



Tuesday, December 10, 2019

**Changing the Marketing Paradigm in Racing
and other Observations of the Sport**

Moderator:

Wendy Davis

Speaker:

Jim "Mattress Mack" McIngvale

Ms. Wendy Davis: I'd like to welcome you to Tucson and thank you for being here at the global Symposium on Racing. 2019 marks the 46th renewal of this event that's been held every year, since the program started the first full week in December. For many of you who are aware of the program and have been here for a number of years, you'll realize that this has been a very, very tough year for the program.

There's been some great sorrow as we mourn the very recent loss of our associate coordinator, Liz Bracken. Liz has been an integral part of the symposium since 2013. Not only was her insight and experience invaluable to the faculty when we are creating coursework and figuring out how to best prepare our students to go out to be leaders in the industry, she was wonderful at identifying the cutting-edge issues that we should present during this symposium.

The biggest gift and really, the most important attribute that we saw in Liz was her wonderful teaching ability, her gift to connect with the students. She was an incredible mentor and so many of the graduates for the last few years really look up to Liz and attribute her to the position they have in racing today. She touched the lives of so many.

If you will just keep Liz in your thoughts during this symposium, I'm sure she's here with us in some shape or form.

On a happier note, we're delighted that all of you have made it out here. For some of you, it's your first trip and welcome. We're pleased to have you. For many of

you, it may be your 10th or 15th or 20th time, and we're excited to have you back again.

We're still the venue where people from all areas of the industry and all parts of the world can gather and discuss the cutting-edge issues of today. I'm pleased to say that along with diverse representation from US-based racetracks, regulators, industry vendors, we have over 50 foreign attendees representing 14 foreign countries, again, making this truly a global symposium.

The event certainly has changed over the years, in size, in attendance, subject matter, but what stays the same is the commitment by the program to serve the racing industry with high quality program.

We thank you for supporting the symposium and having you all here, provides incredible benefit to our students, too. Many of them are in the room, quite a few of them are still working. They work the registration area, they make sure that you get all of the materials that you need.

This is the last week of the fall semester and finals start on Friday, so they're balancing their time between classes and conference sessions. We do tell them that coursework comes first, but they'll be here as much as possible.

Our seniors will be showcasing their capstone projects this afternoon from 3:45 to 5:00 in the exhibit area. Please stop by and see them, talk to them about the projects, where they're going, what their dream is, as they enter the racing industry. They're eager to share all that with you.

In your conference materials, you'll find the RTIP Year in Review. It really is an overview of what the program does and what the students have done over the year. There's also a brief bio of all of our students. Please take a moment to look at that.

Along with the thanks that go to the students for all their hard work and assistance before, during, and after the event, during cleanup, there are two people who you won't see in the room here, because they're always working behind the scenes. You may have met Betty Prewitt, if you needed to have a badge printed up. She's our administrative assistant, and Denise is actually in the back of the room making sure everything goes smoothly. She's our graphic designer and marketing specialist.

There is no way that this could come together without those two, especially this year when everybody took on additional responsibilities. Also, a special thanks goes to Dr Kathy Broneck. She oversees all of our business courses as well as providing programmatic support and assistance to the students.

They all go above and beyond and make this event what it is today. It's even more true this year — as I mentioned, everybody picked up more responsibilities. Of course, our sponsors are incredibly important too and we couldn't do this without them.

I'd like to thank all of the sponsors who are with us this year at the symposium. I'd like to start by thanking our Diamond sponsor, Roberts Communications Network for the reception last night. It was a wonderful way to kick off the conference and the event, and our ruby sponsor, Daily Racing Form, who sponsored this morning's breakfast.

We have a very full agenda today. Along with panel sessions, there's an awards luncheon that starts at noon, the student presentations at 3:45 and there's also a cocktail reception in the exhibit area this evening at the conclusion of panel sessions at 5:30.

For those who may be looking a little bit ahead and were here last year or the year before, yes, the Sonoran dogs will still be at the closing reception tomorrow afternoon.

This has been quite a turbulent year at racetracks across the country and there's no doubt that business as usual is a thing of the past.

The subject of safety and welfare has come to the forefront of everyone's conversations and so, too, it will be a very important part of this event, addressed in many different sessions and from many different perspectives. There are a number of other very important discussions on tap that deal with other parts of the industry, so I think this is a very well-balanced conference.

Let's get started.

Our first speaker this morning is certainly familiar to all of you, but you may not have had the opportunity to meet him or see him in person, and boy, are you in for a treat this morning.

Jim McIngvale, or Mattress Mack, is known in racing circles for his eclipse, award-winning sprinter, Runhappy, and outside of racing, for his top-rated, independently-owned furniture retailer, Gallery Furniture.

Jim brought his unique marketing perspective to the furniture business and then to Runhappy and if you aren't familiar with Runhappy, you've been sequestered in the Arctic somewhere.

What you might not be familiar with, is the depth of his philanthropic endeavors. How many of you knew that when Hurricane Harvey hit Houston, he opened Gallery Furniture for those who needed a place to stay? They lived there and he happily opened those doors. Also, sent the furniture trucks to assist those who were stranded. Some really amazing things that don't hit the headlines unless you're in Houston.

Today, we are so fortunate to kick off our event with such a dynamic keynote speaker.

Jim's going to share his perspectives on marketing, racing, and a number of other issues that are very important to him. Jim, thank you so much for being here today. This is truly an honor to have you kick off our symposium.

Please welcome Jim. I will. Wander slowly.

Mr. Jim McIngvale: Thank you, Wendy. I'm honored and glad to be here. Nice tribute to Liz as we — I read about her passing and God bless her.

I am here today to talk about my view of horse racing, changing the marketing paradigm in horse racing. However, I thought I'd start with an inspiring story this morning. Since we all need some inspiration, I want to tell you about one of my heroes in life, who I draw inspiration from every single day even though he is gone.

This story concerns the date of September 2nd, 1944, on the USS aircraft carrier, San Jacinto. The USS aircraft carrier, San Jacinto, was in the middle of the Pacific Ocean. San Jacinto is a word that's very close to me because the San Jacinto monument in Houston, Texas, is a monument where the Texans, led by Sam Houston, defeated Santa Ana and won the independence for our state, 170 years ago.

Anyway, on that morning, September 2nd, 1944 on the USS San Jacinto — it was an aircraft carrier and the youngest ever naval aviator was charged with a very difficult task that morning.

His mission was to fly his Avenger aircraft with his two crewmates to the Island of Chichijima and destroy a Japanese radio tower that was there. Now, the reason this mission was perilous and dangerous, was because several of his shipmates, naval aviators, had been shot down over Chichijima Island, the day or two before and everybody knew that if you were captured on that island — the island was famous for cannibalism.

However, George Herbert Walker Bush had been taught by his parents the American values of God, duty, honor, country.

Off he roared, as the pilot at 19 years old in his Avenger aircraft. President Bush used to love these four letters, C, A, V, U — that was one of his favorite sayings. CAVU means ceiling and visibility unlimited.

It was a cloudless day, you could see for miles and miles, the horizon there on the Pacific. As he approached the island of Chichijima, the sky filled up with anti-aircraft bombs, exploding all around his airplane. Undaunted, he continued toward the objective. As he got closer to the radio tower, one of the bombs hit his aircraft, and smoke and fire filled up the cockpit. The radio where he talked to the two airmen in the back, went out and he thought to himself, "My God, we're going down."

Undaunted, George Herbert Walker Bush continued on toward the radio tower, dropped his bombs, partially damaged the radio tower and then roared his aircraft out to sea to get away from that island.

As the smoke and fire continued to engulf the aircraft, he turned it upside down and screamed for his two crewmates to hit the silk.

Hit the silk is a Naval term which means bail out, and so, he assumed they parachuted out of the aircraft.

He righted the aircraft and kept flying and then the fire and smoke filled the cockpit. He turned the airplane over again, ejected himself from the aircraft and the force of the wind pushed him back.

He hit his forehead on the tail of the aircraft, gashed open his forehead, plummeting towards this Pacific Ocean. He frantically pulled his two rip cords and only one opened, and he hit the ocean at a high rate of speed.

He pummeled down into the ocean 20 or 30 feet, all the while as he went down ingesting mouthful after mouthful of salt water.

Then he fought his way back to the surface and as he was fighting his way back to the surface, he was stung by several jellyfish.

Then he was bobbing in the ocean, frantically searching the horizon, trying to see where his two crewmen were. All the while, there was a fierce fight going on between the Japanese and the American aircraft above him, and one of the American pilots saw George Bush in the water and dropped a raft about 200 yards from where he was.

He frantically swam to the raft, got in and laid on his stomach, face down. The current from the Pacific was pushing his raft toward Chichijima Island, again, famous for cannibalism. He was frantically laying in the — stomach down in the raft, paddling, trying to get the raft away from the island, all the while vomiting over the side.

After three hours, a periscope stuck through the top of the water and it was an American submarine, the USS Finback, and they rescued George Herbert Walker Bush. As he got on the submarine, all he wanted to know was, "Where are my two crewmates? Were my two crewmates rescued?" He was devastated to know that his two crewmates were lost at sea.

He was 19 years old. For the next 75 years of his life, George Herbert Walker Bush woke up every morning and he said only two words. He said two words. He said, "Why me?" He said, "Why me? Why am I so lucky to be alive and my crewmates are dead?" He said, "Why me? Why am I so lucky to be alive, when so many men and women were killed in the Pacific and European Theater, and I'm still alive?"

He said, "Why me? Why am I lucky enough to be able to be in the free enterprise system and live in a small apartment that I share with my wife, Barbara, and my young son, George, in Midland, Texas, as I start in the oil and gas business with no money?"

Why me?

Why am I so lucky to have this opportunity?"

He said, "Why me? Why am I lucky enough to be a congressman from Houston?"

He said, "Why me? Why am I lucky enough to be secretary of the United Nations?"

He said, "Why me? Why am I so lucky to be Vice President of the United States?"

Why me? Why am I so lucky to be able to be the President of the United States, and serve so many people?"

Then when he ran for reelection, George Herbert Walker Bush was defeated by Bill Clinton. A devastating defeat.

He woke up the next morning and he said, "Why me? Why am I so lucky to have had such a great life and been able to serve so many people?" and he welcomed the Clintons to the White House with open arms, the smoothest transition ever.

George Herbert Walker Bush became a surrogate father to Bill Clinton. We buried George Herbert Walker Bush in Houston last year and Mrs. Bush.

The Eagles wrote a song many years ago after 9-11. It was called, "Hole in the World." There's still a hole in Houston, now that George Bush and his wife, Barbara, are gone.

He said, "Why me?" Even though we're in the retail business as I am, the horse racing business as you are, and we're all facing monumental challenges, they pale in comparison to what those men and women faced in World War II, don't they?

They pale in comparison. It's a cakewalk. We should get up every morning and say, "Why me? Why am I so lucky to be here?"

Why do I have a chance to delight our customers, our patriots, our fans, every single day? Why me?"

Embrace and welcome the challenge.

The opportunity to change, the opportunity to morph, though we are living in a world of disruption, aren't we? You don't think Amazon's disrupting the retail business?

I got home the other night from my retail at five o'clock at night. I've got a pain in my neck. I've had severe pain in my neck since Game 7 in the World Series — it won't go away, and my kids are ordering all this stuff from Amazon to help my neck. I went to bed at midnight. I left to go to work the next morning at seven, and there's three packages that Amazon delivered at three in the morning. That's pretty damn good. They're disrupting the retail business. The gaming business, the horse racing business is being disrupted. We got to welcome the change.

[Video plays]

My horse racing career began in 1971 — my Aunt Edith took me to the Kentucky Derby. I watched Can You Narrow the Second Win? and that piqued my interest. Many years ago, my daughter in law and I used to watch the Secretariat video all the time, and we fell in love with horses and the great horse named Secretariat.

[Video plays]

Then came Runhappy.

Runhappy — we wanted to be the poster boy for drug-free racing. He raced drug free his entire career — no bute, no Lasix, no injections.

This is Runhappy's first race. I'd started in horse racing in 1995. Runhappy's first race was late December, 2014. I had lost about \$30 million in the horse business and he was gonna be my last horse. I was at the furniture store watching this race with my sister-in-law, Laura Wohlers, who ran the Customer Service Department in Gallery Furniture and people asked all the time how Runhappy got his name. Laura was typing a service ticket — it said customer unhappy — and she took off C U S T O M E, then she put Runhappy, so that's how he got his name.

She'd said this horse could run and I didn't believe it—he's the number four horse in this race, he breaks about 20 links behind in his debut, and I said, "Oh shit, here it goes again."

[Video plays]

Runhappy is a four horse.

[Video plays]

He ran so wide, he stopped to get a beer and hamburger on the way down the stretch, but he won that race.

The next day, he was at Texas Bowl in Houston at NRG Stadium and I played football at the University of Texas many years ago in 1970.

I played football in the University of Texas when the Longhorns won 30 straight games, two consecutive national championships. I got to tell everybody here today I was a great football player at the University of Texas — I only had two small problems.

Number one, I was too small.

Number two, I was too slow and the position I played was called the bench, but I was on the team.

Anyway, I had an affiliation with the team and I was on the sideline for that football game, and I happened to see Walker and Seth Handcock. I went up and showed them this video of this horse I had and I said, "He's going to be a superstar," and I'm sure they thought bullshit, but whatever. Marketing Runhappy.

[Video plays].

Runhappy marketing goals, reach and support viewers and end-users promote the game.

Submit the Runhappy legacy. We have spent millions of dollars promoting Runhappy since his retirement. We spend money on television, on TVG, spend money on NYRA television, spend lots of money on sponsorships. We're trying to promote the Runhappy brand.

Probably, Runhappy's run 20,000 commercials on TVG and NYRA for the past three or four years. We're also very active in sponsoring.

We want to sponsor these racetracks and help them make money as they promote the great game. One of the sponsorships we're doing right now is of a two-year-old that's coming here in 2020.

When a two-year-old wins the two-year-old maiden race at Saratoga, Del Mar or at the Runhappy meet Kentucky Downs, we're going to give them a \$100,000 bonus in addition to their purse. We're sponsoring the Keeneland Sales coverage. We're sponsoring the Runhappy Winners Lounge at Kentucky Downs and at Del Mar.

We're race sponsors of the Runhappy Metropolitan Mile, the Runhappy Hopeful and the Runhappy's Travers as well as the Runhappy Futurity at Del Mar. We're trying to cement the Runhappy legacy.

We're sponsors at NYRA, TVG, Del Mar and Kentucky Downs.

That's the Runhappy desk on the NYRA broadcast. Again, we're trying to be ubiquitous.

We're trying to get his name out there. We're trying to be top of mind awareness with the breeders, because the breeders are the ones that are obviously going to take their horses to Runhappy.

That's Runhappy logo and signage at Del Mar this past summer and that's the Runhappy Winners Lounge at Del Mar. Obviously, the people that win are the people that are the owners who breed the horses, so we put in a special lounge with all Runhappy logo furniture at Del Mar — the people really seem to enjoy it.

We want Runhappy's name to be ubiquitous with the top horse racing venues in the country. I am an incessant promoter — I've been promoting since the day one. My philosophy in business and in life is late to bed, early to rise, work like hell and advertise, and so, I do a lot of sports wagering.

I started doing sports wagering way back when with the Houston Texans played the Dallas Cowboys in — after the Texans were about three years old. I told the

customers about three days before, if they bought furniture and the Texans won, they'd get their money back.

They had about \$2,000 plus, we had \$1,500,000 on that game. The Texans were ahead at halftime — I was about to have a heart attack, then they won. I kept doing that and I decided to do a promotion for the Super Bowl when Seattle played Denver.

These two guys that worked for me were huge Peyton Manning fans, and they guaranteed me that Peyton Manning was going to win the game and Denver was only favorite by one and a half.

We told all the customers if they bought \$6,000 or better worth furniture and Seattle won the game, they got their money back. We expected to have \$3 million in liability and for the first time ever, on Saturday night before the Superbowl — people like to gamble — we sold out of furniture.

It was a madhouse and they were fighting over every piece of furniture and I had to stand on the desk at six o'clock at night and say, "No more, we're done. We can't sell any more furniture."

We closed the store Saturday night at six o'clock — it had never been done before. Saturday night, we delivered furniture all night long because customers had to have the furniture in the house before the game started, obviously.

We delivered furniture all day Sunday, until the game started at five o'clock. I was a nervous wreck when I found out we had eight million dollars in liability.

We had no hedge bets, no nothing, and I was on the treadmill for three hours trying to work out my anxiety while the game was being played. I knew when none of those guys came in there to high five me, I knew I was screwed.

Then after that, at about eight o'clock that night, the phone rang — it was my wife. I said, "Who won?" She said, "Seattle won, dummy. We're out eight million dollars." She said, "I'm filing for divorce." I said, "Well, it could be worse."

I still do sports promotion because people like to play. I did a promotion in 2017. They said if the Houston Astros won the World Series, you get your money back, and so, we had about \$13 million in liability by the time we cut the promotion off after the second Game of the World Series.

The Astros, that year, they beat the Yankees, then they beat the Red Sox. Then they beat the Red Sox, then they beat the Yankees, then they beat the Dodgers.

Throughout those games, I was flying to Las Vegas almost every night, making these huge hedge bets on the Houston Astros and I came out pretty much even — I made \$13 million in hedge bets — the Astros did win the World Series.

This past year, I decided to do it again, 2019 and throughout the first — in 2018, I bought an insurance policy for six million dollars, that was \$40 million of coverage on the Astros.

This year, I didn't buy an insurance policy for several different reasons, and I was going to buy it in August when the Astros were three and a half to one favorite. I lined up to buy the policy and that was the week there was a big hurricane off the coast of Florida.

The insurance guys got scared. They didn't do the policy. The following weekend was the trade deadline and the Astros traded for Greinke from the Arizona Diamondbacks and the odds went from three and a half to one overnight, to two to one.

I was screwed. I said, "What the hell? I'll just ride it out myself. I'll do hedge bets again," because the sports marketing capacity had doubled and tripled with all these new casinos and sports marketing venues around the country.

So the biggest furniture sales, mattress sales weekend of the year is Labor Day and we were selling a lot of mattress for this promotion on a Labor day,

Justin Verlander pitches for the Houston Astros, pitch to no hitter. On Saturday and Sunday, we sell the most mattresses ever and then I went into the World Series and I had to hedge all this bet off.

I started to go into these casinos and I went to the Scarlet Pearl Casino in Biloxi, Mississippi. They took a bet for \$3.5 million, which would pay 7.7 million profit if the Astros won — the biggest sports bet in American history.

Then I went to FanDuel, which is part of TVG at the Meadowlands in New Jersey. I bet 1.5 million on the Astros win, which would pay back 3.3 million in profit. This was all before the World Series started. All this time, we were selling mattresses, and they bought the mattress 3000 better, they would get their money back and the liability kept going up and up and up.

I decided I would promote this and get some credit for it, so I got these people, started going around the country with me, doing a reveal, "He's the most famous, gambling writer in the world. He writes for the Action network if you don't read his stuff, then you should. He was the sports business analyst for ESPN for eight years.

He was work business analyst for NBC Business Network for two years. Now, he's with Action Network." Darren followed me around for a couple nights as I made all these bets.

The slip on the bottom is 3.5 million at the Scarlet Pearl Casino. That's me making the bet there — they made a prop. I'm getting publicity around the world for doing this because people love gambling stories.

Most of these casinos won't take any more than \$50,000 on a single bet. Some of them will take 200, very few will take a million — FanDuel and Meadowlands took a million, these guys at the Scarlet Pearl took a million, three different times. They took 3.5 million in a couple of million-dollar bets. The Astros were going forward and here's that story.

[Video play]

Game 7, we had that suite that's down on the center field and we invited all these Sunshine kids to come to the suite with their parents. Sunshine kids are children with pediatric cancer.

One of those girls, she was doing an interview with me and all these local TV stations before the game started. She's about 10 years old. She has a bright smile and the little girl, all of her hair was gone. She did a great interview, very personable. I thought, "She's doing pretty well."

Then I went and watched the game. I was walking around and the Astros were up, two to nothing. I had \$14 million riding on that game, a lot of which would have been profit to me, a lot of it would have paid back for the mattresses. We were up two to nothing in the seventh inning, one out, eight outs to go.

Things went sideways in the seventh inning and I was very distraught. That whole game, I was wearing this hat. This hat — the little girl's mom had crocheted for me. It says Houston Astros on the front — number two is the number on the back.

Number two is Craig Biggio's number, who was a national spokesperson for the Sunshine kids. I was wearing this hat, I was very distraught and I went back in the suite where the little girl was. She was huddled up in a blanket.

She's freezing to death. She had no antibodies in her body to fight the cold and she was just shivering like she was sub-zero. All of a sudden, me losing that money on the Houston Astros wasn't such a big deal.

There's always a light at the end of the tunnel and the light was the courage she faced her adversity with and continues to face her adversity with. We all have adversity in our life and we all have to face it and face it head on.

Challenges for the horse racing industry. Obviously, declining attendance and an aging fan base. Revenue and attendance stats are trending downward. I think horse racing is the greatest gambling game ever. You saw those kids on there from the Bleacher report. They love to gamble.

The Bleacher Report and Action Network and the rest of them need to be invited to the Breeders' Cup or the Kentucky Derby, or whatever big horse racing it is, to get their readers and their listeners involved. Those kids — their entire office is a cell phone. They don't have any office. Their office is in a sports book at Caesar's Palace and they bet every day. They're part of the game. They're putting their money where their mouth is.

At Action Network, you have to bet every day if you work there, and everybody who works at both places under 30 years old, they think totally different than me. They think totally different than me.

Everything's digital. Everything's digital. Everything is right now. I was in a car with Darren Rovell, we went to Biloxi, made a million-dollar bet on the Astros on Game 7, flew back, driving to the Minute Maid Park and he's filming it saying, "Mattress Mack's gonna kill me driving at a high rate of speed."

He had 550,000 people within 10 minutes. It's amazing. Number two, lack of mainstream media presence. Coverage is only prominent when negative. Got to get involved with the Bleacher Report. Got to get involved with the Action Network. Got to get involved with all that — where the eyeballs are.

They're not just talking about horse racing, they're talking about other sports. Why can't horse racing be in the mix? Because horse racing is the greatest gambling game ever. The only game where you can bet all you want and all those other people with the sports books, you start betting heavy, they say, "I'm done." Losing the PR battle. Horse Racing is now viewed and very often, as you know, is irrelevant and out of touch perception is reality — the public thinks the races are fixed, there's widespread doping, animal cruelty, use of whips, et cetera.

Threats to the game, casinos and legal sports wagering. Now, legal sports wagering in 13 states, Nevada, Delaware, New Jersey, Mississippi, West Virginia, New Mexico, Pennsylvania, Rhode Island, Arkansas, New York, Iowa, Oregon, Indiana and more on the way. More on the way.

Horse racing has to be in the game, in the conversation of that sports wagering. They got to be thinking about, "How do I bet on sports?"

That's why those people like Action Network and Bleacher Report, and those young kids under 30 years old, need to realize what a great game horse racing is. They either watch it at their work and bet on it like they bet on sports. They bet on tennis around the world. They bet on friggin' darts in England. All we get is negative publicity. When we're in the big media, like the New York Times, it's the bad things.

The optics are horrifying of the jockeys whipping the horses. Like it or not, the perception is the reality. The jockeys whipping the horses is a horrible optic to so many people.

Sports wagering is exploding. New Jersey has taken over Nevada in total handle.

That's why I was able to lay off \$14 million this year, because the market for legal sports wagering has exploded.

Also, lotteries. Lottery's taken a tremendous amount of the money. In Texas, you can bet lottery on an app, but of course, you can't bet horse racing on an app. Something's wrong with that picture.

Here's the Meadowlands, the number one sports book in the country. That's Meadowlands, racetrack with empty seats. That's Meadowlands' casino, you can't get in on a Saturday or Sunday. Look at all those people. Got to get more relevant, got to get in the game, got to get people excited about betting on horse racing, the greatest gambling game in history.

Gotta make changes. Talk about change disruption. Gallery Furniture is being disrupted every day, as I mentioned earlier, by Amazon and Wayfair. Wayfair sales up fourth quarter, up 36%. Our sales were flat.

Wayfair is killing Gallery Furniture. Amazon is killing Gallery Furniture. These millennial kids sit at home and they push a button, they buy the stuff. They don't like it, they send it back. What is Gallery Furniture going to do to remain relevant? Otherwise, we're going to be extinct.

Here's what we're gonna do.

Number one, we're creating a Childcare Center at our store. We're going to put a Childcare Center at the store that will take about 70 children, age one half year old till age five. We're going to pay for everything in the Childcare Center. The objective is for those kids to go to kindergarten bored to death. We're going to

have the best teachers there, and it's gonna be free. The employees that work for me are spending \$1,000 a month on childcare — some are spending \$2,000 a month on childcare, and that's after-tax dollars.

By putting that Childcare Center in there, we're going to be more relevant and get more young people come that want to work for us because they can see their child during work, and they save that \$2,000 a month. That's a radical disruptive change.

Number two thing we're going to do at Gallery Furniture is we are putting in a high school in our furniture store. That is very radical, very disruptive. We're going to put a high school in our furniture store for kids that are aged 16 to 26 that haven't finished high school, so they can get a degree.

We're also going to teach financial literacy and we're going to teach conflict resolution from age 16 to 26, so they can get a high school degree.

We're taking one third of our square footage, which we don't need anymore, because the customers already know what they're gonna buy. They've already looked online before they come in. We have half the customers now that we used to, we don't need as much square footage. We're going to make it a community place that makes us relevant.

The third thing we're going to do is put in a trade school. In the United States, over the past 30 years, we have taught every high school student that they have to go to college. We have taught every high school student they have go to college and in order to go to college, they gotta get a student loan. The student loan debt in this country right now is 1.6 trillion. 1.6 trillion.

So many of them come out with a \$300,000 student loan at 9% interest. It's an albatross that follows them the rest of their life. If they file bankruptcy, it never goes away.

We have lost the training in skilled trades. One of the problems we've had in Houston after Hurricane Harvey was there was no plumbers, there was no electricians, there were no construction workers. We couldn't get everything built.

We're gonna teach skilled trades in our furniture store. We're gonna teach electrical work, we're gonna teach bricklaying, we're going to teach AC, we're going to teach construction skills, welding, horticulture, woodworking, auto mechanic, all these skilled jobs.

Think Mike Rowe Dirty Jobs. We're going to teach all these people so Houston doesn't have a — right now in Texas, we need 17,000 welders.

The average welder in Texas makes \$100,000 a year, not bad with no student debt. We're gonna teach highly skilled trades and we're gonna reinvent ourselves and get our own customers graduate from the schools. You think they'll come back and see us after they graduate from that school and are making \$100,000 even at 22 years old? We think they will. That's a radical disruption.

We're going to teach our entire generation of next customers. We're gonna also teach them that work is life's greatest therapy, because we want to change the downward spiral.

The average income around our store, a six-mile radius around my biggest store, the average income is \$26,000. We're going to change that paradigm. We're betting the company on it.

We have to innovate or we're certainly going to evaporate. Think horse racing needs to do the same. Rising to the challenge, 10 radical disruptive changes by Mattress Mack for US horse racing.

You may like him, you may not, but you got to make some changes or you're gonna go the way of the dinosaur. The key question for all of us in this room today is, "Would the customers miss us if we were to go out of business tomorrow? Would the customers miss if we go out of business tomorrow? Would any of us miss Sears Roebuck every day?"

The world's largest retailer in the 50s and 60s, into the 70s, they're gone. Nobody misses them. Number one, renegotiate the simulcast agreements.

My opinion is the horse track ought to have an app and you ought to be able to bet on the app and the money goes to the horse track.

Number two, get rid of all medication. Whether the medication is good or not, I'm not going to argue that point. The public doesn't like drugs in horses and the public's perception is their reality and they are the customers, they're the one paying the bills.

Number three, implement zero tolerance. Lifetime ban in the hypocrisy, world anti-doping agency, four-year ban for Russia. I have a friend named Tom Tuller.

He coached a pretty good track and field athlete — the track and field athlete was named Carl Lewis. In the 1984 Olympic Games, Carl Lewis was warming up with 100-meter dash, a stretch for two hours and then did some short jogging. Then he got really warmed up in his one 60-yard burst right before the hundred-yard final in the Olympic Games.

His coach was watching Ben Johnson, his number one opponent from Canada. Ben Johnson did 10 60-yard dashes before the hundred-meter final, then he ran away in the hundred-meter final. Two days later, he was disqualified for doping.

It's unacceptable. Just yesterday, they banned Russia from the next Olympic Games. Good for them. Stand up and do what's right, even if it hurts.

Rethink the whip use. That's not for me to say. All I know is the optics are horrible and the perception of the public is a reality.

We gotta change the perception. We can set a track surfaces, like dirt racing and save this turf whether it's dirt or synthetics, introduce mile straight racing, get those grass courses like they have in England, that can accommodate up to 30 horses, which is a giant field, which creates giant betting opportunities.

These kids, like those kids, you also are betting on their apps at Caesar's Palace. Those kids want action and we've gotta give them action and the four-horse field ain't no action and ain't no good betting value. Every training facility should have a turnout area.

My child has severe mental illness. She now has a PhD. She is a professor at Harvard Medical School. She knows all about anxiety.

These horses had anxiety sitting in that stall for 23 and a half hours. Where would you turn them out and let 'em be a horse?

Then all of a sudden, these groups like PETA might get on our side versus against us. Turn 'em out, let 'em be a horse. Improve the fan experience, make a day at the races a big event like Del Mar.

I sent 50 people to the Texans game the other day. We had this giant suite that cost a hell of a lot of money. The score at halftime was Denver 28, Texans 3. It was a horrible football game.

Every one of them called me and told me what a great time they had. It's a great experience, making an experience to these customers. You go those MLB games and those NBA games and those NFL games, and you buy a beer and it's 20 bucks and the people still have a good time.

The ambience is good. Horse racing has created experiences better than NBA, NFL, and all these other places, and I gotta tell you, the Houston Astros work on their fan experience every single day.

The owner walks around and they're worried about the fan experience. Find new revenue sources for tracks, like sponsorships, new bets, new ways to get people involved.

Be transparent, don't hide anything, shine a light on it. This is the age of transparency. You can't hide anything, shine a light on, showing what's happening.

Let the customers go to the backstretch. Let 'em see what's going on. Introduce racing into the communities that will welcome it. My Daddy taught me when I was a little big boy. He said, "Son, go where they want you." I never forgot that, "Go where they want you," such as Lexington, Saratoga, Del Mar.

Did you know there's 300 cities in the United States with a population of 150,000 plus? 300 cities in the United States with a population of 150,000 plus. How many of those cities would love to have a marquee horse racing festival 10 to 14 days like they do at the Runhappy meet at Kentucky Downs?

They would put skin in the game and some of the municipalities would issue bonds and help pay for the racetrack and get a beautiful thing and take pride in their city having a first-class, world-class event.

That can be done. All those cities want to market themselves.

Hire younger market executives.

All those kids at Bleacher Reporter under 30 years old, they think totally different than an old white man like me. They have a totally different point of view, and that's the point of view of the millennials, of the newer customers, and that's what race must grow on.

It's the point of view the millennials — they want action.

They want to bet during the race, they want to bet during the game. They want action. Youthful marketers better understand how to leverage new media and reach millennials.

The new media is all that matters. Bleacher Report, Action Network, people under 30 think and act differently. Innovate or evaporate — the future belongs to the bold, the disruptive, the risk takers. Status quo doesn't work anymore. Status quo equals empty stadiums.

You got to do something that excites people, that makes 'em want to get out of bed and go to the racetrack that day. Christopher Columbus took a chance, how about us? Christopher Columbus took a chance, how about us?

I took a hell of a chance on the Astros promotion. I lost \$14 million, but you know what else I got? I got \$40 million in free publicity. 40 million, all over the country, all over the world. You got to take a chance. Imagine a Royal Ascot-like meeting in the United States.

Why not? On a grass course that's a mile straight. Imagine 30 horses in one race. Imagine running, more often than not, for purses the size of Kentucky Downs and \$120,000 for a mating. When the people getting into horse racing have a chance to make some money.

Imagine communities embracing racing like Saratoga does. Imagine backstretch living conditions for the grooves and the jockeys that you would proudly show off to your friends. Right now, they are beyond horrific, as you all know.

Somebody needs mattresses for the backstretch, I got plenty of 'em. Imagine the New York Times writing articles about how racing has evolved into the 21st century, and jockeys and industry employees can't wait to go to work every day.

Jockeys and industry employees can't wait to go to work every day. I was listening to a video the other day from this Catholic priest. He said human beings are happiest when they're doing what they were born to do. We were born to delight customers, to delight fans.

Race horses were born to run. Let them do it. Let us do it. Imagine a United States where all Thoroughbreds really do run happy, and they don't get injured nearly as much.

They're not drugged up, and they haven't had a shockwave treatment before they go to the racetrack. Imagine happy horses running happy, like the great Runhappy, who ran happy his entire career.

The question for all of us is a daunting question, a haunting question. Would the customers miss us if we were to go out of business tomorrow?

The answer is up to us, we have to innovate or evaporate.

When are we most happy? When we do that for which we were made. When are we most happy? When we do that for which we were made. We are made to delight customers.

The only necessarium in horse racing is, delight the customers. The only necessarium is, give them a good gamble. The only necessarium is, let them win again. That's the only necessarium in horse Racing.

The question is, are we up to the challenge?

Questions?

Thanks very much.

