



Race Track Industry Program

THURSDAY, DECEMBER 9, 2004

Morning Session 1

**SPONSORSHIPS, ADVERTISING AND BRANDING,
PROTECTING EVERYONE'S INTERESTS**

Moderator:

Chip Campbell, Senior Vice President, Television and Sponsorships, NTRA

Speakers:

Charles Geffen, President, Chief Branding Officer, Branding Rights, LLC

Dan Metzger, President, TOBA

Bryan Pettigrew, President, Affinity Sports Marketing

Kelly Wietsma, President and CEO, Equisponse, Inc.

MR. DOUG REED: Good morning, everyone. We want to get started here so we can stay on schedule as they say.

First of all, I would like to introduce a very special guest; you could say the big boss, if you would. The dean of the College of Agriculture and Life Sciences is here to welcome you and, before bringing him up here, first of all I want to let you know that he has been with the College for 18 years. It might be 17, but who is counting.

He has been certainly a super big supporter of the Race Track Industry Program, and we are very grateful for that. He has always cooperated, he has always been there when we've needed him and, in fact, if you attended the Casino Night Tuesday night, if there were any problems, I'm to blame because we were running it, but if you liked it and enjoyed it, he's to thank for having a casino night, so let me introduce and welcome the Dean of the College, Dean Sander.

(Applause)

DEAN EUGENE SANDER: Well, thank you, Doug, and thank you for that very nice introduction. Believe me, supporting this Race Track Industry Program is an easy thing to do. We think it's the premier program of its kind in the country and as such it brings real distinction on our university.

Yesterday is when I normally come to this thing, a day earlier, but unfortunately I was a little hung up with some other things I had to do and so you've already been welcomed to this thing so let me just do a couple of things as I sort of reflect on — actually 17 years, Doug, but then again, who is counting — 17 years of sort of having an opportunity to come to this Symposium and sort of take a look at the things that you, the industry, are interested in.

And I guess I could summarize that rather simply by saying sort of the way I looked at it when I came here as a brand new Dean of the College of Agriculture and Life Sciences from Texas A&M. And it was very easy. It was called racing, racehorse. And hence it was a part of our Animal Science Department, and I got myself reoriented rather rapidly when somebody from your industry, I forget who told me this, but I'll never forget being told, we were sitting — my vice dean and I were sitting there talking with this individual and he said to me, "You know, you need to think about the Race Track Industry Program in the following way."

He says, "If watching you two guys run around a quarter of a mile track would be interesting enough that we could fill up the grandstand, then we would be able to handle everything else that would be able to support that kind of a crowd, that kind of an industry."

And so the point of the matter is it became very apparent to me that at that point in time the business of racing was what we were in the process of and what we should be doing in terms of preparing our students, albeit what does run around that track obviously is a very important thing and cannot be ignored.

As a matter of fact, as I look at your program today, just looking at it last night, in looking at the topics, the panel that you're waiting to hear once I get over, get through talking with you, deals essentially with the business of racing, and so again it's an important thing and it's something that we're really interested in supporting, and it obviously has become a very sophisticated, a very high technology industry and one that we're really interested in supporting.

Now, with that said, what really makes our Race Track Industry Program work and what makes it work are you the industry. There's no question about that. Without your support, without the support of this industry, I will guarantee you that in the normal tug and flow of a big major university where we educate in the neighborhood of 37,000 students, programs like this are ones that are very specialized, very directed and very targeted, and consequently without the support of the industry, things like this would be very difficult to sponsor in the overall scheme of things at a university like ours.

So I need to thank you, you're people that really make this go, your support, your continual support for this program, I think, is what allows us to be what it is.

The last thing I took a look at last night, and I would like to bring this to your attention, is this little brochure right here that's got the cards on it, and this is a

profile of without a doubt the most important customer that we have in the college and the Race Track Industry Program and for that matter in our university, and that is our students.

There really are some excellent students here. As a matter of fact, I opened this thing up and the first thing I saw was a student who is a freshman — I teach a course in the fall called — it has to do with agricultural management and what that basically amounts to is anything the dean wants to do with 12 students, and it's designed for freshmen, gives me an opportunity to keep my hands in, keep my pulse on the business of my college with the most important customer, and I had a chance to meet one of the young men that's outlined in your profile here.

I can tell you that if he is any example of what you are going to be able to hire at the end of their educational experience, then indeed you are very fortunate because without a doubt bright, intelligent, has a fire in his belly, is really going to do some excellent things. And I think by the time he's done — by the way, wrote a really interesting paper on the economics of the sugar industry in Florida.

And I couldn't figure out why the economics of the industry in Florida. Now I understand. This young man is from Florida. And so again, highly educated person and I use that word educated because frequently in circles like this we talk about people who are trained.

Well, I would argue with you that our university, we provide an education for our people, an education that will allow them to grow, to grow in your industry, to grow in whatever industry, whatever walk of life that they would like to go into. And here is a mighty good example, and so I bring this to your attention because, again, our most important customers, I think, represent the future of your industry.

So thank you again for being here; your support is terribly important to us. And I guess I would like to say one thing. I know that when Doug Reed is up here the first time he frequently is always thanking all of the people who have made this possible, the students, the staff, et cetera, but I need to tell you, symposia like this, meetings like this which by the way is the largest single thing the University of Arizona does of this type require excellent leadership, and so if he hasn't been thanked, I want to thank him again; Doug Reed, thank you for an excellent job. We really appreciate it.

(Applause)

Have a wonderful panel, ladies and gentlemen. Thank you.

MR. REED: Thank you very much, Dean.

Two very quick housekeeping notes and then we'll get started and I will introduce our moderator.

First a reminder. The Idea Forum is at two o'clock today and we forgot to print the location so I found our usual one mistake a year in the program. It's next door in Salon C at two o'clock. There are nine great projects or ideas. Stop in there between 2:00 and 3:30.

And I would like to thank our sponsors, Scientific Games for last night's wonderful reception, and also Magna Entertainment for the breakfast this morning, and following this there will be a beverage break sponsored by Prairie Meadows Racetrack and Casino.

So let me get started and also introduce our moderator, Chip Campbell, senior vice-president of television and sponsorship for the NTRA. And I also want to thank him as an employer of some of our graduates.

So, Chip, we're glad to have you here and also thank you for helping complete our mission.

MR. CHIP CAMPBELL: Thank you very much, Doug. I would like to echo what the dean said, for what it's worth. We have, at the NTRA, we have employed several, many graduates of this program and they are outstanding. Pamela White, Peter Rotondo, people like that, many you know have come from this program and have been absolutely terrific.

Having said that, let's get into the subjects for the morning which is "Sponsorships, Advertising and Branding — Protecting Everyone's Interests."

What I would like to do is take about three minutes to frame this discussion, if I may, from my point of view, and perhaps some of my bias will come out in that period, and then introduce our panel who have a variety of points of view on the subject of sponsorship and branding and so forth, and let them give a brief presentation on their point of view.

I will then try and stir it up a little bit with them and see if we can't get some sparks flying, and then we'll open it up for questions from the floor, from any of you, and the microphone is, as you see, set up in the middle.

To the framing. National sponsorship has had some momentum at the NTRA level in the thoroughbred world and we will hear from Chuck a bit about what is happening in the standardbred world in the same area. We are very early in what I would call a sponsorship continuum. We have begun to see some success over the last couple of years.

We have found a formula that seems to appeal to people in the commercial world. What we have done really is not so much sell a sport as sell an industry.

The Group Purchasing Program that we have incorporated into our sponsorship offering that Joe Morris runs is the single most popular thing among sponsors, and to very briefly tell you what that is if you don't know, we tell them you come in and

support our industry with sponsorship dollars and advertising dollars and the people in our industry will feel kindly towards you and your product and will buy them. And it has worked.

The John Deere example, as many of you know, Dodge, other companies, FedEx, other firms like that. So we've had success, but I reiterate the point that we are very, very early in this process. Some of us who have worked in other sports know that there really is a pattern that happens.

I worked in the National Football League in the early 1970s when National Football League Properties was just starting with their sponsorship business. And you have seen what's happened to that over 30 years, and it hasn't happened without bumps along the road.

Because there are a variety of interests that need to be served, same thing with basketball and baseball and other major sports. So we are much like that. We are now at the point, we are now at the point where we are starting to see some of these issues arise. People who have a particular interest or point of view want that protected and sometimes it's in conflict with others.

Labor and management, I suppose, is the easiest way to characterize it in some words, and maybe that carries over. But we're not unique.

The same problems have existed in other sports; golf and tennis, automobile racing have all addressed them and if they haven't solved them, they have at least reached some accommodation where there's a certain level of comfort, anyway.

I think we've seen, as it pertains to, as it pertains to the jockeys in particular, I think we've seen the issue of jockey advertising come up on the major days during the course of the year, the major television days. We've seen it at the Preakness, at the Belmont, at the Breeders' Cup and the Kentucky Derby. This is where big television audiences are available, this is where there is value in that kind of exposure for companies and so we've seen it there as we've begun to work through it.

But understand that there are a variety of interests that need to be served, and it's incumbent on all of us in the industry to figure out how to do that in a fair, equitable way. We have to look out for the interests of our existing sponsors, whether they are NTRA sponsors or racetrack sponsors or whatever, they are putting millions of dollars into this game and we need to make them happy, keep them there.

We have the interest of the tracks themselves, of the jockeys, of owners, trainers, so on, so forth, all which need to be taken into consideration. And I hope in the discussion today that we will address those varied interests and perhaps get the discussion going on how we move forward from here.

We'll also hear, we'll also hear from Bryan Pettigrew a new sponsorship approach that has not been seen in this country, it has been seen in Europe but has not been seen in this country before, which is interesting, and I'm not sure whether, Bryan, whether it actually helps us solve the problem or whether it just adds another layer of problems, so we will figure that out as we go along.

Okay. Enough of that. Let me introduce our panel, and I'll do it briefly. Many of you know some of these folks up here. Starting at my far left we have Dan Metzger who has been, as many of you know, in the racing industry for many, many years. He is the president of TOBA, the Thoroughbred Owners and Breeders Association. Think management.

Next to him we have Bryan Pettigrew. Bryan has been in the industry— he was with us at the NTRA. He now has his own sports marketing firm in Dallas with a number of different clients. He's familiar with all different aspects of this game from the thoroughbreds to the quarter horse people and so on, so forth, and he is going to present us today with, as I say, a different perspective on this.

Next to Bryan we have Kelly Wietsma. Kelly is the president of a firm called Equisponse headquartered in New York. She represents many of the leading jockeys in the thoroughbred side: Jerry Bailey, Jose Santos, John Velazquez, people like that, and has had some success in finding sponsors who were willing to deal and anxious, actually, to deal with her clients in the sponsorship area, and we've seen corporate identification on their outfits during the major race days.

And right next to me is Chuck Geffen. Chuck is our standardbred expert, if you will. He is the president of Branding Rights, Incorporated, which is a marketing firm, represents many of the leading standardbred drivers and organizations. He also is involved in the branding and marketing area outside of racing. Has clients in the outside world, if you will.

For those of you from the thoroughbred side, I noticed in Chuck's biography he is a graduate of Drexler University, and he wanted me to assure you that he never knew, does not know, has had no contact with others in Drexel with whom we've become familiar over the last couple of years.

Anyway, having said that, Chuck, why don't we start with you. Tell us a little bit what's going on in the standardbred world and then we'll work out from there. The situations are a bit different.

MR. CHARLES GEFFEN: Okay. I think I'll hit the lectern.

I feel like I'm first-over, which is a term at least in harness racing when you're out on the outside first, and actually I relish that opportunity today. I want to give some thanks first to Billy Haughton who has allowed me to become involved in this industry and the Haughton family overall, and my thanks to Paul Estok who invited me to speak today and the HTA for that opportunity.

Harness racing we see as a reemerging sport, a sport that's being propelled by simulcasting, by slots and in the sense of being propelled by slots, we certainly want to see an investment from the gaming side into the sport and not just a ticket to have the slot facilities in the states, particularly in a state like Pennsylvania, where we are going to see it coming soon, where there will be four harness tracks with licenses for slot parlors.

We see it as a sport that has family values at its core. Many of the drivers and trainers also own horses. Families have been in the business for decades: brothers, uncles, fathers, wives are involved. Colors that the uniforms are so beautifully demonstrated come down through generations, and that's a key thing for us in the harness business, and that is the ownership of the uniform colors and the design of the uniform by the drivers, by the trainers, registered with the USTA and through the USTA which supports, through a rule allowing corporate advertising on the uniforms, the proposition that corporate logos are a good thing for the sport. That's what we believe.

States throughout the United States where there is harness racing generally either defer to the USTA rule or don't mention anything about advertising on the uniforms. Two states differ, Maryland, which allows logos in two places with a size restriction. California, which does not allow it, although I'm told informally upon request they would seek to think about changing that.

Standardbred Canada, which is the Canadian counterpart of the USTA, has a rule which allows corporate logos, again with a size restriction. So the industry itself understands that this is an important part of the developing process of creating new money for the business, new interest, new fan base and we hope and we expect new consumer companies and new product categories that will allow for the ongoing relationships to — or I should say the developing relationships to try to avoid conflicts in the future.

I would like to give you a little taste of what we've done in our Web site this year, and it also has some of the information on the back end about a few of the deals that we've entered into in the first year of our operation in the harness business. And it is about two things, and there were two panels yesterday where concepts were promoted and talked about, one was relationships.

And this is a relationship business because we have spent, as a company, individually, the last year in speaking to organizations, the Harness Tracks of America, the horsemen, HHI, the USTA, the Hambletonian Society, Breeders Crown, individual tracks, the Grand Circuit; we've gone out, we've done our due diligence to introduce our program and talk about what the issues are.

And there are issues, but I think the relationship building from yesterday can carry into today, and the second point from yesterday that I want to mention is intellectual property, because it's very important, it's the base of the industry in many ways, you heard about it yesterday on the wagering side, it's certainly applicable, too, in the talent side and the branding and sponsorship areas.

Let's go to the video.

(Video now playing)

Our first company to join us was SSG Gloves, which is an equestrian company in the glove business, in other disciplines as well, and that's John Campbell who is the leading ambassador for the support of horseracing as far as the talent is concerned. He also has an endorsement relationship with Youbet, the advanced deposit wagering company.

This is Brian Sears. Also a deal with SSG. Dave Palone recently hit the 10,000 mark winning seven races in a night at the Meadows. HTA harness driver of the year three of the last five years, and I think on track to do that this year.

Luc Ouellette. Big family guy. He's related to two guys we'll see later, the Lachances. That's on the family value side. All four of these guys with the SSG deal. One other one is Chris Christoforou from Canada, and this is at the Meadows on Adios Day.

And this is father and son, Mike Lachance and Pat Lachance and this actually relationship we can thank to an owner in the business who wanted to do something for his main driver, Mike Lachance, who drove Four Star Shark, and other Jeff Cohen's horses this year to great success.

This is the back and the Redken deal for us is a watershed deal because it's a consumer product, and we think that's extremely important because it goes along the line of introducing non-competing, so to speak, new blood into the business.

That's Brian after he won a hat trick at the Triple Crown — excuse me, at the Breeders Crown races at Woodbine.

And our theme. Actually a theme which was conceived by us in a speech last year, which was the motivational speech at the beginning of the racing conference about the fact that this injury is — is my litigation background, I said injury — this industry is in a time of change and we hope to work with it, to move forward and make it happen.

Thank you very much.

(Applause)

MR. CAMPBELL: Thank you, Chuck. I think, correct me if I'm wrong here, panel, I think the fundamental difference that we saw there is that the drivers themselves own the real estate on the silks, on the shirts, which is a different situation than exists on the thoroughbred side. So there are differences, there are similarities, structural similarities as well.

Next up I would like to ask Bryan Pettigrew to come forward and tell us about the new approach that he has been taking on the thoroughbred side.

MR. BRYAN PETTIGREW: Thank you, Chip. Thank you. Earlier this year I was hired by an international farm and thoroughbred owner that asked me to take a look at their business model. They own farms in Kentucky, Florida and outside of the United States, and asked me to come up with a new model for their business plan that could bring in new clients and also generate a new revenue stream for their farm.

MR. CAMPBELL: By new clients, you mean new sponsors?

MR. PETTIGREW: No. Actually it was to bring in new clients, new owners and partners to the thoroughbred racing industry. They wanted to develop a model that could also bring in new owners.

The genesis of this idea was after they visited a NASCAR race and they sat in a suite that entertained about eight different CEOs, and when they saw these CEOs of different major corporations, Fortune 500 companies, they said that's what thoroughbred racing should really be trying to aim for.

So we began to develop a model. We went out and looked at other sports and noticed the one thing that stood out in every sport was the logos sold on all of these athletes' uniforms.

We took their assets and basically came up with a plan to go out and attract new corporate sponsors. We called it the Thoroughbred Team Racing Concept. It involves using their horses that they have in training in the U.S., which would be a minimum of 30 horses, going out and branding their farm, their stables at the racetrack, their uniforms on their trainer, their jockeys, their grooms, everybody would be wearing the sponsors' logos, hats, golf shirts, jackets. Very much like NASCAR.

They have put up hospitality at a minimum of 10 hospitality events a year that they would allow the sponsor to use their seats at the Breeders' Cup and the Triple Crown races. We also, one of the things we learned from NASCAR was about two years ago when NASCAR had some sponsors that were sponsoring cars but they were not buying commercials from NASCAR. NASCAR was blocking them off and not showing their cars on TV, so we went to the NTRA and talked to them about buying TV commercials through the NTRA on NBC, ESPN, TVG, but all, for the sure, for the example back to NASCAR so they would not get blocked out.

Our sponsor would not get blocked out or not shown or not interviewed on TV, so we wanted to create a comprehensive partnership with the league office. The sponsor would also get use of the farm in Lexington for business meetings, for entertaining clients, and also use of their jet. That was one of the things that they found in NASCAR that most every team is flying the CEOs into these races on their corporate jets, and they value their CEO, the CEO's partnership, they value his

family time in getting to the races and back home that night, so they understood that and thought that also would be something to put in our partnership packages.

And they are willing to, as Chip said, be first in the United States to put a logo on their silks.

This is an example of how we are pitching it and how we would like it to look. We don't want to go into the NASCAR auto racing look with a bunch of logos. Our idea was to keep it simple to the arm, the chest, and very clean, not multiple sponsors.

Benefits of this, of course, are fan interest. Sponsors that bring in their sponsorship dollars and entertain CEOs of a company are also bringing many thousands of employees that work for those companies, so we think it's a way of generating fan interest.

We also think that the sponsors make it cool to be associated with thoroughbred racing. They will publicize and promote their involvement. Probably the biggest advantage to these sponsors sponsoring a thoroughbred racing team would be their ability to leverage media sponsorship — excuse me, media publicity with major publications.

If Budweiser goes to USA Today and tells them it's cool and that they would like some congratulatory notes or standings in rankings, thoroughbred rankings, you can bet you that USA Today is going to put in or give more consideration to that request if it's a major paying customer.

And so that is the concept, I guess we'll discuss it in just a few minutes, but we have actually just started pitching this to companies in the last month and we've had pretty good response so far from people in the sponsorship advertising world, a lot of interest in how they can approach this.

MR. CAMPBELL: Thanks, Bryan. It seems to me, by a long shot, I'm not an expert in this, but it seems to me this is closer to the model used in European thoroughbred races, isn't it, where you have Godolphin and some of the other big companies that have all their employees, including jockeys, who are employees over there?

MR. PETTIGREW: Similar, yes.

MR. CAMPBELL: It's a similar program that seems to work for them.

Dan, it seems to me that Bryan has solved the problem because he's dealing with the owners here as well but it seems to me that in general the idea of logos on the silks is a difficult one for us because that real estate actually belongs to the owners of this country and can't be done without them; is that correct?

MR. DAN METZGER: That's correct. That's correct, and in Bryan's case, though, if he has a specific client that obviously opens up that arena, obviously there would

be issues in the State of New York which the Jockey Club regulates, but as a general concept we do support the idea of jockey advertising. We believe it creates an opportunity for the sport, specifically owners and jockeys, to provide corporate marketing support, and this all obviously came to light this past spring with the ruling in Kentucky before the Kentucky Derby, and from our vantage point it was quite interesting that the Kentucky ruling was very specific to the jockeys and to the tracks and the owners were kind of left out of the equation.

And since that time we have done a lot of research, analysis on a state by state level, and you can compare racing to a lot of sports, and there's no perfect fit, but as Bryan alluded to earlier, probably the best fit is from NASCAR.

NASCAR, if you look at it closely, has a lot of the same similarities to thoroughbred racing. The car owners are the ones who are making the investment in those cars. They cost millions of dollars a year to keep them into the races in NASCAR, and I'm told that virtually every NASCAR owner would probably lose money, like thoroughbred owners, if it wasn't for corporate advertising, and obviously they go probably a lot further than we in thoroughbred racing would wish but they do it in corporate demand.

They have addressed their area addressing owner economics and we can do the same here in thoroughbred racing. They do have stars in NASCAR, Jeff Gordon, Dale Earnhardt, Jr. We have stars here in thoroughbred racing like Pat Day and Jerry Bailey.

So we believe if you look at the NASCAR model, you can make some similarities to thoroughbred racing. If a major corporate sponsor approaches Jeff Gordon to wear Pepsi, Jeff Gordon has to refer that person to the Hendrick's driving team who turns around and does a large deal with Pepsi and then they turn around and do a deal with Jeff Gordon. Jeff Gordon can either accept it or walk away.

It turns out to be a very good win-win situation in NASCAR and we think the same opportunity exists with thoroughbred racing.

Obviously, the big days, the biggest demand, whether it be the Triple Crown races, the Breeders' Cup, Travers Day or any big racing day on ESPN or ABC or NBC. Owners lose as we all know, especially owners do, they lose over a billion dollars a year, and we believe they should be involved in the process with jockey advertising.

We believe it to be a natural fit for the NTRA to take the lead to be a vehicle to pull together all the constituencies in racing so we have a united front going to the corporate world to make this work. It's easier said than done but we think that would be a good start.

But in essence we believe the owner should have the final say-so. If an owner wishes to have corporate advertising on the silks or the pants, they can say yes or no. The jockey obviously can decide whether or not they want to ride that person's horse, and so that's the issue which we are at and we believe that if the owners

and jockeys communicate closer together and then along with the racetracks and the NTRA we believe we could have a partnership that benefits the entire sport.

MR. CAMPBELL: Thank you, Dan. The other side of the coin, of course, is the jockey, and Kelly Wietsma is here to represent a certain group of the jockeys who have demonstrated the ability to get some kind, if not a great deal, some kind of advertising on major days of racing.

However, I would pose this question to get you going. Kel, I don't believe that the jockeys or anybody else maximizes the opportunity if they limit the relationship to slapping a logo on their pants on a big day, and I would like to hear your —

MS. KELLY WIETSMA: I agree with you on that. What we're trying to do is similar to what the superstars in other sports develop relationships with their sponsors. It's not about just a logo on for a featured race day. What we want to see is a long-term relationship with the corporate sponsor.

We have had a difficult time doing that so far because our industry is so fragmented on the rules. They vary state to state. In the State of California you can wear a logo without permission from an owner. In Texas you can't. In Florida you can't. So it's limited us into entering into long-term deals, but ideally what we would like to do is have, whether it's Jerry Bailey with Wrangler or Jose Santos with Budweiser to be able to — it goes well beyond that.

Corporate speaking, advertising, use of name and likeness, appearances, hospitality. If a corporation wants to bring in major players to a Derby that jockey that is sponsored by that company is there to meet and greet whether it's a dinner, cocktail party surrounding the event.

What happens is, as I mentioned with the fragmented rules in our industry, it's limiting us and we want to work together with the industry as far as whether it's Nextel and Dodge, giving Chip more added value to his sponsors by saying you can take a Jose, you can take a Jerry, a Pat, a John Velasquez, and it's giving a tremendous amount of value if they can associate their name with the superstars in the sport.

One of the issues that the jockeys have, or the jockeys that I represent have is John Velasquez is going to ride 1,200 horses in a year. Now, if we base an endorsement relationship on permission of 1,200 owners, it's going to be impossible to enter into a deal. Many times they don't know until day's out who the owner of the horse they are going to be on.

So I agree there needs to be involvement with the owners, but it's between the owner and the jockey. If I want Jerry Bailey to wear the Wrangler logo on my horse, I'll make it clear to him it's Jerry's prerogative to say, "Kelly, I respect your issues and I will not wear" or, "I'm sorry, this is a lucrative endorsement deal and this is my sponsor and you're going to have to find another jockey."

So our sport is very different in that you do have an owner, you do have a jockey. An NFL player can make his own decision with the endorsement relationships he enters into.

One of the issues that's been brought up, which you won't see Derek Jeter out there with a logo on his uniform, but he is essentially owned by George Steinbrenner and is paid a lot of money with a contract, with insurance, with retirement, with benefits, and the jockeys don't get that.

Jerry Bailey has felt that if they did have relationships where you were under contract with an owner then it gives that much more credence when the owner says, "I don't want this on my horse."

So I think Dan and I have definite reason to disagree on some of the issues with permission from the owners, but I think we need to work together as an industry to come to some kind of conclusion how best to work. And I think it would start with the tracks.

So one of the issues that we had with the Triple Crown this year is the jockeys were handed a list of sponsors they couldn't conflict with. In some cases it was a list of 26 sponsors, and we're getting those at different tracks around the country. Basically, it's going to lock the jockeys out of doing endorsements for any major category, whether it's beer or soft drinks, because each track has different sponsors.

MR. CAMPBELL: I was actually taken last night — we had, the group had dinner together and there was a spirited discussion. I was actually taken by how much you and Dan actually agreed on at the core issue and it seems to me that the disagreement centered on the details and the implementation and those types of issues. What they are saying, the devil is in the details, and it probably is.

Let me just throw out for what it's worth, and there are no perfect examples with other sports, I know that NASCAR has got enough problems of their own that they deal with on a day-to-day basis, although they are doing very well. Years ago when I worked in the golf world, PGA Tour, the tour policy board decided the organization should go into the marketing business.

At that time all it did was set pins and do a little television, and it decided to go into sponsorship and marketing area and that there was a very mixed feeling amongst the golfers, the players. The top golfers, Arnold Palmer at the time, Jack Nicklaus, Tom Watson, said, absolutely not, absolutely not. We do not want the organization in that business. You're going to limit our opportunities if you go into the sponsorship marketing business.

The players at the lower end of the money list thought that this was a great idea because it was going to, in their view, going to bring in new money into the game; they relied heavily on what they won in tournaments as opposed to endorsement income, so they were very much in favor of this and, of course, it happened, PGA

Tour as we know today has a marketing machine that is second to none, they are right up there with NASCAR and the NFL, they have done wonderfully well.

They worked through those issues and it was not a pretty process and there were lots of difficult times, but they got there and it worked out and they have come to an accommodation. Their big issue comparable to this one years ago was what rights did the jockeys — not the jockeys — did the caddies have to wear logos on their shirts, and the resolution of that one was much like what we talked about up here, they can wear whatever their golfer tells them they can wear. They are an employee of the golfer and in that case he is the one who owns the real estate, if you will, and tells them what they can and cannot do.

This is an issue that I think is going to be a bigger issue for our industry, both from the standardbred side and thoroughbred side. As we continue down the road to more and more national sponsorships, this issue is going to become more important and it behooves us as an industry to get it solved. And hopefully over the next 12 months we will find an accommodation where everyone's interests are met.

Kel.

MS. WIETSMA: One thing I wanted to bring up, if you look at most other major sports, whether it's John Madden being used by Miller Lite or Warren Moon by Coors, they embrace the superstars of the sport and those superstars of the sport give that sponsor added value. Unfortunately, for economic reasons the four-legged superstars of our sport disappear out to the breeding shed after a good season or two.

The Jerry Baileys, the Javier Castellanos, they're going to be around for many, many years and as an industry we haven't done enough to take advantage, and the trainers as well, the team of Todd Pletcher and John Velasquez is the winningest team in the country.

We should take that and promote it and be able to give it, whether it's Arlington Park, renewing a relationship with LaSalle Bank which is more a regional sponsorship.

Rene Douglas is a perfect spokesperson as the four-time leader, four years in a row, four consecutive years leading rider there. He can add a lot of value and we have spoken to LaSalle Bank about this, whether it's hospitality, whether using him as that spokesperson and it gives Arlington Park a way to give that sponsor added value by having the superstar of the sport involved in the endorsements, and the relationships the tracks are building with sponsors.

MR. CAMPBELL: Star sell. Star sell.

MR. METZGER: I would agree with Kelly on that point, but the only disagreement that I would have is that rules of engagement change whether it's two minutes or a minute and 10 seconds, whatever it is, when the jockey is on the horse. I think it's

terrific that the jockeys are around for 20 or 30 years. We need it as a sport to get behind and promote them as the stars, but the rules of engagement change.

So, John Madden doesn't get on and sell Miller Beer when he's on Monday Night Football on television. He can do it off camera when he's not —

MS. WIETSMA: Well, that's what we're saying, why should a jockey share the revenue that he's making throughout the year by doing corporate appearances, advertising, use of name and likeness to sell a product and share the revenue that he's working all year with this relationship for the two minutes with the owner?

MR. METZGER: Nobody is saying you have to share throughout the rest of the year. You just have to figure what the —

MS. WIETSMA: And how do you split it up with 1,200 owners?

MR. CAMPBELL: And they are off.

MS. WIETSMA: I mean, it's impossible to do. There have been jockeys that have said, "Okay, you give us 10 percent of the winnings, we'll give you 10 percent of the endorsement."

I don't think many of the owners that are involved in the high-profile televised events, the money that a jockey is going to give them is going to make any difference. I would like to see maybe money put into disabled riders or a charity of the jockey's choice, but it should not be dictated. That's a relationship between the jockey and the owner.

MR. GEFFEN: Nothing is impossible, Kelly, and there are solutions. You just have to sit down and talk about the solutions there are. You talk about common funds for charity. Maybe there's a common fund for the owners where the owners can pull something out of it on a totality basis instead of an individual basis where the owners themselves maybe in the key races see some of that on a direct basis.

I don't know, I don't even know if that's a potential resolution for you, but the fact that there are other parties interested in developing branding and the sponsorship and advertising opportunities, particularly Bryan's client, we've seen that, too, in the harness business.

We've talked to the farms, we've talked to Hanover, we talked to Glen Gate, we talked to others and they think it's interesting to think through what if, how do we promote, how do we create more interest in the product that we're trying to sell, and so maybe the dialogue you're going to have over the next several months will become productive, and I'm sure that in the harness business we're going to see dialog as well, and actually we welcome that.

We welcome the opportunity to sit down with the track and develop models where there's a track talent opportunity, because leveraging the talent is critical. The

human talent, which was the subject last year at this symposium, leveraging that human talent, every other sport leverages the talent.

If you look at the paper this week, the Cleveland Cavaliers saw a two million dollar increase in sponsorship over one year just because of LeBron James. You put money into the talent, you're going to get money out of the talent, in new fans, in new interest and there's got to be a way to split it up.

MR. PETTIGREW: I agree, but I also think there's plenty, there are plenty of opportunities for jockeys to go out and do appearances and radio interviews and endorsements which has nothing to do with wearing silks on a race day. They can go do LaSalle Bank, it could be a local Chicago deal, interviews in the newspaper, appearances at luncheons and endorsement deals like that that do not interfere for those two minutes when he's on a horse at Arlington Park.

MR. GEFFEN: You have to think about beyond the uniform with the silk advertising. There are other means. There are image licensing which goes outside of racing, the products, the services.

We're thinking about the issue of what happens now in the casinos. Why not bring in the image of the talent or something in the thoroughbred or harness business on the slot skins so you can drive and cross promote.

Video games. I know there's a video game that's coming out in the thoroughbred world. There are a lot of creative ways to think this issue and I think we're just at the start of it.

MS. WIETSMA: I think one of the most important things we need to address right away is to have some kind of committee put together. It's not fair for the jockeys to have to face different rules in each state or to be given a list of house rules that were just brought forth a week before an event.

That's totally unfair and I think we need to work together, and whether it comes under the NTRA with an effort with the Jockeys' Guild or the individual jockeys, that they need to have a national — the rules of marketing coming under nationally because otherwise you're going to — a jockey, Jerry Bailey is going to ride in Florida one day, he's going to be in California the next, he's going to be in New York, and he cannot enter into a deal and promise the sponsor anything other than, well, I can do this in this state and I can do — as I would say, it was very frustrating.

I certainly understand Chip trying to protect major sponsors on Breeders' Cup day but, you know, we have house rules days before the race and in many times the guys are traveling, they weren't notified or the communication lines weren't there, so I think in all fairness to owners and jockeys, we've got to set some kind of standard that's fair to everybody involved.

MR. CAMPBELL: I agree with part of what you said there. I do think the real world as it exists today is that this is an over-regulated industry and every state does have different rules and they are not, unless somebody puts lots and lots of lobbying money into it, they are not going to become uniform in our lifetime; but on the other hand, I do think that there are ways to handle the issues that you brought out, the last notification of who's off the list and so on and so forth.

MS. WIETSMA: The list at Churchill Downs has a list of 26 sponsors and NYRA has a list of 15 sponsors and Lone Star has a list, and the jockeys are handed these lists, and it's true, I mean, Coors at Churchill, Guinness with the NTRA, Budweiser at this track, these guys are going to be locked out of every category, and that's not fair.

We should respect the Visa's of the world, maybe the Nextel and Dodge, but to have a jockey locked out of wearing a logo because maybe a guy spent \$2,000, \$5,000 on hospitality and is listed as a sponsor is unfair.

One of the examples we brought up over and over again is Phil Mickelson wearing the Ford logo at the Buick Classic. There's no way that Westchester Country Club would lock out Phil from wearing that logo because it's sponsored by Buick. It doesn't happen. It's sports marketing and every other industry recognizes that there is competition. Competition is healthy.

MR. CAMPBELL: I would —

MR. PETTIGREW: There are several more categories than Budweiser, Pepsi, Visa and Nextel. There are several categories. It's planning ahead. It's not showing up the week of Belmont Stakes and saying, "We're bringing in Coors Lite." You've got to, as you said, work ahead with these tracks and work it out in advance so you know the sponsors that they have or that they are anticipating, but there are several other categories out there that you can go after.

MR. CAMPBELL: Kelly, I would add that your Phil Mickelson's name, at the point when the PGA tour was where we are in the sponsorship world, I'm not sure that's true.

MS. WIETSMA: Oh, it —

MR. CAMPBELL: I'm not sure it's true. In the early 1980s it was a very — it was more similar to where we are than what you see today. They have gone through that continuum very successfully, millions and millions and millions of dollars in all different levels and they have addressed and for the most part successfully overcome the issues that I mentioned in the riff at the very top.

They have been through all this and maybe there's something for us to learn how they did it and others did it, but as I say, it is difficult because it's so new here and I think some of us, and I'm probably the most guilty of this, are overly protective of

the sponsors that we have. I'm mad at Bryan for putting Budweiser's name up there instead of the Guinness name, but I'll get over that.

But it's not easy but it is workable, if you will.

Dan?

MR. METZGER: I hope one day we'll have the problem that NASCAR and golf does, sponsors lining up at your door. We don't have that today at thoroughbred racing today, so I agree with Chip and little disagree with Kelly. Hope in five, 10 years we can do that. I think if you start doing that, you're going to scare off the Dodges and the Nextels and the companies like that.

MS. WIETSMA: Ideally what my company is doing is we are working with the tracks and we want to give added value to the existing sponsors. Chip Campbell has been wonderful. We have been for the last year and a half toying around with different ideas where we can bring the jockeys into their existing sponsorship.

An example would be to have a jockey championship where the fans can follow the jockeys all year. They get more involved in the sport and a title sponsor, whether it's Wrangler or Guinness or Nextel has that jockey championship and at the end of Breeders' Cup points are tallied up and the jockeys make a great amount of money based on their rankings.

So we do want to do that. We want to say, Nextel, when you're shooting a commercial that's going to run during the Triple Crown, why not have Todd Pletcher on his walkie-talkie here talking to D. Wayne in California. Let's use our athletes, two-legged, four-legged, trainers, horses, jockeys that the sponsors that are putting money in our industry use our industry in their advertising and their commercials.

MR. CAMPBELL: I want to leave time for questions from the audience, but I would agree to the extent that we should be using all of the assets in this game to sell sponsorships, because despite the fact that we have had a couple pretty good years in the sponsorship world, it is still not easy to sell the sport. It is not easy in corporate America to go in and sell national sponsorships, and I don't have to enumerate the reasons for you whether it's the wagering, whether it's the demographics of the audience, all the stuff that we hear time after time.

We need all the ammunition we can get, and as stars sell, as we know they do, it behooves us all to figure out a way to work through these various problems, which by the way do not exist in a vacuum, there are other issues as well that are beyond the scope of this panel today that needs to be addressed.

So without objection —

MR. PETTIGREW: Chuck, do your riders, drivers, do your drivers have to do any kind of clearance with their tracks before they wear a logo?

MR. GEFFEN: Well, they drive 2,000 to 3,000 times per year in a single uniform, never change except for weather or rain, which is part of weather, temperature.

The USTA rule indicates that we're required — that there's a race that has a sponsor that there not be a conflict in that situation. It also requires that the drivers appear dressed in good taste and that the judges have some discretion if they aren't dressed that way to I guess prevent them from appearing in a particular race.

What we've done, Bryan, is we have notified the tracks in advance of the drivers appearing — not always well in advance — but we've had communication with the tracks about what we're trying to do, and I think while there aren't specific rules currently for the harness drivers, they may come at certain tracks, what we've just tried to do is keep an open dialogue.

I don't think it's a requirement, but it makes sense to do that, to keep the relationship on a positive side; and if there are issues that the track has, let's address those issues.

MR. CAMPBELL: Okay. Questions from the floor?

Either we've answered all the questions or we bored everybody to death.

MR. JOHN HARTY: Okay. It seems like ultimately the most money we could bring into the industry, the better we all are, and I also agree that we're very much in the infancy. In NASCAR they have Budweiser and Miller going head to head every race so, Chip, you have signed a very good deal with Dodge and what would they think about that, number one, and, what would preclude the tracks and NTRA from striking the best deal they can with a Dodge and let's say the jockeys strike a deal with Chevrolet?

MS. WIETSMA: We were prevented — it's an interesting point because Stewart Elliot had a deal on the table with Ford going into the Belmont and we were not allowed to do it because Dodge is the sponsor of NYRA, and I respect NYRA that they are protecting their sponsors, but it's competition and unfortunately we had to walk away from Ford, Stewart Chapman's Ford Belmont.

MR. CAMPBELL: If I may, based on all historical evidence from other sports, we will get to that point. Very frankly I'm going to try and delay it as long as I can.

MS. WIETSMA: We're going to fight it.

MR. CAMPBELL: She's going to fight it as long and as hard as she can. Once we have been through a cycle with any of these major sponsors, I mean, they all deal in Dodge sponsors, NASCAR and hockey and everything else where some teams have different relationships, I mean, those are the issues.

Think the NFL, what they did. In the early days they brought all sponsorship into the national office and they sold there. As time went on they sent back different categories and things back to the individual clubs to sell because they can generate more money for the industry that way.

Somebody up here spoke about NASCAR. You've got every car company, every soft drink, every beer company known to man sponsors NASCAR. I think we will get there. I've got to tell you in honesty I'm scared to death of trying to get there over the next year or two. I think that we are not solid enough with the existing relationships. They haven't been through a cycle and I really don't feel comfortable because of that.

MR. PETTIGREW: At the same time the team racing concept that I'm proposing was given to Chip to run by NTRA sponsors so they're not blindsided, we're not going after any of those categories right now but it's going to be hard to go back to a thoroughbred owner and say Chevy came on board and said they would pay X amount of dollars for this partnership.

It's going to be hard to tell them you can't do it because of the NTRA. I think we'll get there but the NTRA sponsors are aware of this movement, and albeit slow, they are aware of it and some of them have shown some interest in it.

MR. HARTY: Next question. What about cigarettes?

MR. CAMPBELL: Kelly is definitely in favor of cigarettes because she's the only one on the panel that smokes. I'm sorry. We have not addressed — we have not addressed that issue. We have not approached any of the major tobacco companies about sponsorship. The regulations on them, on the number of sponsors that they can have now makes it highly unlikely, I think, that they would do a national deal with us.

I mean, our offerings are largely built around national television, which they can't use. They have been limited, if I remember the rule correctly, they had to pick one national sponsorship that they can continue to operate for brand. We have talked to, we have talked to the smokeless tobacco people a little bit who do a lot in the rodeo world and things like that, but we've not succeeded there.

I don't know that there's any philosophical prohibition on us at any level to do that. We just haven't done that.

MR. GEFFEN: Liquor has just opened up with the NASCAR relationship and it is an over 21 sport for gambling purposes. Some of the starting gates in the thoroughbred world I've noticed have relationships with Guinness and Ketel One.

Whether or not the harness drivers would be interested in it, we haven't really discussed that at all because up to now, last week or two weeks ago it wasn't something out there in the mainstream of sports.

MR. CAMPBELL: We have, to clarify, we have no problems with liquor. We have recently done but not announced a deal with one of the major importers of spirits.

MR. TOM DEACON: Tom Deacon from the Ontario Horseracing Industry Association. I have a question for Ms. Wietsma, if I may.

Am I correct in seeing a distinction between the silks and the pants —

MS. WIETSMA: Absolutely.

MR. DEACON: — or the pants and the boots? Have I got it right that your problems in terms of the pants and the boots are strictly the NTRA or the track prohibitions, which I guess they are NTRA-induced, and the local regulations, I mean, the jockey owns the pants.

MS. WIETSMA: The jocks own the pants, the owners own the silks. We're not asking — in the endorsement deals we're doing with the jockeys, we're not asking to touch the silks at all, just on the pants. And an example you can see, I was going to bring this up earlier with Ghostzapper winning the Breeders' Cup Classic, you could clearly see Adena Springs logo which is a way that owners, eventually when they're selling a team-type thing have the opportunity on the horse or their silk but, no, the jockeys, the only place we have been doing the logos is on their pant leg.

MR. DEACON: Thank you.

MR. CAMPBELL: Which is different than the European models where they have, my understanding is that in Europe the jockey and the owners have come to an accommodation and they have split the revenues with the majority of the revenues for advertising on the silks going to the owner, the majority of the advertising on the other part of the jockey's outfit going to the jockeys.

MR. GEFFEN: Interjecting, the team concept in European harness racing is similar to the thoroughbred in that there aren't as many catch drivers over there where they're just jumping from one owner to another, which is a far more prevalent situation in the U.S.

MR. MIKE CAMPBELL: My name is Mike Campbell. I'm with the ITHA from Chicago. I just want to comment that the good that can come from sponsorships do. Last year at Arlington we, the jockeys decided that they would like to do something for the Jockeys' Disability Endowment Fund. They found a sponsor that was willing to contribute \$200,000 in an individual effort if we could get the membership to clarify that there was, there would be no issues as far as legalities and problems with the track officials.

As ITHA members or officials we sent out a ballot to our membership. It came back overwhelmingly in support of this idea. We raised the \$200,000 for the disabled fund and it was a clear success for both the jockeys, management and racing in general.

MS. WIETSMA: I'm aware of that. That was a wonderful idea and it certainly is a way to say, to give to disabled jockeys or the Guild or any fund that someone chooses, I think that was a wonderful idea and it worked out great.

MR. CAMPBELL: It was a clear winner for all concerned. The other thing I would like to comment on, I was at the — with Kelly — I was in the jock's room on Derby Day last year and clearly there needs to be an effort from the entire industry to get over the rules and regulations blockages for these riders. It's embarrassing, it's humiliating, it's bad for us, it's something that archaic and the rules need to be changed.

The riders are looking for another revenue stream, they have every right to it. It just needs, the problems and the politics have to be worked out, but I would encourage all the managements represented here today, take a second look at your rules and regulations and let's move forward and make the industry better on both of our behalves.

MS. WIETSMA: Absolutely.

MR. CAMPBELL: Thank you.

MR. JACK KNOWLTON: I'm Jack Knowlton, managing partner, Sackatoga Stable, owner of Funny Cide. I guess I have to represent the owners.

MR. CAMPBELL: You know something about sponsorship, don't you?

MR. KNOWLTON: Well, I do, and we worked with Kelly. Jose has in two instances, once at the Belmont and this year at the Breeders' Cup, we worked out our own arrangement. We think that's it's been satisfactory for both but I think it is important that in my mind, at least, the people who are willing to spend the money in those instances, they are not doing it for Jose as much as they are for Funny Cide, and I think that the owners have to be represented, there has to be a discussion between them and the jockey.

I wouldn't like a situation, not only with Funny Cide but any of my horses with the jockey with a logo and for some reason I or other members of my ownership group had some reason to not want that on the jockey that day.

So I think it needs to be a collaborative effort. We have been able to do it in the two instances I mentioned but I think there definitely needs to be a place for the owners at the table in this discussion.

MS. WIETSMA: Jack, you're a great example of how it works. You have been wonderful working with Jose. I have been dealing with Jack since Belmont last year with a Budweiser situation and thanks to Jack this year is a logo that Jose wore on Breeders' Cup day where Bob's Steak & Chop House.

And it was Jack's okay and thumbs up that allowed Jose, and I think on the higher profile horses and the higher profile owners that I have a lot more at stake, it's very important that we work together. That's why I have a relationship with you. That's why I have a relationship Jack Walton, the partners of Ashado because Pletcher is my client and Johnnie is and they have a lot invested in the sport. It behooves us all to work together.

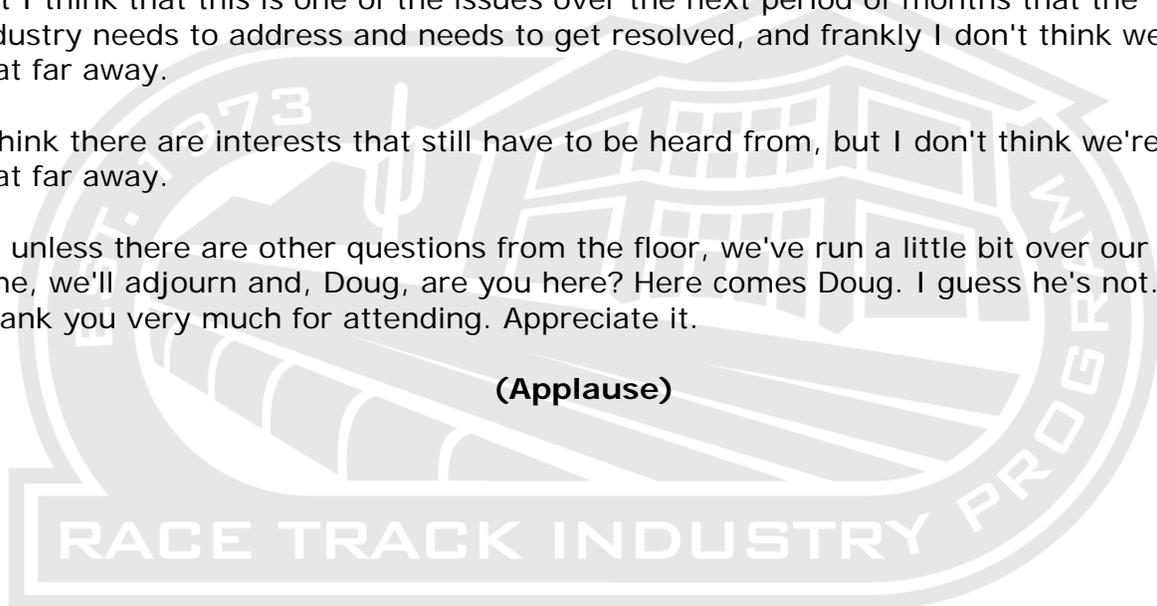
But I think there is, going back, we do need to have some type of rule so we're not as fragmented as we are and we don't have to worry about 1,200 owners with one rider each year. But you have been great, Jack.

MR. CAMPBELL: Thank you, Jack. I think this has been a good discussion. We've gotten a number of the issues on the table. I'm sure we've solved many of them, but I think that this is one of the issues over the next period of months that the industry needs to address and needs to get resolved, and frankly I don't think we're that far away.

I think there are interests that still have to be heard from, but I don't think we're that far away.

So unless there are other questions from the floor, we've run a little bit over our time, we'll adjourn and, Doug, are you here? Here comes Doug. I guess he's not. Thank you very much for attending. Appreciate it.

(Applause)



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