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NTRA - UPDATE

Speakers:

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

Terry McElfresh, Senior vice President, NTRA Advantage

Peggy Hendershot, Senior Vice President, Legislation & Corporate Planning, NTRA

Alexander M. Waldrop, President and CEO, NTRA

MR. ROBERT ELLISTON: I want to thank Doug Reed and the entire team here at the University of Arizona for having us back to do a presentation on the priorities of the NTRA. It's fitting that we're doing this; it's been a couple years since we've had the opportunity to do so. As I look back over the years, about 10 years now, many of the important initiatives that the NTRA launched started right here. They were part of the briefings that were done over these years and we are appreciative of that opportunity. The horse industry is kind of like a circus, that's a good thing and a bad thing. There is a lot of entertainment, there are a lot of exciting things going on, there is a good bit of chaos as well and sometimes we at the NTRA feel that we are the big top at the circus, in that regard, we have all the players there, all the constituencies are represented under our big tent. At our table that would be the horsemen, the racetracks, the breeders, owners, technology companies that support the industry, all kinds, every single one of the constituencies are under the big top. Occasionally I feel like the ringmaster that's helping the lion tamer without a chair or a whip, but usually it all works out.

Today we're going to look a little bit backward but mostly we are going to look forward. We have with us our CEO and president, who is going to lead off the discussion, Mr. Alex Waldrop. Most of you all know Alex from his past life. He was involved in racing for about 15 years, I think, president of Churchill Downs, involved on a national level, representing them in public affairs. He is one of the most outstanding people, I think everyone who has come in contact with him in the industry believes he's a dynamic person, he put a super team together and he is

leading this organization to great heights. So with that, help me welcome Mr. Alex Waldrop. Alex?

(Applause)

MR. ALEX WALDROP: Thank you, Bob. Thank you also to Doug Reed and to the staff here with the University of Arizona. It's a pleasure to be in front of this international symposium once again this year.

We are back here to reintroduce the NTRA to this audience. We are also here to talk with you about our plans for 2008. We are here to have a discussion with you today, we are going to give you lots of information, but we are going to leave time at the end for questions and answers, I hope. We want to hear from you, I've been admonished time and time again that the NTRA needs to talk, but we also need to listen to hear what you want and what you need as members. So I encourage you to keep your questions.

Let me also thank Bob Elliston for all the time that he's spent with us over the last year. He's helped this management team keep its focus on our strategic priorities, and that has been important. But for Bob's commitment and his involvement, frankly, I'm not sure I would have taken on this challenge. I knew that he had the business skill and the knowledge that would be a vital resource for the NTRA and so I was encouraged and I came on board. Thank you, Bob.

And what a year it's been; my first day on the job, my first official day on the job, my first morning, Barbaro was euthanized. I could tell you that that was an incredible experience. The NTRA Communications team kicked into high gear and they managed a potential crisis that could have been a real problem for our industry. Within a few days we formed the NTRA Barbaro Memorial Fund to raise money and awareness for horse health and safety. It was my first lesson in the value of an organization like the NTRA. We had the structure, we had the staff and the resources, and the knowledge to manage an important issue that could have produced very negative consequences for the sport. Over this last year I've traveled across the country. I've talked to hundreds, maybe thousands of people about the state of our industry and the NTRA's plans for carrying out our mission to increase the popularity of horse racing and to improve the economics of horse racing for all its stakeholders. Many have been excited about our future. Some we talked to were disillusioned, disillusioned by the lack of handle, growth, disillusioned by other things. Some people were angry at our sports business because they felt that we spent too much time with public fights. Virtually everyone that I spoke to was passionate about our sport, passionate about our business, about our sports business. They wanted to see it grow and prosper. We at the NTRA share that passion and we thank you for sharing your thoughts and your opinions with us and we want you to keep them coming.

As I said, it has been an emotional year for me. My first day on the job, Barbaro is euthanized, we kick into high gear. But I can tell you this, NTRA Communications is just one of those values that we have. We now have put in place the Barbaro Memorial Fund, that fund has raised almost \$350,000 to date. I was speaking with Roy and Gretchen Jackson just the other day and they say that it is making a real difference. We are seeing progress in the fight against laminitis. For a sport like ours which depends so heavily on our equine athletes, this is a major development and it is also Barbaro's legacy.

Some other issues — I'll give you an example of what this year has been like. Shortly after Barbaro's loss, a prominent owners' issue with sales integrity became a major matter for — was ripe for government intervention. The Thoroughbred Owners and Breeders Sales Integrity Task Force thrust the NTRA and myself into a leadership role in an area that the NTRA had never addressed before. Again I learned the value of our team, of the NTRA communications and the importance of working with the industry's stakeholders to address matters of common concern. The task force recommendations helped avert unnecessary legislative intervention in Kentucky, in the sales arena, it established a code of conduct, a model for the industry, a code of conduct for agents and consigners, and we hopefully did something that will inform the debate that is now coming in Florida later this month on the sales integrity issue there in Florida.

NTRA was also instrumental in opposing federal legislation that would have stopped the international movement of horses in and out of the United States. With support of industry allies such as Churchill Downs, Breeders' Cup Limited, Keeneland, American Horse Council, the AAEP, the NTRA launched a full court press to oppose this legislation and get our message out on Capitol Hill. Peggy will give us more about that in a minute, but it was an important moment for the NTRA and for the industry as a whole.

I want to share with you one more example of how the NTRA has served the horse industry in recent months. As many of you know, John Deere has been the NTRA's partner for a number of years. John Deere, despite year after year growth that has made our industry Deere's second largest national account, we are the second largest national account for John Deere. We are behind the federal government and only the federal government. Deere was considering the elimination of our 23 percent discount on its farm equipment and substituting with a coupon system. That change could have cost our members hundreds of thousands of dollars in savings through the program. We were able to save the program and fortunately renew the John Deere partnership for three more years by engaging them directly with our members, letting them hear from our members about the importance of our program. We demonstrated and knew the economic

impact and the power and size of the horse industry. I want to thank John Deere for staying with us; I want to thank many of you for staying with us as well.

Now, if there is anything that I've learned over the past 11 months, it's this, when we pull together in the same direction, we are much stronger than the sum of our individual efforts. This is not some sentimental view of life, it's a recognition of the fact that in many ways, all of the participants of this industry, no matter how large or small, depend on one another to survive and prosper. Yes we compete in many ways; horsemen compete for purses, tracks for market share and for customers at a variety of venues through a number of competing distribution channels. But in the final analysis, because we're a business based upon sports competition, we ignore our interdependency at our peril.

I'll be back in a few minutes to elaborate on these ideas but for now, I'm going to turn it over to the team. We will walk you through our 2008 strategic priorities. Keith Chamblin, please come forward. Thank you.

MR. KEITH CHAMBLIN: Thank you, Alex. Good morning everyone, 2008 promises to be a very, very busy year for the NTRA. Membership will be our largest and most diverse to date, it will include every major racing organization including Churchill Downs Incorporated, Hollywood Park, Keeneland, Magna Entertainment, the New York Racing Association, and it will include every major horsemen's organization including Breeders' Cup Limited, the Horsemen's Benevolent Protective Association, the Thoroughbred Horsemen's Association, The Jockey Club, the Thoroughbred Owners and Breeders Association and the Thoroughbred Owners of California. With a \$2.5 million budget surplus from this year and strong cash reserves, we will seek new three-year commitments from all of these and all of our other member organizations. Along with presenting an updated dues model based on a formula based on handle, or excuse me, purses from 2006, we are healthier financially than we have ever been in our history and our membership is broader than in any point in our history. We will offer a very focused menu to meet the strategic priorities set out by our board and our membership. Some of those key programs and expenditures will include, we will spend \$3.4 million in advertising, public relations, marketing and promotions. We will spend \$3.1 million on television in 2008. We will spend \$3.4 million on NTRA Advantage programs, formally NTRA Purchasing, you'll hear more about that in just a moment from Terry McElfresh. And we will spend \$1.8 million on legislative advocacy and integrity initiatives, and you'll hear about that from Peggy Hendershot here in just a moment as well. In the area of marketing, we will be focusing on building on the success of existing programs while also launching new initiatives. We will be freshening our advertising campaign which includes television, print, award winning radio and Internet advertising. We will be producing a new set of public service announcements targeting existing fans, and coupled with other communication strategies designed to communicate our industry's efforts in the area of integrity.

Those PSAs are in development and we hope to launch the series in the second quarter of 2008. As a component of that same strategy, we will be launching a Web 2.0 initiative to open up a two-way line of communication with our customers who we believe are as loyal and passionate as any fans in any sport in America. We will be hosting a web 2.0 workshop for members in Los Angeles on January 22nd, and we invite all of you in this room and all of our members to attend that workshop to learn more about this new Web 2.0 initiative. The Web 2.0 strategy is tied to other initiatives designed to grow engagement on NTRA.com, which will conclude 2007 with more than 17 million page views. That is up 31 percent from 2006. We've seen double digit growth in NTRA.com for five years running. On the promotional front, we'll be seeking ways to grow and expand the Daily Racing Form NTRA National Handicapping Championship which in January will offer a record \$1 million purse, a record \$500,000 prize to the winner and it will move to the Red Rock Casino and Spa, so we've got a new location as well for the richest tournament in our history. We'll also be establishing a tour or a road to the handicapping championship which will more directly connect each of the qualifying tournaments leading to the national championship 12 months from now. And we are looking at ways and will be announcing shortly, ways to reward customers who compete in these qualifiers throughout the course of the year. And finally, we're committed to launching, or should I say re-launching, a national wager offered on a regular basis throughout 2008; it's an initiative that we did several years ago with National Pick-4s, very, very popular with fans, and we believe we should use all of our efforts to strive to bring a national wager back to the marketplace sometime probably in the second quarter of 2008, so stay tuned for more developments on that as well.

On the television front, NTRA-produced TV will continue to focus on key races leading to the Triple Crown and the Breeders Cup World Championships. New additions to the schedule this year include the Sunshine Millions and the Florida Derby. The summer television programming will be more closely linked than this past year with the new Breeders' Cup Challenge. Our partnership with ESPN takes horse racing to our target demographic through multiple media platforms. The ESPN relationship and national televised races also led to expanded coverage within other mediums. In 2007, NTRA communications conducted 27 national media teleconferences featuring racing personalities. Each conference call averaged 25 participating media resulting in media placements both nationally and locally, it's part of the blocking and tackling that NTRA Communications, the team at NTRA Communications performs every day and one of the many services the NTRA provides to keep and grow horse racing's presence in the mainstream media.

The NTRA Communications team has also proven to be a valuable industry resource during periods of crisis communications. As Alex alluded to, the most recent example of their work product occurred earlier this year around the death of Barbaro. Working with outside communications experts and many of our sport's

best PR people, the industry was able to speak with one voice and communicate in a clear and compassionate way how much we care about the health and welfare of our horses. A key component of that strategy was the formation of the NTRA Charity's, Barbaro Memorial Fund, formed in the immediate aftermath of Barbaro's death. Within weeks, industry fundraisers were held at more than 40 racetracks around the country, and 100,000 Riding With Barbaro wristbands were purchased online and at racetracks around the country to raise money and awareness for equine health and research. In the coming weeks, you'll be hearing more about a new partnership with Pfizer Foundation that will expand awareness and fundraising for the Barbaro Fund in 2008. In partnership with TOBA and the Blood-Horse, we will also be soliciting donations through a year-end fundraising drive endorsed by Roy and Gretchen Jackson. Including Pfizer's pledge, to date the Barbaro fund has raised \$375,000 for laminitis research, and we expect to raise \$500,000 by the one year anniversary of Barbaro's death.

In 2008 we will also be continuing our relationship with Ronald McDonald House Charities. Here is a peek at a new PSA featuring Robby Albarado that will begin running in 2008.

(Video Playing)

Those spots will begin airing on ESPN programming this spring, and I want to thank Robby for volunteering to help us with those PSAs.

In addition to our communication and outreach to the outside world, we will also be striving in 2008 to better communicate to you in this room, our membership. Part of that strategy includes the rebranding of what was formally known as NTRA Purchasing as the NTRA Advantage program. To highlight its function as a sales and member benefit program we believe NTRA Advantage will be a better and more accurate description for conveying a broad spectrum of programs and platforms. In addition to marketing, those benefits will include sales and services and legislative and integrity initiatives, among others. And here to tell you more about NTRA Advantage is Terry McElfresh. Terry?**Other terms, concepts and keywords contained in the balance of this transcript are:** World Trade Organization, Unlawful Internet Gambling Enforcement Act, American Horse Council, Internet gaming, International Federation of Horseracing Authorities, Equine Equity Act, withholding conformity, Interstate Horseracing Act, Congressional Horse Caucus, American Gaming Association, CapWiz, Horse PAC, legislative advocacy, revenue stream, integrity, interrelated, collaboration, national marketing.....If you desire a full transcript contact bprewitt@ag.arizona.edu