the Super Bowl this year," or remember Paris and London when they were in competition for the Olympics, for even now to call up the Olympic committee and say, "You know, we just decided that we really don't want the Olympics." This is what makes me so pessimistic is that our industry is fragmented, it's something like the Breeders' Cup, it's like musical chairs, when the music stops the last track standing gets the Breeders' Cup.

A Voice: I think it would be unfair to say, that's only one side of the story.

Dave Johnson: But that's what the fan is reading.

A Voice: But both sides didn't come to an arrangement, and the Breeders' Cup has made a big move and I'm all for two days, the Breeders' Cup is one of my favorite events that I go to on a regular basis.

Dave Johnson: But I'm saying it's the perception of the fan, the novice fan, that doesn't understand.

A Voice: It is dysfunctional Dave, it is part of the industry where one group says "this is what I want" and then they don't come to a deal. There aren't two parties saying "we want to make a deal" it's "I want my way."

Roy Arnold: You made my point. Who owns the intellectual property rights to the Super Bowl? The NFL does, but all those teams revenue share in that big event that they have created as an industry. None of the track operators here share a single penny of the Breeders' Cup for

helping to develop that event. There's a very real economic issue and I agree that there are two sides to the story, hopefully the story will continue, let me just say that, and I think it is continuing, but there is a problem. There are real economic issues that need to be worked out, and that's one of the things that again, we're talking about here. If we're all going to build the Breeders' Cup, then there needs to be an ability for the industry to share that so that we can address things like racing integrity, putting money into the tote system—how much money is going into the tote system from Breeders' Cup revenues? None. Zero. These are the types of things that I'm talking about that technology opens up opportunities, but we've got to have some underlying core objectives as an industry that we agree to include the horsemen, to include the jockeys, to include the track operators, and if we do identify ourselves as an industry it's going to be tough because it's a pretty diverse, independent, set in their ways group of stakeholders, but I think there is promise. I think the Internet is our chance to finally not lose out.

Dave Johnson: Can the industry, as fractured as it is, come together on this do you think?

Roy Arnold: I think it can.

Dave Johnson: I sure hope you're right.

Roy Arnold: I think it's going to have to take the industry though, and the Breeders' Cup is a perfect example, everybody needs to be putting pressure on to come up with a comprehensive industry solution that makes sense, this is a business, the outcome has to make business sense. If it doesn't make business sense, it's going to fail. Ultimately it will fail within a year, two or three years, if there isn't a fundamental, underlying, sound business objective that the industry subscribes to in terms of why we are doing this. I think we all agree that the Breeders' Cup is a huge potential venue for us, but it has got to be developed for more than one stakeholder and right now that's what it is.

Chris Scherf: I'm listening to you guys talk, I'm thinking of the early 90s and a Steve Crist column somewhere, didn't we go through a spell in the early 90s where tracks were reluctant to host the Breeders' Cup as well?

Dave Johnson: I worked with the NJSEA, and I know we wanted the Hambletonian and then we wanted the Breeders' Cup then. I don't remember ever having not wanting it. I didn't mean to give the impression that there was only one side to that story, but the perception by the kid reading the Steven Crist column. I sure hope the industry can come together and the Internet is the perfect way.

A Voice: You look at every major sport and even a lot of minor sports in the world, they all have a central ruling agency and horse racing doesn't.

Chris Scherf: Well that's never going to happen, I feel safe saying that. It's a, 43 jurisdictions, state regulated, different markets, very diverse business models. That's the Holy Grail but I've been here 30 years. But that doesn't mean we can't come together out of necessity and do things that we need to do together and Equibase was one example that did work in terms of—to get information out to fans so you could have simulcasting and delivery information—but a business model was built first which is part of why that worked. I think you're right; we should make that a priority in the industry this year to try and develop that business model among the stakeholders.