



Race Track Industry Program

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**Are We Dealing with Racing Technology
or a Race with Technology?**

Moderator/Speaker:

Rohit Thukral, President, TwinSpires.com

Speakers:

Scott Daruty, President and CEO, HRTV; President and CEO, TrackNet Media Group

Tom Seeley, Coordinating Producer, NBCSports.com

Mr. Doug Reed: We look forward to hearing what our speakers have to say. Thank you.

[Applause]

Mr. Rohit Thukral: Good morning. I hope this microphone's working. They had me mic up, and I think that will give me a little bit of walking-around room. I'm Rohit Thukral with TwinSpires.com, and it's my privilege to moderate this panel session that's focused on internet video. We have a terrific panel of speakers today, but first let me talk to you about the thought process behind the topic.

These are Doug's words, but I'll do my best to speak to them. The amount of video available on the internet has exploded and has improved exponentially in quality. Content that was once guarded and protected from mass distribution is now readily posted for all to see. Has the racing industry embraced this new opportunity and all its new distribution channels? What can racing do to harness the potential of this new technology? What is the business model? How do you market it? And, is there any way to monetize it?

We have a terrific panel lined up for you this morning. We're going to start off by inviting Tom Seeley from *NBC Sports* to talk to us about what's

happening in the wider world of sports. He's going to paint the big picture for us, the big canvas. I'll come up next and talk about how TwinSpires.com and other ADW's are bringing internet video to horseplayers. Finishing up with closing remarks and the last word is Scott Daruty, president and CEO of HRTV. He's going to talk about how he's bringing HRTV to the broadband internet. Very interesting panel.

First of all, let me just go ahead and invite up Tom Seeley. Tom Seeley is coordinating producer at NBCSports.com, and he's going to talk to us about the investments *NBC Sports* has made in bringing internet video from the Beijing Olympics and Sunday Night Football and other interesting opportunities to engage with fans on the internet, complimenting what's available on television. Tom.

Mr. Tom Seeley: Thank you for having me. The things I want to touch on today, primarily, were what NBC Sports Digital — *NBC Sports* and Olympics Digital has really done recently with some of our biggest properties, and the things that we've put our biggest technological weight behind in terms of internet video and specifically live video.

The first one I want to talk about is look back at Beijing NBCOlympics.com, which was one of the biggest events we've ever done, and sort of what our learnings were from that. I'll try to go light on the data, and then really dig into SundayNightFootballExtra.com which is what we are in the middle of right now. We're in the throes of that. We are in the second year of that project, and then look a little bit ahead to Vancouver, and what's in store there. Let's see.

Beijing obviously — let's see. The numbers were just massive for us. This was the biggest — at the time, it was the biggest online media event ever until CBS's *March Madness on Demand* beat us this year, depending on how you look at the numbers. We're still claiming some victories. The tonnage was just incredible.

The biggie there for us was obviously the 10 million hours of streaming video. We had more than 3,000 hours live online. This was the first time we had tried something of that scope, and the example was before that in Torino, basically all we had streamed live was the gold medal hockey game. For Beijing, two years later, we were doing more than 3,000 hours live, and the consumption patterns really showed that the audience was there and ready to take it.

More than 52 million people came to the site in the short 16-day window, which is something that we really go from 0 to 60 in .2 seconds with the NBCOlympics.com, because while we are a live site 365 days a year, people don't really come until the opening ceremonies, 'til the flame is lit. We got up pretty quickly on that.

More than 74 million streams, and then also you can see the growth over what we did in Torino. It really showed that the audience is there if you provide a platform for it. This slide is an interesting one. It shows sort of when people were consuming this content. If you recall, Beijing was 12 hours ahead of us, which posed all kinds of problems for our broadcast friends. Michael Phelps was swimming in the morning over there, so he was swimming in primetime back east.

What the interesting thing here is we'll see about consumption patterns with online video in general. You'll always see a giant spike during lunch. That really is when time — when users are consuming the video, consuming online, and you'll see this across most internet patterns. The really interesting thing here is with most internet video, the spike and drop off will be much steeper. You won't see that consumption at the end of the day, but because there was live video available at the end of the day, when things were going on live in Beijing, 10:00 pm to 2:00 am in the morning, there was still a ton of users there because we were making that content available. We weren't really sure if people were going to come at that time, but it showed that if we had that live video available, they were still coming. Then also, when there were no events going on, they were still coming and consuming all of the video content that we had available.

The interesting thing is when you see, you know — oops, sorry. One of the big questions going into Beijing was, if we're making all of this video available online, what does that mean for our TV audience? What does that mean for our broadcast audience? You really heard going into Beijing there was still a real concern because we didn't really know. We'd never done this — something of this scope, making Olympics content available online. You still heard in 2006 and 2008, there was still very much this concept of cannibalism where our broadcast network friends were very concerned about taking eyeballs away from broadcast if we were putting all this stuff online.

What we found through and through, with all the data that we have, is this is just not the case. In fact, the online experience really bolsters the broadcast experience. It's understandable. The broadcast model still has many more zeros in it than the digital one does. The concern was certainly legitimate, but if anything, it shows that if you're providing this content online, it supplements and creates a better overall experience for the user, and they're not leaving broadcast to go watch something online necessarily.

You can see people that watch TV only watched about three and a half hours, but then the amount that they also watched, knowing that there was also this content available online, just showed how much they were willing to consume. If you provide it to them on these alternate platforms, they're really going to go and consume it.

Another interesting thing is, and this really applies in a metric that really matters to all of us, is advertising. If you are a multi-platform advertiser,

someone that advertised on air as well as online, it really did a lot more for your brand than if you just chose one of those platforms. This is a message that every sales meeting I'm in, or our sales team's in, we really hammer this home, because it really drives the fact that online is complimenting on air. Together it's just a much more powerful combination for the user.

Finally, the one thing — this has been touched on a little bit in some of the previous presentations. The area where you're seeing just incredible, incredible growth is mobile. The more video that's made available on mobile, the more consumption that's there. That kind of hockey stick growth is still growing. We're expecting similar results for Vancouver. We're making more and more video available on mobile.

This season we had a Notre Dame application on an iPhone where we streamed all the Notre Dame games live. We've been streaming the Derby on mobile for the last few years. The growth is just incredible. This is sort of — it's very comparable to what you saw online eight, nine years ago in terms of the growth pattern from the consumption as more mobile video is made available.

The interesting thing — it's also because these phones and the technologies available to do this. The interesting anecdote that I have is six years ago the best quality video that we were streaming online is now the worst quality video we're making available on mobile. It really shows that that kind of growth, and the technology, has caught up, and more and more things are available, and the things that you can do is just incredible.

The next one is sort of the thing I'm in the throes of right now. This is year two of *Sunday Night Football Extra* for us, and it's been a tremendous experience. First off, one of the biggest differences between *Extra* and Olympics for us is Olympics is 16 days, 16 hours a day, and it's just a massive — there's just incredible tonnage. For *Extra*, the interesting thing we're dealing with — with *Extra* is that it's not an on-demand player. It's a live experience, three to four hours a week. How do we create an experience for the user that they can't get on Tuesday?

If you go to the *Sunday Night Extra* player on Tuesday right now, it's talking about the Eagles/Giants game coming up. You can't go back and experience Sunday night's game. That's a product of our relationship with the NFL, and sort of what this product is meant to be. It's meant to be a live player, not an on-demand player.

This is the second year of this product. We made a platform change this year. We are now on the Microsoft Silverlight platform, which is what the Beijing player is based on. That was also based on the fact that we can apply learnings from Beijing onto *Sunday Night Football Extra*. That's also what the Vancouver site is going to be built on. The Microsoft Silverlight product has allowed us to do a number of tremendous, tremendous things.

Last year, when we had the product, it was basically the live simulcast and four alternate cameras which are live, online only views, that you can get whether it's the cable-cam, so you can watch the game sort of like it's a Madden videogame; sideline cam which shows some of the coaches and some of the views from there; end zone cam which is sort of behind the defensive line view; and then the star cam which — this year the interesting thing we're doing is it's iso on an individual player that we're allowing the users to vote on who they want to see. The patterns are typical, like Brett Favre will always get the most votes.

One of the interesting things, that really showed about allowing this inter-activity and bringing that into play this year, is that for our Cowboys game earlier this year there was a tremendous ground-swell for support for Miles Austin, who's the Cowboys' brand new receiver. He was sort of come-out-of-nowhere to be a real go-to guy, had a lot of exciting plays earlier in the year. Voters came to the site in droves and voted him up, and we had an iso-cam on him. So if you wanted to just watch him throughout the game when he's sitting on the bench, on the punt return team, we've got an iso-cam on him throughout the game that allows fans to see the player that they've wanted to see and really customize their experience.

The other parts that this really brings to fore this year is the fact that, if you come into the game in the second quarter, we have the technology now that you can scroll back to the beginning of the game. Last year, when you came into the application, if you came into the second quarter, that's where you were. You just started going. This year, if you come into the second quarter and you've missed the beginning, you can go all the way back and see it.

Really, the point about the way the two audiences are for *Sunday Night Football Extra*, you really have two distinct audiences. You have the group that isn't in front of a TV, can't get there, has no other way of experiencing the game, and what they're going to see is — that audience obviously is going to watch the game. This is an extremely highly produced broadcast. We're leveraging all the power of *NBC Sports* production teams with Al Michaels, Cris Collinsworth, and the whole team, and Andrea Kramer on the sidelines. They're really watching that game.

But then the other half of the audience is the true screen experience, which is the folks that are watching the game on their big plasma screen, and they have a laptop in front of them as well. For this application, this is sort of what one of the differences between this and the Olympics is, we've really thrown the kitchen sink at them in terms of additional functionality and the things that they can do, because we have such a limited window with this, and there's really so much that you can do in that small timeframe.

Some of the things that we have is Andrea Kramer is on the sidelines Twittering updates that only go into this application. You can see that at the

bottom there. You can share this on your Facebook with your friends, talk about this incredible play that you just saw.

The cooler things that we have this year, this is brand new, we've married a data-layer to the video stream, which is — if you see the hash marks above and below the timeline there, what those are huge plays in the game. What we've done is the top row is the Vikings' plays from this past Sunday, in the bottom row the Cardinals' plays. Every touchdown, every run over 20 yards, every pass over 25 yards, interceptions, sacks like that are marked on the timeline so that, if you come in at a point in the game, you can go back and just see what the key plays were that you missed. Or if you just want to see Anquan Boldin and the incredible touchdown catch the other night, what you can do is go to that, and then you can also go to the sideline cam and see it from that perspective. You can go to the end zone cam and see it from that perspective, or go to the cable cam and see the same play from all these different perspectives. That's only available online.

Some of the other things we have in the tabs above there are all the on demand highlights. Andrea Kramer does sideline only videos for us. Those live in there. We have live stats that tell you — for your fantasy teams, and scoring plays, and all that good stuff. The other part is we have chat. We have an interactive chat with a gentleman named Mike Florio, who runs one of the biggest NFL blogs on the web right now called ProFootballTalk. He's answering questions and interacting with fans all game long. You can also Twitter, and talk to Andrea and things like that.

The other big piece is, sort of, how do you monetize this? We've had extreme stats this year versus last year. We've doubled advertising revenue. What we've done is we've taken in — when you launch the application you'll get a pre-roll. We've got a companion banner up top there. You can see the windows, one up top. What we do is we run in our own commercial streams during the broadcast. When broadcast goes to commercial, we also go to commercial, but we go to commercial with different advertisers. We go in, we serve our own — we have a number of advertisers from broadcast that have come over, and we also have some online only advertisers.

The other part that we've monetized is some of these alternate features are individually sponsored. For instance, Gillette owns the cable cam. Yahoo owns the star cam. Yahoo owns the vote leading up to the star cam. The chat's sponsored, the highlights are sponsored, and it's this additional two-screen functionality that really provides all these additional revenue streams that have worked very well for us.

Let's see. I think — the other part, the remaining slides are pretty much just talking about how the learnings that we've had from *Sunday Night Football Extra* really mirror what we did from Beijing as well; which this is a complementary experience. We're not taking away from broadcast. This is

something that users have come to not only see as a compliment to broadcast, but almost come to expect it on a lot of levels.

The most common refrain I hear is, right now this is the only place you can watch a live NFL game online for a host of reasons. CBS and Fox have issues because they do not have national games, they have regional games. ESPN has carriage issues with their MSOs. What I hear from my friends at the other networks is they're wondering why they can't watch the CBS games and the Fox games online, because they've really come to expect that this isn't bonus anymore. This is almost an expectation from the fans.

You can see that this doesn't have an effect on the broadcast folks and the ratings that you see. Our consumption this year has doubled in *Sunday Night Football Extra* versus last year, and the broadcast rating has gone up as well. Like I said, the users have really come to expect this. When you don't have it, we'll hear more negative feedback than the kudos when you do. It's really about making this content available to the fans when they want to see it, and how they want to see it.

I think that's it. Oh! This little thing coming up — not that we're counting or anything. I was a lot more comfortable when that number had three digits in it. Obviously, Vancouver is going to be a massive, massive project for us, and we're applying the learnings from both Beijing obviously, and *Sunday Night Football Extra*, and applying it to what's coming up in Vancouver, which will be very exciting for us.

The key thing is that *Sunday Night Football Extra* is a full HD experience, and these Olympics are going to be the first real HD Olympics online. The HD, you've heard sort of HD thrown around online quite a bit. Sort of what does it mean? Because usually what people were saying, two or three years ago, they said the best available thing that was possibly streamed, whether it was 750K or 1 megabit that must be HD because it was the best we could do. What we're seeing now is true, true HD experience online.

What we're doing for *Sunday Night Football Extra* is five to six times the quality of what we did for Beijing, and Vancouver will be even bigger. That's a product again of some of the technology that's made available to us through Microsoft Silverlight and smooth streaming. Not to get too tech-heavy there, but it's a true 720P experience, and we've had reports of people putting this, as some of the previous panels talked about, you can take this and put it on your TV, on your plasma, and have an HD experience. Those are still kind of outlier cases because, especially with *Sunday Night Football Extra*, you can get it in HD right now through your broadcast already. We're not seeing a whole lot of that, but you can do it, and it really is legitimate HD.

Of course for Vancouver, we're going to have the same kind of functionality. We don't have the same time difference that we have for Beijing, so it will be

interesting to see some of the consumption patterns, but we're definitely looking forward to it. Onward and upward. That's all I got. Interested to take any questions, if folks have it, afterwards.

We're applying all of these learnings through a lot of our other platforms and properties at NBC, whether that's Notre Dame, whether that's the Derby and Preakness, whether it's the US Open Golf, Wimbledon, French Open. We have a number of big properties that we are applying this kind of technology towards, and these are just two of our biggest that provide our greatest data and case studies so far. Thank you very much.

[Applause]

Mr. Thukral: Thank you Tom. Now wasn't that a great presentation? I really loved the whole big canvas that was painted here, and sometimes I think it's important for us, as we consider the deep discussions we have regarding the racing industry, what's happening outside of our industry in the general world of sports. I really liked this last thought that Tom left us with, HD quality video on the internet. Isn't that wonderful? I can't wait to get her plugged in. When does Vancouver Olympics start?

Mr. Seeley: February 10th.

Mr. Thukral: February 10th. Looking forward to it, another few months. Okay. Let me bring your attention to what's happening online in our industry. In particular, the focus is on ADW's, and I'll speak a lot about my experience at TwinSpires.com, and hopefully that translates to what's happening in the world of ADW's in our industry with regards to internet video.

I wondered if you'd seen this chart before. It's called The Long Tail. This chart first appeared in a wired magazine article in October 2004. It talked really at that time about music sales. Music sales, and stores like Wal-Mart where you were selling DVDs — I should say CDs — music sales in online stores like Amazon.com and others. This same chart can be applied to pretty much any content that's sold or distributed over the internet and also to racing.

If you can see over on the left-hand side, your left-hand side, there is a spike on the graph in the green color, and that's the most popular content. The most popular content will be available on television, and it may or may not also be available on the internet. The long tail, the yellow portion of the curve on the right-hand side, that content that is not the most popular content is only available on the internet. Because the marginal cost of internet distribution is low compared to television, you can put every event on the internet. Right? That's the beauty of the complementary model of bringing an internet video along with what's available, the best event that are available on television.

How does that apply to our industry? The best racing events will always be on television, and they must be best enjoyed on television on your big screen HD television. But the ADW's are streaming every race from every track around the nation, and around the world, and more recently in HD when it's available.

This past spring, TwinSpires.com was the first ADW to start streaming HD signals from Churchill Downs. This started off in the springtime, a week before the Kentucky Derby, and continued on throughout the spring meet.

This past fall, we started streaming Keeneland, and they are a live HD signal which is a higher quality signal than the standard definition format that is also available. What this means is that as race tracks are choosing to switch their production from standard definition to HD, you have, on the internet, a low-cost distribution model to get that HD video — the higher quality video — out to everybody who wants to enjoy it. It doesn't require the capital investment in televisions and other upgrades that need to be done, and will take some time as we roll them out in our physical facilities. Also in the fall, we started streaming the HD signal from the Fair Grounds, and there are many more tracks to come next year.

Let me take a minute now and shift gears and talk a little bit about the ADW experience. Circa 2007, just a couple of years ago, the ADW experience was rather disjoint. You would go to one website to do your handicapping. You would go to another website to place your wagers, and often time that website was very transactional in nature, very much like a stock-trading website. If you wanted to watch the races, you would pop up a separate stand-alone video player to watch the race that you just bet on.

Let's talk about what might be the desired experience. The desired experience in my opinion is to handicap, wager, and watch in a single, integrated user experience on three screens: your big screen television, or your PC, or your mobile phone. Your choice. We want to give the customer the choice in being able to enjoy this integrated experience on the television screen, the PC screen, or the mobile screen of their choosing.

Last year, we deployed TwinSpires TV, which is our attempt to address this desired experience. It may be hard to really look at all the details on the screen from the back of the room here, so let me bring your attention to four areas on the screen. You might see it has some similarities to what you saw in Tom's presentation regarding *Sunday Night Football*.

If you look at the main monitor in area number one, that's where you can watch any kind of video, whether it's live racing, or race replays, or video on demand. The second area down below that is a set of thumbnails where you can keep an eye on various other races that you are interested in; various

other racetracks that you want to keep an eye on; quickly switch to the main video when the races are called to post or ready to go off.

The third area, also on the lower part, you can keep an eye on which races are coming up. Zero minutes to post. Let me make sure I get to the race. Over in the fourth area, you have a set of widgets. These are contact sensitive data widgets that are linked to the video you're watching. I'll tell you a little bit more about what these widgets do for you.

The one thing that you can do in this experience is handicap the races. We bring you handicapping information just in time in the context of the video you're watching. We're on this screen on the right-hand side. You can see a number of different picks that are provided by Brisnet, the top three picks in the race, class, speed, and pace ratings. We provide you, in addition to the live odds of the runners in the race, proprietary profit-lying odds that will help you identify overlay situations. There's many other data elements there that help you handicap quickly, just in time, as you're watching the race.

In addition to handicapping data, we'll provide you handicapping video. This is commonly known in our industry as race replays. We have a complete digital archive of all the races that you may want to review prior to betting on an entry in the race. Right? You can watch video to handicap the races to complement the data that you have available.

There's also all kinds of stats related to the races, the entries in the race, the track bias, and so on and so forth, that can help expert handicappers to pick the right horses to bet on, or perhaps choose to pass on a race. As the horses are leaving the paddock, it's ten minutes to post; you can quickly place a wager from this interface. You can watch the race as it occurs, and check results, all in a single, integrated user experience.

Let me shift your attention to on-demand video. In addition to providing live streaming of live events and providing race replays for handicapping, TwinSpires.com also provides a growing library of on-demand video. The on-demand video includes both the original programming produced by TwinSpires, as well as partner content that we have sourced from our partners that are TV networks, industry publications, and of course the racetracks themselves.

Here is an example of TwinSpires original programming. This is a clip from the weekend preview. Jill Byrne produces that weekend preview for us exclusively online, and it's produced every Friday. Jill Byrne will record a video clip for you that previews the weekend's upcoming races. What are the races worth watching for this weekend? She complements it with what kinds of promotions TwinSpires.com is running to help you enjoy those races on the upcoming weekend. We have a complete archive of these videos online, and you can come and watch them, either for the upcoming weekend or prior posts that Jill might have done.

This is another interesting case example. Last year, or I should say earlier this year, for the National Handicapping Championship in Las Vegas, when the television networks were unable to provide television coverage of the event, TwinSpires stepped up. We sent Jill Byrne out to Las Vegas over the course of the two-day handicapping contest. Jill produced a number of internet-only videos that were posted on our website through the help of YouTube. This allowed a number of handicappers who couldn't make it to the event, but were interested in following their friends and acquaintances who had made it to the championship, and follow what was happening over the course of the two-day event online when this content was not available on television.

We also provide a lot of on-demand video from television networks that are partners for TwinSpires. Here is an example of HRTV, and HRTV's Rewind show that was produced by HRTV, shown live on their television programming, but is also available on our website for you to come back and watch anytime on-demand.

Here's a little clip from the *Jockeys* show, a very popular show that appears on Animal Planet. We have video clips from season one and season two available also in our library.

We also bring in video content from industry publications. Here's an example of The Blood-Horse. The Blood-Horse produces a weekly handicapping show. It's called "That Handicapping Show." It's produced every week, I think on Thursday night. Right away, it's posted on BloodHorse.com, and it's also posted on our website. You can listen to their expert handicappers, who talk about the races coming up, and what they're like, who do they like in each race.

Here's another example from our partner, *The Daily Racing Form*. Leading up to the Breeder's Cup this year, we asked *The Daily Racing Form* and their handicappers Steven Crist, Mike Watchmaker, to give us their pre-race analysis of all of the Breeders' Cup races. If you look here on the right-hand side on the menu, all of the Breeders' Cup races from Friday and Saturday are listed. Their views, their handicapping tips and picks were captured on video and made available to TwinSpires.com visitors to enjoy; helping with their handicapping for the Breeders' Cup.

Okay. That's enough of the nice charts with video and graphics on them. Let's take a minute to talk about business models. Tom talked a little bit about the business model that *NBC Sports* is using to monetize the *Sunday Night Football Extra* event. How they're using sponsorships from various partners such as Yahoo and a few others that were mentioned. I can't remember right now, who are providing sponsorship for the online production that adds to the advertising revenue that's generated from the television programming.

On the internet, really, there are three major business models. One is an ad supported model which is what Tom spoke about, a pay as you go model, and a subscription model. As far as ad supported is concerned, a good example is Hulu.com. If you go to Hulu.com, you can watch television shows, movies from many different networks and studios, but as you watch these shows and movies, they will show you 15 second clips, ads, 15 second ad spots before the video, at the end of the video, sometimes in the middle. That's an ad supported model.

Apple's iTunes. I don't know how many people have used Apple's iTunes. Anybody? Raise — show of hands? Okay. I think about a third of the audience raised their hands. Apple's iTunes is a pay-as-you-go model. You pay for every movie you download from iTunes, every song or television show that you download from iTunes. That's a pay as you go model.

There are other services that will provide you with a subscription model. Netflix is a subscription model, and MLB.TV is also a subscription model. You can sign up for a \$50 package with MLB.TV and watch every baseball game during the baseball season, regardless of whether it's a local game that you can watch on television, typically, on your television network locally or not. These are subscription models.

TwinSpires.com, on the other hand, has a different model. We basically provide unlimited free video to wagering customers. Our way to monetize this video with the investments that we're making is really through the commissions that we make on providing wagers to our customers.

In summary, the consumption of internet video is exploding. TwinSpires.com and other ADW's are making investments to bring this engaging video to horse players through product innovation and content partnerships. I think what we're seeing right now is just the beginning of the engaging content that's becoming available, and will become more available in the racing world as we go along.

With that, thank you for your time. Now, let me turn it over to Scott Daruty. Scott is president and CEO of HRTV and TrackNet Media. Scott is going to speak to us about some investments that HRTV is making in complementing their television programming with the broadband internet programming that's also available online. Scott.

[Applause]

Mr. Scott Daruty: Thank you. As Ro had mentioned, I'm going to give a brief update on HRTV's online strategy, but before doing that, we have a short video clip that I'd like to roll. It is short. It's just one minute long. If you could go ahead please.

[Video was played]

Thank you. I think what's important to recognize from that video clip is that there are a lot of wonderful things going on in the world of online video being done by the ADW companies; a lot of good streaming technology, a lot of the things that Ro had talked about. What's important to focus on, HRTV is a full 24-hour linear television network dedicated to the sport of horse racing, multiple different programs, a lot of talent. We put a lot of time into the production to create a real television style experience.

A few quick basic background facts regarding HRTV: we were launched in 2002. HRTV was designed not just to show the races, but to also tell the stories behind them. HRTV is presently available on a 24-hour basis in 18 million homes. Twenty-seven million homes have access to 24-hour HRTV television programming; meaning we're on their cable or satellite system if they choose to subscribe to the applicable tier. Forty-five million homes throughout the US receive some form of HRTV programming through our syndication efforts.

As we look to the internet, a couple of facts that I think are important to put out on the table. First of all, there are approximately 200 million high-speed, data households throughout the world. That's 200 million potential viewers or customers for our HRTV programming. The top five countries: the United States, Japan, France, South Korea, and Canada. It's a happy coincidence for our industry that four of the five are pretty large horse racing markets.

The other thing that's important to recognize about the industry is that nearly every major sport has now launched on the internet as part of its media distribution strategy. It's high time that horse racing gets aboard that trend.

What drives HRTV's online strategy? As we were thinking about the internet and how to use it for HRTV, there were two broad categories of issues that we were thinking about. One was our live content, which is the live races and any of the programming relating to the live racing. The others are on demand or our produced content, which is essentially some of those produced shows that you saw in the clip that can be shown really at any time. They tell the stories, the background, about horse racing.

In talking about live content, what are we trying to achieve with our online strategy? Well, first of all, the internet is an additional distribution channel for HRTV. If you happen to live in a location where your cable company doesn't carry HRTV — of course, you could always get it by subscribing to DISH Network, but if you choose not to do that, you now have an additional choice of how to receive HRTV programming. Go on HRTV.com, sign up, and begin watching immediately.

The other thing about online is even for those viewers who do get HRTV at home, the internet is much more transportable. With the internet, with an online based HRTV, viewers can watch at the office, they can watch on the road, they can take it with them on their mobile device.

Also, HRTV.com is an important hedge against the online migration of viewers. We've all heard for years and years about this concept of convergence, and when are television and internet going to become one, and you'll just get all your video programming over the internet. I don't know exactly when that's going to take place, but with HRTV we have a hedge against that migration of viewers.

That brings us to our produced programming, or our on demand content. A couple of key things we were trying to achieve with our online strategy is that we want viewers to be able to watch what they want, when they want it. With HRTV.com, we take every produced program that airs on HRTV and we archive it. You as a viewer can come, and you can watch it whenever you want. Think of it as a TiVo on steroids. You don't have to decide what you want to tape. Everything's there and available for you to view on demand.

Lastly, HRTV.com gives us an outlet for content that couldn't be shown on television. It's often times quality content, but we may be doing a story about something that's coming up this weekend on one of the racetracks. We may have 15 minutes worth of material, but only 5 minutes of air time. In traditional television, that extra ten minutes ends up on the cutting room floor. We can now take that, we post it online, and our viewers can watch it at HRTV.com.

With those goals and objectives in mind, we launched HRTV.com, that's our enhanced broadband platform, back in October, just about six weeks ago. Again, it features a 24-hour live stream of HRTV. Whatever's on television at that moment in time, you can watch it on the internet. It features 12 unique channels of on demand content. Each of our produced shows has its own channel. These include things like HRTV Rewind, which is our weekly recap show; Inside Information, which is our weekly magazine-style news and information show; and of course, we have the web extra content, many, many other channels of unique content.

HRTV.com is available on a subscription basis. You heard Ro talk about the different economic models for the internet. This is available to customers on a subscription basis. It's not expensive. It's about \$89 for a full year of access. Important to the race tracks, we're currently blocking subscriptions in jurisdictions with a heavy leaning towards book-making on racing. We don't want anybody to do an end run around US race tracks and say, "We don't need to pay you to wager on your content. We'll get it online." We're blocking it in those jurisdictions.

Our website happens to be powered by NeuLion. That's a company that provides streaming services to many, many major networks including the NHL, the NFL. By the way, the NFL doesn't stream live, but you can go back and watch archived NFL games, and that site is powered by NeuLion. They do the Professional Bull Riders Association. They do many, many NCAA schools and conferences.

Finally, I just mentioned we do have an HRTV booth out on the expo floor, and this is all demoed there, so anybody who wants to go and experience the HRTV.com online can do so at our booth.

What are our initial impressions? We've been at this about six weeks. Not long, but enough to form some initial impressions. First of all, the site has been very well received. We've had a great number of sign ups for subscription, exceeded our expectations. Importantly, there's an interesting mix of both new customers who don't currently get HRTV programming, and existing customers, the ones who get it on their cable system but want to be able to take it with them at the office or on the road.

The viewership detail has provided some real interesting insight to us in terms of what it is the viewers want to watch. When we take all our programming, and we put it on the internet and people can watch what they want, some real clear patterns start to show in terms of what it is that people are actually watching. We use that information now to start tailoring our future programming to better meet the needs and desires of our viewing audience.

The economic model for HRTV.com is modest. We're not charging a lot of money. We're not trying to make a lot of money on this. Basically, the subscriptions are supporting the bandwidth charges and the other backend costs that went in to setting up the site.

Why are we doing it then? We're doing it because the platform has tremendous potential as a promotional tool for the sport of horse racing. We're not driving people to any particular ADW. We're not saying you even necessarily have to bet. If you're a horse racing fan, you can come to HRTV.com, and you can watch and find out about the racing industry.

What does that mean for the race tracks? What are the opportunities for race tracks within the industry? As I say, HRTV.com it's up, it's running, it's got a growing subscriber base. Importantly, the cost of uploading content is pretty minimal. What does that mean? That means HRTV would welcome the opportunity to help promote more race tracks through the on-demand feature of HRTV.com.

If you have a race track, and you have any content that you have produced, send it to us. We'll upload it. If you want that content to be available for viewers in your local market, across the country, or across the world, once

it's on the website anybody with access to the web has access to your content.

The kind of programming that would be particularly desirable, both from a promotional standpoint for your track and for our viewers, race replay shows. Those do real well. If you have a daily or a weekly race replay show that you've produced locally at your racetrack, send it to us. We'll upload it, and it will give everybody access to that programming.

Handicapping shows. If you've got important races coming up this weekend, and you put together a handicapping show, again, send it to us. We'll put it on the web. That will give access to people across the world. Hopefully they see that, and it drives some wagering on your race track.

Anything that tells the story behind horse racing. Again, that's the big focus of HRTV. There are plenty of places out there where you can go and stream simulcast feeds of the races. It's really the stories behind the races that drive HRTV, so profiles of local horses, owners, trainers, jockeys, any sort of behind the scenes footage from your race track. Again, send it to us. We'd love to put that on the web for you.

In conclusion, you know the cable television and sports media industries are still trying to figure out what exactly the internet is, and how to utilize it from a content standpoint. How do you monetize what you put out there? What's the best way to get your product to your customers? There's a lot of uncertainty out there, but the important thing to us was to get in the game.

We're sure that HRTV.com is going to adapt and evolve as technology, and as viewer habits continue to evolve, but at least we're in the game right now. We don't know what it's going to look like in two years, but we do think it's a very important promotional tool for the industry, and we welcome the opportunity to work with others in the industry to help you promote your local product and local track as well.

At this point, I think we'll probably open it up for questions if anybody has any. Thank you.

[Applause]

Mr. Jeff True: Hi, guys. Thanks. There was a question asked previously about content ubiquity, and how is it different for TV — why is it different for TV versus online. I have a few of my own ideas about it, but I'd be interested to hear from you guys about your thoughts on that question.

Mr. Thukral: Well, I think I would turn that question over perhaps to Scott. He is perhaps the most qualified on this panel to talk about that topic. Scott.

Mr. Daruty: Sure. I mean, I think just to put a real fine point on it, I think what the question at the last panel was, and Mr. True what you're getting at is why is some racing content — and now we're not talking about the produced programming, now we're talking about essentially the live races. Why is some of it available on TVG but not on HRTV, and why are other racetracks available on HRTV and not on TVG? That's a good question, and I'm not sure I have an answer to what the future is going to bring.

What I can say is that if you go back about two years, we were fighting as an industry a battle not just on television, but also on wagering. There was a lot of focus put at that time on getting wagering to a non-exclusive environment. There were struggles within the industry as we were trying to develop a new business model to allow wagering content to be available on a non-exclusive basis. We've gotten there. I think everybody in the industry is pleased with that.

How does that translate into the television content? Well, when we were focusing on wagering, I think there was a conscious decision by people to just set aside television. Let's worry about the wagering first, and we'll deal with television later.

I don't know what's going to happen with television. I think a lot of it has to do with how the business model grows and adapts. I think if there's a business model out there that allows the television networks, TVG and HRTV, to continue to make the investments in the programming that they're making, and also allows all content to be available on all platforms, I think there's a potential solution.

I guess the answer to your question is I think primarily it's a business issue. I think it's that we don't yet have a business model, an economic model that allows for that free distribution of the television signals in a way that the television networks can still survive.

Mr. Thukral: Well, it appears we don't have too many questions today. Well, that, and then — let me just thank you for your time, and have a good morning.

[Applause]