



**WEDNESDAY, DECEMBER 9, 2015**

## **Innovators' Circle**

**MODERATOR:**

**Hai Ng:** Partner, Neomancer LLC

**Mr. Doug Reed:** Welcome again, to the 42<sup>nd</sup> Annual Symposium on Racing. We're glad you're all here. I'm excited about the Innovators' Circle, but first let me thank our sponsors.

Last night's reception was sponsored by *Daily Racing Forum*. This morning's breakfast was compliments of the Thoroughbred Jockey Club Media Venture and America's Best Racing.

Also, I gotta give a shout out. In the changes that I had yesterday I forgot someone very important.

I mentioned the faculty and staff. I forgot to give Dean Hoffman a mention. I apologized for leaving him out, but Dean's a part of the faculty. He's an adjunct faculty member, but he also helps us a ton with the symposium. Thanks, Dean.

Just a couple housekeeping notes. We do have that different lunch today.

It's the meet, greet, and eat luncheon. It's a networking luncheon. There'll be table stands with different topics on 'em such as account wagering, innovation and technology, international topics, marketing, social media, race tracks and regulation.

Each table's designed to be a topical area. If you are interested in talking about things in those areas, go find one of those tables.

It's a buffet lunch, so you can serve yourself, and that's a new item because we hear how much networking is important to all of you.

Welcome to horse racing's first pitch contest. It's been over a year in the making. It's been an exciting ride, and it's exciting to be here at the finals now to the conclusion. I just wanted to give you a little background on how we got from there to here.

The event was conceptualized back in the spring of '04. The concept was actually approved here at the symposium last year. Every year we have the race track industry program advisory board meeting always on the Monday afternoon prior to the opening of the sessions.

Actually, our advisory board was pitched, if you will, on the idea of a pitch contest. With their approval, we moved forward. Now, we did run into a few bumps in the road as usual.

I had allocated — so I'll take all the blame for that mistake — about six months for dealing with the University of Arizona lawyers. Well, I was a little wrong, but we have partners in this which I'll introduce in a moment. Having partners, we had to have obviously a legal agreement. That took a little longer. We were hoping, actually, to announce — at least I was — in May or June, but we didn't get agreements signed until July.

The event wasn't publicized until August, so we're already a couple months behind what I would've dreamed as my dream schedule.

September 8, the entry box was opened for submissions. Actually, the first submission was made the same day, so somebody was really on the ball.

The contest was open for only 45 days, which was less than I would've liked, but when you see the results it's one of the things that I was pleasantly surprised with.

With the box being opened for only 45 days, we had as many as 89 submissions. Twenty-two were made in the final week, which is typical because I know how my students are about getting things in just in time. I see of 'em got a few chuckles out of that.

Submissions came from five continents. That was really neat. This is a map of where they came from. You can see we had a little diversity in entries, too.

Just as another comment, we really did have diversity in the type of entries. That somewhat surprised me to a good point.

There were all kinds of entries, some with horse healthcare, some with wagering, some with ways to do different things.

Just the variety was pretty good, if not exceptional. Now the finalists compete for the cash prize. Here we are today at the conclusion.

Let me introduce our partners and our moderator. We had two partners who had been working actually with us. I know many of you have seen them here in past symposiums, some people that we have — they have helped us with some content over the years.

Together we thought, let's do this. The idea germinated and it seemed like a natural partnership. I'd like to thank our partners, Hai Ng, with Neomancer LLC, his company, plus Vin Narayanan, are our partners on this project. Let me introduce the moderator, Hai Ng, with Neomancer LLC.

**Mr. Hai Ng:** Thanks, Doug.

As Doug has said, it's a really long journey, even for us, to try to get this thing off the runway, for that matter, working with the lawyers and whatnot.

How many of you guys have seen the series on HBO, Silicone Valley? Ooh, there is some. Good. It's not gonna be lost on you guys.

One of the glitches, I would say, that we encountered was we were asked to purchase insurance just for this event.

When I asked Doug what was the reason — we're not doing anything physical. They were afraid of somebody falling off the stage. The response that we got was that a judge might attack a contestant.

For those of you who have watched the series, you know what I'm talking about. If you haven't watched it, go watch it. It's really cool. It gives you an insight about Silicone Valley and how that works.

Let me get into a little bit about how this contest was run. Today you're gonna see the finalist. Before this, there was a submission process that Doug has spoken about that we opened for about six weeks, Doug?

**Mr. Doug Reed:** Forty-five days.

**Mr. Hai Ng:** Yeah, 45 days. During that process we had advertised not that much, a little bit on social media, mostly through just press releases.

Our sponsors helped a lot, obviously. This whole event is run purely on sponsorship money, so thank you again to the sponsors. Keeneland, not here?

**Mr. Doug Reed:** No, I think he had to leave for a family matter.

**Mr. Hai Ng:** Exactly, but thanks go out to the USTA, the *Daily Racing Forum*, and BAM. They made this possible, because it allowed us to give the prizes.

Now, the contestants would've submitted to us forms. They filled up a form online that described their entries, what they do, and they're free to express as much as they can to tell the judges.

The judges then receive those entries. What, we gave you guys two weeks to go through about 49 entries, of which 22 came the last week, which we only gave them three days.

They went through all that. This was all judged blind. The only thing that the judges saw is the description or the idea and the product, not who entered, where they entering from, and where they might be — their backgrounds are.

We instructed the judges not to do more research on their own. I'm sure some of them did, but we told them not to do research on their own and to just judge the entry based on the submissions.

From that, each judge gave us their top ten. The judges didn't confer. Every list we got was interestingly quite different.

It was compiled together with producer votes. That's how we arrived at our five finalists, which unfortunately one didn't show, but we have four here.

Now we're gonna start getting into the process itself. Since this is a racing conference, we're gonna draw the position through a post draw, starting post.

We need two volunteers. Can I have two volunteers? Come on, really? Alright. Yep, please. Yep, we got two.

**Mr. Doug Reed:** Wonderful. Have you worked in the racing office before, Anita? This is great.

I know, this is great.

**Mr. Hai Ng:** Please.

**Mr. Doug Reed:** Anita Hill is with the Arizona Center for Innovation, and she's been very helpful, actually, with this project. Great that you volunteered. I'm gonna ask you to come over here, Anita.

Doug, very good. Doug, have you ever done a draw?

**Doug:** No, I haven't.

**Mr. Doug Reed:** Okay. Well, we draw in the horse racing business for post positions. I think most of our audience knows what we're gonna do, but let me help you here.

I need one of you do to the pills, which determines the post position, or in this case the order of the finish. Okay?

I need one of you to draw slips. What we have is official entry blanks.

Actually, Lonestar Park just happened to be in my drawer, so that's what we're using. We've got the names of each contestant.

You can verify SwopStakes, Thoroughbred Stock Exchange, Standing Equine 3D CT Scanner, and Twenty for a Million.

I'm gonna ask Anita if you can stand here. I'm gonna put these — and you won't see which one is which.

You can pull 'em out of the box one at a time when I tell you.

Would you verify if you would, there are four pills and a shaker.

We got one through four?

**Doug:** Yeah.

**Mr. Doug Reed:** Doug confirms. Put 'em in there and shake 'em up. He's got four pills.

What Doug is gonna do is pull out a pill.

At the same time if you'd pull one of these out at a time and hand it to me, and I'm gonna write the post position.

Go ahead. You can look because their blind to you.

Pull one.

Both pull at the same time.

**Doug:** Three.

**Mr. Doug Reed:** Three is Twenty for a Million.

Next.

**Ms. Anita Hill:** Double blind.

**Doug:** One.

**Mr. Doug Reed:** One, Standing Equine CT Scanner.

**Doug:** Four.

**Mr. Doug Reed:** Four, Thoroughbred Stock Exchange.

**Ms. Anita Hill:** Are there four?

**Mr. Dog Reed:** Should be.

**Doug:** Two.

**Mr. Doug Reed:** Two, SwopStakes. We don't have any jockeys so we won't announce the jockeys, but just to reiterate.

Number one is Standing Equine 3D CT Scanner.

Number two is SwopStakes.

Number three is Twenty for a Million, and

Number four is Thoroughbred Stock Exchange. Thank you for your help.

**Mr. Hai Ng:** How about a hand for our volunteers? Alright, so before we go and introduce our first finalist, just a few more items. We will have an audience favorite.

Now, the finalists actually don't know about this, as well. This is a last minute addition to our contest.

You, the audience, get to pick your favorite, as well. Whoever gets the audience's highest votes will receive an additional \$1,000 cash.

Are we passing out the chips?

**Audience Member:** We are.

**Mr. Hai Ng:** You will receive poker chips, because after this we're gonna have four finalists go into a poker room, and the amount of chips you give them will be the amount of chips they have to play with.

Only one will come out a winner.

Grab a chip, and at the end of all the presentations you will see four boxes that's set up between the two exit doors in the back.

They're all labeled with the finalists.

Drop your chip into the box of your vote.

If you don't have a chip, grab one on the way out.

There will be somebody there.

Alrighty? Let me introduce the judges.

First up, Mike Tanner, Executive Vice President and CEO of the United States Trotting Association. Mike.

**Mr. Mike Tanner:** Thank you.

**Mr. Hai Ng:** Pick your seat.

**Mr. Mike Tanner:** I will.

**Mr. Hai Ng:** You know Mr. Wonderful sits in the middle.

**Mr. Mike Tanner:** Yeah, I'll stay away from there.

**Mr. Hai Ng:** Alright, next we have John Ford, Co-founder and CEO of BAM Software and Services LLC.

Last but not least we have John Hartig, chairman and CEO of Sports Information Group, the *Daily Racing Form*.

You guys have received your briefing. You know what you're gonna do?

**Judge:** We're ready.

**Judge:** We're ready.

**Judge:** Kicking ass and taking no prisoners.

**Mr. Hai Ng:** Perfect. Alright. The format of the final is simple.

Each finalist will get ten minutes to do their presentation. After the ten minute presentation there will be a Q&A session, which will not necessarily be timed, but we will try not to let it go too long.

We can open questions out to the audience, because you are voting. If you have a question, please come up to the microphone.

If I don't see anybody in the microphone, I'm just gonna move on to the next one when the judges are done.

Make sure that you're up at the microphone. Get in line. Get ready to go, and I'll call on you when the opportunity is there.

Alrighty? Everybody good?

Then let's get the show on the road.

The first to present is Dr. Sheila Lyons, and she is the founder and director of the American College of Veterinary Sports Medicine and Rehabilitation, and she is presenting her project, Standing Equine's 3D CT Scanner.

**Dr. Sheila Lyons:** Okay. Thank you very much. This has been an absolutely awesome experience from first learning that there was a contest or just any kind of acknowledgement for innovation and right through the process from the friendliness of the whole process to the way we've been received here.

Thank you all for being here, and thank you judges, and thank you for the hard work that went into offering this contest.

I'm Sheila Lyons. I'm a veterinarian. I've been practicing equine sports medicine and rehabilitation — 2015 marks my 30<sup>th</sup> year.

My background is that I have an education in both human and veterinary medicine, including a three year fellowship in human medicine and physical medicine and rehabilitation with a subspecialty in sports medicine.

It's through that connection that I bring technologies, methodologies, and thought processes from human medicine to benefit my equine patients. It works very well.

The lack of safety for horse and rider impacts absolutely every aspect of the horse racing business.

This seems, even if they happen once, if they're preventable, are too often.

No one likes to recognize that this sport can be unsafe, but I think the time has come that we have to turn our collective wishes for safety into an action to make sure that we are making this sport as safe as possible.

We need to know before this horse goes into the starting gate everything that we need to know to keep the animal safe, and to keep its rider safe, and to keep the sport ethical.

The question no these breakdowns is what are we missing and how can we fix that.

The leading cause of catastrophic breakdown in race horses is pre-existing injury.

This is not a theory. This is an absolutely proven fact.

Here are some misconceptions about racing injuries and breakdowns.

This is a conversation that I've had with every single client that I have that owns race horses.

Here's the one that everyday common sense tells you that this first one can't be true, but I promise you that it is.

That is that the degree of lameness, inflammation, or other common clinical signs correlate with the likelihood of catastrophic breakdown. That's false.

If the x-rays are clean, the horse is safe for racing and training. Bad step disease, there's been a lot of information published about this.

While I won't doubt that maybe in one of 1,000 breakdowns that that might be the case, it simply isn't what's happening.

The progressive development of degenerative arthritis in race horses is inevitable. It's not.

Regulatory veterinarians can identify most horses at risk through prerace examinations. Just think about that.

I bring all the technology, all the education. I have an endless amount of time that I can bring to evaluating my patients. It's a tough job. It's wonderful work. I absolutely love what I do.

Then the regulatory veterinarian might get ten minutes, no technology, to give it a thumbs up or a thumbs down as to whether it's safe.

I can tell you from my practice that's just not possible. My colleagues are doing a wonderful job, and they're doing it blindly, but it's time to change that.

The use of common anti-inflammatory pain killing drugs during training and racing will not mask the signs of high risk orthopedic injury. It happens every day.

If drugs are better regulated, this will be enough to prevent masking injuries that put the horse at high risk for catastrophic failure. That's not true.

If I could wave a magic wand and eliminate all drugs in training and racing, trust me that many of the people who are highly motivated to find a way to continue to train and race horses through injuries, they will find non-drug ways of doing it.

Subcondro pathology is a normal developmental repetitive stress or athletic injury which, if training and racing continue without adjustment can lead to stress fractures that are often fatal injuries in race horses.

This type of injury to bone which lies immediately beneath the cartilage often presents with minimal clinical signs, is undetectable by x-ray, and has been discovered through necropsy examinations to have preexisted and led to the majority of horse racing orthopedic fatalities.

We have a horse showing almost no signs that may very well have a ticking time bomb orthopedically. Subcondro pathologies can be diagnosed two ways, by CT scans and MRI's.

MRI is impractical because if I want an MRI of two fetlocks it takes two hours.

Computerized tomography or CT scans, until now, required general anesthesia, could only be done on an unloaded limb, and were impossible to use as a screening or routine diagnostic tool.

The equine standing 3D CT scanner, which came from human medicine, scans the standing horse, scans both limbs simultaneously, scans from the knee or hawk through the hoof.

The scan takes approximately one minute, requires only light sedation, produces high resolution imaging studies. It has outstanding safety because it has about the same radiation as a single human chest x-ray. This is a typical scan.

I wish I had the time to go into all that we can see in it, but this is what the CT examiner gets up on their screen. They get every view including up on the upper left hand corner the 3D rendering.

Here's a little video just showing you, again, when you examine these CT scans, all that you can see.

Now, these are cadaver limbs, and I used the human scanner, so you'll see that it's cut off at the fetlock, but the equine scanner will extend up at least another four to six inches.

We'll be able to get the entire fetlock to hoof. You can see that you can turn this around in 360 degrees. You can look anywhere you want. It is absolutely unmatched diagnostically.

This is revolutionizing human medicine and thank goodness the company has graciously agreed to come up with an equine version of their amazing technology. Okay. These are other videos. I'd invite you to please come to our table to see more of them.

Okay, so here's the project. We will build this prototype. This will be done through my nonprofit organization using grant money.

We will obtain CT scans of all horses in training at three different race tracks in the U.S. It will be a minimum of a one year study.

We will partner with two international jurisdictions that would also collect data on all horses in training. We will obtain training, veterinary history, racing surface, and other variables to correlate with our CT findings.

It'll be the largest collection of data to establish the nature and prevalence of orthopedic injury in race horses that has ever been undertaken collectively by my profession worldwide.

We'll scan some horses multiple times so that we can track injuries and determine the most effective veterinary treatments and management practices to ensure recovery. It can be used to screen horses for high risk orthopedic disease to assist regulatory veterinarians.

This will all be done at no charge to the owners, because they're providing us with the material that we need as a profession and as an industry to really understand how to make racing safer.

We'll publish this data and analysis in veterinary journals and horsemen's publications.

What do I need to make this study happen through my nonprofit? I need a commitment from the horse racing industry to collect this information to use it to improve racing safety, including the three tracks to partner with this project to enable us to scan all the horses on their grounds.

That will cost \$1.7 million.

Thank you everyone for this incredible opportunity and honor to present my project to the horse racing industry.

I'd like to thank the sponsors and the attendees and everyone, but you didn't give me enough time so that I could do that.

I'm gonna have to do that personally, which I intend to.

Thank you very much.

**Mr. Hai Ng:** Judges?

**Judge:** \$1.7 million?

**Dr. Sheila Lyons:** Yes.

**Judge:** That woke me up, to be sure. Obviously we're talking about a much smaller amount here.

Where else do you plan to take this?

**Dr. Sheila Lyons:** I have grant proposals pending now in front of some major players in the Thoroughbred industry and some companies.

Hopefully we'll get the funding in the next few months.

**Judge:** Catastrophic breakdown rates for thoroughbreds right now stands at about two horses per 1,000 starters. Is that —

**Dr. Sheila Lyons:** Well, I would say that that's correct for the horses that breakdown in racing.

I can tell you that the number is much higher than that if we start to collect the statistics, which no one has this data.

Horses are leaving the back sides of these race tracks in vans.

Those horses are being euthanized off the property.

They have injuries that are serious enough so that for whatever reasons they're not going to be treated and to see if they can continue to race. They're not counted in the death statistics.

Then the other thing is, of course, the permanent injuries. If you're an investor in a race horse, you want that animal — and scientifically it should get better as it gains experience.

Instead, we reach a quick peak physically, and then the diminishment in performance. Because I've worked with some very good horses, some good stake horses, I've been in on some of those meetings with the owner and the trainer at the end of the year when you decide is it going to run as a four year old.

A lot of the discussion comes around well, now that we're accumulating some of these injuries, will this horse be able to continue at its uninjured state.

The attrition is much higher than the two per 1,000.

**Judge:** Doctor, I admire your — it's a very noble cause. It's an important piece of research. What do you assess the cost of the equipment, the machine on the unit basis?

**Dr. Sheila Lyons:** It's impossible to nail down a certain number right now, but it will be in the ballpark of \$300,000.

**Judge:** Per unit?

**Dr. Sheila Lyons:** To put that in perspective, in 2004, I bought my first state of the art, digital, regular x-ray equipment. That cost \$150,000 in 2004.

When I compare, of course I don't have this prototype, so I've done these cadaver scans. I know what they'll let me see. Now when I have to look at a 2-dimensional x-ray, all I can think about is what I know I can't see in them. I paid \$150,000 for that.

**Judge:** Right. The cost coming down — so CT scanning, the costs are coming down, right?

If you went to GE Imaging, would they say its \$300,000?

Could you do it for \$50,000 per machine? I guess the question is then who pays for it ultimately?

Who operates it?

Is this on the owners, breeders, tracks?

**Dr. Sheila Lyons:** It could be structured, and I believe it will be structured in many different ways.

I predict that we are going to bring veterinary regulation, the regulatory vets for doing the prerace evaluations.

We're gonna bring them in to the 21<sup>st</sup> century. We're gonna give them the technology that they need.

You can fool a drug tester.

You can put a gel cast on a horse that has a seriously inflamed leg, and you can fool that veterinarian in that ten minute exam.

You cannot fool this CAT scan.

**Judge:** Right, so this is actually at the track? Would you see this machine at the track?

The horse is being tested before they go to the paddock?

**Dr. Sheila Lyons:** Yep. I would see this at every single race track and then as we learn more from the data, the data will help us to understand just how to apply it.

Certainly, I would want to scan, if I ran that race track, on every horse that got a stall. I'd say, "You've got three weeks to get your horse over to the CT.

We want to know what your starting point is." Then you would do it maybe as needed. Certainly if the track vet ever saw any reason to suspect that your horse was unsound, then they would require a scan.

Private veterinarians, of course, would use these scanners.

Ideally, we want to apply this technology so that we can identify the earliest signs of, say, arthritis, and treat them when it takes very little time and very little effort, but track them so that we really understand that our therapies are working.

As a veterinarian, I go in. I'll know my patients because I work proactively with them through their whole career.

I find a very slight change in a passive range of motion. Well, I understand the science. I've been paying attention to these necropsy reports.

I have to tell myself this horse may have that subcondro pathology that's a ticking time bomb. I have no way to diagnose it without doing the anesthesia.

**Judge:** Right. Let's talk about who pays for it. Who pays for it?

**Dr. Sheila Lyons:** In that case, the owner of the horse will pay for it.

**Judge:** Will pay for the actual — the CapEx, or the machine, or would they rent the machine?

**Dr. Sheila Lyons:** No, pay just like you would —

**Judge:** A fee at the track.

**Dr. Sheila Lyons:** — in human medicine. You go to the diagnostic imaging center, in this case at the race track.

Whether the track would charge you, whether a private veterinarian would buy this and say this is a great business.

I'll have all the CT scan business on the track. It would be a very good business to be in. Trust me.

Then maybe offer some deal with the track so that they can get a reduced cost for whatever their regulatory vets want.

**Judge:** Can you help me understand the value of this CT scan machine versus other CT machines, other MRI machines, and traditional x-ray?

**Dr. Sheila Lyons:** Certainly.

Traditional x-ray — let's start there — is 2-dimensional, so I'm always looking completely through the bone. We get all this superimposition. I can't detect the minor pathologies because I'm always looking completely through the bone, and I

get that superimposition of the density of the tissue. These minor pathologies cannot be picked up.

First of all, this is the only standing CT scan even in human medicine. To back it up a little bit, for over a decade — and I keep up with my medical side of my training — I asked the top physicians in the world, help me out guys.

I know the technology will come to you before it ever comes to me as a vet. I need to be able to scan a horse standing up. I need to get the subcondro pathologies. We know this is why the horses are breaking down. Let me know when something's on your radar.

They've said for ten years or more, we wish we had that, too. In 2012 in the fall I went to my academy's human medical conference. The head of the department for Mayo Clinic makes a beeline to me across a hall and says, "Ask me your question. You're gonna like my answer this year."

The FDA testing had just been done on this curved beam CT scanner, and it's everything that I dreamed of for wanting in horses.

It's not GE. It's not one of the big companies. It's a small company run by absolute genius engineers who have revolutionized human medicine. I cold called them.

**Judge:** Just to understand, this machine is able — what is the benefit of this technology? That it can be done quicker?

**Dr. Sheila Lyons:** In the standing horse.

**Judge:** What's the benefit of that?

**Dr. Sheila Lyons:** I don't have to have the index of suspicion to say I want your horse to go to a referral center, be dropped with general anesthesia.

**Judge:** No, no, what's the benefit of a standing?

**Dr. Sheila Lyons:** It has to be under general anesthesia if it's not standing, because otherwise you're putting that horse's leg through the tunnel. The same tunnel CTs are used in vet medicine as the same one that's in your hospital.

That horse has to be under general anesthesia. I can't say I have an ever so slight change in range of motion.

The x-rays are clean.

I want your horse to go to University of Florida and be put under general anesthesia.

**Judge:** You can't ask them to sit on the table and lay down.

**Judge:** Yes, hold still.

**Dr. Sheila Lyons:** In the time it takes —

**Judge:** That's the same with an MRI? It's the same problem.

**Dr. Sheila Lyons:** MRI they did come out with a standing MRI, and I'm very grateful as a clinician for that.

However, it takes one hour per fetlock. You can be 48 minutes into your scan. That horse goes and moves it's foot a tiny bit, voom.

Start over from scratch.

**Judge:** How do you get them not to move to a minute?

**Dr. Sheila Lyons:** For one minute? I'm quite sure I can do it with a single acupuncture needle, and most horses they get very chilled. If not then it would be very light sedation.

Now we have the choice of different types of sedation.

Some preferentially will cause an animal to sort of dissociate from its surroundings. This is very quiet. I think you saw the model over at the table there.

It would be like walking onto a treadmill.

In my experience, as long as the horse sees that it can walk through something it's no big deal.

**Judge:** Who's in track management out here? Hi, Scott. Would you pay \$300,000 to have this kind of equipment if it would solve or it could reduce catastrophic breakdowns?

**Mr. Scott Wells:** If you're asking me as a track manager if I had the regulatory push to do so, I would.

If I had the agreement of the horsemen or the Association of Veterinarians that work at my race track then I would. I'm a huge admirer.

I stopped by the booth and saw this technology. I certainly see the value of putting a standing horse and with the — no one's gonna put a horse under general anesthesia to have this done.

No one wants to spend an hour or 55 minutes and have to start all over again for one little movement.

**Judge:** What's the RLI on a \$300,000 investment for Remington Park? Would you pass that along to the owners?

**Mr. Scott Wells:** I haven't given any thought to the business model or the size of it from my standpoint.

As I said, I can envision a circumstance in which it would be certainly a great value to —

**Judge:** Excellent.

**Judge:** Is there a greater — catastrophic failures, are there other indicators that would prompt some horses to get a scan like this as opposed to other horses not to really suggest a scan?

**Dr. Sheila Lyons:** Well, that's what the one year of data collection is all about. I need to scan every single horse in training, not just the ones that the trainers say I definitely want this scanned or a vet.

First, the data has to speak to us. I was grateful during that 45 Ideas in 45 Minutes session to hear how much we need data to understand things.

In vet medicine, because in order to have a CT scan, you had to be under general anesthesia, we don't have the information on horses in training.

That's what will help us to understand okay, we'll be correlating this with physical exam findings and vet records. If we see that a horse has been getting Bute and Banamine after its races for a few days, or if we see that the physical exam findings are changing; then let our CT scan findings correlate that with, ah, that's when we had edema in the bone.

It wasn't a micro fracture yet.

That's when we had a micro fracture. That will help us to answer your question.

**Judge:** There's a learning process that you expect to go through during that year.

**Dr. Sheila Lyons:** Yep, that's right.

**Judge:** Just to go back to your acupuncture, I had a question. You feel you can calm the horse with a single needle of acupuncture.

**Dr. Sheila Lyons:** Yep.

**Judge:** Where do you do that?

**Dr. Sheila Lyons:** It's near the lumbosacral area.

**Judge:** In humans would that work, as well, to just to chill out?

**Dr. Sheila Lyons:** I had some done myself — you tell me —this morning.

**Judge:** We'll talk later about that.

**Dr. Sheila Lyons:** Okay.

**Judge:** There's nothing currently out there like this right now.

**Dr. Sheila Lyons:** There is nothing in human medicine or vet medicine except for this company.

I wish that I could tell you how this has revolutionized practice for my colleagues in human medicine. It's changed everything.

They tell me that they didn't know to even ask questions, and they're getting the answers.

**Judge:** Could you slap a DRF logo on it, and we could actually sell space.

**Judge:** Are most regulatory veterinarians — and I'm not trying to malign the professional. I have great admiration for them.

I guess what I'm asking is if you had this today, would most veterinarians currently in place be able to take a look right away and say, okay, this is wrong, this is wrong, this is wrong, or is this technology so new that there would need to be some training to go along with that?

**Dr. Sheila Lyons:** We always need training, so my answer will always be I'm in perpetual education.

I thought it was gonna end after — no, that's where it began.

However, there are board certified radiologists out there who have been reading the other kinds of CTs and veterinarians at the big practices, even if they're not board certified but this is all they do all day long, including CTs.

There are experts out there. I'm in the middle of taking a very in-depth one-on-one course with radiologists at Mass. General Hospital in Boston. I'm learning how to identify the pathologies in human medicine that we'll find in these horses.

Then they give me a bunch of scans to read.

It's a learning curve, but it's something that can be taught. I don't see that as a problem.

The other thing we're going to do in our year is a lot of education. Through my American College of Vet Sports Medicine and Rehabilitation, veterinarians from all over the world — I threw this up on our Facebook page, and I'm not a social media person. I don't even have an account, but my nonprofit has one.

Usually when I post one of the DRF articles or something like that and I say something about how it impacts safety or vet medicine, I'll get 30, 40, maybe 100 views.

I put one of the videos, because I thought I've gotta just start letting people know what I've been doing for a few years.

I went back two days later. It had 60, 000 hits. My messages were full. I was getting requests from all over the world.

Where can I find this?

Do you teach people about this?

Can I be an intern?

Can I come and just visit your clinic where you've done these scans?

Part of that year long process, because this is a nonprofit, will be that we will invite radiologists, veterinarians.

I'm known for not saying no to any colleague or vet student who wants the education. After this year is over, we will have hopefully taught the regulators at the track how we think that this might serve what they do.

We will have taught as many veterinarians and vet students as possible how to start reading these things and how to integrate them into the good work that they already do so that that year is also going to address the whole education issue.

**Judge:** Scott's gonna spend \$300,000. He's gonna have to hire a radiologist on a daily basis?

**Dr. Sheila Lyons:** That's what the \$1.7 million — that would be a radiologist that's needed on a daily basis.

The model they use in human medicine is thank goodness with digital imagine now, the radiologist can be at UC Davis in California and be reading from his track in real time. It cuts down the cost.

You don't have to physically have someone sitting in a chair in the room where the scan is done.

I think that once there is a business opportunity you just watch how fast there will be radiologists saying, "Pick me. Pick me."

**Judge:** I know there are various boards that are looking at taking some of the veterinary, medical, drug deployment into horses back to independent vets so that it's separated from the owner.

I'm thinking this could be a similar type of thing that you have independent company or somebody licensed to do it, and the owners pay x amount per scan.

It gets funded that way.

**Dr. Sheila Lyons:** I like the idea that whoever is reading the scan is not part of the world where it's being done. They're just giving them a cold read. They don't know that this is a horse that's entered in a grade one in a couple of weeks.

By the way, for the research phase of this, it'll all be done blind. All of these horses will get accession numbers.

They'll be read by at least two radiologists because in order to publish the paper I want to make sure that no one can say that it was a biased over or under read.

We'll partner with two international jurisdictions, and we'll have one radiologist that reads for all three locations. Then each location will also have its own independent read.

We've got some standard there.

**Judge:** With that big number for year one of \$1.7, what does Innovators' Circle little \$15,000 do for you?

**Dr. Sheila Lyons:** Well, let me tell you when you're a small nonprofit organization that quite frankly takes all of my own income, it's easier than writing a grant that you put a month into and then you get a thank you very much for your submission letter.

\$15,000 will help keep me in the education at Mas. General, covering some of those expenses so that by the time this launches I'm able to read the scans to begin with.

I'm able to network with the veterinarians that I need to to find those radiologists.

It will cover some of the education that my nonprofit already does.

Part of that will be the students that will partner with this particular project, so \$15,000 goes a long way.

**Mr. Hai Ng:** We have a question from the audience.

**Audience Member:** To begin, I do have a history in the medical field, especially in orthopedics, so I think this is fascinating work that you're doing.

**Dr. Sheila Lyons:** Thank you.

**Audience Member:** What was the cost of the program for the first year to scan all horses again?

**Dr. Sheila Lyons:** Scan all horses at three different race tracks, to do all the education of the people that want to come and be interns, etcetera, is \$1.7 million.

That includes buying, building the prototype of scanner.

**Audience Member:** Okay. Does that include all — when you say all horses, is that just Thoroughbreds? Is that Standardbreds, Quarter Horses, Appaloosas, Paints, all — when you say all horses, what do you mean by all horses?

**Dr. Sheila Lyons:** Well, I envision putting this at three Thoroughbred race tracks because what led me to this is the safety crisis.

We will make sure that we can bring horses into the track so that at the same time we're scanning Standardbreds, Dressage horses, Show Jumpers, so that the study will encompass more sports, but it will physically be at three Thoroughbred race tracks.

**Audience Member:** \$1.7 million would cover the cost of all the equipment, and two radiologists, and all of that?

**Dr. Sheila Lyons:** Yes.

**Audience Member:** There's a lot of — especially when you take all breeds, it seems like a lot more cost involved in that, especially when you got transportation cost and all the other cost in that.

**Dr. Sheila Lyons:** Well, I wouldn't pay to transport the horses to the scanner. We would let people know that we're having this study, and that they can sign up and have horses scanned for the purpose of contributing to our data, but they will also get the radiologist report.

That's one of the reasons, quite frankly, that I decided to take this course, besides the fact that it's just a good idea to understand as much as you can about your own project.

It cuts down the costs of radiologists charging per scan. I should be able to very easily do an initial read on the spot, and then for the purposes of research simply have the radiologist do their reads on top of that.

That's really for the publication.

**Audience Member:** One more final quick question. Do you see this as being a mandatory program for all horses then?

**Dr. Sheila Lyons:** Yes, I see 21<sup>st</sup> century regulatory vet medicine absolutely moving in the direction of diagnostic imaging technology. You can't fool the CT scan.

**Audience Member:** Thank you.

**Mr. Hai Ng:** One last question. We're running out of time.

**Audience Member:** Yeah. When you're talking about early diagnosis and pulling horses out of races, it gets controversial there.

Who's gonna set the standards for what is allowed for a horse in terms of what they can and can't race with?

**Dr. Sheila Lyons:** I think that's where the year of data collection comes in. We do have a very good understanding and a solid factual basis for saying what types of subcondro pathologies in particular are at highest risk from this necropsy program.

Certainly, I would say that if you already see the micro fractures, then we simply know that that is just a ticking time bomb. The horse can break down jogging around the track.

If we see a non-displaced condylar fracture, I've had horses in my practice where they were so sound that I have to turn away when they jog on a hard surface, and I can only pick up a slightly discernable discrepancy in how hard they're hitting.

That's the only sign that there's anything wrong with them.

Thanks to wonderful Bill Wright who sold his practice to Bill Reed at Belmont Park, I worked with him a little bit just because his daughter had eventing horses very early in my practice.

He said, "Do you work with race horses?"

I said, "Yeah, I do."

He said, "X-ray every single one. Even if they won't pay for it. You have an x-ray machine. You x-ray every one. Most of the ones that you think will be okay will be. Trust me. It won't be too long before you find a fracture line this big that just has another half inch to go before that horse breaks down.

Sure enough, the first time I found that I couldn't believe it. It changed my whole worldview. Those are the kinds of things that if we find those I don't think there's gonna be any dispute that that horse needs to be scratched.

**Mr. Hai Ng:** Alright. We are running short on time. Just a quick question for you. What is the ideal outcome for you at this point?

**Dr. Sheila Lyons:** Oh, man, the ideal outcome is that this technology will be put in place to — first and foremost to save these horses. That's the crisis that we hope to avoid.

**Mr. Hai Ng:** Do you hope to raise — how much money do you hope to raise from this?

**Dr. Sheila Lyons:** Well, from this, I'm just thrilled to be here. I'm just thrilled to get the word out.

What I hope to raise is the money that we need, the \$1.7 million to do this yearlong study.

I believe that once we've done that and we've established the science, we haven't just —

**Mr. Hai Ng:** Do you see that as a donation or would you see that as being a partner with you financially, equitably participating?

**Dr. Sheila Lyons:** That would be a tax deductible donation to the nonprofit organization. That guarantees that this is used only for research.

Then let my colleagues that get the benefit of all this research go out and buy one and make millions off of it.

**Judge:** Or the manufacturer of the machine.

**Mr. Hai Ng:** Or the manufacturer. Alright, we have 30 seconds, so quick —

**Judge:** Who is the manufacturer again?

**Dr. Sheila Lyons:** Curvebeam, and Arun Singh is here. He must be in the room, but — there he is right here.

That is the genius engineer who changed human medicine first by — he designed the first CT scan for oral surgeons and dentists, which essentially every dental office all over the world has it, sold the company, developed the standing PET scanner for human medicine, and that's when I came to him and begged him to please listen to what I wanted to pitch him.

**Judge:** One would imagine this scanner would have multipole uses, well beyond the equestrian market.

**Dr. Sheila Lyons:** It's not exaggerating to say I lie awake at night and say, "Oh my God. That patient I had three years ago, I would've been able to answer this question."

It's endless.

**Judge:** I'm thinking about my son in soccer.

The cleats, okay, he wouldn't fricking sit still for anything.

Stand here.

We're gonna x-ray your shin, or CT scan your shin.

**Dr. Sheila Lyons:** Exactly, and it's being done in doctors' offices now.

You don't have to wait for two days, get your CT scan appointment, wait for another week and come up to your orthopedist. It's literally done in the office.

This plugs into a regular outlet.

Because of the radiation safety, you don't have to have a radiation unit.

**Mr. Hai Ng:** We're out of time.

**Dr. Sheila Lyons:** I'm done. Okay.

**Mr. Hai Ng:** Thank you so much.

**Dr. Sheila Lyons:** Thank you all.

**Mr. Hai Ng:** Next up, the furthest traveled for the finalist from Australia, we have Project SwopStakes, and we have Shaun Pyrah from Six Faces Pty Ltd.

**Mr. Shaun Pyrah:** Okay. I'll tell you, we're good to go.

Firstly I'd like to make a quick thank you to the organizers who are putting this event on. I said before it's a truly wonderful opportunity.

I'd like to say congratulations to all my fellow finalists, wonderful people, and fantastic ideas.

What I would like to do, and the best way to understand what SwopStakes is about is to play it.

What we're going to do right now today is we're gonna play a game over five races. In those five races there are over 30,000 possible combinations of winners.

What we've done to bring this game down to manage this audience is we've reduced it through bracketing and bunching of selections to just 240 unique tickets.

The important thing about that is somebody will win at the end of race five, a \$3,000 accommodation package in Bali.

In SwopStakes there's a winner in every single game.

Let's go.

**[Recording]**

I believe you all got tickets on your table.

**[Recording]**

The footage courtesy of Sky Racing World, of course.

**[Recording]**

Okay, the race one winner was Buddy Bundy. On the tickets that you have in front of you or the tickets we delivered by email, if you had Buddy Bundy, well, congratulations. You've survived through to race two.

All the others, bad luck.

You're knocked out.

Make sure you play again next week.

Back to the not so fun stuff. My name's Shaun Pyrah. I'm from Australia.

My family and I have been in racing and wagering all our lives since we were born.

My sister's been a jockey and a trainer involved with Black Caviar.

I'm currently part of an Australia startup called Six Faces, obviously not the best looking one.

Today I'd like to talk to you about our new wagering game, which is called SwopStakes.

These are my other colleagues back in Australia.

They couldn't be here today.

We all have collective experience in wagering, digital marketing, and retail.

We often hear that wagering is a mature industry, and it's true to an extent.

We've had a really tough time globally due to increased competition from a variety of entertainment options.

What we'd argue is that against this backdrop there's been absolutely little or no product innovation.

What we'd argue is that it's the consumer's appetite for traditional wagering product that's matured, and not the appetite for the sport itself, which remains as exciting as it ever was.

What we're really not doing is building a big pie.

What we want to do with SwopStakes is change all that.

What we've done is developed a game that combines the fun and skill-based elements of games like poker with traditional sweepstakes and the excitement of live racing events.

We're pitching SwopStakes in a really attractive market gap, and we think a poorly contested one.

It's the one for life changing prizes but with social skill-based game play.

Now, I know lotteries sort of dominate this space. They have life changing prizes, but I don't think I'd see many hands if I asked who thought it was an exciting game to play.

Wagering, on the other hand, particularly on racing, as we saw just then, provides lots of chance for skill and entertainment, but there's really little option or opportunity for life changing prizes in the sport.

How does SwopStakes work then?

Well, for those of you who had tickets and participated in that game, what we do is we create a sweepstakes over a set of real, live racing events.

We create a set of tickets that covers every possible combination of winners in those events.

The important thing is that every ticket in the game is unique.

Because of that, at the end of the game there'll be one winner, and one winner only every time.

Where's the game?

Where's the skill?

Well, prior to each race — not in the race we're playing today because it's ticket-based — but prior to each race in our app, what you can do as a player is say which of the tickets I like here.

I'm going to hang on to them, because I think they'll survive through to the next race.

Which of the tickets I don't like?

Which do I think doesn't hold a winner?

Well, what I'm gonna do if fold then. I'm gonna cash them out.

In our game, we give every ticket a value. It's a pari mutual pool. We can cash that ticket out for you.

You can be cashed out before you knock out, or you can simply buy more tickets, increase your chance of surviving.

After each race is run, just like that race, the tickets that missed the winner are eliminated from the game. You're knocked out.

The tickets that hit the winner survive and go through to the next race. Because they've survived they're now part of a smaller pool of tickets.

Therefore, the value of those tickets increases. The aim of the game, simply be the last person left standing after the last race holding that one ticket that has every winner in the game, or you can trade your way through the game and cash out before you get knocked out.

This is a built product.

We've spent a lot of time building this. This is our screenshot from our beta platform.

I think I've got a laser pointer here.

You can see this is an eight race game here.

I've currently got 100 tickets in this game, of which in race one there are two options. I've bracketed three runners in set A, and six runners in set B.

I have 60 tickets on set A, which it tells me are a 51 percent chance of hitting in this race. Those tickets are collectively worth \$44 dollars at this point.

If they're successful in this race, it tells me they'll be worth over \$100. What I can choose to do here is check the tickets out.

If I don't think they're gonna hit, I can cash them out, or I can buy more tickets with this option.

All the information on this dashboard here for you to make that poker style game play to see it, fold, or raise.

Because all the tickets have a value, we are able to create leader boards in the game.

Leader boards are what millennials love when they're playing games.

It's about competing against your friends and other players.

We create a leader board. You can see the progress of your friends, the value of their tickets. You can vote on whether they should hang on to their ticket or get rid of it.

You can see the leaders in the overall game, and see how they're progressing and what's on their tickets.

The game operates in three basic modes, easy play, which is a BINGO style game with no cash out, no trading of tickets, much like the game you're playing today.

You essentially get a ticket and you track through the course of the races whether or not you're alive or not alive.

We then have a version of the game called Player to Operator. In this game you get that decision before every event runs to cash your ticket out.

In this game, if a ticket is cashed out you can also buy tickets back from the bank. The ticket you cash out becomes a bank owned ticket, and players can buy back in or buy extra tickets from the bank.

We also have a version of the game, a more complex version, which we call Player to Player.

In this game, you can not only cash out and buy from the bank; you can cash out and buy from every other player in the game.

It really becomes Player versus Player and competitive wagering.

There are many variations of the game when you create a game.

You can create a game that is for a single race meeting, or is a game based on two races from four separate tracks.

You can vary and include different racing codes, so you could have harness, graze, and gallops at a particular location or over a particular period of time.

You of course can vary the number of tickets in the game, and we've seen that in this example here.

You can vary the price of the tickets, which impacts the prize pool. This all depends on what your target audience is.

We've conducted independent customer research on this game with a Canadian company called Vision Critical. They identified three core target markets for these.

The important target market is the game of chance players, those traditional group of customers that play lotteries and play slots who are looking for the big, life changing prize.

The other important group was the players who play regular wagering, regular sports betting. They see it as a game of skill, something that they can trade-in and beat.

The really important segment is the pros. They see it as a game of value in which they can trade their way to a profit.

Importantly, the people who liked it the most were the people who bet the most often.

The game makes revenue in two ways.

The first is a traditional rake on the sale of a ticket, well understood.

We also have a secondary market for cashed out tickets.

Just quickly, because I'm aware of the time, if you have a ticket valued at \$10 and want to cash it out — sorry.

**Judge:** I love it. The concept's cool as hell, I think. I'm not sure what it is, though. What problem does it solve?

**Judge:** You like it. You're just not sure what it is.

**Judge:** Yeah, I'm struggling with it. I like the impulsive nature.

You don't have to be a player.

Is it skill-based? Is it more a game of chance?

I know you've got three different tiers.

You've got multiple tickets over how many races.

**Judge:** Is it legal would be my first question.

**Judge:** Is it legal?

Do you need an ADW for a track?

What does it solve?

What problem does it solve?

**Mr. Shaun Pyrah:** Should I answer all of them?

**Judge:** It's gotta solve a problem, right?

**Mr. Shaun Pyrah:** Okay.

The first problem it solves is there's a real gap in wagering, and that's the life changing prize with skill-based wagering.

The reason for that gap is — and we see it as attractive. People are attracted to a \$1 million prize or a \$10 million prize.

There's been plenty of attempts in racing and wagering over my experience to create that type of opportunity.

The trouble is the way they go about it is with traditional thinking.

That means in order to offer a \$10 million prize, I've got to give you a proposition that's really 100 million to one, or 200 million to one.

We've seen the Pick Sixes, the Pick Eights, the Pick Tens. The problem with those is twofold.

One, they appeal only to your existing hardcore customers. That's the first thing.

A guy off the street who's used to playing lotteries or recreational player is not gonna do the form or the handicapping to try to pick ten winners.

Your hardcore customers that understand the proposition recognize the bad value on it. They recognize the impossibility of the odds. Therefore it fails.

There's been a couple of attempts in Australia to have \$25 million, \$100 million prizes. To me, they're a little bit like this.

The proposition is you can get \$100 million if you can chip this golf ball into the other side of that football field and hit that eight cup without breaking it.

I go, well, it's \$100 million. I'll give it a go. I line up and then just as I'm about to do it they say, "No, not that one. The one behind the picket fence over there."

It's become impossible to offer really attractive products to those two markets. That's the problem it addresses.

The way it addresses it is by offering a prize in which in every game, because of the way the ticket's constructed, there's a winner.

The game's won every time.

**Judge:** Just on that point, if you took a very simple example of three races and five runners each, that you would determine the number of unique tickets —

**Mr. Shaun Pyrah:** 125.

**Judge:** Thank you — the number of unique tickets.

You then sell those unique tickets at the same value. It's not like oh, the ones that have the favorites I pay more.

**Mr. Shaun Pyrah:** Correct.

**Judge:** It's the same value.

How do I get that?

I just buy a random ticket?

**Mr. Shaun Pyrah:** Yep. You go online to the app or you go to the retail —

**Judge:** Okay, whether I'm at a race track or at an ADW, I buy that ticket.

**Mr. Shaun Pyrah:** You go online to the app.

You say I want \$10 worth of tickets.

You get ten quick pick tickets, and those tickets have the details of your horses on them.

**Judge:** Okay, and are you thinking that's a pari-mutuel wager, or is that a handicapping contest?

**Mr. Shaun Pyrah:** No, it's pari-mutuel, because what we do is we use fixed odds to calculate the chance of those runners being successful.

**Judge:** What impact does that have on the purchase of my ticket, though?

**Mr. Shaun Pyrah:** Well, what it does is you might buy a ticket for one dollar.

Okay?

Your ticket, by chance, happens to contain the favorites in those three races.

**Judge:** My ticket's more valuable than Mike's ticket.

**Mr. Shaun Pyrah:** Correct. That's right. As soon as —

**Judge:** The story of my life.

**Mr. Shaun Pyrah:** As soon as you buy that ticket, we use the market odds, real time, through our integration to assign a value to that ticket relative to the size of the pari-mutuel prize pool.

**Judge:** Okay, but that's just for the purpose of if I wanted to resell my ticket at that moment, I could cash out because I've got the five favorites, and so okay, I'll sell it for three times what I paid for it.

**Judge:** Five minutes before post or at which point do you do that?

**Judge:** I guess any time.

**Mr. Shaun Pyrah:** Up to post.

**Judge:** Values change — 30 percent takeout.

A little steep from a player's perspective maybe?

**Mr. Shaun Pyrah:** It sounds steep.

**Judge:** It does.

**Mr. Shaun Pyrah:** Let me point it out.

It sounds steep at 30 percent takeout for one product, but if you had an eight, or nine, or ten link carryover bet and our games are modeled to go over eight and ten races, where you've got, say, \$1.92, \$1.95 line, it's more valuable than that.

It's more valuable than the takeout of each race.

**Judge:** It's between racing and lottery.

Lotteries at 50 percent Racing's at 20, and so you kind of have a lottery card.

I'm just still stuck on whether this is a pari-mutuel wager or whether it's a contest. The prize is fixed in advance?

**Mr. Shaun Pyrah:** Yeah.

Can I say as a consumer, that's irrelevant?

**Judge:** Well, it's not irrelevant to whether the thing works or not.

Right?

**Mr. Shaun Pyrah:** No, what I'm saying is from a consumer perspective and the attractiveness of the product — and that's who we have to focus on when we talk about product.

**Judge:** Well, I know, but we also have to not get arrested when we offer the game out there.

**Mr. Shaun Pyrah:** I understand that, but if we're to focus on product innovation and to make or create a bigger pie for the wagering industry, what we have to do is put ourselves in the shoes of the consumer.

We have to —

**Judge:** No, no, I get that.

I'm just trying to think through this.

Let's say we've got \$100 into the pool, and you're taking the 30 percent out, the 70 percent is going to the winners.

**Mr. Shaun Pyrah:** The prize, yep.

**Judge:** The one winner?

**Mr. Shaun Pyrah:** One winner, one winning ticket in every game.

**Judge:** It sounds like you might be able to do that either way.

Handicapping contests require a fixed prize in advance, a fixed number of participants based upon the skill or the outcome of the participant, which maybe this one isn't cuz it's randomly selected.

Right?

I don't get to pick my ticket.

**Mr. Shaun Pyrah:** There's two ways you can purchase tickets in the game.

You can purchase them as quick picks. That's aimed at the casual recreational lottery player, my mother, the young guys who are just going to the race track.

I know that was one of the ideas here yesterday for \$25 packs of tickets as you walk on course.

They want something that gives them immediate engagement without the effort.

We've all got kids.

**Judge:** What's the other one?

**Mr. Shaun Pyrah:** The other way is to go onto the game site or the app and to search for outcomes that you want.

**Judge:** I can go pick the ticket that has the second and the first race, and the third runner in the fourth race?

**Mr. Shaun Pyrah:** Absolutely, because once the ticket is sold, it becomes exposed in the market. You can see all of those tickets and if —

**Judge:** I can pick a ticket that has my runners that I want in those races?

**Mr. Shaun Pyrah:** Yes.

**Judge:** If it's available.

**Mr. Shaun Pyrah:** If it's available, and if Mike owned that, you can say to Mike, "Gee, I see it's currently worth five bucks. You know, I really like those horses. I'll give you six bucks for it, Mike." Then Mike will see on his app, oh, I've just been offered six bucks for this. You know what? I'm gonna take it.

**Judge:** I got you. Okay.

**Mr. Shaun Pyrah:** If he did that, his account would be credited six dollars.

Yours would be debited six dollars, and ownership of the ticket would transfer from Mike to you.

This is all built — and I can show it on a stand in real time.

**Judge:** Again, run through an ADW, run through a track, you need a host partner.

**Mr. Shaun Pyrah:** If I can just answer that in the context of what we've done so far in Australia, and I know that we are relatively naïve about the U.S., and you have the regulations are different.

What we've done in Australia is we spent time on independent customer research first to make sure it just wasn't something we thought was neat.

We then spent times with Addison's, who are the preeminent legal counsel for the industry in Australia with Jamie Addison.

He's given us a letter that says there's precedent in every state in Australia for this to be licensed as a pari-mutuel wagering product. Okay?

Just prior to coming to this meeting, we were able to reach agreement with a tier one organization in Australia for distribution, and when I get back hopefully we'll be moving down a path to integration and launch in your spring for our autumn racing carnival in Sydney.

**Mr. Hai Ng:** Shaun, what are you looking for in the U.S. market?

Would you be looking for a partner to buy this product?

Will you be looking for an investor to invest in your company to deploy this product?

What are you looking for?

**Mr. Shaun Pyrah:** Well, first and foremost we're looking to have some validation that this is an attractive product for the U.S. market.

In Australia we have a model where we don't want to be the operator or be licensed ourselves.

We would work with; I believe in this context, it's a race track. They would be the licensed operator.

We can run that on the basis of a fixed license fee, a revenue share arrangement, it really doesn't matter.

The important thing about the revenue share arrangement, as well as the rake on the initial ticket, is that really critical secondary market for the resale of cashed out tickets, which I know from my relationship with a lot of high valued customers around the world is very attractive for them.

They see it. With no insult to everyone as a recreational customer, they see it as a pool of money.

**Mr. Hai Ng:** John, from a software company point of view, how do you see this?

**Judge:** No, I think it's interesting.

What happens if you don't sell all the tickets?

**Mr. Shaun Pyrah:** That's a good question.

The game platform, when we configure it as a number of parameters that we can set, one parameter we can set is what we call — it's like a pay on dead heat.

If we got to, in your example, race three and one of the tickets — the winning ticket hadn't been sold, what we could do is pay everybody that was alive going into race three a share of the pool.

Okay?

It's like when you pay on a dead heat for first. You split the pool.

The more exciting option and the one that we'd prefer is that if the game isn't won — let's pretend this is a \$1 million game on one of your really big days. You've sold \$900,000 worth of tickets, but what happened to happen was the winning ticket wasn't sold.

What we can do is we can carry over that pool to the next event.

We can do that in two ways.

We can either just carry over by giving everybody who was in that game a free ticket in the next event.

Better, we can say the people who are alive at that final point, they get that amount of tickets in the next game.

That's their dividend for getting that far through the game.

Sorry, next game —

**Judge:** That doesn't sound like you've really figured that out yet, because your prize is dependent upon — your prize and your takeout is dependent on selling 100 percent of the tickets, cuz the track or the ADW makes no money until they can have the takeout with the sale of the tickets.

**Mr. Shaun Pyrah:** The track makes money every time we sell one ticket.

**Judge:** I'm sorry, go ahead.

**Judge:** Hold it.

Let's just use your example.

You sell one ticket and I have a losing ticket.

That one ticket's a loser.

What happens there?

**Mr. Shaun Pyrah:** Well, that's an extreme example. I haven't come all the way around the world to sell one ticket.

**Judge:** No, but you sell half the tickets, and they're all losers, it's cancelled out?

In a pari-mutuel model, of the people that were in, you divide it up among —

**Mr. Shaun Pyrah:** Let me try and explain another way. What we would do is replay that game, replay that game on the next race meeting.

**Judge:** Aren't you gonna piss off a lot of players who'd done a lot of work to handicap?

**Mr. Shaun Pyrah:** Absolutely not, because what we're doing is either one of two things.

We're saying everyone who played in that game gets to play again in the next game, so you get a second chance.

**Judge:** Yeah, they just gotta do the work again, right?

**Judge:** Yeah, you get a credit then. Right, but — You need liquidity here, right?

**Mr. Shaun Pyrah:** I think it's quite the contrary to what you said.

Rather than piss them off, what you'd be doing is actually rewarding them for playing by giving them an opportunity to replay.

**Judge:** I want to talk to you a little bit about your market research.

In terms of people who are likely to play this game, I think most everybody in this room would be interested in developing new players.

What I'm seeing here at a 30 percent takeout — and I'm not trying to get fixated on this, and I'm not saying that certain people wouldn't jump into it — what's gonna get newbies into this?

Are you moving money — who did you survey to begin with?

Who says they're gonna play this?

I'd be curious to know about sample size.

I'd be curious to know about anything else you can tell me about the research that you put forth.

**Mr. Shaun Pyrah:** I'd be happy to give you a full copy of the research report.

It was conducted by Vision Critical. They're a multinational market research company based in Canada.

Down in Australia they specialize — they have a specialized branch in gaming and wagering.

We conducted qualitative and quantitative studies.

I'll give you the full transcripts of the stories here.

**Judge:** Who was your population and what was the sample size?

**Mr. Shaun Pyrah:** What we specified in the research study was we wanted people from those three categories, in frequent light people, frequent, once a week, and heavy.

We did that.

We excluded anyone over 65 just on the basis that this is gonna be pitched using new technology.

Because it's being pitched using new technology, if you have a look at our interface, if you come down and have a look, it doesn't look like a wagering application.

When I go to a wagering site, it looks like a dog's breakfast. There are so many options. There are so many ads. There are so many banners and flashing lights.

If I was a new customer coming to that I would run a million miles. That's why Fan Duel and Draft Kings are winning.

**Judge:** That's why what, Shaun?

**Mr. Shaun Pyrah:** That's why Fan Duel and Draft Kings are winning is they —

**Judge:** Yeah, it's impulsive.

It's fun.

You make a bet.

You get cash immediately, right?

**Mr. Shaun Pyrah:** They make it look like a game.

In this game, if you were playing SwopStakes, you could get cash immediately. On some of our demonstration games out there, there are tickets valued at \$18 that were just bought for a dollar. I could cash that out straight away before the race is even run.

**Judge:** How many races per day?

Is there a scale issue, number of races, number of people?

**Mr. Shaun Pyrah:** This is where you would sit down with the marketing people at the track and say, "Well, who are we pitching this at?"

Is this a national audience we're pitching it to?

What sort of demographic are we pitching it to?"

**Judge:** Then you could craft the parameters of the game around that demographic.

**Mr. Shaun Pyrah:** Correct.

You set the prize value.

You set the number of tickets.

What's important about this is on one — say one meeting at Del Mar, you could have 20 different variations of the game running off that one meeting.

You could have \$1 million game.

You could have a high buy-in, low ticket game.

You could have a game that's just on the last four races.

You could have a game on the jockey challenge.

**Judge:** Just to follow up on my question, Shaun, so do you think this is a game for increased play by existing customers, or do you think this is a game to attract new customers?

**Mr. Shaun Pyrah:** I think primarily for the industry it's a game to attract new customers.

It did test very positively with existing customers, because a life changing prize is attractive to everybody.

They know how hard it is to get through traditional wagering. You don't go into a traditional wagering onto a track or a traditional wagering out with five dollars and come out with \$50,000. I've never seen that happen.

If you constructed a game like that in this, somebody that day would. Now, what I should say is in our prototyping, we ran live games with the Tasmanian Harness Racing Club.

My son's got an intellectual disability and we were raising money for Special Olympics.

What we did was we created games with 1,200 tickets. Each ticket was five dollars. We sold out the \$6,000 worth of tickets, which was probably about what their tote was holding on race one.

We kept \$1,000 for the Special Olympics.

We offered a \$5,000 prize for five dollars.

On the first night we ran it, because it's Special Olympics, a lot of these guys are challenged when they're dealing with things.

Well, they had a ticket just like the ticket you have on your table, except it went for eight races.

We started with the Special Olympics function room, which just the people attending that were in. By the time we had worked through two or three races, everybody on the track was in our function room.

They were just caught up in this knockout process of where this was going to end. When it got to race five, the last race, we called the last six people out up on stage.

We said, "How are you feeling right now? One of you is gonna win \$5,000." They said, "Oh, we're all feeling pretty good. That's great." I said to this lady, "I'll give you \$500 for your ticket now." She went, "Oh, really?" Her husband's like, "Don't you take the \$500." Some bloke from the back of the room shouted out, "Don't listen to him. I'll give you \$1,000."

**Mr. Hai Ng:** Unfortunately, we're out of time.

Thanks, Shaun.

Alright. Thank you.

**[Applause]**

Well, before we bring up our third finalist, I'd like to say thank you to Peter Rotondo from Breeders' Cup for being the face of Innovators' Circle 2015 on our video, in case you didn't recognize him.

Next up, we have 20 Wins for a Million.

Coming on stage we have Joel Benson and Steve Wolf, EventNetUSA.

**Mr. Doug Reed:** Just so I'm clear, Hai, so we —

**Mr. Hai Ng:** We have two hours, so we're chugging along.

We have half an hour left.

**Mr. Doug Reed:** Yeah.

**Mr. Joel Benson:** Where's the Power Point?

**Mr. Hai Ng:** We'll go over time. It's alright.

**Mr. Joel Benson:** Hi everybody. My name is Joel Benson.

My background is for 30 years I've owned a consumer brand marketing company called EventNetUSA.

I have clients including L'Oréal, M&M Mars, Blue Cross Blue Shield. That's afforded me the opportunity in the past nine years to get into the racing business.

I own JL Benson Stables with 14 horses that race in Florida and through the northeast.

**Sam:** I'm one. I'm Sam. I'm a millennial.

**Mr. Joel Benson:** Bob Dylan, one of my favorite people because he is in the entertainment business.

You know what guys? We're in the entertainment business in racing.

Why Bob Dylan is a marketing genius besides a great singer, because he understands his audience when he said, "Cuz times they are a changing."

What was the baby boomer who we used to market to and used to come to our tracks is now the millennial.

How do I forward this, guys?

Do I have to point it any certain way?

I did. Oh, it went by two.

One thing that millennials have that the baby boomers didn't have is the internet.

Sam, do you use the internet?

**Sam:** Absolutely. I use it every day, social media, where I'm going, who I'm hanging out with, what I'm about to do, even the food I'm about to eat.

Honestly, if it's not on social media it's not happening.

**Mr. Joel Benson:** Okay, now I've got this thing working right.

We're fine.

Well, they've got theirs.

We need ours in racing.

According to the Attorney General of New York, there are 600,000 people, most of them millennials that are playing on Fan Duel. Sam, do you play on Fan Duel?

**Sam:** Definitely. Every week I play fantasy football. I play with me and my buddies. It's how we stay in touch.

Down a few hundred dollars, but honestly it's alright, cuz when my players are playing in the game I'm just that much more interested in watching.

**Mr. Joel Benson:** Guys, look who just got involved in this business.

CBS Sports, on Thanksgiving 12 days ago came out and said, "Hey, we're gonna offer you guys statistics. We're gonna sell you the statistics, and you can pick not just fantasy football leagues, but we're gonna rate you, as you can see, A1 for Carolina playing."

CBS is going to allow you to learn about who they're best favorites are in picking football games, hockey games, NBA games, college games. Oh, by the way, they're gonna charge you \$100 for the year, and CBS through Sports Line is going to send you statistics. No, no, no, CBS doesn't. We're not in the gambling business. No, no, no. We just sell statistics.

Sam, are you a handicapper, you and your millennials?

**Sam:** I never thought about it before, but every week I spend time for fantasy football doing research, I mean, hours every Friday night. Now that you mention it, explain it, I guess I am a handicapper.

**Mr. Joel Benson:** Well then, if we have better statistics in racing, why aren't millennials coming into our track? That's the problem. Now, we are online a little bit. You can see that the ADW is —

**Sam:** Joel, can I say something here?

**Mr. Joel Benson:** Sure.

**Sam:** You can double these offers.

Honestly, if I'm betting on horses, dogs, chickens, it doesn't matter. I don't understand what I'm putting my money down on. It's not going in. I'm not putting my money in.

**Mr. Joel Benson:** Therein lies the problem.

If the millennial won't come into racing, how are we gonna get them?

What we do is we follow the rules that our consumer brand clients do. It's all about sampling, trial, and evaluation. We can't take a millennial and put a rope around them and tie them and bring them to our track. That won't work.

What we can do is we can use these to get them to understand the racing game. What we need to do in racing is to put a sample of racing into their hands so they can trial racing, and they can evaluate and make their own choice if they want to become race fans.

This is what it's all about. This is what we want to teach them. This is what we want them to learn.

Tracks need millennials here, now, today. We all know that. We need to keep our business alive.

We have a product that will generate trial for these guys, sampling so they can evaluate it and make their decision on racing.

It's called 20 Wins a Million. Play 20 For a Million on your cell phone, on your app, on your iPad.

The game is free, absolutely free. There's no wagering. There's no gambling with 20 Wins a Million.

We're not under federal regulations to do what we do. It's a promotional game made to promote people like millennials to come to your track. They will, and they'll come to each track locally.

It'll be promoted at each hometown track, and it will also be available at [20winsamillion.com](http://20winsamillion.com).

Here's the deal. If you'd like to win a prize — and who doesn't — and you want to play for free, the first player after they register, the first player that can pick 20 races in a row correctly will win \$1 million for free.

Now, your question's gonna be, can somebody really pick 20 races in a row?

How many people in this room could pick 20 winners in a row? No, I didn't think so.

Well, guess what? The game is not for you. Sam, would millennials try this?

**Sam:** Are you kidding me? Bro, this game is free. I can play on my phone since it's convenient and you can win \$1 million.

Of course I'll play.

**Mr. Joel Benson:** That's the answer that we want to hear, because 20 is not about getting current race fans.

We're going after guys like this. Twenty is about prizes.

Here's how we're gonna get millennials in. If they make three picks in a row, they win a \$20 prize, either at an ADW, and if they win the prize at the ADW, you know what the millennial has to do? They have to take out their credit card.

They've got to go to the ADW, and they've gotta register, not putting any money on their card, but they just have to register their card in order to be eligible to pick up their \$20 win ticket. We're also gonna give away if they win five races in a row.

They'll win a \$10 wager ticket at the race track.

What do they have to do? They've gotta go to the track to redeem their prize.

We're gonna give out — the tracks are gonna give out merchandise.

They're gonna give out free food. They're gonna give away dinner at the clubhouse, anything that they can do in prizes to bring the millennial to the track.

They don't have to pick 20 to win the \$1 million. All they need to do is get familiar with racing and familiar with the track.

**Judge:** Okay, can I just fast forward on the business model here? What it is is that you're looking for a track sponsor or an ADW sponsor —

**Mr. Joel Benson:** Correct.

**Judge:** — that would provide the prizes, I assume.

**Mr. Joel Benson:** Correct.

**Judge:** You've probably ensured the \$1 million prize.

**Mr. Joel Benson:** We have.

**Judge:** Your model is that you'll charge a fee to the track or to the ADW to —

**Mr. Joel Benson:** Tracks pay \$7,500 for the rights to the game.

**Judge:** Okay. Is that an annual?

**Mr. Joel Benson:** That's an annual, and then it's based on the number of players that play the game. Then we have a monthly —

**Judge:** You mean a per player fee or something?

**Mr. Joel Benson:** Well, for the \$7,500 they get a set number of players.

**Judge:** How many do they get?

**Mr. Joel Benson:** They get 7,500 players, 7,500 players, and if they go above that level it's 50 cents a player, everything up to 15,000.

**Judge:** How do you guys make money?

**Mr. Joel Benson:** We make money from the tracks.

We generate our money from the tracks.

**Judge:** That \$7,500. Got it.

**Mr. Joel Benson:** That's why it's a free game.

**Mr. Hai Ng:** Yeah. We'll give you that 30 seconds back to let them finish their ten minutes.

**Mr. Joel Benson:** Oh, thank you.

**Judge:** Oh, sorry.

**Mr. Joel Benson:** No problem.

**Judge:** I violated the rules.

**Mr. Joel Benson:** I can go with that. We make winning easy from the start to get these guys in. First race if their pick comes in first, second, third, or fourth, boom. You win.

**Sam:** Look at that. I won.

**Mr. Joel Benson:** We send you an email. Congratulations, Sam Loverlips. You just picked a winner yesterday here at Santa Anita. You have to make your next pick by Thursday. Don't get locked out so you can make your next pick. Everybody loves a winning streak, so if they pick two in a row — in their second level if they pick a horse that comes in first, second, or third, boom. You won again, Sam.

**Sam:** I won again. I'm on a roll.

**Mr. Joel Benson:** Then at level three the next race day, if they pick a horse that comes in first or second, boom, boom, not only did they win, but they get their first prize at the track.

**Sam:** You guys, check it out. I got a prize.

**Joel Benson:** Then the boasting begins as they start to tell their friends over the internet, because everybody loves using the internet to tell people what they're doing.

**Sam:** Alright, hey Mia. I'm going to Gulf Stream on Saturday. Do you want to come with me?

I'm going to pick up my prize from 20 Wins a Million, #20wins.

**Mr. Joel Benson:** That's how the game works. It's fun.

The millennials will tell other people. They'll visit the track. They'll make their picks.

Then the game gets harder cuz we're not gonna give \$1 million away to everybody that plays. From level four to level 20 they have to pick the winner in every race. If they lose, they go back to zero and they can start all over again on the next race day.

Now, does this work?

Does online gaming work for free games to win big prizes?

Our friends at Major League Baseball, and I know some of you have come to our booth and we've talked about this.

Baseball has a game that's very similar to this game, 20 Wins a Million, where they give away \$5.6 million if you can pick players that get a hit in 56 straight major league games. Two and a half million people play baseball's Beat the Streak.

It has been going on for 14 years. No one has won the grand prize yet, and they're still playing. CBS just announced — that's an actual email I got three days ago announcing that they're going back again in 2016.

Online gaming works.

What works for us is our game is easy.

Sam?

**Sam:** Okay. I know in movie theaters they tell you to turn your phones off before the show starts.

Right now I want everyone to take your smart phone out for real.

Go to [20winsamillion.com](http://20winsamillion.com).

See how easy it is to sign up and get started within a minute or two once you guys go there.

**Mr. Joel Benson:** Well, if it's too dark right now in the room and we don't have all this time, it only takes about a minute and a half to sign up.

When you fill out the registration, we need that because we're paperless. If you noticed I haven't been taking business cards. I'll go through that.

That's how the game is played. You just pick your horse. We have handicapping tips, race cards. This is what it's about, sampling, engagement, trial, and activation to our millennials.

**Sam:** If someone out there knows family member, friends that want to try it.

**Mr. Hai Ng:** We're done. That's it.

**Sam:** Show of hands.

**Mr. Joel Benson:** Out of time. Yep.

**Judge:** We are at thank you. We are done. We missed it by 12 seconds.

**Mr. Hai Ng:** Alright, judges. Your turn.

**Judge:** I've gotta say. That was choreography that would make Dancing With the Stars envious.

**Mr. Joel Benson:** Thank you.

**Judge:** Sam certainly made an impression here.

Joel, I guess my question is it looks like you're through with development. You have the product. Why are you here?

It seems like maybe you should be out there marketing it to tracks, horsemen associations, whatever, ADWs.

**Mr. Joel Benson:** That's a good question. We have discussions with a few tracks so far.

We are gonna be launching in March.

We are ready to go.

We're ready to get out and get started.

**Judge:** You're launching your own site, right?

**Mr. Joel Benson:** No, the tracks. We're gonna start going to the tracks which is one of the reasons that we're here.

**Judge:** Does it have to be local? Could it be national?

**Mr. Joel Benson:** No, local, so people that play it that live in Florida, they'll pick at Gulf Stream.

People that are in California will be Santa Anita.

People in Detroit will be Northville.

It's a local game, but we're gonna do it on a national basis.

**Judge:** What do I get if I go to 20winsamillion.com?

**Mr. Joel Benson:** You get the opportunity to play the game.

**Judge:** You sponsor that or is there a track that sponsors that?

**Mr. Joel Benson:** No, the track. Let's say that Gulf Stream is our sponsor track in Florida.

When you register you put on the registration that you live in Florida, and that Gulf Stream is your hometown track.

The race that we pick for you to pick on the game will be a Gulf Stream race, so that you as a player, you get familiar with Gulf Stream tracks, Gulf Stream jockeys, Gulf Stream trainers, handicapping through Gulf Stream.

**Judge:** Okay, so you'll put on your website the tracks that you've partnered with and sold your product to.

**Mr. Joel Benson:** Only those tracks.

**Judge:** Okay. How do you — do I get to pick my race that I —

**Mr. Joel Benson:** No, that's a very good question. We are mandated by our insurance carrier — you give me your race card.

Our handicapper then picks the best race of the day that's the most evenly balanced field.

That one race goes up on 20winsamillion.

**Judge:** You pick that?

**Mr. Joel Benson:** Our handicapper picks that race, yes.

**Judge:** Not the insurance company?

**Mr. Joel Benson:** When someone gets above a ten streak level, then the insurance company comes in, and their handicapper picks the rest.

**Judge:** Okay, so he's picking the toughest race, obviously.

**Mr. Joel Benson:** It will get tougher as the scores get better from the millennials.

**Judge:** How much do you pay for that \$1 million policy?

**Mr. Joel Benson:** \$60,000.

**Judge:** If you were to select 20 even money shots in a row, which — what you're saying is that's probably not gonna be an option because we're picking races that are very, very competitive.

**Mr. Joel Benson:** We are picking competitive, of course.

**Judge:** Two to the 20<sup>th</sup> is over a million. It's one million —

**Mr. Joel Benson:** Twelve and a half million to one to win the big one.

**Judge:** Okay, and that's — I'm going into the best case scenario that would bring it down to a little over a million. I just don't see — it's impossible. Not impossible, just —

**Mr. Joel Benson:** Well, that's why I said, just like major league baseball, their \$5.5 million prize no one's won that one, either.

**Judge:** How do we convert horse players if you offer them a game that they can't win?

**Mr. Joel Benson:** Well, they do win. They do win. They win all these prizes. They win \$20 wager —

**Judge:** No, I get that. I get that. I'm wondering if there's more of a distance.

**Judge:** I agree with Mike. At Bet America, we ran a \$1 million prize for picking I think it was seven baseball players who hit a homerun in the same day.

It's been done 11 times in baseball history or something. Didn't really get a lot of traction because people think, "I can't do that."

**Mr. Joel Benson:** Well, you know something? A couple of my slides got jiggered up at the beginning when I didn't push it right. We missed about four slides and I apologize for that.

This game is motivated through the internet. It's all about social media. When a young man like this or a young lady like in the audience wins their first three races by picking a horse in the top four, three, two, they're excited. They're excited.

Our game is not for current race fans that are gonna go, "I can't win 20 races." That's not what this is about.

**Judge:** When you're cashing tickets, you think there is a frequency of win that would keep someone —

**Mr. Joel Benson:** Well, we're making it easy. They're gonna get to three very, very easily.

**Judge:** What do I get for three? I get a meal at the track or something?

**Mr. Joel Benson:** It's up to each track.

If Santa Anita says, you know what? We want to give out a \$25 win ticket for getting three in a row, then that's the prize.

We don't set the prizes.

The track sets the prizes.

**Judge:** Can you convert them into a better, into a handicapper, into a player? How do you upsell them into —

**Joel Benson:** I missed that question.

**Judge:** How do you upsell them into playing the game, learning to play the game, rather than just —

**Mr. Joel Benson:** There's handicapping on the site. I'm gonna keep using Gulf Stream because that's been in my head as an example.

There is a spot on the site where you'll be able —

**Judge:** They're gonna charge you for using their name during this presentation.

**Mr. Joel Benson:** I bet.

There's a spot on the game where a millennial, a new player — cuz again, we're only going after new people. We're not going after established race fans. We need to bring new people to the industry.

They'll be able to get handicap interests from the track that's gonna say tonight or this afternoon's race, race eight, our selections are two, five, and seven. You'll be able to look on the race card, and we're gonna tell you why we picked that to be the horse that wins.

**Judge:** We could bring in Mike Wells from Gulf Stream, right?

**Mr. Hai Ng:** Let's take a question from the back.

**Judge:** We can have Mike Wells from Gulf Stream saying just here's some basic, very, very straightforward win bets.

**Mr. Joel Benson:** Very basic. It's a simple game.

**Mr. Hai Ng:** Let's take a question from the back of the room.

**Audience Member:** You may have answered this already, but I was curious. You said that you partner up with a local track and then they wager on that particular track.

What happens when they're dark?

How do those 75 players — do you migrate them over to another park?

**Mr. Joel Benson:** 7,500 players.

**Audience Member:** 75 hundred, 7,500.

**Mr. Joel Benson:** Right.

**Audience Member:** How do you get them to migrate?

Do you move them — who do you migrate them to when it's a dark day or when it's not the racing season?

**Mr. Joel Benson:** No, when the race is dark, well we notify them — remember, the good part about this is we have statistics on all of our players.

We have their email addresses. When they win or if there's a dark day, we send them an email to let them know when the next race day is going to be.

If your track is open on Monday, Wednesday, and Saturday, after they make their pick on Wednesday, they'll get an email on Thursday telling them that the next race that they can participate in is —

**Audience Member:** Okay, so now it's the off season and I only run three months out of the year. You gotta wait nine months?

**Mr. Joel Benson:** When your track is down the game is over for that year.

**Audience Member:** Okay, so it's gonna be a perpetual game that — so there's no cross over?

You don't try to move those players maybe to another track that's local or regional?

**Mr. Joel Benson:** Nope. If your track is dark, then your track is dark. The game is over just like in baseball.

When the baseball season is over they're dark now until spring training, until they start again in March.

**Audience Member:** It just seems to be an opportunity to continue to bring these players on board, I guess, if they're interested in continuing to play the game even if it's on another track. That's what I was curious to know.

**Mr. Joel Benson:** Here's the thing. They can.

When they register, they register Gulf Stream as their hometown track. If that's where they won the \$20 prize and we want them to go to the track to pick up that prize, or dinner for two at the clubhouse, if they picked the track at the Meadowlands, they're not gonna get on an airplane to go pick up their prize.

Can they at Meadowlands in order to win the \$1 million prize?

Sure.

They could play at two or three tracks at a time if they want to. As far as the prize structure goes, it's —

**Audience Member:** The local track.

**Joel Benson:** — up to each track. We want to drive people to your track. We want to drive people to your ADW.

**Mr. Hai Ng:** Back to the judges. We're okay on time.

**Judge:** Am I right, 10:18?

**Mr. Hai Ng:** No, we're good.

**Judge:** To me, it's what you want to do. You want to get someone going from Gulf Stream over to Santa Anita over the summer saying it's up to Belmont or Saratoga.

You want to migrate people in.

You wanna get them engaged.

**Mr. Joel Benson:** When they log in, on the registration page it says, "What track would you like to participate with?"

If they live in Florida, they're probably gonna pick a Florida track.

If they want to pick Santa Anita, they can.

If they want to pick Meadowlands they can.

**Judge:** How can you get them engaged in handicapping, learning to play, and learning to make a bet? I get all these Mike Welch's in here.

**Mr. Joel Benson:** No, that's a great —

**Judge:** If Mike's saying here are some very straight, very clear cut win bets. This is who I like and why. Oh, by the way here are buyer speed figures and correlate these two things. You cast some tickets.

**Joel Benson:** That's a very fair question that you ask.

I'm sure everybody in this room has had the same questions come up in their mind. This is a basic game. It's free. It's simple. It's easy to play.

If you want to learn how to handicap, there is a video portion on our handicap system, right under our picks, that says if you want to learn more about handicapping, you can click on the hyperlink and you could go to the track's site.

We will seamlessly integrate and go to the track site. You can see who the leading drivers are, who the leading trainers are, what post positions are winning.

If the track wants to have their track announcer do a video on how to read a program, that's —

**Judge:** Does MLB.com who's been doing this for years, do they have any data that show that's either getting people to the ballpark or it's getting people more engaged with them?

**Mr. Joel Benson:** Not to my knowledge, but if they've been doing it 14 years, they must know what they're doing.

**Judge:** Is their prizing, the prize structure similar? Is there a tiered—

**Mr. Joel Benson:** No, their price range sucks. It's bad.

**Judge:** Okay.

**Joel Benson:** I've been playing it for two years. Here's what they give you.

If you've got — the first one is at five in a row.

Anybody out here played Major League Baseball, MLB?

Okay, so if you win five in a row, they give you a scratch off card, and they'll give you a 25 percent discount on major league merchandise. That's their prize. Everyone is —

**Judge:** Then they give something else as you move up.

**Joel Benson:** It's all discounted.

You could win a 50 percent discount or a 75 percent, but it's all about buying Major League Baseball, Detroit Tiger baseball hats, or jerseys, and things like that.

They don't drive you to the ballpark, not like our racing program does.

**Mr. Hai Ng:** Joel, what's your best outcome from this competition?

Are you looking for investors? You know the question I've asked before.

**Mr. Joel Benson:** Yes, and I appreciate being here.

We have had some discussions with people that want to invest in our company, which I'm very happy of, but we are pleased to get the word out to the tracks and the publicity that's gonna go.

We are a marketing company. We're gonna publicize the fact that we've been here.

If you nominate us to be the finalist, it's the credibility that that's gonna give us with the people here in this audience and the race executives around the world that aren't here today.

**Judge:** You don't have a patent.

You don't have any IP.

Do you have any kind of moat built around this business?

We can launch DRFs, 20 million, blah, blah, blah, and —

**Judge:** 25 million.

**Judge:** — in about nine minutes with all of the stuff, the platform in place, 1.5 million players in our database and go to town.

**Joel Benson:** Time out.

We have a patent.

We are patent.

**Judge:** What is it?

Is it a method patent?

**Mr. Joel Benson:** We have a provisional patent.

We're protected right now through the U.S. government.

**Mr. Hai Ng:** Provisional, so it hasn't been issued.

**Mr. Joel Benson:** No, I have one year to protect our patent.

**Judge:** That's bullshit.

If I hire Ventura right now I could do sweeps.

I could call it whatever the hell I want to call it.

Based on what grounds would you come after me?

**Mr. Hai Ng:** Under the patent rule, only when you're awarded the patent will he have to cease and desist.

**Mr. Joel Benson:** Right. I understand.

**Mr. Hai Ng:** If you're not awarded the patent —

**Mr. Joel Benson:** I get it. I get it. I get it.

It's twofold.

Number one, my attorney might be a bigger attorney than your attorney.

**Judge:** I don't think so.

**Mr. Joel Benson:** Number two —

**Judge:** He's got a pretty big attorney. He's got big attorneys.

**Judge:** We're pretty good at this.

**Mr. Joel Benson:** To answer Mike's question, really, the reason why we're here — yeah, anybody could come up with the concept, but to get the cooperation of the industry, to get this track in New York, and this track in Chicago, and this track in Florida, once you put the tracks together anybody else can come up with the game, but they'd have to go back to the same track and go, "No, no, no. Our game is better than 20 Wins a Million. Take ours."

First, to market, in marketing in my brands that I work with, it's always about first to market.

Here we are.

We're first to market.

**Mr. Hai Ng:** Let's take one more from the audience before we run out of time.

**Mr. Joel Benson:** Yeah, sure.

**Audience Member:** I figured as one of the few millennials in the crowd I might as well make a comment.

**Mr. Joel Benson:** Yes, happy to have you.

**Audience Member:** Despite being a racing fan myself, I don't follow most of my favorite tracks on social media. You emphasize the importance of social media.

I was wondering what your marketing strategy would be to reach those of us that aren't hearing from tracks or aren't interested in hearing from tracks.

**Mr. Joel Benson:** We are going to be boosting.

We're gonna run boosts on Facebook, on Instagram, and on Twitter.

When one person goes to our registration page, they're going to see the different tracks in the United States that are offering the game. If you live in Florida and you look under the games you could play at Meadowlands.

You could play in California, or you'd probably be playing at your hometown track so you could pick up your prizes.

What's that?

Oh, the tracks are gonna be promoting it, of course.

If the track is gonna invest \$7,500 to own the rights to the game, the track is gonna be promoting it on their race card program, on their PA announcers, with signage at the track.

More importantly, the millennials are gonna be spreading the word.

Hey, there's a game that you could win \$1 million and it's free.

There's an online game. You can win \$1 million bucks, and you can win prizes at tracks.

It's free.

They're gonna spread the word.

**Audience Member:** You're relying on people like us to Tweet to our friends and get the word out about it?

I'm not saying that I wouldn't. I would, but I'm just saying how are we gonna contact those people to get the word out?

**Mr. Joel Benson:** We are doing our boost program first.

We're gonna start to light the fire.

We're gonna kindle it by getting promotion throughout Facebook, throughout Instagram, and throughout Twitter.

Then the tracks are gonna do it on their end.

By the time you start playing and you start winning, people take pictures.

You millennials take pictures of food and post it on the internet as what you're eating cuz it's exciting.

This game is exciting.

This game is gonna catch fire, and everybody's gonna be talking about it.

**Mr. Hai Ng:** Alright, Joel. Thank you so much.

**Mr. Joel Benson:** I'd like to thank you.

Thank you very much for putting this all together. We appreciate it.

**Mr. Hai Ng:** Finally, we have Jonathan and Leslie Lutton from the Thoroughbred Stock Exchange.

As you might have guessed we're actually running close to a little over.

It's kind of like a presidential debate.

There's no time to go pee.

Let's have the last one.

**Mr. Jonathan Lutton:** Good morning.

We are very excited to have been selected as a finalist for the first ever Innovators' Circle.

My name is Jonathan Lutton, and this is my wife Leslie.

**Ms. Leslie Lutton:** Good morning.

**Mr. Jonathan Lutton:** Together we are the co-founders and developers of Thoroughbred Stock Exchange.

Just a side note, I am a millennial myself. We can kind of relate here. We're both avid racing fans.

We come to this sport from two completely separate walks of life. Leslie came from the ownership side of things, the training, the breeding, and had 20 years of experience in the industry. I came as a fan.

I watched the Kentucky Derby when we were on ball trips.

I was a baseball player in college, but we would always focus around the races that were promotable.

Once they ended, we weren't real sure what to do or if there was even more races.

With your patience, she's taught me through the process and enlightened me a little bit on what's available in horse racing.

I was lucky enough to go to Saratoga early on in my racing career.

I knew that the moment I stepped foot in historic Saratoga race course that this was something that I had to be a part of. I just didn't know how.

Now, there are many race fans all across the country from tracks small to large that have the exact same feeling the first time they go to a track.

They stand on the rail. They watch the horses come down the back stretch and they feel the thunder.

Then they just want that experience over and over again. The question is how do we get them all involved, and how do we keep them involved?

What Thoroughbred Stock Exchange does is we take the traditional ownership models that some people — maybe it's expensive to get into.

Maybe the people don't like it because there's ongoing fees. You can't liquidate once you're in.

If they're anything like me when I first started, there's no real place to turn if you don't know anything about the industry.

What we've done is we want to solve those problems, and we created a model that bridges the gap between traditional ownership models, fractional partnerships, and then all the race fans that want to be involved in this sport like never before.

How do we do that?

Thoroughbred Stock Exchange we can segment into two separate parts, each of which are designed to capture the different types of fans, the first part being the online trading center.

The online trading center allows Thoroughbred Stock Exchange members the ability to buy and sell shares of race horses from any computer, any mobile device instantly and from anywhere in the country.

This technology allows for an ease of use for the members as it delivers the traditionally complex information such as the pedigree sheets, past performance charts, and it translates them into easy to understand information that's right on the same screen.

The person that's looking at it is right there. It's all at their fingertips.

What that does is it allows people who traditionally would never have purchased a share in a race horse that opportunity.

The share price is at a low cost, as low as \$57 a share. There are no ongoing fees ever, and no cash calls. Purchases can be made right from your iPhone or computer.

Use your credit card, your PayPal, and if you want to send a live check, that's no problem, too.

The other unique feature of Thoroughbred Stock Exchange is there is more than one way to potentially earn a profit, the first being that any winnings are split amongst the shareholders and divided out just like the traditional model, but the second part is as the horse trains or as it progresses through its racing career, the share price can fluctuate just as a normal stock market would.

The members can decide to sell their shares using the online trading center for the price that they see fit on it.

Now, after each race and during the training of a young Thoroughbred, at the Thoroughbred Stock Exchange, we use a valuation system to determine the current share price or the suggested share price of each of the horses.

The valuation system is an algorithm based on proven analysis methods currently used in the racing industry today, and each horse's price is pretty much subject to that outcome.

Members do not have to sell their shares for that price.

It's simply a gauge if they weren't familiar or they weren't sure. They can list them for whatever amount they want, which creates a secondary competitive market that the members can now trade their shares and sell amongst each other.

Now, the second part of Thoroughbred Stock Exchange is it's the experience you get.

It's when you hit submit and that stock certificate comes four days later with your name on it and your horse's name on it, you're gonna frame that.

You can put it on your wall, put it in your office. What is the experience you get? Why are you gonna continue to go back to the tracks day in and day out, and actually watch those races on Thursday and Friday that maybe aren't a grade one?

Leslie's gonna talk to you a little bit about that.

**Ms. Leslie Lutton:** Thank you.

All of us have a story to tell about how we got into horse racing.

In my first ever start as an owner; I won at 24 to one odds. I will tell you, as exciting as it was that day, it's not the reason that I got hooked into the sport.

It was everything in between that developed my passion, the backside, the paddock, the trainers, the owners, the jockeys, the analytics, and all the relationships that I've met along the way with people like you.

The problem is — is unless you're an owner or you have some industry connection, the only things that hooked us into the sport, people are not going to experience them. Many fans and newcomers are only seeing our sport as one dimensional.

If we are lucky enough to get them out to the tracks, they usually sit by the rail for a few minutes, gamble some tickets, and they're gone forever.

If we're gonna keep the fans engaged for longer than two minutes, Thoroughbred Stock Exchange knows that we can do it through the ownership experience. That's why we created Stable Club for our members to enjoy.

Stable Club will work similar to any frequent flyer program that's out there today. Members will earn points based on their trade activity. Then they can use those points for the experiences that they want.

We'll have everything covered from the backside and paddock privileges, meet and greets with trainers and jockeys, and the photos in the winners' circle that so many people seek.

We want their story to begin from the moment they press submit on the TBSX Online Trading Center and buy that first share.

Members will then have access to our live chat on our website, or our concierge service by phone so that Thoroughbred Stock Exchange can assist with all those perks of ownership.

We would then communicate with our tracks about the seating, the dining reservations, and the ownership experiences that each one of them desires.

We want to keep their track trip hassle free, always giving them that VIP feel to know exactly what's bringing them out that day.

We've never been able to really capture that demographic information, so by doing this, we will know that and be able to target our market and keep them coming back for more.

All across America, we will have stables of horses that our members can choose from. We will keep the horses at different tracks with different trainers and jockeys with the utmost integrity.

That's very, very important right now with our sport.

This way, we can possibly restore the faith in some of our horsemen that have left this industry because of a bad experience, but also then begin to positively pave the way for the new owners and fans of the sport.

Whether a person buys that share and that horse on a trading center or as a gift of one potentially from a friend, shares can be sold and bought easily, affordably for a one-time fee. This unique feature gives our members the ability to quickly diversify their portfolios of horses using our technology, allowing a flexibility that we have never had in our industry before now.

Most importantly, unlike fantasy sports, our members will have a vested interest, because they will have access to their horse's revenue stream, making it more thrilling than ever before, including the breeding rights.

No matter if someone is wanting to buy a share because they want a possible other way to make an investment, or a chance at that next Triple Crown winner like American Pharoah.

Thoroughbred Stock Exchange has created a business model that can revolutionize racing, get more people into our race tracks and keep 'em there. Once the fans are actually hooked, because they have that story to tell similar to yours or mine, it will pave the way for the rest of the industry, and it will be a win-win for all of us here.

How often can we say that in racing?

That's it.

Thank you.

**Judge:** How do you guys establish the valuation? How do you establish — there's initial valuation, right, for the horse?

**Mr. Jonathan Lutton:** Yes.

**Judge:** Right? To determine that price.

**Mr. Jonathan Lutton:** Absolutely.

**Judge:** Similar to an IPO, right?

Then its price is adjusted up or down based on their performance over time.

**Mr. Jonathan Lutton:** Absolutely. If the —

**Judge:** What are the objective criteria to determine that —

**Mr. Jonathan Lutton:** From the start?

**Judge:** Both.

**Mr. Jonathan Lutton:** Yeah, from the initial everything is transparent.

Let's say we claimed the horse for \$10,000. We build the \$10,000 in.

We do 15 months' worth of training bills, because the lifetime of a horse is —

**Ms. Leslie Lutton:** Thirty months.

**Mr. Jonathan Lutton:** Yeah, 30 months. Then we take the liability for the second half of that horse's racing career.

We do that because we charge a small price for a trading fee, and we use that money and funnel it back in, and we also retain, what, 200 shares of each horse.

There's 1,000 total. We retain 200.

**Judge:** You have equity in the horse.

**Mr. Jonathan Lutton:** We have equity in the horse.

**Judge:** You're covering the cost of training.

**Mr. Jonathan Lutton:** We're covering the cost of training, absolutely.

Now, for the valuation process on the second part, what we do is we use the pace handicapping model.

We've made an algorithm that it basically applies the winning horse of that race, if your horse isn't the winner, and how the times of our horse did.

It basically adjusts, and there's different point structures for — on the second turn, did it use 50 percent more energy than this one or the other one?

Was it behind?

How did it fair out?

When you do the pace handicap, you can pretty much tell if your horse if it should have ran in that race, or if it expended too much energy.

We just use that as a medium.

It raises the price by a percentage depending on the point system outcome. Then if there are shares left that haven't been sold to members, then that's what the price adjusts to.

However, if the shares are sold out, we'll just publish the suggested share price. Then the members can choose.

**Judge:** Your algorithm just creates a suggested value and people can trade at whatever.

**Mr. Johnathan Lutton:** Absolutely. It's just suggested.

**Judge:** The algorithm, do you own that?

Have you leased that?

**Mr. Jonathan Lutton:** No, we just took a — yeah, we just started the patent on it, but that was the only part that we could patent.

However, it is just pace handicapping that we awarded a point system to just so we can have a hands-off approach.

That way a human isn't in there saying, alright, this share should go up ten bucks or drop three.

It's really based on the performance of that horse in the race.

**Judge:** The valuation is based on nothing other than that performance.

**Mr. Jonathan Lutton:** Absolutely.

**Ms. Leslie Lutton:** Well, soundness.

**Mr. Jonathan Lutton:** Soundness.

Now, if it comes out of the race and it isn't sound.

**Judge:** How do you quantify soundness?

**Mr. Jonathan Lutton:** We had the vet do a check on it at the end of the race, and if they clear it then it goes into the process of valuation.

They have to be cleared to run.

**Judge:** You make money — so the winnings are — there's a distribution, right, along the way.

That would be winnings, but is that less expenses?

**Mr. Jonathan Lutton:** No. There's 1,000 shares total.

We hold 200 of them.

Whatever purse is made, we split it up over 1,000 shares, and then divvy it out to the people that own those shares.

**Judge:** You've covered your expenses by the initial sale price that you give them.

**Mr. Jonathan Lutton:** Absolutely. We buy the horses up front. We recover that.

**Judge:** This is kind of syndication at a micro level.

**Mr. Jonathan Lutton:** Absolutely.

**Judge:** Instead of paying \$5,000 or \$10,000, I'm paying \$50.

**Mr. Jonathan Lutton:** Absolutely.

The point of that is we want the people to move through the progress into syndicates or into horse ownership on their own at their own pace.

Right now, if I had \$10,000 and I have a bad experience, there's no way I'm ever jumping back into ownership ever again.

If I start at — maybe I have that \$10,000. I buy one share for \$57. I have a great time. Now I'm comfortable enough to go to a large syndicate, put the \$10,000 down.

**Judge:** The idea is that that horse that I bought my \$57 in, when it runs at my local track I'm gonna go out.

I'm gonna get more engaged in the sport.

**Ms. Leslie Lutton:** Bring my friends.

**Ms. Jonathan Lutton:** Absolutely, I'm gonna tell my friends about it.

There's just a reason to go watch.

**Judge:** Sam might even buy a share. You never know.

**Mr. Jonathan Lutton:** Absolutely.

**Judge:** I got a question.

If you're working for a publicly held company, your goal is to maximize shareholder value. That's the mantra for what should drive every decision.

**Mr. Jonathan Lutton:** Absolutely.

**Judge:** We're not talking about commodities here.

We're talking about race horses.

What might maximize shareholder value might not be right for the horse.

**Mr. Jonathan Lutton:** Right.

**Judge:** How do you address that conflict?

**Mr. Jonathan Lutton:** We can't look at it on that—this is a publicly traded company.

We're only going to act in the best interest of us.

It doesn't get fans to the track. It will dissuade more people than it will actually bring in.

For the maybe the \$100,000 we'll make because of those decisions I'm gonna lose \$400,000 on people that won't come back because they're gonna go tell their friends, "Hey, listen. I got screwed out of the money. I can't get it back. I'm never gonna do this again."

The point is to get more and more people there to get the biggest quantity of trades possible, because those people are gonna go to the track, and they're gonna be interested in the sport again.

Then we can get them into handicapping.

We can get them into the other parts of it and let them progress through to where we're at today.

**Judge:** The business model somewhat makes some sense.

What's fun about it? What's fun about your experience?

Not fractional ownership, but how do you bring, how do you engage people?

Are you showing winnings posted daily?

Are you giving—

**Ms. Leslie Lutton:** Push notifications, depending on how they want to be contacted.

Let's face it. We have a lot of old timers still in this industry.

You have people middle of the road, me, and then we have the millennials.

Right?

We have a bunch of different markets really going on here. We can't just assume that we should just go the way of technology all the time.

That's why there's two different types of ways to really get them involved.

The concierge service by phone, people still like the phone. They like that customer service experience.

I really want to be able to engage that, so having somebody very inexpensively to do that — it doesn't cost much to have a call center answering questions.

**Judge:** This isn't a question so much as it's a piece of advice.

I obviously have read through your submission.

Within that document you identify several levels.

You mentioned kind of like the frequent flyer. I noticed that you had to — an investor had to achieve a certain level before, say, he was allowed or she was allowed into the winner's circle.

I would say that anybody that owns the smallest fraction — if that horse wins a race, that person should have that access.

**Mr. Jonathan Lutton:** Absolutely.

**Judge:** I understand not wanting to overwhelm your trainer in the morning, but there needs to be access there.

**Mr. Jonathan Lutton:** Yeah, the reason was it was how many people can you theoretically get into a winner's circle photo?

**Ms. Leslie Lutton:** We want them all.

**Judge:** I think that's just an amazing —

**Mr. Jonathan Lutton:** Then that's the best marketing thing in the world.

If I have 800 people there and we take a picture with 800 owners, everybody else at the track is asking what is going on.

**Ms. Leslie Lutton:** Absolutely.

We put that in there just because of the fact that this definitely has to be cleared with tracks and trainers and stuff, so we didn't want to just go, oh yeah, we're gonna allow it.

We'd have to work with the industry to try to really understand how we were gonna do that.

If 2,000 people with their friends and family show up, great.

That's perfect, right?

We all want that.

**Judge:** It would be a problem a race track would love to have.

**Mr. Jonathan Lutton:** Absolutely.

**Judge:** They will work with you.

**Judge:** What do you need?

Money, you need liquidity, right?

Is that what's the use of funds?

Not \$15,000, but what does it take to actually become a business?

**Mr. Jonathan Lutton:** Depending on where you're gonna set up tracks, so where we're gonna set up tracks.

There are certain tracks that run about \$100,000 to get the horses there, get the trainers in the facilities and vet out to make sure they're the ones that we want working here.

The trainers, they're giving us reports all the time.

They're feeding in and they're dialing into the system so that all the members can have access to that information.

Some other tracks are a cheaper \$50,000.

Some just need a marketing fee.

If we can just do marketing with one track for \$20,000 or \$30,000 and reach the current customer base, then we can be there with a booth right at the door and people are gonna want to —

**Judge:** I think you have to lose your ass unless you — you need thousands.

**Mr. Jonathan Lutton:** It's a model that — we need people.

Well, you need people trading.

**Judge:** How many people?

**Mr. Jonathan Lutton:** And a lot of members.

**Judge:** Is it you need 100?

You need 1,000?

You need 10,000?

**Mr. Jonathan Lutton:** You would need about 3,000 people.

**Judge:** 3,000

**Mr. Jonathan Lutton:** That would buy out and then you'd need about four to five times that to do the trades on them at a 30 percent — they keep trading at a 30 percent level month after month buying and selling shares.

The trade fees on those are used at first to supplement the training.

**Judge:** Right.

You need that turn.

**Mr. Jonathan Lutton:** If the horse doesn't win, absolutely.

**Judge:** Trades, you're gonna make money off the trades.

I get that.

**Ms. Leslie Lutton:** That's obviously why we need the support of people.

We all want this.

It was talked about so much here at the symposium.

I was amazed to see that we already had a technology and a way to do many of the things that everybody suggested would be great things for this industry.

If we all have that common goal, I don't see why we couldn't all work together and try to say let's just push this.

**Judge:** I think so.

I think you need real content, otherwise it's a crap shoot.

You go to owner view.

You're gonna find out these are the questions I need to ask.

What don't I know about how to select a trainer, the tax implications? You need —

**Judge:** They're trying to take all that away, right?

**Ms. Leslie Lutton:** Yes.

**Judge:** You do all that.

I get my little fractional share.

**Ms. Leslie Lutton:** We keep the ownership level high.

**Judge:** Which isn't new?

There are a bunch of partnerships, good ones on the Thoroughbred side and on the Standardbred side that have done that.

What it sounds like is you're a partnership with a website and an algorithm and the ability to trade amongst themselves.

**Mr. Jonathan Lutton:** Amongst each other.

**Judge:** You're looking to integrate — okay.

I'm just trying to follow.

**Mr. Hai Ng:** You know my question.

What's your outcome?

What's your favorite outcome from this contest and from this symposium?

**Mr. Jonathan Lutton:** The biggest outcome for us would be the endorsement that we were allowed to come here and present this to industry professionals, because as you know when you do something that's new and it's no ongoing fees and it sounds too good to be true, it is.

In horse racing sometimes it really is.

You'd better be careful.

We had about 5,000 people sign up in the first month.

However, only about 10 percent of them actually bought shares, because they just wanted to see is it real?

Is it gonna happen?

Is it legitimate?

By us coming here and being able to just present it, it's one of those things where it's the endorsement and now people are comfortable.

We want everybody to be comfortable with it.

We want them to do it on a — and tell their friends, and keep it moving.

**Judge:** You have proof of concept right now of 500 people who have purchased a share?

**Mr. Jonathan Lutton:** We actually sold 61 percent.

It wasn't 500 people.

The people that actually bought — what was it?

**Ms. Leslie Lutton:** We actually have about 25 people that have purchased.

**Mr. Jonathan Lutton:** That continuously purchase.

**Ms. Leslie Lutton:** It's just averages of — we're in a beta test to see.

**Mr. Jonathan Lutton:** We just relaunched.

**Ms. Leslie Lutton:** We just put two horses out there in an area where there was 11 tracks at Fair Hill. We got a nice representation there.

**Judge:** When you think about your revenue model, how continuous is it renewable? You're getting folks in on —

**Mr. Jonathan Lutton:** It's a sustainable model.

Now, that's where it is.

We didn't build it as a get rich quick, make \$1 million overnight.

It's a sustainable thing.

If we need to get people in the tracks and we get people to love the sport again and continually come back, this is one of the options they're gonna do.

They're gonna go bet.

They're gonna handicap, but at the end of that you throw your ticket away and it's done.

Maybe you keyed on a horse and you won.

You can go dump it in.

You see it's available and then you buy a share of it.

Now you can go watch it again.

You have a vested interest.

**Mr. Hai Ng:** Let's take a quick question from the audience in the back.

**Audience Member:** I remember a few years ago, the Stronach Group actually attempted this with their \$20 share.

How is this different from that because they were shut down rather quickly.

**Mr. Jonathan Lutton:** Well, what they did was they tried to go as an actual publicly traded.

The fees that are involved in that would just absolutely tank any company.

The sustainability of that is very difficult to do even for a publicly traded company.

What makes ours unique and maybe the question is where's the regulations on that and how does it fit in.

At the end of the day, Thoroughbred Stock Exchange owns the physical body of the horse.

We take the liability of it and hold the licensure. What we sell, what you get for a share, is the revenue stream of the horse.

**Audience Member:** Okay, and then so from the quick look I did on your website, you have 1,000 shares available in each animal.

You as the corporation hold 200 of them.

**Mr. Jonathan Lutton:** Yes.

**Audience Member:** Therefore there are only 800 shares available for purchase by the general public.

**Mr. Jonathan Lutton:** Correct.

**Audience Member:** Is that cost factor at an average of \$60 a share, is that based on 1,000 shares or is that based on 800 shares?

**Mr. Jonathan Lutton:** No, it's based on the 1,000, absolutely. We pay our percentage, too.

**Audience Member:** Alright.

**Mr. Jonathan Lutton:** We split into 1,000 shares.

We pay our 20 percent of the training bill.

We're vested in it just as much as everybody else. We want the horses to do good.

Then if there's winnings, or there's purse winnings, or it's claimed out of a race, or we retire it and sell it as a hunter jumper, whatever the end of that horse's racing career is, there's different options.

We don't have to run it into the ground.

We don't have to keep it way longer than it has to.

Sometimes you make more money selling the horse as a hunter jumper to a nice home than you do on the last claiming race it was in.

**Audience Member:** Then based on what I'm trying to in my head for math, it sounds like there's an impound account or an escrow account based on that purchase price to cover your 15 to 30 months of training that you've mentioned.

Is that how that's being handled, or are you prepaying your trainer?

**Mr. Jonathan Lutton:** We prepay every quarter is how we do it.

We do escrow the money.

The way we self-sustain it, if we have to purchase another horse with the bottom of that, then we will.

Then we'll offer that to share for the members, and then we'll recoup the funds and pay for the training on the backside.

Plus we get our initial investment back.

If we put \$10,000 in once the shares sell out, we get \$10,000 back into the bank to reinvest back and/or pay a training bill.

**Audience Member:** Okay.

That might be something to add to your FAQ.

**Mr. Jonathan Lutton:** Absolutely.

**Audience Member:** Thank you.

**Judge:** Just to be clear, you're covering the ongoing cost of the horse with two streams of revenue.

One is the 800 shares times whatever, and you put that in a pot, and you buy the horse, and then you train it out.

**Mr. Jonathan Lutton:** Right.

**Ms. Leslie Lutton:** Right, some last. Some — different times.

**Mr. Jonathan Lutton:** Well, that's it.

Some drop off and some are claimed.

We still have the 20 percent of the ones that aren't running.

Some of them just get retired.

Those ones drop off.

The training bills, maybe they don't make it.

Maybe they go longer. It's just one of those things where —

**Judge:** That's the pile of money you have to do that. Then you're also gonna use some of your transaction fees when I sell my interest to cover that, as well.

**Mr. Jonathan Lutton:** Yeah, if it needs to happen, because at the end of the day that would mean the horses aren't winning, which is not a good thing.

**Judge:** Is this specific to thoroughbred racing, is it transferrable to Standardbred?

**Mr. Jonathan Lutton:** Absolutely.

**Ms. Leslie Lutton:** Absolutely, Quarter Horses, Standardbreds, we want everybody.

In fact, we think that the Standardbred model actually is wonderful for revenue for us —

**Judge:** That's a great option. You're running every week.

**Ms. Leslie Lutton:** — because you're running every week, so that trade activity.

**Mr. Jonathan Lutton:** Yeah, you can buy a share in a Thoroughbred that's a two year old, and you can wait it out without getting impatient, because I can then buy a couple shares of a Standardbred, a harness horse that's running every week.

I'm getting my excitement out of it.

**Judge:** Running's bad in my sport.

If they're running every week we're not making any money, but I know what you mean.

**Mr. Jonathan Lutton:** There's more action on it.

**Judge:** Those valuations are set based on your algorithms, not based on winnings, not based on your analysis .

**Mr. Jonathan Lutton:** Well, there's one percentage of we do take.

If it's a stakes horse, we do take into account the winnings home, how much that horse actually brought in.

If you're in a stakes race, you finish last is way different if you're in a stakes race and finish first, no matter how you — you know what I mean?

It does take into account that, as well.

**Judge:** Thank you.

**Mr. Jonathan Lutton:** You got it.

**Ms. Leslie Lutton:** Thank you. Thanks, everybody.

**Mr. Hai Ng:** Well, that was good.

We only went a little bit over.

Thank the judges again for their time.

John —

**Judge:** Sorry?

**Mr. Hai Ng:** No, I was just thanking you.

**Judge:** Oh, thank you.

**Mr. Hai Ng:** There you go, John, Mike, and thanks for the sponsorship of the event.

This event wouldn't be possible without the sponsorship.

If any of you are wondering why I never let him answer any questions, well, he's the third partner of the organizer.

He's expendable.

I wasn't just picking on him.

We have —

**Mr. Doug Reed:** Poker chips.

**Mr. Hai Ng:** Yeah, remember the poker chips. Put the stuff in. I'm ignoring you for now.

Put your vote in and then as you leave the hall you'll actually see four tables set up.

Those are our honorable mentions. They didn't quite make the final list, but they made right below that.

They're not ranked. They're out there. Please visit them.

Finalists will be at their tables again.

Remember the poker chips again.

The judges will now go deliberate, and we will find out who wins this trophy at the end of lunch.

Right, towards the end of lunch.

Don't get out early if you want to find out who wins.

We're already in time for the next scheduled event.

A five minute break, come back for the next event.

Thank you so much.

**[Applause]**



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