



## Race Track Industry Program

### 39th ANNUAL SYMPOSIUM ON RACING & GAMING

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## THE GAMES PEOPLE PLAY

**MODERATOR:**

**Bill Knauf**, Vice President, Monmouth Park Racetrack

**SPEAKERS:**

**Michael Calderone**, Chief Marketing Officer, the Stronach Group

**John Ford**, President, BAM Software and Services LLC

**Walter Hessert**, Chief Product Officer, Derbyjackpot

**Robert Earle**, CEO, 123racing

**Dave Nevison**, Founder and Chief Executive Officer, Bodugi.com

**Mr. Doug Reed:** It helps support our program. The panel is sponsored by The Jockey Club Technology Services. Our refreshment break we just had was sponsored by WatchandWager.com. We have another reception tonight, and that is sponsored by GROUPE CARRUS — The Parimutuel Company. Then we have a new event this year for people that buy and sell international simulcast products called the Global Simulcast Marketplace, and that's sponsored by 123racing. Let's kick off this panel and not waste any more time. How often do you get to name a panel after an old song, *The Games People Play*? This panel is intended to be informative and maybe a little more fun and lighter from some of those morning panels. We'll lighten it up a bit here.

It's a pleasure to introduce our moderator once again. If you were in the room here for the prior panel, we had him doing double duty here, so probably many of you already know Bill Knauf. He's the current vice president at Monmouth Park and he's been in the industry for 14 years in management and marketing. Of course, the biggest note that I wanna make is he's an alumni of the Race Track Industry Program and it was a pleasure to have Bill as a student. So Bill, thank you for being here and helping us out once again.

**Mr. Bill Knauf:** Sure thing. Thanks, Doug. All right, so we have a very exciting panel today. It's raised from sort of the core wagering in front of a betting terminal, yet these guys are undeniably a part of the future growth of this game. I come from the brick and mortar facility where it'll always have my focus, but it's hard to deny what these gentlemen do up here as part of the future of the industry and we have to be a part of it. I've got some stats of over 211 million Americans play video games with mobile gamers increasing annually to 22 percent of the US gaming market, so it's pretty unbelievable the growth of mobile games and gaming, etcetera.

We've got a one hour session today, and really, this is only the first part of it. All of these gentlemen will be outside in the foyer displaying their games from 3:40 to 5:00 p.m. What we're gonna do up here is we're gonna have each speaker sort of present what they do for about ten minutes. We're gonna hold all questions for this part of the session. Obviously we've got five speakers, ten minutes. We're gonna probably fill up the entire session just with their presentations, and then I certainly encourage everyone to visit all of their terminals outside where you can save your questions and have a lot more of one on one interaction, okay?

So let me introduce the panel who we have today, starting with my left. Walter Hessert is the chief product officer of Derbyjackpot. We have next to him Rob Earle, the CEO of 123racing. Then we have Dave Nevison, founder and chief executive of Bodugi.com. Then we have John Ford, the president of BAM Software and Services LLC. And finally, Michael Calderone, the chief marketing officer of The Stronach Group. We're gonna start with Walter. Take it away.

**Mr. Walter Hessert:** Great. Are we all set here?

**Mr. Bill Knauf:** Should be.

**Mr. Walter Hessert:** Great. Thanks, Bill, and thanks to the Race Track — oh, let me get this, the clicker here. My brother, Tom, is gonna do the slideshow here. I'm a one trick pony so I'll talk and he'll do the slideshow. It's an honor to be up here with these panelists who all undoubtedly know a lot more about horse racing than I do, which is a good segue into Derbyjackpot. A year and a half ago I founded Derbyjackpot with my brothers Bill and Tom. Bill, at that time and is an active handicapper, but Tom had never been to a horse race and, like Tom, I knew nothing about horse racing. We were at the Preakness and we were having an amazing time placing simple bets, watching the races, cheering on our horses as we talked trash to each other, and as everyone in this room knows, it was just — that's an extraordinary experience. We recognize it as the essence of an awesome game.

Tom and I wanted to replicate that experience in a social game that we could play and our peers could play online with each other any day. We saw that game as having three core tenants. One, it was simple, it was social, and it was fun. How do those values shape our product? One, make it simple. With our game, Derbyjackpot, we reduce the number of decisions our players make so our players have limited numbers of bets they can place and we only showcase one race at a time. Two, we remove the industry jargon. Words like furlong and trifecta box are unfamiliar to the new player and create user barriers. Lastly, a familiar user interface from our interactive designers who are artists, our team is built from a social gaming background so the aesthetic of Derbyjackpot looks and feels like the games that tens of millions of Americans are playing online right now.

Next, make it social. We have a chat room in our game where players engage with one another. They have conversation while they're picking horses and while they're watching the races. We have leaderboards which increases retention and elongates—and get player engagement. That creates a passive competition which a lot of our players like. Last is the video. The video is a core experience in our game and it provides for a social gaming mechanic that's really remarkable and exciting to have this synchronized real world experience that facilitates the feeling of actually being at the track together and watching event together, so a couple college friends, one in California and one in New York can be playing Derbyjackpot together and actually feel like they're sharing the experience. That's a

really exciting part for developing a game around horse racing, and we think we've implemented it well in our game.

The last one is make it fun. There's new games being released, there's new content for our players so they know when they're coming back to the game they can expect something new, fresh, and different. Last, but certainly not least, is real money. We are a pari-mutuel wagering social game, licensed through Ebet Technologies and we are wagering, winning real money. This obviously enhances the gameplay and it also lets us stand out in an otherwise crowded market of social games online today, real money social gaming.

Where we are today, we went live with our product three months ago. We've been in private beta restricted access to a couple thousand players. We're getting great feedback from our players. We've launched two games: the traditional win bet which we call The Monkey and the traditional show bet which we call The Granny. The Double Dime and The Gonzo are coming soon, and those are based off of a superfecta and exacta respectively and there'll be a lot of games coming after that.

We also think our simple gameplay interfaces really nice with a sports bar experience. Over the last week we hosted two events: one in Des Moines, Iowa and one in Manhattan. Both were just huge successes. The Manhattan event, for example, had 300 people there, average age was 28. They were Tweeting and drinking as they were placing their bets on iPads and phones. They were yelling at one another and at the horses as they watched the races. It was really exhilarating to watch this, and that crowd reflects exactly our online user universe. These are not traditional handicappers. They're not traditional horse fans. Most of 'em had never even been to a race track. They just had a great experience there together.

Quite simply, that's the goal of Derbyjackpot is to replicate that experience in an online game available to people all the time, and create a huge audience of social gamers and casual gamblers. After — as Bill said, afterwards, we have our game set up out there. We will have a television showing a video that a tech blog did on the event in Manhattan so you can see some coverage from that if you're interested, and we'll have a handful of iPads for people to pick up and touch and feel and play, place a couple of bets on Derbyjackpot, and so please come visit out there. Thanks.

**Mr. Bill Knauf:** Great. Thank you, Walter. Rob? Robert Earle.

**Mr. Robert Earle:** Thanks, Bill. Usually to get me up on stage I've had ten beers and banging out a couple of Neil Diamond numbers at a karaoke bar, so.

**[Laughter]**

Everyone's talking about social gaming, obviously. We've been in this race I guess probably the last six years. We've been providing free play handicapping contests to the like of the Meadowlands. We started off at Woodbine Entertainment. We kept it simple, just simple pick six or pick *N* model where you're picking one horse in each race. You're building leaderboards off the win play show payout, so you're creating simple interactivity.

When we started this game in New Zealand probably seven years ago at our local track, what we found was that it actually helped increase handle. People could go and put their picks in on the internet two or three days out from the race meeting. Went in play on the day of the races. You had all this incredible data that gives you percentages of how many people have picked particular horse. What that created was basically a tipping site for

people to actually go and made assessed picks. Over the 12 months we ran at the actual race track we're \$4 million ahead of handle, so we created some interest in the racing to help then. Since we've stopped doing it, doesn't even reach budget again.

Why do people play social games? There are a lot of reasons. Obviously motivation, stress relief, there's a lot of reasons why people go to different games, but what we gotta try to do is get them to come to horse racing. These guys that are playing BINGO and casino online, let's create something, and Walter's trying to do that, and I'm sure the guys on the panel are trying to—let's get them to horse racing. That's the reason we're all here. It's all about survival. The tracks are trying to survive so we created an along—Bill would know because the Survival at the Shore has probably been our most successful contest, and it's not about the hurricane, unfortunately, which we all feel for those guys.

Now, 6,000 registrations within one week we were getting for the Survival at the Shore, most of those coming in the last two days before the contest opened, so you had to get your registration in. Once registration on the day one starts you can't come in, and it's all about survival. 95 percent of the players actually making picks from the registration so it's a high retention of people registering and actually putting a pick in, and a very high percentage of females. I mean, we're all trying to get females to come in at the track and place wagers. Well, this is the stepping stone for them to do that. 51 days of racing at Monmouth, pick three races every day, 521 survivors survived the whole 51 days. Ten players, the top ten players they picked out of 59 winners in the 51 days. Actually, the guy who picked the most, he picked 62 wins over those days, so this guy, people were following him. They wanted to make money; they just followed his three picks. He's likely to pick a winner every day, so that's the power of keeping it simple, but providing that information for people to make assessed wagers.

Similar trends we had with the Meadowlands. We had 5,000 registrations. Again, we just email that to our database. They all come in droves to win cash prizes. Could be an iPad, could be a holiday, could be anything, as long as there's something up for them they'll all come to your track. What it — as I said, it creates eyeballs on your racing. Remington, for instance, we ran a quarter horse meet this season. Now over 3,000 registrations and a lot of these guys were harness guys, there were thoroughbred guys, but because it's a competition between people they'll all come and play. Just going back to — this is obviously some of the customized sites that we can do for the track, so survival challenge, we did the Survival at the Shore. The ThoroEnduro, which is the current challenge that's being run by Remington Park, and again, that's up to day 57 already and the survivors on it, there's 400 guys that have made picks over those days and have hit the board every time.

What are the benefits for the track? Well, visibility on the internet. You need visibility. Everybody's on the internet, everybody's on Facebook. You get younger people, female players, it's easy to market to, and we can do that for you. What we offer to you is a customized branded website for you to go out and market to your local players and, for that matter, everyone in North America comes along and plays your contests. There's three ways that we can do this: tailor-made social handicapping contests, but we've also developed it as a wager and in conjunction with Sportech, about three years ago we got approval to actually do this as a wager. So we're now looking to re-launch that as a pick *N* wager, so anything over four leagues you can run. In fact, you can run it as a pick ten.

Now, a normal pick ten you can't actually win ten races, but with ours it gives you ten races to accumulate the most points. What it does, it keeps eyeballs on your whole race card almost to be able to create that extra opportunity to be able to then wager on those race cards while they're there. What we're saying now is we can brand up a website. We've

integrated this into Facebook so people can come along, sign up on the website with their Facebook account, invite all their friends so they're actually creating that interactivity for the social communities. We've been running our handicapping contest here and we've had quite a few people come along, wanna know what it's all about, and a few people have made picks. It's still open for you to actually go out there and make some picks, and we're giving away some pretty good prizes for it.

Traditional versus social, well that's some of the downsides for existing multi-league picks. You miss out on the second league, you tee, you pick it up. For the 123 wager you're in it for the whole six leagues or how many number of leagues that you decide to run, and there's always a winner. There's never a jackpot. Someone will score the most points and someone will take home a prize out of the pool. I'll quickly rush through. I don't wanna take up too much of your time, Bill, but it's a unique opportunity. We've been doing this a long time in the US. We've proven our stats from a technology point of view. We won the Start-Up Operator of the Year a couple of years ago in the UK. Last year we were the Skill Gaming Operator of the Year, so proven technology and patent pending technology.

Obviously I've talked about how the wager works. Very simple. Pick a horse in each race and you score points from the win place show payouts. We produce leaderboards. We've also got a wagering system that we can do, so we actually educate people to do the real wager. It's just like putting in a pick six. You can perm it, you can just do a single line. It's no different to a pick six. The only difference is that we generate leaderboards from those six elections based on the win place show payouts. Everybody knows how to put a pick six in and we'll generate the leaderboards for you. What we say, it's the bit that puts you in the race or puts your customers in the race.

This is an example of our interactive leaderboards. We introduced the avatar. Now that was a very interesting concept in the early days. We had to set up what we called the todger alert.

[Laughter]

Now, that was basically — if anyone doesn't know what a todger is, it's the male private parts. Now, we found a lot of people were uploading silly photos of their avatars, but we've actually sorted that out now, so. The interactive benefits for everybody is incremental handle. We believe we can create that at the track, make it sustainable. I mean, you're getting people there, stay there longer, making more wager, drinking more booze, and eating more food.

Where can you play this? Well, we're launching — again, we're re-launching the wager in 2013. We need your content. We're looking to actually go online ourselves as an ADW so we can showcase the wager. The reason being is that I think it's the best way for us to prove that the wager works. We need your help, we need your content. We wanna do simulcast the grids with all the tracks. We wanna get the wager at the track. Basically, as they say in the movie, help me help you. Don't forget to enter the current contest that we have out, and anyone wants to come back and talk about it, we'll be more than happy to help you, so thank you very much for your time.

**Bill Knauf:** Perfect. Thanks, Rob.

[Applause]

Up next: Dave Nevison.

**Mr. Dave Nevison:** Hi. Yeah, I found that after 17 years of professional gambler, I decided that my time was up and I got an idea that social and social media were gonna start driving betting content or the betting business and the actual participants in the business were not actually on top of it in the same way that several other branches of commerce were. So I hung up the punting boots and decided to focus on setting up this business. Just to give you an idea of the mood that we're trying to create with the product, I've got a 58 second promotional video which I hope if I press this button it's gonna start. I don't know whether that's been updated. Yeah, okay. Nope. Can you tell me how I click on that link, please, someone? Any volume?

[Laughter]

Is there any volume, anyone? Is he trying to get me any volume?

[Laughter]

It doesn't quite work as a silent movie, I'm afraid.

[Laughter]

I assure you there is volume.

[Video plays]

Okay, so anyway, a little bit about my background. As I said, I was a professional gambler in the UK for 17 years. I still write for *The Sun* newspaper every Saturday tipping horses for them and I still present for Racing UK, the main broadcast channel, the dedicated racing channel every Saturday and a couple of other days a month to keep my hand in, but essentially, I realized, and due to my time as a punter I used to turn up with wads of cash and bet with the bookmakers who I know you don't have here, but towards the end of my career it was all either on Betfair or on the phone, and eventually my margin was eroded. I didn't think it was quite what it was so I had to do something different. I set up Bodugi. We've built it — well, that guy was actually just a punt through builder — is the world's first social betting website. It sounded good, we adopted it. I think Rob might have something to say about that, but we'll argue that toss over a beer.

Essentially, the idea is to apply the online poker setting of a lobby where you choose to walk in, choose your stake and the amount of people you wanna challenge, and all sit down through a race card, picking a horse in each race. Whoever does best at the end of the day is the winner. The other thing about Bodugi is you don't have to be all right to win; you just gotta be more right than the other people on the table. We think what differentiates us is the social aspect in that the site-wide banter board is directly next to the leaderboard so people chat through the day, whether it's on racing, football, greyhounds, dots, any sport virtually you can name. They talk about how well or how badly each other are doing or how their team are going throughout the event or how their particular selections are going.

You can sort out your own profile and you can form Bodugi friends. You can—you have an activity stream for the games that you've entered and the bets you've placed and you can notify people via any form of social media that you've got, that you're entering a game or you invite them to, via a bitly link, to join the game that you're in. Gradually we're sort of building a Bodugi community. We also have incentivized all our players. Immediately, as soon as you join, you become an affiliate and anyone that you introduce, you get two

percent of their lifetime stake, so — and that seems to be working quite well, certainly amongst the student population that we've got. We think we're a hugely engaging product. We've got KPIs that show that. They'll be coming on the next slide, but people just keep on coming back and talking and chatting and exchange abuse throughout the event.

That's the leaderboard, how it appears on a normal game. There are the statistics that we found so far. The average player engagement is over 30 minutes and we think that's about twice what it is with traditional fixed odds betting site in the UK. Over 80 percent of our users play for cash. We do offer free play alternatives for every single game and product that we use, but we don't really promote that. We're very much on the basis that this is a cash product. If you wanna play for free you can, but most people choose to play for cash.

The way that we manage to sell this business to the likes of William Hill who we're going live with in the first quarter of 2013 is that the cross-sell opportunities for traditional book makers are enormous. People go back and check the leaderboard and that gives them an opportunity — give traditional book makers the opportunity to cross-sell a traditional bet. So their take goes up as a result of the engagement that we provide. 34 percent of our weekly active users are active on the site every single day. When we recruit people via various promotions that we do, they sign up and register. 29 percent of those people, so far, become first time depositors and regular players. That's — since we started monitoring the spend, that's a fairly steep trend. None of our players are enormous. The average stake is about four pounds fifty per day, but it's going up and people are staking about 130 — they start off about 130 a month and now that's going up to about 300. That's pounds.

When we're talking to the big book making chains, largely UK-based, the thing that strikes me most of all is that they're very protective of their product, and although most of these companies are going to regularly — a lot of people say we want to embrace new products. By the same hand, they're withdrawing and they want to protect the status quo so they say they want new bet types but they're scared that they might cannibalize their product. I think we've proved by the fact that the cross-sell now works, that by engaging in new bets such as ours they can actually increase their take. I think once that message gets through the size of the pie that we're all eating will get bigger.

We think we're the right direction where online betting is going, and we believe massively that real live action is the way forward. That offers real engagement rather than a virtual product that offers a way to dispend disposable pocket money. If you're gonna promote a sport and engage people it has to be a real live sport. We're very much focusing on that. We want to work together with the likes of big football clubs and big media groups. Traditionally at UK sports venues there's still people going around passing the hat around for collections and raffle tickets and things. We think there's much more opportunity to do something with a game like ours and believe strongly that racing definitely must collaborate and in order — with companies like ours in order to innovate and re-invigorate the racing products and the betting products.

As I mentioned, we've focused, and because we haven't had a massive marketing budget, we focused entirely on a B to B model and we've formed a very good relationship with Sportech. We're working with them both in North America, Holland, and most definitely the UK. They've chosen to brand their product Vernons 247, whereas William Hill have adopted our product named Bodugi and that's gonna be skinned in William Hill colors and go on fully integrated into William Hill site, hopefully in the next — well, certainly by the turn of the year, so that's — they told us to expect a substantial amount of customers, so that will really drive this business forward. Sorry, that's it. If you wanna get in touch with me there's the details, but I'll be outside. Thanks very much.

[Applause]

**Mr. Bill Knauf:** Thanks, Dave. Next up is John Ford from BAM Software.

**Mr. John Ford:** Good afternoon. I'm John Ford. I'm CEO of BAM Software. Just check to theirs — just so those who don't know me, I'm an attorney by training. Don't hold that against me. I was general counsel and VP for Ladbroke Racing during the '90s. During that time we did a joint venture with Youbet and launched YouBet.com where we use Ladbroke's wagering license at The Meadows in Pennsylvania and You Bet's technology and launched really what was the first ADW in 1997. Seems like a long time ago. Since that time, I've been consulting. Then when UIGEA passed in 2006 it clarified what you could do legally in the US for interactive games. I cofounded BAM Software which was really designed to provide an independent platform account-based games.

In 2008 we launched Bet America in partnership with Lien Games Racing which a licensed simulcast service provider in North Dakota. Since then we've added additional sites. We also created a kiosk product to bring racing to more locations in the US, believing strongly that additional locations for pari-mutuel wagering will increase total handle. The other thing that we've done is to create a fantasy games engine that we've built on top of our account-based games platform. We launched some initial games a couple years ago and we re-engineered the entire engine to launch really a full-featured fantasy product just this past year. That's what I wanted to really walk through with you.

First of all, what is fantasy games? Fantasy games are really betting on individuals as opposed to betting on teams. As we all know, betting on the outcome of a sporting event in the US isn't legal anywhere these days, except in Nevada. While there's talk about maybe that expanding, we live with the law as it is today. In fantasy, you pick players, so in football you pick a quarterback from one team, a running back from another, a tight end from another, wide receiver for another, and you create your fantasy team. People that you're competing against pick their favorite players.

Then we have a live time scoring for real time events, and as those players perform during the game on Sunday or during baseball season or whatever, they're earning points as they do things. They get passing yardage, they earn points. They get a blocked shot in basketball, they earn a point. As they're earning points your opposing player are earning points and at the end of the game the one who has the players who have scored the most points is the winner. It can be done as a promotional game or it can be done for real money.

Traditionally, a fantasy sport which is really where the fantasy concept started was really in traditional season-long play where a group of people would get together at the beginning of the season. Everybody would have a roster; you'd pick your players; you'd follow that throughout the season. You might put a little bet on the side with your buddies, and at the end of the season there were winners and losers. Really, where I think the opportunity is in fantasy in the US today is in daily and weekly games, so that you can have a more immediate return for the player. He can see the games that are playing, he gets the outcome at the end of the day, whether it's baseball or football or if they ever have hockey again it'll be hockey.

Who is the fantasy games consumer? It's a very interesting demographic. Today there's about 35 plus million people playing fantasy sports. Most of the people play with their friends. It's a relatively affluent customer. Their average household income is over

\$92,000.00. 78 percent own their own home, and it is a younger demographic. The Jockey Club study in 2011 said the average age of the pari-mutuel wagering customer is 51 years old. The average age of fantasy sports customer is 41 years, so it's ten years younger. Also, as a Jockey Club report pointed out, sports fans are twice as likely as the general population to bet on horse racing. So appealing to these sports fans is a good demographic to pursue in increasing and exposing them to betting on racing.

Today, there's just under \$2 billion spent on fantasy sports: a combination of picks, information, league fees, daily entry fees. That \$2 billion is, I think, just shy of what we're doing online with pari-mutuel wagering these days, so it is a decent market. The big question is whether it's legal. Well, it is. Just like racing is legal in some states, and it enjoyed an exemption under the UIGEA legislation in 2006, so did fantasy sports. Fantasy sports is dependent upon state laws and not prohibiting that there's about nine states—not about, there are nine states that prohibit the language of their sports betting. Legislation is construed to prohibit fantasy sports.

Under UIGEA, just as UIGEA tried to ban the transfer of money for unlawful internet gambling, it made an exemption for two, really, games. One is racing which we enjoy today in our industry, and the second is for fantasy games. The fantasy games has a number of rules that you have to abide by, but generally, it's a fairly flexible environment. You have to set the price in advance. It can't be dependent upon the number of players in the contest. People have to use skill and knowledge in order to make their selections in the game, and the results have to be the results of statistics earned during a real world event. Today, that market is mostly focused on sports, but the legislation really supports other live events. It's not restricted to sports.

How can this help racing? I really think there's three ways that fantasy games can help racing. The first is as a marketing tool about bringing people to the track; bringing people to the OTB; engaging them in an activity that they enjoy; bringing new customers; keeping old customers there longer; being able to offer them fantasy games, whether it's Sunday afternoon football or baseball or whatever sport it might be; of bringing them in, keeping them there during the game; marketing racing to them; and really using fantasy as a marketing tool.

The second way that racing can create a benefit out of fantasy games is through the margin. You can offer fantasy games as a promotional game or you might give them prizes, you know, dinner in the clubhouse or whatever you might do at the race track, but because it's been authorized under UIGEA you can offer it for real money. There is a margin in that. There's — in the industry, there's about an average ten percent margin for the fees that customers pay and the prizes that are paid out are about 90 percent. So there is that profit margin that can be generated in another legal game that racing can take advantage of.

I think also we can create fantasy on horse racing. So it's a live event and I was talking to Steve Ross earlier today about maybe creating a weekend fantasy horse racing game where you pick the big races that are occurring throughout the weekend; pick your selections, your fantasy team, a horse from each race; apply numbers and fees to that; and create a fantasy game. I think there's a lot of flexibility that can be used with this model.

What I thought I'd do is just kinda walk through some NFL games that we produced recently. This is a site that we support: FanEx.com. It's a little bit hard to see, but these are the—like in a poker lobby, this is a lobby of the games that are available for NFL for the upcoming week. There's tight end games, there's quarterback games, there's wide receiver games. The games are really — we can create whatever games one would want. So I pick

one of those games. Let's say I pick the top one. Then I wanna select my players, so I go through the list of players. There's a value assigned to each player. I have a bankroll of, say, \$100.00. All the players have values depending on their performance, so we have an algorithm that changes every week for football and every day for baseball that adjust a player's value based upon how well they're doing. So if they're doing well they get more expensive and it costs more of your payroll in order to select them. You can go through, pick your players.

You can also get information on the players. Just as our customers need information on racing in order to make intelligent selections in racing, so too in fantasy, so there's information that's available in providing content to the consumer. Once the selections are made the game begins. With any event, whether it's Oscars or whether it's football, then you get to see who you're competing against and see who they selected as their fantasy team. We have live, real-time updates for every play in every sport, so as your participants that you've selected are running yards or catching passes or getting touchdowns, your totals are updated on—that's my account, Gmail John. I actually won this game. Kind of a surprise cuz I'm not really a good football fan, but so that's really being updated in real time and you can see how you're competing against everybody else, so there's a leaderboard concept that you can see how you're doing in the environment where you are.

The last thing I was just gonna show you is something that we did just to show the social aspects of fantasy games, and really the flexibility of this model that's been sanctioned at the federal level is we could rate an election game for this past election, so the fantasy team was a presidential candidate, three Senate candidates, three House of Representatives candidates, and two governorships. We assigned different points to each of those elections. We gave more points to the presidential and the least number of points to the governorship. And so people could select their team.

The tiebreaker was the Electoral College vote total, and it was really quite a social environment. It kept people interested in it. We actually doubled the prize for people if they voted. So they sent in photos and posted photos on Facebook of them and their kids at the polling booth, voting with their little I voted sticker and it was really, I think, demonstrated the social aspects of what's possible in engaging people in these types of games. We actually had five people that made perfect selections, picked every election and hit the Electoral College total spot on.

Where's the future? I think that the evolution of fantasy has really just begun. It is a great substitute for sports wagering. It's funny to think of it that you can pick players to perform in sports. You pay money, games occur, you win cash, and it's not sports betting. So because you're not betting on the outcome of a single sporting event, we've created this law that permits us to pay a fee and win cash prizes based upon sports, and so I think that there's gonna be a lot of creativity applied in this industry as to what's possible.

I also think it's possible and quite — I think it would be quite interesting to create some fantasy games off of the racing product that we have, and I think that it will go into other events. Like, we did the election game. We can do it off of Oscars or Emmy. We're actually building a movie box office game where you project what will be the box office of movies this coming weekend. I think it's really—there's a lot of creativity that's possible to create — almost any live event, to create a fantasy game off of it where you can earn money and you can add to your revenue at the track. That's my presentation and that's my contact info. We're not gonna have a demo in the lobby, but we've got a booth, booth 5 and 6, BAM Software, in the expo room where we'll be showing fantasy. Thanks very much.

[Applause]

**Mr. Bill Knauf:** Thanks, John. And finally, Michael Calderone from The Stronach Group.

**Mr. Michael Calderone:** Thank you very much. My name is Michael Calderone. I'm the CMO for The Stronach Group. I'm also the president and founder of Horse Racing Simulations. We build virtual horse racing fantasy games. On my way over here when I was flying over from Las Vegas something funny occurred and I just wanna quickly touch base on it. I was sitting next to a gentleman and like typical, start a conversation. We got into what you do and next thing you know we were talkin' about games, and I said do you play games? Gentleman was probably 52, 53 years old and he said no, I've never played a game in my life. Went on. I started going back, working. Five minutes later I look over and he's playing Sudoku.

[Laughter]

So we don't even realize how many people are involved in games.

Because of the new technologies that are out there, the gaming evolution — revolution, has begun. The interactive gaming market's exploding. This is an industry that's gone from \$20 billion to \$70 plus billion over the last ten years. That's enormous. There's a tremendous amount of money being spent. Why? Because gaming allows you to do things that other forms of media and entertainment don't. They allow you to get involved. You can watch TV, you can watch movies, you can listen to music, but you don't become part of the experience. Gaming does that. Because gaming does that, over the last seven years some dramatic things have occurred. In 2005 we passed the movie industry in revenues. In 2007 we passed the music industry. Today, interactive gaming is the number one form of entertainment in the world. And because it's the number one form of entertainment in the world, it's attracting some very big sports organizations.

Now, I understand football, baseball, basketball, they want the licensing money. They want the royalties, but it goes way beyond that. They wanna be able to get fans involved in a way that they can't by just observing their sport. The head office of the NFL said last year, because of Madden Football we are building a more engaged, a deeper fan than we ever had before. NASCAR claims that part of its enormous growth over the last 15 years is because of gaming experiences. Gaming, interactive gaming into sports, there's a direct correlation to more people being involved in that sport. It just has to be done correctly.

Who's our audience? Our audience is 18 to 35 year olds, male and females: fans of strategy games because horse racing, itself, is a strategy game; fans of action games, horse racing's an action game; fantasy sports players, fantasy sports players because in the end of the day they're statistical and horse racing's very statistical. We have to stay away from the tweens and the young teenagers because that's not our audience. We can't cultivate them because we can't provide a gaming experience that would really emulate horse racing enough to transfer them over, so we really wanna target on that 18 to 35 year old age range. The Stronach Group is making a commitment into horse racing gaming because they understand that new fan cultivation is very important. We take this serious as an organization.

What makes a game successful? There's been a lot of horse racing games built out there and lot of them have failed. Now, when I mean successful, at the end of the day, I mean really building a horse racing fan because that's what we're all about. We wanna get people to the tracks. You're not taught horse racing in school. I don't remember learning about

betting on horses in high school or in college or in elementary school. It doesn't happen so we have to find new ways to educate fans. When I say effective, we have to be effective in acquiring players. I mean players for the game first, the actual virtual game, because if you're cost-effective in acquiring the fans, then you can create a self-propelling cycle and save money. If a game is social, it's inviting, people invite other people and all of a sudden the metrics work.

The game has to generate revenue. Our games generate revenue. This is important. Not only do you want to build fans, but you want to generate revenue simultaneously. The games have to play on multiple platforms. We are a society today that wants all different types of applications, whether it's at home on computers and laptops, desktops, or whether it's mobile. You have to play across those platforms and you have to engage the players emotionally and socially. The only way games go viral is allowing them to cross over into their own group of peers. This is very important.

The other thing that's very important is that game has to actually educate, educate the person to want to be a horse racing fan at the end of the day. If it doesn't educate them, if it doesn't emulate what we do, then it's never going to cross them over. Horse Racing Fantasy is our flagship game. [HorseRaceGame.com](http://HorseRaceGame.com), Horse Racing Simulations was originally formed in 1999. Today we have 200,000 active players. We've paid out \$150,000.00 in partner commissions and we're gonna talk about that, how you, through your properties, can earn money working with us while educating and entertaining those coming to your site. We rank as one of the top 5,000 websites in the United States and the average engagement time per user per session is nine minutes. That's staggering. Those are great numbers for what we do when you think of the amount of traffic that comes through our site.

Now, we've built our customer base through grass root tactics. We partnered with people. We partnered with industry people like *Blood-Horse* and the NTRA, but we also partner with traditional media: NBC, Animal Planet, the Discovery Channel. We found ourselves out there through SCO. We found ourselves out there through social media and because of that we've been able to build a large fan base, a fan base that you can participate with.

Why are we successful? Because we understand what gets people involved in games for long periods of time. We have a breeding and training component, breeding and training your own horse. Well, guess what? That engages the person emotionally, and for a game to be successful, emotion's top of the list. We have the ability for people to go back in history and interact with champion horses. We are a sport of romance. We are a sport of history. The best horses through the '20s, '30s, '40s, '50s, '60s, our game allows you to build virtual races with all these champions with their true attributes and let them race against each other, bringing back the romance and the suspense of the sport.

Buying and selling your horses against others is social. Creating huge environments to trade and buy and sell and claim the races. We actually have jockey and betting competitions. They're fictitious, but you actually can jockey the horses in our game. You ride the horse. Let people experience what the jockey's experience. Did I make the wrong move? And that helps them understand why jockeys do the things that they do. Why didn't that jockey go off the rail? Well, he's trying to save ground. The game teaches that. We give away real prizes because that's gratification, and gratification and rewards drives people to play more. Over and over again we see that.

We have a very rich community: thousands of players simultaneously interacting with each other, talking smack, but they have something in common. They're all interested in virtual horse racing. They're all interested in learning more about the sport. We have the ability to

combine our user base so when partners like you join in and your website custom look and feel becomes part, your members become part of a central player base. So there's never just five or ten people playing simultaneously; there's thousands.

We have a mentor student program. We were very consciences about this, a program that actually educates and turns people into real horse racing fans. Let me talk about that for a second. So a player joins but he doesn't know anything. The first thing he does is he becomes a student of the game. Now, he may join our game because he's actually a horse racing fan, but doesn't know anything about gaming. Or he may join our game because he's a gamer and this game looks like it's fun and exciting, but he doesn't know anything about horse racing. Either way, he finds a mentor who has the experience and the expertise in what he wants, and he teaches him. Eventually, by nature, that student himself will wanna become a mentor. When someone knows something and has an expertise in something, what does he do? He invites people. And we create that endless circle, that social component that makes it work, and at the end we're building horse racing fans and we've seen it over and over and over again. We are generating real horse racing fans.

Let's take a look at some of the screenshots before I give you a little example of our game. When you first join we keep it simple. We want to engage you, so here you're picking your silks, 30 million combinations of colors and symbols and logos. Why? Because we want you to take possession right away. After picking your silks you immediately breed a horse. We bring out famous horses, names that people would recognize. Breed the sire, breed the dame, name your horse. In my case, I named the horse Zapatariat. I have no idea why I did that, but I did.

[Laughter]

Named the horse Zapatariat. After the breeding program there's an evaluation, drew a performance report. First you watch it, 3D animation, and then after you watch your horse get evaluated by a vet, by a trainer, by a jockey, by a professional handicapper, you then turn around and get what we call the written report. We use a star system. We keep it simple.

But notice the things we're covering: brake speed, early speed, consistency, courage, track surfaces, preferences on those track surfaces. Does that not all sound familiar? These are things that happen in real horse racing. The cultivation process has begun even this early in the game. We're teaching 'em things they would never know going to the track. Once you understand a little bit about your horse you're gonna enter 'em in a race. Got the post parade. Zapatariat's heading to the starting gate. Everything in rich 3D animations, and we'll talk about in a second.

Then you've got the actual race, itself. You're racing against other players. Over 140,000 horse active at any given time in our games. Thousands of races going off every single day and now your horse is in a race. You can watch him in your web browser using our Unity player or you can download our proprietary game engine and watch it in full screen rich 3D. You can control the camera angles. We have 35 tracks modeled out. All the models replicate the actual tracks themselves. At the end, Zapatariat wins, recognition in the winner's circle. The feeling of ownership.

Now, I know these graphics may look a little funny, but this is the starting point that brings the people involved in the sport. I can share with my friends through Facebook, Twitter, right now at this point, get them involved. My horse just won. Watch it. As you get further

in the game, the game gets a little deeper. My stable page. As you build and add more horses, the stable, the barn area gets more eccentric, more exotic. You can add things to your barn, making it—urging you on to wanna expand and build that stable. Also, you learn about the breeding. Those are the real pedigrees of the horses, so you start to understand the pedigree. We're slowly cultivating 'em to horse racing fans.

The game is very social. Every single member has their own profile page, and that profile page displays all my awards, and these guys work hard for their rewards. It shows you their buddies. Do they have 50 buddies, 5 buddies, or 5,000 buddies, how popular? How many races they've won, how many game points have they earned? Are they a mentor? Do they have special community privileges? Are their blogs being followed, and how many people are following? We have one player, 80,000 people follow his blog. This guy gets respect and they live for the game. But as you get deeper into the game, as you get deeper, guess what? The game becomes more realistic. So as you open up the levels what you start to see becomes more familiar to what we in the industry see: real-looking horse racing information. As the levels open up now all of a sudden, the charts or the past performances on my horse. Well, what does that look like? Looks like the Daily Racing Form. The players are learning about point of call, distance back, time, fractional timing.

All of a sudden, through slow cultivation, over the period of just a few weeks or months, the player is starting to understand what's going on. They can go even deeper into full charts. This guy right here that's gone to this level could walk into any one of your facilities and make a bet and he didn't have to sit there and watch a 40 minute tutorial or read a book. He's involved in the sport and he's done it in a social way. Now I wanna run a quick demo of what the game looks like. 3D graphics, we can play the game on any type of device, whether it's your laptop, whether it's your mobile, you can download our more enhanced graphics to your Windows operating system, even Windows 8. It's fun and it's exciting.

At the end of the day we're lookin' for partners because The Stronach Group is committed to build this industry. We want partners to join us. We can give you a custom look and feel of the game embedded right into your site instantly. It's an educational tool. It's something fun you can tie into promotions. It's easy for us to integrate. Data collection, all that data is shared with you that you collect for you to market to and create promotions. Minimize costs and, like I said in the beginning, we have paid out a substantial amount of partner payments with the partners we already have. We're committed to the future. We believe gaming's there, interactive gaming's there, and we'd like to partner with you. Thank you.

[Applause]

**Mr. Bill Knauf:** Thank you, Michael. So, a great session. These are some great games. I encourage everybody to go outside in the foyer and as well as the main staging area from 3:40 to 5:00 p.m. You can talk with these guys, try out their games, so thank you very much.

[Applause]