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The Fantasy Games Approach — the Answer to Expanding Racing or Just Another Red Herring?

MODERATOR:

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Mr. Hai Ng: Thank you. Well, it's actually a pretty good crowd today. We were expecting a couple of people. I already had game plan going for let's just turn it into a workshop and mingle, but Vin's not here yet. He told me he was gonna be here, even though we came back at one a.m. last night.

Anyway, let's get started. To my right, we have John Ford. He's from BAM Software. I'm gonna give him a couple of minutes to talk about what he does, who he is. Then we have Tom Dwyer, my fellow New Jerseyan. We're escaping from snow and a lot of wet weather, so this is a cool conference.

What we're here to talk about today is fantasy sports. How many of you — how many of you have played season-long fantasy sports here? All right, everybody. That's good. Have you played any daily fantasy sports? Pretty good size. You know that the industry has really skyrocketed, over the last couple years. Season-long has always been a good business. I think the FSTA will say it's, what, couple of hundred million dollar business.

In the recent couple of years, with daily fantasy sports, it's really turned it into — if it was big, now it's huge. We were talking about weekly, biweekly, million dollar, two million dollar prizes being given out by some of the big guys. In fact, we actually had lined up a bunch of players to be here in this panel today, and they all

went and qualified for some Bahama fantasy sports thing, and they're all gone. They said the weather in the Bahamas is a little better than here, and they decided to go there.

What we wanna consider in today's panel is fantasy sports has done a lot for major league sports, and even for the minor league ones, and college sports. Can it do anything for the racing? Can it bring new blood in? Can it introduce new blood to racing and the complexities of racing? That's part of what we're talking about. One question that we have to answer is you can already put money on racing, so is it even worth doing anything?

I'm gonna let — I'm gonna let the panelists introduce themselves. Let's start with John.

Mr. John Ford: Hi, morning. We actually thought the panel might exceed, in numbers, the people who came, so it's actually a good size. I'm an attorney, by training. Don't hold that against me. Practiced law for a number of years. Was general counsel for Ladbroke North America for a number of years. Following the passage of UIGEA in 2006, I co-founded BAM, with a plan of offering real-money games online, in a compliant, legal environment.

I come from a racing background, so we started off with horse racing. We added greyhound racing a couple years later. About three-and-a-half years ago, I decided to get into fantasy sports, so we built fantasy sports on top of our account wagering platform. Launched that, as an independent site, at FanEx.com, and then integrated fantasy sports into BetAmerica.com, which is our largest URL. We continue to grow that business on the horse racing side, and on fantasy. We do fantasy for a number of reasons that we'll get into during the course of our discussion.

Mr. Hai Ng: Tom?

Mr. Tom Dwyer: Thanks again for having me. Doug, thanks for inviting me. My role here is a bit of the outsider, from the horse racing industry, so I'm the ultimate outsider and was the ultimate outsider to even fantasy sports, as of a year ago. Ballr.com is a startup that we've launched to take advantage of this exploding niche in fantasy sports. People are migrating every day, from season-long. Forty million people who play season-long fantasy in the US are migrating every day, over to our games.

A good friend of mine from ESPN did a lot of their fantasy sports programming. He said, "Tom, I'm out at ESPN. Why not take advantage of this?" It's a real business opportunity. As you guys know who play this, it's not all fun and games. I had to convince my wife of that, that it's not all fun and games. It's a real business opportunity.

My perspective today will be to share with you how it's a real business, how it may — or may not — fit with your business model in your industry. I will tell you it's a

real business. It can be really profitable. It's another way to engage with your customers who are playing this already. They're playing this already. That's what Ballr is.

Again, my background is finance. I was a CPA, did some mergers and acquisitions work in insurance. I came to this with the idea of running a business. I'm not gonna tell you who sleeper pick is for Summit, but I'll tell you how to run a business and execute a business plan. That's my perspective. Even when it comes to how to handicap fantasy sports, there are elements of hedging and insurance and risk management. We're bringing in an insurance product to market, as well— if Peyton Manning breaks his leg kinda thing, will somebody pay a dollar at checkout for that insurance protection? Sure. It's a real business opportunity, and that's my perspective today.

Mr. Hai Ng: We got a good team. We got a lawyer and we got an accountant. I'm sure there might be a doctor down there. We're all set. Now, let me give you a little background, in case you weren't at my panel yesterday. I have a consultancy company. How I got involved with fantasy sports is, a few years ago, just as daily fantasy was starting to peek out from the ground, I consulted to a couple of startups that were exploring that path. Several of them actually hold patents to some of the games and some of the scoring mechanisms. That brought me into the world of fantasy, season-long.

Had to understand that. Went to a couple of FSTA events, and went to the National Fantasy Baseball League in Vegas. They have this twice a year, for two weekends for baseball, two weekends for football. Serious stuff. I actually got the opportunity to sit in the room with the high rollers. These are \$10,000.00 per seat buy-ins, and \$25,000.00 per seat buy-ins. These guys are serious. They were cramming for this. It was like stock traders. They brought folders yea high. They had two computers. They were drafting for six hours. That room was catered.

It's an interesting business, and it's definitely a business. It makes money. It makes a lot of money, as you can see. They're giving away a lot of money. This is how we're gonna run it. I'm the moderator. I'm gonna talk a lot. Then, we have the insider, and then we have the outsider. The interesting thing — and I'm sure some of you know, but I'm gonna go through this. We mentioned UIGEA. There are two carve-outs in UIGEA. One is your industry, and the other is fantasy sports. We have both industries represented here. One is like this, and fantasy is going crazy. Is there anything that we could do? Is there any cross-pollination here?

Now, let's start with the one key question. Is it even relevant? A lot of people say fantasy sports is simply a proxy for sports betting. Cuz right now, the only place, really, you can bet on sports is Las Vegas. Until New Jersey wins that lawsuit, that's not gonna happen.

Mr. John Ford: If.

Mr. Hai Ng: If, yes. Well, I'm from New Jersey, and I consult with sports betting companies, so yeah, when. Is it? Is it a proxy?

Mr. John Ford: I think of fantasy sports as the legal alternative to betting on sports. It involves money, real money: pay to enter a contest. It involves looking at performance in sporting events. It involves cash prizes. By the way that sports betting is traditionally defined, which is placing money on the outcome of a sporting event, it's not sports gambling. You're looking at, as we saw by the show of hands, you're looking at individual performances in sporting events, and taking select individual performances in sporting events, and determining winners of contests.

By definition, the traditional definition of sports betting, it's not sports betting, even though it involves money, sports, and winning money.

Mr. Tom Dwyer: I agree with that, John. I'll share another perspective, though. What we're finding, talking to our customers, there's another crowd. We've got the high-roller crowd. They've been the early adopters to fantasy sports. These are the people who are out there to make money. They're looking to make their ten grand a weekend on NFL, right?

We're finding our customer base tends to be a little more recreational. I'm bullish on the recreational user in fantasy, cuz I don't think the 40 million people in the US are high rollers. I think the vast majority of them are recreational. They're looking for entertainment. They'll put a couple of bucks into play, of real money, to buy entertainment.

Our focus, we've shifted pretty much into the recreational space. I'm almost differentiating myself from FanDuel, and DraftKings, the guys who you see on ESPN commercials all the time. I want the guy who wants to reengage with the NBA on a Tuesday night because he's flipping through the channels, and he wants ten bucks to bust chops with his buddies on text. I want the guy who wants to follow name brands, like Peyton Manning and Tom Brady, at 4:00 on a Sunday.

These people have proven — this is not social gaming stuff, which we heard a lot about yesterday. It's not Zynga. We have free games, but these are people who are gonna put 10, 20, 30 bucks a night into play, and that's the space I wanna be a part of.

Mr. John Ford: Right. I think you'll see a lot of similarities between fantasy players and horse players. The good example in — I think it was the first days, one of the first days session, about breaking out handicappers, and that there are two categories of handicappers, which I agreed with. There's professionals, who are doing it to make money, similar to the guys in fantasy who are churning out and entering 1,000, 2,000 contests on a weekend to really grind out a profit. Then there's the recreational player that enjoys the entertainment.

It's the same type in fantasy. The bulk of the players are enjoying it, entertaining, having fun, and getting some excitement out of watching the game and having some skin in the game.

Mr. Hai Ng: One thing that I've seen, interacting with a lot of players, both at the medium level and the high rollers, is that it's an extremely social game. A lot of these guys know one another quite well. They play with one another. Some are not even interested in playing with other people because they like playing with friends.

Naturally, that, I think, attracted a lot of poker players. In the current daily fantasy world, a large amount of the people are poker players. Some professional, some not, but poker players, because they bring their friends over. I remember talking to Greg Ambrosius, who's part of STATS, Inc, which is one of the largest statistics gathering companies in sports. He runs a season-long fantasy sports session. He runs an FBC, the National Fantasy Baseball Championships, and the NFFC, the National Fantasy Football Championships.

He claims 85 percent loyalty rate. His return rate is 85 percent. No online service today would even — they'd retire, if they had 85 percent. Everybody has serious turn. In fact, there was a conference I was at. I had the pleasure of having Greg there. I actually had the pleasure of having Jason from DraftKings there, as well — who's in Bahamas and sends his apologies. Jason came right back and says, "Well, we have 20 percent retention rate."

That's the contrast. The interesting thing is I think the audience for racing is that loyalty one, where they will come with friends, and it's always a group of friends that will come to the track. That's where retention is really gonna be. How do you see that?

Mr. Tom Dwyer: I would totally agree. We think the recreational user is much more sticky than anybody else. The guy who's handicapping the NFL for a weekend and puts his effort into it, he's gonna place his bets on whatever platform he sees fit and he sees an opportunity for an overlay. He's gonna go and put his money into FanDuel and DraftKings and another one. Our focus groups suggest that. High rollers are playing on multiple platforms.

The recreational user, once he finds something that he trusts and is user-friendly, and the language is dumbed down, he'll stay with you. The folks that were in the season-long leagues, how many years have you been in those season-long leagues? You've been doing that for a long time. There's probably no reason you're gonna stop doing that.

We love the recreational user, in terms of the brand familiarity. Just to sneak this in, we're talking to a couple tracks about how to try to monetize their current customer base. Because their customers are playing fantasy already. How do we reengage? Is there a white-label solution to bring to a track to monetize their current customers, anyway?

Mr. Hai Ng: Let's stop for a bit and let's talk about terminology here. We call it fantasy sports. There's fantasy games. There's fantasy this and fantasy that. Then there's — what do you call it — rolling dice fantasy games. Dungeons and Dragons, that's the name. John, I believe you have a slide that goes through how the legal definition of fantasy sports.

Mr. John Ford: Right. I think, in our industry of racing, it's easy to get confused between the potential for fantasy racing and fantasy sports and traditional handicapping contests that we do in racing. What I thought I'd do is just walk through UIGEA, which is the Unlawful Internet Gambling Enforcement Act that was passed, back in 2006, and as Hai said earlier, that created the two exceptions for legal real-money games across state lines: racing and fantasy.

The devil of figuring out what fantasy is was in the definition. The definition in UIGEA is really controlling the market, because it gave a safe harbor of what was permitted for real money across state lines. There's a further analysis that has to be done in looking at individual state laws. That traditional definition that I said about betting on the outcome of sporting events has to be looked at in each state, to make sure that the way that they define illegal sports betting doesn't implicate fantasy sports. Different sites do it different. On our platform, we don't offer fantasy into nine states, just because of the wording of individual states. Most of it is governed by federal law.

This is federal law. I'm sure everybody can read this. No, just joking. What I thought I'd do is just go through the steps of the definition of what is a fantasy game that is protected under federal law.

It's a fantasy or simulation sports game, or an educational game or contest. Just an aside on educational games. You can have educational games, trivia games for real money, that reflect the knowledge and skill of the consumer, that you can play for real money. There's not as big a market for it, but it's real and out there. You can also do simulation sport. You could have virtual sports that could qualify for fantasy. Today, the market is mostly on real sports games that are out there.

The second requirement is that your fantasy team—so, as we create a fantasy team and we pick a quarterback from one team and a running back from another and a tight end from another, you can't create a game where your fantasy team is the actual membership of a real team. You can't say, "Okay, my quarterback is from the Raiders, and my tight end is from the Raiders, and my running back is from the Raiders, and my defensive team is the Raiders."

You can't let's just pretend that we're creating a fantasy team, and I just happened to pick all of the Raiders, and you just happened to pick all of Kansas City. Oh, gosh, but we're just doing fantasy. Well, no, that doesn't work.

The next requirement is that the prize has to be known in advance, before the contest begins. The opposite of our pari-mutuel on racing is that the prize is

determined based upon who bets, and what they bet on. In fantasy, the prize must be set in advance, so there is some risk to the operator in that, in that, if you're doing a ten-person game and the entry fee is \$11.00, and you're figuring that that entry fee is gonna get you a ten percent profit if you fill up that ten-person, but then, as it turns out, only eight people sign up, then you've got a deficit. You've agreed to give out a \$100.00 prize, but you've only collected \$88.00.

That's a requirement of fantasy. They didn't want to create the potential of a pari-mutuel type system, or a pool system on sports. That has to be set and fixed in advance.

The prize can't be determined by the number of participants, which is similar to the last requirement. I can't vary that \$100.00 prize. In my example of ten players, if only six come in, I can't say, "Okay, well, now the prize is \$60.00 because I only got six people in my contest." It can't be — even though you can set up a ten-person game and say this is the prize for this game, I can't vary that prize based upon how many people enter it.

This is, I think, where the rubber meets the road in fantasy, especially as fantasy matures and gets more sophisticated, is that the outcome has to reflect the knowledge and skill of the participants. There is a desire — and I think our group is doing it, is trying to make fantasy much simpler, so that, instead of picking a whole roster of football players, a whole roster, maybe you pick three quarterbacks. You make the game simpler, to appeal to a broader demographic.

At some point, you're gonna challenge this requirement. The outcome of who wins, whether it's me or Tom, has to really reflect our knowledge and skill. If all we're doing, let's say, in a simple example, is I pick one quarterback and he picks one quarterback, what happens in that contest may not really reflect our relative knowledge, especially if the pool of quarterbacks that we're picking from is limited.

Cuz there are some companies out there that are creating pick 'em games; we're among them. You give a limited roster to try to make the game simpler. You give a limited roster of players to pick from. There is a line that can be crossed that, when you make the options too small and the variables too limited, that you're not going to really reflect the knowledge and skill of the participants in the outcome of the game. That's something that has to be balanced in traditional fantasy sports, and as we apply fantasy to horse racing. It's an issue to be dealt with.

The next requirement is that the outcome of the contest has to be determined by the accumulation of statistical data, statistical results. This gets away from the outcome of the game that has to be the performance of — and the statute is individuals, which people could debate what an individual is. It's the outcome — it's the statistical outcome of the performance of individuals.

You'll see that there's a parenthetical: athletes, in the case of sporting events, which obviously implies that we're not limited to sporting events. You could do fantasy off of the Emmy's. You could pick a team of actors, supporting actor,

leading actress, supporting actress. We're not limited to sports, and I think that's a growth opportunity for fantasy. This is another careful area to make sure that you're compliant with.

Then, the last one is just clarifications, that the outcome can't be determined by the outcome of a sporting event, and it can't rely on the performance of individuals in a single event. You have to use more than one event, so more than one horse race, more than one football game, more than one baseball game.

That's the legal rules of setting up the standards of what fantasy is, under federal law.

Mr. Hai Ng: Now is a good time for to just encourage, if you have any questions, we're not gonna wait till the end. Just think of it. Just track my attention. We have no mics. There we go.

Audience Member: When you have to determine the prize for the entries you are taking are you allowed to — for example, if you got into that situation where you were giving away \$100.00 and you only had six entries, can you cancel the contest?

Mr. John Ford: I believe so. It's a regular practice.

Mr. Hai Ng: Not a good practice.

Audience Member: I've seen it in practice. I just wondered if that was —

Mr. John Ford: We went through all of the rules that are at the federal level. There's no rule against it.

Mr. Hai Ng: The thing to know is that — and both of you can correct me, if I'm wrong. It's not a regulated business, regulated in a sense that somebody issues a license and has a list of ways that you have to operate, and stuff like that. It's a business, but it's not like getting a casino license or something like that.

All right, so no hard and fast rules. Everybody does their own thing. Certain sites will actually shut a contest down. I've known, from the work that I've done with startups and with the big guys, is that it's a frowned-upon practice because, if you drafted your team, it takes a lot of time for some of these serious guys to draft a team. Just to be told that this contest is done and over before it even started, you're not going back to that site again. That's what happens.

Mr. John Ford: I guess I'd take exception to that. We do it as a regular practice, and horse racing does it as a regular practice. We have what we call scratches, right? You can spend a lot of time, and you're doing your superfecta, and you really spend a lot of time, and then the horse scratches. Now your bet's off, and you gotta figure out the whole thing again.

Mr. Hai Ng: That happens in our games. It could be a rainout, especially for baseball. You can always get rainouts and all that. It does happen. I guess what I'm saying is that most of the sites choose not to do it when it's because of an overlay situation. It was a big bane to the industry. Overlays, which is the terminology that I guess was borrowed from poker, means that your prize is now bigger than what your income is. They actually run really interesting campaigns on the last minute. They will blast everybody. They will actually say, "Huge overlay. Come play. Guaranteed winner. You're gonna win a lot of money."

Mr. John Ford: Those are generally on guaranteed contests.

Mr. Hai Ng: Yes, guaranteed contests.

Mr. John Ford: We do guaranteed contests — everybody does — so that you know that that contest is going to go. If there's only six people in it, in a ten-person contest, then obviously your opportunities for winning are better than if ten people are in there.

Mr. Tom Dwyer: A comment on the regulation. It's unregulated, but it's becoming so popular. It's not crazy to think that it will be regulated in the coming years. Our regulator right now is our customer. Our customers are very loud. They tell us what they like, and we can adjust very quickly. The business model is ridiculously simple and flexible. If you're pulling too many games off the shelf at the last minute, your customers are gonna tell you about it real quick, and go shop for another site, if they think the sites are similar.

There were a lot of comments yesterday in some of the panels, about listen to your customer. That's one thing I think the fantasy industry has done really well cuz it's a lot of tech guys who've just grown up this way. You hear from your customers immediately, for good and for bad, about what's working.

I don't wanna knock anybody, but there's a lot of fantasy companies that are coming out. There's new startups. There's probably a dozen of us who have the vast majority of the business, but there's a new entrant almost weekly now, at this stage in the NFL season.

There was a company that launched last week. Their systems weren't ready. They had promoted the heck out of it. Their systems weren't ready, and they had a couple hundred thousand dollars of guaranteed prizes. They didn't fill. They ended up refunded everybody. It cost them a couple hundred thousand dollars. Their customers went nuts on social media. You'll hear from your customer. Your customer's your regulator right now.

Mr. Hai Ng: Any other questions before we move on?

All right, so let's talk about how this can be relevant to racing. Let's get the insider perspective first, and then we can shoot him down.

Mr. John Ford: Sure. This is where I think and we think that fantasy can be a opportunity for bringing new fans and creating new pari-mutuel racing fans. Just to stop and appreciate the type of customer that's playing fantasy, very similar to a horse racing customer. They're obviously interested in strategic games. There's a lot of work that goes into creating your fantasy team, and there's work that goes into picking your runners in a race.

The average fantasy player is college educated, good income. The major difference between your average fantasy player and your average horse player is a decade or two. The average fantasy player is 34. I think our average horse player is 51, I think. It's a target-rich environment for potential horse racing fans. As we all know, the biggest challenge — or one of the big challenges to creating horse racing fans — is the steep learning curve that they get presented with, when they show up at a track or go online. I think of fantasy as a soft introduction, or can be a soft introduction to horse racing.

I made this little chart. The first opportunity is the bottom line, the direct from the fantasy sports into pari-mutuel wagering. Again, remembering that this is a similar type of player. He's a thinking player. He's well educated. He has discretionary funds. He enjoys strategic game. He's playing football. He's playing basketball.

He is a type of player that can be softly introduced to pari-mutuel wagering. We're fortunate in that we have an industry that has good margins and can present an exciting and attractive game. I think that those folks on the left, that are playing fantasy, are just a great audience of introducing to pari-mutuel, however we can do that. Whether we offer fantasy contests at racetracks, whether we offer fantasy contests at ADWs, or however we wanna do that, they are a great audience to pursue.

The top channel is, I think, even a better way of getting fantasy sports players into pari-mutuel wagering. That's to do a hybrid, so that you could create a fantasy game of two quarterbacks and a jockey, or three horses and a trainer, or horses and pitchers in a baseball game. To do some hybrid games, where the fantasy player is forced or encouraged, that he's gotta do some handicapping on that horse racing related event.

Let's say a two quarterback and a jockey, he's doing his work on picking his two quarterbacks, and then he's gotta do some work on picking a jockey. You might know nothing about them, but you'll give them a limited menu to choose from, so that maybe there's four jockeys at a race card at a racetrack, and you let them pick one of those jockeys. They have the opportunity of doing a little bit of work and getting a little bit introduced to horse racing.

They make their entry, and off goes the game. They watch the football game. They have the ability of watching the race. It's what I think of as a soft introduction to racing. I think this can be done at the racetrack. It can be done online. I do think that both of those opportunities are opportunities for horse

racing, where we can target that really rich demographic that's got a great potential for horse racing.

Mr. Hai Ng: Tom, if you were to try to tap into this industry, how would you design a game?

Mr. Tom Dwyer: NFL. All right, so I'm the outsider. Our customers are watching the NFL. They drive 75 percent of all fantasy sports that are out there today. People want to follow the brand names. They wanna watch games on Sunday. NBA, baseball are the next two. After that, it trickles off pretty quickly. Hockey, NASCAR, PGA, horse racing.

I compliment the folks from RaceTrack Warriors yesterday. They ran a nice game. I love the product. Good job. I'm predisposed. I'm an amateur handicapper, so I enjoy the game, and I think there's a market for it. My perspective here, today, is — cuz I don't know the answer. I don't know the horse racing fantasy answer. I'm here to suggest that fantasy sports, traditional NFL, NBA, maybe, at the minimum, could be a complement to what you're doing already. I'm not gonna say you're gonna drive revenues on a fantasy horse racing game. I don't know. You guys know that. You can drive revenues, diversify revenue very profitably, by tapping into your current customers. Today, it's NFL that drives it.

Mr. Hai Ng: Just to follow up on Tom's point, I think a clear indication — I think yesterday — it was actually the first day, when a gentleman from Pac-12 was talking about group sales. He says find out what your customers are already doing, and find out what you can do to enhance that experience. Bring them into the track.

Now, the NFBC, I mentioned earlier, and NFPC, which is this huge almost world series of poker kind of an event for fantasy — season-long, of course — is held at the Bellagio every year. A lot of these guys, especially the guys that I had the privilege of filming — which is very rare because some of them, actually, they don't want their identities to be known cuz they could get fired from their jobs because they're lawyers and accountants.

They come to this event. They pay their way in. Guess what they do before the draft and after the draft? They're on the floor. They're in the clubs. They're in the restaurants. More than not, they're on the floor. They're in the sports book. Cuz they're gamblers. They are. Let's call a spade a spade. They're gamblers. They're predisposed to it. They enjoy it. They enjoy winning. They enjoy the thinking game. They're not gonna play slots. They're the guys who will sit at a table. They will play poker. They will play — okay, they could play blackjack. They're calculating odds. They're doing that kind of activity. They're definitely in the sports book.

Can that work at a track? Can a track have a fantasy football night, or a fantasy football weekend, to do a daily and have it culminate, at the end of the weekend, Monday Night football — come watch Monday Night Football. Watch a race. Watch

Monday Night Football and get your prize right there. Have a wind-up of Thursday to Monday contest.

Mr. Tom Dwyer: The other day, prepping for this panel, speaking with a pretty big handicapper on horses, and I said to him, "Damien, you're putting your hours of work into your horses. You pick six. What if we simply could, then, once you've done all your work, after you put your bet through the ADW, what if you could just simply push a button and put that lineup in another pool, in another fantasy pool?" Under the rules that John just described, a RaceTrack Warriors type of program.

He said, "Absolutely. I would use it as a hedge, or just additional entertainment." Your mind starts thinking, all right, I can create an offline pick-six pool, with similar characteristics. They've done the same amount of work. You press a button, and you've got that revenue on this side of the house, too. It got me thinking I gotta pay attention to the horse piece, too, a little bit.

Mr. John Ford: Yeah. That raises the double-edged sword of fantasy, though. Because what we're interested in is driving handle. From a racetrack perspective, from an ADW perspective, our best margins are in driving handle, better margins than in fantasy. I'm more interested in targeting that fantasy pool and migrating them to pari-mutuel, than I am in —

Mr. Hai Ng: In the other way around.

Mr. John Ford: — than taking my pari-mutuel pool and saying, "Well, here, why don't you play a game that's got half the margin of my racing game." There is a delicate balance, I think, that we need to be cognizant of, in utilizing fantasy.

Taking your example and flipping it on its head is that what I would be more interested in is in taking a fantasy contest that I've introduced someone, some fantasy sports players — I've introduced them by way of a horse racing fantasy contest, and then give them the option: hey, you've already done the work. How about putting a win debt in on that race that you just picked the jockey on?

I am, and people in the racing industry are interested in — we all get paid by pari-mutuel handle. I'm interested in trying to use fantasy to get greater amounts of pari-mutuel handle.

Mr. Hai Ng: I think there's definitely a parallel here, in terms of major league sports, and how major league sports uses fantasy, and how the racing industry can use fantasy in exactly the same way. Which brings me to this topic, now, of how that benefit works. Ask any commissioner of any major league sports. They will know that fantasy — they will say and admit openly that fantasy sports is a major component — albeit not directly, but a major component to their bottom line.

The reason for that is that, if I'm playing fantasy baseball and I've drafted my 15-member baseball team, or 22-member baseball team from players all over the league, I'm gonna watch every single game that every single player that I've

drafted is playing, if possible. These guys are buying the MLB package. They're NFL. They're getting Sunday ticket. They're getting everything they can because they're watching every single channel.

A typical sports better would bet on one, two, maybe three, four games in a parlay or something. They're just gonna watch those games. If it's a runaway in the first five minutes, they're gonna turn it off and just go.

The profiles are very different. The game that John, you were talking about, pick two quarterbacks and a jockey, now, somebody who's already really deep into fantasy — and you guys play it, so put yourself in that position. If you pick the jockey, you're gonna devote some time to it. You're gonna, at the very least, watch the race.

Mr. Nathan Hyland: — from St. John's. You want to push the pari-mutuel wager with the fantasy. I'm with the Race Track Warriors. We're not trying to take away from your pari-mutuel pool. What I think it is is you have the air of familiarity. You have people that know how to play fantasy sports, and then you have the handicappers that know how to bet on the races.

What our goal is is we're trying to marry those two groups. Teaching people that know how to play fantasy sports, and teaching them how to wager. Because some people know how to put together a ticket for a superfecta, and some people know how to put together a good fantasy football team. The more familiarity, the more simplistic approach you take to it, and you get maybe the casual fan that plays fantasy and they like to watch horse racing every now and then, if you can get them playing those simplistic games and those familiar games that they're already playing, you're actually driving them over to say, "Hey, maybe I can put together a good ticket."

They can add to that pari-mutuel wager. I think that's the most important part, is the simplicity of it. Wagering can be very intimidating to a lot of people. I think that's another aspect that doesn't get brought up. You can ask people on the ground at racetracks, and all they know are one place show bets. Some people don't even know how one place show bets pay out. They know how fantasy bets pay out because they get that — like you said, you have to have that fixed prize. They know how it pays out.

When you talk to people about pari-mutuel wagering, some of them, they have no idea what an exotic takeout is, or how it affects the betting, how it affects the pools, how it affects the money that gets split between the racetrack and generating purses, and so forth.

What we wanna do is we want to get those people familiar with playing a fantasy game, and then get going that confidence to say to them, "You know what? Maybe betting on horses isn't that difficult." That's what you wanna put in their mind. You don't wanna intimidate them, which is what I think that we do have an issue with.

Mr. Hai Ng: That exactly is a great point. That leads us to the next question. Tom, looking at it from the fantasy sports, barrier to entry, what do you see? How easy is it for somebody who's never watched a game, meeting somebody who's into fantasy and coming to you to say, "Hey, why don't you play this game?" How high is the barrier for somebody to, say, go into daily fantasy football?

Mr. Tom Dwyer: For a customer, from a user perspective.

Mr. Hai Ng: Yeah, for a user perspective.

Mr. Tom Dwyer: It's fairly low. We're working with the greatest content on the planet. That's called the NFL. It's free content. Everyone in the US is familiar with the content. They're familiar with the brand names. Most people wanna follow brand names. Even though you might think Cam Newton's replacement this weekend might have a nice game, you're watching Peyton Manning. It's very easy for people to associate themselves with the game. In the NBA, it's LeBron. It's very easy.

The fantasy industry, itself, has spawned so many different ancillary businesses, similar to your handicapping businesses, DRF, so that we have the equivalent in our business. There's tons of free content, tons of free data, which is one of the other great things about our industry. There's tons of information. A quick Google search, and you can find out anything you want about our business.

Mr. Hai Ng: I think, to Nathan's point, I think the interesting thing or the big difference I see, now, as a semi-outsider to the world, with one foot in the racing door, is that just the terminology alone is intimidating in racing. Show all: a year ago, I didn't even know what the hell that meant. Superfecta, trifecta, there are all these things. There's a complexity attached to it.

Whereas, two years ago, when I first started doing fantasy — of course, I knew it existed, but when I had to go into the mechanics, at the end of the day, it was pretty easy. You go in. You pick five players from the five positions. Even if you don't know where these positions really are, it doesn't matter, cuz there are people and there are sites out there that you can search, and they will actually tell you. There's some really dumbed down sites that will just tell you: good, bad, good, bad. If you trust this guy, you just follow their picks.

There's a easy way to progress. You can get more complicated. You could figure out how did this guy arrive at this good. You start reading the stats. It's almost, I guess, like reading racing forms and understanding track conditions and all this — hardcore fantasy guys do that. They get weather reports. They even read news, like this guy has food poisoning, or just had an argument with his wife last night, and paparazzi, and all this kind of stuff. Yes?

Audience Member: Looking what you're talking about, and just looking for — knowing what you guys know, just observations of how — why — here's what I'm talking about. You think about people playing fantasy sports, betting on sports like

NFL. Well, football has a limited number of games. They limit their supply. That may or may not — but they still fill stadiums.

These stadiums are revenue generators for the teams where they sell things there like food, whatever, seats, with all of those sports fans. When you think about the problem that they talked about all this conference is oh, my god, the older people, they're not really engaged. How do we fill up our stadiums with more people on racing days, other than just having [inaudible]?

Also, you could have a situation where there's a ton of money still to bet, pari-mutuel, ADW, on racing, they just don't have any anything to show for it. That business of traffic that is out there, it has to be sustained. I'm just curious what observations you guys might have of is there some connection with — and I know, Tom, you talked about this before. Any comments on that? Cuz I think the tracks, maybe, what they're trying isn't really working. Here's an opportunity, what you guys are talking about. How do you see that bringing people to the track?

Mr. John Ford: I just see it as an additional marketing tool that has great potential because of what we've talked about, that that fantasy player is a similarly-minded player as our horse player; he's just a lot younger. If we can use fantasy — traditional fantasy sports, hybrid racing fantasy sports — if we can use fantasy to get them to the facility, have a contest, win dinner, win prizes, win cash, pay cash, win cash, or free entry and win prizes — if we can get them to the track for those events, as just an additional marketing tool, like the Beach Boys, but it's drawing a demographic that has a much more likelihood of progressing to pari-mutuel than it does just using the Beach Boys.

I do think that there's an opportunity there of bringing in people that you wouldn't traditionally draw to the racetrack. Get 'em in a game, whether it's regular Monday nights or Sunday afternoons, and have them get exposed to horse racing, and do promotions of horse racing to that demographic.

Mr. Hai Ng: I think that's the key thing.

Audience Member: Are you saying that whoever gets engaged in the game, then that's their taste of horse racing; then they'll go to the track and watch it, personally? Or are you saying we already have this audience who's intimidated at the track, and it's an adjunct to what [inaudible].

Mr. John Ford: No, I think it can be a draw for the track. I think that a Sunday afternoon fantasy game offered at the track can be a draw to bring people to the track. Of the plethora of marketing initiatives that they have, fantasy can be a marketing initiative to bring a different demographic of people to the track, let them do what they wanna do, which they came for — fantasy sports — but softly introduce them to the wagering, to the racing that's all around them.

Mr. Hai Ng: It's also, I guess, important to realize that even the major league sports stadiums now, a lot of them have problems filling the seats. While fantasy

does bring people to the stadiums, there are people who go to the stadiums and decide I'm better off at home with my 70-inch screen, cheap beer, clean toilets, and they stay home. The stadium operators hurt because of that.

That's, I think, a reason why the San Francisco 49ers spent so much money in their latest stadium rebuild. It's fully high-tech. Wifi everywhere. Second screen apps, all that kind of thing. They even have an app that will tell you which bathroom is the closest and has no line.

Mr. John Ford: They have a fantasy lounge.

Mr. Hai Ng: They have a fantasy lounge. The reason for that is exactly that age difference. You now have average 20, 30-something people, who are not being brought by older people. They're the ones coming. They're the ones with the disposable income. That's the kind of tech they want.

Audience Member: Do you consider what San Francisco did a success?

Mr. Hai Ng: Time will tell. Vin, do you know anything about how that's going?

Mr. Vin Narayanan: Yeah. This is something that every major sport faces because, at this point, the at-home experience is actually better than the in-stadium experience. Universities are facing this. Stadiums are facing this. How do you — how do you get people to consistently come out? For the younger generation, Wi-Fi is key, bandwidth is key. Because, if you take a look at the live generation, there isn't a thing that they do that they do without looking at their phone at the same time.

Those are the key. If you take a look at what the really successful stadiums have done, is they've put up more cell towers. They put up better Wi-Fi connectivity. It isn't even necessarily — it's cool that they've got the apps and all that sort of thing, but it's actually the basic infrastructure that's being rebuilt around stadiums.

Mr. Hai Ng: Even power sockets, because your phones last not very long.

Audience Member: I think a great example of that, too, is what Churchill Downs did with that night racing program. People go for the experience. The Thursday experience at Churchill might not be the same as the Saturday night experience because, if you're going on a Thursday, you're probably going to sit down in your box, or sit down wherever you sit and then you get up 20 minutes to go bet. Then you go back and sit down. You might have a drink in that period.

I think that the issues that tracks have with attendance is they have to — they have so many more days. NFL has to do that. They have to create experiences one day. It's every Sunday or Monday or Thursday. They've gotta create that experience every week, for one day, whereas tracks have to do it four and sometimes five and six days a week. It's all about creating the experience.

Audience Member: This might be looking at it wrong, but [inaudible], why not look at it as a fantasy kennel, a fantasy stable, or something like that, where, now, you're drafting horses. You're drafting greyhounds. If you own that horse and it just happens to be racing somewhere locally that you can go to, you're gonna go bet on your house. It's the same way, but looking at it a different way, you're building your own team, and that's what, when you play fantasy sports in the NFL or whatever, you're building your own team. You're gonna build your own team.

Mr. Hai Ng: It's a direct parallel to that, which I guess that's what you're saying. It's building the team. Yes?

Audience Member: We have an OTB in northern California. Two years ago, I started a fantasy Kentucky Derby. The way it works, you can start anywhere. They draft a stable of ten three-year-olds. Then you get six add/drops as the progressions of horses continue towards the Derby. We didn't charge anyone to enter. Just wanted to try to drive — you have to sign up at the center. We wanted to drive more people to follow the prep races in the middle, towards the Derby. The first year, we had 22 people. Last year, we had over 50. This year, we're projecting well over 100, based on the early response.

Mr. Hai Ng: Great growth.

Audience Member: The interesting thing is last year I did a survey, and I sent it out at the end of it, and 80 percent of my people said they'd never followed a prep race before. Now, they came to the site. Then we offer our handicapping round tables the day of every prep race that are free of charge. Then, ultimately, they get a reserved seat at the OTB for the Derby. They don't have to battle crowd and such.

We're averaging 300, 400 people on a Saturday. If I'm driving 100 more people in there, then I'm doing exactly what we're trying to do.

Mr. Hai Ng: I think that's the key. We're using this, like John has said — this is a great marketing tool. It gets people in. Whether you're gonna keep that person when they come to the stadium or the track or to your facility, that is in your hands. That's up to you. You design the facility. You have to accommodate those players.

The difference, I think the really big difference here is that the crowd that you will bring in that is fantasy is gonna be of a higher quality, in terms of conversion rate, opposed to somebody who's coming for a Beach Boys concert. It's like we did an interactive conference — Vin and I did a interactive panel last year, at last year's conference. We talked about casual games, and how people use casual games, and whatnot.

Now, can you convert a Farmville player or a Candy Crush player into a World Series of Poker player?

Mr. John Ford: No.

Mr. Hai Ng: Yeah, exactly. Can you convert a Zynga player, Zynga poker player, to a World Series of Poker Player?

Audience Member: No.

Mr. Hai Ng: There you go.

Audience Member: The fundamental question that needs to be asked and answered, in terms of figuring all this out. I don't pretend to know the answer to this. There have been lots of attempts by sports folks to introduce fantasy products to the casino, and it just doesn't work, and it doesn't take off. Cuz, to a certain degree — not completely, but to a certain degree — fantasy is a proxy. It's a proxy wager for true sports wagering in fantasy sports, so it doesn't really work. If the racing industry's gonna introduce it, it can't be a proxy for **[inaudible]**. How do you approach that, and how do you solve that issue? I don't know. To me, that seems to be the fundamental problem.

Mr. John Ford: That's important. That's important, so that the — and this is where I think it's good to differentiate between handicapping contests and fantasy sports for horse racing. What the gentleman in the back was talking about was really a handicapping contest. He's picking horses in a race. It's very similar to betting on horses. He could've done a future bet on the Derby. Instead, he did it a contest.

The handicapping traditionally done, we do believe that it generates handle because they're doing the pari-mutuel handicapping work for the contest, so it's easy for them to migrate and put in a pari-mutuel wager. Traditionally handicapping contests that racing has done for a long time.

What I'm talking about on fantasy is using fantasy as a soft introduction to pari-mutuel wagering. My example of two quarterbacks and a jockey is that, what that is doing is that's not a replacement for pari-mutuel. It's an introduction to racing, so that, as we all recognize this huge, steep learning curve when I walk into a racetrack for the first time, or go to an ADW for the first time, it can be overwhelming. Hai talked about terminology. There's just a lot going on, and there's a lot of — there's a lot of factors that contribute to it being very difficult to get into racing.

What I see is that fantasy can be that soft introduction to racing. It's from a target-rich environment. People who like strategic games for money, of being able to softly introduce them into horse racing, and giving them a little flavor of horse racing. In a sense, almost forcing them to do some crude analysis of a race, to see what jockey they should pick, or what trainer they should pick, or what dog they should pick. That's where I think the opportunity for horse racing is, from fantasy.

Mr. Hai Ng: Tom, actually Tom and John, what do you think about the other idea from the gentleman in the audience, about having a fantasy kennel?

Mr. John Ford: Oh, I think it's a great idea. I think it's great.

Mr. Tom Dwyer: Look at what NASCAR's done. NASCAR's branded the team ownership, and people follow the teams, as well as the drivers. There's elements to that. I would, if I could, address the gentleman's question about your point about the sports book. What happens to fantasy sports when the sports book comes into town, and when sports gambling is legalized in my home state of New Jersey?

Mr. John Ford: Not gonna happen.

Mr. Tom Dwyer: It's fine by me. We listen to our users. Our customers, again, more on the recreational side. There's a heavy lift from building a fantasy lineup to putting 500 bucks on a money line. That's a heavy lift. I challenge the premise that fantasy goes away when sports gambling comes into town. It's a different engagement.

The gentleman said the NFL only has to put on a show once a week. All right, but look at what happens Monday through Friday on ESPN. They got four channels running 24/7 NFL around that one game. It's the engagement that you have with the brands, your players, that team ownership thing. \$500.00 on a money line is a little different. Recreational crap.

Mr. Hai Ng: Right. That's true, as well. Because we couldn't get players here, I polled a bunch of players before coming. To Vin's point, I also polled sports book operators. For sports book operators that try to introduce fantasy, it doesn't work. It doesn't work for exactly the reason that Tom has just said. It's a different class of players. People who play sports — and there's gonna be — people who are into fantasy sports will bet on sports, if they can, if they are interested in. People who are already betting on sports, crossing back or crossing over to fantasy is a little — gonna be a little trickier. I think you lose a lot more that way.

Mr. Tom Dwyer: When I talk to — when I talk to business people who are just asking me, whether it's a track operator or media property or actual sports properties are calling us — the NBA took an equity position in FanDuel. Since then, about a month ago, my phone's been ringing off the hook. People want in on this stuff.

When this question comes up, what kinda customer's gonna help me out, my simple premise is it's a different market. Diversify your revenues. Look at Churchill. The insider joke is Churchill's not even in the horse business. \$800 million purchase of Big Fish. Okay —

Mr. Hai Ng: Now they're in the fishing business.

Mr. Tom Dwyer: They're in the fishing business. They're gonna go where the money is, so why not — you're generally in the entertainment business, so bring entertainment to your crap.

Mr. Robert Earle: The racing business has its actual existence because of the patrons that show up to the track. What about creating more ownership in the horse racing industry? That's what I think there is growth. In New Zealand, we have multiple people own a horse and they all come to the track to bet on that horse. I think what we need to do is look at getting more ownership — expansion of ownership with the horses and getting more people to the track.

Mr. John Ford: Rob, I think that's a different panel.

[Laughter]

Mr. Hai Ng: Well, here's an interesting thing. There are all kinds of — like any activity, there's a spectrum of players, a spectrum of users. A large group of people who play fantasy sports are not necessarily people who aspire to become athletes. They are the people who aspire to become team managers and team owners. If they come across a couple of billion dollars, they will probably be the next Mark Cuban. They'll go out and they'll buy a team because that's what they're good at. They believe that they can draft the best team in the league, and they're gonna win all the time because they know better than what all these team owners and scouts and all that are doing. They do their own scouting. I know guys who are really crazy in fantasy sports, fantasy baseball, that will go down to Florida and watch training games. It can play totally into that realm, but I'm not sure if the industry — how easy it is to get into racing, as an owner, from the inside perspective.

Mr. John Ford: Well, these guys can answer that better than I. I don't think we're really using fantasy to try to create racetrack owners. What we're trying to do is to use fantasy to create pari-mutuel customers. I think one of the statistics I wanted to share, just on our experience in offering both racing and fantasy, is that the introduction of fantasy has not affected the amount of wagering that our customers are doing on racing. It is a complete add-on.

Mr. Hai Ng: It doesn't cannibalize the —

Mr. John Ford: No. Our customer value — so, before we had fantasy, we obviously were just racing, and our customer value of racing has not been affected by the introduction of fantasy. What it has done is that our folks that have come in for fantasy, 31 percent have then gone on to do betting on horse racing. That's even without the hybrid that I have in the chart there. Just from the bottom line of fantasy migrating to pari-mutuel, that's a pretty — that's a pretty impressive number. I think that the reason for that is that it's a similar customer. It's just younger. I think that's what we can use.

Mr. Hai Ng: I think that's — proof is in the pudding. There's the pudding right there. It's an actual operation that's out there. Anybody else have similar operations that have some numbers that you'd be able to share?

Audience Member: Three months ago, we launched a wagering site and were giving out free play. Three months ago we launched it and made it live, promoted it to those players and people came to play. We generated over a million dollars in handle.

Mr. John Ford: I think that can be done online, as well as at the track, of being able to create an environment at a track that can bring in the fantasy player and softly introduce them to racing.

Mr. Hai Ng: It's not gonna be cruise control, obviously, but you can create content, even if you have a race that only lasts, what is it, three minutes, four minutes.

Mr. John Ford: Two.

Mr. Hai Ng: Two minutes. You could slice and dice that two minutes, which is what football does. You take one game that—okay, albeit a little longer, but you throw 30 different commentators at it, and you get 100 different combinations of what somebody would say, and it would fill 24 hours a day programming for the whole week. That can be done. Is it gonna cost money? Absolutely. There are economical ways of doing it. There's a lot of fan base stuff, too. Right now, in fantasy, satellite radio has an entire fantasy channel. A lot of their commentators are fantasy players that they just draft, and the guy just goes at it.

Mr. Tom Dwyer: There's a fantasy sports TV channel, at least on my cable system, 24/7, nothing but stats and people talking about it. Would you be shocked if TVG or HRTV came out with a fantasy segment at some point, or fantasy program? It's gonna happen.

Mr. Hai Ng: Now, let's talk a little bit about some of the issues that fantasy is facing right now. Maybe we can crystal ball this. If it takes off for horse racing, is there any way to avoid it, this issue of sharks and fish. In the fantasy world now, it's because daily fantasy has become such a profitable business. We're talking about some guys coming into the site on a week, dropping 100, 200, \$300,000.00 in games, spread over hundreds, sometimes thousands of games. They're hedging, and they win. The scary thing is that they actually come up ahead, after dropping all this money.

Some of these guys are actually — there was an article recently, written by the *Wall Street Journal*, that have hedge funds supporting them. They go out and they invest. They get money from people who have no clue what fantasy sports is, but that guy is good. They have a team of traders that is good, that go out and make returns on investment money.

What it's doing is it's really killing the field. Cuz there are a lot of people now — if you're new, you come in, and you just get slaughtered because you pick the wrong match, and that's it; you're gone. Tom, how do you think that — is there a solution to that problem? What is it?

Mr. Tom Dwyer: We are trying to be the solution. Ballr's trying to be the solution to that, in that our customers are the 95 percent of the players who are not cashing big checks. They tell us constantly it's fun. I don't really care if I lose my ten bucks here and there, but it's getting a little annoying.

My bet is that private games — we need to move the people from the season-long leagues, the 40 million — only 2 percent of the 40 million season-long fantasy players have migrated to what we would call daily. Only two percent, so the migration is huge, coming into our space from the season-long stuff. What they want is a safe, fun environment, in a private game. That's what they're telling us. Create me my own — replicate my season-long league with my ten friends, and keep me protected from the sharks.

I can build a business model around that. It's a different business model than FanDuel, but I can build an engagement model where these people are gonna stay with me for five, ten years, if they're satisfied and they're protected from some sharks.

Mr. Hai Ng: If you look at a shark and a fish world, one perspective that I have in the racing industry is that there's so much sophistication built into the game right now, it's almost a pool just full of sharks. You have to understand the game.

Mr. John Ford: I wouldn't agree with that. I think — there's people that know this better than I here — that racing has the same dynamic, that there are professional, automated, big syndicates betting large amounts into the pool, that are using — invest millions of dollars in software programs to make the most efficient bets that they can. Then you have guys walking off the street that are putting their \$2.00 into the pool.

Tracks can make a judgment as to whether they wanna encourage that automated wagering, or whether they don't. ADWs can make that decision of whether they wanna permit that automated wagering, or whether they don't. It's a similar issue in racing. In fantasy, one can make that decision. One can make — you can build your game so that it facilitates people of putting in large amounts of entries, or you can build your game that it doesn't facilitate it.

While it is a factor to take into account in how you operate fantasy, it's just a factor. Some people are playing to that large player, just like some tracks are playing to that large player, and other sites don't.

Mr. Hai Ng: Is there a possibility — do you think it would work, in the racing environment — what Ballr is creating is almost like a private pool or a kiddie pool or whatever you wanna call it. It's insulated. In the racing world, is there a

possibility, with that introduction — now they're coming in. They're being introduced to racing. It's their first day at the track. They go in. They're still gonna get hit by that tidal wave, 15 terms that they don't understand.

Mr. John Ford: When they get into the pari-mutuel pools, depending on the track, they're gonna be competing against those people or not. Now, what's different in horse racing — and I think it's an advantage in horse racing, compared to fantasy — is that I can win with the professional players. What they're doing is they're just making their selection of horses. It's not that they win and I lose, like in fantasy. The big player in fantasy wins; I lose. In pari-mutuel —

Mr. Hai Ng: You can win with them.

Mr. John Ford: — I can make whatever selection I want, and I can win with them. I think that's actually a benefit in horse racing, that they can offer that, and they can offset that professional edge a bit, whereas in fantasy, if you let them in, you can't. You can't.

Mr. Hai Ng: Have you been to a track before?

Mr. Tom Dwyer: Yeah, I live right by Monmouth Park. I'm there every weekend.

Mr. Hai Ng: What's your feeling? Have you brought new players that's never been to a track before? What's your experience? How do you think that transition can work? Today, if you offer, on your game, on your site, and one of the — you start going a little bit into — and it could involve a prize of going to Monmouth, what do you need Monmouth to do, in order for maximum retention of those players that you bring there?

Mr. Tom Dwyer: Again, I'm the outsider. I'm not gonna fix your business. You guys have your own issues. I don't know the answers to the horse racing business. I'm not gonna suggest that fantasy sports will cure your business. Again, I think it's another way — it's not a marketing gimmick. It's a real marketing tool to engage your customer differently.

You've got a trusted brand. The number one reason a fantasy player picks a site to play on is he trusts it. That's what you have. People trust their fantasy sports platform and their doctor. That's about it. They trust their local track. If you can figure out how to use your brand that exists already, monetize that by engaging people, I'm not gonna tell you it's gonna increase your attendance, but indirectly, like we talked about before with the NFL, it's gonna improve the value of your brand.

Audience Member: So when I sit at the track and look around you see a lot of people there are bored. Some handicappers are definitely involved. Is there a possibility of integration of fantasy gaming during that time frame?

Mr. Hai Ng: Absolutely. Why not? I don't see why not. Somebody needs to design it.

Mr. John Ford: Actually, the experience at the track is there's gonna be other races that are being simulcast in. There's plenty of betting opportunities in that 20, 25 minutes between races, at the track that you're at. I do think fantasy brings another game to play. It increases and keeps high customer engagement, as well as introducing new players.

Mr. Tom Dwyer: One thing we've learned from our users is they're gonna do their work during the week. They're gonna do their handicap before they go out to the event. Everything's done before I go out to the bar on Sunday for my NFL. I'm not doing any — I'm rooting. Once the game is on, I'm rooting. I'm not working. The \$2.00 better that's showing up at the track, who's got a wife and his kids there, that 20 minutes between races is filled up. I'm not sure — I take my wife and kids there. I could barely, barely get my \$2.00 bet in because I'm doing hot dogs. I would add that perspective.

Audience Member: People don't bet on every race. I agree that sometimes you spend a lot of your time in lines. People get bored and get on their phones to check their Facebook or Twitter. Could the tracks develop an app that you can only use at the track and catch that activity. Is something like that even possible?

Mr. John Ford: I would think so. You could certainly rink fence the limits of a track for players only at that track or participating in that game. I think that there's a lot of opportunities of using fantasy-like games to create new ways of engagement. I do think that we're just at the beginning of creativity in how to use fantasy to increase engagement. Really at the beginning.

Audience Member: I struggle with the mechanics of fantasy racing. I play all sorts of fantasy sports, and I do horse racing, so I'm familiar with both. The mechanics part that I struggle with is, in the NFL, NHL, NASCAR, and all these things, generally when going in, I know who everyone is. I might not know what their winning streak is, or what's going on, but I generally have a good idea who all these people are, and can make semi-informed decisions based on that. Horse racing's such a localized sport. There aren't that many — there are very few horses that — and very few people will go to the track and say yeah, I know that horse. That's my prime concern. People can know the horse. From a game mechanics standpoint and fantasy racing, how do you overcome the barrier with the things that are selective?

Mr. John Ford: Yeah, it's a good question. Well, as you know, there's a lot of stats behind each horse. I think, in the way that that game is presented is to break it down and make it simpler, so that you present that runner or that jockey in a very simple way, and give them some very simple statistics, so that they can make somewhat of an informed decision as to who they're selecting.

Audience Member: I was just gonna add as well the casual player doesn't necessarily know – it doesn't easier for a casual player to know the quarterbacks. They don't know the running backs. They don't know whoever. The thing with fantasy sports is that it introduces them to those players and they can learn about the different positions an such.

Audience Member: Yeah, but they're able to build a relationship with those teams.

Mr. Hai Ng: Absolutely. I think one of the — one of the preambles to a solution for that is what I saw when Hoosier Park did their presentation with their champion driver promotion. They're turning these drivers into almost exactly parallels to NASCAR drivers. They're promoting it, giving fan base, they're tweeting. Now, that's ripe for fantasy right there because now, at that point, you could actually run a contest that says pick two of your jockey — pick two of these jockeys to draft into your team. How these jockeys' performance are over X number of weeks, or depending on how long the interval you wanna make your daily game is — it doesn't have to be daily, and none of the daily games are really daily. You specify a period, and then you give away a prize.

Audience Member: Professional handicappers are very sophisticated, and compete in various tournaments, and they think about the track conditions, and they know more than the casual fan.

Mr. Hai Ng: Well, the casual — yeah, the —

Audience Member: — is there a way to dumb it down, so the recreational person can get more involved —

Mr. Hai Ng: I think that's where the casual fantasy player —

Mr. John Ford: Yeah, I think that can be done in the simpler games. What can be done on the simpler fantasy games that can be applied to horse racing is that you might only give them three jockeys to pick from, or four jockeys to pick from. Of that big world of opportunity that's there for pari-mutuel wagering, I'm shrinking it down so that I'm limiting the work and the thought that a newcomer has to engage in, in order to make that selection. He can engage in none. There are people at the racetrack that bet the red saddlecloth. You can pick — say, like the two quarterbacks and the jockey, I can pick my two quarterbacks, and then I could say, "I don't know. I'll pick number two."

What I think that that can still do for horse racing is that I still need to find out and to see whether my jockey won or not. It has the potential of thinking, okay, well next time, I'm gonna do a little better job at picking that jockey. I'm gonna do a minimum amount of research —

Mr. Hai Ng: Do a little more research, yeah.

Mr. John Ford: — to see, okay, this guy hasn't had a winner in eight days, but this other guy had three yesterday, so maybe I'll give him a shot.

Mr. Hai Ng: You can put up some of these stats. I know there are a few casual fantasy sports in baseball that they give you exactly what John is saying here, a limited selection of hitters. They only give you a very limited set of stats, the ones that are easy to understand, like how many times where they struck out, or how many balls they managed to hit, not all those averages and stuff that requires a little bit more understanding of the game. You could look at it like, okay, this guy hasn't hit a ball in four games. Maybe I shouldn't pick him. It's an easy binary solution.

I think what needs to happen — and you guys can chime in on this — is that there has to be a progression. It's optional whether somebody wants to move to a higher level, but there needs to be a progression. It can't be kids' pool and, all of a sudden, 20 feet. Interactive, especially online, it's really easy to do that because you can cater content. If you look at any game, even casual games like Candy Crush, your first stage is really easy. It's like 15 jewels. It's really, if you can't figure that out, then — you figure that out. You move to one that's a little bit more complicated. Every time they introduce something in, they have education that's baked into the game, that will teach you skills.

I think a lot of players, even the casual players, the achievement is that wow, they've done something great. They've learned something. They've beat the computer, or they beat the game. They won something. That drive, that adrenaline rush, is what pushes them into the next learning step, that fuels the frustration. Oh, there's always initial frustration when you meet something you don't know, but that previous win is the energy that pushes you there. You're stepping.

There are some people who are absolutely comfortable with staying at a level, and you could leave them there. There are those that will move up. Some definitely will move into serious pari-mutuel and become the next big handicapper. What do you guys think?

Mr. Tom Dwyer: In my world, there's an emotional attachment to the brands. The NFL's done a tremendous job at branding each one of their players. They have a thousand brands out there. I was speaking to a player's agent recently. He wants \$20,000.00 a month to do five tweets for me cuz he's got two million followers and his tweets are worth it. I may do it; I may not do it.

I don't know the answer for you guys. How do you brand the individual unit? Do you brand the jockey, the horse, the owner, the trainer? I don't know. You guys have to figure that out. There's an emotional connection that we have with our NFL players.

Mr. Hai Ng: I have a story that I could share. It's actually a customer of ours came to us, and they have a small league, an amateur league. Audiences have

started tapering. They were like, "What do you think we could do?" This was after we started doing a lot of fantasy games. We introduced a very localized fantasy game. We helped them build sites that created profiles for their players, information, head shot, glamour shots, and all this kinda thing.

They saw a rise because now people have an attachment to those players. They're here to see their players. If they've drafted them, even if it's no money, even if it's play for win a weekend, it's an achievement because they wanna beat their friend, cuz their friend is in it. After they beat this guy, they're gonna bring another friend because you gotta keep beating new guys to prove yourself.

In the course of doing that, they're learning about the players. They're beginning to build that brand attachment. I see a potential for racing to do that, build a brand attachment, if not to the horse — because the horse only has four starts over a year, and two minutes — maybe to the owners, or to the jockeys, or to the organization, or to the track. There is something you can attach to. You're the industry. You know, or you can explore. You have the opportunity to explore what that anchor point is. They can be an anchor point.

Mr. Hai Ng: All right, cool. Well, I think we had a pretty good last day, early-morning session. Just to wrap it up, what do you think next steps for fantasy and horse, in the racing context?

Mr. John Ford: I think it is to explore fantasy racing as a soft introduction into pari-mutuel wagering. I do think there's an opportunity there for the industry.

Mr. Hai Ng: Tom?

Mr. Tom Dwyer: Keep an eye on the business of fantasy sports. It's a billion-dollar handle business today. It's up 1,000 percent over a year. It's grown into a two, three, four billion dollar industry in the next two, three years. Keep an eye on it as a way to connect with your customers who are playing the stuff.

Mr. Hai Ng: All right, thank you very much. Have a safe trip back.

[Applause]