



Race Track Industry Program

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NTRA ADVANTAGE

MODERATOR:

Eric Wing, Senior Director of Media Relations, NTRA

SPEAKER:

Joe Morris, Senior Vice President, NTRA Advantage

Mr. Eric Wing: Okay. Our fourth and final segment this afternoon is NTRA Advantage, and we'll call up to the podium now Joe Morris, who's the senior vice president of NTRA Advantage.

In addition to selling existing categories, Joe and also Senior Director of Business Development Barclay Porter, will be working to secure some new partners and new sponsors in the months ahead.

To many of you, Joe Morris is a familiar face vis-à-vis the NTRA. Indeed, from 2002 to 2007, he was with us leading our group purchasing to some great achievements. For the last three years, Joe has served as publisher with Thoroughbred Times and also Horse Illustrated. I know I speak for everyone at the NTRA when I say we're delighted he's back with us. Joe?

Mr. Joe Morris: Thank you. I know it's getting to be a long afternoon here, but I get asked a lot why I came back to the NTRA, and what you've heard here this afternoon is exactly why. The NTRA is redefining itself, and realigning itself with the industry. A lot of exciting things going on, and it's poised to lead and support the industry into the second decade here of the 2000's.

On the Advantage front, NTRA Advantage was started back around 2000, and it started as a company called EquiSource, to help harness the buying powers of the industry. The NTRA was in partnership with Churchill Downs in a buying group. The NTRA bought those partners out in 2002 and formed NTRA Purchasing. In 2008, it was rebranded as NTRA Advantage.

And what it is, is a sales company that helps our sponsors, our partners, sell their products to the equine industry. We go out, and the way we did it, we simply went out and asked the industry, "Where do you want help, where do you want discounts, what can we do to help you get savings?" We identified product categories where we had proper buying power to get those discounts. We then went and pitched the

companies, and we aligned them in the industry and helped them sell their products to the horse world.

We sell on what we call the win-win-win. First win is our member gets savings. The second win is, our partner gets a sale and that's why they're aligning themselves with us. And the third win is a piece of every sale comes back to support the industry.

Here's a little sales history. 2001 was when we were EquiSource, and we were doing \$11 million directly to the Thoroughbred industry. 2002 it became NTRA Purchasing, again directly to the Thoroughbred industry. As we get to 2003 to 2007, we expanded our base, going to some other horse groups, and we were able to add quite a few more partners through that time. Then as you get to 2008, 2009, 2010, you start to see some of the recession that's hit our industry.

To date, half a billion dollars in sales to the horse industry, \$540 million since 2002. That's why we have such good partners. Almost \$90 million in savings, granted that's savings calculated off from full retail price. People don't always pay full retail price, but the proper benchmark to work that number off from.

What we've done is we've created a loyalty to our industry. You go back to the end of the 90's, beginning of the 2000's, there wasn't really any companies, corporations supporting horse racing. And we have, through these programs, taught our industry to be loyal to those companies that are supporting their industry.

We also give a piece back to the industry on the revenue that we get from those sales.

On bringing the industry together, as I said, we started as NTRA Purchasing for the Thoroughbred industry. In 2003, we broadened that out to the Quarter horse world. There's over 300,000 Quarter Horse members, and we run a program for them called AQHA Members Plus. We then went to the United States Equine Federation, they have 200,000 members. We run USEF Members Perks for them. Went to the Trotting Association, Polo, Equine Canada Horse Council, and by doing that we were able to expand our base of the equine industry which gives us a bigger buying power, gives us higher sales for our partners, and it gets us so we can drive better discounts through our partners.

Today, we can reach over 1 million horse people through all those different groups.

Here is our list of current partners, and if you look at the top three, those three are all over 100-year-old American companies. Deere's been with us 10 years, Sherwin-Williams has been with us 10 years, and UPS has been with us five or six years. These are very recognizable logos, good American companies that enjoy their partnership with us.

On our Deere program, there's two parts to that program. The first part is for full time equine facilities, and you get up to a 23% discount. When we started with Deere in the Thoroughbred world at racetracks, they had about a 32% market share. Today, they have over 90%. Just about all of our tracks are using John Deere products, supporting that program.

The second part of that program is a coupon program for those people who are horse members. They might have a few horses, they may ride them, they may show them some, and if they've been a member for over 90 days of one of our horse groups, they're eligible to the coupons. Coupons range from \$300 to \$1,000 off their negotiated best deal.

Sherwin-Williams paint obviously, up to 40% off on paint. Also covers wall covering, carpets, and everything that they have in the store with a discount. We sell a little over \$3 million a year in Sherwin-Williams products. That's a lot of people using the program on that, because a gallon of paint doesn't cost all that much.

UPS, 30% off next-day shipping, 5% off ground, and we're actually now talking with them to see if we can teach them how to ship horses.

Office Depot/Office Max, you can go into the stores with a discount card or you can go online, free next-day delivery up to 40%, 30%-40% off on those products.

Where are we headed? To grow those sales, we need more partners. The truck category is one that we had filled in those 2003 to 2006 with Dodge. We're working in that area, if you have horses you need trucks. We expect to be able to announce a potential partner hopefully the beginning of the year. Maintenance supplies, your hardware stores, your home improvement stores, we're working in that area. Your wireless handhelds, everybody's getting their information and downloads on their phones, we're working in that category and in the rental car category.

We expect to probably fill at least three of the four of those categories for next year, and see those sales coming back to the way they were in 2005, 2006 and 2007.

That's all I have. Any questions?

Mr. Eric Wing: All right, thanks, Joe.

Mr. Joe Morris: Good.

Mr. Eric Wing: Covered everything. Okay, now as promised earlier, to wrap things up and offer some final thoughts again, we welcome up to the podium our president and CEO, Alex Waldrop.

Mr. Alex Waldrop: Thank you for staying with us today, and thank you to the staff at the NTRA. I think they've done a great job today. I know I've learned something. I hope you have, too.

Well, I think there are some key lessons we need to learn from today's presentations, and I'm going to be fairly blunt and obvious. We can accomplish more by working together, than we can by working separately. It's that simple. You say it over and over again, but the NTRA is living proof of that fact.

Our legislative advocacy in DC is proof of that. The Alliance, the National Handicapping Championships, our Web 2.0 strategy, NTRA Advantage, it wouldn't happen if we weren't here working together. You can go right down the list. By almost any standard of measurement, time and time again, the industry has shown it can accomplish a great deal when it sets a course, pulls together, and puts the necessary resources behind the effort.

Working together, there really is no limit to what we can accomplish.

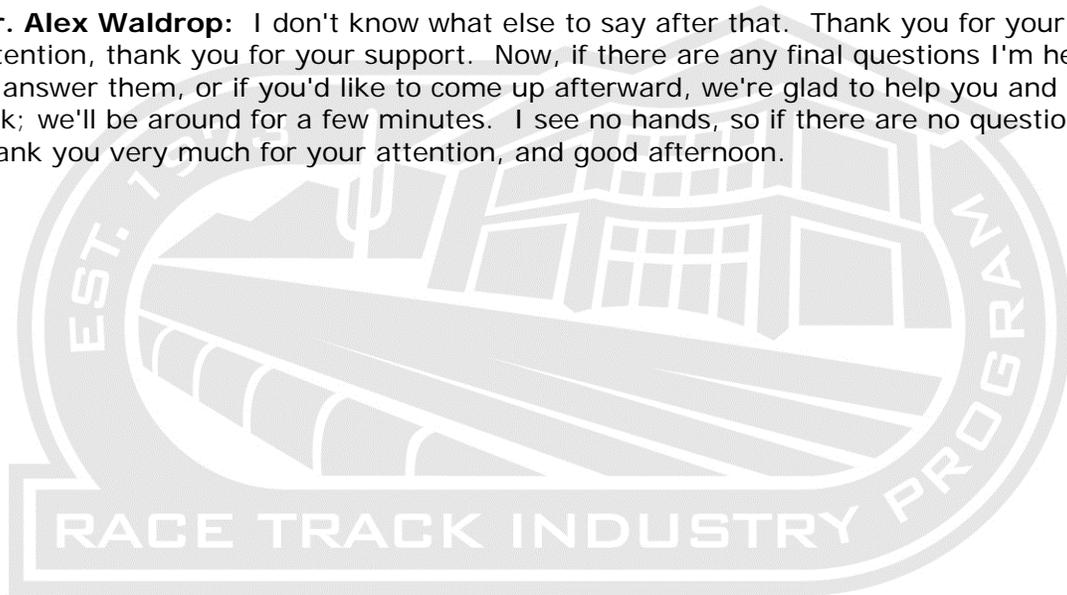
So, let me conclude with these thoughts. It is undeniable that there are many challenges facing thoroughbred racing, and racing as a whole. But, horse racing is still one of the most exciting, compelling sports in the world. Yes, we are a game fueled by the gambling dollar. But, we are no less a sport. One which is a spectacular array of emotions often lived out in the space of just a couple of minutes.

There's no greater example of this than this brief clip that I want to leave you with.

Video Clip:

[Horse Race Announcer, Calling Breeders' Cup Classic 2010]

Mr. Alex Waldrop: I don't know what else to say after that. Thank you for your attention, thank you for your support. Now, if there are any final questions I'm here to answer them, or if you'd like to come up afterward, we're glad to help you and talk; we'll be around for a few minutes. I see no hands, so if there are no questions, thank you very much for your attention, and good afternoon.



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