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Creating a Positive Racino Environment — Making Racing an Integral Part of the Experience

SPEAKERS:

Jahnae Erpenbach, Vice President/General Manager of Gaming, Hoosier Park Racing & Casino

Richard B. Moore, Vice President/General Manager of Racing, Hoosier Park Racing & Casino

Ms. Liz Bracken: — get going with the last panel before lunch. We want to first take an opportunity to thank the sponsor of this panel, Racing and Gaming Services Limited. We also want to encourage you to all come and enjoy our awards luncheon next door in Canyon 2, which starts at 12:15, sponsored by Gulf Stream Racing and Casino Park.

We are gonna switch sticks from where we've been this morning to something a lot more positive. When we had Jahnae and Rick speak to your students last year in marketing and speaker series, it was really the first time that I personally had any hope that racing and casino people could come together and really go in a good direction and support each other.

They are great speakers. They're great presenters. I think you're gonna really enjoy them and get a lot out of their presentation, "Creating a Positive Racino Environment: Making Racing an Integral Part of the Experience." I present Jahnae Erpenbach and Richard Moore from Hoosier Park.

[Applause]

Ms. Jahnae Erpenbach: Thank you very much.

Mr. Richard Moore: Thank you, Liz.

Ms. Jahnae Erpenbach: Okay, can everybody hear me? Okay. Really good, 'cause I have a whole lot to say, so you gotta be able to hear me. My name is Jahnae Erpenbach, and I am the Vice President and General Manager of Gaming and Integrated Operations at Hoosier Park Racing and Casino in Anderson, Indiana.

Okay. I am here today to speak with you about a pioneering company, Centaur Gaming, and how they were able to successfully and fully integrate casino gaming into a well-established racing venue. Centaur is an Indiana owned and operated racetrack and casino company in Indianapolis. It's led by our CEO, Rod Ratcliff, and our Chief Operating Officer, Jim Brown.

Now, Centaur Gaming introduced casino gambling to the only two racetrack facilities in the state of Indiana; Hoosier Park Racing and Casino and Indiana Grand Racing and Casino. Each are equal distance from Indianapolis, about 20 minutes north and 20 minutes south. I want to provide you today with some very interesting detail as how it relates to racing and gaming being integrated, and how we learned to market our product competitively, comprehensively, in unprecedented ways.

Before I begin, I brought reinforcements with me today in which to help me tell you our story. I'd like to introduce my colleague, Mr. Rick Moore, the Vice President and General Manager of Racing at Hoosier Park and our OTB facilities.

Mr. Richard Moore: Good morning, Jahnae. Nice to be here with you.

Ms. Jahnae Erpenbach: Thank you. So you'll fully understand why I need back-up, I think I need to give you a little bit of background on me, so you'll understand. Okay. Twenty-two years ago, when gaming first began to infiltrate the Midwest, it came over on Dixieland paddle-wheel replicas, and I was Tom Sawyer.

Okay. Just out of college, I'd never been to Vegas, never having seen a slot machine, never been close up and personal with gambling, and I watched as this floating Disneyland, okay, floating Disneyland arrived on the Ohio River just 30 minutes from the little town that I grew up in, which only had a population of 300 people. Okay. I began my career with the casino industry from the ground up on the third riverboat casino, to start operations in Illinois. I guess I'm kind of old.

At that time, Illinois was only the second state in the nation to offer Las Vegas-style gaming. Here's what happened. Very quickly, we had to get 800 team members hired and trained. We had to learn how to move millions of dollars a day, run multiple facilities, multiple bars and restaurants and be a 24/7 live gaming, table games, and slot machine operation. All doing this, on a fully — okay — marine functional, captain operated, coast guard approved river boat.

As you can imagine, what had to happen is all these Las Vegas and Atlantic City boys — and I say boys, 'cause most of 'em were boys — they came down to teach

us country folk, okay, how to set up a casino. The reason why I'm telling you this, and also the fact is, can you imagine how complicated that would be? Most of all of the people that started to run the facility had never ever even seen a slot machine or a table game.

Okay, but now through all these years of infiltration, gaming infiltration, I had constant learnings about this new breed of Midwest casino. I became a new breed of a Midwest casino operator. Now, honestly though, when I began working with Hoosier Park, I — other than growing up on a ranch and being a barrel racer my whole life — I didn't know anything about racing.

I'm telling you this story, well, what it was like to have to embrace the intrusion of all these Vegas operators into our day-to-day lives and how I knew nothing, okay, about racing at all. I'm doing this for a reason, and that reason is because this was not much different than what happened to the litter racino in Anderson when the new breed of Midwest casino operators came in to start this racino.

Now, I need to point something out. Centaur Gaming is not your average gaming company. They don't see horse racing as a necessary evil. Despite the financial burden of racing and that business model, our leadership places a great deal of emphasis on racing. We consider it to be one of the main experiential products in our entertainment portfolio, but, as the story goes on, it was a really wild ride as our casino operators, me, and our track operators, Rick, came together with a commitment of integration never before seen at another racino facility.

With Rick's help, he taught me about racing. I've learned to appreciate it. We've worked side-by-side together to support the daily operations and to aggressively market. Rick, why don't you just share just a little bit about your background and tell us a little bit about what it was like when the casino barracudas flew in.

Mr. Richard Moore: All right, Jahnae, I'd love to do that.

Ms. Jahnae Erpenbach: I don't think a — a barracuda's a fish. Right? It doesn't fly. Yeah, no, that doesn't work. Go ahead.

[Chuckles]

Mr. Richard Moore: Yeah, well, it is great to be here today. Thank you, folks. Jahnae, thank you very much. I have been in the racing business for over 40 years working my way up from the most entry-level positions to where I am today. I had elaborate titles as runner, ticket-checker, and sheet-writer. Now, for those of you that haven't been around for a while, you probably won't find those job descriptions in the HR files at any racetrack anymore. Okay.

I've worked at Churchill Downs, Keeneland, Turfway Park, River Downs, and even have ventured my way west in 1988 to help open a new track in Oklahoma City, Remington Park. Except for the short stint that I left to work in the banking

industry, which is another form of gambling, I've been in the horse racing industry from the time I graduated from college.

I was working for Churchill Downs when Churchill became involved in its first venture outside of the state of Kentucky. Hoosier Park opened as the first pari-mutuel horse racing facility in the state of Indiana in 1994. Churchill Downs had been the primary owner of Hoosier Park until a final phase of construction when the Pegasus Group purchased a substantial amount of stock in the track.

That Pegasus Group reorganized and became Centaur, our parent company. As Jahnae has told you, it later became the sole owner of Hoosier Park in 2007, just before legislation passed permitting casino gaming to take place at the Stage 2 racetrack. Then, that little Hoosier Park racetrack became Hoosier Park Racing and Casino, and what a change it was.

Ms. Jahnae Erpenbach: It definitely was a juxtaposition of two cultures at first. Just the working environments alone were so different. I want to be really honest here to tell you how we felt at the time. It felt like the racing folks had a very backside culture. Casino management had more of a culture of posh hospitality and upgraded surroundings. They were a little bit more like a family, a little more, let's say, simple. We were all about big, big business and over-the-top and loud.

Mr. Richard Moore: A scary disruption of our little family. The world, as we knew it then, shifted on its axis. Jahnae, our language was different. Learning the vernacular of gaming, average daily theoretical, whole percentages, time on device, steppers, video reels, progressive jackpots — I had no idea what you were talking about.

[Chuckles]

Ms. Jahnae Erpenbach:

[Chuckles]

I know, 'cause I remember thinking that you were speaking another language like condition races, and claimers, and handicapping. For a long time, I thought a stake race had something to do with beef. I really did.

[Chuckles]

Then, Rick, when I first heard I was gonna be planning functions for families and I was gonna have to entertain children — I'm a casino chick. We don't do that. We don't do that. That was one of the first things, I'm like, "Well, we're not gonna have a playground. I can't do that," but we did. I did.

Mr. Richard Moore: Yes, we did. You did. I think one of the biggest differences was marketing. We, back then as a little family racetrack, were focused on t-shirt giveaways and giving away free food to our regulars by manually tracking their

visitation. When the casino marketing crew came in, we began to giveaway cars, free wagers with thousands of dollars to a variety of folks, started bringing in national headliners to perform, and hosted fireworks every weekend.

Ironically, we didn't have the trust of the racing customer at first. No matter how many extra benefits we piled on our prized that we gave away. Racing fans couldn't believe they would receive all the same benefits, same odds, same reward opportunities of the casino guest. In fact, they thought they would lose what little they already had.

Ms. Jahnae Erpenbach: Yeah, I also think that one of our biggest hurdles as casino operators is that we didn't listen well enough. In many cases, we viewed our model as right — the right way. We were going to lead our racing partners into the light and show them the way.

When, in fact, if left to our own devices, we might've actually damaged the many intrinsically necessary and rudimentary important racing traditions and baseline amenities. We knew we wanted to integrate, but with integration had to come compromise. Because we were willing to compromise, because we were humble, it why we were successful.

However, I think that that's why so many racing and gaming facilities are operating so separately. Because they're not willing to see each other's perspectives, to speak their language, to understand their challenges, and to appreciate the salient qualities that brought you to the table in the beginning.

Mr. Richard Moore: I think the biggest hurdle for racing was aligning our expectations for quality execution and for results. As Jahnae said, the casino staff, they think big. They spend big and go big. It was that big thinking that has inspired our action and made us such trailblazers in the industry. Our thinking way back when was about thrift. How do we do the most with less? Then gaming came in and did just the opposite.

Ms. Jahnae Erpenbach: Because it was all about big thinking that led us to be in the position to purchase our primary competitor in Shelbyville, Indiana; Indiana Grand Racing and Casino, the only other racing and casino facility in the state of Indiana. Now, we're able to impress our understanding of how to successfully integrate to our sister property. Now, together with Indiana Grand, we share 20 percent of the Indiana gaming market and have a presence in nearly every corner of the state with our off-track betting locations in downtown Indianapolis, Clarksville, Fort Wayne, Merrillville, and currently a dormant license in Evansville, Indiana.

At Hoosier Park, we're just one mile off I-69, and we have unobstructed access to north-central Indiana, very close to Muncie, Fort Wayne. It gives us a sizable opportunity to reach our market of 35 to 65. As a matter of fact, we have about 1.6 million adults within just a 50 mile radius. It's through this purchase of Indiana Grand that has also put us into an advantageous position to realize more efficient

revenue, to synergize our marketing efforts, to further penetrate our markets, and to ward off defection that you can see here on this map from adjacent states, especially Ohio and the video lottery terminals in Illinois.

Mr. Richard Moore: Through the acquisition, we are the primary operator of racing in Indiana, enjoy an excellent relationship with the horsemen's associations, our regulators, and our state legislature, which is not always the case in every jurisdiction. Subsequently, we were approved to present one-breed racing at each of our Indiana tracks with Hoosier Park dedicated to harness racing and Indiana Grand thoroughbred and quarter horse. This represents a tremendous savings, as we no longer have to change over the track and convert the surface twice a year at each track in order to accommodate the other breed.

With harness racing now exclusively at Hoosier Park, we can now offer an eight-month home to our horsemen where they can remain without having to move halfway through the year. It also allows the simulcast market to become even more familiar with Hoosier Park. In the previous years, just as simulcast wagers would become comfortable and familiar with our signal, bam, the meet ended and we would have to start all over.

In addition, the favorable legislation recently passed allowing the horsemen and the racetracks to negotiate our contract for purses gave Indiana's horse racing industry the tools necessary to foster investment and encourage capital growth. We will continue to build on Hoosier Park's successful implementation of new marketing efforts and the promotional support developed in cooperation with the horsemen's groups at both racetracks.

Ms. Jahnae Erpenbach: Okay. Now, let's talk about some more detail here. Let's talk about why we think we got it right, why we think we're trailblazers for integration. First, now think about this, it's very simple — if you don't want something to be separated, then don't separate it. I mean that literally from a physical perspective.

When the casino first came in and we began to renovate our whole facility, we tried very hard, but on a limited budget, to ensure that the physical footprint felt like a seamless operation — one facility. Not, "I'm on the track side, and now I'm on the casino side." We didn't want that.

The problem we encountered was while our original casino and track remodel investment was about \$360 million, 250 million of that was needed for an unprecedented state licensing fee. Consequently, we were only able to add a casino to the existing structure. Then we had to — we completely remodeled the terrace area, which is home to our grand stand, our clubhouse, our gift shop, our terrace showroom, and, of course, my favorite fun area, the family fun zone where I hang out all the time.

Mr. Richard Moore: You can't get her out of that family fun zone.

Ms. Jahnae Erpenbach: No. We have a fully operational guest services counter at both the terrace and on the casino floor. By the way, we have self-betting terminals in the casino along with a wall — a solid wall of windows so people can watch racing if they so choose, which is absolutely unheard of in a casino.

Okay. Another thing about keeping it not separated is to integrate the team. We don't have two human resources departments. We don't have two marketing departments or two sets of security teams. Nor do we separate the management of food and beverage out based on where they're positioned. As I mentioned earlier, our departments that service both racing and gaming guests are completely integrated, which is absolutely not the case with many racing and gaming facilities, and just recently has become that case with our newly acquired Indiana Grand Racing and Casino.

It's this team strategy that keeps that "us and them" silo mentality at bay. Now, while we do have departments that are racing specific, which Rick handles, mutuels, programs, track maintenance, audio/visual, and there are those gaming-centric departments like cage and count and electronic games and slot technicians, all of the other departments are cross-functional and consolidated. It was that integration of these operating departments that laid the foundation for the integration of our marketing efforts, which is the bulk of what we'd like to talk about now.

Okay. As we set out to develop our Hoosier Park brand, we wanted to position ourselves as an entertainment destination for gaming, racing, dining, and entertainment. We wanted to raise awareness and develop acceptance that we could offer our market a broader array of products and services. We started a superiority campaign that elevated us and tried to elevate our customer's perception of value. We accentuated our variety and the quality of our products in a comfortable and seamless environment.

From a gaming standpoint, at Hoosier Park we're about value and tremendous fun. Again, our goal is to broaden the experience of our guests by offering expanded product mix. From a gaming perspective, we focus on product and pricing strategy. We provide our gamers with not only the newest, latest, hottest slots and new table games, but also we tout ourselves as having the best payouts in the state of Indiana, the loosest slots.

Mr. Richard Moore: We try to wow our racing guests by enhancing our on-track racing experience with uber-promotions, events, and an unprecedented celebrity driver program, which we're gonna speak about in just a few minutes. We recognize that running a race every 20 to 25 minutes wasn't enough to hold the attention of our audience. We made a commitment to produce a professional show. Much like *The Today Show*, every minute is accounted for with a full production schedule adjusted every day for maximum on-track entertainment.

We have impressed our dining customers by taking the bottom two levels of our home stretch dining area and converted into a fine dining steakhouse, the same

type of food fare you would find at Morton's, Ruth's Chris, et cetera. Surrounded by a wall of windows and hovered over the finish line, our guests can enjoy one of the area's most unique fine dining experiences all the while still offering a full-scale buffet, 24-hour deli, a Johnny Rockets, snack bars, and a Pan-Asian restaurant and sushi bar.

Ms. Jahnae Erpenbach: Okay. Let's talk entertainment; remember, gaming, racing, dining, and entertainment. Entertainment we've further delivered with our indoor showroom and our 4,400-seat outdoor summer concert venue. We have featured one big name act after another.

I'm gonna name some for you; Aretha Franklin, The Beach Boys, Big & Rich, The Doobie Brothers, Lynyrd Skynyrd, Little Big Town, Willie Nelson, Earth, Wind, and Fire, Hughie Lewis, Josh Turner, Trisha Yearwood. I could go on and on. Most recently, Rick's favorite, *The Price is Right* live show.

Mr. Richard Moore: Loved it.

Ms. Jahnae Erpenbach: We did this long before we actually had permanent venues. We actually used to erect stages, sound and light towers, because from the very beginning, as I told you, we wanted to market ourselves as having a full product mix. Offering all this and more, we positioned our self as the best place for racing, gaming, dining, and entertainment, and a one-stop shop for fun, value, and quality. As a result, for the last five years, we have been named the Number 1 most popular attraction in the Indianapolis area.

Now, let's just get into a little bit more detail about how we specifically advanced our exposure and our awareness. Of course — and I know most people in this room know this, but just to reiterate — any good marketing plan needs to deliver a consistent message that resonates with considerable impact, right, among your target audience.

It's — generate trial. It has to maximize retention. You have to increase visitation. You've gotta worry about play migration. You gotta ward off defection. You have to know and understand your customer so that you can give them the full suite of your benefits in a timeframe that is consistent with their wants, their needs, and their expectations. Okay.

This leads me to what I think is our biggest marketing accomplishment to date. It's the consolidation and the integration of our player data so that we can market our entire portfolio of entertainment to our guests as a whole. To our knowledge, we were the first, and still may be the only, racing and gaming operation to have a university — excuse me — universal affinity club. Our guests utilize just one card at both the track while wagering or in the casino in a slot machine while playing. It's all electronic.

We have over 1.2 million guest records in our database of club members between Hoosier Park and Indiana Grand. See, in the casino business, the club program is

the cornerstone to good marketing. It's based on the notion "the more you know, the more you know." Approximately 75 percent of our casino gaming guests actually play while using a card when they're gaming.

By creating a universal club system combining racing and gaming activities, we can now incorporate racing behaviors into this very comprehensive and stoutly analytical system. This is how we work with it with racing, when we're racing. When a guest inserts their card in any of our wagering terminals, or presents it to a mutuel teller, this information is then downloaded from the totalizer system nightly. It's placed into our player tracking system. Now, once loaded, okay, the handle is then translated to coin in and theoretical worth is calculated.

Mr. Richard Moore: There's that word again.

Ms. Jahnae Erpenbach:

[Chuckles]

Once a player's average theoretical per trip worth is determined, then we can effectively reinvest back into that player to drive another trip. Also, this theoretical worth, this handle that is now being calculated earns these guests points. These points then can be automatically converted at the point of sale for complimentary, for free wagering, for both our racing and our gaming customers. To everyone, it feels very seamless.

Club Centaur combines the rated play from racing and from gaming to offer guests a value that's commensurate with their investment. Guests can earn and redeem offers and rewards at any of our off-track betting facilities, also at Indiana Grand and Hoosier Park. The club program is centered on a tiered platform and it offers a full suite of amenities based on each tier.

Another interesting fact to mention as I begin to discuss how this club platform, as we use that to execute our marketing systems, I also think I need to say, or at least bring up, that we have a very robust and aggressive marketing budget. Our integrated marketing budget is greater than 3 million per month. Now, with that said, one of the most compelling ways integrated casino marketing has benefitted the racing product, as Rick said earlier, is a full roster of events and promotions offered regularly to both gaming and racing guests.

When we present fireworks to our guests, it's over the track. When we host incredible outdoor events and festivals and theme days, it's on the apron. Our grand scale anchor giveaways with sexy themes and uber-prizes, they drive volume for both the casino and the track. Our robust system is completely automated, and it allows the control over promotional entry while offering guests extra entries, both gaming and racing.

For example, our Fleet 16 giveaway. Altogether, it was a two-month giveaway, we gave away 32 cars, guaranteed. I'm happy to say that more than 30 percent of the

winner were racing customers; and 40 percent of all the extra entries that were earned, came from racing handle. When the marketing team first brought these grand scale promotions to the track, the horsemen, the guests, and even racing management didn't buy in to what we were selling.

No matter how hard we tried to tell everyone that a promotion was a promotion was a promotion, that anyone could enter electronically. Anyone could earn extra entries based on play, that racing guests had just as much of an opportunity to snag a Jaguar as a casino guest could. Regardless of the promotional entry kiosks that are in the clubhouse, despite the ads touting the promotion in the programs, despite all the extra entries that we mailed to racing customers, they did not believe us.

There were even times when our horsemen groups would actually try to hold their own promotions outside of the casino and racing promotions, because they, I think, felt that we were going to lead people into that dark night. They didn't want us to capture the data. There were a few times — at the time, I was the Vice President of Marketing when this happened — I would go to the horsemen's group to present the next hot promotion that we were gonna do, and that was actually met with hostility. It was a tenuous time.

We spent a lot of time exploring this dynamic. We finally determined that it was just gonna take time, and it was gonna take consistency to change the mindset. We realized there were things that we could do to advance the progress. Here's some things we could do and we did. We could display all the winners who were race customers in advertisements, and say, "Look, these racing customers won this promotion."

We could place the cars and trucks in the clubhouse and under the tote board, so we did that. We could get our harness drivers to come give the cars away. Okay. We did that. We added a \$10,000.00 win-bet drawing for signature races on the Kentucky Derby and the Breeder's Cup. We did that, too. Over time, this started to, I think, needle away with the doubt.

Now, from a direct mail standpoint; from a casino perspective, direct mail is the marketing engine. It drives, like I told you earlier, 75 percent of our rated revenue and trips. If you think about it, what other business mails you cash? I mean, straight up cash in the mail. There are times where we'll give customers five, six \$1,000.00 wagering coupons to come out and behave the way they theoretically looked like they had behaved in the past.

We return well over \$1.2 million in mailed free play and wagering turns to racing and casino guests based on their historical play at each property per month. Because of our combined database and affinity program, we reward our active racing guests ten percent back on their estimated worth. We do this on a monthly loyalty program. We do it for weekend drivers, targeted offers. We do it for special circumstances.

Again, the power is in the data. The more you know, the more you know. Interestingly, even this powerhouse of a marketing channel was seriously questioned by racing guests and horsemen groups at first. There was the lingering doubt that the casino just wanted to capture that data and woo people to the dark side from racing to gaming, where all the money's made. What really helped to turn the corner for both our credibility among consumers and horsemen and seriously advance or track's national exposure was our — I'm gonna say famous — harness driver campaign.

Mr. Richard Moore: I have to tell you — and break in right here — that Jahnae is the architect of this program. She wouldn't tell you that, but she is the architect of this program.

Ms. Jahnae Erpenbach: Well, I think it's important to mention at this point Hoosier Park doesn't have an average marketing team. Okay. In fact, both Hoosier Park and Indiana Grand are powered by a fully operable in-house advertising and creative agency. We don't go outside. Everything is inside.

While beginning this driver campaign meagerly, our hopes were always grandiose. This little agency really put forth a lot of effort. We felt that in order to make a significant and positive impact in this every-declining condition of horse racing industry, we needed to align our sport with other national programs, like NASCAR, NBA, and the NFL. In an effort to do that, the fab five was born.

I'd like to read you the campaign positioning statement. You ready?

[Chuckles]

Hoosier Park is bringing sexy to the track by showcasing five of the top Standardbred racing drivers to mainstream audiences. The fab five will thrill wildly enthusiastic fans this Standardbred season. Catch the signature victory moves and theme music celebrations of these real-life action heroes in the Winner's Circle. Cheer on your favorite driver as he battles it out to the wire. Their engines, the hooves. Their torque, the reins. These iconic drivers harness more than 1,200 pounds of raw horsepower. Come out to see Trace, Joe, Jason, Ricky, and Mike, and throw down a bet on the one that you like.

Okay. These are our guys. Started out as the fab five. Each of our fab five Standardbred drivers have brand identities. They had storylines. They had theme songs. They had signature salutations. They had charitable associations. Whenever possible, we featured these drivers to Main Street audiences, to the community at large, and most certainly to our primary target audience, the females.

We later merged from the fab five — this is Joe Putnam "True Blue." I wasn't gonna tell you this, but I'm going to. When I first met these gentleman and, again, I'm learning about racing you have to remember. I didn't know how this was all gonna go. I went to the jockey's quarters, which was at the time where they were

getting prepared for the next race. I didn't know what to expect. I went in and each one came in individually to talk to me. I was like, "Wow. You guys are really cool. You're really cute."

I remember going through a whole list of questionnaire. I had a questionnaire for them, 'cause I wanted to get to know 'em, 'cause you wanna build a brand around 'em, right? You gotta figure out who they are and what they like and if they're married or they're not married or if they like — what sport they like or what music they listen to. 'Cause like I told you, every one of these folks, these guys and now ladies as well, have theme songs. We play those when they win in the Winner's Circle.

Now our fans can remember the songs that these drivers are associated with. We mention their charity and we mention that they're racing for their charity when they're in the Winner's Circle. They do their signature move. It's either a thumbs up or it's a salute or it's something funny that they made up, but they always do it. If they don't do it, we catch 'em on AV and we talk to 'em about it. It took a while to get them to do this, but they started to really enjoy it.

This is a particular photo shoot we had with "Bad Boy" Jason Dillander. Just to give you an idea. "Hurricane" Ed Hensley, Trent Stohler "The Bachelor." This is "The Wolf." Then, interestingly, this is when we started to expand. We moved from fab five and we expanded to include our Champion and Challengers campaign. We wanted to get more of these folks into the fray. This was our champion at the time, Peter Wrenn. We brought him in the challenge a few more of our fab five plus others that were added.

Then later, we progressed to the Hoosier Park All-Stars, adding new drivers to the line-up and getting much closer to that NASCAR notoriety. Now, someone said earlier in a conversation, they said, "Perception is reality." This is what we did. We went out and said, "Look, they look like NASCAR drivers. They act like NASCAR drivers. They're special. Hey, people, they're special."

We'd have Aretha Franklin on stage, we would bring them up before she'd even come out on stage and make a huge big deal out of 'em. They'd all come in with their colors and they'd throw out things and prizes. Then we'd have them set up prior to the start of the show and they would sign autographs. Because if you tell people something, you tell them these people are special, they're gonna believe it. People are going to believe it. If you make people have that perception of these super heroes, they will go with it.

We tried to turn them — it was almost like WWE meets NASCAR. We made shows. We made up things. We made up times where they were fighting with each other; two drivers after each other, had 'em show ads back-to-back like fighters saying that they — for whatever reason — they didn't particularly get along. We made everything up, but it worked.

[Chuckles]

Mr. Richard Moore: This year, we furthered our focus on our drivers. Each year we've added something. This year we added two different events. We had a champion driver racing series and East meets Midwest driver's challenge. For our champion drivers racing series, it was a two-night pari-mutuel event where they competed five races on each of those two nights. The winner, after it was all said and done, drove away with a 2014 Chevrolet Stingray. That's unheard of in racing, totally unheard of.

With the East meets Midwest, we took our five best drivers, invited five of the top drivers from the East Coast. They had a three-race competition, winner take all \$20,000.00. The East Coast guys spanked our guys pretty good, by the way.

Ms. Jahnae Erpenbach: Oh, and Rick, something else too. I said earlier that we targeted the females, we did, but it ended up evolving. Then it became the children looked at these guys—we would bring them out between races and the children would get autograph signings with them. It became a big deal to them.

Now men, you will hear men all through the clubhouse say things like, "Well, my bets on Slick Rick," or, "I'm betting on Trace." You hear that. You hear that all the time. People are making bets based on these people not so much handicapping.

Mr. Richard Moore: Absolutely. They have their favorite driver, just like you have your favorite driver in NASCAR. Just like other national sports icons, every weekend our drivers race for their notable charities. We're very involved in our community. The community groups who visit the track cheer on their drivers and help them raise funds for the respective organizations.

One group that Jahnae and I are specifically aligned with and have a special connection is the Animal Protection League. It's a local community-based organization that takes in stray dogs, stray cats, and even stray horses. As we are an industry that depends on the health and welfare of our equine athletes, we feel we have a strong obligation towards protecting and bettering the lives of all our area animals.

Throughout the year, we team up with our city officials and animal supporters to raise badly needed funds and awareness for animals in need. We have directly intervened to save the lives of livestock, retired race horses, and domestic pets. I will tell you we helped save — we helped save — ten retired Standardbred racehorses that were going to slaughter the next day. They're now located in pastures enjoying post-racing life.

Our team members, both casino and racing, foster pets, pet drives. We've raised more than \$40,000.00 each year and build habitats for our local animals every year. Recently, we held a walk-a-thon to raise money for the Animal Protection League. Jahnae and I both participated with our beloved animals and my little 4.4-pound toy Yorkie made it all the way around the 7/8-mile oval.

[Chuckles]

Overall, the drivers program has been extremely beneficial to us, our drivers, and the sport of harness racing overall. It has helped catapult us into a full-blown national sport production on track and via our export signal. We hope that our work to further advance the program nationally and deploy NASCAR formulas will encourage other racing operations and other jurisdictions to jump onboard for the betterment of the sport and the industry that we love.

Ms. Jahnae Erpenbach: While we do continue to think big for our industry and to exercise full and seamless integration at our properties, we will also have and will continue to focus very specifically on race marketing, individually. To increase visitation, we deploy traffic driving promotions and signature events from handicapping challenges to point promotions to family fun days, community festivals, themed events and promotions. Then to increase on-site wagering, we utilize attractive sales promotions, point-of-sale programs, and wager-based offers.

We focus on racing-centric advertising to attract new customers. We do dedicated advertising and public relations efforts to racing. We clearly do, by the way, delineate our audiences. We understand that there is a distinction, a difference, between the export customer versus the on-track customer. We professionally present a nightly big show called The Night Drive for export audiences, while maintaining a separate feed to create fun and experience on the on-track audiences.

We understand that the simulcast viewer wants constant racing information, while on-track crowds want fun and entertainment. We market accordingly. In both instances, we emulate main stream sports marketing strategies. For an example, we make great use of our marketing partners — we have a lot of them — through on-air sponsorships.

Similar to the NFL, for example, during our show, our big show, we'll break in for a Bally gaming hot driver of the week trailer or an Absolut Vodka replay. While on-site audiences on a separate feed are watching the wave cam or the kiss cam or they're playing games for prizes in the Winner's Circle with our Hoosier Buddy mascot or they're getting free ice cream in the Culver's Challenge Winner's Circle exercise.

Mr. Richard Moore: Speaking of our simulcast signal, we've taken great strides towards improving our audio-visual production. We've installed an all new audio-visual production room, enhanced our on-air studio, and have made great progress towards expanding the likability and notoriety of our on-air talent. In addition, we have expanded our use of animation and upgraded our video graphic presentation overall.

In an effort to attract a younger audience, we realized we needed to become fully engaged in social media. Now, I'm not gonna stand here and profess to be an expert in social media, but I will tell you, I know that if we're going to reach out to

young folks like we have right out here in the audience, we have to be part of social media. To that end, we invested considerably in hardware and software that now gives us the ability to show real-time tweets scrolling at the bottom, much like you would see on CNN or ESPN during our live production and simulcast signal.

We solicited the support of our horsemen and drivers to become part of this movement encouraging daily social media postings and then instructing them on digital marketing dos and don'ts. They have responded.

Ms. Jahnae Erpenbach: As we work to improve our racing production, we do continue to augment our physical plant, our technology, and improve our product offerings. Over the last year and a half, we've made some big improvements to our racing products starting with major renovations to the terrace area on the track side.

Major enhancements were recently made — excuse me — to improve their wagering and race viewing experience. We added 65 new and spacious carols, each equipped with state-of-the-art e-terminals. Our grandstand now features comfortable and really nice theater seating and luxurious race wagering suites. We have 13 race wagering suites.

Our homestretch dining area, grandstand, and bar can now be completely enclosed to create a 1,200-seat state-of-the-art showroom. In addition to that national headliner that I spoke about, the showroom can quickly and easily be transformed from race viewing to a venue where we can provide free entertainment, like regional rock bands, comedians, and variety acts every weekend.

Now, this effort, as well as this addition of our new Dan Patch Brewhouse, where only local Indiana microbrews are served, has also allowed us to attract a younger demographic to the track. Once again, all these improvements and enhancements are features that are on or near the racetrack.

Mr. Richard Moore: Yes, Jahnae, and another effort that we executed to attract a younger audience and to improve the ease and convenience of wagering has been the addition of our fast-bet mobile platform. This unique technology now allows wagerers to use their personal hand-held devices to access their wagering accounts and place wagers on Hoosier Park races as well as all other simulcast signals with the press of a button. This technology also increases rate of play, as a fast-bet mobile activity is associated with club accounts. In addition, free wagering can easily be added to a guest fast-bet mobile account.

One other recent technological advancement has been the addition of Trakus, the video imaging system that allows fans to easily follow the progress or lack thereof, as our horses make their way around the racing oval. To my knowledge, this has typically been a thoroughbred track feature with very few harness tracks offering this technology.

In the last few years, we've added a new tote board complete with audio-visual display as another example of how we've meshed the marketing of racing and gaming. Notice how we've integrated the advertising of our gaming companies as a graphic feature of our tote board. This brings national exposure to the marketing partner via the racing product.

Last year we also completed a \$300,000.00 track renovation, built a new Winner's Circle, and added a new starting gate truck, the color of which, incidentally, matches our simulcast signal background. We think even the smallest details are important.

One of the additions we are most proud of has been the construction of our champion drivers' lounge, which offer our drivers the same type of amenities one would find in an NFL or NBA locker room. This new feature is just the start of a series of backside improvements coming to Hoosier Park. When we open the 2015 racing season, we will have added a new jog track for the convenience of our horsemen and a new park-like green space for the backside workers to enjoy.

Ms. Jahnae Erpenbach: As you can see, status quo is not a part of our DNA. No. I hope that we've provided you with some very interesting detail as it relates to how racing and gaming was integrated and how we learned to market our product in some unprecedented ways. We hope that we can be an example for others as they face the prospect of integrating the two distinct products of racing and gaming and while maintaining all the while a commitment to horse racing. We will continue to challenge ourselves, improve our products, and we will work to return the sport of Standardbred racing to its rightful prominence.

Mr. Richard Moore: Jahnae and I would like to thank you for your time and attention today. We look forward to answering any questions or hearing any comments you may have. Thank you so much.

Ms. Jahnae Erpenbach: Thank you.

[Applause]

We good? I think we might be good. We were thorough.

Mr. Rick Baedeker: — from the California Horse Racing Board. I had the pleasure of working with Rick Moore for several years.

Mr. Richard Moore: It's good to see you, Rick.

Mr. Rick Baedeker: Good to see you, too, my friend.

Mr. Richard Moore: Good to see you, my friend.

Mr. Rick Baedeker: Yeah. This was really good. I congratulate you guys from a person that's been trying to market the sport for many years. Some things working, some things not. It's interesting to me the built-in dichotomy, maybe it's even dysfunction of trying to satisfy the simulcast player, the regular player who's there to study for the time between races, doesn't want outside distractions, and the younger folks who you're trying to entertain.

I remember at Hollywood Park many years ago when R.D. Hubbard was there, I was the marketing guy. He said, "We need to have cheerleaders." I thought that was a bad idea. It turned out to be a good one. We went next door when the Lakers played at the forum and they sent us the B-team of the Laker girls. They were terrific. All the acts were choreographed and everything.

One of the things that they did is they shot t-shirts up into the box seats. When they first started doing that, we would get boos and catcalls from the regulars. After about four weeks, those same people were jumping over the rails of the box seats trying to get these t-shirts.

It's something where we could've stopped given the negative reaction of, frankly, people my age. What I see you doing is catering to both. What's been the result? Have you lost any regulars that find the entertainment intrusive perhaps? What has been the result on — the effects of these things that you're trying to get the younger people in?

By the way, don't think when we say 'younger' we're talking about 22. In our game, 32 real young, 42 is young. I've seen the effort, what has been the result?

Mr. Richard Moore: Let me take a shot at it, Jahnae, then you can add. Rick, everything you said — excellent points. We do wrestle with trying to satisfy that simulcast player, that hardcore player with the younger folks, with the entertainment. We'll have sound checks with a band that's coming out on Saturday night to start at 10:00 as soon as the racing's over.

We have sound checks in the afternoon. Well, you can imagine that can be quite irritating to some folks. We've played it off. People have gotten used to it. Have we lost a couple of simulcast players? We probably have. They probably now go to either Indiana Grand or our downtown Indianapolis OTB.

We think there's a higher goal, a loftier goal. That's to expand our demographic of racing. We have to do that through entertainment and dining. It's all what Jahnae said; it's racing, it's gaming, it's dining, and it's entertainment. It's all four things. It's not just one. Does racing lose money? We lose a lot of money. I thank Jahnae for supporting us and supporting me, personally. We do have to reach out. It's not easy. You do step on other's toes at times. We think at the end of the day, we've made a lot of accomplishments.

Ms. Jahnae Erpenbach: There was another problem that we encountered at one point in time, too, when we started bringing the drivers into the program and

asking them to be marketers for us and for themselves. What happened is some of the other drivers that — 'cause we started with five. As you saw, it grew and grew and grew and grew. Now pretty much every regular driver is a part of this program now.

What would happen is at first the poor first fab five, they got tortured. The other drivers would just — just made fun of 'em. Yet, they got more notoriety and more notoriety, and then towards the end as we added more on, we had drivers coming to us like, "When am I gonna get a handle? When am I gonna get a — I want to do this."

Mr. Richard Moore: "What's my theme song?"

Ms. Jahnae Erpenbach: It took time and consistency and fortitude.

Mr. Richard Moore: Yeah. I mean, you can walk through the facility now — I'll be walking through from one floor to another, and maybe just didn't see the outcome of a race. I hear, "Rock Me like a Hurricane" playing, and I know Ed Hensley just won a race. I know all the songs of all of the drivers, much like when a batter comes to the plate in baseball. They've got their theme song. Well, I'll drivers all have their own theme songs. I know every one of 'em. Now our fans know those theme songs.

Mr. Andreas Terler: — Century Casinos. We are building a racetrack and casino in Calgary, Alberta. My question would be how do you feel those concerts — did you do it in order to make additional revenue or is it simply for additional excitement?

Ms. Jahnae Erpenbach: I really think it has a lot to do with additional excitement more than anything else.

Mr. Richard Moore: I would agree with that.

Ms. Jahnae Erpenbach: Although, I think that it is a definite tool to be used in order to increase trial and to get, like we said, maybe even a younger or different type of audience to the track or to bring the casino players over to the track to enjoy it more than they ever had before.

Mr. Andreas Terler: Has that happened?

Mr. Richard Moore: Yes, it has. Think about your typical steakhouse at a casino. Well, it's in the casino, right? Our steakhouse is overlooking our finish line. We've now brought folks from the casino to the racetrack for fine dining and they get interested. They're right on top of the racing. Yes, it has worked. As I said, when we finish up racing at 10:00 on a Friday and Saturday night, we have bands that start playing.

We have folks that will arrive, 9:00, take in the last hour of racing getting ready for the bands. We've got comedians. We've had a hypnotist. It's all about entertainment, entertainment, entertainment, entertainment. Again, racing loses money, so does housekeeping, so does security.

Ms. Jahnae Erpenbach: Those marketing folks.

[Chuckles]

Mr. Richard Moore: Yeah, you spend way too much.

[Chuckles]

It's all part of the experience. As Jahnae said, we're inundated with competition now. You only have to go a short drive to Ohio where there's six new casinos. We have to be the casino, the racino, of choice. We have to go where people have fun.

Ms. Jahnae Erpenbach: Well, and the other thing that's been successful are the charity associations, because each one of 'em support a charity all through the year. We have these big award ceremonies where we cut all these checks for hundreds and hundreds of thousands of dollars to charities.

As a result, what happens is we have these theme nights. Let's say "Trace of Luck" Tetrick, he's with the DARE program and the local police department. We do something special on a Saturday night for him, and then what happens is all of the local police department come out to support their driver and to help raise funds. It has brought a lot more business, even just to our dining outlets, because of them.

Audience Member: Hi there. I know you talked about horse racing and losing. Outside of the entertainment bringing people to the track, was there any positive impact on your wagering handle or any statistical from the racing side of the business?

Mr. Richard Moore: I think we've been able to hold our own on the on-track handle and the simulcast handle in an environment where that typically — we've seen that eroding. On our simulcast handle, I'm pleased to say over the last 2 years, we increased our simulcast export last year by 27 percent and this year 7 percent on top of that 27 percent. We've been very encouraged by what we've done on the export side. I want to thank our partners at Churchill Downs simulcast network for all their efforts.

Audience Member: I think you answered part of the question I was about to ask earlier. From your presentation, it's clear that you're gathering a lot of data from your movement, customers, and all the other aspects of your business. Is there any statistics that you would be able to share in terms of how you've managed to or have not managed to shift the data — amount of increase in handles in the racing itself from a demographic that has not been racing oriented? Or the average median age of your customers?

Ms. Jahnae Erpenbach: The average median age of our customers hasn't changed. Well, slightly, but not much. What I wanted to point out, too, is the fast-bet mobile technology that he talked about where people can on their cellphones, they can bet just right there on their hand-held device. What that has done is increased our percentage of rated play for the racing customer by doubled it. Because it's affixed to the Club Centaur account.

When they're gaming we don't have to rely on the mutuel teller or rely on the person to put their card into the wagering terminal. When they do it online or on their hand-held, it's automatically associated with their club card, so we capture all of that data. Really it's hard to tell, because we're really — we would track so low in the past before we did this.

I mean, it was less than 20 percent was getting rated. Well, now it's upwards in the 40 percentile, because we're able to — with fast-bet mobile and other things too, as well, the universal card program helped that out as well — but we just have so much more information than we had before. Although we don't really have good benchmark, we have a lot more information now. Does that makes sense?

Mr. Richard Moore: We're fortunate in that our senior management, and Jahnae mentioned to two gentleman by name; Rod Ratcliff and Jim Brown. We're very fortunate that they not only operate a casino, a racino, they are also horse racing fans. As I say about Jim Brown, his day job is running casinos, but his love is that of horse racing.

Ms. Jahnae Erpenbach: Anyone else? Thank you for letting us be here today.

Mr. Richard Moore: Thank you so much. We appreciate it.

[Applause]

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