



FORTY-NINTH ANNUAL
ROUND TABLE CONFERENCE

On Matters Pertaining to Racing

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

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The complete transcription of the 2001 Round Table Conference as published in this book is also accessible on the Internet where it may be downloaded in sections or in its entirety.

<http://home.jockeyclub.com>

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WELCOME TO PARTICIPANTS AND GUESTS

Ogden Mills Phipps: Good morning, ladies and gentlemen, and welcome to our 49th Round Table Conference.

We hope moving our date back a week this year hasn't been too inconvenient, and thank you for accommodating us with that change.

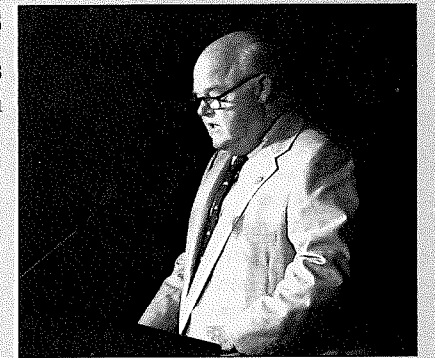
In the last few years our proceedings have been framed, almost exclusively, as a forum for the most far-reaching initiative in Thoroughbred racing, the NTRA — its formation, and reports on start-up progress in all areas.

I'm glad to say that the NTRA is now fact — soundly launched on a path towards increased awareness of racing which promises well for the industry at large. This gives us the opportunity to go back to a more traditional program which can dedicate a little more time to selected major issues of the day.

This morning we highlight two issues which have always been with us: integrity and marketing — this time, specifically, in the field of national sponsorship. To these we add a new issue: freedom to compete.

But, first, we open with the traditional Report on the Activities of The Jockey Club, this year presented by Alan Marzelli. This will be followed by a brief report from the NTRA.

Thank you.



Ogden Mills Phipps

ACTIVITIES OF THE JOCKEY CLUB IN 2001

Alan Marzelli: Thank you Mr. Chairman. And good morning ladies and gentlemen.

One of the major themes of last year's program was our need as an industry to make better use of technology. This year's Report on the Activities of The Jockey Club is in the context of that theme, both in terms of our existing businesses and those that are in the process of being formed.

Let's start with the Registry, which is appropriate because our responsibility for maintaining the highest degree of integrity in *The American Stud Book* is our primary mission.

In that regard, I am pleased to report that our program to use DNA typing to parentage verify all foals beginning with

the 2001 foal crop is fully underway and proceeding on schedule.

In addition to leveraging DNA technology to streamline parentage verification procedures and reduce costs, we have also relied heavily on the use of Internet-enabled file transfer technology to simplify the registration process.

Thus far this year, more than 21,000 Live Foal / No Foal reports have been submitted and 12,000 names claimed electronically through our Internet-based *Jockey Club Interactive™* service.

Continually seeking to enhance the service, we have recently begun to accept digital photos, allowing breeders to complete the registration process

completely online.

This is only the beginning of our efforts towards putting the Registry on a data network that can be shared by all Thoroughbred owners and breeders.

Our long-term goal is to develop a virtual foal certificate, thereby eliminating paper which can be lost, destroyed or illegally altered, while at the same time providing real-time access to all Registry-related information.

Turning to our commercial ventures, but staying on the breeding side of the business, last year at this conference The Jockey Club Information Systems unveiled plans for a new Internet-based information service.

equineline.com, we promised, would give owners a new way of monitoring their portfolio of equine investments, much in the same way that you might track your own investment portfolio.

Officially making its debut late last year, *equineline.com* is a service that's geared to the new economy, providing the types of informational tools that traditional investors are accustomed to.

And now that the service is launched and receiving rave reviews from industry professionals, we're reaching out to those investors and potential new horse owners with print advertising, e-mail promotions, and the following television ad.

[VIDEO]: "Owners, trainers, breeders, farms . . . *equineline.com*. Comprehensive, real-time information continuously updated, creating a whole new breed of portfolio management. Everyone needs it, and now there's one place that brings it all to you — *equineline.com*. Take a virtual tour and see all the information you need to manage your equine investments. *equineline.com*."

Turning to the racing side of our business, McKinnie Systems also continues to grow and expand its services. Now installed at every major racetrack in the United States, McKinnie's racing office and horsemen's bookkeeper systems are beginning to be delivered by a single location, using the same communications technology employed by both the Registry and *equineline.com*.

The centralized horsemen's bookkeeper system being hosted in Lexington on behalf of the Texas Horsemen's Partnership is a prime example. So is the Internet-based Simo-Central system, which provides race-tracks and simulcast outlets the ability to print camera-ready program pages in up to 10 different formats from all available tracks.

Nowhere is the packaging of information coupled with the applications of communications technology more evident than in Equibase, the Thoroughbred industry's Official database for racing information.

Last year's acquisition of TrackMaster, together with our strategic alliance with *Daily Racing Form*, have put *equibase.com* in a position where it can now offer a full range of products to cater to every racing fan's needs. From the newcomer to the casual fan to the seasoned handicapper, *equibase.com* has an extensive array of products to meet every need.

In addition, new enhancements on *equibase.com* like Carryover Corner™, which posts daily carryover pools, and Backstretch Buzz™, which features notes and information compiled by Equibase chart callers, are both there, driving traffic higher and, more importantly, stimulating interest in the sport.

This is also true of our recently enhanced Virtual Stable™, which automatically notifies users by e-mail of all

workouts, entries and results for horses that they are following.

Equibase has also focused on the retail side of its business with a direct to consumer approach that includes both pre-race information and products on the TVG and YouBet.com interactive wagering platforms; entries, results and our innovative Results Ticker™ on ESPN.com's horseracing pages; and, yes, even inclusion of our Virtual Stable™ on Playboy.com's recently launched interactive wagering service.

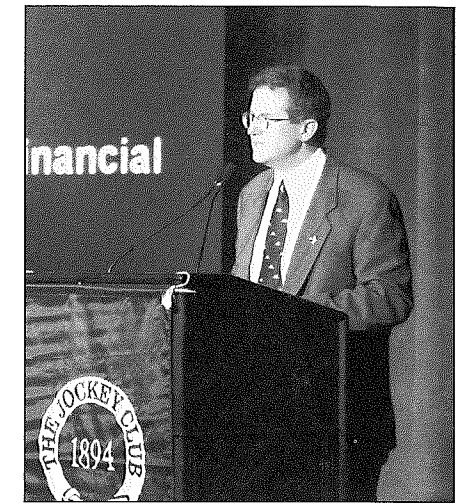
We have also taken to the airwaves, just like *equineline.com*, thanks to our strategic partnerships with NTRA Productions and TVG, with the following commercial for *equibase.com*.

[VIDEO]: "Success depends on good information. For accurate racing data go to *equibase.com*. Whether you're headed to the track or playing from home, everything you need is just a click away. Race programs, Daily Racing Forms, expert selections, official entries and your only source for Results Ticker, Carryover Corner and Backstretch Buzz. All the information for all the tracks, coast to coast. Equibase Company, the Thoroughbred industry's Official database for racing information, *equibase.com*."

Many of the developments that comprise this year's summary of activities were previewed at last year's Round Table, and as you can see, are now reality.

But my purpose in going into such detail is more than just to show how we've achieved a reputation for getting things done.

It's to demonstrate our resolve and dedication to constantly improve upon the service we provide to all segments of the Thoroughbred industry.



Alan Marzelli

It was in that same spirit that we provided support and guidance to the NTRA and IBM in their analysis last year of the multiple technologies that drive racing. Although for financial reasons the project with IBM did not move forward as originally envisioned, there were two significant recommendations made in the course of that analysis that are actionable, and well within our control as an industry to achieve. Specifically:

We can integrate Equibase data, McKinnie racing office systems and tote data into one centralized database, to achieve operational efficiencies, create opportunities to deliver new products and services, and generate cost savings for the industry; also

We can expand and enhance our existing communications network to enable delivery of value-added applications, such as Racing Office, e-mail, and desktop productivity applications, again, from one centralized location.

Because the potential benefits to the industry are significant, The Jockey Club has committed to undertake this effort. To do so, we need to develop a coordi-

nated approach to the services that are currently being provided independently by McKinnie and Equibase.

McKinnie Systems, who as mentioned earlier, has an installed base that includes every major track in North America, will be used as the platform for delivering these services, and certain other organizational changes will take place at The Jockey Club in the coming months in order to set these plans in motion.

Once implemented, we are confident that the benefits enjoyed will be both widespread and significant.

But as we have said from this podium in the past, we can't do this alone.

Ogden Mills Phipps: Thank you.

What you've just heard may be one of our greatest challenges we've ever set out to conquer. But if we succeed, it can streamline the way the industry does business.

It's a bold concept and, as Alan has already shown with Equibase and many other projects, we believe we have the right person to get the job done. We hope to involve all of us here to accomplish this mission.

Now let's move on to the NTRA report. Tim, we welcome you here today.

NTRA ANNUAL REPORT TO THE ROUND TABLE

Tim Smith: Thank you.

Thanks to The Jockey Club for including the NTRA once again in this conference and I'd like to thank you for one other thing. Many of the same people in this room who helped create the NTRA also took leadership roles in the last year to support the operational combination with the Breeders' Cup and we thank you also for that. It's worked already in a few short months and we're very excited about it.

We generally give a progress report on the organization and we'll do so again in just a minute but we also want, in the best tradition of this gathering, to help focus

We need and will seek support from the visionaries in our industry who can see beyond their local boundaries, and who share our commitment to seeking improvement in the overall conditions of the sport.

The Breeders' Cup, Equibase and the NTRA are three examples of what we can achieve when the industry moves forward together, with a shared vision and carefully thought out, properly designed and well executed plans.

With your support, we are confident that we will one day add this latest Jockey Club initiative to that list.

Thank you.

attention on particular substantive issues of policy and economics that, although very different from each other, share the common thread of being truly important to the industry's future.

As Dinny indicated, those three issues are: drug testing and the report of the NTRA Task Force on that subject; second, the importance and implications of attracting national corporate sponsors to our sport; and third, the case for fundamentally changing how racing operations are taxed.

As for the NTRA's general progress, it's been a good 12 months since the last Round Table.

To highlight a few areas, we've completed a thorough review of the association's first three years of operations, including some important lessons learned, and produced an updated and revised business plan.

The plan identifies five main strategic priorities for the second phase of the NTRA and we invite your review and comments on the new plan, which will be finalized by the NTRA board later this year.

One of the key lessons learned is that we are a big important regulated industry with far greater grass roots, political and legislative needs and capabilities than we previously realized.

We won a very important federal legislative victory together last year that contributed to an equally significant California legislative victory that occurred late last week and we're actively pursuing four new priorities in the current Congress.

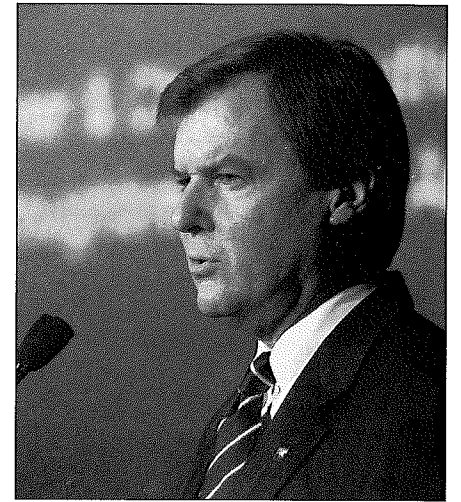
We can and should and will be doing even more in the legislative arena. It's one of those areas where there's clearly strength in numbers, and where clearly more can be done nationally, with national coordination, than locally alone.

In the past 12 months, we've also strengthened our balance sheet, retired our start-up deficit and created an operating surplus ... consolidated operations with the Breeders' Cup, producing a combined \$56 million annual budget with emphasis on marketing, television, increased purses and bonus programs, all within the strategic context of improving

Tim Smith: To tell you more about the progress on the road to the World Thoroughbred Championships, it's my pleasure to introduce Breeders' Cup president and NTRA vice-chairman, D.G. Van Clief.

D.G. Van Clief: Thank you, Tim.

After combining operations with the NTRA and working with our friends at NYRA, the Breeders' Cup this year will



Tim Smith

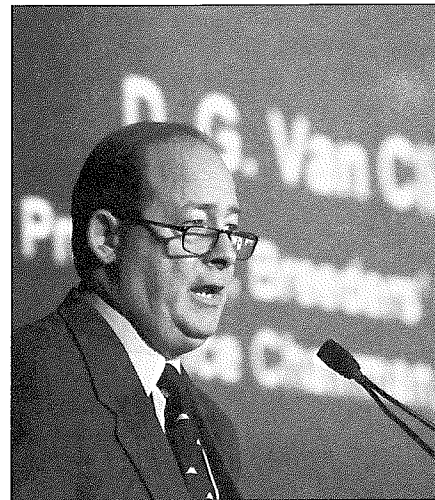
two things: the popularity and economics of horse racing.

Along the way, we discovered through ongoing consumer research that most horseracing fans and in particular, our demographically most attractive casual once- or twice-a-year fans, don't adequately understand the Breeders' Cup or the terrific competition that's going on in different racing divisions that's going on this weekend and that leads up to Championship Day.

This was both an obvious marketing problem, but also an opportunity for the new combined teams to join forces and try to make things better almost immediately for fans, sponsors, TV networks, viewers and our shared customers and constituents.

have more advance publicity, television promotion and marketing firepower than ever before in our 18-year history.

As a result, when the best horses, own-



D. G. Van Clief, Jr.

ers, breeders, trainers, jockeys and racing fans in the world converge on Belmont Park this October 27, we believe there will be greater awareness of the competitors, story lines and the significance of the day than ever before.

Building on this experience, we believe continued ongoing progress in future years can and will be made in communicating how our sport works, how it is organized and why it is such a great spectator and entertainment choice.

In short, through the recent re-branding of the Breeders' Cup as the World Thoroughbred Championships, along with new sponsor-supported focus on specific divisions, such as the Bessemer Trust Challenge on CNBC, we're starting the

necessary process of helping viewers and fans better understand what they're watching when they invest their time in our game.

This video clip will show you in visual terms the new branding in action starting with its introduction this past June in New York City.

[VIDEO]

Those of you who have been watching ESPN may recognize our singing jockeys and that signals a return by the NTRA to a slightly unorthodox consumer advertising.

We believe we have just scratched the surface in terms of potential future progress for the industry and in consolidating our assets — starting of course this year with the NTRA and the Breeders' Cup — for use in common endeavors, whatever the challenges are, whether they're legislative in nature, have to do with reaching and teaching new fans or recruiting new corporate sponsorship.

As has been pointed out at this conference in the past, however, the integrity of our competitive product must also be constantly monitored, maintained and effectively explained to the public.

The health and safety of our athletes and the confidence of our wagering customers are precious assets with as much or more marketing relevance as any ad campaign or any televised racing series.

Thank you.

NTRA TASK FORCE ON RACING INTEGRITY & DRUG TESTING

Ogden Mills Phipps: Thank you, Tim and D. G.

For many years, this conference has addressed the issues of drug-testing in our sport. Our efforts included the commission and publication of the McKinsey Report, a blueprint for a world-class drug-testing program which, so far, is still the best of its kind.

At the 1998 Round Table, we were pleased to lead support and funding for a new initiative, the NTRA Task Force on Racing Integrity and Drug Testing, an initiative in which, while recognizing that medication rules were the responsibility of the individual states, the NTRA showed a wish to do its part to maintain public confidence in the integrity of the sport which it had been charged to promote and market.

I'd like to take a moment here to thank those individuals and organizations that joined us in this effort and, with Tim Smith, to express our gratitude to the Task Force members and many others who have contributed their time, expertise and information to the project.

With that, I now call upon executive director, Jim Gallagher, to introduce his report on Task Force progress and findings.

Jim ...

INTRODUCTION

James Gallagher: Thank you, Dinny. Good morning.

Two years ago, I stood before this group and outlined the objectives of the Racing Integrity and Drug Testing Task Force. The goal of the Task Force was, and is, to improve drug testing for horseracing in the United States.

The work of the Task Force has been well documented in the industry media, so I'll summarize our progress to date.

Since its formation, the Task Force has engaged in three studies.

The first was a 1999 report, "Equine Drug Testing: An Assessment of Current Practices and Recommendations for Improvements." Dr. Mel Koch, former worldwide director of analytical chemistry for Dow Chemical Company, and a committee of other analysts outside the racing industry, prepared that report, which has guided the activities of the Task Force.

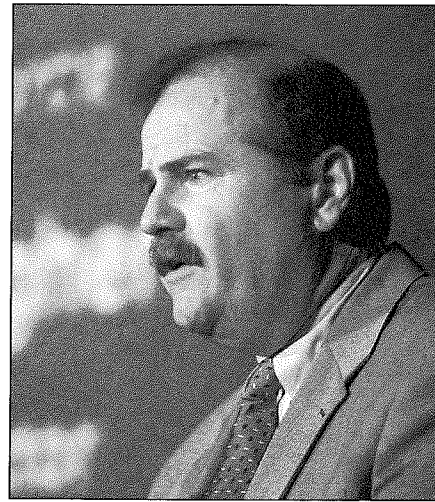
Second, the Task Force engaged in a benchmark survey of testing practices in the U.S.

Thirty of 32 states responded to the survey, which is the most comprehensive ever undertaken. Those survey results are included in the Task Force report.

Third, the Task Force began a study of post-race samples as a broad-scale assessment of testing for the industry as a whole.

The samples were subjected to a "Supertest," a sophisticated drug-testing regimen more comprehensive than any currently in use. The Supertest employed an array of ELISA tests that was far more extensive than our states use. It also relied on instrumental screening instead of the Thin Layer Chromatography used by most states.

Our samples were submitted anonymously by 28 states. These samples had



James Gallagher

already been analyzed by a laboratory employed by the participating state and had been declared free of prohibited substances.

To no one's surprise, given the comprehensive screening battery used in the Supertest, we detected substances that should not have been present in these samples. Dr. Lavin will present those findings in more detail.

The purpose of this approach is to learn what drugs are out there and which drugs are being missed. That

information is the basis for the Task Force recommendations to improve drug testing.

Paul Oreffice will address what those improvements might be, and how we can implement them, in his presentation on the Task Force recommendations for better testing programs.

In his introductory remarks, Dinny mentioned the McKinsey Report, presented in 1991 as a blueprint for a world-class drug testing program. A decade later, the Task Force presents not a blueprint, but an actual foundation upon which to build.

The components are in place for the industry to build a better drug testing program. Over the past two years, we have received support from a wide range of industry stakeholders who want better drug testing and are willing to do what it takes to help build one.

In closing, I would like to extend my personal thanks to the states that submitted surveys and samples and the hundreds of people who gave us their time and effort. Their cooperation is a true showing of the industry's willingness to engage in a self-study for the betterment of our sport.

James Gallagher: And now to report on the Task Force findings is Dr. Gary Lavin.

"SUPERTEST" RESULTS

A. Gary Lavin, VMD: Thank you, Jim and good morning.

I'd like to start by thanking Jim Gallagher and Dr. Scot Waterman for their efforts on behalf of the Drug Testing Task Force Report.

This report was two years in the making and we believe that it can have far-reaching implications for drug testing standards.

First, I'd like to cover the results of our 28-state survey, which will set the stage for the Supertest findings.

Enzyme-Linked Immunosorbant Assay or ELISA - and that's not Eliza Dolittle, that's Elisa do-a-lot - and Thin Layer Chromatography - TLC, not Tender, Loving, Care - are the dominant testing methodologies in use today.

One hundred and forty-three different

ELISA tests are available. Our states report using an average of 20 ELISAs per sample.

Although ELISA and TLC are the dominant screening methods, they're very different in application. ELISAs are drug or drug-group specific. TLC is a screen method for a variety of drugs, but might not detect the presence of drug or drug metabolites in low concentrations.

In looking at the issue of threshold levels, it's clear that disparities exist between states on what constitutes an actionable drug finding.

Concurrently, the vast majority of states have "zero tolerance" for a wide range of drugs, including some commonly used therapeutic medications such as acepromazine and clenbuterol.

Drug testing expenditures also show wide variance state by state. High levels of spending do not necessarily guarantee excellent testing results depending on the methodology and the expertise of the laboratory.

The result is a labyrinth of testing methods and procedures.

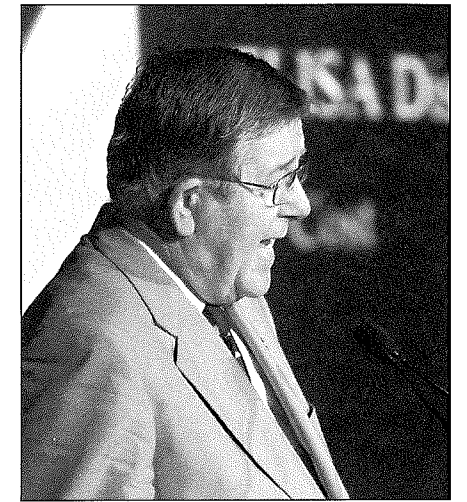
In contrast, the Supertest is the most comprehensive testing done on post-race samples. Today's report covers 1,272 tested samples out of the 1,800 that we will ultimately test.

The Supertest found two Class 1 drugs; two Class 2 drugs; and eighteen Class 3s. Class 1 drugs have the highest potential to influence performance. Class 3 drugs may have a moderate influence on performance and may have a therapeutic value as well. Now, keep in mind, all these positives were found from samples that had already cleared their home jurisdiction.

98.3 per cent of the Supertest samples

A. Gary Lavin: Here to discuss the Task Force recommendations for better testing is Paul Oreffice, former chairman of Dow Chemical Company and a member of the Drug Testing Task Force.

Paul ...



A. Gary Lavin, VMD

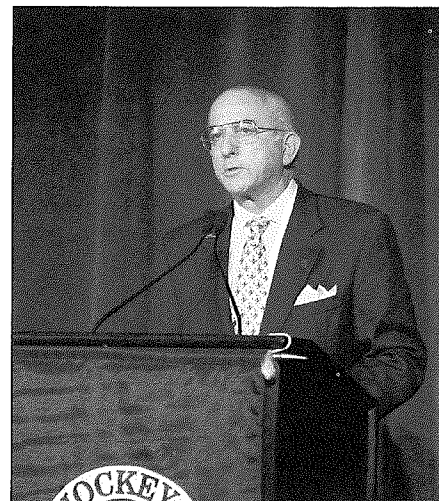
contained no Class 1, 2 or 3. In the remaining samples, 82 per cent of the confirmations were for Class 3s.

The medication with the highest rate of detection was clenbuterol, an FDA-approved medication for chronic obstructive pulmonary disease in horses. Clenbuterol accounted for 41 per cent of ALL confirmations.

The Class 1 drugs detected were dextromoramide, a synthetic form of methadone that is not even legal in the United States, and cocaine.

The Class 2 drugs were buspirone, a medication used in human medicine to relieve anxiety and nervousness, and caffeine.

What do these tests tell us? They tell us that better testing leads to increased detection. And they point to the need for improvement, not only in testing but in the associated areas of regulation, research, communication and jurisprudence.



Paul Oreffice

Paul Oreffice: Thank you, Gary. Good morning, ladies and gentlemen.

The most important thing for us to consider is not "where have we been?" but "where do we go from here?"

The Task Force Report is a timely document on a timely subject.

We know from the findings presented by Dr. Lavin that our drug testing system has some shortcomings. But we also know from reading about the Tour de France or the Olympic Games that other sports share our drug testing challenges.

All of this simply serves to create more and more situations in which the integrity and credibility of our sport is put in doubt. And the problem is made more severe by two facts:

- We have too many states with different sets of standards; and
- Technology has changed so dramatically in the last 25 years that the meaning of "zero tolerance" has totally changed, as the meaning of "zero" has changed.

Let me try to explain in layman's terms and not in nanograms.

Twenty-five years ago, if you had a 50-meter, Olympic-size pool full of water and we dissolved one gallon of a contaminant in that pool, we could barely detect it. Any lesser quantity could not be found. It was "zero."

Today, if we put one drop of that same contaminant into that same pool, we would get a large, positive reading.

The Task Force recommends five steps to protect and enhance our sport's integrity and credibility.

1. Use a more rigorous screening process on post-race samples.
2. Reassess medication rules and enforcement policies in light of more sophisticated testing methods.
3. Develop withdrawal guidelines for commonly used therapeutic medications.
4. Establish a national, external quality-assurance program for drug-testing laboratories.
5. Create a national organization to implement improvements in drug testing and provide leadership in jurisprudence and communications relating to drug testing.

Let me go over these one by one.

The components for more rigorous testing already exist. They were used in the Supertest and included a full battery of ELISA tests and instrumentally-based screening methods rather than Thin Layer Chromatography or TLC.

As Gary mentioned, TLC is of limited value. The Task Force recommends that the industry move away from this outmoded technology.

There are 143 ELISA tests. We suggest that Commissions use more of them, and rotate them more frequently. Any per-

ceived gaps in testing must be met by the development of new tests.

This inevitably leads to the issue of cost. There is room for improvement here, too. We propose the formation of a cooperative alliance to purchase drug testing kits and equipment to cut overall costs.

Given that cost is an issue, we also suggest that states consider reducing the number of animals selected for testing on each day's race program, but increase the number of tests performed on those samples.

Our second recommendation, to reassess medication rules and enforcement policies, is a natural complement to the suggestion that we test more rigorously.

Our current regulations were formulated when TLC was a state-of-the-art procedure for drug detection. TLC is outmoded now but 30 states, 30 out of 32, still use it to some degree.

By testing more rigorously, we WILL find more drugs in our samples. Our rules will have to change accordingly so that we address the difficult issues that would be raised by those findings.

Those issues can only be met through research. We must have a scientific basis for taking action against a trainer for a drug finding, one that takes into account the drug's ability to affect a horse's performance.

At the same time, we must not neglect the fact that legal, permitted medications might interfere with the detection of prohibited medications. The Task Force recommends additional research on the complex interactions that may occur between drugs, regardless of whether permitted or prohibited.

Our third recommendation is for the establishment of a withdrawal schedule for commonly used therapeutic medications.

As Gary noted, 82 per cent of all Supertest detections were for Class 3

drugs, which may have medicinal value for the racehorse.

When the biggest category of violations is for permitted medications, our task is clear. We must develop medication guidelines to minimize rule violations.

The first challenge is for industry stakeholders to decide whether to use decision levels or withdrawal times as a criteria for determining violations. Canadian racing has guidelines for withdrawal of permitted medications and it's a model we can learn from.

With this issue, we return to our earlier recommendation for more research. We can't develop guidelines until we have a more complete understanding of how medications affect racehorses and how long those effects last.

Nor can we expect horsemen, commissions and veterinarians to embrace those guidelines without knowing what they mean. Which brings me to the recommendation for better communication. This is especially important when the communication involves news of medication violations.

As an industry, sometimes we fail to distinguish between illegal drugs and over-the-limit legal medications when discussing substance violations. Trainers are simply described as having a "drug violation" or a "positive," regardless of the substance found or its concentration level. The result is usually a media barrage that damages the sport's credibility.

We can and should do a better job of telling the public about the proper use of therapeutic medications in the racehorse and states need to be more sensitive to the public release of information in cases where a sample tests "over the limit."

Our fourth recommendation is for the establishment of a national, external quality-assurance program for drug testing laboratories.

Quality assurance is a term that has been used in equine drug testing for over

10 years. But after a decade, we have yet to achieve a quality assurance program with 100 per cent participation and standard testing procedures and practices.

About two-thirds of our commissions have contractual agreements with their facilities that specify testing practices. The rest have agreements with few or no provisions for quality assurance.

The result is uneven testing standards, reliance on outmoded technologies and slow development of better testing methods.

For these reasons, the Task Force recommends that industry stakeholders - including racing commissions, laboratory analysts and national racing organizations - actively monitor the performance of our drug testing laboratories.

We further recommend that the industry be proactive in establishing priorities for testing, and workable programs to ensure high-quality testing.

Our final recommendation is to create a national organization - one that would implement improvements in drug testing and provide leadership in the areas of jurisprudence and communications relating to medication issues.

Ogden Mills Phipps: Thank you, Paul. And thanks again to those many people whose support and cooperation were behind the preparation of your report.

Before we go to the break it has become our tradition to pause for a moment and remind ourselves of what makes our industry so special through a brief retrospective of recent racing highlights. So here it is, courtesy of NTRA Productions.

[VIDEO]

INTERMISSION

We lack a national program for drug testing. In effect, we have 32 different drug testing programs - one for each state. This simply doesn't work when our horses compete all over the country.

So we call on racetrack operators, trainers, owners, veterinarians, drug testing researchers and, very importantly, regulators, to form a national organization that can implement the recommendations outlined in the Task Force report.

We recommend that this organization coordinate judicial and testing research efforts between states, ensuring that we achieve results that benefit the industry as a whole.

Finally, we recommend that this organization take a leadership role in promoting judicially sound "best practices" relating to disclosure of suspected medication violations.

Such actions will enable the industry to allocate its resources in the appropriate areas: better, more uniform testing and more drug testing research. It's the least we can do for these wonderful animals that carry our silks.

Thank you.

RACING'S ROLE IN SUCCESSFUL NATIONAL SPONSORSHIP

Ogden Mills Phipps: This year's consolidation of Breeders' Cup operations with the NTRA has introduced a completely new and powerful dimension to our national organization.

Among many other things, it gives racing the ability to go to the marketplace with a package that can be sold to sponsors on a national scale.

No one is better qualified to introduce our next topic than Breeders' Cup president and NTRA vice-chairman, D.G. Van Clief.

INTRODUCTION

D. G. Van Clief: Thank you Dinny.

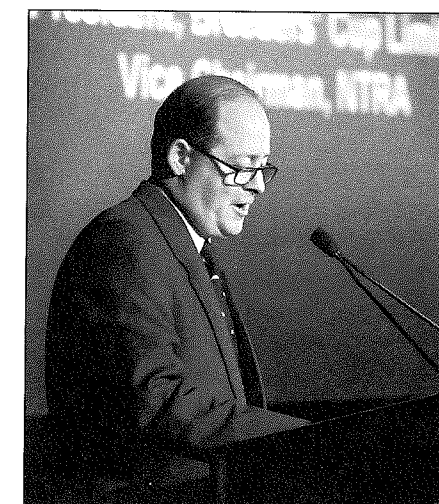
As Tim mentioned earlier, we wanted as one of this morning's key topics to take a fresh look at the strategic importance of attracting new national corporate sponsors to Thoroughbred racing. We have engaged considerable expertise to help with this analysis and development effort as you'll see later on in our report.

First a few introductory thoughts.

The NTRA has been successful in increasing, in this case more than doubling, national television exposure for racing. The results of our ESPN polling clearly demonstrate that this has contributed to quantifiable, growing public interest in the sport.

We've also steadily increased the marketing and promotion of horseracing, including not only traditional media advertising but also such means as direct marketing and consumer promotions.

For example, just a few weeks ago, the NTRA and its members collaborated on a national consumer promotion involving more than 1.2 million pieces of targeted direct mail. In this case the mailing involved a redeemable coupon worth at least \$2 in every case, with a chance of a \$1 million cash prize. The results were positive and often dramatic. The problem, or being more positive



D. G. Van Clief, Jr.

in this case, the remaining opportunity, is that the NTRA and the industry are largely self-funding these activities.

In other sports such as NASCAR, the PGA Tour, the NFL, etc., these marketing activities are partly, or in many cases completely, subsidized by the corporate marketing partners of these kinds of associations. Besides positively leveraging marketing assets of the leagues - or in plain terminology making their promotional budgets go much further - the involvement of sponsors produces other critical benefits to these sports.

Sponsor advertising dollars flow to the TV networks making the underlying

events much more profitable and attractive to television. Their marketing dollars, as you'll hear shortly from Jim Host, create new promotional activities linking customers to the sports and the sports properties involved.

Finally, if a key part of sponsorship is borrowed brand equity, then the borrowing does go both ways. For instance,

VISA borrows the great positive imagery of the Kentucky Derby and the Triple Crown. By the same token Thoroughbred racing benefits from the association with a global prestigious brand like VISA. In short we need more fully engaged national sponsors. If you will, we need more VISAs in horseracing.

D. G. Van Clief: Our next speaker has been recruited to help achieve just that goal, along with coordinating our overall sponsorship, television and media relations activities from the home base of the NTRA's New York city office.

Chip Campbell is well known and respected in the worlds of media and sponsorship. He ran the growing television and media relations operations of the PGA Tour during much of the 1980s and he launched a successful sports marketing company working with leading sponsors like Nabisco, IBM, Coca Cola and Federal Express. He negotiated the U.S. television rights to the 1994 World Cup and he worked with Tim Smith developing the marketing plans for the 1996 Atlanta Olympic Games.

Most recently Chip managed an equity fund investing in sports properties for Interpublic. We're extremely pleased that Chip recently agreed to serve as the NTRA's senior vice president for media and sponsorship. Although he's only been at his post less than a month now, he brings a wealth of experience to this job and today's topic.

Please welcome Chip Campbell. Chip.

NTRA UPDATE

Chip Campbell: Thank you, D. G.

Mr. Chairman, ladies and gentlemen, my role this morning is to answer two questions. The first and fundamental is how can Thoroughbred racing attract more national sponsors? The second is how do the NTRA and Breeders' Cup organize themselves and the sport to adapt to the changing sponsorship marketplace?

To help answer these questions, we have with us one of the legends of the sports marketing world - Jim Host, founder of Host Communications. Jim created the modern "Final Four" for the NCAA and I'll introduce him in just a

few minutes. We've asked him to bring some of this theory to life through real-world examples.

First however, let's recognize that what sponsors want and need has changed in recent years. The NTRA and horseracing must adapt to compete successfully in the crowded and challenging marketplace. Fortunately, there do appear to be untapped resources that the industry can better deploy to attract new sponsors.

The re-branding of the Breeders' Cup and the "Road to the World Thoroughbred Championships" is a step in the right direction. There's also a

clear, prestigious, major-league and global path to Breeders' Cup Championship Day. Insiders like you understand this very well. Casual fans and most television viewers do not . . . yet.

For consumers, sponsors and television, racing needs to do a better job of "connecting the dots." The new Breeders' Cup branding and NTRA sponsorship packaging strategies do just that.

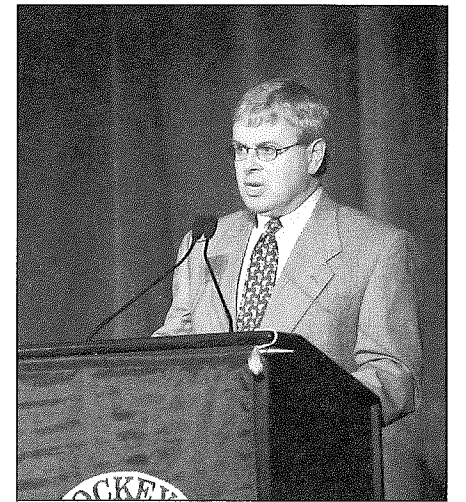
Here's one way to look at September and October televised racing. [SLIDE] It's pretty daunting if you're a casual fan trying to figure out what to watch, why, and how it relates to the Breeders' Cup Championship Day on NBC.

But suppose the NTRA, along with a sponsor, television network and some print partners said, "We're going to focus on one of the eight Breeders' Cup divisions. We'll show you the best races available in this division for the two months leading up to the Breeders' Cup World Thoroughbred Championships; we'll familiarize you with the division leaders; we'll keep you updated through rankings and points; we'll develop human interest stories; we'll develop 'equine interest' storylines."

That would look differently. More like this: [Bessemer Two Year-Old Challenge SLIDE, CNBC schedule, USA Today strip mock-up, etc.]

That's what we're trying to do, not only with other Breeders' Cup divisions and other sponsorship initiatives, but also in the development of new television series, events and bonus programs to be announced in the near future.

There's another NTRA asset that relates well to the new sponsorship paradigm. We have untapped collective buying power. The NTRA has the ability to deliver incremental sales through its membership. And that, ladies and gentlemen, is the Holy Grail in corporate



Chip Campbell

sponsorship today.

It's been demonstrated already with nearly \$20 million in incremental business-to-business sales of John Deere products to NTRA members. The NTRA also has access to more than 200,000 owners and breeders. Now these are powerful tools waiting to be used.

Likewise, NTRA sends out more than two million pieces annually of direct mail to consumers. These represent two million opportunities to help sponsors reach targeted customers or activate retail distribution channels.

As a newcomer to horseracing, it seems to me that the industry and the NTRA can offer a tremendous collection of potential marketing benefits to sponsors. There is television and other media associated with excellence . . . the best in racing on the Road to the World Thoroughbred Championships. As we know, marketers like to associate their brands with competitive excellence and "the best." Witness what's happened with the Olympics.

But media and corporate hospitality aren't enough anymore. Nor is just associating a sponsor brand with a presti-

gious event, although this helps. Today demanding sponsors are after a combination of media, prestige, affinity marketing, incremental sales, help in product distribution and, ideally, global branding benefits.

Horseracing and the NTRA are well positioned to take advantage of these trends, especially if the current packaging and sales strategy is given the necessary time and industry support to succeed.

I'm delighted, and frankly proud, to be a new member of Tim and D. G.'s team. As I was weighing the decision to leave the corporate world and looking at the NTRA and horseracing, I looked

Chip Campbell: We've asked Jim this morning to shed some light on what sponsors can mean to a property like the Final Four or the Breeders' Cup and what we can do together over the next 27 years to bring these winning relationships to Thoroughbred racing.

Ladies and gentlemen, Jim Host.

ANALYSIS

Jim Host: Thank you, Chip.

Mr. Chairman and distinguished Members of The Jockey Club, I've got a couple of editorial comments I want to make before I start.

First of all, I would not be here today unless it were for one person in this audience who's a Member of The Jockey Club who, in my opinion, is the finest human being I've ever been around in my life and that's Mack Robinson. Mack, I just want you to know how I feel about you. I've said it privately and I'm saying it publicly.

Second, I have worked with all the leagues. I have worked with virtually all the amateur sports bodies in the country and I have never worked with a bet-

at the upside potential and building blocks I've just discussed. I also looked at the resources available and, specifically, at the involvement and enthusiasm of Jim Host and the overall commitment of his company, Host Communications.

Jim's credentials - and those of his firm - are world-class. It's unheard of in our business to have a single client stay with an agency for, say, five or 10 years. At the end of the current contract, the NCAA and the Final Four will have been with Host Communications for 27 years ... and that contract has just been renewed for another 11 years. Unprecedented.

ter staff and a better leadership than with Tim Smith, D. G. Van Clief and the staff. And I want you to know how good they are.

Everything in sports that's worthwhile must have a beginning and an end and that's why the Breeders' Cup races are the World Thoroughbred Championships. The amount of revenue committed by sponsors to be a partner must be expanded however by their association with the sport. And an example is Pizza Hut and their promotion of NCAA basketball.

[VIDEO]

Pizza Hut became the largest seller of

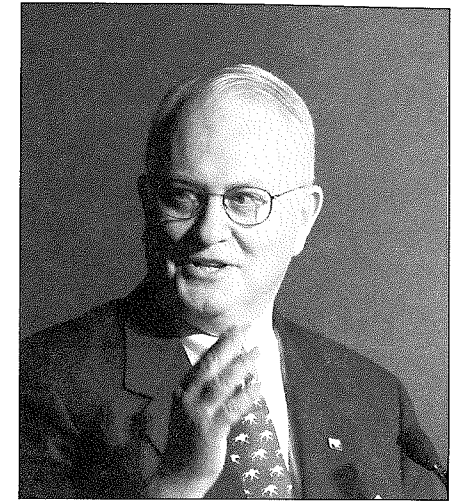
basketballs ever in the world! Now let me tell you the other part of this — and this is the business part you need to understand. They bought these balls for \$2.19; they sell in retail for \$10.99; and they sold them for \$3.99 with a \$10 order of pizza. So this became a self-liquidator.

This provided extra cash to help them buy television to promote the NCAA and basketballs ... and Pizza Hut was then owned by Pepsi and that caused Pepsi to have the best quarter earnings that they had had for five years previous to that time. Now Pepsi was happy. Pizza Hut was happy. And the NCAA was happy because four million basketballs were in thousands of households with the NCAA brand on them.

Another example is Gillette's \$1 Million Shot. This was the first of its kind when it was done and note the number of those kinds of promotions now. The first time that Gillette did this promotion they did a free-standing insert in Sunday sections of newspapers and they got a 50-to-1 return on dollars invested.

So in addition to selling it doesn't stop with selling the corporate partner. It just begins because our job is then to take promotional ideas to NTRA part-

Ogden Mills Phipps: Thank you Jim. I call him infectious. He's terrific.



Jim Host

ners to help them get a return on their investment by moving product and/or sales and/or contracts.

With the World Thoroughbred Championships I am convinced that we will be successful in this era of promoting and building the sport of Thoroughbred racing. Keep in mind you've got 50 million consumers. College football has 39 million and college basketball has many less.

I love this sport and I'm glad to be involved.

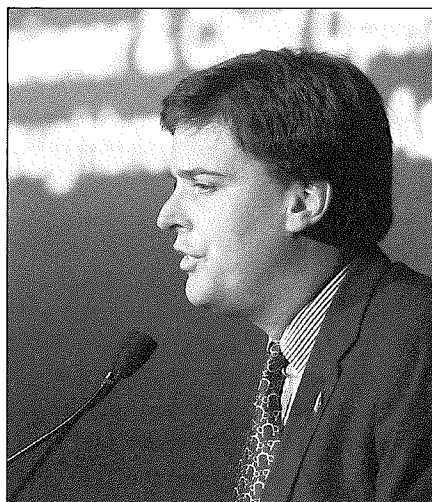
Thank you.

Ogden Mills Phipps: Racing enjoyed an important victory last year, when the NTRA successfully threw its resources, along with the American Horse Council, to secure federal legislation which removed the cloud of threatened illegality of our simulcasting activities.

But many inequities still exist in the way our business is regulated and taxed. In effect, we're not allowed to compete on a level playing field.

Here to introduce our next topic is NTRA deputy commissioner, Greg Avioli.

INTRODUCTION



Greg Avioli

Greg Avioli: Thank you Mr. Chairman. Good morning ladies and gentlemen.

At last year's Round Table, we described the dangerous situation the industry faced with the Justice Department's attacks on interstate simulcasting. Along with Bob McNair, we also previewed the work of the NTRA in an important new area — economic deregulation of the industry.

I am pleased to report that we've made substantial progress on both these fronts over the last 12 months. As Dinny mentioned, an NTRA-led effort was suc-

cessful in passing an amendment to the Interstate Horseracing Act, which addressed the concerns of the Justice Department and cleared the way for the continued growth of the industry by authorizing wagering over the Internet where allowed by state law.

I want to emphasize that point as we sit here today. As a result of this law, racing is the only sport in America where you can legally wager over the Internet.

Just this week, California governor Gray Davis cited this change in the Interstate Horseracing Act as the main basis for signing a new law authorizing account wagering and Internet wagering by residents of California.

The McNair Task Force on Economic Deregulation also completed its work last fall concluding that excessive and outdated regulation has hampered the industry's ability to compete.

As a reminder, funding for the NTRA's work in the legislative and regulatory areas is provided through the one-quarter per cent voluntary contributions from buyers at public auctions. Last year that program generated over \$600,000. This year with the support of many people here today, we expect it will generate over \$800,000.

We are pleased to have with us today

Lou Guth, who was the primary author of the McNair Task Force report and is a nationally recognized expert in the area of economic deregulation. Mr. Guth's previous work includes deregulation in the securities, airline and natural gas industries as well as working as an economic advisor for Major League Baseball.

Lou will discuss our new initiative, "Tax Revenue, Not Handle." Unlike other businesses, racetracks are currently taxed on their gross revenues and not on their income. As Lou will explain,

this limits a track's abilities to price and market its product and ultimately hurts the racing fan.

With today's presentation, the NTRA is kicking off a new program to change the way racing is taxed in America today. We're beginning with four to six target states and working with expert consultants including Mike Shagan, who's here today and was very helpful in the entire process of the McNair Task Force. We have begun drafting model legislation and preparing a grass roots political campaign to achieve that result.

Greg Avioli: Now to tell you more about this important area, Lou Guth.

ANALYSIS

Lou Guth: Thanks Greg and good morning.

The McNair Task Force report highlights three general conclusions. The first is that Thoroughbred racing today is about the most extensively regulated industry remaining in the U.S. It's very difficult to think of any other industry in the U.S. today that is the subject of such extensive economic regulation. Moreover, the rationale for all of that economic regulation no longer applies.

So the second conclusion is that it's time to deregulate the industry. Now while you look at the points on why deregulation would be helpful, let me stress that we're not talking about sunsetting of the economic regulators. Regulators with economic competition in place can focus on safety and integrity.

In that connection I think you should think of the wagering portion of this industry, for these purposes at least, as something very much akin to the financial markets. The SEC oversees safety and integrity of those markets and

partly as a result, the U.S. financial markets are the finest and the most active in the world.

Regulation of safety and integrity in Thoroughbred racing will provide the same result for the economic activity of this industry. So the question then is how do we get from the economic regulation we have to economic competition?

The third conclusion of the study identifies five key steps in the transition to economic competition. Now at this point, the Task Force and the NTRA said, "This looks fine. We are convinced that economic competition is the way to go. How do we start the process? What item is the most actionable?"

And my answer was the last item. That is, tax revenue, not handle. And here's why.

We need to start with a little basic economics of Thoroughbred racing. Total handle, of course, is the overall money bet and it breaks out into two principle pieces: what is paid out to the winning bettors - the payout - and what



Lou Guth

is retained by the track - the takeout. Takeout is the track's principle revenue and it's used to pay expenses and overheads. It's used for purses. And it's used for state taxes and hopefully what remains is profit.

From the bettor's perspective, takeout is the price of the bet. That is, if the takeout is say, 18 per cent, it means the price of a \$2 bet is 36 cents.

Today almost all states tax pari-mutuel handle and not takeout, or tax revenue. Or looked at from the bettor's perspective, the bettor is paying a tax not on the price of the bet but on the bet itself. The result is that taxing handle creates a drag on competitive pricing and marketing.

First there's a disincentive for tracks to price competitively. Whatever the tax rate on handle may be, as takeout on price falls the tax rate goes up, and pretty dramatically so. That's a powerful disincentive generally for the tracks to price competitively, but think about what it does to marketing innovation which is really the heart of competing to attract customers.

For example, suppose there were an

initiative to increase attendance and handle on light days by, say, having half price Wednesdays. That kind of program would run head-on into monstrously high tax rates.

Now there's nothing new about taxing revenues, or the price, of consumer-oriented businesses. States do it all the time. They call it a sales tax. So what we are saying here is tax racetracks as any other typical business is taxed. And that means first, tax revenues and not the handle. And secondly, make the tax revenues comparable to the actual cost to the state regulating safety and integrity but certainly, make them no higher than the sales tax rates on comparable consumer businesses.

That's not an idle point. On this slide I've compared the state tax rates for sales taxes in the major cities in California, Florida and Kentucky with the effective tax rate on the state's respective racetracks. In each case, the current effective tax rate on Thoroughbred racing is higher, and in some cases substantially higher, than the sales tax. And that's true even in California after recent major tax reform.

So we're talking about a small change but a world of difference and here's why. Taxing takeout is good policy and good business for at least two reasons.

First, it promotes the interest of everyone involved in Thoroughbred racing, including the state's role as regulator of safety and integrity.

And second, it's a necessary precursor to economic competition.

Taxing takeout means everybody wins. The racetracks win in their ability to compete. Consumers win as a result. Horsemen win because more revenues mean larger purses. And even the state wins, in particular, because the local economy benefits as racetrack economics improve.

Taxing takeout also gives the industry a leg up in meeting the competitive challenges of tomorrow. Today's technology demands commingled pools and tomorrow's technology will do so even more.

Taxing racetrack revenue rather than handle means racetracks would have a

clear incentive to participate in all forms of distribution of Thoroughbred racing. Consumers will win by getting the full benefit of competition — more choices provided by a Thoroughbred industry that wants and is fully willing to compete for their business.

Thanks very much.

SUMMARY AND CONCLUDING COMMENTS

Tim Smith: Just to reiterate what Greg Avioli said and to philosophize a little bit, a topic like that is not just in the telling; it's in the doing. So what's needed to follow up on that quite clear and compelling economic analysis is, frankly, a series of political campaigns.

Legislation, in this case state by state, will be needed.

We don't have the expertise or the resources or really the authority to operate politically in particular states other than with the consensus of the industry.

So what is being launched today is the NTRA's willingness to partner and we have four or five states, I think, eagerly waiting in line to partner with a grassroots initiative: communications, politics, probably even polling to try to get first, targeted states, and then the whole country to change the way they tax racetrack operations. And if the improvements that Lou Guth just outlined occur, then it will flow right to purse accounts and the overall economic health of the industry.

NTRA will be a catalyst. We will use some of those resources. In fact, we're going to expand the amount of the quarter of a point sales contribution to go from the buyers' side, which Greg Avioli described, to both the buyer and consignor side.

All those funds raised will go into increased political and legislative activities.

The federal priorities you saw earlier and now on this campaign starting in targeted states to change racetrack taxation.

To sum up our part, thanks again for having us and for so many in this room, for your personal support and for the support from organizations that you represent to the NTRA over the last three years.

Believe me, we've often needed it.

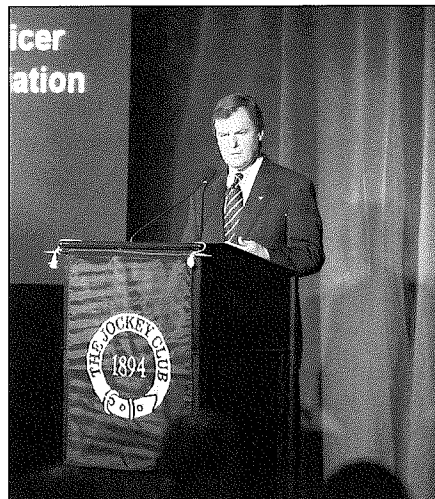
Starting a new national office for horseracing that requires by definition cooperation among diverse and sometimes competitive interests has not always been easy but we clearly are making progress toward the goal of a viable league office for horseracing and a viable national trade association for the industry.

Along with progress as a theme of this morning's presentation, I hope you detected one other theme and word and that is focus.

Just as this year's Round Table focused on a short list of substantive issues that can make a difference to the industry's future success, we've learned at the NTRA in our short life the value of focus.

The new business plan that I mentioned earlier is highly focused.

I also pledge to you that the NTRA, in cooperation with the broadest possible set of industry allies, will continue to focus and follow through on the issues raised here this morning.



Tim Smith

Both drug testing itself and the public's understanding of medication rules and procedures must be improved.

We can and will enable the industry and the sport to compete more effectively for national corporate sponsors.

We will help lead and fund this new national campaign to treat our industry

more fairly by taxing net revenue, not gross handle, like any other business seeking to innovate to win customers and ultimately to survive.

So progress is being made.

Continued focus and determination are needed.

Industry cooperation on matters of common interest remains absolutely critical even while competition and occasional disharmony will inevitably persist in other areas.

As D.G. said earlier, we believe more strongly each month that we've just scratched the surface of what is possible to accomplish together, whether in marketing our game, or pursuing shared legislative interests or in otherwise improving economic conditions of the industry.

At any rate, with your help, we'll keep spreading the word and seeking other progress through focus, persistence and increased industry cooperation.

All of these things are needed; so, believe me, are each of you.

Thanks very much.

CLOSING REMARKS

Ogden Mills Phipps: Thank you, Tim.

I think we've heard a lot of really positive things here this morning . . . perhaps more so than at any Round Table of recent years.

Progress has been made. But each of the presentations promise an even quicker pace to that progress. And, above all, every one of the programs and initiatives we've heard outlined today are doable.

The benefits of the NTRA - Breeders' Cup consolidation are already being felt. There is a new strength and unity of purpose which can achieve increased recognition and participation in our sport by potential sponsors and the general public at large.

We've seen what can be done with consolidated political action. Now we have a properly funded, workable program to build on that experience. And we have a program which can influence change in the way our industry is taxed.

Each step of the Drug Testing five-point program is practical and achievable, and can dispel once and for all the long-held public suspicion about how cleanly — or not — our horses run. We

must band together and go forward with the most progressive drug testing program in performance sport.

Last, but by no means least, The Jockey Club technology project is soundly structured and based on proven experience and expertise. It can revolutionize the way the industry operates, and implement 21st century business practices already being adopted by our entertainment competitors.

So I'm genuinely encouraged by what we've heard this morning.

But we cannot afford to be complacent. We cannot return to old ways of negative thinking, of gathering together once a year — here, or at any other racing organization conference — nodding our heads in agreement, then going home and doing nothing or, worse still, going back to our parochial, self-interested way of thinking.

There is a lot to do. Each and every one of us has a role to play and a responsibility to assume. We're on the move. We must keep moving forward.

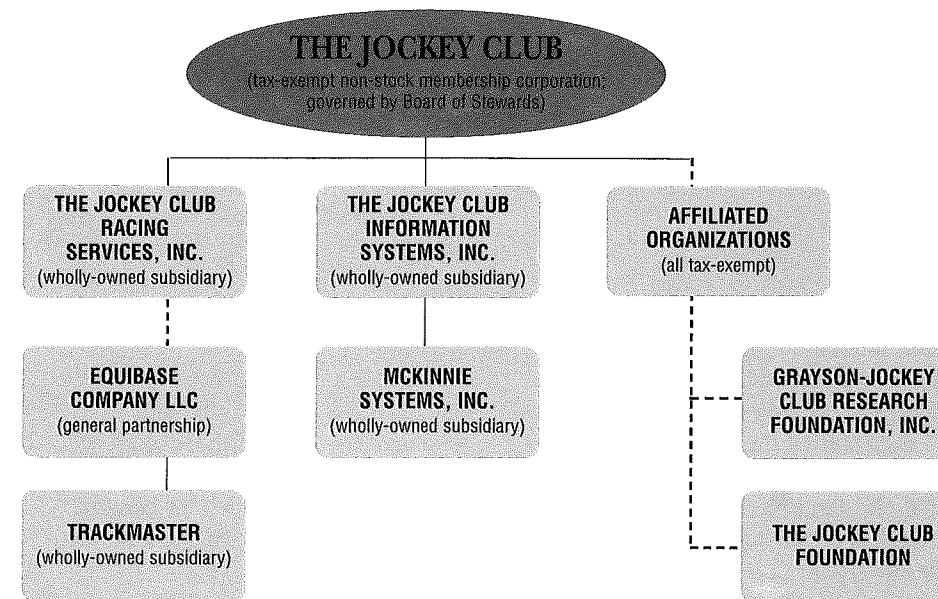
Thank you very much for coming. We look forward to seeing you at next year's Round Table.

105th Annual Report of
THE JOCKEY CLUB
 & Related Organizations

THE JOCKEY CLUB

For more than a century The Jockey Club has pursued its goal as an organization dedicated to the improvement of Thoroughbred racing and breeding, earning recognition as an industry leader through its competence and, in recent years, technological expertise.

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 North America. <http://home.jockeyclub.com>

2001 FOAL CROP REGISTERED USING DNA

The Jockey Club's commitment to use new technologies to improve the efficiency and cost effectiveness of Thoroughbred registration is no more

clearly evident than in the ongoing conversion from blood-typing to DNA-typing for parentage verification, beginning with this year's foal crop.

Not only does the switch to DNA enhance efficacy of parentage verification to more than 99.9 per cent, but the process of pulling a mane hair root sample is easier and less costly for breeders who no longer need to employ the services of a veterinarian to draw blood. The vast majority of sires have been DNA typed as have more than two-thirds of the

mares listed as the dam of a live foal on a 2001 Live Foal Report.

DNA is not the only technology changing the face of registration. More than 10,000 owners and breeders utilize the convenience of the Internet to complete the requirements for foal registration and naming using *Jockey Club Interactive™*. Year-to-date, more than 21,000 Live Foal/No Foal Reports and 12,500 name claims have been received electronically, respective increases of more than 27 and 31 per cent over comparable 2000 figures.

The service has undergone several enhancements in the past year, including the ability to nominate foals to the Breeders' Cup while simultaneously completing the Live Foal Report or Foal Registration Application; and the ability to process digital photos, allowing owners and breeders to complete the entire registration process, except for genetic typing, through the convenience of their computer.

Jockey Club Interactive™ is also being used by official horse identifiers to download and print programs which list the markings for every horse in post position order on a race-by-race basis for racetrack identifiers and on a barn- and consignor-specific basis for auction sales identifiers. These timesaving programs were developed in association with Equibase Company, McKinnie Systems and The Jockey Club Information Systems, Inc.

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.tjcis.com

GLOBAL DATABASE GOES SOUTHERN HEMISPHERE

As an established industry leader in the provision of technology and information services, demonstrated again by the development of *equineline.com* (profiled on page 36), The Jockey Club Information Systems, Inc. (TJCIS) effectively serves all segments of the breeding and sales community through its three divisions - Information Services, Cataloguing and Software Sales and Consulting.

An important area of growth in Information Services has been the organization's expanding relationship with the American Quarter Horse Association. The *equineline®* individual report service for American Quarter Horses, launched in 2000, has been augmented with mare produce records in addition to the detailed race records and catalogue style pedigrees already available.

Meanwhile international data content for *equineline®* individual reports and *equineline.com* has undergone significant expansion as well with detailed racing and breeding information from Australia and Argentina added to the global database earlier this year. The addition of Southern Hemisphere information provides customers with even more comprehensive catalogue style pedigrees and race records as well as a more accurate account of the racing performance of the progeny of shuttle stallions.

The Cataloguing Division continues to maintain high service standards in support of consistent increases in auction sales entries. The Division wrote more than 27,000 catalogue pages for client sales last year and will be writing catalogue pages in support of the new Keeneland October yearling sale beginning this year.

The Software Sales and Consulting Division has re-written the popular Farm Management Software to allow farms to

extract breeding and foaling information from the system and send it electronically to *equineline.com* to update owners' horse portfolios. The Division has also developed web sites for the National Racing Compact and the Texas Horsemen's Partnership.

equineline.com

equineline.com was launched by The Jockey Club Information Systems, Inc. in December, 2000 as an Internet-based equine portfolio service for owners, breeders and trainers. www.equineline.com

SCOPE OF *equineline.com* EXPANDS GREATLY

Since its launch last December, *equineline.com* has undergone a significant expansion of information and services offered through the site, enhancing its value both as a gateway to the Thoroughbred industry and a state-of-the-art portfolio service for those wanting to incorporate the emerging digital economy into the daily management of their equine interests.

The service acts as an aggregator, searching out and delivering real-time information on each horse in a subscriber's portfolio so that no matter when or where someone accesses their account, they are always looking at the most current information. Among the information updates are automated notification of entries, results and workouts for horses in training and progeny of broodmares; immediate update of broodmare produce records; real-time nicking reports; and customized sire entry and result scanning.

The service also features a secure messaging system that facilitates communication between owners, trainers and farm personnel; the ability to add color photos to the catalogue style pedigree of each

horse in a portfolio; and revenue and expense tracking.

equineline.com also demonstrates the natural synergies between The Jockey Club family of companies. Not only are the racing and breeding updates provided by Equibase and TJCIS respectively, but *equineline.com* also features an Interactive Condition Book developed by McKinnie Systems which lets subscribers search for specific race conditions at any number of tracks. Meanwhile, a universal ID allows subscribers convenient access not only to *equineline.com*, but also to the *equineline*® individual report service for pedigree and performance information and to *Jockey Club Interactive*™ to complete virtually all registration-related functions.

The potential market for *equineline.com* greatly expanded in May following the launch of a portfolio service for American Quarter Horses. A special feature allows subscribers who breed and race American Quarter Horses and Thoroughbreds to include both breeds in their portfolio and receive the most thorough, timely and accurate updates on each.

McKinnie Systems, Inc.

The Jockey Club, through one of its subsidiaries, purchased a majority interest in pioneer racetrack computer systems developer McKinnie Systems, Inc. and its Track Manager® product line in 1994, and acquired the remaining shares in 1997. McKinnie purchased New Jersey-based TSNS, Inc. in 1999

www.mckinnie.com

IMPLEMENTING CONTINUOUS IMPROVEMENT

As the software system vendor to more than 75 per cent of the racing offices in North America, McKinnie

Systems, Inc. continues to produce market growth in all product areas.

In the simulcast racing systems market, McKinnie's Internet-based Simo-Central, located at www.simo-central.com, is providing tracks, simulcast outlets and authorized print shops the ability to print professional simulcast program pages in up to ten different formats from all available tracks. With 84 per cent of handle being generated off track, the convenience of this service is critical to the success of its customers and the continued growth of pari-mutuel wagering continent-wide.

McKinnie has also made inroads into the Caribbean market with the installation of racing office and horsemen's bookkeeper products at El Commandante in Puerto Rico. The modified software generates formatted programs in either English or Spanish, creating potential opportunities to expand the use of this software throughout the Caribbean basin.

The company is also hosting a centralized horsemen's bookkeeper system in Lexington for the Texas Horsemen's Partnership, offering secure 24 hour by 7 day view-only access to individual account information over the Internet.

Equibase Company LLC

Equibase Company is a partnership between the TRA and The Jockey Club founded in 1990 to provide the Thoroughbred racetracks of North America with a uniform, industry-owned database of racing information and statistics. That goal was achieved in 1998 when Equibase became the industry's sole data collection agency and provider of racing data to the Daily Racing Form.

www.equibase.com

ENHANCEMENTS HELP SERVE INDUSTRY

As the Official database for racing information and statistics, Equibase Company LLC continues to embrace initiatives that help the organization serve and support its partner tracks, racing fans throughout the world and the Thoroughbred industry at large.

The Company continues to be a leading information provider in the interactive market through its web site, *equibase.com*, which provides one-click access to a full range of handicapping products and up-to-the minute racing information.

Popular enhancements such as Carryover Corner™, Backstretch Buzz™, a Results Ticker™ that provides real-time race results, and a variety of new and upgraded handicapping products have resulted in steadily increasing levels of traffic on the popular site. On a daily basis, the web site has more than 35,000 unique visitors and well over a half million page views. This represents year-over-year increases of 46 per cent in visitors, and of 106 per cent in page views.

The Equibase/TrackMaster Virtual Stable™, a free service which notifies users via e-mail when designated horses for the three major breeds are entered to race, has also been expanded to incorporate overnight entries, workout and result notifications, as well as the ability to purchase programs and past performances directly via an active link within the notification.

Equibase continues to utilize technology to develop more efficient and effective back-office systems that benefit fans, partner racetracks and the racing industry in general. One example is the eBase™ field collection system, a software program that allows chartcallers to interface directly with the central production database in real-time. Equibase also used the eBase™

system to develop a new camera-ready "media chart," available at all tracks, to accommodate media representatives filing stories on tight deadlines.

Equibase serves as the Official supplier of Thoroughbred racing information and statistics to the National Thoroughbred Racing Association (NTRA), TVG, Youbet.com, ESPN.com, the Associated Press and other value-added data resellers.

In 2000, Equibase Company declared dividends totaling \$1.65 million to its partners - Equibase Holding Partners LP and The Jockey Club Racing Services.

TrackMaster

Founded in 1989, TrackMaster became the first electronic distributor to sell handicapping products using Equibase® data in 1993. Equibase acquired TrackMaster in July, 2000.

www.trackmaster.com

TRACKMASTER ADVANTAGE INTRODUCED

As the only company to provide a line of handicapping products for all three major racing breeds - Thoroughbred, American Quarter Horse and Standardbred TrackMaster furnishes the highest quality information to handicappers of every skill level.

Further strengthening its ability to serve the needs of its diverse constituency, many of whom are part of the growing home-based wagering movement, the company has introduced TrackMaster Advantage, a series of new product introductions and upgrades, unlimited access pricing and improved Internet downloading.

The company continues to work with major interactive wagering services to provide their customers access to unique handicapping information on the different racing breeds. In April, TVG-branded

editions of TrackMaster Harness racing products debuted on TVG's web site. Available by broadcast schedule or by track, the past performance products facilitate the acquisition of handicapping information necessary to wager on a significant portion of the network's prime time viewing schedule.

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.

<http://home.jockeyclub.com/grayson.html>

\$7 MILLION SINCE THE MERGER

With the allocation of more than \$700,000 for grants in 2001, the total which the Grayson-Jockey Club Research Foundation has provided since the merger in 1989 will reach \$7 million, well over half of the funding in the entire 61-year history of the Foundation.

In addition to the scheduled slate of projects, the Foundation has responded to the mare reproductive foal loss emergency of the current year, supporting efforts by several scientists to determine exact cause(s) of the foal losses. The Foundation recognizes that this will affect the foal crops of many states next year.

The Foundation solicited projects to evaluate the analgesic properties of Extracorporeal Shock Wave Therapy and the Research Advisory Committee selected a proposal from Iowa State University.

Other projects currently being funded include work at Colorado State University which seeks to refine use of serum markers to flag pending bone and joint damage in time to avoid major injury; understanding how the suspensory apparatus might link to condylar fracture; how diet influences existence of gastric ulcers; and

use of new DNA technology to develop vaccines.

Contributions in support of the Foundation may be addressed to:
Grayson-Jockey Club Research Foundation, Inc.
821 Corporate Drive,
Lexington, KY 40503-2794

The Jockey Club Foundation

Established in 1943 to provide assistance to needy individuals and their families involved in the Thoroughbred industry.

<http://home.jockeyclub.com/tjcf.html>

\$900,000 DISBURSED AMONG RACING'S NEEDY

Grants from The Jockey Club Foundation reached an unprecedented \$900,000 in 2000.

Approximately half of that total went to help meet the daily living expenses of monthly assistance program recipients. These include retired industry employ-

ees, terminally ill racing personnel and jockeys and exercise riders paralyzed in riding accidents.

Individual grants for medical and funeral expenses were also made, as were grants and lump sum distributions to other benevolent industry organizations, including various Chaplaincy Programs, the Disabled Jockeys' Fund and the Thoroughbred Horsemen's Health and Retirement Fund.

In addition, the Foundation continued its support as a founding patron of the ARCI Winners Federation Program with a \$5,000 grant. This program offers drug and alcohol abuse counseling and referral services within the industry.

Distributions from the Cavanagh Trust amounted to \$74,000 and included a gift to the University of Arizona Race Track Industry Program.

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

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