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FORTY-THIRD ANNUAL
ROUND TABLE CONFERENCE

On Matters Pertaining to Racing

GIDEON PUTNAM HOTEL & CONFERENCE CENTER
SARATOGA SPRINGS, NEW YORK

Sunday, August 13, 1995

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FORTY-THIRD ANNUAL ROUND TABLE CONFERENCE
ON MATTERS PERTAINING TO RACING

HOSTED BY

THE JOCKEY CLUB

Gideon Putnam Hotel & Conference Center
Saratoga Springs, New York

10:00 a.m.
August 13, 1995

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Program Chairman, John Hettinger

IN ATTENDANCE:

Josephine E. Abercrombie
Member, The Jockey Club; Owner/Breeder

Helen C. Alexander
Member, The Jockey Club; Owner/Breeder

John Ed Anthony
Member, The Jockey Club; Owner/Breeder

Mrs. John Ed Anthony
Owner/Breeder

Thomas L. Aronson
President, Racing Resource Group

Jerry Bailey
Jockey

Lt. Col. Charles Baker
Member, The Jockey Club; Owner/Breeder

H. Douglas Barclay
Trustee, NYRA; Owner/Breeder

Laura Barillaro
Vice President/Controller, The Jockey Club

Norm Barron
Director, American Racing Commissioners Int'l.

James Barton
Racing Council, American Quarter Horse Association

James E. Bassett III
Steward, The Jockey Club; Chairman, Keeneland Association; President, Breeders' Cup

Howard Battle
Racing Secretary, Keeneland Association; Racing Secretary, Saratoga Racecourse

Stacy V. Bearse
Publisher, The Blood-Horse

W. B. Rogers Beasley
Director of Sales, Keeneland Association

John A. Bell III
Member, The Jockey Club; Owner/Breeder

Mrs. John A. Bell III
Owner/Breeder

Pierre E. Bellocq
Art Director, Daily Racing Form

Stanley Bergstein
Exec. Vice President, Harness Tracks of America

Paul Berube
President, Thoroughbred Racing Protective Bureau

Dr. Jerry Bilinski
Chairman, New York State Racing & Wagering Board

James H. Binger
Member, The Jockey Club; Owner/Breeder

Edward A. Bishop
Registrar, The Jockey Club

William T. Bishop III
Attorney, Stoll, Keenon & Park

Stephen Bochnak
Attorney; HBPA Lobbyist

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Racing Steward, NYRA

Ellen Bongard
Owner/Breeder

Edward S. Bonnie
Member, The Jockey Club; Owner/Breeder

Mrs. Edward S. Bonnie
Owner/Breeder

Peter Bournias
National Director, The Jockeys' Guild

Lucy Boutin
Owner/Breeder

Edward L. Bowen
President, Grayson-Jockey Club Research Foundation

James C. Brady, Jr.
Secretary-Treasurer, The Jockey Club; Owner/Breeder

Mrs. James C. Brady, Jr.
Owner/Breeder

Dr. Lawrence R. Bramlage
Orthopedic Surgeon, Rood & Riddle Equine Hospital

Melissa Bugay
Development Coordinator, The Jockey Club

Alexander G. Campbell, Jr.
Member, The Jockey Club; Owner/Breeder

W. Cothran Campbell
Owner/Breeder

Gary Carpenter
Executive Director, American Association of Equine Practitioners

David Carrico
Vice President, Churchill Downs

Norman Casse
Owner/Breeder

R. Anthony Chamblin
Executive Vice President, American Racing Commissioners International

Helen B. Chenery
Member, The Jockey Club; Trustee Emeritus, TOBA; Owner/Breeder

George M. Cheston
Member, The Jockey Club; Owner/Breeder

Mrs. George M. Cheston
Owner/Breeder

Sherwood C. Chillingworth
Member, The Jockey Club; Executive Vice President, Oak Tree Racing Association

Eugene Christiansen
President, Christiansen/Cummings

Robert N. Clay
Member, The Jockey Club; Owner/Breeder

Mrs. Robert N. Clay
Owner/Breeder

Jack Cohen
Editor, Sports Eye

Charles Colgan
Executive Vice President, Nat'l Steeplechase Assoc.

Terence Collier
Senior Vice President, Fasig-Tipton Company

Brownell Combs
Owner/Breeder

Mrs. Brownell Combs
Trainer

William J. Condren
Owner/Breeder

Neil Cook
Editor in Chief, Daily Racing Form

William R. Corbellini
Executive Director, New York Thoroughbred Breeders Association

Joseph M. Cornacchia
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Lobbyist, NYRA

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Director of Media Relations, TRC

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Mrs. Bernard Daney
Owner/Breeder

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Takeshi Doden
Chairman, Gulfstream Park Racing Association

Douglas Donn
President, Gulfstream Park Racing Association

William Dow
Chief Operating Officer, Daily Racing Form

Allan R. Dragone
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David Dudley
Counsel, New York State Senate

Kenneth C. Dunn
President, Calder Racecourse

Allaire duPont
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William duPont III
Member, The Jockey Club; Owner/Breeder

Mrs. William duPont
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Joseph Durso
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Stanley Ersoff
President, Florida Thoroughbred Breeders

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Steward, The Jockey Club; Owner/Breeder

Mrs. Robert S. Evans
Owner/Breeder

Thomas Evans
Member, The Jockey Club; Owner/Breeder

Mrs. Thomas Evans
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William S. Farish
Vice Chairman, The Jockey Club; Chairman, Churchill Downs; Owner/Breeder

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Owner/Breeder

Bill Finley
Columnist, New York Daily News

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National Managing Director, The Jockeys' Guild

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Los Angeles Turf Club*

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Bob Gulick
Ocala Breeders' Sales Company

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Richard L. Hamilton
Retired Racing Steward, NYRA

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Attorney, Rogers & Wells

Steve Keller
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Patrick Kelly
Trainer

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Bruce Lombardi
Retired Racing Official

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Journalist

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Attorney

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Thomas Merritt
Executive Director, TRC

Terence J. Meyocks
Director of Racing, NYRA

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Foundation; Owner/Breeder*

MacKenzie T. Miller
Trainer/Breeder

Paul Moran
Journalist, Newsday

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Veterinarian

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John Phillips
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Ogden Mills Phipps
Chairman, The Jockey Club; Owner/Breeder

Mrs. Ogden Mills Phipps
Owner/Breeder

Clinton Pitts, Jr.
Racing Steward, The Jockey Club

Josh Pons
Owner/Breeder

Lonny T. Powell
General Manager, Turf Paradise

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Owner/Breeder

Virgil W. Raines
Trainer

Calvin S. Rainey
Retired Executive Director, The Jockey Club

John Reardon
President & Chief Executive Officer, Zing Systems

Mrs. John Reardon
Guest

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Director, Race Track Industry Program, University of Arizona

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Veterinarian; Owner/Breeder

Mrs. William O. Reed
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Reuben Richards
Member, The Jockey Club; Owner/Breeder

Donald Richardson
Vice President, Churchill Downs

Norman Ridker
Publisher, Thoroughbred Times

Dr. Jack Robbins
Member, The Jockey Club; Vice President Oak Tree Racing Association

Walt Robertson
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Jim Robke
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Donald Rudder
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Ernest L. Samuel
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Edward P. Seigenfeld
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Wayne Shumate
Past President, Assoc. Racing Commissioner Int'l

Mark Simon
Editor, Thoroughbred Times

Harry D. Snyder
Chairman, New York State Racing Commission

Viola Sommer
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Hans J. Stahl
President, The Jockey Club

Delbert Staley
Trustee, NYRA; Owner/Breeder

Barbara Stevenson
Stevenson & Associates, Consultants

David Stevenson
Stevenson & Associates, Consultants

Ann Stiltz
Director, New Owner's Program, TOBA

Noreen Sullivan
Winner Communications

Dr. Terry Swanson
President Elect, AAEP

Shirley Taylor
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Stella Thayer
President, Tampa Bay Downs

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Mrs. Charles H. Thieriot
Owner/Breeder

Whitney Tower
Chairman, National Museum of Racing

Michael Trager
Chairman, Sports Marketing and Television International

Thomas E. Trotter
Racing Steward

David M. Vance
Executive Vice President/Chief Operating Officer, Remington Park

D. G. Van Clief, Jr.
Member, The Jockey Club; Executive Director, Breeders' Cup Ltd.; Chairman, Fasig-Tipton Company; Owner/Breeder

Mrs. D. G. Van Clief, Jr.
Owner/Breeder

Alfred G. Vanderbilt
Member, The Jockey Club; Ex Officio, TOBA; Owner/Breeder

John Veitch
Trainer

Michael Veitch
Columnist, The Saratogian

Charles E. Vickery III
Executive Director, National Association Thoroughbred Owners

John Von Stade
President, National Museum of Racing; Owner/Breeder

Charles Wait
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Joseph Walker, Jr.
Member, The Jockey Club; Owner/Breeder

David Wargo
President, Wargo & Associates

Charlotte Weber
Member, The Jockey Club; Owner/Breeder

John Weber Jr.
Owner/Breeder

Barry Weisbord
President, MediaVista, Inc.

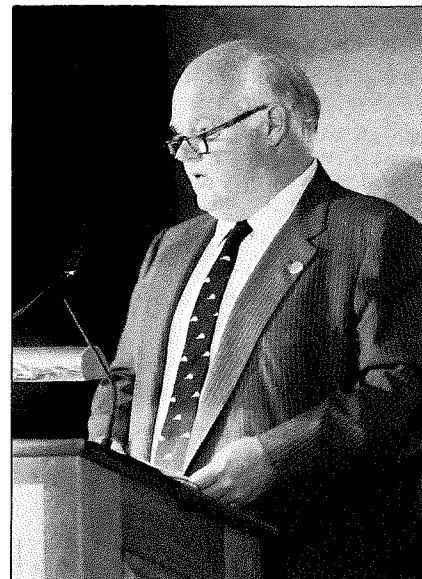
William H. Welch
Executive Administrator, New York State Thoroughbred Breeding and Development Fund

Wheelock Whitney
Member, The Jockey Club; Owner/Breeder

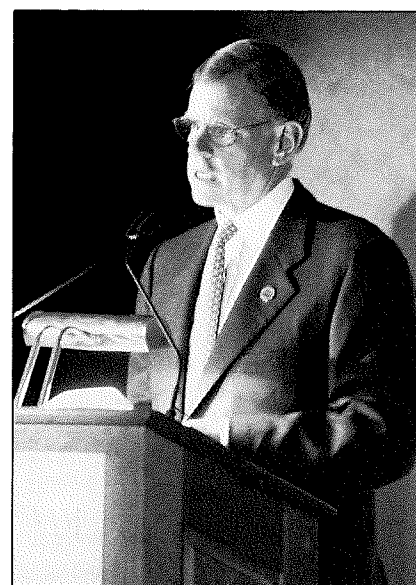
Clifford W. Wickman
Former President, Thoroughbred Racing and Protective Bureau

William T. Young
Steward, The Jockey Club; Owner/Breeder

David Yunich
Trustee, NYRA; Owner/Breeder



Ogden Mills Phipps



William S. Farish

WELCOME BY OGDEN MILLS PHIPPS

Ogden Mills Phipps: Good morning ladies and gentlemen, and welcome to our 43rd Round Table Conference.

Today's program, put together once again by John Hettinger, to whom we owe our usual debt of gratitude, looks to the future rather than revisiting old problems.

It offers a glimpse of where today's high technology can lead us . . . into an exciting new world of great promise . . . if we are only well enough prepared to get to the end of the game.

In this respect, I'm pleased to say, The Jockey Club continues to be in the forefront, as I believe we'll hear in the Report of Activities traditionally submitted by our vice chairman Will Farish to open our proceedings today.

Will . . .

ACTIVITIES OF THE JOCKEY CLUB IN 1995

William S. Farish: Thank you, Dinny.

I think that if I could summarize the major focus of The Jockey Club this year, it would be, as it has been for some time, looking to the future.

We are proud of the strides we have made in the past 10 years, but we are not resting on past accomplishments. We have made a substantial commitment, for example, for a new modern computer system that should allow The Jockey Club to serve the industry ever more efficiently.

I asked one of our technical experts down in Kentucky how I should refer to this system. I'm told, and I need to read this:

"It is a Hewlett-Packard 9000 RISC based client-server network with a Sybase relational data base built with PowerBuilder, a fourth generation language. The clients are Pentium-based PC's and the entire system will contain the latest in graphical user interface presentation and document image storage capability."

I hope there are no questions!

What this means in laymen's terms, though, is that we are serious about

continuing to provide for the Thoroughbred industry the very best service.

Another example of looking to the future happened a few years ago when The Jockey Club sponsored a substantial research project on equine drug testing. Some of the recommendations of that so-called McKinsey Report have already been adopted, but there are others which unfortunately have been ignored.

One of the recommendations of the report deals with an issue that has caused unnecessary embarrassment to the industry this year. I'm referring of course to the question of appropriate threshold levels for therapeutic medications.

Let me read a quote from the McKinsey Report:

"Trace levels should be set for the therapeutic drugs commonly used in training and with the greatest likelihood of being detected in post race samples."

The Report goes on to say that:

"In particular, the industry should develop test specifications, especially bottom trace cut-off sensitivity levels, to reduce positives that are not meaningful."

We could have spared ourselves much agony if these recommendations had been followed originally, instead of waiting for a public crisis to occur.

We also want to update you on our progress with our DNA experiment. Never before has the public been more aware of DNA. We are confident that, in the near future, Thoroughbreds will be parentage verified using DNA technology.

We suspended our initial field tests so that the procedures could be fine tuned. Since then, we have been in contact with large DNA labs that are very interested in undertaking the test for us, in an efficient production environment. We anticipate an announcement before next year's Round Table in this regard.

Among other improvements, we anticipate that the new test will use different and easier sampling methods. In fact, right now, I'm pleased to report that it looks like hair samples will be able to be used rather than the nasal swabs we've talked about in the past. This should be an extremely easy system for breeders.

Incidentally, all test fees paid by breeders during the first round of tests are now in the process of being refunded. On another matter, we also want to mention the always-important subject of research.

Earlier this week, the Board of the Grayson-Jockey Club Research Foundation voted to spend a record amount of \$658,000 for research projects in 1996. Thanks to your generosity we are able to do more than ever before in the area of equine health. But we can't quit now and we are still not fulfilling all our needs.

Next year, unfortunately, the Chrysler Triple Crown grants will expire and we are really going to be challenged to fill that void of \$200,000.

Elsewhere, many of you have seen a new product that The Jockey Club Information Systems recently introduced called the *ElectroniCatalogue™*.

This exciting idea puts an entire sale on a computer disk. Starting with the Keeneland September Sale this product will also be available on CD-ROM. We anticipate adding many new enhancements in the upcoming versions. Other sales companies will also be added in the future.

In another electronic publishing development, we've joined the cyberspace world of Internet, with our new equine-related presence on the World Wide Web. You'll hear more about this later. But an example of how this speeds up our communications is that the transcript of today's proceedings will be up on the Web within 48 hours.

Equibase has had another profitable year and continues to mature. As racing moves forward with whole card simulcasting and into the age of interactivity, Equibase will provide for the industry the information - and thus the freedom - to market and promote racing in the best manner possible. I am totally convinced that there is no industry initiative more important to our future than Equibase at this time.

And now I'd like to introduce a short video that we prepared for today.

As we were thinking about how we were going to explain the new computers in Lexington and try to make it interesting, we thought instead of telling you about it, why don't we show it to you? And since we couldn't take everybody to Lexington, we decided to try to bring Lexington to you.

So let's go to Roger Shook, our director of Registration services, in the Jockey Club's Lexington mail center, where the whole registration process begins.

(VIDEO BEGINS)

Roger Shook: *This is where the whole process begins. The Mail Center handles about 450,000 pieces of mail every year, including all of the registration paperwork and sending out certificates and blood kits.*

Maggie Winstandley is the supervisor of the Mail Center. She's going to run through the process with you.

Maggie Winstandley: Thank you, Roger.

Our mail is all opened by an automatic mail opener and then carried over to the processors to process one at a time. Marty is finishing up a '95 application. The Service Certificate is removed from the Application to process by itself. The pictures are put in the photo carriers, then all the Applications are taken to the imaging machine to be imaged.

David is going to put these into the imager. As those are being imaged by the machine, each completed image comes up onto the computer screen.

Once the image is up we do check this image periodically, usually about one every 50, to make sure that the images are all clear and readable before we send it on.

Once they are, the "Accept" button is pushed and the images then are sent up to the main control center in the computer room for the computer and the optical character recognition to take over and to process all of the images for the Registration Department.

Harold Palmer: Hello, my name is Harold Palmer. I'm a Software Engineer with the IT Group. Over here we have our Optical Character Recognition Server. The OCR Server's basic task is to poll for batches of documents that have been scanned.

Once it receives these batches it splits them into individual electronic

documents. Those documents are then checked for alignment to see if they've been curved. If so, it will actually straighten them out.

It looks for black smudges and smears and erases those from the documents. It then checks for bar codes and when it finds the bar codes it identifies the form and the horses.

Once it's done that, it actually writes them into our Optical Disk Library. Here we can store three and a half years' worth of documents. We refer to this as our "juke box."

Once they've been stored on our juke box, we then check for character recognition. It identifies check boxes to see if individual items have been checked and it looks for the signatures and finds the presence of signatures.

Once this has been done, they're ready for processing within the Registry. We work closely in the Registry with Rick Bailey.

Rick Bailey: Thank you, Harold.

We're here in the Registration Services area, and one of the first things we notice about processing the Applications on the new system is that we only receive a set of photographs from the Mail Center. We don't have to get a complete list of all these documents like we got in the past, including the Live Foal Report and the Foal Application.

So, we're going to take a look over Molly's shoulder while we process one of these Foal Applications.

Here's a 1995 foal for you, Molly. Molly Toney: Okay, Rick. The next thing we're going to do is get an Application from the pool. Now we have the information here that was received from the Live Foal Report.

The first screen that comes up just needs to be quality controlled from information already received on the Live Foal Report.

The next screen deals with the address . . . it also just needs to be quality controlled. We're checking here to see that the signature has been received. The names are data entered here with a technique you can use called "lassoing."

It's going to clear up the image for you down at the bottom. You data enter the name selections here and then verify them and send them to the naming system.

Now we've come to the marking screen. The Application needs to be turned over so we can see the description and diagram on the back. Again, if you're not able to read any of the information, you can lasso it and type in code. Here you have the neck cowlicks. By typing in code the image then will extend the words out for you.

When that's been completed, you minimize and go on. If information had not been received here, you can use this screen to ask the customer for more information.

Then we go to the last screen which is the history, comment screen. This basically tells what's been done so far, or you can make a comment as to what needs to be done in the future. After all seven screens have been completed, you need to save and go on to the next application that comes up in the pool.

Rick: Thank you, Molly. We think that's pretty slick. Where we've seen the most improvement so far is answering calls on our 1-800 telephone number and Janice is going to explain a little more about that to you.

Janice Towles: Thanks, Rick.

What we can do is observe Lori

Ogden Mills Phipps: Thank you, Will.

here handling one of our phone calls. What she's doing is handling that on the old system, which involves taking down the customer's name, phone number, researching that information and getting back to that person.

This is as opposed to the new system, where you'll see Lisa has that document available to her, right now. And all she has to do is tell the customer while she has them on the phone. This just takes a matter of minutes. And this is just one of the many advantages that we have with our new system to help better serve the customer. Roger . . .

Roger Shook: Thank you, Janice.

That's really all it takes to process a Registration Application. There's only one step left and that's printing the Certificate and sending it to the breeder.

(VIDEO ENDS)

William S. Farish: We may not have too many budding television stars in Lexington, but we've got a group of people totally dedicated to serving this industry and keeping us up to speed in this new technological world.

If any of you would like to visit the facility at any time when you're in Lexington, or if you live in Lexington, please do. Because it's a fascinating place and I think you'll be very excited about the progress that the organization has made.

In closing, I'm pleased to announce the funding of a comprehensive equine economic impact study for our industry by The Jockey Club, TOBA, the Breeders' Cup, and Keeneland.

This spirit of cooperation amongst industry groups created Equibase and must continue for our future success.

Thank you.

Ogden Mills Phipps: About ten years ago we commissioned Bruskin & Associates to conduct a survey on the way the general public viewed racing, and their perception of racing as it was passed on to them by the media.

As a result of that report, in 1987, The Jockey Club got together with the TRA, the Breeders' Cup and, at the beginning, the New York HBPA, and we funded an organization set up primarily to act as an intermediary bureau between racing and the media.

Since then, Thoroughbred Racing Communications, or TRC, has soldiered bravely in the trenches. They have gained tremendous respect from the print and electronic media, but little recognition from the people they work so hard to help . . . the racing industry.

To put that right, and show how TRC is effectively helping us, here is the chairman of the New Jersey Sports & Exposition Authority - which includes The Meadowlands, Byrne Arena, Giants Stadium and Monmouth Park - who is also chairman of TRC . . . someone highly respected in the sports industry . . . Bob Mulcahy.

THE ROLE OF THOROUGHBRED RACING COMMUNICATIONS IN SERVING THE INDUSTRY

Robert E. Mulcahy III: For a minute, I thought you were offering me a job.

Before I begin, we too have a short video which we would like to play. If we're ready to go?

(VIDEO BEGINS)

Narrator, Tom Durkin: It was an idea that some thought could never get out of the starting gate. But it did, and Thoroughbred Racing Communications has proven itself to be invaluable. Bill Finley, New York Daily News: Actually they're priceless, they're cooperative, they're helpful, they're knowledgeable. If you want something done they'll do it for you. And as a writer covering racing pretty much year round, that's something that you really rely on, something that you need.

It was a long time coming in this sport, we should've had something like that twenty years ago. They do a good job, and give them more time, money, people and make them do even more.

Ed Schuyler, Associated Press: The horses, the good ones, don't stick around very long, so the players are always changing. And I think it needs a central clearing base as much as any sport, maybe more than some sports. Because you can't call up the race track and automatically get somebody, because horsemen are pretty independent people. And Tom and the guys have really helped in that way.

We've used their stuff, we've used their Notebook on the wire and we use a lot of their statistics on the wire. They've been well used by member papers.

Jennie Rees, Louisville Courier Journal: Right, well you know, I'm their number one caller in the country probably. I mean, I don't have my Mom's phone number memorized, but I have TRC's phone number memorized.

Durkin: Today, TRC is one of the most respected and appreciated media relations sources in all of sports.

E.S. "Bud" Lamoreaux III, CBS: *Hi, I'm Bud Lamoreaux, senior producer of a television program, "CBS News Sunday Morning."*

I'm usually on the other side of the camera, but today I'd like to say a few words about TRC. I've been fortunate enough to win two of the last four Eclipse Awards for national television and TRC has played a big part in both of them.

"Sunday Morning" is a general news program that does not have a regular sports segment, let alone one devoted exclusively to racing. We receive hundreds of press releases a week, but the only one I read on a regular basis is the TRC Newsletter, because it actually contains news. They're not trying to sell anything, there's no particular slant, no track bias if you will. Just news of Thoroughbred racing.

So, from this journalist's perspective, Tom and Bob and the TRC crew have become an invaluable aid that's translated into cherished network television time for Thoroughbred racing. Racing gets more time on "Sunday Morning" than any other sport.

You can thank Tom and Bob and the TRC crew for that.

Jim Mackay, ABC Sports: *It's very simple really. Television is the most powerful communications medium in the history of man. In many ways more important than the invention of the printing press. So, if you don't have a presence on national TV today, you're nowhere.*

Durkin: *So now, in addition to serving both national and international media, TRC produces a television show, "Thoroughbred World." It has just one purpose, to make our sport look its very best.*

We showed off the brand new Del Mar with a tour led by a very special

correspondent.

Tim Conway: *Well, what you're seeing here is the brand new Turf Club here at Del Mar. This is a great facility and of course the exclusive club here at Del Mar where members only are allowed to come in here. This is where some of . . . oh, yeah, I don't have a membership here.*

Durkin: *His (Fourstar Dave's) trainer says this is the most famous horse since Mister Ed. But if Fourstar Dave could talk, he'd say he feels positively grand. Why?*

Leo O'Brien, trainer: *Just a few little things that we give them, one of them being the Guinness every night. We give him a pint of Guinness in his feed and he really laps that up. I give it actually to most of the good ones, and they love it. They absolutely love it. And it's a tonic. So I started taking it!*

Durkin: *So here's a horse who will probably keep winning as long as his trainer keeps him stout . . . and happy.*

We've also done lots of stories aimed at children. When Genuine Risk had her foal, we asked some kids at Belmont Park to select a name for the horse. But instead of Genuine Reward, we got:

First Child: *Kentucky Junior.*

Second Child: *Risky Business.*

Third Child: *If he runs fast he could be Fast One.*

Fourth Child: *Little . . . baby . . . genny horse.*

Durkin: *Well, speaking of little horses, we brought a miniature horse named Abraham into a classroom on Long Island.*

Jenifer Van Deirse, TRC: *As you can see, when he comes around, Abraham will be wearing his blanket and leg wrappings. And he sees that hay.*

Helen Wilson, schoolteacher: *We were very excited about the horse coming*

in. We really didn't know what to expect because we didn't do it before. But the kids were excited and I think the whole presentation was a lot of fun for the children and the teachers as well.

Durkin: *We went to the Kentucky Derby Museum.*

Kelly Ray, Kentucky Derby Museum: *We had one child . . . I remember I was taking them out to the barn, one little tiny one, who went out to the barn, looked at our horse and said, "Is that a cow?"*

And I know that sounds kind of funny, but to a child that's maybe never seen the difference between a cow and a horse, that's a big impact to see the real live thing right there.

Durkin: *Bob and Beverly Lewis were also part of the children's story on "Thoroughbred World." They'd donated large sums of money to support a hot air balloon which flies disabled children. Through a miraculous coincidence the balloon shares the name of the Lewis's outstanding filly, Serena's Song.*

Gary Waldman, owner of the "Serena's Song" hot air balloon: *We do see a lot of courage. That's the beautiful blessing, I think, of this whole thing, and it's a beautiful blessing that comes down from Bob and Bev - the Lewis's - is that we are allowed to dream and we're allowed to expand our dream from just our daughter to the whole nation through the work of this horse. It's amazing.*

Durkin: *Our viewers have seen the beauty of the Thoroughbred world from Keeneland to Aiken. From Monmouth Park . . .*

Hal Handel, Monmouth Park: *What we try to hope people get here is the feel they'd get at a Fenway Park or a Wrigley Field . . . sort of a real relaxing, summer day . . . a turn-back-the-*

clock-a-little-bit feel. We try to make it very much that kind of place.

Durkin: *. . . to a ranch in California where a former school teacher named Grace Belcoure cares for retired Thoroughbreds.*

William Murray, author: *Grace has done this all by herself. She's put her whole life on the line for these animals and I think it's entirely admirable. You know, her name in Italian means Beautiful Heart. That's what Grace has, she's got a lot of heart.*

Durkin: *And again, remember, this show has but one purpose - showing Thoroughbred racing at its very best.*

Scott Savin, owner/breeder: *You have to show people that there's more to this sport than horses running in a circle around a race track. That there's people and there's events and there's human interest.*

Durkin: *And through TRC, and its partnership with PHoenix Communications, you own this show. You actually control a half hour of national TV time every month, a half hour featuring only positive things about Thoroughbred racing.*

W. Cothran Campbell: *For more than fifty years at most of the major race tracks east of the Mississippi River, "Gelo" Hall has spread sheer, unadulterated goodness.*

Durkin: *"Thoroughbred World" is seen on Prime Network, which reaches 44 million subscribers in all 50 states. This is your show, your direct link to the American public. Let's do all we can to ensure the brightest of futures for "Thoroughbred World."*

(VIDEO ENDS)

Robert E. Mulcahy III: *That gives you a little bit of the diversity that we do on really very little funding. I'm delighted to be here this morning, on behalf of my fellow commissioners, Dinny, Mike Letis, John Nerud, Jim Mackay, Kenny*

Dunn, and Ted Bassett.

You know, it was over a hundred years ago that Mark Twain wrote that differences of opinion is what makes horse races, and differences of opinion is what makes up most racing industry gatherings. We are divided into different camps, represent different regions, are hamstrung by differing jurisdictions and dream different dreams.

But, through all this diversity, in 1987 came this very solid idea whose best day, in my opinion, is yet to come. That idea was Thoroughbred Racing Communications, which you now know is known as TRC.

The Associated Press, CBS, and Sports Illustrated, among many others, will tell you that TRC is the best idea racing has had in the past decade. On a shoestring budget, which is miniscule relative to other national marketing and public relations budgets, the TRC is accomplishing those public relations and national objectives so clearly shown in the video you just saw.

In fact, one of the very clear points I want to make this morning is that a central communications clearing office such as TRC is exactly the right idea for an industry so otherwise diverse and fragmented. The issue now before us is exactly to make TRC the most effective voice possible for racing.

TRC, through promotion and education, is the only current vehicle for our industry to present itself in any kind of cohesive manner. And make no mistake that, if we fail to send America a coherent marketing and public relations message over the next decade, there is not a single person in this room who will not suffer. Why? Because our competition for the American consumer's leisure time and betting dollar is marketing to, and communicating with, our customers already.

First, let's look at what is happening

at TRC for the investment you are already making.

The TRC Media Update and the TRC Notebook are in almost every sports department and every news station in the country. And the TRC video news features feed the "free media" with opportunities to write and broadcast about our sport. The polls keep the names of top horses on the sports pages and, in July of 1993, we launched the Thoroughbred World television show, which you saw excerpts from here.

TRC is also leading the way in educational outreach programs, which you also saw on the video. We are, in short, far better off in national image thanks to TRC. But what now?

The vital question is what is the communications future? How do we as a centralized office of a national industry present ourselves to the media? Or prepare for the technological revolution of interactive television and level the playing field with our sports and gambling competition?

At the risk of sounding glib, racing needs, in a communication sense, to do three fundamental things over the next decade: show up, grow up and wake up.

What do I mean? First, we have to keep showing up as a national presence. Thoroughbred Racing Communications must be mandated by, funded by and accessed by its national leaders, and that means you.

At the New Jersey Sports Authority I am uninterested in just listening to the complaints of our senior executives. But I am very interested in hearing about their problems and their strategic ideas for solutions.

In short, I'm saying that our board and our successors need to hear from you. There are no unsuccessful people in this room. Let's take TRC out of the typical racing realm of an institution

whose shortcomings are pointed out and mandate it instead with the power of your ideas. Without TRC, we will simply show up less and less in print and broadcast in front of our customers.

We need to be creative. We need to show up on the Internet. We need to have a lane reserved for racing on the Information Highway. We need to reclaim lost space on the sports pages, and we can only do that with a centralized effort.

Second, I said we have to grow up.

In continuing to show up in front of a national audience of consumers in an effective way we must mature as a national communications office in the manner in which we deliver our message. This will take two simultaneous approaches:

One, we will continue to feed the regulars. That is, gather information and disseminate it to generate story ideas in the media, and disseminate this information in a manner consistent with a 1990s approach. By that I mean tools such as E-Mail and fax programs.

Those in the media who are willing to hear from us on a daily or weekly basis must be fed. There is, through the new communications technology, a market out there for whatever statistical data beyond Equibase that we can produce.

Beyond these media regulars who we continue to feed regularly - an audience I would analogize to our Wednesday on-track crowd at Monmouth or The Meadowlands - we must also have a simultaneous strategy to pump up the weekend Grade One races and the big events.

All of our market research in all of the sports and family shows that we do, shows an increasing focus on the so called big events.

People have so many entertainment options that the routine doesn't inter-

est them as much . . . even in an entertainment field that they are used to regularly attending. However, the big event will grab their attention. We need a mature communications strategy to promote racing's big events on a national basis, and to help bump up a few more events from their routine status to the level of special events.

We can work out a national office to aggressively create publicity and excitement on location for racing's big events. This will also help create secondary opportunities on talk shows and sports shows. We can develop this coherent, two-part strategy of flowing information to the regulars in terms of media and audience and special blitzes for the big events.

Frankly, that is exactly the strategy that we use on our eight million customers, and I think it works.

Finally, our third step, wake up.

This is sure to offend, and that is not my personal style, but I fundamentally believe that most intelligent observers of our industry believe our long-term chance for prosperity lies squarely on national interactive wagering from tracks, maybe bars, and the home.

We will have plenty of competition trying to beat us there. Maybe some of you paid some attention to the recent debate and vote in Congress on telecommunications deregulation. What does this have to do with us? Think it through for a moment.

One of the small, tucked away provisions was to require television makers to insert a chip that allows parents to block specific programs, designed to keep material that is too violent or too sexy from reaching their children.

I predict this morning that if this bill is signed into law, by the end of the decade some state will figure out that they no longer need a partner to sell their lottery tickets.

The chip will give the parents a safeguard and a revenue starved state government will be selling lottery tickets right in your living room. This to me is one small sample of what may be ahead for us and why we need to have our eyes wide open and a public relations strategy in place.

Can we face competitive realities such as this by NYRA or the New Jersey Racing Council, or Kentucky acting alone? I think we will have the same success trying that approach as baseball has had since it decided a strong central office was unnecessary.

Thoroughbred Racing Communications is a natural focal point for the future interactive wagering strategy of racing because such a strategy will rely heavily on a national communications and marketing plan. That is how it works . . . ask the NBA . . . or Disney for that matter.

We are doing some things well at TRC. It is working for you.

But we together must forge a coherent future, looking at a narrowly

Ogden Mills Phipps: That's the kind of leadership we need in all of these organizations.

defined strategic plan that keeps racing's public information flow going on a national basis, brings us in line with modern day communications strategies for national industries and, finally, gives us a fighting chance in the technological battleground of the 21st Century.

Differences of opinion *do* make horse racing. But, this morning, I want to leave you with the unifying thought that the letters TRC stand for a thoughtful . . . rational . . . coherent message from all of us to the media and public. This will give us a competitive chance.

I know that the TRC ideally is underfunded. Having said that, everything we do at TRC, including the television show, must be on the table in terms of funding the priorities that I have set forth this morning.

Let's together invest with ideas and energy in the future strategic development of TRC. We will all reap the benefits down the line if we do.

Thank you for your attention, and we look forward to hearing from you.

Thank you, Dinny.

Ogden Mills Phipps: Our next speaker is going to talk about some of the buzz words of today - cyberspace and the information revolution.

Our partnership with the TRA, Equibase, is very much involved with them, keeping the industry on the cutting edge of all this new communications technology.

Here to give us a glimpse into the future and an idea of what effects the information revolution might have on our racing business is Equibase CEO, Richard LeBer.

HOW THE INFORMATION REVOLUTION WILL CHANGE THOROUGHBRED RACING

Richard LeBer: Thank you, Dinny.

Good morning everybody. I am pleased to have this opportunity to talk to you a little bit.

It may not be apparent to all of us sitting here today, but there is a revolution going on. It's not a political one, or a military one, but a technological one. And like any revolution it will have an enormous impact on our lives and on our businesses. There are few certainties except one. And that is, when the revolution is over, racing will be changed forever.

What is this revolution I'm talking about?

It's the information revolution. And calling it a revolution isn't merely hyperbole. According to technologists, the rate of change in these technologies today far exceeds the rate of change of technology during the Industrial Revolution. This information revolution is being driven by advancing technology in three areas: computers, communications, and new digital media.

Computers are everywhere. Last year in the United States we sold more PCs than television sets. I think that's a pretty telling statistic. And the power of those computers continues to double every eighteen months. At that rate the power of a computer grows ten times every five years.

To give you a sense of the impact of this, consider this: had the car business made the same kinds of advances over the last thirty years that the computer industry has, my car, your car, would cost a fraction of a penny today. Or, alternatively, maybe it would hit a top speed of 1/10 of the speed of light. Come to think of it, maybe it's just as well it doesn't!

Communications are also progressing with blinding speed, driven by a variety of technologies, including lasers, fiber optics and wireless communications. Companies are fighting to lay fiber cable across the oceans, around the country, throughout our cities and down your street.

Over the next decade it's estimated that as much as 400 billion will be invested by companies to create these networks.

This year, over 10 million miles of fiber optic cable will be installed worldwide. That's enough fiber to go to the moon and back twenty times.

The sheer power of this fiber is mind-boggling. A single fiber thinner than a human hair can transmit a 1,000 page book in an eye-blink . . . or, you could send Equibase's entire data base in a few seconds. And, just like computers, the power of fiber is growing. It's expected to grow one hundred-fold over the next 15 years.

Similar advances are occurring in mobile wireless communications, which are getting faster, cheaper, lighter and more capable. There are now over 15 million cellular telephones in the United States and there will be 50 million of them by the turn of the century. The possibilities of all this communication are, well, revolutionary.

The third technology I mentioned is new media.

The new digital technologies don't respect the old definitions of media. Voices can mix with pictures, pictures can mix with data, data can mix with text, text with video.

After the revolution, TV blurs with newspapers, which blur with computer data bases, which blur with telephones. The results will be entirely new media. They'll be gripping, immediate, vivid as well as deep. They'll be extremely flexible to your needs. You'll be able to interact with them if you want. They can be tailored to give you what you want and only what you want, when you want it. A lot of new products and services are going to become possible, many of which we probably can't even imagine today.

So here we are in beautiful Saratoga, being surrounded by familiar faces, enjoying the sun or in some cases the rain, watching the timeless spectacle of our wonderful sport, and back at the Round Table for the 43rd year. It's easy to think that things are as they've always been and it's reasonable to ask just how serious this revolution is, and whether it will really affect us.

Actually, it already has.

No one could fail to see how big simulcasting has become. From almost nowhere, it has become a vital and irreplaceable part of our industry.

None of that would be possible if it weren't for the technologies we're talk-

ing about . . . if it weren't for the satellite and other technologies we use to transmit race video . . . if it weren't for the fax machines we use to share information . . . if it weren't for Equibase's computer data base and communications technologies for sharing past performance information . . . and if it weren't for the tote system hubs which allow us to maintain common pari-mutuel pools.

Let me give you another example. Mr. Farish mentioned it earlier.

This is The Jockey Club Information Systems *ElectroniCatalogue™* for the Keeneland sales. The official sales company catalogue pages are now available in electronic form. But not just that. They are available before the catalogue is available in print, and they can be searched and sorted on a variety of criteria, including dam, sire, grandsire, broodmare sire, date of birth, sex, and consignor.

Going to the sales is never going to be the same for many of us.

Information systems for owners and breeders more generally have advanced tremendously over the last several years, and the business of buying, breeding, owning, and racing horses has been irrevocably changed by computers, software, data bases, computer networks, fax machines and cellular telephones. Anyone who was at the Fasig-Tipton sales could tell it in thirty seconds just by looking around.

But the changes we've seen so far are just the tip of the iceberg compared to the changes to come. Some of these changes will be opportunities and others, frankly, will be challenges. These technologies are going to help us address one of our biggest issues. How do we get our children and grandchildren to love this game as much as we do?

The new media, such as the Inter-

net, on line services and interactive TV, are going to let us reach them in new and exciting ways that they will appreciate. We have an opportunity to reach out and capture the MTV generation, the Nintendo generation, the Internet generation. We can put our sport back on their list of fun things to do, where it belongs.

These technologies are also going to let everyone, old and new, enjoy racing in new ways. Already people are talking and sharing their love of the sport in active on-line form such as our *Winner's Circle™* area on America Online.

But we've only begun to scratch the surface. It won't be too much longer until people can watch races any time they want in their homes. Very soon, they're going to be able to bet on the races using their computers from anywhere - their home, their office, even the airplane.

I expect to see a flock of new products and services emerge for our fans and a flock of new businesses to go along with them. The increased availability of information will create new opportunities for those of us in the industry who are savvy about how to use them, whether it's as an owner, a breeder, a track operator, a handicapper, or anyone else.

But, it won't be easy. The increased availability of information is also going to bring with it complexities and risks.

And those who don't keep pace will find that the competition is going to get smarter, faster and tougher.

Regulation is going to be strained to keep up with all this. These technologies don't recognize jurisdictions. They don't observe bureaucratic distinctions. They don't respect legislative time tables. And they resist centralized control. We've seen a taste of this in simulcasting. We're starting to see it in telephone wagering.

What are we going to do when races can be transmitted from anywhere to anywhere at the push of a button and can be bet on over any television, computer or telephone?

These technologies will change the balance of competition in the industry. Just as some of us will win, others will lose. I can't predict who they are or when it will happen. I suspect it won't necessarily have anything to do with how big they are or how strong, or long established their tradition of racing is. In fact, in some areas it may be easier for the smaller, newer players to adapt successfully.

How it will happen is easier to predict. The ones who will be hurt will be the ones who ignore the new technologies, misunderstand them or misuse them.

We're also going to see increased competition from outside the racing industry. We aren't the only ones who see this revolution occurring, nor are we the only ones who think it holds promise for us. In general, these technologies are just going to increase the already difficult choice our fans have to make of how to spend their leisure time. After all, whoever thought ten years ago that we'd see Beach Volleyball, Truck Racing and Wrestling as major media sporting events.

And we're going to find ourselves on TV or on the computer, competing right next to those kinds of other dynamic industries, including casinos, lotteries, other sports, and a wide variety of other entertainment. I think we can meet the challenge and I hope the competition will invigorate us, but there aren't any guarantees.

Most of all, after the revolution we can count on everything moving faster, faster, faster. If any of you had thought you could rest on your laurels, you're going to be disappointed. There'll be

scarcely a moment to catch your breath.

But enough of the cautionary tales. Let me take a moment and talk about some of the positive things we're going to be able to do.

We're going to be able to watch race video on demand. The systems are being built today that will let any of us see any race we want, wherever we are, year round. Or, if we want to watch the video of a past race, we can do that too. Want to stop it, zoom in, take a closer look? No problem. Want to capture it to your computer and have it analyze the pace of your colt in the race? No problem.

We're going to be able to do business by the new media. You can sell merchandise, sell tickets, sell information, talk to your customers, do market research, and advertise. And you can do it effectively on a broad scale, and inexpensively.

We'll see interactive auction catalogues, like the *ElectroniCatalogue™*, but with video. We'll be able to show you the collected racing history in video of horses at auctions - their sires, dams, etc. We may see horse auctions via video. Or, for that matter, other ways of selling and buying horses that bypass auction houses altogether.

We already have racing and breeding information on demand. There have been a number of on-line services that have made that information available for years. But, it's going to explode. Whatever information you want about a horse, a race, the industry as a whole, you'll be able to get on line instantly. And you'll be able to analyze it whatever way you want. Over time, there's virtually no limit to what you'll be able to get.

Communication among ourselves is also going to get faster and easier too. There are a lot of new tools for us to

use. Electronic mail, industry-wide voice mail, video conferencing, computer networks, bulletin boards . . . the sky's the limit. Even the world of print products won't ever be the same. The new technologies are steadily driving down the cost of delivering information in print to smaller and smaller audiences.

We're going to see a proliferation of new publications, like Equibase's *Bettor Times™*, in print or in a combination of print and electronic form, targeted at ever smaller and more focused parts of our audience. As the major newspapers and magazines are discovering, the large regional or national publication with a fortune invested in printing presses and physical distribution, is going to have to respond to a host of small, nimble, focused competitors, and it may be a white elephant.

And, of course, there's interactive wagering.

Actually we already have interactive wagering - it's called phone betting and you can do it right here today. But the combination of widespread live racing video, and the interactivity on your computer or TV, is going to transform interactive wagering from a small niche business to a core part of our industry. You'll be able to bet on the races, anywhere you can get to a phone, a computer or a television, anytime, on any race, anywhere.

These examples aren't a complete list and, of course, it's impossible to predict which of these kinds of uses people will want enough to make them economically feasible. But I think you get a sense for some of the possibilities.

And I don't mean to imply that all of the applications are futuristic or far away. There are a number of opportunities you can take advantage of right now: The *ElectroniCatalogue™*; our *Winner's Circle™* service on America

OnLine; simulcasting; information services; phone betting; Axcis TrackMaster and other handicapping systems; the Zing System you'll be hearing from later this morning; and the Internet.

I'm optimistic about racing's potential in this new environment. Racing has a unique combination of speed, color, pageantry, history, challenge, risk, emotion, and fun, that I believe is ideal for the interactive world.

The same kids who are playing computer games today for the intellectual challenge and fun of it will take to racing as a natural if we're clever about how we present ourselves. Also, we've already laid the groundwork by creating Equibase as the official repository of the industry's racing information, for example. And we're beginning to see experimentation with some of these new media, such as the ODS or IWIN tests and phone betting.

But we've still got a lot of ground to cover, and it isn't going to just happen by itself. It's going to take careful planning, risk taking and working together. Planning is especially important. This is one of those times when the old adage is wrong - what you don't know *can* hurt you.

Everyone of us needs a plan. It doesn't have to be a long and complicated one, in fact, it probably shouldn't be. But you need to give some careful thought to how you're going to win the revolution. Probably the most important part is setting some priorities. You might start by asking yourself, "What's the best outcome I could imagine from all this?" and "What's the worst one?" Oh, and don't forget to ask "What do I need to learn?"

In your planning you need to keep sight of your goals. This technology is seductive stuff. It's easy to get caught up in it and lose sight of what you're trying to do. Remember, the game isn't

about technology for technology's sake, it's about building your business. It's about building the sport, building the breed, satisfying today's fans and attracting new ones.

Next time someone comes to you with a technology opportunity, ask them what it's going to do to help you achieve those goals. Things are moving so fast you need to be prepared to experiment as well. When things are moving slowly and the situation is stable, a prudent person obeys the rule "Ready. Aim. Fire."

In these circumstances, with the uncertainties and rapid changes, "Ready. Fire. Aim." may be a better way to operate. This implies that your plan needs to be flexible and adaptable. Things are going to evolve and you need to be flexible enough to react. There's another advantage to experimenting, of course. In this environment, experience may be the best teacher.

Finally, you need to recognize when the great and glorious traditions of racing stop being an asset and start to become a liability.

We all want to preserve our traditions, of course. And many of them we should never let go. But others will stifle innovation and make it impossible for us to react. We all have to know when to let go of the old ways and when to stop saying, "we don't do that."

Failing to do this can be deadly - ask Smith-Corona how they went bankrupt in the typewriter business.

This probably sounds like a lot to keep in mind, and it is, and of course we all have our regular businesses to run.

The reality is that none of us can do all of this alone. We're going to have to work together on some of these areas, and each of us is going to have to pick partners to work with on other ones. After all, why do you think the major television networks are being

bought up? Because even ABC and CBS, with all their resources and experience can't do this alone.

Choosing partners requires careful thought. It shouldn't be a matter of who presents themselves to you first. Ask yourself, "How much of this should I do myself . . . what don't I know . . . what do I need help with?" And perhaps, most importantly, "Who would be a compatible and competent partner for me, with the right business goals, the right mindset and the right experience and knowledge to help me? What kind of a partnership can I create with them?"

Beware of the mystifiers - people who'll try and make this seem more complicated than it is. Beware of the technophiles - people who are in love with the technology for its own sake. Beware of the con artists and the snake oil salesmen, and believe me, there's plenty of them. Beware of the opportunists, people who talk a good game but haven't had much background or experience. And beware of the false partners, people whose goals aren't well aligned with yours and don't have your best interests at heart.

Probably most importantly it's important to be fast on your feet. If you weren't already taking action, you should be. If you are doing something, you should be asking yourself what's stopping you from doing more, and faster.

That's what we've been doing at

Ogden Mills Phipps: Thank you, Richard.

Equibase. We have a plan and we're implementing it. We're evaluating a lot of new technologies, always with the goal of developing the sport fully in mind. We've got experiments in full-fledged products in place, on the way, or in development, such as our *Winner's Circle™* service, the *Bettor Times™*, a variety of software and on-line offerings, interactive wagering experiments and Internet capabilities.

We've got a great group of partners, like ODS and IWIN and ABC and America OnLine and Axcis. We're looking for more, and we'd be delighted to talk with any of you about how we can put the industry's data base to work as a partner in what you're doing.

And, of course, we're keeping nimble. My dancing shoes are getting a regular workout. That's what you need to do too. If you can develop a plan, keep sight of your goals, do some experimenting, choose some good partners to work with, and keep nimble, you'll do fine.

The information revolution is coming. It won't go away. We can't ignore it; it will sweep us up just the same. We can fight it, build a moat, man the battlements, and dig in for a long siege. Or we can join it and get busy with the hard work necessary to put it to our advantage.

Equibase has begun. I hope you will too.

Thank you.

Ogden Mills Phipps: On the international scene, few organizations have been as successful in the past few years as the Japan Racing Association. The JRA seems to have found the balance between ever expanding off-track wagering and the solid on-track attendance needed to support live racing.

To give us an idea of how they've done it, we have with us today Mr. Masayuki Goto, a 20-year veteran of the JRA, and very recently-appointed the General Manager of their New York office. We appreciate you being here today.

THE PROGRESS OF RACING AND WAGERING IN JAPAN OVER THE LAST TWENTY YEARS

Masayuki Goto: Thank you, Mr. Chairman. Good morning, ladies and gentlemen.

I have been with the Japan Racing Association for 20 years. For the past 10 years I have been working for our General Planning Department.

In Japan, we have two racing organizations. One controls local racing - the NAR. The other is my Association, the JRA. I have brought with me copies of our booklet entitled: "King of Sports." You will find one in your packet and I hope you will find it interesting.

The only detail I might mention is that we only race at the weekends, with a total of 288 days each year, over our ten race tracks. This number has hardly changed in all the time since our beginning.

Before I go further, I would like to mention some important comparisons between racing in Japan and in the United States.

First, in Japan we also have betting competition. There is pari-mutuel wagering on bicycle, motorcycle, motor boat, and horse racing. Last year, the JRA handled as much as bicycle, motorcycle and boat racing put together. But, as you can see, it was not like that twenty years ago.

We also have the lottery.

Another comparison is that, during

the last twenty years, in Japan we had a drop in attendance at the race track as we expanded our off-track betting. Between 1975 and 1984 our on-track attendance dropped by nearly 44 per cent. Our overall betting had nearly doubled, although the number of races stayed almost the same.

Since then, the betting has continued to increase greatly. But we have been able to increase our attendance also, until, in 1994, it was very nearly the same as twenty years ago.

I hope to explain how we have been able to do this.

Let me briefly discuss first the policies and goals of the JRA. These may be summarized quite simply as follows:

First, to provide horse racing that is strictly fair and honest, and that the race-goer can trust.

Secondly, to provide a racing program that is well rounded and exciting. Our goal is to have at least 12 starters per race.

Thirdly, we strive to provide a good atmosphere, by providing facilities which are bright, clean and comfortable.

Of course, these are more intricate. However, they are the focal point of our Association's planning policies.

Today, our betting handle is distributed as follows: 75 per cent of the total to the bettor; ten per cent to the govern-

ment; and 15 per cent to the racing organization. Fifty per cent of any surplus at the end of the year is also taken by the government.

The percentage which the JRA gives to prize money can change from year to year.

JRA PHILOSOPHY

- Racing is a business
- Racing fans are the consumers
- To run a successful business, the first duty is to the consumer
- If dealings with the consumer are successful:
 - Handle increases
 - Purses increase
- If dealings with the consumer are unsuccessful:
 - There is no business

Last year, 3.8 per cent of the gross handle was given to prize money. When I first went to work for JRA, this was six per cent. The President of the JRA then was Mr. Osawa, and he tried to decrease the percentage of the turnover given to prize money. It took several years to negotiate a change, as the owners were strong in their disagreement. However, they finally agreed.

This was, I believe, a major turning point for us.

To understand our position over this matter, you must understand a very basic philosophy of how the JRA considers racing.

We look at racing as a business. That business generates revenues from the fans. They are our consumers.

Where does the prize money come from? The consumer pays for them. Our first duty, therefore, if we are to run a successful business, is to make our consumers happy so that they keep coming back to do business with us. It

is the right of the fan to be the first to be considered. Everything else is secondary. The fans are where we must look to grow our business. Not the owners. Not the breeders.

I know this may be difficult to understand where there is a tradition to give all parts of racing an equal say.

But for us in Japan it is simple business logic. If we are successful in our dealings with the consumer, the handle goes up, the prize money goes up, everyone is happy. If we are not successful with the consumer, we go out of business.

So, back to our major turning points . . .

In 1981, another one happened with the first running of the Japan Cup. This was created as the result of a plan originally directed by Mr. Takeda, then president of JRA.

It was his policy that he needed to "develop stronger and faster domestic horses which could compete with their foreign counterparts." I believe the competition provided by the Japan Cup has been a major factor in the improvement of quality of our racing.

Mr. Takeda was succeeded by Mr. Uchimura.

Now I have to tell you that Mr. Uchimura's wife was not happy that her husband took his new position. She felt that horse racing had a bad image and she personally disliked it from the sports point of view.

Well, Mr. Uchimura instituted policies to promote the support of JRA by women, believing that, if JRA was to achieve a status in our, or any society, we needed the support of the female fans. It is obvious that women's attendance would encourage men. But, more than that, if women are not a willing part of our consumer market, they will have a negative impact on the market as a whole.

In 1982, the first "Ladies Day" was initiated at our Kyoto Racecourse. And we followed a strong advertising and promotion schedule, all aimed directly at the younger female market.

Were we successful?

In the early 1980's only 7.1 per cent of attendance was women. Today that percentage is nearly 12 per cent. I might also add that now Mr. Uchimura's wife loves horse racing and says "horses are beautiful and racing is exciting!"

Let me now discuss briefly our publicity, especially television. Here are three commercials from 1990, 1991 and 1992. Each of them is an example of several commercials we made in each of these years, using one theme.

In each of these, as in all our commercials, the actors are well known stars in Japan.

(COMMERCIALS VIDEO)

Since then, we use the same actors in our commercials for two years. This increases the JRA recognition factor every time a commercial appears. Our current series features a group of three young men. Again, each of them is a top star in Japan.

(COMMERCIALS VIDEO)

You can see how the theme is followed and how we never talk about bet-

ting, only about the excitement, entertainment and fun of the sport.

We spend a lot on our advertising, and we are quite pleased with the results.

From 1981 to 1983, the sales and attendance remained stagnant. However, the JRA kept a positive attitude and maintained the management policy that had been decided on.

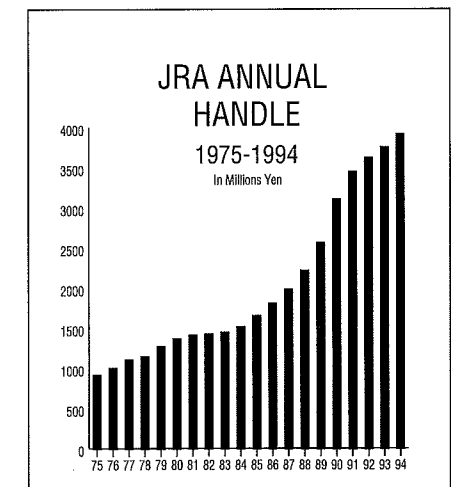
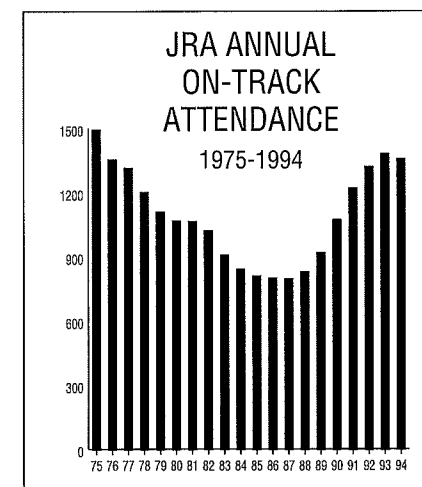
This is the way we work. In order to obtain and sustain the trust of the fans in Japan, we take a long time to make a plan.

This is not only JRA, but in many ways it's the very nature of Japan. We sit down and have a lot of discussions over a new plan and take it through every possible aspect. When established, we keep to it fully until it proves itself - or does not, as the case may be.

So we continued with our plan, with the younger generation as our consumer target.

Then we began to update our information services and systems.

We gave the public more and more information, on track and off track. And most importantly, anywhere that there is JRA racing, the information is the same. We do not, for example, have different program formats at different tracks.



This was again the policy of our next president, Mr. Sawabe. He was known as a "Man of Culture." Under his guidance and that of his successors many new plans were begun.

It was decided that we must establish our standards. We wanted people to know that, wherever they went, they would find the same standards of honesty in racing. The same standard of facility, comfort, beauty, entertainment, and history. The same product.

We are careful not to lose the character of individual tracks in different regions. But our public must have absolute confidence that the product is of the same high quality at every JRA track, wherever it is. In business terms, we wanted to establish a corporate identity.

So, to project this message, in 1986, we began corporate identity activities to improve the image of the JRA and of horse racing. "JRA" officially became the logo-styled name, replacing the actual Japanese language name. The use of the other logo style name, "WINS", came into use for our OTB facilities.

In the meantime, since 1983, we had introduced a planning timetable to improve and update all our facilities, both on-track and off-track. Here are some of them:

(SLIDES BEGIN)

WINS Kobe, close to Osaka in the western area; WINS Yokahama, close to Tokyo, in the eastern area; WINS Shibuya, is located near Tokyo, in the eastern area; and, Tokyo Racecourse.

(SLIDES END)

In 1991, Mr. Watanabe assumed the Presidency. He was a serious racing fan. He tried to get the laws changed so that the JRA and the NAR could cooperate much more than ever before.

This is very important because, as well as expanding the coverage of JRA racing, it also gives NAR the opportunity to benefit directly from the successful

marketing and operation of the JRA. The Thoroughbred industry in the whole country benefits.

Next, with on-track attendance growing, we wanted to bring our product closer to home.

Although we had telephone betting since 1974, in 1993, we introduced an automatic non-voice home betting system called Personal Access Terminal. We also began intertrack wagering with some of the local government NAR racecourses.

Then, last year, we introduced the Satellite Access Terminal, or SAT System. With SAT's we have the possibility to turn all our local neighborhood stores into mini off-track facilities. Subscribers just use a card to make their bets, very much like using a banking machine.

And now this year, in 1995, we have introduced our own satellite racing channel . . . the Green Channel.

(GREEN CHANNEL VIDEO BEGINS)

Narrator: The Green Channel provides race coverage and racing information for all JRA races on Saturdays and Sundays. So you'll be able to go to every racecourse, even if you stay at home.

The Green Channel shows frequent replays of each race, so if you miss one live, you can always see it on the replay.

Results and replays are also re-broadcast at the end of each racing day.

On Mondays and Tuesdays you'll be able to watch the replays and results again. This gives you the opportunity to check results and study the running of each race.

From Wednesday to Friday there is information and coverage of training for upcoming major events. It's a great advantage to study and be able to learn all about upcoming races.

On other days the Green Channel broadcasts special events information, general interest and background racing stories. It's fun to watch, even if

you aren't a regular racegoer.

The Green Channel . . .

(GREEN CHANNEL VIDEO ENDS)

Have we been successful with our policies?

- Because we have looked after our fans, we have grown back our on-track attendance.
- We have brought in new, young fans.
- Because we have looked after our fans, our overall betting has grown.
- Because, by looking after our fans, we have grown our betting, our prize money has grown and our owners - and, therefore, our breeders - have good business.
- Our surveys tell us that we are keeping the fans we have attracted.

I believe we have been quite successful. But that was yesterday. And we must continue our efforts strongly if we are to be successful tomorrow.

We need always to look outward. Too often we, the insiders, just talk to each other about our business and our problems. Racing has something for everyone . . . the old, the young . . . men and women. It is not something just for us, the insiders. It is for the people . . . the fans. And I think it may be true not only for Japan, but for other countries as well.

I would like, if I may, to end on a very personal note.

I have said that I have been with the JRA for some 20 years, almost since I left university. My father before me was also with the JRA. He was a veterinarian. And, throughout all this time, I have kept memories of when I was at elementary school. I remember how we used to ask each other what our fathers did. And

how, when other boys found out that my father was working in racing, they looked down on me a little. Racing was not quite a correct occupation. It was a little what you call "shady."

And ever since that time, through all my years with the JRA, it has been my ambition, and determination, and goal, that racing should become recognized and accepted as a beautiful and exciting sport . . . and, above all, an honest and enjoyable one . . . and a respectable business to work in . . . a business that one can be proud to work in.

I believe these, too, have been the goals which have made the JRA as successful as we have been in growing our business. Today I am proud to be in the business of racing. And I believe that my son does not have to apologize that his father works in racing.

Thank you.

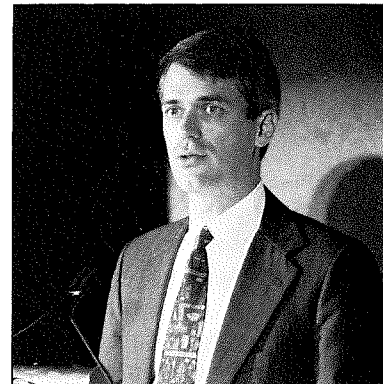
MAJOR JRA TURNING POINTS

1. Reduction of takeout percentage allocated to purses
2. First running of the international Japan Cup
3. Implementation of program to attract female fans, first "Ladies Day"
4. Continued target marketing of young fans
5. Updating & expansion of racing information services
6. Implementation of standards and corporate image
7. Complete & ongoing renovation of all facilities
8. Introduction of Personal Access Terminals (PAT)
9. Introduction of Satellite Access Terminals (SAT)
10. The Green Channel

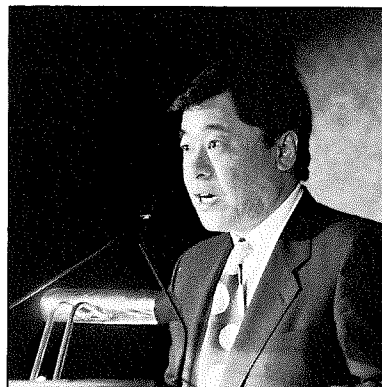
Ogden Mills Phipps: I think we all have a lot to learn.



Robert E. Mulcahy III



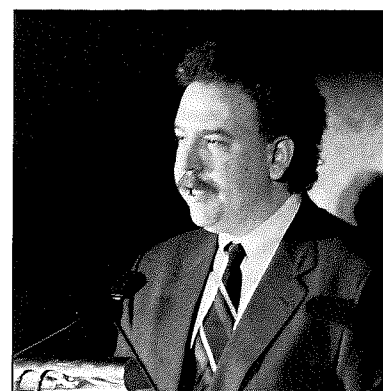
Richard LeBer



Masayuki Goto



John Reardon



Steven Crist

Ogden Mills Phipps: No one can deny the need to attract the younger fan to our sport. No one can deny the importance of television, especially interactive television in our future.

Our next speaker, John Reardon, is better qualified than most to speak to both of these subjects. Formerly president of MTV, he now heads up Zing Systems, an organization which has been capitalized by some of the major cable companies and which has developed an interactive system which is ready, today, to go into operation with television sets across the country.

Ladies and gentlemen, the future is now, and I introduce John Reardon.

FROM MTV TO ITV:

YOU'LL NEVER LOOK AT TELEVISION THE SAME WAY AGAIN

(OPENING VIDEO)

MTV Launch Footage

John Reardon: What you just saw was the first minute of programming when MTV Music Television was born at midnight on August 1, 1981. I used to show this same footage to audiences nearly 15 years ago, to tell them how MTV was going to revolutionize the way kids watched TV. I brought it along today to underscore just how much television has changed in little more than a decade, and how influential video has become in shaping our lives.

Good afternoon, ladies and gentlemen.

As Dinny said, I'm John Reardon and once I was president of MTV. And now I'm CEO of an interactive television company called Zing Systems.

I'm here because I know TV and I know the youth market. And I know the importance of developing television programming that supersedes specific audiences.

At MTV we used to say that if viewers over age 29 liked programming on MTV we were doing something wrong . . . and we changed it.

Understanding your target audience is particularly important for horse racing. Your sport has been accused of

ignoring the vast majority of Americans who would never think about spending the afternoon at a race track . . . the very customers who could help your business thrive. Your sport has totally excluded mainstream America, particularly young people.

I've learned from my research that your industry has a tradition of ignoring your customers . . . the very fans who keep your business alive.

Well, horse racing has a lot of catching up to do.

Do you realize that kids who were 15 years old when MTV was born are now in their early 30s and they're having kids of their own? You might say that, measured in TV years, horse racing is a generation behind. The MTV generation has grown up in a fast-paced video culture. Today, their attitudes and opinions . . . the way they talk, the way they dress . . . all comes from TV. News from CNN. Sports from ESPN. Music from MTV. How different from the environment you and I grew up in.

As kids, many of us remember our entertainment options ranged from gathering around the TV shows - like the Ed Sullivan Show or the Monday night fights.

Young people today live in a completely different world. Television has

totally redefined the entertainment expectations of the video generation, a generation that now has a huge entertainment appetite. And now, in the '90s, they have endless entertainment options available to them, some of which didn't even exist five years ago.

For example, Blockbuster stores have made it common practice for young people to rent movies at \$3 a pop. Young people hang out in malls where state-of-the-art multiplex theaters give them the opportunity to choose from 15 newly-released movies every weekend.

The VCR has changed nearly every American household. I know you all have kids or grandkids that have birthday parties or sleepovers where the entertainment is centered around their favorite movie. The TV remote control has taught all of us to channel surf and develop our own programming lineup, limited only by how fast we can switch channels.

Most American homes with children have video games like Sega, Nintendo and Sony's new PlayStation. Some kids have all three - and these companies keep cranking out more sophisticated games every day. And of course most kids can't do their homework anymore without a PC, which also lets them E-mail their friends and browse the Internet.

Somebody said earlier that this year more than 12 million computers have been sold and, more importantly, they contain CD-ROMs which will dramatically change the way kids and their families access a world of information and images.

Now I'm very familiar with the video generation and their world, not only because of my years in entertainment, but because I have a 14-year-old daughter.

When Lindsay does her homework,

she has the stereo blasting, her PC is on because she uses it for every assignment . . . and she'll click on the CD-ROM to look up information on an electronic encyclopedia. And she does it all at the same time. It may sound like she's juggling a lot, but for her - and for today's kids in general - this is completely normal.

Why am I telling you all of this? And what does it mean to the horse racing industry?

The point I'm making is that your sport must find new audiences to survive - and the kids and teens, the 20-somethings and 30-somethings that you need - live in a dynamic video entertainment environment.

This video culture, with its vast and every increasing choices, has created a more demanding audience. Their appetites have been shaped to expect more exciting and diverse programming. That's why the country's largest cable operators and telephone companies are budgeting billions of dollars to develop a thousand-channel digital TV environment, where there's going to be so many special interest offerings that the new universe is going to look a lot like an electronic magazine stand.

And interactive TV is around the corner. This fall, my own company will launch Zing, an interactive system targeting kids and their families.

Interactivity is going to give viewers a chance to get more involved with the TV shows they love, to really talk back to their TVs. New and different entertainment technologies like these are being developed at lightning speed. Here's the point . . . before the millennium, these new '90s technologies will once again revolutionize the way the video generation watches TV.

And for horse racing to survive . . . you must be part of the revolution.

One way you can do this is to really

use TV. Horse racing would be the last professional sport, in my opinion, to use TV to do this. The NBA, the NFL, even the PGA has done it.

Do you remember when the NBA basketball lacked excitement? In the 1970s, stadiums were empty and TV broadcasts were dull compared to today.

And then, the NBA got smart. They beefed up technology and the technique of their TV programming by using state-of-the-art equipment and more daring camera angles. They started showing edgy film clips of NBA players performing spectacular acrobatic feats. The pace was fast and set to rock n' roll music, and they made stars of their athletes.

All of a sudden, the generation that was used to watching MTV took notice. Overnight, the NBA transformed itself.

(VIDEO)

(1970s and 1990s NBA Footage)

Today, the NBA is the number-one major sport in the United States. And the reason is that the television product that they offer has the highest production values, and it entertains. Since the 1970s, the NBA has enjoyed a 50 per cent higher attendance. Many of their new fans are kids, between the ages of 7 and 11.

Participation in the sport by kids has increased 171 per cent. NBA TV ratings for 1995 earned a 5.2 share, the highest ratings ever. In 1973, CBS paid only \$27 million for the rights to broadcast NBA games. Compare this to the current season when NBC just paid \$750 million for the broadcast rights.

The NBA is a testament to the power of television. But television must be used properly to change the image of a sport and attract new audiences.

I'm aware that horse racing is already on TV. But simulcasting isn't

enough. Efforts like the TRC show that The Jockey Club is producing, and the Green Channel that Mr. Goto showed, are examples of what racing needs. If horse racing is going to compete for the attention of the video generation I recommend that you consider the following:

- Redefine your audiences and superserve them.
- Create television programming that is driven by the attitudes, tastes and desires of young people.
- Do what the NBA did - make your sport an exciting entertainment experience that will attract younger audiences.
- Enhance the entertainment side of your sport. Build your Thoroughbreds and jockeys into stars, just like the NBA created an international star out of Michael Jordan.

How? Incorporate the newest TV tools, such as interactivity, into your programming.

Other professional sports are already doing this. Producers at the NFL, the NBA and the PGA realize that Two Way TV is the next wave - one of the newest and most effective strategies to keep your viewers involved and satisfied.

If horse racing is going to survive, it must deliver the kind of television programming that the video generation has learned to expect.

The universe of entertainment options is growing rapidly every day. And there's no reason why horse racing still can't be part of it.

Your challenge is this: can you break into the video world that our young people live in . . . a world I don't think the horse racing industry understands? And, even more important, can horse racing stake out a place in the hearts and minds of the video generation?

As you watch the following footage, ask yourselves this question:

Will these young people care if there's never another horse race . . . ?

(VIDEO BEGINS)

(The younger generation answers questions about entertainment; favorite shows and video games; and new technology.)

What do you do for fun?

"I like to watch TV a lot, but I play on my computer and I haven't got my Sega hooked up yet . . . we just moved."

"We played Sega or watched TV or played the computer. I play sports and I can watch sports. I like to play sports or video games."

"We rent video games from Blockbuster Video."

"I'll go surfing, like, the whole day."

"When we go to the mall we like going to the movies."

"I watch TV and play the computer."

"I like playing on my computer and I like playing, like, race car games."

"I just like playing fighting games, like Mortal Kombat."

"I like to play football, basketball and soccer."

"I like going to the mall with my friends."

"I like to cruise around South Beach with all my friends."

Favorite shows, movies, video games, etc?

"Road Rules,' it's on MTV . . . 'Judge Dredd' and 'Batman Forever.'"

"CD Sega Saturn, Nintendo, Sega, Super Nintendo."

"'Simpsons,' 'Singled Out' on MTV. Stuff like that."

"'Baywatch!'"

"Mostly I prefer virtual reality games."

"The Real World."

"Mortal Kombat, Mortal Kombat II, Mortal Kombat III."

How important is entertainment?

"Entertainment is, like, the number one part of my life."

"Entertainment should be fun, because if it's boring it doesn't even matter."

"I like good entertainment and stuff that really excites you and keeps you in your chair."

"It's pretty important."

"If you weren't in their team then you wouldn't be, like . . . you'd be, like, bored all the time and you wouldn't have anything to do."

"Entertainment is very important."

Are you using new technology?

"I've got a computer."

"I have a computer."

"I have a computer."

"My stepdad had America OnLine, and he teaches me what to do because I don't really like computers, but it's pretty cool."

"I'm interested in the new stuff because I think it'd be funner because we have more technology and everything keeps on growing."

"The new technology is fun. You get to mess around a lot on your computer and you can play video games and stuff like that."

"I play games, I play CDs."

"I play games and do reports."

"I'm anxious to see what's on the five other channels."

"I was trying to set up Doom once and I erased everything on the computer."

(VIDEO ENDS)

Ogden Mills Phipps: The Jockey Club is very pleased that we have a long term arrangement with John and his company and we're looking forward to bringing products to you that will help in where we have to be.

Ogden Mills Phipps: One vital component for a successful future lies in our ability to work in harmony with our state legislatures. In far too many cases, unfortunately, we don't seem able to do that. In the last few months a shining example of what can be achieved with proper relationships and understanding has been happening here in the state of New York, where one of the nation's traditional racing showcases had been heading towards a state of siege.

It takes two sides to make things work. As some of you know, we hoped to have the Governor of New York, Governor Pataki, with us today. Unfortunately, last week he called and was unable to make it.

In his place, however, we have the other side of the equation, a representative of the New York Racing Associations, NYRA's director of communications and development, Steve Crist.

Steve . . .

NEW YORK RACING: A NEW DIRECTION

Steve Crist: It's not that long until post time for the first race at Saratoga and I'll try to get you out of here soon. I know there's a great deal of interest in our Pick Six carryover today. I say that because during intermission I approved three personal checks for people in the audience.

Good morning. Thank you, Dinny, for inviting me to speak this morning.

Saratoga, as we all know, is well known as the place that once a year presents the best Thoroughbred racing in the world. This, however, is only one of Saratoga's two significant distinctions. The other is the pivotal role that this community played in the outcome of the American Revolution.

At a time when a fledgling country was fighting for its very existence, and prospects looked very bleak, we desperately needed a victory back then. Winning the Battle of Saratoga was a turning point. It was a victory that provided the colonies with the confidence and with the momentum to believe that the dream of freedom could actually become a reality. And once that reality began to sink in,

there was no stopping them.

Those people had a belief and they had a spirit. They had a can-do attitude and they knew that they had to help themselves before they could expect others to help them. We could call this "The spirit of Saratoga" - people working together and fighting together for their future. So I think it's very appropriate that we meet in this town today to discuss New York racing - because as we look at Thoroughbred racing in 1995 we also see a sport and an industry that also has been in bad need of a victory that could turn the tide. And I believe that we in New York are well on our way to exactly such a victory.

It was just one summer ago, that a lot of people seemed ready to hoist the white flag on behalf of New York racing. I can understand the defeatism that a lot of people in New York felt after a dozen years of discouraging business and a dozen years of political frustration. It's awfully hard to cling to your faith in something when you keep getting shot down. And I think what inevitably happens is that you lose your conviction in the truth and the quality

of what it is that you were fighting for in the first place.

It was time for a change in New York, and the right time in many ways. A new team at NYRA was very fortunate to coincide with a new team in Albany, where we found leadership that was willing to listen and willing to work together. The racing legislation that was passed this summer in New York will allow NYRA not only to survive but also to flourish and, I believe, to lead this industry once again.

There were several key components to the success of those racing bills and I think it's worth repeating them here this morning.

First of all, there was the commitment of the Executive Branch to helping the racing and breeding industry. They showed their willingness to invest in our future by strongly supporting and ultimately enacting a long-overdue reduction in the pari-mutuel tax on racing in New York.

Then there was the partnership with the Legislative Branch, which was able to shepherd these and other needed changes - including primarily: returning a larger share of off-track betting dollars to the racing industry - through a very difficult legislative session.

And finally there was the performance of the industry itself. NYRA had to clean its own house before Government would take us seriously. But it was just as crucial that NYRA forged a true partnership this year with the horsemen and with the breeders, and that these three key components of the industry were able first to compromise among themselves and then to present a unified plan to Albany.

The importance of this kind of cooperation gets a lot of lip service. But it can not be overemphasized in the racing industry. If any industry

speaks in a fractured and a disjointed voice, it cannot reasonably expect government to understand its problems, much less to solve them. Government works best when it's implementing the unified wishes of the private sector, not when it is playing the role of mediator between warring factions. In fact, I think the failure of an industry to unite and to present a united front may well lead government to believe that that industry is not even worth helping or worth saving.

It is simply irrational for racetracks and horsemen to be at odds. Don't we all want better facilities, don't we all want higher purses? It's a very simple cycle: Higher purses attract more and better horses, who put on better racing, which attracts more business, which leads to higher purses. For any one segment of this industry to adopt a militant stance against its partners is sheer selfishness and sheer egotism.

The racing legislation that was passed this summer will allow NYRA to make badly needed improvements to its facilities and badly needed enhancements to its purses. Coupled with a customer-oriented approach to service and to operations and the kind of superior racing that I think we've seen here at Saratoga this summer, all of the ingredients are in place to make the industry proud of New York again and to make New York proud of its racing again.

Now, we've tried something else in New York this year that people have been talking about for a long time and it's attracted a lot of attention. Beginning last February, NYRA began producing a five-hour, daily television show, putting it free of charge on basic cable and sending our live races into virtually every home in New York City, Long Island and the Albany-Saratoga area. Every day, 30 hours of live racing

a week. What's been the outcome?

It has cost us live business, undeniably so. It probably will cost us more live business in the next year, two, maybe even three years. But if we can survive these short-term losses, and if we can begin to be compensated properly by those segments of the industry that are benefitting the most, I think long-term, this could be another revolution in racing.

In my personal opinion, more than 30 years ago, Thoroughbred racing turned its back on broadcast television.

Put the everyday races into peoples' homes, the argument went, and they'll never come out to the racetrack again. So we protected our product and we took a pass on television. Meanwhile, every single sport that we now consider a major sport - baseball, football, basketball, hockey, golf, tennis - embraced the medium and grabbed every hour of broadcast exposure that they could.

Those other sports took their lumps at first, on-site attendance declined. But then something else happened. As their products were exposed to more and more people, their popularity grew, and people who had never been out to the ballpark or the stadium began to go. Attendance eventually climbed back to where it was and then beyond.

This doesn't just happen in sports. Look at the motion picture industry. I remember twenty years ago, every movie theater had petitions in the lobby urging movie goers to fight a menace on the horizon called "Pay-TV." Send movies into peoples' homes, the argument went, and they'll never go out to the movies again. Well, today we've got HBO, Showtime, Cinemax, a dozen other pay channels - and movies are bigger than ever at the box office.

Every successful form of entertainment has flourished through television

exposure. Like it or not, we live in a world where television defines reality. For most consumers, an activity is not legitimate, desirable or even "real" if it's not on television - and I don't mean just a few times a year for special occasions and special events.

We simply can't expect people to make an inconvenient excursion to a place they've never seen on television no matter how many free hats or clubhouse passes or mystery vouchers we hand out. Traditional promotion is fine for rewarding customers and pumping up the live gate on special days, but decade after decade of this traditional approach to marketing horse racing has done absolutely nothing to expand the customer base or to grow the market share of this sport.

Validating our sport through exposed, repeated, daily television coverage at least gives us a chance to really substantially grow this industry. And it's not just a theory anymore. It's obviously far too early to assess all the effects of the home betting experiment in New York, but in the first four months of this year, telephone betting through New York City OTB alone was up nearly 400 percent, from \$9 million in 1994 to \$47 million in 1995. On an annual basis that is going to translate to over \$120 million in new handle, and by the time we're done negotiating with OTB, that will translate to another \$10 million a year returned to the racing industry.

Let us never forget, however, that television is only a vehicle for disseminating our sport. In my opinion, it is not the engine that should define it or dictate how the sport is conducted. I am wary of those who say that racing must be reinvented from top to bottom for television, that it must be sold as something that it is not, and that it has never been. That it must be turned into

beach volleyball or truck racing. That it must be transformed into something shrill and vapid and undignified. What we want to expose to the world is that thing we all know and love called a day at the races. In my opinion we will be breeding and racing and betting on Thoroughbreds long after the latest trendy trash sport has been played.

I know there's some room to liven up our presentations, but let's not hide our strengths or forget what people want to see - the horses, the odds, the past performances, and a crisp, clean view of the races. Too often, I think, in this industry we misinterpret stagnant business trends as proof that there is something seriously wrong with this product. In my opinion it is a simple failure to expose a very, very good product to an uninitiated public.

I also am wary of the blue skies being painted by the some of the messiahs of interactivity and the electronic frontier. Every week at NYRA, I must get half a dozen calls or visits from people who tell me that if we don't buy their magic cablebox or their computer betting system, our industry is sunk. All they want in return is, oh, five, six, seven percent of the gross handle and everything will be fine. In my opinion, technology at its worst is becoming the aluminum siding of the 90's.

In point of fact, there is a very, very good interactive device in almost every home in America - it's a highly sophisticated, voice-addressable, modem-capable data processing computer. It's called a telephone, and everyone knows how to use one. I've never heard of a guy who said he would bet on the Super Bowl if only he could

contact his bookie by personal computer or remote control instead of by picking up the telephone.

I don't think that we should shy away from new technology, but I don't think we need to make this any more complicated than it has to be. Everyone has a television and a telephone in his home and no matter what the cable industry may tell you, there are plenty of empty channels out there as we've discovered. If nothing else, there are public-service and public access channels, and after all, racing does raise money for government.

If you put your races on local television and let people bet on them over the telephone, your live, on-track business is going to decline - but it's already declining everywhere with nothing on the horizon to turn that trend around. We're all enjoying the fruits of simulcasting right now. Our war chests aren't in bad shape so I think now is the time to be bold and to take a shot at really growing this business.

But, whether it's fighting for fair treatment from Government, as we've done in New York, or whether it's presenting our product via television, let's not lose sight of the fact that we have a very good product, a very good sport, that we all should be proud of. In my opinion this is the greatest game ever invented, and I think that's the opinion of most of the people in this room. If we believe in racing, and we just share it with people, I believe they will come to believe in it too.

Thank you for your time and attendance. Only 52 minutes to bet the double.

Thank you.

Ogden Mills Phipps: Thank you, Steve.

CLOSING REMARKS

Ogden Mills Phipps: I personally think that this is the best program that we've ever had up here and I want to thank everybody that participated in it.

Before we close, I feel it only right to offer a few words about the efforts that have been made in the last twelve months to draft an action plan for the industry.

You will remember that, a year ago, representatives of the TRA, Breeders' Cup, TOBA and The Jockey Club joined together in an attempt to draft such a plan.

We had some good meetings and I feel were on the verge of some real constructive progress. In fact, many of the presentations made today reflected the direction of some of these discussions.

I am not apologetic that we tried. It was the right thing to do.

Maybe we just picked the wrong year . . . we had a hurricane during one meeting, the jockeys situation came up during another, and there were changes and uncertainties with the TRA that prevented any true discussion of the future until the present was sorted out.

Quite frankly, the primary reason we stopped was that the TRA representatives found that they were in a position where they were representing only themselves, and were not able to speak for the other racetracks.

One thing we did get done was to set up a Standards Committee, to put

some order into the way we determine the make-up of racing's official records. That Committee had its first meeting on Friday and, although I haven't had a full report yet, I understand a lot of useful progress was made. In five years time, I believe we're going to wonder how we ever got along without this group.

I'd also like to remind you that The Jockey Club is a non-profit organization, whose only reason for existence is the improvement of Thoroughbred racing and breeding. No member or steward ever has received any remuneration. It's volunteer. Our membership and our concern for the health of the industry is nationwide.

Our common bond is a dedication and commitment to Thoroughbred breeding and racing. That is the common bond we share with the other organizations which represent different segments of our industry. But to make change requires leadership and leaders have got to come forward in a truly dedicated spirit of cooperation if we are to have any chance of success.

In that spirit I pledge to you that the Members and the committees and the Stewards and the officials of The Jockey Club will do everything possible to answer the difficult questions facing our industry and find solutions.

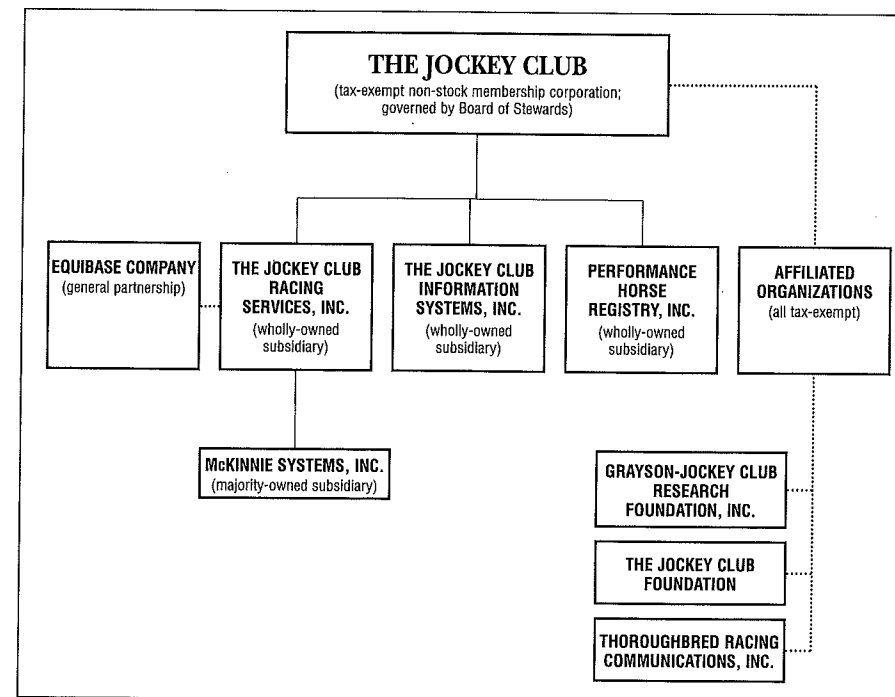
Thank you for coming this morning, and we look forward to seeing you next year.

ANNUAL REPORT OF
THE JOCKEY CLUB
 AND RELATED ORGANIZATIONS

THE JOCKEY CLUB

Responsibilities of The Jockey Club consist primarily of maintenance and publication of The American Stud Book in a manner which insures integrity of the breed in the United States of America, Canada, and Puerto

Rico. As an organization dedicated to the improvement of Thoroughbred breeding and racing, The Jockey Club also pledges its support and assistance in all matters concerning the Thoroughbred industry.



REGISTRY

The primary responsibility of The Jockey Club is to maintain and publish The American Stud Book in a manner which insures the integrity of the breed in the United States of America, Canada and Puerto Rico.

FOAL CROP UP AS REGISTRY IMPLEMENTS NEW COMPUTER SYSTEM

The projected 1996 registered foal crop of 35,700, represents a slight increase on the 1995 estimate of 35,200, and the second straight increase in annual foal crop numbers, following eight consecutive years of decline.

During 1995 the primary focus of the Registry has been the startup of a new computer system which is designed to provide improved service for owners and breeders of Thoroughbred horses. The impact of the system has already been seen by breeders who are now submitting information about live foals and no foals on a form that is much easier to use. The new application for registration also is considered to be an improvement.

A major feature of the new system is the use of technology that makes a copy of each document and stores it in the computer's data base.

This imaging technology provides the Registry's Customer Service Agents with a copy of each document in a horse's file, directly to their computer screen. With this information available at the touch of a button, Jockey Club employees are now able to answer customer questions more quickly and completely on the first call.

Of equal importance is the contribution this new technology makes to the Registry's efficiency, permitting continued stabilization of the basic Registration fee which has now

remained unchanged since 1987.

The remainder of the new computer system will be operational in the coming months. This will include new "remote" programs that will allow the submission of registration data electronically, including applications for registration.

TJCIS

Incorporated in 1989 as a wholly-owned for-profit subsidiary of The Jockey Club, all the profits from which are reinvested in the Thoroughbred industry, helping to stabilize Registration fees and funding industry projects.

ELECTRONIC CATALOGUE™ UNVEILED, INFORMATION SUPERHIGHWAY JOINED

The Jockey Club Information Systems, Inc. (TJCIS) continued its leadership role in providing technological and information related services to the Thoroughbred industry with the introduction of the *ElectroniCatalogue™* in May of this year.

The *ElectroniCatalogue™* is a computerized version of the traditional sales catalogue, and loads onto a personal computer. The program provides the capability to search the entire catalogue, finding horses that match given criteria with the simple click of a button. It is also available prior to the printed catalogue. The program has been a tremendous success thus far, with sales more than doubling original projections.

TJCIS will take its first step in creating a presence on the information superhighway this year by establishing a site on Internet's World Wide Web. Users may access this web site to receive free information products such as top sire rankings and daily news items, as well as learning about all of the products and services offered by TJCIS. This is the first step in using the information superhighway to distribute TJCIS's products and services,

and promote the entire industry to millions of potential new customers.

The Consulting Division continues to grow as the demand for the development of database applications for personal computers expands. The industry-leading Farm Management software package is being rewritten to operate in a Windows environment, which will expand the potential market and provide a much easier to use program for customers. This division continues to provide state-of-the-art technology services to farms and other industry related organizations not large enough to employ their own computer professionals.

EQUIBASE

A partnership between The Jockey Club and TRA founded in 1991 to establish a single industry-owned data base of racing and pedigree information.

EQUIBASE COMPANY BRINGS INFORMATION REVOLUTION TO RACING

Equibase Company continues to bring the information revolution to racing, generating profits for its partners and providing quality information to the racing fan.

The Company's unique and comprehensive simulcast information service, without which many tracks would be unable to provide simulcasts, has more than doubled over the last year, and has been a major contributing factor to the success of simulcasting in boosting pari-mutuel handle throughout the country.

Speed, pace and class ratings have now been added to the basic past performance information, and Equibase has become the dominant provider of information to handicapping services, thereby playing a major role in the expanded availability and affordability of such services.

Equibase has opened up new markets for racing with the introduction of the *Winner's Circle™*, an on-line news and statistical racing service developed in association with ABC Sports and available to more than 2.5 million subscribers of the commercial on-line service, America OnLine.

In fulfillment of its charter to make racing a more enjoyable and informed experience to neophyte fans, Equibase Company this year introduces *Bettor Times™*, an innovative racing program designed to present information about past performances in a visual and easy-to-understand format.

The Equibase performance database continues to grow, and now contains some 3 million starts, representing every race track in North America as well as most major foreign races. With the re-engineering of computer systems, major priorities continue to remain operational improvements in efficiency, and timeliness and accuracy of information.

GRAYSON

The Grayson Foundation, established in 1940 to raise funding for equine veterinary research was combined with the similarly-chartered Jockey Club Research Foundation in 1989.

RECORD FUNDING AS ENDOWMENT DRIVE NEARS GOAL

In each of the last two fiscal years, the Grayson-Jockey Club Research Foundation, Inc. has raised its levels of funding to new records. During the 1994-95 fiscal year ending June 30, the Foundation funding of research projects totaled \$597,229.

For the 1995-96 fiscal year, Grayson-Jockey Club's board of directors has been able to commit \$658,329 for 18 projects at eight universities. These record levels of funding have been supported by Chrysler Corporation's allocation of

\$200,000 in each of the two years.

The drive to double-match Paul Mellon's \$1-million donation to the Foundation's endowment was nearing conclusion at the end of the fiscal year. The present total stands at slightly more than \$1.8 million. Donations have come largely from individuals, but a number of race tracks are also participating.

The Foundation held a series of conferences among Thorough-bred industry leaders to develop a set of priorities for research. Enhancing the ability to avoid injury and treat injuries when they do occur were projects most often stressed.

These meetings are enabling the Foundation to enhance communication with the scientific community and provide increased leadership in equine research.

Contributions in support of the Foundation may be addressed to: The Grayson-Jockey Club Research Foundation, Inc., 821 Corporate Drive, Lexington, KY 40503.

TJC FOUNDATION

Established in 1943 to provide relief of poverty and distress among indigent members of the Thoroughbred industry and their families.

CHARITABLE SUPPORT CONTINUES TO EXPAND COVERAGE

Grants from The Jockey Club Foundation and Cavanagh Trust increased last year to \$564,000.

In addition to the 47 recipients who receive a monthly stipend to help them meet their day-to-day living expenses, the Foundation also assists individuals in paying for their medical expenses.

Again last year the Foundation awarded grants to many charitable organizations which provide direct assistance to backstretch personnel and others employed in racing. They included the Maryland Horsemen's

Assistance Fund, the Racetrack Chaplaincy Program in New York, the Backstretch Employees Assistance Team (BEAT), the "Mass at Belmont" Program, and the Thoroughbred Horsemen's Health and Retirement Fund.

Other beneficiaries were the Don MacBeth Memorial Fund, and the Gavin House, a substance abuse and treatment program for backstretch personnel in the State of Massachusetts.

Distributions from the Cavanagh Trust included grants to the University of Arizona Race Track Industry Program, the Race Track Chaplaincy of America, New York Division, the National Museum of Racing's educational program, and Ironstone Farm, a therapeutic horseback riding rehabilitation center located in Andover, Massachusetts.

PERFORMANCE HORSE REGISTRY LAUNCHED, AWARDS PROGRAM UNVEILED

The Performance Horse Registry, Inc. (PHR) which, for the first time, brings together in one central database the pedigrees of performance horses and their actual performance records in non-racing equestrian events, started operation in September of 1994. All horses which can be shown to be at least half-Thoroughbred are eligible for registration.

The project has received universal approval from national performance industry organizations and breed registries, especially the American Horse Shows Association, the United States Combined Training Association and the United States Dressage Federation. Equestrian disciplines of these three organizations will be the first performance records to be entered into the central database.

The primary goal of the new Registry is the promotion of the Thor-

oughbred influence in non-racing equestrian events, with a view to stimulating the market for Thoroughbreds in these areas and competing with the presently superior record-keeping of the performance horse industry in other countries.

In 1995, the PHR launched its Silver Stirrup Awards, a far-reaching incentive program which recognizes performances of PHR™ horses at all levels of competition in every major discipline, locally and regionally as well as nationally.

**MCKINNIE COMPANY
TRACK MANAGER® & OTHER
SYSTEMS RE-DESIGNED**

Last year, The Jockey Club acquired a majority shareholder interest in pioneer computer management developers, McKinnie Systems, Inc., and its *Track Manager*® product line.

Since the acquisition, made to protect the extensive investment racing had already made in McKinnie, the *Track Manager*® suite of software applications has been re-engineered into a modular set of race track-specific software solutions. These are designed to run on low-cost personal computers and to communicate easily with other business solutions and technologies.

McKinnie is also actively pursuing provision of custom software programs on an "as-needed" basis in support of individual race track requirements.

In these and other areas McKinnie's unrivaled race track experience is providing industry leadership in integrating the diverse technologies required to manage today's modern racing oper-

ations effectively.

The McKinnie acquisition by The Jockey Club not only offers a long-term guarantee of high operating and service standards to subscriber tracks, but is also enhancing the data acquisition and dissemination improvements being developed by The Jockey Club in association with the complete re-engineering of its computer operations.

SPECIAL PROJECTS

The Jockey Club continues its support of special projects in many areas including:

**NEW TECHNOLOGICAL
FRONTIERS CROSSED WITH SYSTEM
RE-ENGINEERING**

Throughout 1995, resources representing all facets of The Jockey Club, and its subsidiary and affiliate organizations, have been devoted to the massive task of "migrating" data from the obsolescent mainframe to a new "client-server" computer system; and implementing new operational programs and procedures to maximize the benefits of state-of-the-art communications and data management technology.

This complete re-engineering of The Jockey Club computer systems and procedures provides the foundation for a sophisticated infrastructure of information collection, storage and dissemination. This will be ideally positioned to serve the emerging Thoroughbred industry challenges of a growing cable television market, interactive home television and video services, and extensive enhancement of traditional race track services.

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