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**Handicapping Contests – Are They an Area of Real
Growth in the Racing Industry?**

MODERATOR:

Keith Chamblin, Senior. Vice President, Marketing & Industry Communications, NTRA,

SPEAKERS:

Matt Bernier, Professional Handicapper, Realtor

Michael Beychok, Professional Handicapper

Jim Goodman, Director of Mutuels and Simulcasting, Keeneland Association, Inc.

Christian Hellmers, Professional Handicapper, Entrepreneur & Wellness Coach

Mark Midland, Founder, DerbyWars & Horse Racing Nation

Peter Rotondo, Vice President Media & Entertainment, Breeders' Cup Limited

Mr. Doug Reed: Once again, I hear there's good news. The temperature's gonna get a little warmer tomorrow in the forecast.

[Chuckles]

First of all, like to thank your sponsors once again. The beverage break was sponsored by Codere. We have an evening reception tonight again, sponsored by Roberts Communication Network. We have an event after this called speed networking, which is sponsored by AmTote International, Inc.

Of course this panel, who better to sponsor this panel than Bettor Racing, Inc. They've run one of the big handicapping tournaments that's a feeder to the national tournament.

Of course, who better to moderate — we have the DRF NTRA National Handicapping Championship, someone who has overseen this from its development. The Senior Vice-President of the National Thoroughbred Racing Association, I'm sure most of you know Keith Chamblin.

Prior to his work with the NTRA, he worked in the marketing department at Hollywood Park as the Vice-President of Marketing. He served various — wore many hats at

Remington Park. I remember him from those days. He was also on the editorial staff of *The Blood Horse* and he's a graduate of the Boston University. I couldn't think of anyone better to moderate a panel on handicapping contests. Please welcome Keith and the rest of our panel.

[Applause]

Mr. Keith Chamblin: Thank you very much, Doug. Glad to be here, delighted to be back in Tucson. We've got a great panel for you today and looking forward to moderating it. We've got a full group.

We've got a good portion of the cast from *Horseplayers*, the show that will begin airing on the Esquire Network on January 7th. I'm also joined by Jim Goodman from Keeneland and Mark Midland from DerbyWars and Horsing Racing Nation. They're gonna tell you a little bit about handicap tournaments that they direct and put on.

Some are feeders to the national handicapping championship, others are feeders to Breeders' Cup Betting Challenge or other national events held around the country.

I think what you're gonna find out when you hear from each of these gentlemen, including the competitors in many of these tournaments, is you're gonna get an emphatic answer to your question of — and the title of this panel, Are handicapping tournaments an opportunity for growth in horse racing? I think the answer is an emphatic yes.

Before I turn it over to my colleagues, I wanted to show you a little bit — I mentioned some of the survey data in this morning's session about NHC Tour members. I wanted to provide you with a little bit more substance and context as to the individuals, the types of people that are participating in these handicapping tournaments at venues across the country and then in our case congregating at the Daily Racing Forum National Handicapping Championship each January in Las Vegas.

Now the survey that you see up here — and you're gonna see we've just got a couple of slides I wanted to share with you. This is based on NHC Tour members; there are 5,500 that were sent this survey earlier this year. We had over 1,000 respondents, that's a very robust 20 percent response rate.

That, in and of itself, should tell ya how passionate these folks are about handicapping contests. As we said this morning, overwhelmingly male, 95 percent of Tour members are male. Their age, you can see the average age is 52. They skew older. We've got some young — some work to do in the under 40 category.

Matt Bernier, I'm gonna ask you a few questions about that a little later. He's the youngest member of our panel up here and one of the youngest contestants ever to qualify for the NHC.

When I look at this, I see it as somewhat of a mixed bag, but in many ways an opportunity. There's more people over the age of 50 in the United States of American than in any time in the history of this country.

Those folks that are over 50, they have time and they have disposable income. I don't — I'm not really alarmed by this, we just know that we've got some work to do with the younger generation, but we've also got a real opportunity with people over the age of 40 and 50.

Average income of an NHC Tour member's \$117,000.00, you see 12 percent make over \$250,000.00 annually. A very healthy number make over \$150,000.00 annually. Good income — disposable income. Level of education, nearly 50 percent have a college degree, another 22 percent have a Master's, Doctoral, or professional degree.

A little bit older, predominantly — almost all male, highly educated, high degree of disposable income. How many tournaments do they play in a year? They average five a year. You can see a healthy 26 percent play in 10 or more. Over 35 percent play in five or more tournaments every year. They're very active. They've very engaged in the National Handicapping Championship.

They spend an average of \$1,500.00 annually trying to qualify for the NCH. We've got some other data that we didn't bring today, but I'll tell ya right now, they're willing travel, they're willing to spend the night, they're willing to really go anywhere to try to qualify for the NHC or some of these other major tournaments held around the country during the course of the year.

We see a very healthy percentage spend well over \$5,000.00 a year trying to qualify for the NHC. They participate in both online and on-track tournaments, 60 percent do both.

We added the tour in 2008 that connects the tournaments in a year-long points system where we give away \$175,000.00 in tour prize money. You'll see a healthy percentage, nearly 60 percent, say that the NHC tour has motivated them to play more. It's kind of a double-edged sword to me because that tour money is money that otherwise could be given away at the NHC. I to put it into the tour, but there's no question when you look at the data, when you talk to track directors around the country that the tour is motivating people to play online or to play in these on-track tournaments. We're gonna keep the tour and we're gonna grow the tour.

I told you a little bit earlier about their willingness to travel overnight. 40 percent travel overnight to participate in tournaments. This is interesting; nearly 40 percent have owned Thoroughbreds. Just about all the research that we've done at the NTRA over the last 15 years has indicated that the best way to create new owners in our sport is to create more fans in our sport.

This clearly indicates that nearly four out of every ten NCH Tour members, who obviously are very passionate about — and passionate fans of our sport, have ventured into racehorse ownership.

How much do you wager on a typical day or visit? Maybe this is the most important slide at all. I kept it toward the end. The average bet made by these people on a day or visit to a racetrack is \$377.00, 11 percent bet more than \$1,000.00 on a typical day.

A very healthy percentage bet over \$500.00. They're highly educated, they're affluent, they have a lot of money, and they're willing to spend it gambling. They're our kind of customers.

Give you a little bit better idea of the — what we attract in Las Vegas. We've got a short video we wanted to show ya.

[Video playing]

Play close attention to that man in the middle in the white shirt.

[Video playing]

That's Mike Beychok, who won the 2012 NHC. Mike, stand up and take a bow.

[Applause]

Yeah, I don't think he ever gets tired of watching that. I should mention, is John Doyle in the crowd? I know he was here earlier. John, stand up. We've got another past champion of the NHC. These things are — they are not easy to win and they're not easy — you gotta qualify to get there, so everybody who gets there is already accomplished quite a feat. It's pretty amazing to take home the grand prize at the NHC.

It's an event that was 192,000 in total purse money in 1999. This coming January, with the NHC and the Tour, we'll give away right at 1.9 million. Again, back to the question of whether or not there's opportunities for growth, I don't think there's any question.

We're gonna take you through here today. We're gonna tell ya a little bit about some of the on-track tournaments that are offered and then some of the online tournaments. Then we're gonna go around the horn with some of the competitors on the other side of the fence who are competing in each of these tournaments, talk to them. We welcome your questions when we get to that part of the show.

At this point, I'd like to turn it over to Jim Goodman. He's the Tournament Director at Keeneland. They're one of the biggest supporters, not only of the NHC, but handicapping tournaments across the country.

He's gonna tell you a little bit about the program that they undertake at Keeneland. Jim?

Mr. Jim Goodman: Thank you, sir. Michael, you wanna play that again?

[Chuckles]

You wanna play that video again? Okay. If you watch that, there's no way that you cannot want these kind of people at your racetrack, if you're racetrack operators. That's what — one thing that Keith asked me to do. I'm a Simulcasting Director and Mutuels Director at Keeneland.

I was there when John won in Vegas. I was there when Michael won in Vegas. I've been fortunate enough that I qualified this time, along with Mark Midland. We're all gonna be takin' a shot at that \$750,000.00 first prize.

There's no way that you can measure the excitement of these people that experience the thrill of that chance. John, you were very calm that day if I remember.

What we do at Keeneland is — when I walked into Keeneland in 2005, one of the first things that I did was I observed a handicapping tournament.

Some of you know Maggie Johnson who was the Simulcasting Director there prior to me, and I think she worked with Keith and the NTRA from the very beginning.

We had a tournament that mirrored the National Handicapping Championship. The first tournament I worked, we had 524 entrants for three spots. People waiting out in the hall — we had a 500 limit and they were waiting trying to buy, just like our early version of EBay, trying to buy extra spots and we wouldn't sell 'em to us — to them, but we did let all 524. Things have changed very much in the landscape with online tournaments, but we still do a good job of having on-site tournaments at Keeneland. We have 16 qualifiers every year.

I'd like to just go through with some of the things that we do to try to promote this. These are people that you want at your racetrack. They are very good customers.

Is this working? Hit the green button, I'm hitting the green button. The green button at the top, yes, technically challenged, okay.

We do weekly simulcast feeders to the year-end Tournament of Champions. We do \$10.00 qualifiers. We do DRF NTR qualifiers with mythical bank rolls, and we do live money contests.

We use these things to try to grow handicapping contests at Keeneland and we try to do this in the off season with two spots to the Horse Players' World Series, 16 spots to the National Handicapping Championship.

One of the things that we try to do is we try to promote on a weekly basis, normal handicappers who haven't experienced doing a contest.

It's okay, no problem.

It's an element that people who are just out wagering don't really understand and it's a different type of handicapping. We try to promote this. We do a \$30.00 every Friday night during Turf ways' season. We qualify those people to the end of year Tournament of Champions. Hopefully those people will also try to qualify for Vegas and wind up with these guys, hopefully competing for \$750,000.00.

We average 100 contestants per tournament on our weekly simulcast feeders. The top 10 advance to our World Series qualifier at the end of the year.

We reached a total of 500 players this year at Keeneland. During our live meets, we have \$10.00 Wednesday tournaments. We averaged 300 people per tournament. They pay \$10.00 we give away 100 percent back and the top 10; again, qualify to our World Series qualifier at the end of the year.

The DRF NTRA qualifiers with a mythical bank roll, in 2005, we had 524 customers. I did a tournament on Saturday and I only had 225 customers because so many people are playing online. It's a real challenge for you as a racetrack operator to make these kinds of tournaments work.

I'll tell ya what I did on Saturday. I met a guy named David Sneed from Seattle, Washington, who is in the top 10 in tour points. He traveled from Seattle, Washington to come to Keeneland for the very first time, paid us \$150.00 times three, had three entries, brought his wife with him. Guess what? He's gonna be back for live racing in the spring. Hopefully he had a great experience. He didn't make any tour points; he didn't finish in the top 22. We had 225 people going for tour points, three spots in the DRF NTRA, and it's one of the final chances to do that. Our December contest is very lucrative.

It is very difficult for you as a track operator, however, to make any money on those contests competing with online contests. What we've done at Keeneland is we have tried, with the help of Tim Schram from Breeders' Cup, working with Keith, we have come up with two live money contests.

We do one in the spring called the Grade One Gamble. We started with 36 players five years ago, this year we had 55, next year we're gonna have 75. Those guys and women pay \$3,000.00 an entry, which is a \$2,000.00 live bankroll tournament — \$2,000.00 in live bankroll, \$1,000.00 goes to prize money. We take in \$210,000.00 in entry fees.

The Grade One Gamble last year qualified five people for the DRF NTRA Championship. They paid \$3,000.00 and it's one of the best contests we have all year long.

The BCBC contest in October, which we just started two years ago, the first year I did it I had 45 spots because of a limited room size. I sold it out in six minutes. I did a phone-in and I had 49 contestants call in within six minutes on my voicemail. I had to call 'em back. This year we expanded it to 70. It took me 24 hours to sell it out. That tournament generated \$270,000.00 in live money handle for Keeneland on a Sunday in October.

I wanna show ya — we don't have any secrets at Keeneland. We try to give as much money back as we possibly can to the players. As these guys know over here, one of the hardest things there is to do is to play a tournament with a lot of take for the operator. That's not fair to you guys. You travel across the country.

I wanna show you guys an actual income statement for our BCBC NHC qualifier, to give you an idea of what it costs to put one on and how much we actually dedicate.

The first area is the entry fees, 70 at \$1,000.00 is \$70,000.00. We turned that original handle of \$2,000.00 times 70, if everybody lost every bit, you'd do \$140,000 in handle. We actually make them bet \$250.00 per race and one-half their bank roll in the last race. That handle turns from 140 to \$271,000.00. At 15 percent on that, we have a low takeout at Keeneland, so after taxes we make about 15 percent, so that's \$40,500.00. Those guys also showed up on Thursday, Friday, and Saturday. They bet around \$75,000.00 to \$80,000.00. We made handle on that \$11,250.00 in revenue. Total income was \$121,750.00.

Our expenses, we gave away \$24,000.00 in prize money. The NTRA championship entry fee was five spots at \$3,333.00 a spot. The BCBC tournament entry fee was five spots at \$10,000.00 plus two spots — we paid for sixth and seventh place, which was entry fee only. The players had to come up with their \$7,500.00 live bankroll. The BCBC tournament, which is held obviously British Cup weekend, is a \$10,000.00 buy-in tournament. I think they had 170 contestants this year. Christian Hellmers, one of our contestants up here, has finished second in the BCBC two years in a row.

It's a great tournament and it's growing in popularity by leaps and bounds. It's one of the greatest experiences — everybody I've talked to out at — that's played at San Anita has a great experience to talk about.

We pay \$55,000.00 to the BCBC for that. With the other expenses, we had total expenses of \$107,000.00. At the bottom line, we took in 121, we had expenses of 107.

The \$14,000.00 in net income is actually a reflection of that \$11,000.00 that I made on Thursday, Friday, and Saturday. We gave everything back to the players except for

\$3,000.00. The benefits to us as a racetrack are this; you get the right kind of players to your racetrack.

If you guys watched the video this morning of *Horseplayers*, and they filmed part of that at Keeneland, these are the kind of players that you want at your facility. They are — they're professional. They behave — they yell at a TV a lot, I can't understand that. I loved that this morning when Peter was yelling at the little 12 inch screen in his living room. None of us have ever done that, right? These guys know how to call a bet. Your tellers love them. They know how to treat your staff and they are the best kinds of customers that you can possibly get at your racetrack.

I would encourage you if you can — some of you who have dropped your live money bankroll contest or your mythical bankroll contest because your boss said you couldn't afford it, we need to support the NHC and the BCBC.

The other thing about it, Michael Beychok, when he came to our tournament back in the spring — I'm sorry, in October right? In October, he put it on his blog the next day and I can't buy that kind of publicity. I can't pay somebody \$10,000.00 to say good things about Keeneland.

When we have a tournament and we treat people the right way, they tell all their friends about it. That's why we're in the business. We think that we treat handicappers well at Keeneland. We wanna give back to the game. We want them to enjoy the game and we want them to participate in the National Handicapping Championship and the BCBC.

It's part of this wonderful game that we call horse racing.

We feel that all tracks should treat these people with respect and try to get their business and we're gonna continue to do that. That's my presentation. If you wanna hold the questions until the end of the panel, I appreciate your time. Thank you very much.

[Applause]

Mr. Keith Chamblin: Thank you very much, Jim. Congratulations on the two entries at this year's NHC, that's a pretty amazing feat. Jim has worked for us at the NHC the last couple of years, helping the staff, helping in the room with the other — some nearly 500 contestants. This year we've gotta find a new staff member, you'll be the one tryin' to seek help on how to get your bet down at the ATM machine instead of the one telling others how to do it. Congratulations.

I'm gonna turn it over to Mark Midland, another NHC qualifier, just a couple of weeks ago at Hawthorne Race Course, first time qualifier to the NHC. Mark is also one of the co-founders and innovators of Horse Racing Nation and DerbyWars.

I think he's gonna provide a very unique perspective, not only on contest play and his opinion of what they mean to the business at Horse Racing Nation and DerbyWars, but also a little bit on how we can use contests to further fan education, draw more people into our game, and grow our sport. Mark?

Mr. Mark Midland: Thanks, Keith. Thanks, Doug. Excited to be here and excited to be talking about contests, such an exciting, growing area of our sport. Yes, I'm very excited to be qualified for the NHC for the first time ever. I think, like Jim, I was going out there talking to customers, taking care of customers, and thought, "Well, maybe I'll try and qualify for this thing," so very much looking forward to January.

I'm here representing DerbyWars, which as Keith said is part of Horse Racing Nation. We're in the startup world and we're looking at websites, in terms of how to grow and what are the opportunities for growth in racing.

Three years ago, in 2011, we looked at contests and we thought — what we saw with contests was a lot of growth opportunity. We liked what was going on. We saw vision to take it further. We spent most of 2011 developing the DerbyWars contest site, launching it in the fall of 2011.

It's grown significantly and so 2013 is our second full year. We've now run over 20,000 contests on DerbyWars.com, over 13,000 contests this year. That's over 250 contests a week on average, over 220 percent growth in the number of contests year on year. We're seeing more and more players being introduced to contests, but also being introduced to racing through contests. That's something that's really exciting to us. We've — I'll talk a little bit more later, but we've got several low barriers to entry.

We've got easy games to play, daily contests, games that are — that players can play for free. Of the 13,000 contests that we held this year, over 1,000 of them are free contests, so a very easy way for people to jump online, play, and get the hang of contests.

Why contests? Well, we've already heard and we'll talk more, and I wanna hear the guys talk about the passion, and the excitement, and the challenge, but through our development of contests, one of the things that we've really learned is that they're just fun and they're easy. Almost like a good racetrack marketing promotion, it's just easy to engage people in a contest.

I think that's what works so well. When Keith talked about the great demographics of the NHC tour, we see similar demographics except in age and also gender.

Online, because it's online and there's low barriers of entry, we're actually seeing 20-somethings, 30-somethings jumping on playing contests, getting introduced to racing that way. We're also bringing in some females to the mix as well. When we talk about racing, from a contrast let's look at wagering.

As great as wagering is, it's difficult. It's a difficult place to start when you're talking about engaging with the racetrack. You've gotta decide — if you're online, you've gotta decide what track, what horses, what wager, how to bet, how to structure the bet, and it's just decisions, decisions, decisions.

When you flip the contest, we're asking you pick a horse. The first contest race is coming up, pick a horse, you want the two horse, the five horse, the six horse? It just kind of greatly simplifies that whole second half.

The first half of handicapping remains the same, but the second half of how do I engage becomes so much easier. The one thing that we do on DerbyWars is at about one minute to post, we close the selections and then you can see — kind of like poker, the moment where you flip the cards and you can see what everybody else picked, that's the moment we show what everybody else in the contest picked. It's just a great way to engage with other players and you're like, "Well, I picked the four horse and three other players did as well. I guess maybe I was on to something, maybe I'm getting this after all."

We have graphics set up where it's very engaging to new users. We've got real time chat, so you can chat with fans. People come on, they're becoming friends. We've developed a community; they'll chat and play in the same games in the nights, or days, or tracks, and really learning racing together or learning from others who are more seasoned at it.

Then of course you can follow along and when you look at that leader board, everybody's looking for their name on that leader board and how they can move up the leader board. That's what it's all about is winning.

It's also about learning, as you engage and you see how others won, and how did they do that? Did they pick all long shots? Did they pick a little bit of — a few winners along the way? They're not only getting to know these players, they're following these players, they're seeing their patterns, and they're learning how they handicap.

In some cases, we've actually had some players that'll get really hot in a contest and the other players in the contest are like, "Well, I can't catch this guy, but who's he picking in the next race? I'll go bet it on my online account." They actually won money doing that. Again, just great engagement.

From the standpoint of getting younger people and newer people into contests online, it's a fantastic tool. We're talking about a sign up that's less than 60 seconds. You get free points in your account to play a free game, so very, very low barrier to entry. We see as we're developing new fans and more players, and they're also engaged in racing more days per week because it's so easy to flip on the computer and play from home.

We'll hear a lot about contests today, especially in the sense of live contests, I think it's interesting is — if we talk about — we always talk about the old racetrack days from 30 years ago, the racetrack is very a social event. You go with your friends, you pick winners, you high five, you have fun, you win and lose together.

Then with the invent of online wagering, it's kind of become anti-social because you're at home and you have all the great conveniences of home, but you've kind of lost that social aspect at home. With contests, and with interactivity and the engagement with other players, we've kind of brought back some of that social engagement. Then also, of course, is the challenge and passion of beating those players that you've been playing against and seeing yourself at the top of the leader board.

Overall, fantasy sports we see as a huge opportunity and wanted to show you guys a little bit of what's going around in the rest of the world. Fantasy sports, we have tens of millions of players playing fantasy football. The rest of the world is seeing the opportunity of fantasy sports online.

Huge dollars are being invested, over \$50 million in the last year alone have been invested in these top fantasy sports sites and in the case of Cantor Gaming, they're creating a company called Top Line Game Line. They put \$25 million into a company that didn't exist just for getting involved in fantasy sports. We are extremely bullish at DerbyWars on opportunities to get new fans in the sport and to grow our sport.

To give you another example, our two biggest games last year — last year, last week, on Saturday was won by a college student and Sunday, our top game was won by a woman who is an empty nester, had more time on her hands, and started playing fantasy sports. After playing fantasy sports for a year, she decided that she'd get into horse racing and she won our \$5,000.00 game on Sunday.

Really exciting demographics online, and opportunities online, and what we can do. It's a great mix and match to the travel aspect of when you're going traveling and playing live, but you can't always do that and you can play from home.

About us, we're based in Louisville, Kentucky. We're part of the Horse Racing Nation team. If you're ever in downtown Louisville, come by and visit us. My e-mail's up there if you have any questions and looking forward to hearing from everybody else about contests.

[Applause]

Mr. Keith Chamblin: Thank you, Mark. Thanks, Mark. Question for you. I think a lot of us in this room might have thought that if not the best way to attract a new fan, if not the only way, is through on-track engagement, a visit to the racetrack. With your experience with Horse Racing Nation and DerbyWars, how would you respond to that?

Would you say we can now — yes, we can grow new customers, find new fans online? Tell us about your thoughts about the old approach and perhaps another approach.

Mr. Mark Midland: Yeah, Keith, I definitely would agree. We're seeing — there's a lot of opportunity and so we're seeing new fans come on every day. We work with them in terms of support and getting them started and pointing in the right directions to get racing information in play. Yes, we see it as a big opportunity to engage people. We're all online every day in our daily lives, and our work, and at home.

It's a great time to capture people when they're available, whether they're online or they're on their mobile device. We can engage them online or at the racetrack websites, we can work with to get people engaged and it just all starts from there really.

Mr. Keith Chamblin: All right, I'm gonna — if you'll pass that down to the end. I've got a question for Matt Bernier. He was 23 years old, second youngest qualifier at last year's NHC, one of the youngest ever to qualify at the NHC. Of course you have to be 21 to compete in Las Vegas at the Championship.

Matt, I believe that you became involved in horse racing through watching it on TVG and wanted to hear a little bit about your experience with getting involved in the sport. Then also if you could tell us a little bit about what's attracted you to handicapping tournament play?

Mr. Matt Bernier: Yeah, as far as getting involved, I was home from school one night at my parents' house and I happened just to be boppin' through the channels and stumbled on TVG. I didn't know anything about it. That was kind of what got me involved in it. I wanted to know why a certain horse was 10 to 1, why one was 3 to 1. That was before I knew anything about past performances, or any of that. I just kinda worked my way into a little bit. I had to learn what people were talking about, this, that, and the other thing. That's how I got involved with that.

As far as the tournaments go, the idea of getting involved at a much lower level. You don't need to go into it for \$2,000.00, \$3,000.00. You can start off, especially on DerbyWars now; you can go on for \$7.00, \$5.00, something like that. I think it's a good way for people to learn what's going on. You don't need to jump into the deep end right away.

The first tournament I entered was last October and I think grand total it was like \$80.00. I happened to win it, but the idea is that you don't need to be playing in the \$10,000.00 tournament just yet. Obviously at some point you'd like to, but I think the progression is kind of a good thing for new people to the game.

Mr. Keith Chamblin: How do you compare online to on-track?

Mr. Matt Bernier: I — this is the first year other than — well the NHC was the first live tournament I had ever participated in. Coming off winning the online tournament, I walked in there thinkin' that it was a piece of cake and I was gonna win, which clearly is not the case. Being around people, especially being around these guys and learning from them, and the camaraderie at the track, you can't replicate that.

If you can't get to the track, the next best thing — I don't wanna call it the next best thing, I shouldn't say that, having an avenue to do it from your home or wherever it may be, on your phone, on your iPad, whatever it may be. It allows you to still participate even though you may not be able to get to whatever your local track is. I think it's nice that you have options now.

Mr. Keith Chamblin: Mike, you have something to add?

Mr. Michael Beychok: Yeah, I just wanna make a point about — I want everybody to look at this guy. This is the guy that we need to get to the tracks, to the OTBs, to wherever we're wagering online because he's young, he's professional, and he's got disposable income.

It's important that the point he made, how he got involved in horse racing was TVG, but then winning or playing a contest. As Mark pointed out, contests are — they're the simplest way to get people to increase their learning curve on how you bet and also get the competition and the gambling aspect, the two things that are — attract people to the game, all in one package.

Handicapping contests to me, they're like gateways to bigger and better things, bigger customers, better customers. The more contests that we can have, be it free, at DerbyWars there's a lot of free contests. Tracks have online contests that are free. You're just — you're creating and attracting the Matt Bernier's of the world for years and years to come.

Mr. Keith Chamblin: Christian, two time runner up at the Breeders' Cup Betting Challenge, probably attracts a — it's a \$10,000.00 tournament, a \$2,500.00 buy-in, \$7,500.00 live bankroll. I would say maybe the stiffest competition of just about any contest conducted at any time during the year is at the Breeders' Cup each and every November.

Christian finished second two years in a row and on bad beats in both cases, it seemed like. Tell us a little bit about your experience there and your overall impression of just handicapping tournaments in general.

Mr. Christian Hellmers: Well, I'm back at the scene of the crime here first of all, because once upon a time people were throwing tomatoes at me for talking about betting exchanges. It's nice to see that people's arms are not cocked back. We're all smiling.

[Chuckles]

If we're talking about new user acquisition, I think that there's basically probably two ways to give horse racing an orgasm or a euphoric experience,

One, is tournaments, but it's really the emotional connection of competition amongst man versus man, including women. The idea that I wanna be my best self, I wanna show the world that I know my stuff. There's not a platform that really exists right now, with the exception of these tournaments and I would say the cash tournaments that gives the players an opportunity to adjust their expression of their opinion with real dollars. That's what I'm seeking at my level. I wanna play against the best and I wanna win what I deserve based on my performance.

In my eyes, that will resonate with the younger generation. When they see that happen on television, then the story begins, "What if I were that person? Why is that person good at this? What are they doing? What are the practices? What have they put into it?" There's this inspiration from watching others succeed.

I think that when you bet on tournaments online, when you just have a scoreboard, it's not the same experience without having your fellow competitors sitting in the same room, without having a format that really rewards those that wanna take the biggest calculated risks. I think that there's certain pros to the formats of the NHC. I definitely think the analogy that comes to mind is almost crowning a baseball player the MVP for maybe hitting the most homeruns or the most triples.

Extraordinarily difficult to do, no doubt, deserves massive respect, as I know from playing with Michael, great player.

There's a whole other level to this game and a lot of people don't realize what the best bettors are doing and how they compete. I think that if you wanna draw in new people, you have to have leaders. You have to have people that call their shots.

We have a horse racing reality show that's giving us some opportunity into that world. There's — I mean I think at the end of the day, everybody wants to know in the sport of kings, who are the kings of the bettors? I would say that this question needs to be answered by a platform that's consistent across multiple websites or at least allows real cash money to be involved.

Without real money, I don't take it as serious. That doesn't mean that I'm not gonna be doing everything humanly possible to take down the NHC this year, but that requires the realization that the top players in the world, if they're playing in that tournament, are not gonna win that thing more than eight percent of the time based on the nature of the beast, based on the nature of the probabilities, based on the fact that you've got 400 people in there, based on the teams that are set up. It's a very complex tournament.

What I would propose for new users to come into the game, show them real money, just like they do in real poker, World Series of Poker.

Show them what they can win when they take calculated risks and the other half to the orgasm is all about betting exchanges.

As a guy who wants to show people how to bet on horse racing, I need to show people — I need to speak the language that they're speaking. I can't do that without applications.

You look at the iPhone, there's applications built on top of it for everything, right? The thing is, what's happening in Europe is earth-shattering. The level of sophistication of the bettors, and it's culturally cool because it's smart.

You can reward people that have great minds. Matt's got a great mind, people that have analytical skills wanna be able to demonstrate their success, their prowess. We need to have a platform that allows fixed odds so that people can bet more money.

If you wanna bring in new players, I think Matt's an example of one, but I would rather bring in the Wall Street group. I would rather go to head-to-head against hedge fund guys and I can't do that right now in the tote system. They won't play a game where they can't lock in their odds. When you can allow a platform like — any of the betting exchange companies to build applications and inform other bettors on how to look at their success, track their stuff, it's so difficult. There's so much data, we need to track all that.

I think that we can earn more as an industry if we focus on the bigger fish and we market to the big boys. You have to give them the product and they don't — the product doesn't exist yet because the odds fluctuate way too much at the end.

To answer the question long ways, the emotional experiences with television, competition. Everybody wants to be the best. Let's do that and then let's give a platform for the big boys. Let's imagine Donald Trump or Warren Buffet competing in a competition around horse racing, like I wanna go against those guys. I'll take 'em down. It's not available.

If Frank Stronach can create — do one thing, 'cause I know he's a good risk taker, if he can put this thing together, he'll save horse racing. Until somebody steps up, we're gonna suffer with the same problem, with the same marketing issues. We need to take big risks and the betting exchange is one and we need to put the sport on television. The reality show is one way, but there's many more possibilities. Sorry to speak so long.

Mr. Keith Chamblin: Christian, question. You were one of the pick six boys, you came up through Jim Quinn, his simple techniques program at San Anita. Tell us how you got

involved and if you think that that's an avenue for bringing more people into the game, like yourself.

Mr. Christian Hellmers: There's too many distractions today. There's way too much entertainment experiences available to get people to go to the track and sit down in a race track environment. It's complicated. I go back to — you've gotta play, unfortunately, off egos.

I think it's gonna take Matt 10 years to be a great player and I've told him that. I'm not saying that he's not a good player now; it takes years of losing and understanding the way your brain is mapped. You have to see where your strengths and weaknesses are and you have to learn over and over and over again.

You think something and you have to prove it. Then you have to get into this intuition that happens in tournaments about betting big and knowing when it's really an intuition versus a feeling.

I think that education is key, but I also think that you have to create a user experience through the ADWs. I think you need to create an emotional attachment to the horses. I think you need to create a following of the players. I think that I can save players a lot of time and energy by just directing them a few ways to bet, and they'll challenge it, 'cause they should.

Everyone's brain's different. You're gonna have to go through a series of trials and tribulations to learn what pace is, to learn what class is, to learn patterns and so forth. In this day and age, with so many different options, there has to be a technology component, which is why I think that just talking about races, it's just not enough. People need to see results fast.

The best in the world at this game are batting below 200; they're winning one out of five, six, seven times. The return is so high. Most people can't withstand those losses, so you gotta get to people when they're young and you gotta get to them when they're open-minded and they're willing to bet their \$2.00 allowance money and so forth to not risk their house, or something.

It's gonna take a collaborative effort. I don't — I think they need to learn from leaders. I think there needs to be accountability.

I think that — I'm shocked on the existing horse racing networks that when a person says a horse's name, there's no accountability. It's just like, "Why can't we look at how a certain person does in a certain area," and there's gonna be successes.

These guys aren't that — I'm sure they're profitable in some ways, in some ways they're not. There needs to be accountability and there's none of that.

I don't know if I was a young person watching TVG, like Matt, I don't know how I would know where to go. I mean, I need one-on-one. I need real attention. This is real money and it's low probability of winning.

I mean I can play poker and win probably almost half my hands, versus a bet on horse racing and have to win 20 percent to be profitable.

That's not easy for people to stomach in this instant gratification society that we live in. I think you've gotta speak their language.

I think, again, the bigger fish, or the more lucrative customer right now, I think the guys on Wall Street, you could really bring them in. You could play off the egos, there's a lot of really beautiful things that happen at the racetrack and you can really play to their willingness to shine.

This is the sport of kings. I mean I — as much as I love all this stuff happening online, I think real growth comes back to purse raises and handle, or revenue companies. Yeah, that's —

Mr. Keith Chamblin: Peter, you come at it from a little bit of a different perspective with your dad, Lee Davis. You're part of team Rotondo that's in part of the cast of *Horseplayers*.

I mean you've been around the game probably longer than anybody in terms of when you were introduced to it. Tell us about how you became passionate about it and kind of what you bring to *Horseplayers* and how you view these on-track and online contests and your feelings about 'em.

Mr. Peter Rotondo: Yeah, well I mean — I've been going to the track since I was four years old. Dad taught me how to read the racing form when I was six. I went to the track every weekend for 18 years. I mean that's how I got into it. I mean every single weekend we're at Beaumont and Aqueduct. It was a great childhood and then it led me here to the racetrack program, so it was all worth it for sure.

The idea about the handicapping contests, I just recently got into it because I worked for the NTRA. We — I was working with you when we kicked this off years ago and wasn't eligible until recently.

I enjoy them. I mean, it's a different way of betting. I mean we — we are so used to betting trifectas, and super-fectas, and the whole nine yards like that. Now it's a different mentality. It's a different game. It's a game within the game.

I think it's a whole separate learning curve on how to be really successful in the handicapping contests, either mythical or live money.

I think it's an educational process. It is — when it comes down to those last couple of races and you're alive and you have to make a decision and what decisions are you gonna make and it could cost you thousands at the end of the day.

I mean that's the action, that's the ego, that's the — that's what you live for if you're into gambling period and then — I think it's — I think there's a tremendous growth opportunity in these handicapping contests. It's just the beginning, really.

As far as the Breeders' Cup Betting Challenge, putting on my Breeders' Cup hat. We started in '09; there were 75 players at San Anita. We went to Churchill for a couple years and were back at San Anita.

This year we had 182 players, which accounted for \$2.2 million of the on-track handle at San Anita which is — oh, was over 10 percent of the handle just of those 180 guys and gals. That's only going up, we just need to find a better spot to put them all in at the track. We wanna make sure we take care of them in the right way.

Mr. Keith Chamblin: If anybody has any questions for the panel, please come up to one of the two microphones in the aisles. Mark, I think you had something you wanted to add?

Mr. Mark Midland: Yeah, Christian brought up a lot of good points.

We know there's a lot of difficulty engaging people with racing. I think there's one key word that we're talking about here in regards to contest, and that's investment.

There's very little investment going on in horse racing. It's very stagnant as an overall business. There is investment in contests. I mean the investment in the TV show is unprecedented for horse racing.

Our site and other online sites are investing in online technology and as Jim spoke about, the tracks are trying to — tracks are — many of them are still investing in contests for their players.

I think that's what makes an exciting part of horse racing because it's a growing piece within a stagnant industry at this point.

Mr. Keith Chamblin: How important is — are the contests to the overall business strategy of Horse Racing Nation?

Mr. Mark Midland: Well, we see DerbyWars as a huge opportunity for growth. We see online contests just growing.

If we look at horse racing overall and let's just say it's stagnant. Online horse racing is growing and we see online contests growing.

When we look at demographics, we look at mobile opportunities, and we look at the NHC's growing, the BCBC is growing. We think contests are going in the right direction.

It's exciting for our seasoned players, it's exciting for our young players. It's not a cure-all, but there's a lot of opportunities and growth through contests.

Mr. Peter Rotondo: I would also that at this stage of life, since you have to work and you have a family on some level, you can't be betting every day anymore like I might've when I was a kid.

Now, on the weekend, if I do my work, if I'm actually in these handicapping tournaments, I'm betting real money as well. I've done my work on the card, so I'm not just betting in the tournament. I'm betting real money.

Then sometimes when I'm at the track, let's see, and I'm at Saratoga and we're in the backyard and we're betting Traversday, I'm betting the DerbyWars contest on my phone because I've done the same homework.

Now I'm betting multiple avenues on the same content, which — and then, as you know, once you start getting — either you're trying to catch up or you're trying to hedge, that's where the money goes into the pools.

I could imagine if you're around a racetrack on some level, you're probably saying, "The money's not going into the pools, it's going into the —" not the live money, I'm thinking the mythical. If that entry fee is going in there and maybe you're taking some of the money out of the pools, and then I guess I would answer my own question or argument by saying you're hedging off of it, I think the real players are anyway.

Mr. Keith Chamblin: If you're gonna do the work, you're eventually gonna bet through the windows I think, for sure.

Any questions from the audience? All right, well how about a round of applause for our panel today?

[Applause]

Thank you very much everyone. I appreciate you joining us.