



**FORTY-SEVENTH ANNUAL
ROUND TABLE CONFERENCE**

On Matters Pertaining to Racing

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

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

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The complete transcription of the 1999 Round Table Conference as published in this book is also accessible on the Internet where it may be downloaded in sections or in its entirety.

www.jockeyclub.com

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Mrs. William Backer
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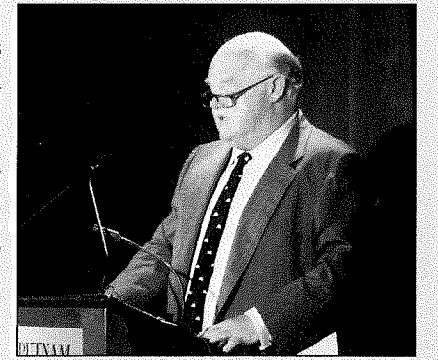
WELCOME BY OGDEN MILLS PHIPPS

Ogden Mills Phipps: Good morning ladies and gentlemen and welcome to our 47th Round Table Conference.

In my opening comments last year, I suggested that we were gathering in a new and refreshing air of optimism. I believe that optimism has since been justified.

If we were to characterize our status today, it would be with the word "progress." There has been progress on many fronts during the last twelve months. And progress reports form the major part of this year's program.

We've got a lot of ground to cover. So let's move straight away to the Report on the Activities of The Jockey Club, by vice chairman, Will Farish.



Ogden Mills Phipps

ACTIVITIES OF THE JOCKEY CLUB IN 1999

William S. Farish: Good morning.

During the past year, The Jockey Club has continued to devote a large amount of its time in support of the NTRA, the most visible development of which has been the organizing and funding of NTRA Investments LLC, with our partners Breeders' Cup, Keeneland and the Oak Tree Racing Association.

You will be hearing more about the objectives and progress of this venture later in the program.

The details and progress of our core businesses are discussed in the leaflet in your package in front of you, but I'd like to deal briefly with two particular areas.

The Internet and e-commerce have become the buzz words of this era, and quietly The Jockey Club has been at the forefront in putting the Internet to service for the industry.

Thousands of owners and breeders are now using our Jockey Club Interactive software to complete many of their foal registration requirements via the Internet. Some 8,000 name claims have been submitted so

far this year using Interactive Registration software; nearly 14,000 Live Foal/No Foal Reports have been filed through the Internet; as have breeding season results relating to more than 20,000 mares.

The Jockey Club Information Systems are using the Internet to help owners and breeders on several levels.

Its Farm Management software, used by leading farms worldwide, interfaces with Jockey Club Interactive for automatic filing of stallion reports.

Equine Line, the on-line information service has, in fact, been in e-commerce from the beginning . . . although it wasn't called that in those days. Now, Equine Line 2000 has moved the service to the Internet, offering easy, cash-and-carry access to Thoroughbred breeding and sales information worldwide.

Then there's Equibase, which first put racing on the Internet more than four years ago. In its dedication to improving the distribution and accessibility of racing information, the Company is about to take another major step.

William S. Farish: To tell us more about this is Equibase chairman, Alan Marzelli . . .

RELAUNCH OF EQUIBASE.COM

Alan Marzelli: Thank you, Will. Your comment about Equibase blazing a path for racing on the World Wide Web is well taken.

Four years ago, Equibase launched one of the first web sites dedicated solely to the sport of Thoroughbred racing. The site included entries and results for our member racetracks, and on a good day we could expect 20,000 hits on our server.

Today, posting up-to-the-minute entries, workouts, late changes, summary results and full result charts we average more than 400,000 hits every day, 365 days a year. That traffic translates into more than 5 million page views every month - impressive volumes for a special purpose, content-driven web site.

Many of you will remember last year's Round Table, when we unveiled our fan friendly race pages, containing easy-to-read charts and statistics for each race. Racetracks across the country have adopted the concept, including here at

Saratoga, which becomes the tenth track to publish Equibase fan friendly pages in their official track program. The product has been popular with fans at the track providing valuable information to our more sophisticated players while at the same time educating casual fans how to play our game.

However, its greatest potential is for the much broader market of new fans who haven't been to the track and whose knowledge of the sport comes from watching television or surfing the net.

Reaching these new fans is one of the driving forces behind our decision to relaunch *equibase.com*, which debuts this Friday in a totally new format, with full e-commerce capability, enabling us to deliver fanfriendly race pages for all North American races direct to consumers.

This is what Internet users are going to find on the new *equibase.com* home page (fig. i) ... a completely new, clean look ...

leaving racing fans just one click away from comprehensive and up-to-the-minute information about racing throughout North America.

On this page, racing fans can continue to get free information such as entries, results and workouts, plus new information ... also free ... like fully indexed, nationwide "In Today" lists.

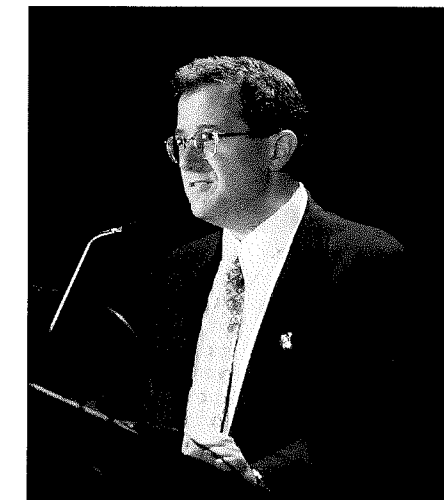
Finally, fan friendly race pages ... like the example shown here (fig. ii) ...

... along with other premium products ... can be purchased, viewed and then printed direct from the site.

Returning to our racing information page, let me draw your attention to the banner advertisement at the top of the page. The more than 5 million impressions per month that I spoke about have made *equibase.com* an attractive site for advertisers seeking to reach our market with their message.

To take advantage of that opportunity, we have contracted with Adsmart, one of the national leaders in the new field of cyber advertising, as our sales representative. The result of this new strategic alliance is that our partner tracks will benefit not only by the worldwide distribution of their pre- and post race information, but also from the revenue that will be generated through the placement of advertisements within our site.

And speaking of strategic alliances, I would like to recall last year's historic license agreement with the *Daily Racing Form* and the opportunities for



Alan Marzelli

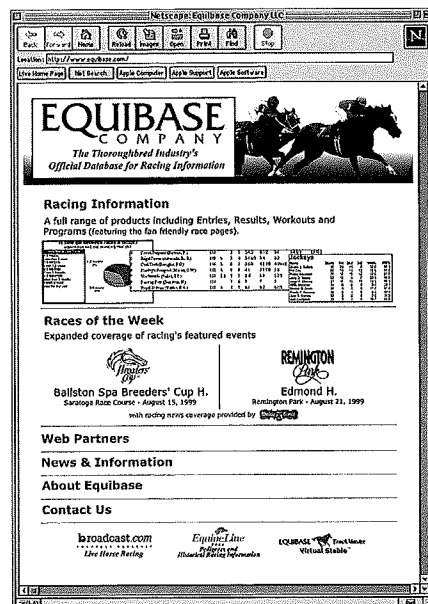
cross-promotion that it provided both organizations.

In that regard, I am pleased to announce that *Daily Racing Form* will become the exclusive advertiser of handicapping products on our site and will provide editorial comment for the featured races of the week highlighted on the *equibase.com* home page.

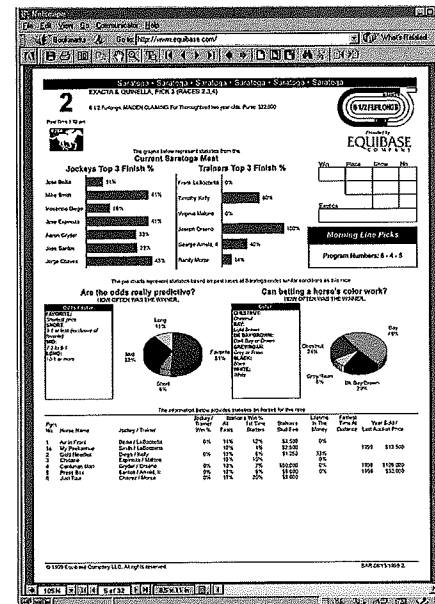
At Equibase we believe that the fan friendly race pages serve as the perfect complement to the *Daily Racing Form*, and the two products will be positioned as such in the electronic marketplace.

We also believe that the relaunch of *equibase.com* positions us, and our partner racetracks, to take full advantage of the opportunities that will arise as this emerging marketplace develops.

Thank you.



(fig. i)



(fig. ii)

William S. Farish: Thank you, Alan.

As you can see, The Jockey Club, and its subsidiaries and affiliates, is already truly an e-business, offering tangible benefits to the Thoroughbred industry through the use of this newest media format. Fortunately I am assured we are Y2K compliant. I certainly hope so.

Later in the program you will hear a detailed discussion of racing's integrity as it relates to the inequities of our national drug testing procedures.

To be sure, we are not alone in this problem. Drug abuse is the plague of every sport and, indeed, of every element of our society.

In the world of cycling, for example, following the scandals of 1998, riders in this year's Tour de France were subjected to more blood and urine tests than ever before in history . . .

NPR Audio:

Tom Goldman: At the end, the Tour proudly announced there were no positive drug tests. But even the head of cycling's International Federation, Hein Verbruggen, is unable to declare total victory. Do the results that you announced to the world last week indicate to you beyond a shadow of a doubt there was no doping in the Tour de France this year?

Verbruggen: As far as we have methods to detect it directly via urine controls . . . Yes. Indirectly, via health controls . . . Yes.

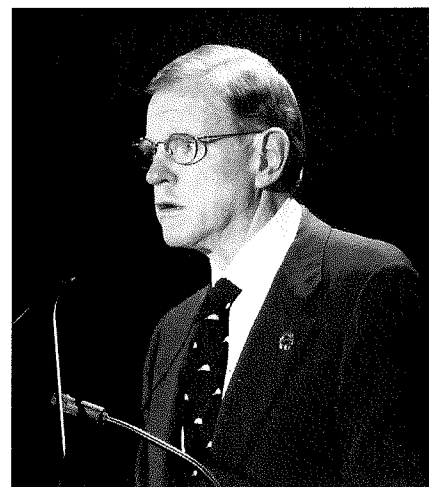
But, you know, there are still certain products that are undetectable.

Does this sound familiar?

Solutions are not simple. But it is time for us to get aggressive about the integrity of our sport.

You will hear this morning a series of initiatives designed to help achieve new standards.

Most importantly, they include the development of a really extensive drug



William S. Farish

test - the sort of test that many other countries have in place . . . the sort of test which costs a lot more money than the normal tests we now know . . . but which, initially, will be offered to every state for every graded race in this country.

The industry has paid lip service to this problem since the McKinsey Report. But now something tangible is being done about it.

The national drug testing program proposed by the NTRA Task Force will need funding.

But even more important, it will need support . . . cooperation . . . and the universal realization that, if we do not take aggressive action, this sort of magazine cover will feature horse racing . . . (Newsweek/ "Drugs & Sports" slide) and we will have little or no defense against it.

In closing I would be remiss in not thanking the sales companies for implementing, and the buyers for supporting, the one percent buyers premium which was suggested here last summer to help fund the NTRA in the early stages.

It is a small price to pay for the benefit the industry is deriving from a strong well financed central office.

Thank you.

Ogden Mills Phipps: Thank you, Will. I'd like to make a couple of points.

We are sometimes portrayed as an industry which talks endlessly in committee about our problems, but never does anything about them. The progress of the Integrity and Drug Testing Task Force proves otherwise.

Last year at this Conference, the problems were discussed and the Task Force formed. The Task Force has developed some major recommendations and programs.

Secondly, I must express gratitude to my co-chairman of the group, Dee Hubbard, and to all the members of the Task Force who have volunteered so many hours of their time, looking for workable solutions to our problems.

One of these members is our Jockey Club Steward, Don Dizney, who I now call upon to give us an update.

Don . . .

NTRA TASK FORCE ON RACING INTEGRITY & DRUG TESTING STANDARDS

Donald R. Dizney: As the Chairman said, the formation of the NTRA Task Force on Racing Integrity and Drug Testing was announced here at this meeting last year, after three of our industry's leading experts in the areas of Equine Drug Treatment, Rules and Enforcement, gave presentations that challenged the industry to improve the quality of racing's drug testing.

[VIDEO BEGINS]

Edward S. Bonnie: Drug testing properly designed and properly executed can provide a level playing field and a sport which we can prove is run at the highest degree of integrity.

Thomas F. Lomangino, Jr.: Some organization needs to take a strong hold on this issue and save the waste of money, time and effort.

Gary Lavin, VMD: Fact is, horse racing wants to do a good job of testing for unwanted substances. Facts are, horse racing can do a better job.

Tim Smith: This area is not the responsibility of one organization or one region or one segment of the industry. It is the job and duty of all those in the industry and all those who truly care about the game. To this



Donald R. Dizney

end, the NTRA is announcing today the formation of a task force on racing integrity and drug testing standards. The task force will be co-chaired by Ogden Mills Phipps and R.D. Hubbard.

[VIDEO ENDS]

Shortly after that announcement I was pleased to serve on the Task Force with Ned Bonnie, Alan Foreman, Gary Lavin, Ken Maddy, Paul Oreffice, and Bill Walmsley.

We immediately received an enormous boost when the NTA Board of Directors voted to contribute all remaining funds at the time of their merger with the TOBA. This amount was more than \$300,000. The Task Force and our industry appreciate the recognition of our goals.

Early in our deliberations, we came to the conclusion that outside scientific advice would be necessary. We asked Paul Orefice - recently retired Chairman of the Board of Dow Chemical Company - to make a recommendation of a scientific advisor to our Task Force. Paul identified and interviewed a number of candidates and recommended to the Task Force Dr. Mel Koch - who was the Worldwide Director of Analytical Chemistry for Dow Chemical Company.

Dr. Koch has been a great assistance to our Task Force. One of his first suggestions was that he would prefer to have a scientific advisory committee so that he could call upon specific expertise and our industry would have the advantage of this diversity of knowledge. A Scientific Advisory Committee was appointed. In addition to these outside industry advisors, representatives of both sides of Equine Chemists have also supported and advised the Task Force.

The Committee, with the assistance and support of equine chemist representatives, prepared a report to the Task Force entitled, "Equine Drug Testing: An Assessment of Current Practices and Recommendations for Improvements."

This report is not as detailed as the McKinsey Report, but reinforced many of the original McKinsey recommendations, as well as updated others.

The report recognizes and highlights the reality that additional funding is necessary.

We have already made enormous

progress in that area. Just yesterday recognizing the importance of this project, the Board of Directors of the Grayson-Jockey Club Research Foundation voted to help fund improved drug testing and research.

The Oak Tree Racing Foundation, the Thoroughbred Owners of California and the Florida Thoroughbred Breeders and Owners have expressed a willingness to help financially. I am quite certain others will follow.

To support this, there are other positive actions. For example the new Kenneth L. Maddy laboratory at the University of California at Davis will be a well-funded, professionally staffed favorable addition to the industry's assets to take on our tasks.

The Kenneth L. Maddy Analytical Laboratory has gone from conception to completion in little more than a year.

Ken Maddy is a wonderful example of how one person can make a major difference in contributing to the good of the industry. I hope that all of us and all groups that we are affiliated with will see the wisdom of contributing to the integrity of our great sport.

I would like to make a personal observation. I believe there is a new spirit in our industry - one of optimism - one which recognizes that by working together - true substantive progress can be made.

The Task Force fully understands that this is a very complex, personal, proprietary scientific issue. Some may say that, because it is potentially controversial, we should ignore the whole issue. I respectfully submit we cannot afford to ignore the integrity of our sport. And towards that end, we must continually modernize and improve our drug testing rules and enforcement. The reality is that even though we will not achieve a perfect world, we cannot afford to accept the status quo.

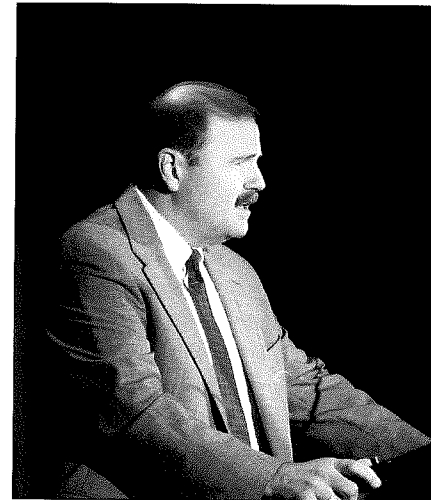
Another major recommendation of the Koch Report recognizes that we need a competent full-time administrator

to develop the details, implement the programs and follow through on those programs.

Donald R. Dizney: After an extensive search, we believe Jim Gallagher fits that mold. Jim has been a professional racing regulator for 22 years and most recently held the position of Director of Racing Operations for the New York State Racing and Wagering Board. The Task Force is pleased that he has accepted the position of Executive Director.

Jim ...

TASK FORCE PROGRESS AND FUTURE PLANS



James Gallagher

James Gallagher: Thank you, Don.

During my career as a racing regulator, I have developed a deep appreciation for the sport of Thoroughbred racing and the people who support it.

It is an honor to be here today to tell you about the NTRA's Racing Integrity and Drug Testing Task Force, which I believe will make our sport even stronger and more viable for many years to come.

Our fans, who do so much to support our industry, must have the utmost confidence in the integrity of our product. And our horsemen must have complete

confidence in the integrity of testing procedures.

But, before I outline our proposed initiatives, let me say, first, that both the NTRA and the Task Force recognize that the statutory responsibility for rule-making and enforcement lies with the individual racing commissions.

We do not intend to infringe upon that in any way.

We recognize that state-by-state funding issues make it difficult to pursue national programs. We will, however, support and cooperate with the commissions to the greatest extent possible.

Our focus is in those areas that would benefit from a program of national coordination, or that require a degree of funding that many state commissions would find difficult to obtain.

Here are some examples:

The contract between the racing commission and the drug testing laboratory, and the funds allocated to the testing program, are critical for ensuring test integrity.

The Task Force will create a legal and scientific consulting service to the racing commissions, which will be available at little or no cost. The service will provide best-practices consulting in:

- Contract preparation;
- Specific testing procedures; and

- Quality assurance within the budget allocated.

The Task Force will provide funding for a pilot program recommended in the McKinsey Report, by which more extensive testing will be performed on a more carefully selected group of samples. As a start, we recommend that extensive tests be available for selected races and - budget permitting - for any sample that the Stewards deem appropriate. This initiative should, in time, be a valuable research tool to all racing commissions and demonstrate that cost containment for equine drug testing can be achieved while providing a significant deterrent.

Every committee or report on equine drug testing has recommended that more research be conducted. We agree. We further recommend coordination of existing research, so that priorities can be set and unnecessary duplication can be avoided.

An immediate priority of mine will be to bring together our advisory committee and the dedicated experts in the industry who are working on - or knowledgeable about - current research, so we can begin to identify the gaps in the industry's drug testing capability.

Once those voids have been identified, we can establish a list of research priorities, and identify existing programs that have been under-funded. At that point we can establish a realistic, overall budget for

the Task Force.

We also hope to explore other programs with the state commissions to improve testing procedures.

One example would be the confirmation procedure for a referee or split sample of a positive test result. We believe - in fairness to both horsemen and racing commissioners - that testing information should remain confidential until a second lab has confirmed a positive. We also propose that this Task Force fund those confirmation tests.

Not all the details have been worked out, but this arrangement has the potential to increase the professionalism, accuracy and credibility of the procedure, while at the same time protecting trainers, owners, laboratories, commissioners and the sport as a whole.

After hearing this, I'm sure that you will agree that our needs are substantial. But we believe the industry's commitment to integrity is equally substantial.

You have the opportunity to play a key role in the success of this program by helping to support these initiatives.

The work done to this point has been funded by an NTRA founding member, the National Thoroughbred Association, which, on merging with TOBA, donated \$300,000 to this program. We truly appreciate the generosity toward this cause.

Thank you.

THE NATIONAL THOROUGHBRED RACING ASSOCIATION (PART I)

Ogden Mills Phipps: Thank you, Don and Jim. Jim, we're glad to have you on the team and we know you're going to do a wonderful job.

Drug testing is not a state or regional issue. It is a national issue. It's been amazing to me that people in the last three days from California, New York, Kentucky, Illinois and Florida have voluntarily come up and said that they would like to give support to this organization.

I'd like to take a moment here to acknowledge them: Dee Hubbard, Will Farish, John Hettinger, Dick Duchossois, Bob Lewis, Gary Bisantz, Watts Humphrey, Jerry Shields, Lev Miller, Don Dizney, the Keeneland Association and the Oak Tree Racing Association, along with my family.

This group has pledged over \$600,000 to launch this program. That's an encouraging start, but it's only a start. The Grayson-Jockey Club Research Foundation will serve as a conduit for contributions and we hope everyone concerned with the future of our sport will make a commitment.

By now, few of you need to be introduced to the man who heads the NTRA. Please welcome back to the Round Table, Commissioner Tim Smith.

INTRODUCTION

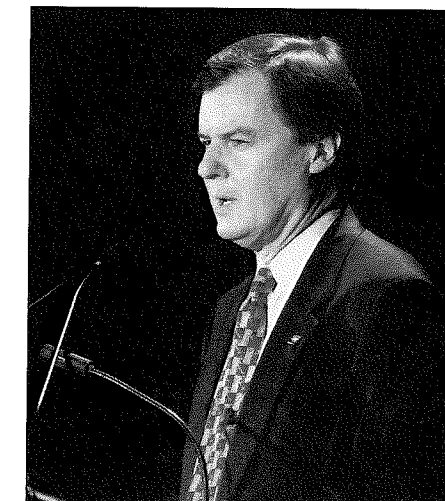
Tim Smith: Good morning and thank you, Dinny and to The Jockey Club, for your ongoing leadership and support and for inviting the NTRA to be part of the Round Table again this year.

Someone once compared my job to a college president's - as in, always raising money. Actually, the wonderful PEB as usual had it even closer to the truth in a recent *Daily Racing Form* cartoon - a panhandler.

So, while I'm thanking people I'd also like to add a special word of gratitude to my fellow cup rattlers.

To Will Farish for initiating discussion of a small buyers' premium to help fund the NTRA; and to Bill Greely and Keeneland; and to D. G. Van Clief, and the leadership of Fasig-Tipton; to the other sales companies; and, most importantly, to their customers for supporting this program.

To some other unsung heroes: the stallion farms for their generous support on top of their very significant separate fund-



Tim Smith

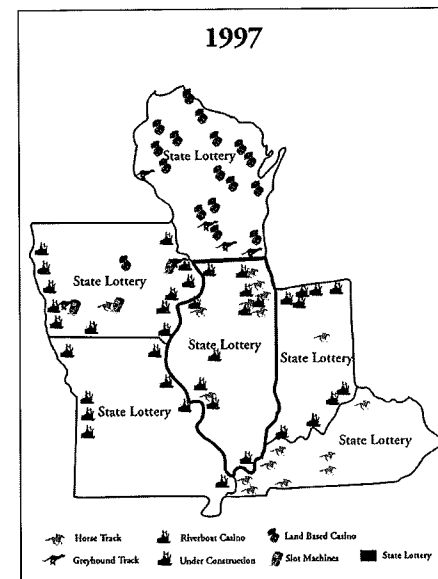
ing for the Breeders' Cup; and also of course to our founding members, member tracks, horsemen's associations and OTB members; and to so many others, so many of you for being there for the industry and the NTRA time and time again. Thanks to all.

For the next few minutes leading up to the break, we'll present highlights from our first year of operations. Then, a little later, along with our friends from TVG and IBM, we'll take a look at some of the challenges and opportunities that lie ahead.

You will recall, I'm sure, the basic context for creation of the NTRA just 16 short months ago. Racing was facing on-track attendance declines, an older fan base, formidable competition both from other sports and other forms of wagering; and a fragmented, often divided industry.

Our potential new customers told us through consumer research that horseracing was not visible enough on network television; needed more marketing and exposure; should have more promotion, fan contests, information and statistics, televised series . . . the sorts of things that our sports competitors provide on a routine basis.

We also faced - and continue to face - growing competitive pressures on the wagering side. While visiting Illinois



(fig. iii)

last, I came upon three simple charts that speak volumes.

Here is horseracing's legal wagering competition in the state in 1976. And then in 1986. Somewhat more competition from state lotteries. But now look at 1997 (fig.iii). The reality is that this situation is not confined to Illinois. It is happening all over the country, increasing the pressure on horseracing to adapt, change, market more aggressively and effectively . . . or face the real possibility of further reduced market share in the future.

So, the industry - led by The Jockey Club, Breeders' Cup, Keeneland, Oak Tree, and the NTA - formed the NTRA to take some necessary first steps:

- create a broad-based, industry-wide organization to attack these challenges and problems on a centrally-coordinated basis;
- raise the necessary marketing and organizational dollars at a meaningful enough level to be noticed by the public (first defined at \$50 million dollars per year, but scaled back a bit for the initial years); third,
- develop and implement advertising, promotional and television programs aimed at enhancing horseracing's awareness and image, especially with younger fans; finally,
- to look for other opportunities where the industry could accomplish more by working together than separately, track by track or state by state.

Those were the goals.

Tim Smith: To summarize what actually happened in our first year, I'd like to introduce Joe Bailey, a new face to many of you, who has recently joined the NTRA as deputy commissioner and chief operating officer.

Joe comes to the horse racing business from the world of professional team sports. After 19 years with the Dallas Cowboys, he was tapped by the NFL to launch the World League. Before joining the NTRA, Joe headed the worldwide sports and entertainment practice of Russell Reynolds. Mr. Bailey if you will.

ANNUAL REPORT

Joseph A. Bailey III: In creating the initial goals and programs that Tim mentioned, the organizers of the NTRA realized that the road ahead to restoring horseracing as one of the very top sports and entertainment options in the country would not be easy or quick. But that it was doable.

The first steps on that road have been taken and very solid progress has been made in little over one year. In case you have not yet received or read your copy of the 1998-99 Annual Report, here are some of the highlights:

The NTRA's initial fundraising goals were achieved, with close to \$24 million raised in year one. Since most of 'Program Expenses' went for television expenditures, this means that nearly 80% of the total went to address racing's awareness and image issues, the most immediate pri-

orities identified in the consumer research.

For the current year, we are forecasting a total budget of approximately \$32 million. Here is a further breakdown of the current year's projected sources of revenue with external sources up to 21 per cent after year one and slated to grow further (fig. iv).

And here is the comparable expenditure breakdown, with a large majority again going to advertising, marketing and television (fig. v).

This next chart shows how the industry's first-ever national advertising campaign looked bigger - and performed bigger - than the \$10 million the NTRA itself was able to spend nationally in year one. Our racetrack and also some OTB members, in addition to their dues, matched

FY 2000 Projected Revenues	
Industry Investment 79%	
Membership Dues	
Stallion Farms	\$4.3
Sales Companies/Consignors	\$1.2
Buyers' Program	\$4.7
Other Dues	\$1.8
Handle-Based Fees	
Track Fees	\$7.0
Horsemen Fees	\$6.0
OTB's	\$0.7
External Revenues 21%	
Program Revenues	
TVG	\$0.9
Sponsorship/TV	\$5.0
NTRA Investments	\$0.3
Group Purchasing	\$0.2
Other	\$0.2
Total Revenues	\$32.3

(fig. iv)

FY 2000 Projected Expenditures	
Advertising & Marketing	
Advertising	\$11.4
Customer Research, Development and Promotions	\$1.0
Public Relations and New Media	\$0.5
Program Expenses	
Television	\$7.3
(Air-time, production, promotion)	
Sponsorship	\$2.7
(Sponsor benefits, cost of fulfillment)	
Other Program Costs	\$0.8
(Licensing, legislative, Eclipse Awards etc.)	
General Administrative	
Personal, Office, Travel and Meetings	\$7.1
Legal and Tax, Audit, Interest	
Total Expenditures	\$30.8

(fig. v)

the NTRA's spending with additional media buys in their local markets, using the NTRA's creative material and tagging it with local messages, producing a total one-voice, one-message advertising campaign of nearly \$20 million.

In the current year, fiscal year 2000, which runs from April 1, 1999 through March of 2000, the total effective size of the NTRA's ad campaign will be approximately \$27 million.

Probably the clearest example of successful execution of a Business Plan objective is in the area of increased television exposure. The hours devoted to Thoroughbred racing by the major broadcast networks have doubled since 1997, with ABC adding coverage of the Triple Crown prep races, FOX starting the 'NTRA Champions' series for Classic Division horses and, thanks to our colleagues at the Breeders' Cup, with NBC supplementing its pre-Breeders' Cup lineup with four new shows.

As you will hear more about later, national cable coverage also has been significantly expanded and is about to take an additional quantum leap with the launch of TVG.

In addition to advertising and television, the NTRA has launched a number of other programs originally identified in the Business Plan, including these:

- Group purchasing
 - More than \$2 million in member savings realized to date
 - Categories ranging from John Deere tractors to RCA video monitors
- National sponsorship/official suppliers
 - 20+ marketing partners, national sponsors and official suppliers . . .
 - Including national TV advertisers like National Car Rental, AT&T, RCA
- New media
 - Launch and upgrades of *ntra.com*
 - On-line contests and promotions with Internet marketing partners



Joseph A. Bailey III

- Marketing Task Force programs
 - Fan Education
 - Customer Service Training
 - National Handicapping Championship
 - Marketing Summit
 - Special Events/Consumer Promotions

While we won't belabor the point here or claim undue credit, I hope you also will read and enjoy the first few pages of the Annual Report - entitled "Racing on the Rise."

It documents some of the improved and still improving operating results that the industry has experienced in 1998 and 1999. Handle, purse levels and even on-track attendance in many markets are up. Public sales have been healthy and encouraging, reflecting not only the strong economy and stock market, but also a sense of renewed optimism about the industry's future potential, both internally within our sport and also in the eyes of the general public and the mass media.

Whatever the combination of reasons, it is clear that there are some very positive trends for horseracing and the Thoroughbred industry, which obviously we all want to sustain and build on. Now, back to Tim.

Tim Smith: Thank you, Joe.

Well, that is a quick review of the NTRA's first operating year. This partial list of our activities doesn't include, for example, day-to-day efforts in the areas of legislation, industry communications, media relations, sponsorship sales and services, on-going consumer research and a host of similar programs that any national sports association like the NTRA must have.

Nor, in the interests of time, have we covered several other projects that we have started and hope to grow. These range from a new technology initiative that you'll hear about after the break - to NTRA Charities and televised Public Service Announcements - to development of a centrally-coordinated licensing and merchandising capability for the industry - to cooperative programs with TOBA and others to attract new Thoroughbred owners.

These programs and projects have been created and are being executed by a grand total of 39 people, about equally divided between Lexington and New York. To put this number in perspective, this is roughly the same head count as that of the NBA's international public relations staff.

Despite the occasional setback or disappointment, I can tell you that everyone on the NTRA team is thrilled to be working in Thoroughbred racing. Probably like many of you, our motivation often comes from contact with the game itself - the athletes, the owners and trainers, the players and fans, the competition.

So it seemed fitting to share with you this morning a short piece of video - produced by NTRA Productions - as a reminder of what makes this business so exciting to be around.

[VIDEO]

INTERMISSION

Ogden Mills Phipps: For years, we've been talking about the need for a national racing television channel... one we could partner with, in a way that would benefit every segment of our industry. As of July 14, we have one.

One of the major strengths of the Television Games Network comes from the people behind it. Nationally recognized names like News Corp., Liberty Media, TV Guide, the FOX Corporation and AT&T.

To give us a perspective of what TVG means to these communications industry giants, we are fortunate to have with us this morning the president and chief operating officer of the world's biggest circulation weekly, TV Guide. It is my pleasure to introduce Pete Boylan.

TELEVISION GAMES NETWORK (TVG), RACING'S NEW FRONTIER

Peter C. Boylan III: Thank you Dinny. Good morning ladies and gentlemen. It is truly a pleasure and honor to visit with you today about the status of TVG and the beginning of a new era in racing.

TV Guide made a sizeable wager last summer. In acquiring TVG, we bet that horse racing, if packaged in a professional and entertaining format and given a major television presence, would appeal to a broad audience. TV Guide still believes that - now more than ever.

Of course, TV Guide's interest in TVG and horse racing was not based on altruism, but rather on sound business principles. We are a diverse media and entertainment company with substantial holdings in every major form of media, including cable and satellite television, print, and the Internet. TV Guide views TVG as a gateway into sports entertainment, which has proven to be one of the most valuable genres of programming today.

And in programming, horse racing is a diamond in the rough. Historically underexposed on television, horse racing can prosper like other sports leagues by increasing consumer demand through TVG.

Even with the gains produced by the NTRA in 1999, racing will enjoy only 24 hours of major network exposure and

110 hours of nationally televised programming overall. However, the addition of TVG adds over 8,700 hours of always entertaining, nationally televised programming each year, a significant increase in the coverage of horse racing.

TVG will only succeed, however, if it presents racing in a professional, well produced, and entertaining format that appeals to a mass audience and, in particular, new fans.

TVG programming has received some negative reviews by those in the racing media, who seem to want nothing more than a simulcast feed. I can assure you that TV Guide and its parent companies, News Corp. and Liberty Media, have absolutely no interest in investing millions of dollars to launch this network for a product which only appeals to a handful of hardcore existing racing fans. And I cannot imagine that the racing industry wants a television network that only appeals to your existing fans.

The audience we are looking for is well represented by Greg Parashak from Sacramento, California who, while watching TVG as one of our first customers, wrote in to us saying, "I never really was interested in horseracing before I watched TVG. You put a real spin on the Sport of Kings and it makes it much more enjoyable to watch. This weekend, I think

that I will make a trek to my local track and make a few wagers."

To restate, TVG is designed to entertain the masses and create new fans, which are vital for the long-term well being of this sport.

Based on early results from testing conducted since the launch, TVG is accomplishing this mission.

We are currently conducting research of our programming in different markets - Los Angeles, New York, Miami, and Louisville. The test samples included traditional race coverage from our Trackside Live show, pre-produced features, as well as segments from the Trackside Lite, our late-night show for newcomers. Potential and current fans participated in this test. The preliminary results are very encouraging.

Among all fans tested, 76 per cent rated TVG's programming good or excellent. Sixty-one per cent said it increased their interest in racing. And 58 per cent said it increased their desire to go to the race track. And these positive responses came from watching just a few minutes of a network that has only been on the air for less than a month.

This is certainly not a one-time test, and testing will be fundamental to our continuing programming strategy. We will keep what works and create new programming that will bring a huge new market of television viewers to horse racing. And we realize we're going to make some mistakes and we're going to learn along the way. But this is an interactive, iterative process.

Hand in hand with anticipated widespread distribution of its television product, TVG will actively market racing to mainstream America.

The recent successes of the Visa Triple Crown, Breeders' Cup Championship, and other major racing events indicate an unexploited market, ripe with opportuni-

ty. Further evidence of racing's growing popularity and consumer appeal is indicated by the NTRA's substantial progress in developing relationships with some of the biggest brand names in America, including RCA, John Deere, AT&T, IBM and National Car Rental.

I applaud your efforts to create the NTRA, a coalition for the good of racing. The emergence of the NTRA was fundamental to our decision to pursue TVG. We believe the NTRA will guide the industry into the future and have positioned TVG to support the organization and create an even stronger, self-sufficient organization to act as racing's league office.

TVG will immediately benefit from cross-promotional marketing within the TV Guide family itself. Every day we have more than 100 million people look at one of our products, including 55 million subscribers to the TV Guide Channel which actually has higher Nielsen ratings than the Weather Channel, CNN Headline News, VH1, ESPN2 and other well-known cable networks.

I am pleased to announce that TVG will be prominently featured on the TV Guide Channel every hour on the hour - every time that you turn to TV Guide to see what is on TV.

TV Guide magazine is the largest selling weekly magazine in the world - the next largest selling magazine is a third its size - and it has weekly readership of over 35 million.

In addition to that we have interactive properties with TV Guide Interactive and TV Guide Online which has over 50 million impressions per month, all of which are fundamental in our cross-platform strategy to drive viewership to TVG. With a world of digital explosion and 150 different cable channels that are available on satellite or cable, it's critical to get noticed in a very cluttered world.

To take full advantage of the distribu-

tion and marketing, we need to introduce technology. TV Guide is uniquely positioned at the forefront of interactive technology, the next revolution in home entertainment.

To quote a Merrill Lynch analyst, "the new generation of set-top boxes (which are computers that basically attach to your television set) will serve as the portal to homes for a variety of revenue generating services."

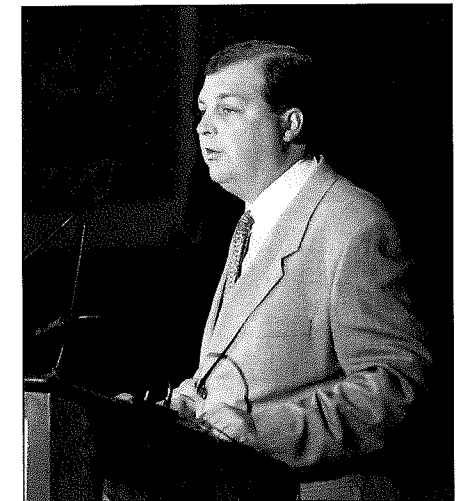
Several of our products, including TVG, are poised to utilize the digital set-top box to great advantage in the increasingly competitive and evolving entertainment business to offer a profound new interactive capability, which will enhance those services and their underlying economics.

Today TV Guide Interactive has over 90 per cent market share of digital cable televisions and is available in over 35 million homes in all 50 states, and we're adding over 15,000 customers per day.

TVG is a major factor in our plan to be a leader in interactive entertainment. Horse racing, after all, is the only truly interactive spectator sport. The sport currently draws over six million loyal, dedicated people a year. With your support of TVG and the NTRA, the sport will expand by tapping into the 105 million or more Americans who produce \$640 billion in annual gaming revenues.

Vital to the continued success of the NTRA and TVG is the support of industry leaders like you. TVG was possible because many of you had the foresight, vision and willingness to commit to the concept from its inception.

I can tell you from a business standpoint that exclusive content from the top racetracks is what made TVG happen and gave us the fortitude to commit the millions of dollars. Exclusivity is essential to the vitality of a sports entertainment network. I know that the concept has received some resistance in the industry,



Peter C. Boylan III

but suffice it to say that the opportunities now before the industry would not have materialized without it.

TVG returned your loyalty and willingness to invest your content with a business plan that is fair and designed to bring prosperity to the entire racing industry.

The source market fee of 10.5 per cent, more than half of the net revenue, ensures that racetracks and horsemen in every area of the country realize the benefits of in-home account wagering. And with TVG's distribution, racetracks have enormous potential to grow revenues from their simulcast signals with a fair host track simulcasting fee.

The business plan, however, will not work if TVG is unable to offer its account wagering services across the country. This is where you can make a difference right now. Talk to friends in your state capitol. Don't tolerate selfish legislation that allows one state to erect trade barriers to enrich a very narrow group of business interests at the great expense of the industry as a whole.

Keep the Kyl Bill on track. Let your Congressperson know that racing only seeks to conduct business that is other-

wise legal in the current environment. Let it be known that racing creates thousands of jobs in agribusiness and at the race-track and that it is an important part of the economy.

If industry leaders do not communicate their message to Washington, the industry's future could be tenuous if the government restricts its ability to do business on an interstate level. Some proposed amendments to the Kyl Bill would be very unfavorable to the current language, which is quite favorable to this industry as a whole.

TV Guide is pleased and proud that TVG is fast becoming what we hoped it would be - a top-flight cable and satellite entertainment network. Mark Wilson and his team at TVG have worked tirelessly over the past year to establish something from nothing - a unique entertainment product based on content from the nation's premier and elite racetracks, and a business plan that will benefit each and every one of you in this room. Mark has proven to be a very valuable and visionary leader in building TVG for TV Guide.

TVG is the best possible arrangement for racing: TV Guide puts up the money, you put up the races. However, TVG and TV Guide need to be actively supported by Thoroughbred industry leaders like you for this venture to be a success.

TV Guide can program, promote, market, and distribute TVG worldwide. The point is moot, however, if TVG does not get market access . . . the ability to offer its wagering services on a widespread scale. For a cable or satellite operator to get behind this network it needs to be available in as many states as possible, not a handful of states. Because it's not economically viable for them.

We think we can open up a vast new audience of fans and players. With your support, TVG will prove that TV Guide's bet is a win for the benefit of the entire

racing industry.

I have talked to you extensively today about TVG. Now, it is time to let TVG speak for itself. Please join me in watching this behind-the-scenes tour of our Santa Monica, California studios to learn more about Racing's Television Network.

[VIDEO]

Hopefully that gave you a brief glimpse of the inner workings. We turned to our sister company FOX Sports - who've been extraordinarily successful in bringing a whole new attitude to their coverage of the NFL and many other sports - to actually do the production in cooperation with us.

I would welcome any of you when you're out in Los Angeles to give us a call and come by and see the studio. As she (Caton Bredar) indicated in the tape, it is truly the most complex piece of programming that's ever been done in sports, when you deal with the graphic intensity of six or seven races per hour, twelve hours a day with a 24 hour network.

On the distribution front and a couple of closing comments . . . Now that the network is up on air we've actually got something that's real that we can show to cable and satellite operators.

I personally have met with the CEOs of all the major cable and satellite companies and they are extremely enthusiastic about TVG. It's a unique product that's never been available to their customers. There's an economic model that's quite compelling and I'm hopeful that we'll be able to announce some significant new distribution in the cable and satellite marketplace here in the very near future.

Having said that, ladies and gentlemen, I speak for everyone at TVG, TV Guide, News Corporation and Liberty Media in expressing my gratitude for this opportunity to address you in introducing TVG. Thank you.

Ogden Mills Phipps: Thank you Pete and thank you for the tour of your facilities. You've set the scene for what we all hope will be exciting progress in the months and years to come. And to continue that theme, I now turn the program back to Tim.

THE NATIONAL THROUGHbred RACING ASSOCIATION (PART II)

KEY TVG OPERATING POLICIES

Tim Smith: Thanks again, Dinny.

Before the break we looked back at our first year. We'd like to use our remaining time for a look forward at some new initiatives of the NTRA and some critical challenges facing the industry.

In our view, you've just heard and seen a big part of the industry's future.

TVG's potential in terms of reaching new fans and creating new revenue and purse levels is very real and quite significant. It's not an overstatement to say that interactive account wagering, led by TVG, has an excellent chance of becoming the new decade's equivalent of simulcasting, both in the sense of being a new source of distribution for our product and also a new source of economic growth for the entire industry.

But Peter Boylan's caveats and warnings are equally important.

New television networks are notoriously difficult and expensive to launch successfully. Indeed, being objective, probably only a company like TV Guide with its corporate affiliations - and thus its financing, distribution and production clout - has a realistic chance of pulling off this particular sports, entertainment, technology trifecta.

So, based on TVG's unparalleled potential benefits and its unique capabilities, the NTRA Board is determined that we should do everything reasonably possible to support this new venture, even at the cost of some unhappiness on the part of TVG's competitors.

We're proud of our role in helping to clarify and, in a few cases, even to shape some of TVG's key operating policies. The more these policies are understood, the more that industry support for TVG has grown. So let me call on another key member of our management team, Senior Vice President and Counsel Greg Avioli, to briefly describe three of the most important such policies.

Greg Avioli: Thank you Tim. As Pete Boylan mentioned, the source market fees paid by TVG are a fundamental part of the TVG program.

Assuming a standard 20 per cent take-out rate, TVG will return more than half - over 10 per cent - to support live racing in the market where the account holder, or the bettor, resides.

Currently, if a Kentucky resident has an account in another state like New

York or Pennsylvania and makes a phone wager on, say, a California race, no money goes back to Kentucky to support purses or in-state tracks.

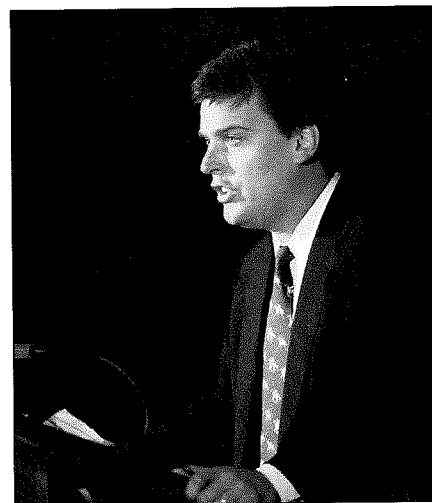
This all changes, however, with TVG, which first proposed source market fees as a way to support live racing in account wagering markets.

Racetracks and their horsemen's associations may contract with TVG to provide live racing content on either an

exclusive or non-exclusive basis. Host fees would vary, depending on the option selected. But even if a track chooses the non-exclusive option and also sells its signal to TVG's competitors, it still receives the same source market fees. In other words, a very industry-friendly relationship.

TVG will keep a percentage of handle revenue to cover production, distribution, technology costs and return on investment. But importantly, TVG also will pay a percentage of each wager processed to the NTRA to help fund the overall marketing of horseracing.

This new revenue stream to the NTRA in turn will allow the NTRA over time to reduce industry dues payments, as promised in the Business Plan. Now back to Joe Bailey.



Greg Avioli

NTRA PRODUCTIONS

Joe Bailey: Thanks Greg.

More information on these important issues is included in your information packets, which I hope you will pick up as you leave.

Besides TVG, another extremely important initiative for the NTRA's future is the recent formation of NTRA Investments. Using borrowed funds from the same four industry organizations that originally underwrote the NTRA's planning and start-up phases, this new subsidiary is a vehicle for strategic investments in revenue producing businesses that will enhance the NTRA's capabilities and, like the new TVG revenue, help it to become financially self sufficient.

Initially we've targeted three areas: NTRA Services, designed to facilitate interactive wagering in connection with TVG; NTRA Properties, to maximize our licensing and merchandising capabilities and opportunities; and NTRA Productions, to give us in-house television capabilities.

Of these, NTRA Productions was the first to take form, with the recent acquisition of the horse racing assets of Winner Communications. Here to give you a flavor of what this investment will mean for the future, is Basil DeVito, the NTRA's Senior Vice President - Television and Sponsorship.

Basil V. DeVito Jr.: Through the Winner acquisition, NTRA Productions gains ownership of the industry's best video archives; five years of valuable, guaranteed exposure on ESPN; and a pre-

dictable net revenue stream from more than 100 hours of racing programming each year.

Just as importantly, we now have the same abilities to develop feature sto-

ries, as well as sponsored vignettes and other programming that all other major league sports enjoy, be it NFL Films, NBA Entertainment or PGA TOUR Productions. In short, between NTRA Productions and TVG, horseracing now has a much-improved chance to shape our own destiny on television.

One quick example illustrates this point. Prior to the Breeders' Cup in 1998, network exposure for older horses was quite limited. In fact, the eventual Breeders' Cup Classic Champion, Awesome Again, never appeared on network television prior to the Breeders' Cup. This year, with six network programs still remaining, look at the increased exposure these Classic division contenders have already received.

[Slide showing 16 network TV appearances by leading older horses in 1999, including Behrens, Budroyale, Free House, Littlebitlively, Malek, Puerto Madero, Real Quiet, Silver Charm, Sir Bear, Victory Gallop]

As for the ability of NTRA Productions to create added exposure for racing in general, one need only look at "Thoroughbred Classics presented by the NTRA," our newest TV series. Ten shows will air this year on the ESPN Classic network, with up to 30 episodes



Basil V. DeVito Jr.

slated for next year.

Here's a quick sample from this week's episode featuring the Sword Dancer Handicap.

[VIDEO]

NTRA Productions is now positioned to create more such opportunities, plus help to strengthen on-air promotion and national sponsor relationships. We stressed last year that neither Rome nor NASCAR was built in a day. But, thanks to the funding from NTRA Investments, our building process has taken a big step forward. Thank you.

Tim Smith: Thanks Basil and thanks to The Jockey Club, Breeders' Cup, Keeneland and Oak Tree for making NTRA Investments and NTRA Productions possible.

Tim Smith: Any look at the future these days by any industry necessarily involves the implications of an increasingly digital networked world. If this is generally so for all industries, it's even more compelling for a business like ours that, at its core, so directly involves information management.

Recently we were able to interest the world's leader in information technology solutions - IBM Global Services - in working with the NTRA, The Jockey Club Information Systems and Equibase to make an initial study and recommendation for upgrading horseracing's IT infrastructure.

Besides providing world-class assistance in planning for this critical part of the industry's future, we're delighted that IBM will be hosting a number of its business partners at a series of major race events at NTRA member tracks beginning this Fall with the Breeders' Cup at Gulfstream Park.

To share IBM's initial thoughts and perspectives on these topics, it's a pleasure to introduce Mark Elliott, general manager of IBM Global Services.

TECHNOLOGY, KEY TO A SUCCESSFUL FUTURE

Mark W. Elliott: Thank you Tim. Thank you, and thanks to The Jockey Club.

It's a delight to be able to share with you some early observations - and I stress the word early because we've only been at this about six-to-eight weeks. But in those six-to-eight weeks we've had the chance to visit some tracks, and we've spent a great deal of time with TVG, with Equibase, The Jockey Club and others to begin to try and build an understanding of the economics of the industry; the organization of the industry; its technology underpinnings as they exist today; and the opportunities to use technology to solve some of the problems that have been laid before us, and attack some of the opportunities that exist.

So my agenda this morning is pretty straightforward and is to share with you our understanding of the problem statement we're working on; a list of the preliminary opportunities that we've found; and talk a little bit about something called virtual enterprise behavior: It's one of those words that's been spawned by this Internet world and it's interesting to talk about the

requirement for an organization or an industry to back this single enterprise.

So let me first talk about the problem statement. You've heard it over and over and you know it better than I do. But as I understand it, it's a case of other gaming alternatives winning out over the horse racing industry. And, until the year 1999, they were making much more progress at the expense of this industry.

As I understand it, over the last ten years real revenues grew in real dollar terms by about only five per cent while costs have grown some 31 per cent. So as we begin to understand this, it allows us to focus on one of two opportunities; either ways to control costs... to manage costs down; or ways to enable the great revenue opportunities that you've heard discussed this morning, and in particular the TVG opportunity.

So in fact technology offers some real exciting opportunities. And what I'd like to do again is take you through some very preliminary views and hopefully over the course of the next few weeks, you'll help us home in on those

that really deliver the bacon.

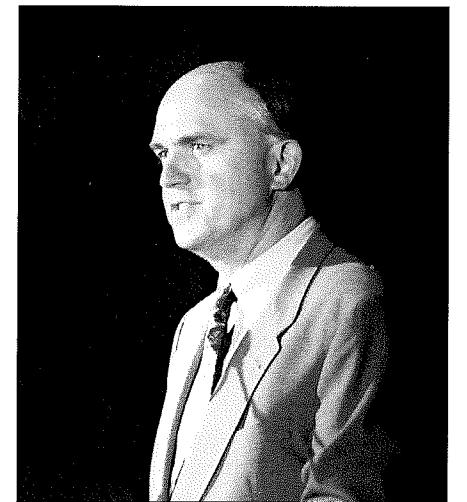
First of all, let me talk about a broadband national network.

As we looked at the infrastructure today that delivers the simulcast - which is some 80 per cent of the revenues, as we understand it - the technology is quite diverse. It ranges from satellite to telephone to facsimile to sneakernet... men and women running between desks with slips of paper. It seems to us that there's great opportunity to apply one single national infrastructure - a broadband land-based network which has several increased opportunities for you.

First of all, it delivers simultaneous and synchronous voice and data. And data at the end of the day will be the fuel, if you will, for some of the TVG activities that you heard about earlier. In our time with TVG, we understand that this network can provide something that they really require, which is a higher quality video signal. But, it's interesting to note that that great graphics engine that Peter talked about earlier in fact has some limitations today because of the video signal that simulcasts have delivered to that video facility.

And so we see the opportunity to deliver an improved video signal that allows them to do more editing and use those great graphics to attract new fans... in the data that he gave you, some 100 million potential new fans. We understand that in fact there are some 50 million fans who have all the attributes of somebody who should be interested in racing, who should in fact be interested in wagering on racing and we hope that this network will allow the industry to attract them to this sport.

You heard earlier a great deal from Alan Marzelli about this web base, this



Mark W. Elliott

e-commerce, this e-business opportunity. It's significant for several reasons.

One is the pervasiveness of the Internet. It took radio some 50 years to get 40 million users. It took television some 20 years to get 40 million users. It took the Internet less than four years, and already it's over 100 million users and growing annually faster than any other media form.

Now that's an opportunity to do unusual, aggressive one-on-one marketing to those 100 million potential participants in the industry. Not only can you reach out and sell advertising on the web site, as you heard Alan talk about, but you can buy targeted advertising web banners on all those sites that are currently seen and watched and used by those potential racegoers. And you can use those banners to draw them to the industry's web site and to point them to TVG where hopefully we can attract, retain and grow the race fan.

There are other opportunities obviously in terms of e-commerce, that again Alan talked a bit about.

We've worked with several other

sports organizations, like the Professional Golfers Association, to create a web site to help re-engineer their brand . . . their image in the market if you will. Today, on certain days of the golf season, we've had as many as 11.5 million hits in a single day - the golfing fan coming online to understand real-time scoring occurs on that site. And in fact today there are over 1,000 items that are sold across that site . . . merchandise to drive awareness, interest and visibility of their industry.

Because of their interaction with the web, the users of the web create more information than we typically get from a TV viewer. It creates great opportunities to do focused database marketing . . . to let a potential racegoer know: "Did you know that in your region, in your location, in your city that the races are coming to town and shouldn't you come to the races and participate?"; the opportunity to talk about a special event, a special horse; to understand the buyer, the viewer well enough to have targeted one-on-one marketing activities to draw them to the sport and attract new fans.

There are many other possibilities that we have begun to uncover. Some may not pan out and some may be even greater than we understand.

But the possibilities to use the combination of this private broadband network with this great Internet public network to create things such as: national licensing programs to allow the NTRA to make good business use out of the licensing opportunity it has . . . to do such things as virtual horsemen's accounts . . . to do real-time reconciliation of the accounts across the country; support for the group purchasing, that you heard above, to make sure that all of the members have the opportunity to fully utilize and exploit

the group purchasing contract; and to work on this track management opportunity to attack this 31 per cent cost increase over the last ten years. Many opportunities but all of them will require that the industry work as a virtual enterprise.

Let me talk about this concept of virtual enterprise for just a minute.

A virtual enterprise behaves in a particular way. It has an agreed set of operating parameters. It understands and has a shared vision, a national planning and scheduling activity that knows what it's about, what its priorities are, and when it intends to execute on those priorities; a consistency in common processes and automation of those processes to take out human error and to speed the flow of data and information throughout the network.

It has a clear definition of roles and responsibilities of the members of this virtual enterprise.

One of the important things that I do understand - and I hope you understand - is that the concept of building a stronger industry is not about weakening its members. If I can use a sport analogy, no great team makes itself greater by making its members weaker. In fact, what it does is make each member stronger. But they have clear roles, so that the whole is greater than the sum of the parts. That's a virtual enterprise.

The leverage of investment of standard enterprise infrastructure then becomes the opportunity. That's an infrastructure that will cost a fair amount of capital to invest in. And I want you to know that IBM is interested in creating some creative financing alternatives where we can help finance some of that infrastructure and then participate in the industry over the coming years to pay back or get a

return on that investment.

It takes an industry that has a common set of vision and goals. Certainly, I've been delighted to be here today because it gives me great energy and more insight into just how much passion that this organization has in this shared vision and these shared goals.

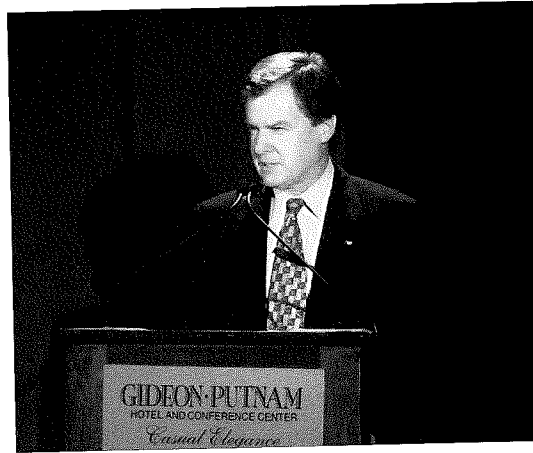
I look forward to working with you. We've worked with over 20,000 enterprises around the world, trying to make them e-businesses, but I can say personally none have been more exciting than the opportunity that exists to work

with the NTRA and in this industry to improve its business.

Lastly, let me close by saying that we have a saying in the neighborhood I come from: if you see a turtle on a fence post you know it had help.

And I want you to know that the progress we make today, to the progress we will make in the future will come in no small part because of the help of many of the people in this room and in the industry. I thank you for the opportunity and the help.

Thank you, Tim.



Tim Smith

CONCLUDING COMMENTS

Tim Smith: Thank you to IBM and Mark Elliott for that presentation and for your new involvement with the NTRA and the Thoroughbred industry. Believe me, we're excited about your interest and look forward to a great relationship in the future and most definitely the following up on the suggestions and possibilities you've raised.

I hope you will agree that it has been a positive year for racing since we last gathered here and that even more progress is possible, based on some of the new initiatives that you have heard about today.

In thinking about our industry and our organization these days, I'm reminded of the difference between "necessary" and "sufficient."

The things the NTRA has done in year one - advertising, marketing, more national television of live racing, a start at group purchasing - they're all 'necessary.' Indeed, these programs, every single one of them, should be continued and expanded. But these steps alone very probably are not 'sufficient' to guarantee horseracing's future success.

The plain truth is that all that we are

currently doing - plus more - will be required. The leadership of this industry - those like you, who are most invested in and committed to this sport and business - should demand nothing less.

Together, the industry *can* produce solutions to its most critical problems and make dramatic progress for its many diverse stakeholders. I've never been more confident of that conclusion, particularly with new relationships with the likes of TV Guide, AT&T, IBM, not to mention new tools like NTRA Productions and the sizable new investments now being made in racing, including those by Magna and Frank Stronach . . . and I was delighted to see Mr. Stronach here today.

Financial analysts, most recently Solomon Smith Barney and PricewaterhouseCoopers, have noted signs of a turnaround in Thoroughbred racing and new prospects for growth. But one of the most important things that each one of us can do to help is quite simple, and free of cost. And that's to allow ourselves, not just the investors and the analysts, to imagine and believe in a successful, dynamic future for this great industry.

Imagine the impacts when TVG is distributed broadly with more than 10 cents of every dollar wagered going back to local markets to support live racing and increase purses. Imagine the effects on live attendance of reaching millions of current non-fans in their homes and introducing them to our sport. And inviting them to experience it in its most enjoyable form . . . at the track.

Imagine the impact on racing's bottom line if track and other industry costs are reduced - and revenues enhanced - by access to a new, more efficient technology infrastructure, including expanded e-commerce capabilities.

Imagine the impacts on customer satisfaction and retention, based on the physical plant upgrades and other new investment in the on-site experience that are now beginning to be made.

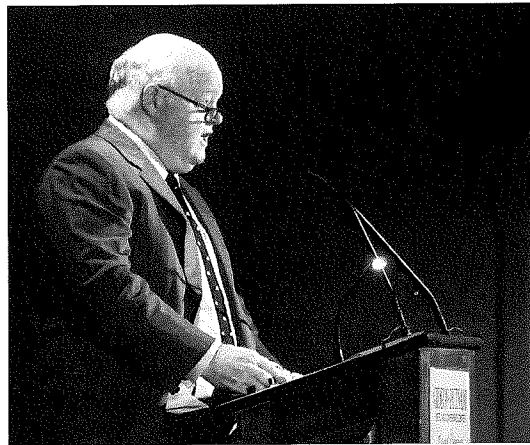
And imagine how many more such investments can be made if the industry's

underlying economics and access to capital are improved.

What's most needed in the current situation is not complicated . . . sustained determination and commitment, sufficient optimism and patience. A constant process of re-raising the bar after each accomplishment. A willingness to listen to new ideas and different points of view. An unwavering focus on our two main strategic goals - increasing interest and participation in our game, improving economic conditions for all segments of our industry.

So, let's all enjoy the current positive trends in handle, sales, purse levels, and even on-track attendance in a growing number of markets. But, let's also make sure that these steps forward are just the start of something truly lasting and important. Together, let's make sure that racing's best days lie ahead.

Thank you.



Ogden Mills Phipps

CLOSING REMARKS

Ogden Mills Phipps: Thank you, Tim. Your words are well chosen. We all need to pay heed to them.

Thank you also to all our speakers this morning. I really appreciate the time and effort they have made to be here with us.

In closing, let me say a few words about what we feel this Conference means. For nearly half a century now, The Jockey Club has tried to use the occasion to highlight many topical developments and changes which affect our great sport and industry.

Where problems have been identified, we have tried to address them.

In the last couple of decades, especially, the Round Table Conference has been the catalyst - and then a showcase - for many good ideas:

- The Bruskin Report . . . the first -

and, until the NTRA, the only - nationwide market research study of our sport.

- The McKinsey Report . . . still, as we've heard today, a benchmark-document on drug testing
- Equibase
- The American Horse Council's National Economic Impact Study. And, of course,
- the creation of the NTRA

There are many more.

We will continue our efforts into the next century, with only one goal in mind - the betterment of Thoroughbred racing and breeding.

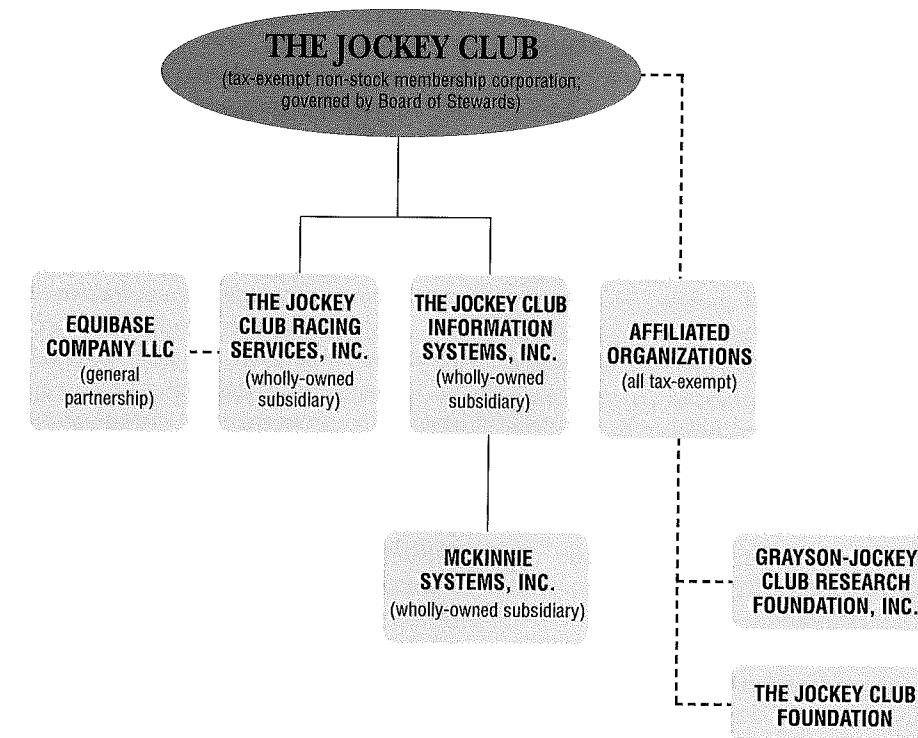
So for today, thank you for your attendance and for your attention. We look forward to seeing you again next year . . . in the year 2000.

105th Annual Report of THE JOCKEY CLUB & RELATED ORGANIZATIONS

THE JOCKEY CLUB

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

www.jockeyclub.com



Registry

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

INTERACTIVE REGISTRATION USERS DOUBLE

The migration of all of The Jockey Club's information systems to an advanced communications and data network has enhanced the organization's service to the Thoroughbred industry to a

level never before achieved.

At the heart of the enhancement is Jockey Club Interactive, whose user base has doubled to more than 6,300 owners and breeders since the beginning of the year.

The system's impact can be seen no more clearly than with the 1999 foal crop, for which more than 14,000 Live Foal/No Foal Reports have been received electronically. An additional 8,000 online name claims have been received this year, results of which can normally be retrieved within one business day.

The Jockey Club continues to examine methods of using electronic communications technology to further simplify and streamline the Registration process.

The Jockey Club Information Systems, Inc.

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

www.equineonline.com

EQUINE LINE® 2000 GOES E-COMMERCE

Aggressive pursuit of new technology, coupled with worldwide demand for comprehensive information and software solutions, has further established The Jockey Club Information Systems (TJCIS) as the industry's source for breeding and sales information.

E-commerce capabilities have been added to the internationally-acclaimed online information service Equine Line® 2000, allowing customers to purchase products over the Internet via secure credit card transactions. In addition,

TJCIS is working with the American Quarter Horse Association to develop Equine Line® 2000 products for Quarter Horses.

In support of its role as the Official Supplier of Breeding and Sales Information to the NTRA and as part of a commitment to expand its already comprehensive database, TJCIS continues augmentation of international data content for Equine Line® 2000, making it a truly global source of breeding and racing information.

The Cataloguing Division's high service standards have been maintained despite continued increases in sales entries. Operating efficiencies have been created through electronic delivery of catalogue pages directly to print shops, while the posting of catalogues in "searchable" formats on the Internet continues to grow in popularity.

The Consulting Division's Windows-based Farm Management software continues to gain international repute with over 150 installations worldwide. Software development services are also provided to Thoroughbred auction companies seeking to enhance service to consignors and buyers.

Equibase Company LLC

A partnership between TRA and The Jockey Club founded in 1990 to establish a uniform industry-owned database of racing and pedigree information.

www.equibase.com

USING ELECTRONIC MEDIA TO REACH NEW AND EXISTING FANS

The historic 1998 agreement whereby Equibase Company became the Official data supplier to the *Daily Racing Form* solidified Equibase's place forevermore as the industry's sole

official database of racing information and statistics.

Since implementation of that agreement, the Company has sought to leverage its leadership and proven track record for the benefit of its partners and the industry at large.

In December, 1998, Equibase was named the Official Supplier of Racing Information and Statistics to the NTRA, providing valuable branding and promotional opportunities for Equibase, and economic support for the fledgling league office.

Equibase also serves as a technology solutions provider for the NTRA, hosting their web site and assisting in the design and development of products such as the NTRA's national racing calendar.

The two organizations have also worked closely on a variety of strategic objectives designed to attract and retain new fans for the sport.

The best example of this has been the development of a program which presents racing data in a simpler, more understandable format for new fans, while at the same time retaining valuable information for more seasoned handicappers. The resulting fan friendly race pages, featuring handicapping data graphics and valuable statistics specific to each horse in a race, have already been adopted by ten racetracks, including the New York Racing Association for its Saratoga race meeting.

The rapid success of the fan friendly race pages in support of live racing, combined with Equibase's trailblazing efforts to make racing information available to race fans around the world through the power of the Internet, have led to the re-launch of *equibase.com* as a full retail web site, including full e-commerce capability.

In addition to continuing to provide up-to-the-minute pre- and post-race

information such as workouts, entries, late changes, flash and full results, Equibase offers its fan friendly race pages for every race in North America electronically.

The newly designed web site, unveiled at The Jockey Club Round Table Conference, also includes commercial advertising opportunities for both industry and non-industry sponsors, and cross promotion between Equibase's and *Daily Racing Form's* electronic offerings.

In addition to the unequivocal status as the sole industry-owned database of North American racing information, fulfillment of another goal from the Company's original business plan - the generation of a significant revenue stream on behalf of Equibase's partners - was realized with 1998 dividend distributions totaling \$1.2 million. This amount was enough to support both the TRA's entire dues structure and enable The Jockey Club to re-invest their share in worthwhile industry causes such as the NTRA.

Grayson-Jockey Club Research Foundation, Inc.

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

www.jockeyclub.com/grayson.html

MORE THAN \$6 MILLION SINCE THE MERGER

With the anticipation of allocating some \$800,000 for grants in fiscal 1999-2000, the total which the Grayson-Jockey Club Research Foundation has provided since the merger in 1989 will exceed \$6 million, or more than half of the funding in the entire history of the Foundation.

The Foundation board last year approved a merger of the advisory committees of research veterinarians and clinical veterinarians, further increasing cooperative evaluation of grants on the basis of scientific validity and high relevance to the horse industry.

In its first year of operation, this committee of 32 experts in various fields of equine health recommended the best grants for funding, after thorough deliberation. The board approved 16 projects from more than 60 submitted.

Racing safety continues to be a subject of emphasis. Other topics addressed currently include equine arthritis, placentitis, acid injury to the stomach and vesicular stomatitis.

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 relief of poverty and distress among indigent members of the Thoroughbred industry and their families.

www.jockeyclub.com/tjcf.html

\$700,000 DISBURSED TO RACING'S NEEDY

Grants from The Jockey Club Foundation reached an unprecedented \$700,000 in 1998.

Half of that total went to help meet the daily living expenses of monthly assistance program recipients. These include retired industry employees, terminally ill racing personnel and jockeys and exercise riders paralyzed in riding accidents. Individual grants for medical and funeral expenses were also made, as well as grants to other benevolent industry organizations.

The Foundation also made lump sum distributions to other benevolent industry organizations, including Chaplaincy Programs, the Backstretch Program in New York and the Don MacBeth Fund. In addition, the Foundation became a founding patron of the ARCI Winners Federation Program with a \$4,000 initial grant. This program will offer drug and alcohol abuse counseling and referral services within the industry.

Distributions from the Cavanagh Trust amounted to \$50,000 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

McKinnie Systems, Inc.

The Jockey Club, through one of its commercial subsidiaries, purchased a majority shareholder interest in race-track computer systems developer McKinnie Systems, Inc. and its Track Manager® product line in 1994.

www.mckinnie.com

TRACK MANAGER® MARKET SHARE TOPS 70 PER CENT

As the pioneer developers of computer software solutions designed specifically for use by the racing industry, McKinnie Systems, Inc. continues to set the pace for product innovation and service excellence.

McKinnie's enhanced *Track Manager*® software application suite incorporates a greater range of performance, function and reliability than the original product. The modified software has gained wide market acceptance and has become the *de facto* standard for

large racetracks.

In all, tracks using a McKinnie Systems' product represent 70 per cent of the total racing days in North America, more than double the market share held by the Company in 1994. Growth has been generated through continuing product enhancements and a more concentrated marketing effort highlighting the benefits of these improvements.

The record growth of 1997-98 has continued, with seven tracks installing *Track Manager*® in their racing offices in 1999. In addition, current customers have recommitted to McKinnie by upgrading to the enhanced system. These upgrades reflect the quality of the product as well as McKinnie's dedication to customer service and training.

Members of The Jockey Club

Josephine E. Abercrombie	Hugh A. Fitzsimons, Jr.	John H. Peace
Helen C. Alexander	Richard L. Gelb	Ogden Phipps
Joe L. Allbritton	Edward H. Gerry	* Ogden Mills Phipps
John Ed Anthony	Henry A. Gerry	Carl Pollard
Charles Baker	Martha F. Gerry	William A. Purdey
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