



Race Track Industry Program

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Morning Session 2

TECHNOLOGY: THE GOOD, THE BAD AND THE UNKNOWN

Moderator:

Dan Luciano, President, General Manager, American Greyhound Racing, Inc.

Speakers:

Ryan O'Hara, President and Chief Executive Officer, TVG

Paul Siegel, Vice President, Global Cyber Licensing LLC

MR. STEVE BARHAM: The next panel is "Technology: The Good, the Bad and the Unknown." To moderate the panel is Dan Luciano, who's the president and general manager of American Greyhound Racing, Inc. He's been in his current position representing a group of properties that are owned by the Delaware North for the past 12 years.

He's a speaker that comes down to our classes at the Race Track Industry Program and converses with students, and those classes are always well attended. So Dan, I'm going to turn it over to you.

MR. DANIEL LUCIANO: Thank you, Steve. And welcome to everyone this morning. "Technology: Good, Bad and the Unknown." We all know there's a lot of good, we've seen some of the problems with some of the technology, and there's an awful lot of unknowns out there that will be changing by the day.

We're surrounded by technological advances. It's been said that the baby boom generation has witnessed some of the greatest advances in technology in the last century. However, a case can be made that every generation is seeing and experiencing improvements in their lives due to the rapidly changing technological situations we have in the world.

Look around us at this Symposium, and even some of our other symposiums. Every year we see new things, we see new technology, we see new ways to do things and new ways to help us out.

Who would have thought that years ago when the black and white TV was invented, and then color, and now we have TVs that are three or four inches thick that show the clarity that one would never believe. Technological advances come along so quickly that at times it's almost impossible to keep up. And many do not even want to make predictions of what will come up next.

It seems that the day after someone commits to an application that promises the "Wow" factor, an even better "Wow" comes along. I think a good example of this is some of the new stadiums and the new arenas that were built in the past years that have been wired for Internet with data ports. Everything gets done; they get it set so it's going to be working for the next few decades. And then what happens? The world goes wireless.

Things like that are happening to us every day. The Internet, PDA's, laptops, the boring computer, memory sticks the size of a package of gum where you can take your files with you in your pocket, and the ubiquitous cell phones have changed the world and the way we do business.

When you think back to how we used to print programs, draw races, communicate with each other, get information to gamblers and the other myriad functions that we did at racetracks, that look to a 20 or 25-year-old like it was something out of the Stone Age, you have to marvel at what these advances have done. And it promises to get even better.

Wireless tracking of participants in a race, voiceover Internet protocol, cell phones and computers becoming one, and who knows how many other advances are coming? And they'll only help our industry.

Today we'll hear from two of the people heavily involved in technological advances. Our first panelist, Ryan O'Hara, president of TVG — was named president in 2004 following a three-month stint as the company's chief operating officer. Previously he served as a senior vice president of business development and strategic planning for Gemstar-TV Guide International, TVG's parent company.

In his role, Ryan oversees the network's wagering, financial, legal and advertising sales operations, manages TVG's development activities with track and online partners, and coordinates with the company's affiliate sales groups to secure long-term carriage deals.

In his previous position, which he held for two years, Ryan was responsible for business and operational planning, strategic development and corporate deal-making for the company's publishing, cable and satellite and consumer electronic businesses.

He's had a varied career, helping with Fox Cable Networks, Fox Liberty Networks, and was the director of business development when he launched the Regional Sports Report on 17 Fox SportsNets. Ryan will be telling us what TVG does, how they do it with technology, and actually how they do what they do.

Ryan?

(Applause)

MR. RYAN O'HARA: Thank you very much for having us today. We're proud to be part of this Symposium and we have some employees at TVG that have come from the school, and we're proud to be a part of that.

What I'm going to spend time on today, but I gave it more of a technology slant rather than just an update on what we're doing at TVG, and we're going to take it from two angles. We're going to look at technology from the television perspective and how we're thinking about making horse racing and TVG look better to the consuming public from a television angle; and then second we're going to talk about technologies that we use to extend our business through telephony, through the Internet and through interactive television.

So with that if you go to the first slide. When we sit back and think about how we go to the consumer with the product, we think about it in two different ways, from a television standpoint and a wagering standpoint.

And when you look at the people we compete with to get our signal and our television network out to consumers it's a very, very competitive landscape, and in some ways we're at a disadvantage.

If you look on the television side, broadcast sports, whether it's the NFL, NHL, NASCAR, baseball, you name it, they have terrific coverage on broadcast television and the sports are well understood by the consuming public.

People really know how the sports work, they know the stars, it's in the newspaper every day. Those sports are easier to grasp and to follow and to stay current with. So that's part of our competitive side.

On the cable side, ESPN and Fox SportsNets, terrific companies, fantastic production capabilities, and their coverage of sports outside of horseracing and including horseracing we deem as somewhat competitive. And I'll come back to why that is in the cable and satellite operators' mind, why they see that as competition.

And then there's other niche sports-related programming that's out there that's coming more and more every day. So there's the Golf Channel, they're in 80 million homes; now there's the NFL Network, really powerful brand, to get more carriage, which is the key to growing television. Now they're bringing live NFL games to the table starting in '06 so they can use that to buttress their argument why they should be carried more frequently and across a wider base.

And then even smaller players like the Tennis Channel and other channels that take sort of what TVG's doing but really focus and try to provide a lot of inside information and focus on a given sport. Those are also competitors when we're talking to cable operators about why you should carry TVG versus the Tennis Channel.

On the wagering side, as you guys know as well as I do, there's quite a bit of healthy competition out there. I think the casinos are less regulated and a little more laissez faire, excellent management teams, really good balance sheets, and if you look at what the casino people are doing, not just in Las Vegas and Atlantic City but all across the country, I see them as the biggest competitor to the wagering side of the business.

Next, in certain areas, particularly California and a couple others, Indian gaming is doing quite well; again, they have some special status that allows them to be quite competitive and fairly well operated.

As a side note, my sister actually runs marketing for one of the Indian casinos, and I know how different her job is from ours. There's less regulation, they don't have to talk to anybody to do anything. An example of how they're being pretty entrepreneurial is she runs one of the casinos in Los Angeles, or outside of Los Angeles, and they're allowed to do — you know, we talk about the takeout and being able to move pricing.

They have games where they use casino chips because some people like using casino chips. They have other games where they use cash. They play with the takeouts on a daily basis, to appeal to some of the certain ethnic groups. They're introducing new card games all the time, so they have kind of a Southern China room which is certain types of games they like, they have a Northern China room with other types of games they like, they have Korean games, they have Japanese games, they have a whole slew of games. And they're making money hand over fist. And that's a pretty good competitor.

Then there's the off-shores. Technology is a good thing and a bad thing. So technology enables the off-shores to play and it's another form of competition. The lotteries, as was mentioned in the previous presentation, are competitors; somewhat similar, state-regulated.

People don't think of it as gambling, they think of it as, lottery for some reason is cleaner so more people are attracted to it, and obviously is a much bigger business.

And then I put the last one to note that in the next three or four years I trust there will be five or six new things, exchanges is just one. If history teaches you anything in technology, the next thing will come. And we need to be ready for it.

So what I'm going to do here is focus a little bit on the TV product, talk about the Internet product and talk about some of the ways we're morphing the two to try to make our product more attractive.

So on the television side horse racing is very difficult to follow for a lot of people, even experts. And so what we try to do is take advantage of all the graphical information and statistical information you need to give a bettor before he or she places a wager to make it consumable on a television environment.

So what we've done most recently is we've — and it's always a fight here — we always have this internal fight when we're talking about graphics, whether to put more up there and get everything everyone wants or to put less so it's more consumable and easier to watch and easier to follow.

So we've made our fonts bigger, and I'll tell you the simple stuff, just because I think it might be interesting for the group. We worry a lot about our fonts, different consumers have different size TV sets, some have 60-inch plasmas, a lot of them have 13-inch analog sets; so we make sure that the border around our television is pretty clean, because sometimes the different TVs cut in. So we don't put anything around the certain perimeter of it.

We make our graphics as big as possible, we added a couple new things on the bottom; consumers were telling us that they were confused what races were coming up next, and so we added on the bottom a bar that tells you what's coming next. So in 10 minutes there's a race, race number six, 15 minutes race number four, 15 minutes race number one. And it allows you if you play all the tracks to really fire on all of them; or if you only like two of the four tracks running at that point in time you can do your work and your preparation and you won't miss your chance to bet. And it's a simple change.

It was very hard internally to get the software to do it and to make sure we made no errors, but it was a simple change we made about three months ago. A few people called and went bananas saying, "How dare you. You shouldn't change anything, and we don't really like change."

But more people liked it, we saw the results, we got the input back from people, and it was a good change I think, we're proud of it.

We're also using the right-hand corner to be more open about saying, "This is a wagering channel, go ahead and sign up with us, open an account and you can wager from home on the horse racing."

And what happens there is it toggles back and forth between the phone number and then the TVG.com and you can go either way. Sign-up takes two, three minutes and you're off.

On the Internet side, I think we're going to do a lot more to develop this. This year was focused on the TV side and we're still doing things and there'll be more.

And then on the Internet side we're going to ramp those efforts up coming in '05, and what we've done most recently is, again, you have to have this product, it's kinds of a schizophrenic product; you have to have it simple enough for people that aren't expert, either Internet viewers or wagerers; and then you need something that's advanced enough, sophisticated enough that the whales and the people that drive your business find it a good product and like using it, and there's a lot of competition. So it really keeps us on our toes.

So some of the things we've done there is we've enhanced the capability in the back office so it runs really well on broadband and it moves more quickly to the latency factor on our side is terrific compared to a lot of Internet sites in all of sports; or I should say all Internet.

We fight with the font issue, about the size of the font. The Internet you can obviously go smaller because people can focus in. We're trying to make it easier for people to find what races are next, trying to make it easier on the top for people to see what's going to be on TV. Most of the races are on TV, especially of our core partners. But some of them aren't. This allows you to follow it that way.

And we're going to really focus next year from the consumer standpoint and we have research in the field now to decide how to tweak this product to make it more consumable.

We're also using our air and our kind of promotional capabilities to explain to people what TVG is and how it works. There's a lot of people that are still learning that and a lot of people, even if you want to bet horseracing — how many people in this room, for example, have ADW accounts? Will you raise your hand?

(Show of hands)

Right. So about 40 percent of the audience does. And how many people wager on horse racing in the audience?

(Show of hands)

So maybe 70 percent. So we've got about half of you, we'll work on the other half.

But what we're trying to do is people that watch TVG, which might be a lot of people in the room, is we're borrowing. This is a woman who works for DIRECTV, is well known in that environment. She's really good at simplifying things and explaining to people how to do things and encouraging them to act.

And so we hired her and she's done some promotional spots for us that — Marcy Miller's in the crowd — managed, and really some good work put it in a nice comfortable environment, big TV in the back, it's a one-on-one conversation. It's a longer spot than normal so it's not rushed. We have the time on air to do that and she basically is saying how easy it is to sign up, how fun horse racing is, how you

can win, how you can be a part of it at home, and tell people to go to the Web site or to call the phone number to sign up.

Also we wanted to have a little different look here so here we hired another gentleman, relatively well known, and did more of a two-box scenario. So by this I mean there's a lot of households that have a PC and the TV in the same room, and so we wanted to show that you can have your wireless PC or you can have your connected PC, and you can bet on TVG.

And this promotional spot also is longer than normal and it really talks about some simple wagers, telling them what an exacta is, how they can do it, and opening that up to people. We're also trying to use — TVG's part of Gemstar-TV Guide which is owned by NewsCorporation. So we're using our ability across that platform to promote horseracing and our product.

So for example, last year's Derby, the coverage of the Derby in about half the country, or cover of TV Guide was the Derby, and it was a great, great coup to get that.

And then what we also were able to do was at the back of all the TV Guides, we were able to put this Derby Party Guide in the back. And this is a way to introduce people, wanted the — kind of the Derby experience and a mint julep and a broader subset of TV Guide readers.

We also put an offer in there saying, "Come check out the Web site. Here's a \$50 offer to sign up, and you can have \$50 free to start."

And it was a way to kind of take advantage of other assets in the corporation to promote the products and horseracing.

And I think if you went and did this in the fair market, arm's length transaction, this is a shrink wrap. These guys spent a great deal of work on it, Marcie and Chris, and this would be a seven figure, multi-seven figure kind of buy. If they charged me that much I wouldn't be able to do it.

And then this next phase is, one thing I did before I came back to the U.S. was I was with BSkyB in Britain from '99 to 2002, and BSkyB is the DIRECTV of Britain. And they've had true interactive TV since '99.

And what it is is basically you're sitting at home, you have a set-top box; there's a phone line connected to the back of the box and you can watch sports, you can bet, you can do whatever. So it's a huge part of their business, and we did really well with it.

And so some examples that people find interesting. So if you're in Britain and you're watching a football or soccer match, you can decide, you can be the director in your own home; so rather than have the director at Sky Sports take you through the game, there's always eight cameras at a soccer game and one of them follows

Beckham. Beckham was the star of the nation and a lot of teenage girls had crushes on him and the rest; and so you could choose through interactive TV which camera angle you wanted to watch the game on.

So you could put the Beckham camera, and lot of people did; and you could watch Beckham all the way through on the game. It was a real different experience for Sky versus cable because the cable guys couldn't do it. So BSkyB could do all these things using interactive television that differentiated their platform.

It made it more sticky, there was less churn, less people turned off the service, and also when we did research in the schoolyards people would say, "Oh, do you have Nickelodeon?" Well you do have Nickelodeon on Sky B because there's extra features that make it that much more powerful.

So interactive TV really worked there. And I think you're going to see Newscorp, Echo Star, some of the others here ramp it up. So on our behalf, one of the things that really worked very well was two-thirds of our revenue were from gaming. Horse racing. It was soccer-related gaming, much more liberal there. You can bet on pretty much anything, and they had a lot of games that really at the end of the day you compete against other people, sort of a lottery-type deal, and you could win money. So it was pseudo gaming.

And two-thirds of the hundred million pounds a year in revenue came from that. So one of them was horse racing worked pretty well. Now, you come to the United States, much less liberal around gaming, much more complex. But horse racing, as many issues as we seem to talk about, the great thing about horse racing is it's got this ability to go across state lines, it's legal, it's the only legal sports gambling in the country, and from an interactive TV perspective, from a cable and satellite provider's perspective, this is really a unique opportunity for horse racing, and one we're trying to capitalize on.

We are launching — it's not like this is now future hype or anything else, we're launching interactive television in the U.S. for the first time, and the application will — we're not telling who it is yet, we're going to jointly announce. But what it basically does is you can sit in the comfort of your home, you can still pick up the phone or go on the Internet or you can press a button on the remote and the video screen, which is full screen to begin with, squeezes and goes up to — it's actually about a quarter screen, and the signal's running, the regular TVG feed.

And then you can, from the comfort of your couch without the two-box scenario or running to the PC or picking up the phone you can press a button and you can go in, your put your code in, your regular account number and then you go into either "bet now," which I'll show you a slide in a moment, you can find out the race scheduled for the day, what's on TV and what we're showing, odds and results, your account information, how you're doing, what your balance is.

And then we can also put promotional messages on the right side to let people know what's coming up or to tell them to tune in tomorrow for a race at Keeneland or whatever the next day is. So you get inside the application.

And what it does is you build the bet ticket on the right so this person is betting on NYRA product; Belmont race five, picking the exacta one-three. If you look to the left just for a moment you can see Good Day Sunshine is the horse, the morning line gives someone a feel for if they want to bet the momentum play and they can see the changes in the odds. It's pretty easy to track.

The one is going off at 7-5, the two at 13-1, the three at 20-1, and this person is betting the one-three exacta for both ways for \$4.

Now, we'll do more of this later as we get into it, but not today. But you can add to a bet card. It's like Amazon.com. You can go ahead and do bets, add it to your card, and then you can shoot it off. So quickly, before I transition to this, basically what we're all about is trying to create great television and focusing time and resource and a lot of money on it.

We spend a great deal of money on the television side but we think it's worth it, because a really high quality product helps us get more distribution and grows the overall pie. If we step back too much, we're going to get beat by the Tennis Channel, we're going to get beat by NFL Network. Lot of these guys got great assets; our assets are our racing product, our production capabilities and kind of our Newscorp, you know, momentum kind of helps.

So if you look at our TVG results from a handle perspective just a nice kind of trend that we hope to continue. California launched and we're up to 159 on '02, 213 in '03, and then for nine months through September, we're at 285. So you'd add some more to that for the year and see where we'd end up.

And what drives that TVG distribution or television distribution is very important and probably as important as almost anything. So we've had a pretty good reason.

We've all worked on these and are happy about how well it's gone. We really took a nice spike in kind of quarter two of '03 and we've had steady, steady growth ever since. We had a really good quarter at the end of this last quarter, and I think this quarter — or I can't talk futuristic, but I think you'll see this trend continue, and we're excited about that.

On the distribution side, getting distribution from these guys, they're rally tough, it's a tough environment. They're fair but firm, and it's the toughest negotiations I've seen. Especially as they consolidate and get bigger and more powerful they just have a lot of leverage, and you really need them to drive your business and they know it.

But we've been successful with Adelphia, we got a deal done there. They're up for sale. We feel pretty good about whoever buys them about how that goes. They might stay private as well.

We got a deal with Charter working on enhancing that, we've got a brand new Comcast deal that hasn't fully rolled out yet, so there'll be some growth there with a signed deal. Cox is our old faithful partner in Kentucky. And then Dish Network, DIRECTV, and then reach a bunch of homes through our Fox relationship.

And if you look at the results through '04, I gave you kind of the handle, ballpark. This is just nine months, how much we give back to the industry. We paid back \$33 million — or \$31 million back to the track partners and to the horsemen. And so we're proud of that. It's a huge number.

Our payback as far as our models, we're the most aggressive one out there, so we pay source fees, host fees and all these fees, and two-thirds of the money goes back to the industry.

If you look at how our consumers are doing this, 71 percent are using the Internet, 28 percent are using the phone, and then one percent are using the old ITV which we had in Kentucky for a while. I think you'll see the ITV pick up as we launch more thoroughly on EchoStar.

So as we think about our business, and to tie it in to the point of the summary, or the session, is technology is vital. We try to stay right on the cutting edge, try to make sure we're ahead of the curve. We hire the right kind of people that know where technology's going and how we can utilize it, and then above all, regardless of anything else, we worry about television distribution and what it takes to get television distribution, and we'll worry about the consumer. A big change we're making this next year is our goal is to understand what consumers want, understand how they use our product, understand why people don't use it or don't know about it, and really focus our business planning around reaching consumers.

Thank you.

(Applause)

MR. LUCIANO: Thank you, Ryan. It's a great product, we know it's a quality product. I also find myself getting home late at night and having nothing on TV to watch, just turning to TVG, see what's going on for a race, see if I can see something just to watch even. So I think it's a real good addition to our industries. Okay.

The capability to know where our customers are located as regards to online wagering becomes critical as we expand our business, as all states do not sanction account or online wagering, the potential for abuses are a concern for both tracks and regulators.

Paul Siegel has spent the last 20 years in the gaming industry, including stints with Bally Gaming as a statewide distributor of slot machines, plus several years as an exporter of secondhand gaming machines.

Since 2000 he has been vice president of Global Cyber Licensing LLC. Paul's previously written a gambling column for the Denver Rocky Mountain News and has also been an invited speaker at several gaming conferences worldwide on the effective use of GPS in Internet wagering scenarios.

Paul will be telling us of his company's use of its proprietary global greyhound regulatory system which is enabled by the technology of the United States government's global positioning system to authenticate the exact geographic location of online gamblers, which I believe will help us all in knowing where our customers are when they have accounts online.

Paul?

(Applause)

MR. PAUL SIEGEL: Thanks very much. You actually gave most of my presentation so I think I can probably just flip through the slides really fast and we're all done.

First of all, thanks very much for having me. I'm used to speaking in front of primarily casino operators and regulators, and they don't usually get up before eleven, so it's nice to see so many bright faces even this early in the morning.

I'm here to talk about using the global positioning system that provides what we call perfect regulation for remote wagering. And the purpose of my being here is to explain how this operates, and for you folks to decide, whether you're operators or regulators, if this makes sense for this industry. We know it makes sense for the Internet casino world, whether it makes sense for the horse racing world I guess remains to be seen.

There are three jurisdictional givens when it comes to remote wagering. One is, as we all know, cyberspace is borderless. You can log on from anywhere in the world using your Internet account. And no one really knows where you are, especially if you don't want them to.

Secondly, I think most people agree that the betting actually takes place where the player is located. There have been a lot of court cases involving that, and that's generally been the consensus.

And finally we all know that regulators function in the three-dimensional world, which is, their process is to regulate where they're at.

And this is certainly true in a racetrack situation, where if you're inside the track, then the regulators have control over what you do regarding betting; if you're in an off-track betting establishment the same is the case.

If you're in cyberspace, they really don't have any three-dimensional oversight. Remote gambling in its existing state really exists in what I would call five environments. The first one is certainly the off-track betting centers; the second, kiosk wagering, and we're actually starting to see more of this. I know that Nevada has tried some kiosk wagering for casino games; the third, in-room or hotel wagering, home telephone wagering, and finally Internet video stream, as my colleague here with TVG is one example.

Statewide regulation though really only falls into four areas. One is honor registration; in other words, if you want to be a remote horse race bettor, you sign up, you promise that this is really where you live, this is really where you're going to be betting from, and that you will do it from nowhere else. Well, that all depends on how honorable your player is I suppose.

Sometimes companies use credit card billing addresses and will contact the credit card provider to see if this person really does live at this address, but of course that's not that difficult to spoof.

Residential documentation works essentially the same way. You might send them a copy of your mortgage or your utility bill and say, "This is where I live."

And then finally there's a process that's called IP tracing that's used on the Internet, which is used essentially to determine where you're logging in from. But the question is this: Do you really trust the bettor?

Well, I don't know that much about the horse racing business, but I do know a lot about Internet gambling. And there are not a whole lot of trustworthy players in Internet gambling. If you want to gamble you'll find a way to do it. That may be true in this industry too, I don't know. True Internet wagering though can be regulated with the same oversight that any other controlled environment allows; and by controlled environment I'm talking about an off-track betting location, a kiosk where you really know where it's sitting, or the racetrack itself.

And there are four design elements to the process that we use in the global positioning system, and they are an indoor-capable GPS receiver. We'll talk about these very briefly as we go along.

Client server architecture, which is written in JAVA. And I'm not a computer geek but I'm told that that's the best language to use. A patented network GPS process that actually was designed by one of the original people who put together the global positioning system for NASA, which at the time was just the JPL back in the 1970s. And finally, a geographic database.

Once you know what the coordinates are for a particular user, then you can use the database to say, "Yeah, they're really there, and consequently they're allowed to gamble."

Now, I don't want to be a scientist and I don't want to make you scientists, but I'm going to give you a really brief outline of how this process works.

First of all, how many of the folks here have used the global positioning system handheld device at any time?

(Show of hands)

So a few of you. When I asked that question a couple of years ago at a presentation in Ireland I had two hands raised, and about a hundred people; and some of them didn't even know what GPS was. So it was a little hard to sell.

But a handheld device built by Trimble or Garmin or one of those companies tells you where you are. Essentially, what it's doing is taking data that's being streamed down from the satellites and comparing it to information that's already in the device, and it serves you a map that says, "This is where you're at."

But what we do is we use GPS information to tell somebody else where you are in a network environment, and that's what's the most interesting part of this process. At any rate if you can imagine that we have a scenario where the top X is the server or the betting site, or the operational headquarters, and the bottom X is the location of the player or the gambler, now for purposes of expansion you can see that there's two points in the globe. It doesn't really matter, it could be — the server could be located in Phoenix and the gambler's in Tucson or — it doesn't really matter.

The satellites are constantly streaming down data in the forms of ones and zeroes, and that information is being collected at the server site. It's also streaming the same data to the client who's receiving that information on a small device. And I'll have a picture of that here in just a moment.

And then what happens is information is sent from the client to the server, the server then processes it and decides where that customer is, and in the event that that customer is in the right place, he is allowed to proceed.

The indoor GPS sensor that we're using is built by a company in Taiwan, it's actually using a chip set built by a major manufacturer of GPS chips. And it comes with a USB connector that plugs into a laptop or a PC or similar sort of device. It also comes with a serial port if you choose to use that as well.

The key to this entire success is that you can now get GPS signals indoors. In the old days you had to be outside because that's where the satellites are; it's a very low signal. But because of state-of-the-art processing, just in the last six or eight months, you now actually could get GPS signals indoors. I think you'd have a hard time getting it in this room because we're so deep inside the building. But if we were out in the lobby I'm guessing we could probably see data from three, four, even five satellites, which is more than enough to get the kind of fix that we need

in this technology to provide the location data that the regulator or the track operator would need.

The implementation process of this particular operation is pretty simple. Bettor signs up, we send him the sensor in the mail. Gets a CD-ROM to load the software. It's basically the same way you might set up any other peripheral device. Installation is really plug and play. You plug it in, you turn the CD on, you're on. There's a help desk that operates 24 hours a day, seven days a week, and all we do is say, "Yes, this person is in a legal place to gamble."

"No, this person is not in a legal place to gamble," and then goes on from there.

In this particular environment, I really see three reasons to adopt the global positioning system as the standard for determining the location of a player. First one would be, if you have an operation that is currently not on the Internet, and you're in an environment where your regulators would balk at that idea; the second would be if you were currently operating in such a manner and there had been some negative things about people who are maybe not really where they say they are; and then the third case would be in a situation where you want to divide up, based on counties or certain locales, because this can be as precise as you want it to be.

As far as the commercial references that we offer, SAIC, which is a major government contractor, has vetted this technology. Actually the original use of this technology was in computer network security where GPS is used to authenticate the location of a user offering up a password.

That's really all I have to say. If you have any questions you're more than welcome to contact me. If you want to leave me your card or whatever I can send you either a copy of this presentation or some more information. That's it.

Thanks very much.

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(Applause)

MR. LUCIANO: Thank you, Paul. I know there are some regulators that I think would be very interested in this. We've got some time for some questions, and I'm sure there are a few. Anybody that has one please go to the microphone so that everyone can hear you. Thank you.

MR. EDWARD DeROSA: Ed Derosa. It's a question for Ryan.

I was wondering, with TVG obviously you want to stimulate your in-home product, get people to wager, but at the same time building that base is getting to the track.

As an operator of the network and the ADW how do you operate that balance of wanting to get people to get to the track and experience a live product and turn them into a fan, but at the same time get them to bet at home as well?

MR. O'HARA: That's a good question we get often. We did some research that we presented actually last week to one of the horseracing boards statewide. And what we found is — and I get these numbers approximately right — 80 percent of people who play TVG are outside of 20 miles from a track. And so what it tells you is you're 20 miles from a place like LA or network or big cities, even cities where there's no traffic, it's quite a bit of distance.

So that information tells us that people that wouldn't be going all the time are betting from remote distances. And especially our distribution at the beginning was kind of big city-related. Now we're getting spread out all across states that are — have less — it's farther to go to a track.

So what we're doing is we're actually encouraging people that are away from a track to be more part of the sport. There's also the other statistic I like to quote, and a good one, is — and I wish I had it in front of me, but I think it's 10 percent of the people that play with us have never been to the track. So that's a lot.

And so what's good about that is we're introducing the sport to them. It's new revenue, but also as they get more into the sport and understand it, know the personalities and enjoy the horses and the athlete part of it, they'll go to the track.

So that's how we see our contribution to getting on-track attendance back up.

MR. LUCIANO: Anyone else?

MS. WENDY RINELLA: Wendy Rinella from the Ontario Horse Racing Industry Association. My question's a follow-up to Ryan. Do you have demographic information about your customers?

MR. O'HARA: Yes, we do. We're not Nielsen rated, and that's the purest way to get really good information on intelligent viewership. But we've done kind of focus groups and studies internally, and it rally ranges. It's unlike most networks that have a tight demo, you know, you'll be women 19 to 29 or men 49 to 65; our range is really wide.

So it skews male, it's definitely more male than female as you would expect, and if memory serves I think it's two-thirds/one-third kind of ratio, and then it skews a little bit; it skews kind of 25 to 54 on the male side.

So it's obviously — we don't want to skew too young but it skews kind of in that range. What's interesting about it is we want to build an advertising revenue stream over time.

There's a challenge to that and a lot of people — the wagering side of the business scares away certain types of blue chip advertisers. But it shouldn't, we argue. And also when you look at trying to reach males, males are really hard to reach. They don't read magazines, they basically watch sports.

And then they watch some, there's a certain subset that watch CNBC or focus news products. So what we say on the advertising side is, it's a great way to reach that demo, kind of men 25 to 54, whether it be car companies, pharmaceuticals, hard liquor, soft liquor. I think that's a compelling place for us to grow.

And then we also say, you TiVO's a big concern right now in the advertising communities, and I don't know about if you guys have a DVR, a digital video recorder or not. We have one in my home and my wife and I, even though part of the industry, we don't watch any commercials.

And what's great about horse racing is it's the most TiVO-proof content on the planet. And I'll tell you why. Everybody talks about sports or the TiVO group. I record a Laker game and I just start an hour later and then I go through all the commercials. It's much more efficient. I don't know the score, it doesn't make any difference.

With horse racing you've got to make your bet. And so you need to know how the odds are changing up until the last moment, who scratched, who didn't. It doesn't have any shelf life really, it's really the information gathering right up to the point of purchase. And so from an advertiser perspective, if we put you in show or near a race, people are not at TiVOing or DVRing horse racing content.

MR. LUCIANO: Okay. I actually had a question for you. Content as we know it is the key. How much do you think you can offer before it becomes too much content; or is it unlimited?

MR. O'HARA: Content's important. I think that one thing that I like about the network, and it's a challenge from a TV production standpoint, but we have 14 hours a day of live content. So we have great racing; 14 hours a day, six to 12 races an hour.

Now, if you're sitting at home on a weekday there's nothing live on television, there's basically some news shows you can watch, Fox or CNN or CNBC, but from a live sports standpoint Fox and ESPN are dark for the most part. They'll be lucky if they have live product each night, whereas this network has it constantly.

So I think there's always room for more content. We have, whether it be NYRA or Churchill or Oak Tree or Keeneland, we have really nice content and it's a symbiotic relationship, but any content's really important.

MR. LUCIANO: Okay. I guess that's our presentation. Thanks everybody for being here. And Steve tells me that Wendy's got another presentation she needs to talk about right after this.

So if you could all hole for a minute. And thanks for the attendance, we really appreciate it.

MS. WENDY DAVIS: Good morning. This has been a great Symposium for me. I get to come up here and give awards and make people happy, and I get to do this one more time. And I'd like to thank all of you for being here this Friday morning so our recipient of this award has a wonderful audience.

This award is for our Race Track Industry Program outstanding student. This year's recipient is a student who has figured out how to take advantage of all of the things that we offer. He's taken advantage of independent study projects; every class that's offered he will take whether it's required or not.

He is also someone who has been in the real world. He had his own business for quite a while, and then got interested in horse racing through ownership of his own racehorses, and decided that when it was time to get out of the construction business, he would change gears and come to — no, John, you cannot leave — he would change gears and come into the racing business.

John, come on up.

(Applause)

This year's winner is John Hansen. John has been a wonderful "go-to" person for us. He's always here helping at Symposiums. You might not have seen him the first couple days, he was too busy fixing a problem with his own house.

He comes to us from the construction business. And John, bless him, really started from scratch when he came to us. And he never complained about chemistry, about algebra, or about all those freshman classes that John probably could have taught. But he knew it was the drill, he knew you had to jump through the hoops to get the degree, and there was never a complaint ever.

John, thank you; as an adviser, thank you. Thank you.

(Applause)

MR. JOHN HANSEN: You're welcome. Thank you.

MS. DAVIS: And we have a bowl to present.

MR. HANSEN: Thank you. It has been great — it's a good opportunity. And I know that speaker before said a life-changing thing, about winning the bet. It's actually a life-changing thing to come back to school and get a degree that you had hoped to do in something you really inured to do. Thank you.

(Applause)

MS. DAVIS: Thanks for coming. We'll take a break and we'll be back in here in just a few minutes for the wrap-up session, so stay around.