



Race Track Industry Program

**38th ANNUAL
SYMPOSIUM ON RACING & GAMING**

THURSDAY, DECEMBER 8, 2011

Big Challenges for the Little Guy

MODERATOR:

Will Cummings, President, Cummings Associates

SPEAKERS:

Jim Boese, COO-Racing, Harrington Raceway & Casino

Les Butler, General Manager, Evergreen Park

Corey Johnsen, President, Kentucky Downs

Mr. Doug Reed: Again, I appreciate everyone that stayed here with us throughout the conference. That last session was so good, people were engaged. I think the ones that are staying are getting some of the best content here, and this will continue as I know Will always delivers a great panel and thought provoking.

Our moderator, Will Cummings has also been very supportive of our program and has helped us for many years creating good content here, and Will certainly knows the business from various aspects and has consulted with big tracks, little tracks, tracks with problems, tracks with successes, and I think he knows this topic very well, so I'm not gonna take any longer.

We're gonna get started here, and I'm gonna turn the show over to Will Cummings. Once again, thank you, Will.

Mr. Will Cummings: Thank you, Doug, and the Racetrack Industry Program for hosting this event and giving us the honor of wrapping up the session as the last panel. We certainly appreciate all of you sticking around.

As you may recall, the symposium opened with a panel of young guns in the industry. That was a good one. They set a high bar. I don't know if we'll come close to it, but we'll do our best and give it a try. We're at the opposite end of the spectrum. We're sort of the gray-haired gang.

Among the panel, among the four of us, we've got close to 150 years of experience in the racing business. We've been around. This panel is titled *Big Challenges for the Little Guy*. We have three distinguished operators of small racetracks.

From my right, Jim Boese, now with Harrington Raceway in Delaware; Les Butler at Evergreen Park in Grand Prairie, Alberta, not to be confused with Grand Prairie, Texas,

where our right-most panelist, Corey Johnsen once plied his trade. He is now at Kentucky Downs in Kentucky.

We think we have some interesting and informative information for you. I'm just gonna set the stage a little bit, and then let the speakers go in any direction they care to go. I've talked with them, and they have some interesting directions.

You know, again, back at that opening session, one of the panelists, Erich Zimny, from the Hollywood Casino at Charles Town Races, went to some lengths to defy the dying label that is pinned on the industry, and he thought that failing might be a better word in the business sense, not in the academic sense.

In the academic sense, we haven't earned our "F" yet. Maybe a "D," but not an "F." Not yet, but I think an even better word would be struggling. Some tracks are failing. Some tracks are, indeed, achieving successes, some segments of the industry.

I would most of all like to distinguish between racing, "the game," at which people bet on exciting events, and racing, "the industry," in which tens of thousands of horses run around what used to be hundreds, maybe now just a little over 100 tracks in North America and employ hundreds of thousands of people and horses in the presentation of events for that game.

The game, I think, isn't doing too badly as those of you who were here for the last session, being on the Internet, being available if not yet embraced by the younger generation, but with all these tools available to make it so, I think the prospects are good for the game.

The industry, though, it's a different story. Racing, the game, in the new modern era first of simulcasting and now of the Internet, doesn't need all those tracks, particularly the small tracks with all those horses running around them.

Small tracks are squarely in the firing line for the industry's need, not just desire on the part of some people, but I think it is, indeed, a true need to consolidate and rationalize its operation. There's hope for the small tracks.

Minor league baseball came back from close to the dead, not everywhere, but in enough places to make it interesting. I think there are some parallels, maybe not a great deal of parallels, but some parallels.

One thing I think we clearly should learn from them and that many people have talked about is the need to make racing — to focus much more on the guest experience. That's what the casino companies call it, and they're extremely focused on the guest experience at the racetrack. Small tracks in particular have to focus, I think, on the entertainment value of their operations, because they're definitely at a disadvantage with regard to the wagering value with all the competition that's out there.

Maybe the whole industry, as Andrea Young suggested in her Christmas list, needs a greater focus on the sporting aspects of the industry, of the event, rather than just the gaming aspects. Maybe we need some kind of revenue sharing, but that's a tangent I don't think we'll get into today.

Instead, what we're going to hear is a diverse set of perspectives from these operators of small tracks, and again these people have a great deal of experience. They have all run very large tracks. Jim Boese ran one of the largest greyhound tracks in the country. Les

Butler put on the Canadian Derby for, I think, 14 years. It's not the Kentucky Derby, but it's a big race. Corey Johnsen, of course, hosted the Breeders' Cup a few years ago.

These folks have a great deal of experience, and we will lead off with Jim Boese giving us his perspective. Go ahead, Jim.

Mr. Jim Boese: Thank you, Will. Maybe a good place to start is just touching on something that you said in your opening remarks regarding the closure of some racetracks. Harrington's lucky enough to be — to have a casino, and without that casino, there would not be a Harrington Raceway as we know it today. There wouldn't be any harness racing at Harrington, or in Delaware, for that matter.

Some of the distinct challenges that we face are the fact that we are a small operation, but we've tried to mitigate any problems with our signal — sending our signal out by picking the time spot that's the least crowded.

We have a 5:30 post time, and when Dover and us started simulcasting, we were the first ones to be in that time slot. It was very successful. We went from handling 200,000 to 300,000 up into the 800,000 and 900,000 per day. We're not at that level anymore, just because of the condition of the industry, but that was a big thing for us, and we continue to do that.

We try to maintain the same number of — the same race days all the time to do away with confusion, same post time. Then we're trying to pick up on things like what's popular right now is the pick four. We've had a guaranteed pick four during our meet this last year, and it was very successful.

The other thing is that our signature event, which is a Bobby Quillen Memorial, we have often had a difficult time finding a date so it doesn't conflict with other major harness racing events, but we have been successful with the Quillen to draw some of the better horses in the industry every year.

That's kind of a start for me. If there's anything else we can do as we go along, we can answer some questions.

Mr. Will Cummings: All right. Let's move on down the panel. Les?

Mr. Les Butler: Sure. Thank you, Will. First of all, I wanna thank Will. I think one of the very first sessions I attended when I started coming to conferences, Will spoke at and talked about takeout, and he opened a world to me that I had not known. I have kept in touch with Will and I have worked with Will, and I greatly appreciate and I'm honored that he asked me to be on this panel.

I also wanna take just a second and thank Doug Reed and the entire University of Arizona, because I really think that the solution to whatever problems we have and the solution that we may or may not find will be found in one of these rooms at one of these sessions, and it's so important that these events take place so that the industry can get together and discuss these ideas.

In the booklet for this session, it talks about transformation, it talks about coping and it talks about change. I think that the challenges that smaller racetracks face are essentially the same as challenges that larger racetracks face, but what is different is their approach to facing these challenges, and also the way they prioritize.

You know, where I am now, I'm not likely to come up with any really good ideas that you guys can use, 'cause I am sure that I operate the smallest racetrack in North America. We have 25 days, and we are the most northerly track in North America.

If we wanna get to the tar sands in Alberta, we drive south, and so it's — our challenges are pretty different than what they used to be, but the one thing I wanna say, that a lot of the large tracks have always ignored smaller tracks and lots of the large tracks didn't bother to stay over and come to this session, and they really should've, because the way the industry's going and trends being what they are, a lot of those large tracks are gonna be small tracks at the next — one of the next two sessions.

I would offer that small tracks — I mean, it was touched on in this last session. I think Lonny Powell touched on it briefly when he rebutted from the audience. Some of the speakers up here talked about it.

The issues that racing faces — I mean, first of all, the number one issue that I see that racing faces is it's for the most part a bunch of old white guys. I mean, that is racing. It has always been racing. It's been racing ever since I've been going.

That's a whole session on itself, but that's a real problem, because we don't relate to mainstream North America. I'll say North America, 'cause, of course, we're in Canada.

One of the things that small tracks can really take advantage of and show the way on is, they are better at decision making. They're better at decision making, 'cause they have to make decisions. You know, when I make a decision, I'm not buffeted by — Corey would have to deal with a pretty large HBPA group, or Jim would have a large Harness Horseman's Association.

You know, small tracks can make decisions more effectively, because they can be more efficient. They do make decisions, and it's those kinds of decisions that eventually prove. Lots of 'em go wrong, but lots of them go right, and in the long run they prove to be beneficial.

I wanna tell a couple of anecdotes, which I hope you'll suffer through. There's some people in the audience that I worked with 20 years ago, and — Curtis Linnell and Sherry Holmes. What I wanna say is, we had a bet with the largest track in Canada one time.

It was Woodbine, and then it was the Ontario Jockey Club. We bet \$100.00 that the first time they brought in a Gulf Stream simulcast, they would wager over \$1 million. If I told you they laughed at us that would be an understatement.

We had experience with intertrack wagering at the time, and to show you how grass roots it was, we had two tracks in Saskatchewan and we have — our announcer for one track would phone the announcer for the other track, and he would put his microphone to the phone and listen to the other track announcer call the race. That's how we communicated our intertrack at that time, and so — but what we did see from that was, we saw that there was a greater appetite for intertrack wagering, even though you weren't there, than we thought.

I can tell you, and I'm not trying to criticize or belittle anyone, but the Ontario Jockey Club in the Toronto market, where they were betting \$4 million live a day, period, just on track, that's it. They had no appreciation for what their fans would —and I don't wanna color the

story too much, but there was a near riot the first day that the Ontario Jockey Club took Gulfstream Park, because they didn't have anywhere enough area open.

They didn't have anywhere enough concessions open, and they bet \$1.3 million. To this day, of course, the three of us are still out \$100.00, 'cause they never did pay, but such is the life of a small track.

Some of the other things that I know were pioneered at small tracks, and again, you have to look at them. It's important to look at them, not because they're smarter, because I think the gentleman who was here, Russell Fine, in the previous session, said, "It's the collective group in the room." No one's — nobody can claim to be the smartest guy in the room, and you need to rely on all that input from all of the groups. That's why I personally find these sessions so valuable.

You know, small tracks really invented free parking and free admission. Does that sound simple? It's important, because they saw they were under competitive pressures that were significantly more imperative than many of the pressures of the large tracks at the time. Free parking and free admission, subtle as it is, is almost a no-brainer at times now, and it was small tracks that needed to make those changes.

Other things, for example, I was involved in probably the first utterance of remote program printing, but again, in Alberta we have a huge geographic area. We're not that widely distributed, but we were printing programs, and we were getting, I don't know — probably 26% of the programs we printed actually arrived at the tracks on time because of bus schedules and all the difficulties.

California never helped, because, of course, they wouldn't finalize their program 'til the day before at 2:00, and good luck trying to get a bus from Edmonton to Ft. McMurray and get it to arrive on time. I saw Victor Espinoza around here, and he can remember the hundreds of calls that we made back and forth, trying to get their lines and get the electronic version, so that's an example.

Another example is, we were — in our jurisdiction, we were the first to use Internet for transmitting wagers, but again, telephone costs, data line charges, all those things were so expensive. I guess one of the things I just sort of wanna touch on in terms of — is that loss of innovations come from small tracks, because small tracks have a greater imperative to succeed. The competitive pressures mount, and it's very hard for them — very hard for them to survive on wagering along.

Now, where I am right now, we have slot machines. We were one of the very first jurisdictions to tie racing to slot machines in North America, and takeout is irrelevant to me, because we don't make a lot of money off of — okay, that's not exactly what I wanted to say. What I wanted to say is, a large proportion of our money does not come from wagering. The largest proportion comes from slot machine net win.

However, my challenge that I have to make sure I take care of and address is making sure that our political imperatives are nurtured so that the regulators and the citizens of our province know that we are — that racing is a respectable game, that it's an honest game, that we put a great deal of effort into caring for the horses. We put a great deal of effort into our human resource.

We have a number of educational programs for riders and back stretch workers that we can point to that we can sell to the politicians to justify the situation as it is, where racetracks

have slot machines and that they manage them properly and that racing is a very productive economic activity for the province, because it creates employment, because it creates green space, because it is an economic driver for the area.

Those are some of the issues that small tracks have pioneered historically, and I really wanna say it's not so much that the challenges are different, but if larger tracks look at smaller tracks, they do see things coming sooner sometimes, and they do see ways of dealing with those things, because small tracks are fortunate. They get to make decisions.

They don't have a large margin of error, because you only have — for example, we only have 25 race days. We really only have a handful of staff, so ideas have to be — ideas have to be well thought out, and you have to make sure you do focus on the right priorities. Lots of things that you wanna address, you just have to let fall off the table, 'cause there's not the time and there's not enough energy to get all of those things done.

I think that's just some of the experience of a small track and some of the things that I think that they can show the industry that need — they're worthy of some attention. Thank you, Will.

Mr. Will Cummings: Thanks, Les. Corey, you're up.

Mr. Corey Johnsen: I thought about the significance of being the last presenter in the symposium, and so I'm gonna kinda steal a bit from Johnny Carson and Karnak. Ladies and gentlemen, I have before you the note cards from the last speaker for the 2012 Racing and Gaming Symposium.

[Applause]

Okay, nobody watched Carson, huh? You're supposed to have a big applause, so it's — 'cause I'm the last one.

I wanna compliment the staff and students of the University of Arizona and everybody else that's traveled here. This is — I've been coming here since the early 1980s, and have learned a tremendous amount from this symposium.

I'm gonna start off by saying — 'cause I might have some somewhat harsh things to say later on, but I wanna start off by saying I love horse racing, and I feel very blessed to have earned my living in this wonderful sport and industry.

It all started when I went to Long Acres when I was in my teenage years, and I couldn't figure out how to read the tote board and I finally ended up betting \$2.00 to win on the seven horse in the seventh race. His name was Power Ray, and he won and paid \$540.00 to win.

Then I followed that up by traveling south to Arizona State University, which might not be a good thing for this crowd, but they — really, the program was just getting off the ground at that time at the University of Arizona, and on Saturdays I took a class in how to handicap the horse races. I would ride my bike to Mesa Community College and take a class from the legendary Chuck Padoni.

Before my senior year in college, I needed a job, and I was a groom at Centennial Racetrack outside Denver. While I was there, I groomed a horse by the name of Hi Ho Dash, and on

my last day of work I bet \$80.00 to win on Hi Ho Dash. He paid 8:1, and I earned my tuition for my spring semester, so I didn't have to get a second job.

When I graduated from Arizona State University, I went out to Turf Paradise, and I said, "You know, I just have a degree in communications and marketing. I'd like a job," and they said, "Well, we really don't have a marketing department, but I'll tell you what. If you want to, you can be a volunteer worker." At the time, I was getting my Master's in Business Administration, so in the eyes of my father, I was doing something legitimate.

I started volunteering out at Turf Paradise, and I would spend many hours a week there. One day, the general manager came up to my boss, and he said, "Hey, who's this guy?" Because he thought that he had hired somebody and not told him. He said, "Oh, well, he's a volunteer worker. He's a kid that's getting his graduate degree from Arizona State." He goes, "Oh, you're kidding? Well, this poor kid's here all the time. Let's pay him \$80.00 a week." That was the beginning of my career in horse racing.

We — you know, today has challenges to the little guy, and we're all trying to survive. I would tell you this that if we're trying to live within the business model of the 1990s, where all your revenue is coming from within your four walls, shut the place down. You have no chance of survival. That's a fairly harsh statement from someone who loves this game as much as I do, but it's the reality, and it's the competitive reality that we have to deal with.

I'm trying to read my notes here, so bear with me. We all have greater pressures on our margins. Signal costs — I'm telling you, it's gonna continue to go up. Our cost of labor and benefits is gonna go up. If you wanna run a race meet, which you need to with safety, security, with the proper regulations, that cost has gone up. You gotta have a good video signal to compete. You have to have strong marketing, and you better spend some money on capital improvements, or you're gonna be in trouble and you're gonna fall behind the other entertainment options in the marketplace. Sounds kinda depressing, doesn't it?

Well, there is a formula for success, and I've been fortunate enough to be part of a couple of turnarounds. It is very difficult, though, when you think about the fact that we are a highly regulated and legislated industry.

For example, when McDonald's wanted to add chicken sandwiches many years ago, they didn't have to go to the State Capital and get a law changed that said they could offer a McChicken sandwich. When they decided to distribute their product differently and actually offer drive-through wagering, they didn't have to go to the racing commission and get rules passed or go to the legislature and get things passed. It can be very challenging, very demanding to effect change within our product and our distribution, and as we all know, it is a changing landscape.

In the old days, I always contended that about 50% of the people that walked through the door at a racetrack were there to gamble. As hard as this is for me to say, they really didn't care if it was horses or slot machines or lottery tickets or whatever, but they just like to gamble. We virtually had a monopoly in many parts of the country. Well, that monopoly is gone, so 50% of our attendees — potential attendees are going to places where they can more efficiently gamble and gamble in a more entertaining environment to them.

Then what you've found is, though, is that the pari-mutuel tax and many of the tax situations haven't changed, so we're stuck — we were stuck with this business model.

Virtually, if you look at a map, every track is touched by some kind of regional gaming, so in many cases, you have to — you'll have to change your product within your track to be able to compete and to be able to generate the kind of revenue that will allow you to compete in the marketplace. You know, that's an easy statement to make. Those of us that have tried to accomplish that knows how difficult it is.

I wanna give you two examples that I've been involved in, and you'll see there's kind of a formula for success, I believe, to effect that change. When I worked for Magna Entertainment as a group vice president, I was fortunate enough to be able to go back to Remington Park and — I guess fortunate. Maybe I should put that in a different way.

Remington Park was losing millions of dollars per year, and I was given the assignment to go back and make it profitable. Well, there were \$1 billion a year in wagering done at Indian Casino, so it was quite a challenge, and the Native Americans were very strong in the legislature.

We were able to put together a coalition from all breeds of horses in the industry and all the tracks, and we sat down around a big table. I remember, there were a couple of times there were almost fist fights, but what we did is, we insisted that we communicate, and from that came cooperation and from that came coordination. We were able to go to the legislature, make our case and today Remington Park has 750 slot machines.

When I was there, we had \$70,000.00 a day in purses. Thoroughbreds run for \$230,000.00 a day, and that's on an upward trend. Quarter Horses run for \$265,000.00 per day, and rather than losing millions of dollars, the track is profitable. A lot of that credit goes to Global Gaming Solutions and the management team of Scott Wells and Skip Lannert, but back in 2004, if we had not made that change of our product mix, I don't think Remington Park would be there today.

Another one that, obviously, I was involved in as the president of Kentucky Downs was the introduction of Instant Racing machines on September 1st. Those of you that don't know what an Instant Racing machine is, I'm gonna do my best to give you a short description.

It's a video gaming device, but the differences are, is rather than having a random number generator in a box that generates triple sevens or the fact that you win or lose, there's actually a database of 21,000 previously run races.

That server goes in and gets a race and generates numbers. Those numbers equate to different kind of reels spinning around, and the patron sees if they win or lose. When they do win, it is done in a pari-mutuel environment, and what I mean by that is, when you're playing a slot machine, you're just playing against you and that box and the house, whereas in Instant Racing, when you win, you are pooled together with all the other patrons that are playing that game and that denomination.

Another way to look at it is, if you wanna take a lottery as an example, scratch-off cards are like a slot machine, 'cause you're just playing — you're just scratching off. You either win or lose, but Powerball is really pari-mutuel. That's a large pari-mutuel pool and a large jackpot. If there's \$100.00 winnings in a Powerball pool, and two people are fortunate enough to get the right numbers, then they split that and they each get \$50 million.

That's Instant Racing, and we were able to accomplish that through a regulatory approach, because the laws in Kentucky are somewhat unique. This is a product that I believe is a perfect compromise for many of those states that are kind of stonewalled by a political

situation that they can't move forward. When you think about it, it's based on a horse race. It's a wager based on a horse race, and it's pari-mutuel.

There's really — when you talk about — one of the dangers, as we all know, if you're going to go out and lobby for casinos, what happens if you have a number of stand-alone casinos that are in your marketplace and the financial formula doesn't work? You've got a serious problem.

Well, you can make the case that Instant Racing — horse racing, pari-mutuel wagering done in an exciting video gaming format is our product, and so let us have that.

I believe increasingly over the next few years, you're gonna see more and more Instant Racing introduced. What it's done for us, our pari-mutuel handle on track, including live-handle, simulcast, in-handle and Instant Racing handle is up 450% since September 1st.

Just as noteworthy is, prior to September 1st, our simulcast in-handle was down about 12% or 13%, like many other tracks around the country.

Since we introduced Instant Racing, our simulcast in-handle has actually shown a 2% increase, so that's a 15% swing in the fact that we were able to bring new people to our facility and kinda utilize the excitement and the revenue generated from Instant Racing to go out and market our product better.

Our next stop is, we have 9,000 members of our Player's Club, and actually next week we are — and by the way, Instant Racing today is an AmTote product, so — and that's with our Player's Club system.

We are gonna convert to AmTote next week, and now we're going to have a Player's Club for our horse racing wagering, as well, so we can reward those patrons with benefits like we do our Instant Racing patrons.

One of the things much like Remington Park that's been instrumental in our success is a horse industry organization, and in Kentucky, it's the Kentucky Equine Education Projection.

That's where we bring together all breeds of horses, all disciplines, all the racetracks, and we sit around a table and we work on programs that educate the public and elected officials on the importance of our industry and the fact that if we do generate more revenue for our industry, that there's gonna be a major economic impact in jobs for the state.

Now you might say, "Well, come on, Kentucky, it's your signature industry. That's easy to do there," but I contend to you that relatively every state has that agricultural base where elected officials love to create jobs. Frankly, the healthier the horse industry, the more support jobs that you have.

In the case of Kentucky, our numbers as of a few years ago were, our industry supported 100,000 jobs, and that did not include tourism, which even drives it more when you think about Kentucky Derby and the Breeders' Cups that we've had and the people that travel to Keeneland and other tracks. It's a \$4 billion-a-year economic impact.

We were able to go through the state, and we had an educational program and we were very successful. We took the public opinion on gaming at racetracks. It had a 40% approval rating in 2007. Today, it's well over 60%.

We've also passed the Kentucky Breeders Incentive Fund Program that has contributed \$75 million over the last five years in Breeders Awards. Recently, we were entered into the Kentucky Proud Program, where now farm owners can apply for grants and get thousands of dollars to help them market their produce — their animals.

Then, last but not least, we've backed some candidates and we've gotten involved politically. Governor Beshear, who has been a friend of horse racing, was re-elected by 21 percentage points, which I think is phenomenal.

The gentleman that was running against him was David Williams, the President of the Senate, who has not allowed our issue to come to vote in the Senate, so there was a strong message sent there.

Then, also, the Attorney General, who opined that Instant Racing was legal — this was two years ago — that kinda started the ball rolling, he won by 13 percentage points.

Then we backed the commissioner — a new candidate for Commissioner of Agriculture, James Comer, and he won 63% to 37% for his opponent. We recently had our statewide elections, and they were very, very successful, which positions us for continued success in the future in possibly getting some legislation passed.

Another thing, and I think it's very important concerning horse organizations, and one of the things that we've done so effectively to keep is, there are 120 counties in Kentucky. Every county has a team leader. As we all know, politics is truly local, and so we can build our support from the ground up.

I would contend that too many racing organizations and tracks try to handle this situation and try to effect change from the top down. You go out and you hire a highly paid lobbyist. Well, the problem with that, if you rely on that only to effect change, believe me, your opponents, meaning many times the casino operators that ring your state, are gonna come in, and they're gonna spend more on more lobbyists to try to beat you and to try to kill your legislation.

The way to truly change an attitude in the legislation is from the ground up and with grass roots education and lobbying.

In closing, I'd kinda like to offer a few challenges to our industry. I think that we need to realize that there's an importance for a farm system for the little guys.

There's a silver-haired trainer that's a University of Arizona graduate that started his career in Little Sonoita County Fair in Arizona by the name of Bob Baffert, who's a Hall of Famer.

There's a jockey named Gary Stevens, another Hall of Famer, who started his career riding in the bush tracks, I think, in Idaho and other places.

There's many customers like myself who went to Long Acres and was introduced to racing. Well, this happens all the time, all over the country.

I would challenge the larger tracks that big-event wagering, I think we've all seen this now, is up over 20%, so if you will recognize the smaller tracks, try to respect the margins that we need to have to operate, that it's gonna be in your best interests with the big events, the big established events in the long run.

Then, also, I'd like to challenge the industry, and even those tracks that have gaming and maybe aren't the little guys, but remember that our industry is like a three-legged stool. One leg is the horse industry or their participants, the other leg is comprised of the fans and then the third leg is comprised of the track owners.

Like any stool, if any one of those legs isn't sturdy, then the whole stool, the whole foundation of the industry is not what it needs to be. We need to keep — many times we think like, well, boy, I made this huge investment in Kentucky Downs, relatively for me, and everybody needs to listen to me and do what's best for me. I don't think so.

As a matter of fact, I would tell you that it all starts with the horse first. I know we have Instant Racing and many tracks have gaming, but really, it's all about the horse.

What we've had a tendency to do is forget what our true foundation is, and it might be that extra \$100,000.00 that needs to be spent on the racetrack surface to make sure that it's as safe as it can be, or it might be the extra money spent on security in the stable area to make sure things are done there or the extra \$100,000.00 that maybe you cut out of your stable area maintenance budget five years ago when you didn't have any money.

Well, when you start making money from these alternative revenue sources, don't forget the horse, the horse industry, the horse people that work seven days a week. Make sure that you challenge yourself, and you say, "Yeah, I need to have this money to market my Instant Racing machines, and I need to get a decent return to my investors, but really, I need to make sure the people that come and participate in this sport have as good of environment as possible.

Kind of in closing, Kentucky Downs is a little guy. We're the smallest track in Kentucky. I'm proud of the fact that we're the smallest member of the NTRA. We're also the smallest member of the TRA, but I'm here to prove that size doesn't matter.

[Applause]

Thank you.

Mr. Will Cummings: Well put Corey, and Les and Jim. We're running a little early. We have time for questions. Anyone who would like to ask or make a comment, please step up to the microphone, and if no one does, I have one for the panel.

Anyone can leap to the front and take a stab at it, but basically, again, you've all worked at big places. You're working now at smaller facilities. What do you know now as a small operator that you wished you knew then when you were running a big place?

Mr. Les Butler: Well, from my perspective, I would say create impact. You have to pick one thing that you're gonna be good at. In our jurisdiction, we like to think our racing surface is probably one of the best in North America. That's what we feel. We have another track in our circuit, Rocky Mountain Turf Club. I think they're known for anybody who shows up has a great time.

I think all in all, you have to create impact, and I would offer as validation of this that everybody in racing owes the Kentucky Derby probably five times more than they think they owe it.

If they value the Kentucky Derby at "X" dollars to them, I really believe it's worth way more, because it creates impact in the larger society, and I think we undervalue that impact.

In our own way in our own markets and our communities, we have to create impact, and we do that by focusing on one thing.

That's what I wish I had known with the Canadian Derby, instead of sitting through hours and hours of meetings about whether the Derby purse should be raised or lowered. It has to be raised. We have to create impact. End of story.

Mr. Will Cummings: Thank you, Les. Jim or Corey have a thought?

Mr. Corey Johnsen: I guess I'll take a swing at it. Getting back to operating a small track has taught me to be a better operator, a more efficient operator because when you have a larger track and you have a larger revenue stream, it hides a lot of the efficiency sins that are in your operation, and so it's kinda sharpened me up to make sure that I understand all the costs.

We continually look at the cost side, rather than just look at the revenue side, so it's probably — I'd say that's my number one thing. It's sharpen that focus.

Mr. Jim Boese: I would agree that you're more focused on the operating expenses than you are — than at a larger track.

Mr. Will Cummings: I'm reminded of, I think it's Ben Johnson's quote that nothing so concentrates the mind as the knowledge one's to be hanged in the morning. I guess the smaller tracks are closer to that edge, and as Les described, you just have to be creative, because you're that close to the margin.

Yes, sir?

Mr. Darrell Hare: I have a question. I'm with the American Quarter Horse Association, and I visit a lot of small tracks.

Corey, you mentioned, I believe, in your comments early that you felt that the cost of transmitting the video signal would continue to increase. There are many racetracks that are short days, short meets, that still have quality racing, but because the cost of transmitting that video signal, it's cost prohibitive for 'em, the numbers that work.

Do you have any ideas or suggestions on the ratios of the small track, when they have to spend so much to do that are really out of whack with what — even a larger track? I know the costs are expensive for everyone, but the ratios are — really just simply don't make sense for some tracks to get into that market.

Mr. Corey Johnsen: Yes, Darrell, and there's two pieces to my comment. One is video production, and then one is the transmission of the signal. They can both be very costly.

We're fortunate because we were able to tag onto Ellis Park and get a video production company that has the same quality of Ellis, and then we actually have the same uplink.

It is a tremendous challenge, and what we deal with is you have to have a quality video signal, because what's happening is, somebody's sitting in an OTB in Pennsylvania and

there are ten signals up there. If your signal is deficient to the other ones, chances are, they're not gonna be very interested in your product.

I don't really have an answer, Darrell. It was one of the reasons that I was bringing up the fact that you have to find alternative sources of revenue, because it becomes a downward spiral that you just can't get out of.

As we all know, if your revenue comes in from simulcast out, once you cover the cost of video production and transmission, that all falls to the bottom line. Without that, you know, it's a major challenge if you don't have that.

Mr. Les Butler: Darrell, if I can take a quick stab at that as well, in our jurisdiction, we have three racetracks that race quarter horses — our track at Evergreen, Lethbridge Track Rocky Mountain Turf Club and, of course, Northlands in Edmonton.

We approached transmission of signal as a consortium, and we buy it that way. That's one of the ways that we're able to send our signal out and keep it affordable.

Mr. Corey Johnsen: Darrell, I'm gonna go a step farther, just with Kentucky Downs. Someday, we — and this is no offense to Todd Roberts, who does a great job, but I think someday fiberoptics will come to play.

As a matter of fact, we went — these are the type of things when I talk about governmental relations and lobbying, we went to the city of Franklin, Kentucky, and they're actually sending fiberoptics out to our track as part of their economic development efforts, and at no charge to us.

There are some — definitely some things you can do, but you gotta get involved. You gotta get to know your mayor and your city council and your local state representative. I mean, that is a critical part of the job, especially when you're a little guy.

I tell you what, what I have found with many elected officials, they like helping the little guy. I mean, if you just show them a little support and give them some education, they love us, and they wanna help us, but you just gotta give 'em the facts and the information so they can move our issues forward.

Mr. Darrell Hare: Thank you.

Mr. Jim Boese: The other side of that, on the simulcast end product, we at Harrington belong to the Mid-Atlantic Consortium, which is a conglomeration of about 18 racetracks that negotiate for the incoming signals, and we all get the same rate.

We're — a lot of times, if you're a small track, you're just at the mercy of these larger tracks, as far as whatever they wanna charge.

Mr. Will Cummings: I think we have another comment from — or a question from Eugene Joyce.

Mr. Eugene Joyce: Well, I just wanted to jump on board on this conversation and what Darrell brought up.

You know, a smaller track in a smaller state, you should be moving like a PT boat, to echo Les' comments. You know, you're not a big aircraft carrier, and as far as the signal goes, and this — forgetting what Corey said about the quality of the video.

I know in the quarter horse world, they ship large distances to run at various fair meets. I know that Sandy Downs in Idaho does a live streaming video that you can get on their website and watch it. That's one way to overcome it.

Now, you're not — quarter horse handle's never gonna approach a thoroughbred race, but there are mom and pop breeders that have literally two or three horses in their backyard and breed these and raise 'em and run 'em, and they ship great distances, and yet they wanna see that.

You know, there is the technology there to do a live streaming and maybe have handle come through an ADW, if not into every OTB in America.

Let's face it, you know, it's tough for a little track to sell their product out there. I know Arapahoe Park has a tough time of getting people interested in that.

Now regionally, you can build up a good fan base, and if you have an OTB system that you can stream it, you can pick up some more dollars that way, but I think that might be one area.

You've gotta get over, as Corey said, the local regulations, but you should have the advantage as the hometown person to go to your legislators, if there is a statute that says it has to be encrypted or what have you.

Again, I hope Todd Roberts is not in the room, but it's my personal opinion that we should give away our signals for free for anybody to watch it anywhere they are in the United States of America, and that it doesn't have to be encrypted. I think that would drive more handle.

It goes back to the argument that we didn't wanna get on television back in the day, because nobody would come to the live event. We all know that to be a fallacy. That was it.

Mr. Les Butler: I have a follow-up to what Corey said and your comments in that the American Quarter Horse Association, a tremendous organization to work with, and they came up and visited us. We did have horses from New Mexico, and I think one from Oklahoma this year, and we value that relationship greatly. As a small track, you need those people.

One of the things they pointed out that I did not know is, we are having, I believe it's a company that — we don't race 'til July, but we're having a company out of Idaho do a lot of our packaging for us, so we will video stream a raw signal, and they will repackage it and then video stream it out from there.

Now we haven't done that yet, but we will be doing that, and as a small track, it's vital to have those contacts in the industry that you can rely on.

We can present our quarter horse races with a lot of information and a lot of value-added features that without the American Quarter Horse Association we couldn't — we don't have

enough people to do that research. It's important to nurture your relationships and to work with those relationships.

Mr. Corey Johnsen: Eugene, I want to bring up something, that Todd Roberts does have a product that's phenomenal. It's through DISH Network, so you can call your DISH Network provider. It's like \$50.00 a month, and through your DISH Network, you get every track in the country comes in on that. You know, when you figure that you're going through DISH Network, \$50.00 a month, and if you're in the game, that's not bad.

You know, if the guy's a big player, the ADWs can always rebate 'em back, you know, I mean that money or make sure that happens.

It's really a good service. I don't think a lot of people are aware of it. It was just launched within the last six months. I have it, as a matter of fact.

Audience Member: That's a lot cheaper than the NFL package is right now.

Mr. Corey Johnsen: Yeah. Yeah.

Mr. Will Cummings: Hear, hear. Another question?

Mr. Jim Bernard: I have the Sandy Downs Racetrack that Eugene was talking about there. A couple of comments.

The Roberts deal that's supposed to be such a good deal, if you're a racetrack, it's not \$60.00 a month. It's still the decoder fees. It's the same old thing. It doesn't help us a bit.

We've had great success with the live stream video, especially for the horseman to be able to watch the product, stuff like that.

I'd really encourage somebody, if they do have a \$50.00 a month deal to let us know, because I have an OTB, and I thought the same thing. It was gonna make a big difference. There's still the same decoder fee, the same deal, and I don't get a \$50.00 a month signal for that.

You know, a person can actually get that signal, but it's not gonna come to an OTB or to a racetrack, so we need to put pressure on 'em to do that, if we can do that and somehow figure out how to live stream this and get a good quality video so we can all make it work.

Mr. Corey Johnsen: I think that's a good point, because I've found in trying to expand your OTB system, one of your big costs is decoders.

I think that's — I know Todd, and I'm willing to talk to him about that, because we do as an industry need a more efficient way to send out those signals. I've found Todd to be very open to kind of these type of business formulas, so I will personally talk to him about that. It's a good idea.

Audience Member: Well, I'm not here to — it's not Roberts' fault.

Mr. Corey Johnsen: No. Yeah.

Audience Member: They're in a business to make money. I just — we do need another option than that.

You know, I heard that was coming, and I thought it was an exciting thing. Well, as soon as I opened up an OTB and found out it doesn't apply to me, doesn't apply to anybody that wants to — a small racetrack, I tried to use that angle. Didn't work at all.

We are truly a small racetrack. There's no casino. There's nothing to support us, which, like Eugene, we're just trying to keep horses running.

Oftentimes, we're working for nothing, just trying to get the product out there, keep the live meets going, 'cause it is about the horses. We're horsemen, and that's the reason we're doing it. It's not — there's no multimillion dollar business involved with it. It's keeping racing going. We support jockeys. It's the same thing.

You know, the horse people are making money on it, it's a grass roots effort with us. We don't wanna lose the income it does bring into the states. We have some pretty good support, and we're working together, trying to get everybody on the same wavelength there.

Like you say, the streaming thing has worked real well, at least for — now we have a video archive. Trainers who are at the racetrack, they're running five or six horses, 'cause we don't have that many trainers. Afterwards, they can come back, click on it, watch the races and stuff like that. It's been pretty good with us.

Like I say, I just — I think as an industry, I just see us eating ourself up with charges. You try to open a small OTB, if you don't have a million people in your community and you're not handling \$10,000.00 a day, you can't pay \$6,000.00 for your signals on the way. You know?

I mean, something's gotta change, especially in our neck of the woods, I guess, if you wanna put it that way, because we just don't have that big of a population base to handle that. I mean, if you can only handle say \$4,000.00 a day, you're losing money, but \$4,000.00 a day would bring good money in if you weren't paying \$6,000.00 to have the product up on the wall.

You know, it's just a — you know? I'm kind of a newcomer to this. I've raised horses forever, but as far as track operator and stuff like that, it's just — to analyze the industry, it's just hard to believe that some of these racetracks are raising their host fees so much and things like that.

It's just — I mean, its greed just eating up the industry from the big tracks, and the big tracks are eating up the little ones. That's — it's a tough thing for us. Thank you.

Mr. Will Cummings: Small tracks and small OTBs have similar challenges, as we were saying. Fix costs, gotta be creative. It's 11:59. We have time for one more question. If not, I think it's the end of the symposium. Thank you all for sticking around to listen to us.

[Applause]