



Race Track Industry Program

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

**TUESDAY, DECEMBER 6, 2011**

**Racing's Young Guns**

**MODERATOR:**

**Joe Harper**, President/CEO Del Mar Thoroughbred Club

**SPEAKERS:**

**Axelle Maître**, Secrétaire Général Société des Courses de Clairefontaine-Deaubille

**Raj Mutti**, General Manager-BC Racing Great Canadian Gaming Corp.

**Andrea Young**, President, Sam Houston Race Park

**Erich Zimny**, Director of Racing Operations, Hollywood Casino at Charles Town Races

**Mr. Doug Reed:** I'm gonna be very brief this time. Our first panel is moderated by a long time attendee and a member of our Advisory Council and someone here that probably most everyone here in the room knows. So, Mr. Harper is the President, CEO, and General Manager of the Del Mar Thoroughbred Club and I'm gonna turn things over to him and the rest of the show is yours, Joe.

**[Applause]**

**Mr. Joe Harper:** Thank you, Doug. Thank you Dr. Burgess. I will tell you just a little inside to this guy. Those of us who have been involved in this thing for some time found a really good friend in the dean that we've had for the last number of years and when he was retiring, now he's acting president, while they're looking for a new president we got a new dean.

We're all going does anybody know this guy? Is he gonna be friendly? What is he gonna be? I will tell you after being in a meeting with him briefly yesterday, he came to our Advisory Committee meeting and showed us some vision and walked out of the room and we all went hey, this guy is okay. He's gonna be great for this program. The fact that he comes from the horse business and knows that, as well. We're very lucky to have him and I can't tell you how delighted we all are to have you on board, Dean Burgess.

**[Applause]**

Anyway, Young Guns, first panel, obviously, they're young. In fact, none of them were born when I came here to do my first panel and somebody pointed out to me that probably their parents were in kindergarten when I came here. That's okay it doesn't bother me.

Actually when I started in this business, they used to call me young, a couple of old yellow newspaper articles, it was said youthful Joe Harper. Now I've been referred to as a fixture. Believe me, you don't wanna be a fixture. It sounds like you got a plumbing problem or some electrical broken circuit.

It's terrific to see these guys and girls and I won't bore them with a history lesson, but I've just got to say, that when my generation started out in racing, we were lucky because the generation before us were the guys that actually invented the sport. I mean they were the entrepreneurs that built it.

They were the famous people. They were the Vanderbilt's and the Whitney's and the Phipps and the Strubs' and the DeFrancis's. The people that had a passion for this game and an entrepreneur spirit that put it together for us. It was done out of love, seldom for money, although they certainly seemed to do very well with it at that time and so those early years were nothing but soaring building in a business.

By the time my generation came along, we got handed the golden egg laying goose. I mean those days you had attendance on a weekend of Saturday was 50,000 – 60,000 if you had \$100,000.00 race you saw attendance of 80,000. People were flocking to it. It was how could we mess up? Well, anyway, we'll get to that in a minute but I think that things started to happen slowly.

The professional athletic leagues, the football, baseball they all expanded their leagues and numbers and they expanded their time and their games. Slowly the discretionary income that we were kind of the slow recipient of started to slip out into other areas but that was okay.

We figured well, we'll keep hanging in there. We got a good game and then slowly we didn't quite understand television and we were afraid if we went on that nobody would come to the races if they could watch it on TV so we missed that opportunity and that door shut pretty quick on us but that was okay, we figured hell we gotta a good game. If it ain't broke, don't fix it.

Let me just point out that there was nothing wrong with the Edsel either, it wasn't broke. It got in there, it started right up, you could drive anywhere you wanted with it, but it didn't work, did it? I always think that if somebody says it ain't broke don't fix it, if he says that more than three times a week, believe me, it's broke.

As things went on, we looked to off track wagering. We figured simulcasting out, that seemed to help us, but it didn't do much for on track business. It shifted money around and we were all happy. I remember making the comment that at Del Mar we'd never made so much money but we were awful low in the count again. Nobody showed up down there and as much tracks, hit the attendance figure but that was okay we were making money.

Then all of a sudden, we started going broke. Bankruptcies became commonplace in this industry, but that was okay we'll figure it out.

Now we're sitting here going well, I wonder what happened to that golden goose, that golden egg laying goose and I think that like anything, this business has changed. If you stay where you are, you're not gonna make it. Staying where you are is a death knell of business in general and certainly the end of entrepreneur

spirit. Maybe when you get a certain age that's what happens and you tend to see to look back and look at history instead of make it. We write about it but we don't make it, young people make it.

I know that a number of years ago, I had a kind of an epiphany, with a small E, but it said I've got to figure out how to put the people back on the track. It was obvious to me that if your target audience is going to be the 25 to 45 year olds, you'd better have some of those guys working for you because you can't figure it out. So, when youth came in, our business went up. We did different things that I wouldn't of thought of and we've had a very good success with them. I think that, as I look at these guys here, I see that same kind of passion involving youth and that's what's gonna save us.

We're gonna hand you the — that golden egg laying goose isn't laying golden eggs anymore, in fact, it's on life support. It's hooked up to an IV that's hooked up to a slot machine but still that may not be good enough so it's certainly, indeed, fun for me to see these guys here and to get them to tell us a little bit about what they do.

I know the first speaker I'd like to have is Raj. He's the Regional Director of British Columbia Racing, which means that's the guy that does all the work, apparently. He was listed in a magazine as the under 40 hot shots in the business and I think that he's done a terrific job up there and he's gonna continuing doing it and Raj, we look forward to hearing from you. Come on up.

[Applause]

**Mr. Raj Mutti:** Thank you. First off, I wanted to thank Doug and the faculty at the RTIP for allowing me to present this morning. As I stand in front of you guys here today, we face a lot of issues and challenges as an industry in that I'm not gonna be able to stand up here and give all the answers and be the Messiah or the golden egg as Joe said. I'll give you a little background and history on kind of what we're doing in BC and at Hastings to bring in a newer clientele and try to build our fan base.

What I've been able to bring has been a new and unique approach to management for racing. Not having previous management experience and not knowing how things were done in the past, allows you to think a lot differently in terms of how to run your business and what to do and what your new clientele may want.

Really, a key thing for us is our fan experience and trying to deliver an experience that people want, embracing technology, as everyone in this room has some sort of Smart Phone or Android device that gets them all the information they want.

Entertainment, at the end of the day, our sport is about entertainment and it's about gambling and at the end of the day, gambling is entertainment or a form of entertainment.

Social, racing's always been a social game where people go out, spend time with their friends, handicap socially and really making that part of the element at the racetrack is key

A sense of community, being involved in the local community, being an important kind of stakeholder and a citizen is something that's key and something we firmly believe in.

A lesson I learned early on from a mentor that I really looked up to was to run any successful business, you really have to be involved in the community and put yourself out there. Be involved in anything and everything that's going on to really promote your business.

Means going to any sort of social events, community gatherings, anywhere your name can be out there to promote your business and promote yourself as a key kind of element to really grow and be a part of everything that's going on.

Being a part of a lot of the community groups, Tourism Vancouver, Tourism BC, the Vancouver Board of Trade. Many different member organizations that really deliver to the business community and allow us to be a part of that community to further engage more and more people to come out to the track.

In 2008, we did a complete kind of rebrand when Hastings ended up adding 600 slot machines and allowed us to really change how we did things and how we were doing things to doing them completely different.

We redesigned and revamped all of our marketing collateral from our print media to our radio media, to all of our TV stuff and our direct mail. We used a lot of nostalgic marketing and branding, as horse racing's a sport of kings, really used that element to really promote ourselves in the local marketplace and kind of change how we did things, where the regular form of marketing would've been showing a pretty horse running. In any sort of ad, we kind of took that up a notch and sexied it up a little bit and changed that.

When we renovated, really updated our facility and changed things, modernized them for the local person that was coming out and just made things a little bit better in terms of the experience.

The key objective for us, as Joe said, we were able to hire a young management team that really knew how to reach out to this 24 to 35 demographic that everyone in our business really covets and really wants to have. To be able to talk to these people, you really need to know what they want, what experience they're looking for, and what floats their boat. It's key to know these things to be able to attract them. Gave us the opportunity, as we rebranded ourselves, we became a very unique destination that featured horse racing, social entertainment, as well as casino gaming and food and beverage.

We needed to be where these people were. We needed to embrace that technology. The new crowd was on Facebook, on Twitter. They all had iPhones, their Blackberry's. We had to get out and in their face. There was a different way of marketing to these people where they weren't reading newspapers and seeing that you raced on Friday nights or Saturday or Sundays. You really needed to be in their face and really promote yourself in a completely different way than we were doing before.

As I mentioned, we stepped out of that traditional horse racing marketing box and went viral and in your face. Created a gorilla marketing campaign for our Friday night live series, which began in 2008, featured racing under the lights, live DJ's every single Friday night that rotated with that played at local nightclubs and bars

and they were coming out to the track in our first year and something that we continued.

Food and beverage specials, as well as a new wagering team that, as we were getting this new demographic, they really didn't know what they were doing. We weren't seeing that in the mutual window, so building a new wagering team, which really helped these people learn how to bet and really took the challenge out of understanding the game and brought it to them.

A couple of years ago, our gorilla marketing campaign was a campaign called Where's Watson. As you can see, we put this little jockey statue, we had ten of them, and over three days, before our first Friday night, on Wednesday, Thursday, and Friday, we placed these ten little guys at a different intersection, that was a busy intersection in Vancouver and had promotional advertising on them. Some messaging that said Friday Night Live, 7:00 p.m. start, Hastings Race Course.

Got a complete different crowd out to the track and just had everyone in the city kind of talking, as it was a unique approach to marketing. It was the most successful Friday that we'd done in quite a number of years and just got a completely different demographic that we were really looking for in terms of doing something very small like this.

We continued that this past year with a further development of our Friday Night Live brand. Our leading rider here, we took a life-size picture of him and blew it up into around 25 different billboards and placed them all around the city. We placed them on sidewalks, on just walls on buildings.

Put them everywhere and Fernando is four foot ten, so it got people to really think and look how big a jockey was and that Friday Night Live is starting and racings right around the corner. It got people talking and thinking, as it was something unique and different.

We also launched Friday Night T-shirts that said I'd rather be at the track and had our small logo and were kind of a tasteful T-shirt that people were able to wear. Anyone that wore them to the track on any Friday night, we gave them out on the first Friday night and anyone that wore 'em back they received a free live program every single Friday that they came out.

So, quite a few people wearing those shirts back to the track and wearing them just out and around wherever you'd see 'em so something that really took off that was very inexpensive.

In continuing building the brand, we really changed kind of our print media in terms of what we were looking at, what we were doing. Still used horse imagery but, like I said before, sexied it up a little bit and used some different images. Some different conceptual styles that really reached out to someone completely different that we weren't getting before.

Targeted marketing, we really focused on this 21 to 35 year old demographic. Working with a lot of our local radio stations, we worked with the on-air DJ's. Any time you have the on-air DJ's talking about you, like they're part of your product and part of your brand, it really got that audience excited and thrilled to want to be a

part of it as well. We worked really closely with them to target these people on these two radio stations that were the most popular under this target demographic.

We created a lot of different promotions and special events that targeted these people. A lot of them liked fashion, liked music, liked cocktails, liked different things that this demographic wants and needs. We were able to build promotions and special events that really targeted them.

Prestige cards was something we launched for our local media, which got them a little bit further involved. It was a little red VIP card that got any local media person that was an on-air personality free food and beverage. A lot of the people in the media aren't paid very well, so when they were able to get something for free, they were talking about you and they were talking about you on-air and what best publicity you can get is free publicity.

People talking about you Monday after the weekend by giving them something that didn't cost us very much was something that's worked really well for us over the past couple of years.

Another key element was guest experience. Trying to really focus on this new clientele in terms of what they wanted and what their needs were. A lot of 'em started coming in over the last three years in 2008, 2009. They weren't betting a lot and they didn't really understand the game and they were there more just to drink beers and have fun and chat with their friends.

So, we launched a team of wagering ambassadors that started working every Friday night and then worked every single large promotional day that we had that went around teaching people how to bet and they were taught to identify people that kind of looked lost and didn't really know what they were doing.

They were able to target them, give away free vouchers to get them to play, teach them how to read the program, and just get them a little bit more involved and more comfortable in terms of placing a bet and understanding the game more so than they did before.

Built anewed wagering area, which was kind of a life-sized blowouts of how to read the program, what the program says, what the different bet types are, how much they all cost. We developed how to bet videos for these people, as well, and put them in areas where the new people that were coming out to the track, where they actually hung out, and where they were.

The regulars didn't really need to see the how to bet videos so we kept them away from their areas and just tried to target specific areas where the new people were hanging out and put those videos and the how to's in those spaces.

Really focusing on the enjoyment and entertainment aspect, as racing has 30 minutes in between each race, this new demographic needed something to keep them busy and entertained and excited during that 30 minutes. So, various different things with the DJ's and different little promotional items and elements that we really introduced during an average race day that got these people to stay longer and come out a lot more often.

As these new people were coming out, it was pretty easy and quick to identify that they weren't your average horseplayer that comes to our track 350, 360 days a year where they just want a racing program, a place to sit, a TV wall, and a hot cup of coffee.

These guys wanted a lot more and they wanted it in a different way, as well. They wanted a good experience, whether it was indoor or outdoor. They wanted really good service. They wanted a different food and beverage element that we weren't providing previously.

They wanted a lot more than what we could deliver and that really hit home early on that we had to upgrade our service. We had to upgrade our food and beverage amenities and we had to upgrade that overall experience and try to build experience packages for these people versus our regular customers.

They were a completely different beast so had to set a different standard for these folks coming in versus our regular player that came in on a regular basis.

A key element over the last few years, as when I first got to Hastings, we had a couple different special events annually and this was something we continued to build upon from two events to seven to probably up to twelve events coming up in the 2012 season. Just building on these events and try to get them in the Vancouver marketplace.

Weiner Dog is something we started that I think almost every track does, but that was new to the Vancouver marketplace, has grown from 5,000 people in the first year that we did it to 10,000 people in year three and something that the Vancouver market hadn't seen before.

Partnering with Gene Simmons and his team from Kiss, having them out there for a meet and greet got a lot of different unique visitors out to the track that we hadn't been getting before.

The Pawn Stars made a visit this past summer, as well again, brought a completely different demographic in clientele out to the race track. Some other events planned for this year, again, to get a varied clientele out.

Our special events, the core race days continued to be kind of core staples of our entire racing season. BC Cup, which is the provincial or state-breed race day continues to be our biggest day of the year, continues to attract well over 10,000 people and creating these big event days into kind of festivals and carnival type of events that you have live bands or DJ's playing, carnival type food vendors all over the place. Just creating an element of excitement for these people that are coming out. You'll get a lot of our regulars coming out as well as new people on these event days.

Something we've been working on over the last couple of years is partnering with local groups to throw big special events and we partnered with a group called Adelpia. They run a bunch of nightclubs and hospitality operations in the city, and three years ago, we partnered with them to host one special event in our outdoor area that had 250 people.

This year it's grown to well over 1,000 people and next year will be four different events that they'll look to host with us. A lot of their events had style fashioned cocktails, cigars, really attracted a younger, newer demographic that we haven't been seeing coming out to the track.

Corporate and private events, as I first said, being a part of the community, and really reaching out to these groups to host their corporate and private events. Hosting their private events at the track and stags and stagettes and birthdays.

Over the last couple of years, we've hosted so many different stags and stagettes for this younger demographic where it's a unique destination and something different that they haven't experienced before and something that other people don't do for their stag or stagette.

I keep wanting to go to the slide so we'll move to that. Social media, really embracing the social media phenomenon, as I said early on. The people we wanted to attract really use these vehicles to communicate and being a part of Twitter, we have all of our senior management team having a Twitter account where we'll talk about various promotions, talk about the race day, the races, who we like on a various day.

Any sort of pick pool carryovers, the best bet of the day. Various different things and strike up conversation and has resulted in quite a number of followers for all of us in various different aspects.

Facebook is I think; almost every track is using Facebook today. Using it as a promotional vehicle really to talk to these people, provide offers to them, incentives, increase your friends where you can and just grow and develop and have people talking about you and have them friend you on Facebook.

A new one that we did this year, that was one of our most successful things that we did this past year, was partnering with Groupon where they offered food and beverage and hospitality discounts on our group sales area.

It increased our attendance significantly, it filled up our group space on days where we were never filled up and created a demand that had people talking in the local community. Well, the track's full again this Friday. We should try to go out on a different day.

Something that we offered that didn't really cost us a whole lot of money and filled up seats on days that we normally wouldn't have been full really worked out well for us.

Continued on the technology this past year, we developed an I-Phone application that had a lot of basic information with entries, results, wagering calculator, how to bet, the weather, directions, and the site map.

Something that we developed kind of in it's infancy and look to continue to develop and build upon that, as well as development of our mobile website that we hope to launch in the spring of 2012, which will actually have a live racing feed, live race replays, a wagering capability hooked into our tote and account wagering system. Entries, results, and scratches, as well.

So just moving into an area where your core and new customers want to be.

In strategic partnerships, one of the key things, as I touched upon earlier, was partnering with the right people, in the right places to further enhance your business and get these people coming out to your track. Clubvibes, which promotes all the nightclubs and bars in the city, having them part of our partnership.

The Adelphia Group, a bunch of different media outlets, Granville Island Brewing, the Vancouver Knox big professional sports team, Tourism Vancouver, the Granville Entertainment Group, and a bunch of groups involved in the hospitality network as that's really worked out very successful for us.

It's a younger demographic that has a lot of disposable money to spend and work off tips and it's easy to gamble with cash when you're coming out to the track on the weekends.

Our last thing that we really worked on is our community giving program and involvement with the community. We just built an on site daycare as part of our slots development that is completely full and provides daycare space for anyone in the local community that needs it.

Community days at the track, which we host. Various different not-for-profit communities to raise further funds for their organization.

We have a learning center, a groom school, local hiring, movie nights that we do during the week on non-live-race days during the summer and further greening of Hastings Park, the park that Hastings Race Course is situated in.

That is all, thank you.

[Applause]

**Jr. Joe Harper:** Good work, Raj. Some of that looks familiar. I'm glad it's working for you. Maybe you'd like to try one of our — let's see, what did we have that was so good? A low hanging fruit day that was one of our better ones. That right after silicone and spandex day and, of course, the cougar contest. We'll go to no depths to get people.

Anyway, our next lady is from the other side of the pond. Axelle is the Secretary General of the tracks at Deauville, which is a great spot if you've never been there in Normandy, where all the farms are and it's an amazing thing. She's in charge of a whole bunch of folks including all the racing officials and a lot of contractors.

She's obviously the go to lady in that operation and we're very proud of have her here and like a lot of the other panelists, her background is also in marketing and communications. Axelle, please. Thank you.

[Applause]

**Ms. Axelle Maître:** So, I'm very happy to be here. My English is not very good. I will try to do my best. I'm Axelle Maître. I work for Hippodrome de Clairefontaine Société des Courses du Pays d'Auge.

Just before beginning, I want to say to you that Clairefontaine Racecourse is in two different towns, Tourgéville and Bénerville in Normandy. We are just near Deauville. Deauville where there is two racecourse and we are 200 kilometers from Paris and we are a traditional racecourse.

Deauville is where it spread. It is a traditional racecourse with a lot of flowers and with a lot of public.

What we'll speak about, what I will speak about is racing in France. Who are we, communicating, the social aspect, the commercial aspect, the economy aspect, and make my conclusion.

First of all, racecourse in France, you have to know that in France we have two Mother-companies, France Galop and Cheval Français. There are 250 racecourses. There are three disciplines; national monopoly on off track betting is by the PMU.

All race courses are independent. Our allowances are paid by the Mother-companies and in France the audience is declining as everywhere. So, that's why we try at Deauville Clairefontaine to have new ideas to make the public come.

Who are we? We are a non-profit association. We are one racecourse. We organize 17 racing days, only in July and August. We organize thoroughbred, harness, and steeplechase racing. We have four tracks, which is a lot of work. We organize 155 races per year and you can see as a representation.

2,178 horses come per year and we have 180 acres. So, you can see here the racecourse on an aerial view, you see the beach near and the four tracks. The first one is for thoroughbred racing. The second one is for jumping. The third one is for harness racing and the 8 inside is for steeplechase racing.

Here is the backyard of Grandstands and stables. Here you have 150 stables. Here you have a parking lot for the public and for horses on your right. Here are grandstand, two restaurants, on track betting tellers and presentation ring for horses. To finish, the full view of the racecourse with a second grandstand for family and children.

Our strength: we have the three disciplines. We are friendly and full of flowers. We are only opening during summer holidays. The entrance fee is three euros and every morning, we open our door for discovery of the racecourse. We have presentation of a film, a guided tour of the backstage of the racecourse, and it's closed by a drink, which is offered for everyone who comes.

So, you can see here friendly and full of flowers and the three disciplines. Strengths that are also weaknesses just open two months per year. We are closed now ten months per year, so we have to find other solution to earn money. Our racetracks are made of turf only and with the weather conditions, it's not very good.

Another thing is that we have different times to run. We run on the morning, on the evening, during the lunch so it's not easy to say that to the public who wants to go.

Our weakness, the racecourse is not easily accessible by walking. There are two few parking places when you come with your cars. The beach is a serious competitor when the sun is here.

In France, you have spectacular incidents with the steeplechase. In France, there is a bad image of racing and betting on family audience. There are too few weekends. We never run on Sundays. We have two Saturdays and the rest of the time, we run during the week.

In Deauville, you have two race courses. The major racecourse of Deauville is Deauville La Touques. It's only 500 meters away from Clairefontaine and this racecourse is easier to walk to for the public and it has all the Sundays.

Twenty minutes away from Clairefontaine, you have another racecourse, Cabourg, which organize each Friday and Thursday races on the evening. So, it is very easy for them to communicate.

We have difficulty with these two other racecourses, which are free, to continue to ask three euros for entrance.

For the communication aspect, I've made a brand, more than a racecourse, a course of leisure. What we wanted — our strategy is to be wherever we are not expected to be. We always wanted to be out of the traditional media, not in TV, not in radio, not in newspaper, if we have to pay. We wanted to find our place versus the two other racecourses Cabourg and Deauville La Touques, which have a lot of money. That is not our case.

What we do for the mainstream audience. We wanted to be a part of the local life to better promote the races in Clairefontaine. So, we were in the bakeries with bags for bread, we will give you the bags for bread. The bags for croissants, we wanted to be in restaurants with sugar wrapping, table sets, napkins, and at newsstands, in pharmacies, at restaurants with bags and at gas station on the pumps.

You can see here in picture so in bakeries when you go to buy your bread, it's with Clairefontaine. It's the same with the croissants. Sugar wrapping in all restaurants, napkins in all restaurants, too.

We find an idea to post a poster at the hospital where nobody advertises. Why not? We do Facebook. Facebook, it's a social network, you have to know that during the summer holidays, people are not very connected they are at the beach. They are with their families so it's not our major advertising.

We are present at McDonald's with table sets, napkins, and Happy Meal gifts. We are present on cheese packaging at supermarkets.

Cheese is very important in France and more in Normandy. There exist 150 different cheeses so we are present on the packaging in the supermarkets.

We have promotional cars and one year we have decorated a gaming table at the Trouville Casino.

So, here is Facebook. On Facebook we have 2,000 friends and this website is, for us, very important because we ask the people for what they want to see during the summer holidays. If we want to program a concept, we ask them who they want to listen.

McDonald's when you go to the drive through or when you go to the McDonald's, you have all with Clairefontaine. At the gas station, on the top and after, in the pump when you take your gas, it's always Clairefontaine.

We have prepaid envelopes at the Post Office so they buy it and send it all around the world.

Racing days, racing days is for us a different theme each day. One day has one to eight sponsor or partnership and we have 169 different partnerships

The sponsor pays or gives prizes in return, so we have 17 racing days, 17 themes and the theme are holiday's trips, local products, sports, charities. You can see here in the morning we go into town with a spectacular car with the PMU and we say that there are races in the afternoon.

Here you are at the entrance of the city of Deauville with horses and all the date of the racecourse for July and August. Here are our promotional cars and posters at grocery stores.

Each year we have a new theme so you can see here in 2006 and 2007, it was "Plus qu'un champ de courses, un champ de fetes" One with a picture, here's the one with a painting.

After it was "80 years in Clairefontaine", always with the three disciplines. The year after, we have done "Clairefontaine on ebullition". The next year we have made "Clairefontaine et sa saison étoilée" with the stars. Last year, we have done "I love Clairefontaine" and next year we will do "Les Fables de Clairefontaine".

So, here it is for "I love Clairefontaine" and here is for next year, "Les Fables de Clairefontaine".

Our thematic days, so we have Ronald Mc Donald's shows on the racecourse. We have the concert and the fireworks. We have the Caen soccer team, which is a guest of the days or Radio Monte Carlo, a national radio which is present with its staff during one day to promote the races and we have TV games, too. So, here is with RMC. Here is golf practices.

Here we have made a little video of when Abba came last year.

### **(Video Playing)**

That was for Abba. This year we had Geum Honkum, he's a famous singer in France. We have family days, too. We have blood drives. We have casino animation. We have photos sponsored by a newspaper so you can come here, take your pictures, and after it's like that and you return to your home with your picture.

We have classical events, too, so we have pony rides, we have treats to kids by a local supermarket. We have candy booths, popcorn, and free kindergarten with is a professional team and miniature sulkies for kids.

Free popcorn, little cars for children, free kindergarten with a professional team and How to become a jockey because we have to prepare young's to be a professional of

the racecourse. We have face painting. We have free pony rides with a diploma that one there is given to you.

For the professional, we try to do action, so each year we send a New year's card even if the last race is four months back and the next ones will happen in six months. We give the possibility to win a horse van and we give gifts during each prize ceremony. So, here is the horse van that a professional can win, one per year. Here are gifts during each prize ceremony, here, too.

What we have made the best, standing out, is racing at night with lit balloons. We don't have lighting so we had lit balloons. We have French famous celebrities who come David Douillet, Charles Aznavour, Julien Lepers, Michel Sardou.

One day on the meeting, we have a meal given for everyone and Jockey's weight in Cheese. You will see.

**(Laughter)**

Here is with our balloons, so it was in 2006, it was the first in the world So, we have 2,000 people. Here is the famous French TV Julien Lepers. Here is Franck Leboeuf member of the Soccer World Cup champion team.

Here is Laetitia Beget Miss France.

Here is with Adeline Blondiau, Johnny Halliday's 3rd wife.

**(Laughter)**

Here is the meal for everyone and here you have the Jockey's Weight, Christophe Lemaire and Edouard de Rothschild, chairman of France Galop one of the Mother companies and the owner of the horse so they went home with 56 kilos of cheese.

The sponsor visibility we give so I tell you that we have 169 sponsors different so it can be for two exhibits at the entrance. It can be on the map. It can be a special gift and it can be a beach for a tour operator. It can be banners at the entrance or on the track.

Let's go to the social aspect. All year long, we are seven to work on the racecourse. During six months, we have six more and each day we have 150 employees during the racing days. Near these people, we have two companies, which work for the racetrack who do the household disinfection, safety and the electricity.

On the racecourse day, so for the Commercial aspect, we have the sponsoring, which give us money or gift. We have restaurant and meals and we want that the racecourse can be used by companies who are in need of a place to carry on their public relation. Stop to go to soccer and come to the racecourse.

We encourage our suppliers to host their own clients to demonstrate their workmanship. When we don't have a race, so ten months during the year, it is possible to rent the racecourse for shooting a movie, equestrian events, conventions, seminars, launching new

Products or wedding. So, here you can see is the G8 summit in May last year. You can see a wedding. A wedding, it's the place where you can bet so when there is no racecourse it's free.

Here is for the film, L'Amérique with Christopher Lambert and Claude Brasseur last September. Here you have The Ride International maitrise of equestrian disciplines and this last one, a birthday.

The economical aspect what we live on ? First of all, we leave, on allowances based on PMU revenue, Second one, we live on PMH, pari-mutuel Hippodrome.

After we have the revenue sharing on the restaurants, we're getting in our racecourse and fines imposed by our racing commissioners and the horses sold after a race. So, all that give us 2,500,000 Euros and we have the location the leases for 500,000 Euros.

What do we do with this money? So, we have a team of employees who we have to pay. We have construction and maintenance work. We have to prepare the racing season and we have flowers and beautification.

So, here you have the team, the chairman, which is not paid, because we are an association and you have a general manager. You have a secretary, which she's also an accountant. You have one chief of the four tracks, which is here. One chief of the flowers and two persons for mowing the grass.

So, we are seven all year long. Here you have some of the 100 000 flowers, which are grown at Clairefontaine and we have 100 different varieties.

All are not here but you can see most of them.

On the last six months, we have done two million construction and we have done 51 construction on the site. For the racecourse, all year long, we have to prepare reception of the professional, racing regulation, racing commissioners, watchmen, waiters, and the medical staff.

So, here, for example, we have to work on the security on the horse starting gates, which are electric. We have to work with the medical team.

And to finish, my conclusion, bye bye media, bye bye traditional media. No more ads in magazine also. The reception of public and professionals has to be spotless and we do satisfaction surveys on a regular basis.

What is the result of all this work? We have 70,000 visitors during 17 racing days so it's the most important in France, we are the first racecourse in France for the on track betting, PMH, and we have constant increase in the PMU bets and you have here the increase on the four last years.

Thank you.

**[Applause]**

**Mr. Joe Harper:** You can see why racing in France is doing very well and seeing some good growth that we'd like to see in this country. It's obvious your operation is first class and I look forward to seeing you there.

Our next speaker is Eric Zimny. Eric is the Director of Racing Operations at the Hollywood Casino at Charles Town. He's also TRA Director and come out of this University of Arizona Race Track Industry program. So, we're putting our boys to work here, good, and it's nice to see they got a job anyway.

Please welcome Eric Zimny.

**[Applause]**

**Mr. Erich Zimny:** Thanks, Joe, it's hard to follow someone who came bearing gifts when I've come with nothing but I will attempt to keep your attention anyway.

When I first spoke with Steve Barrow about presenting, I remembered him saying that we'd all like me to tell people why I was optimistic about the future of the industry. I thought that was a good place to begin with a little bit of something that might seem like just a semantic difference but I think is important to make, and it's the word I hear most often associated with the state of racing, which is dying.

I decided to do a quick internet search, just on the dictionary definition of dying and here's what I found. A snapshot, ceasing to live, drawing to a close, undergoing a complete and permanent cessation of all vital functions.

I also did para-searches for horseracing and horse racing crowds and these were some of the first images I came across. That's near the paddock at Churchill on either Oaks or Derby day. That's Saratoga, that's Downs after dark at Churchill, and Santa Anita for the '09 Breeder's Cup.

Not a complex methodology but I would challenge anybody to say with conviction that those images conjure up thoughts of the cessation of life. They really don't.

Contrast that with the definition of failing, which is typically thought of, in the business sense, as the cessation or downturn of proper functioning or performance and that's where we're out.

It's not death. Death is not reversible, failure is. Putting it in terms of businesses with no chance of survival, we're simply not akin to something like the rotary phone industry competing with iPhones. We don't have an obsolete product nor one that's completely void of interest.

My optimism is born out of knowing that while we have obvious shortcomings, they are fixable if we choose to fix them. In thinking about racing's future, I kept being drawn back to a handful of issues that are pushing and holding us under water.

So, I do apologize for not being more original but I couldn't stand up here and go on about items that might be somewhat secondary when I feel that there are obvious items that I didn't want to hit on, as well.

I came across this quote from the economists that struck me as applicable to us. You can read it and it says the best way to avoid short-term failure is to keep

churning out the same old products, though in the long term, this may spell your doom. Businesses cannot invent their own future without taking risks. Very apropos and applicable.

Now if you wanna talk about continually churning out the same thing over and over, what if I told you there was a market segment in a hyper competitive landscape that hadn't changed its pricing structure since the Great Depression? You'd have a lot of questions and the first one would probably be when did they go out of business or more glibly, what are they nuts?

Earlier this year, we went back to look at the history of takeout at Charles Town and we found that the same takeout rate had been in existence since the track opened in 1933. I'm guessing there're other tracks in somewhat similar situations. So, instead of sitting there and proffering yeah, that's ridiculous, takeout might be a little high. We decided to set the ball in motion and see if it was something we should act on.

We gathered as much info as possible, exhaustively modeled out scenarios and came to a decision and in mid-September, we lowered the takeout in our Trifecta, Superfecta, Pick Three, and Pick Four pools from 25 to 22 percent, was not an insignificant cut. We took a risk but it was a calculated one.

Another issue that's come up with respect to lowering takeout is the lack of information out there. I've seen editorials that have criticized tracks for not releasing results from takeout changes. Point being, as an industry, if we do not release these results, we cannot collectively come to an informed decision on what the proper pricing point is and there's some wisdom in that.

So, while the results are still in their infancy at Charles Town, I'd like to share with you what we've seen in the first two months since we've made these changes.

If you'll see the average pool size for the four bet types between September 18 and November 20, 2010. Let's compare these with the pool size in 2011 and the same apples to apples period, which is September 17 through November 19, 2011. Pick Three up nearly 17 percent and on our Pick Four pools up almost 55 percent. Superfecta's north of 11 percent, Trifecta's, for reasons we can't really figure out, it stayed relatively flat, up about a percentage point.

Certainly, the results have been positive and encouraging despite only two months of data being used to analyze a change for the true benefit won't necessarily be felt in the short term.

We identified an issue, critically examined it, and acted to produce what we felt is a beneficial result, that's all we did. Well, the example of takeout is one important aspect of our business that deserves serious inquiry.

There's another that's absolutely necessary to move us forward. That is a concentrated focus by all parties on protecting the public through a rigorous policing of the industry's integrity.

This quote that I'm about to show is from a lifetime race tracker who I work with and here's what he told me. He said, you know, said it amazes me where there are people who couldn't be hired to sell hotdogs for our company because of their past, yet they're allowed to participate in racing and we honestly expect people to bet

their hard earned money on our sport and take us seriously. This is someone who's been a lifetime horse person.

While the comments flippant, it also rings true. It takes scores of rule violations before a trainer gets a ten-year suspension. Then the trainer gets to stay and we see him at the top of the standings of a high profile meet with a near 50 percent winning percentage and we seriously don't expect the public to think what the heck are we watching here?

Contrast that with a few examples of how the gaming industry is regulated. In the '80's, New Jersey Casino Control Board refused to grant Bally's a license to operate and once they fired their president and he divested the interest he had in the company, due only to alleged ties in organized crime. There weren't even charges hanging over his head. They knew the perception that would exist. They used hearsay and circumstantial evidence to compel someone to divest their interest in an entire company.

Casinos are routinely fined tens of thousands of dollars for having one or two underage people on the gaming floor. In January, a casino in New Jersey caught a cheating customer, not in time, had an alarm malfunction, that allowed a robber to make off with \$8,000.00 and they were fined more than a hundred grand. Does that sound anywhere close to how the racing industry is currently policed?

Now in racing, a trainer gets suspended, they transfer the horses to their assistant, and everything goes on as normal. We expect the public to know this. They don't, most of them don't. You have a jockey that blows a .04 on a breathalyzer test right before the card, and would have been permitted to ride if not for an act of management because the rules only compel the cessation of a permit holder's activities if they blow a .05. That's crazy and these fat patterns happen and they're disturbingly seen by many as part of the charm of the industry.

If we don't think that the aura around our sport costs us fans, we're dead wrong. Costs us a lot of them. Lapses in consumer confidence can wreak havoc on entire financial markets, let alone one industry. How can we expect to not only capture and retain customers when we do such a poor job of protecting them? It's not gonna happen.

The Jockey Club Roundtable, when the contents of the McKinsey Report were unveiled, there was an item that specifically caught my attention. The report spoke of the necessity of television, use of technology, internet, and social media platforms to better engage fans. There was a mention of online sites offering free contests or wagering with points instead of money. To me, that's in stark contrast to the industry as I currently perceive it and I'm admittedly a bit of a contrarian on this one.

It's an industry that still tends to focus on and sometimes obsessed with getting people to the racetrack. That's where we collectively place the lion share of our energy, no question. I don't think that anybody in this room would question that football has become America's game of choice right now, and the reality it's become that, despite an estimated 95 percent of all fans that watch football on Sunday, have never been to an NFL game. Extended to the top of the American sport's pyramid despite the live experience directly impacting just five percent of its fan base.

A better lesson for us in capturing customers though can be learned from looking at the evolution of poker in the United States. Today, you encounter lines, some of them very long just to get a seat at a live game. I know at Charles Town, you can expect to wait 90 minutes or two hours for a seat to open up at a poker table on the weekends. Card rooms were not always jammed like this though, only happened a few years ago. There just was not that type of demand for live poker. So, how did they get from that, which was the reality, to that, which is the new reality.

The outset there was not much marketing aimed at drawing people to come play poker at the live casino. It was not the growth strategy.

What happened was the game of seven-card stud, morphed in a Texas Hold-Em. ESPN put on a well-polished television product that was much about the people, their stories, and how they behaved as it was about the chips in front of them.

Internet sites offered free roll games to pick up the residual interest off the television product and people could hone their skills and learn the game at home without facing the intimidating affects of a large crowd at a poker room.

It's a critical element here to me. Much like racing, there's a high barrier of entry for new poker customers due to the complexity of the play. Poker was able to master that and get people comfortable prior to venturing off to a live game and what resulted was the boom in poker's popularity.

Live poker rooms got filled on the backend of the process not the frontend. The industry effectively used mediums where the universe of potential customers was anyone with a television or the internet rather than committing to market itself predominately to those people willing to drive to its facility.

Contrast that with racing where the process of capturing customers has typically taken the opposite approach. We'll lure them to the track, make them fans, then they'll go out and check out Road to the Roses or other contests or open up a ADW account. Path tends to start rather than end with the live experience.

In no way am I advocating an abandonment of promoting the live racing experience. It's not what I'm saying. What I am saying is devoting so much time and energy to attracting new fans or converting casual fans to the better customers, by simply touting the thunderous sounds of the hoof beats at the brick and mortar facilities, we're short changing ourselves a little bit. There are just more ways to create fans than that.

While the means and mediums we use are important, it leads me to the elephant in the room that we're finally starting to pay a little bit of attention to as an industry as a whole. The essence of what we've been left to market.

The idea that fans are concerned with field size and little else is simply not true. The quantity over quality push is dangerous and above all, it's simply an unsuccessful and frankly misguided tactic. If you don't believe me, let's take a look at a few numbers here that I think will speak volumes and I hope you'll agree.

Here are the average handles in Grade 1 and Grade 2 graded stakes in 2000 and 2010. Adjust that for inflation and that's what you'll see. A small drop but certainly nothing that would lead you to believe the industry is in dire straits.

Now here's the average handle for all U.S. races over that same timeframe, same methodology. This looks a little more like something in decline. Twenty-two point spread exists in the trend for racing at the top level versus the trend for all racing. In field size in 2010 versus 2000, that was actually up. The message is clear and not ambiguous here. The public will pay attention to a good product and is tired of the high volume of poorly presented and cheap racing that they see. Can you blame them?

If a restaurant starts and keeps putting out uninspired food, not presented well, they're gonna lose their fringe customers and ultimately, they're gonna gradually lose their devout ones, too. I don't know why we think we're different.

Consider this as well. In 2009, Charles Town inaugurated the Charles Town Classic. A \$1 million horserace for older horses. In 2011, it became our first graded stakes race in our near 80 year history. Handle for the race, a little more than \$784,000.00.

Now this slide here is a little difficult to read but there was no way I could make it easy to read. These are the 456 full racing programs at Charles Town since 2007 that handled less than the one race. If one race out handling 456 full live racing programs isn't staggering enough and doesn't show us what we should be striving for here, two more examples.

One that's been very well talked about Monmouth and look what happened when Monmouth cut its racing days by 40 percent in 2010. Total handle nearly doubled, average daily handle nearly tripled, field size went up. If you look at the purses, the horsemen are put in a better position. Monmouth Park took steps towards harmonizing supply and demand and all stakeholders were better off for it.

Now I understand with the next slide there's some differences as you cross international borders but it painted too vivid of a picture for me to leave out. Actually, I had to double check with two or three people to see that this was actually correct and everyone told me that yes, it is.

It's a comparison of racing in the U.S. and Hong Kong in 2010. As you can see, we race 6,500 percent more than they do in Hong Kong. Yet the aggregate handle for all races in each country shows a 24 percent difference. We hold 65 times the number of races they do in Hong Kong and handle about 24 percent more as a country.

In this country, we race too much, way too much but it does a lot more than just dilute field size and quality. Impacts the overall identity of our country's brand of racing. It's the brand as a whole that's being hurt.

Overwhelming majority of racing and race days in the U.S. simply aren't special anymore. What's compelling me to watch and wager on a race that's reproduced 100 times at venues around the country on a given day? Not much.

That leads me to my final point here, which is if you go back and look at all these big-ticket items that I went through. Takeout, policing integrity, technological utilization, harmonizing supply and demand, taking out the buzzwords there and looking at the essence of what we're really saying. Takeout, it's just product pricing,

that's what that means in this case. Policing integrity, it's protecting the public, protecting our customers.

Technological utilization that's making our product more accessible using different means as a method of product education for people, and then harmonizing supply and demand, that just leads to putting on a better show.

There's one tie that binds all that, that I think that we forget sometimes in this industry and it's unfortunate. It's our fans. It's the most important commonality. Most important undercurrent that runs through all those items I touched on. It's the customer. Every one of these big picture issues speaks to servicing the people who follow our sport.

A lot of us in here, I know looking around, started out as racing fans and should know the customers make a market segment and fans make sports. The racetracks, the horsemen, the breeders they all contribute and produce elements of the end product but without people to watch, wager, and get involved in racing; absolutely none of this would be possible.

Fan demand creates the money that flows down the industry value chain and the future of the industry hinges on giving the fans and customers what they want, plain and simple. The racetrack is not here to service the horsemen or vice versa. We're all here to service the fans.

We do not think critically about these issues. Act to give the customers what is really important to them. A quality product on the track that is appropriately priced and do so in an environment where they feel like they're protected. Really just the tenance of retaining customers.

We're not gonna have to worry about people waiting in line at concession stands at the track. We're going to be in deep, deep trouble, deeper trouble 'cause that's what the future of this industry is all about. Shelving self-interest, giving our fans and customers what they want, and choosing action over excuses inaction, and the pessimism that breeds inaction.

Thank you.

[Applause]

**Mr. Joe Harper:** Thank you Eric, very well done. Our final panelist this morning is Andrea Young. Andrea is the President and CEO of Sam Houston Race Park, that's pretty impressive. I wasn't President and CEO of anything until I was a lot older than you are. Obviously, she's very talented and she oversees all the aspects of a racetrack and she's also listed on the 40 Over 40 People to Watch in Racing that seem to be doing the right thing. Andrea.

[Applause]

**Ms. Andrea Young:** Good morning. Thank you everyone for having me here today. I appreciate seeing a full room, especially since I know the golf course is not available to you all this morning. I don't have a PowerPoint this morning. I'm gonna do something a little bit different.

When I got the call about participating, it was kind of characterized to me as what's your vision for the future. You gotta love it, right. I mean we've heard everyone talk about it this morning. It's simple for an industry that's not — I agree, not dying but failing. It's never easy but I'll say two things that I believe to be near certain. That's before I get to the real crux of what I wanna talk about today, is that I believe 15, 20 years from now, racing will be here but I also believe racing will look very different.

How do I know it'll be here, because I do believe the core values of horseracing are powerful. I think that's demonstrated by the folks who care enough to be here and take the time today. I believe we are on the cusp of major change in the industry and part of the reason I believe that is because we are failing and we're desperate and we're desperate for new ideas and creative thinking. When your back's against the wall, you face the reality that you must change and you need to change big in order to survive.

Now when it comes to things like this, speaking to groups, I'm a real procrastinator. Why is that important? Well, this is a way of telling you that I'd not figured out exactly what I wanted to say or how to get it across until this past weekend.

You see, I have young kids. One of which is a son who's almost five. You see he's learning to read and write, which for those of you who have been through the experience is pretty cool. It also takes a long time to write simple phrases and words, not to mention sentences. So, this weekend I was tasked with helping my son write his letter to Santa. All three pages of it because he wants a lot of things.

It hit me. I wanted to write to Santa my own letter this year and I wanted to write him and ask him to help us right the racing industry. You see, I love big ideas. I love lists. Couple with the lists with the fact that over the Thanksgiving holiday, I just finished reading the *Steve Jobs Biography* by Walter Isaacson and it turns out Steve Jobs loved lists, too. In many ways, reading that book inspired me for this discussion today.

Every year or more, Steve Jobs would take his top leaders and innovators on a retreat and they would make a list of all the things they wanted to do. In fact, the I-Pad was on the list for years before the I-Phone, when they didn't even know how to do it.

So, I don't expect all my ideas to work and I certainly don't expect them to work now. You've heard some of them before but I had on my list to encourage you to think differently. It is easy to do nothing. It is hard to do something and you cannot do something if you don't try and you can't try if you don't talk about it first.

We all know about the trials and tribulations of this industry. Folks love to talk about it. That's been something I've really learned in my five years at Sam Houston. We missed this boat. We missed that boat but frankly, I'm beyond the point of caring because we are where we are and it's all about what we do from here that gets us somewhere.

Every year I challenge the folks at Sam Houston to come up with one big idea. Sometimes a few ideas equals one big idea. This year, someone asked me what happens if that idea fails. I said I would tell them thank you. Thank you for trying.

So, here's my list to Santa. Bear with me; it's been a while since I've written one of these. So, it starts something like this.

Dear Santa,

I've been a good person this year. I promise I've been extra honest and done good things. If you could take my list, I would really appreciate it.

First, I'd like you to help me with horseracing in the national office. I know Santa's heard this request before but I believe it, it's hard to make it happen. We all have a different set of state regulations but in our ever-connected world, I actually think we could be close to doing something with this with some strong leadership.

I'm one to say that I think there are a couple of organizations doing really good work on this. The Jockey Club, the NTRA, and really The Breeders' Cup. You look up at the pictures up there has positioned itself really uniquely. By taking a stand on race day medications and making it so that all horses have to abide by the same standards to be eligible; they've proved it's possible. The state's canon will follow. I believe that's our responsibility at the local levels.

While we are on this subject of a national office, I should give you at least a little caveat here. I spent all my career before coming to Sam Houston in the NFL and the NBA, so you'll probably get a sense of that as I go through some of that today.

While we're on that subject of a national office, I have another request, Santa. Could you talk to the horsemen maybe they can nationalize. Maybe they could even unionize. Typically, that's not a word that we really like but man, we do a great job of presenting a pretty dysfunctional industry. One of the things that helps us do this is having dozens of different negotiations in dozens of different states in front of dozens of commissions every single year.

Yes, every single year we get to talk about race states and we usually disagree and every time we disagree, someone writes about just how dysfunctional we are. It's like watching the NBA lock-out every year, 12 more times a year. Could you imagine, instead of locking out we have just had our fans tune out? Instead of locking out, the NBA and the NFL would not be able to sustain such negative publicity, just like we are not able to sustain it right now.

Our nationalized horsemen can bargain collectively with the national office, maybe even for a few years at a time. I know there are a lot of details to be worked out but like all those different state breeder incentives, but I believe these can be partially handled by some of the other items on my list.

Two, Santa, I'd like to see us focus more on regionalizing the sport. For focus on all the markets that matter, not just the historical markets like New York, Kentucky, Florida. I'm not saying those markets are important, they are very important; but expand The Breeder's Cup maybe with regional championships in places like Texas, Illinois, Pennsylvania, Ohio, the major population centers.

The Jockey Club report earlier this year, found that eight out of the top ten metro areas in this country are underserved by OTB's. This suggests that OTB's are a way to grow this sport, which I would argue they are probably not, at least not in their current form. I do think that racetracks in those markets, and yes, selfishly I

operate one of them, should be the focus of our industry or someone like The Breeder's Cup. Big events need people to support them.

In Texas today, there are more people in Houston and Dallas combined than there were in the entire state in 1970, 11 million. Today, there are over 25 million people and it's not slowing down. The people aren't talking much about Texas racing these days because we run for some of the smallest purses out there.

Look, a population base equates to attendance and sponsor dollars. Attendance and sponsor dollars lead to diversification of revenue streams, which would give us the ability to begin to reinvent this forum, be a little less dependent on the wagering dollar.

Let me be clear, I'm not saying, again, that we should not embrace our heritage with the tracks that have been so successful over the years but I believe that focusing on four states around the country probably just isn't enough.

Three, while we're on regionalization, Santa, what about globalization. We've heard some folks talk about that today and we heard that 21 percent of the folks in attendance today are from different countries. It's easier than ever to be connected and to interact globally than before.

Imagine a President's Cup of horseracing. I think that'd be really cool. Hong Kong versus England and France versus the U.S. and Australia versus Japan and so on. I think that's something that people that sponsors, television networks could get excited about.

Number four, Santa, more national TV coverage. I'm hardly the first to ask for this. It's like this year's singing Elmo but I think The Jockey Club report and others are right about this. We need television coverage to introduce and grow our fan base.

If we do some of the things I've been talking about here, I believe major networks will follow. Regionalization, relevance in major TV markets, globalization will lead to eyeballs. Eyeballs are what television and advertisers want.

Let's not stop there. You can cut local deals with Fox Sports and Comcast affiliates for example. Let's think about where television is headed. Let's develop our television strategy for tomorrow's world not today's world because we know that there's an ever growing ability to have more content, more channels and the internet's impact on television is also changing how we act with the media.

Number five, Santa, a focus on sponsorship, and other ancillary revenues to help us diversify. I've struggled with this one coming from my sports background. For my previous employers this was a big driver of our business, I mean huge. Second only to ticket sales. Like sports fans, our racing fans are passionate. Our fans are more likely to use the products that support our product but sponsors don't always love or understand the gambling aspect of our sport but they do like it.

How many of you are more than \$2 million a year from sponsors like we do at Sam Houston. Frankly, I think it should be five times that amount given the market that we serve. What if there was less dependence on wagering as a revenue stream? Isn't a focus on wagering a market that now has so much competition for the gambling dollar, online gambling, regional casinos, kind of like Kodak trying still to

sell 35 millimeter film. I just do not think we are going to win this battle in our current form.

Just like digital cameras give us immediate gratification, so do regional casinos and online gaming. Now I wondered about putting this one out there because the truth is, I haven't really vetted it, but I think there is something to this. Can we rise above our focus on gambling and be something more diverse?

Number six, Santa, embrace the internet as the future for the core bettor. Guys, I think it's a better product. I think it's a more convenient product than what I'm capable of offering at Sam Houston today. Don't get me wrong, it's still our largest revenue source and we try to take good care of it but five years ago, the internet product isn't what it is today.

While we're embracing the internet, let's talk about ADW's. Maybe, another idea I haven't fully vetted with a disclaimer, is you reverse the simulcast model as part of the deal. Instead of the host track getting two or three percent, the host track could get ten percent. That could reverse the ADW issue or the slow death that I like to call it. It could get the tracks back to focusing on the experience at the track. The competition from other forms of gambling, I've said, is a difficult battle.

Now we can and should always refine and offer better, newer, simpler, innovative wagers. The wager that gives a fan a real opportunity to engage in our sport like no other but in today's world, it's just not enough. Let the ADW's focus on this business. Some might ask well, why would they wanna make that trade. They should make this trade to get me out of the business of simulcasting and focus on the business of live racing, which is their product.

Number seven, consolidate the number of race states. Now I think we just saw some really good examples of that here. We've made this one a little harder on ourselves with the advent of casinos, especially for those in smaller markets but I think we need to reduce the number of small towns, small purse track race states or find a niche for them.

Let's focus more on racing on the weekend and night. We've certainly heard folks talk about that being successful today. It's simple supply and demand. The Jockey Club covered this one in their report. Demand is down, supply has contracted, but big events are resilient. Attendance up for those events. Wagering, ratings folks, we have a compelling product. The only sport where athletes can't speak and say something stupid but seriously, big events are doing better than ever. Fewer event dates can actually do better.

The Monmouth experience proved that and in fact, we did the same thing at Sam Houston this past year. I always tell folks in Houston, when they ask me about why we cut the number of thoroughbred days we ran in half and saw our business go up 40 percent. The Houston Texans wouldn't be the Houston Texans if they played five times a week year round or for half a year for that matter.

Number eight, Santa, and I'm almost done, is invest in technology and production of our grand show. When I watched some of our simulcast signals, I think I've gone back in time. Yes, I was born before the Atari but that's what it reminds me of sometimes.

One of the things, a real young guy in my office, had me do was recently watch the Dubois World Cup or the Ark and the amazing camera angles and close ups. The sheer emotion that these production offers use a completely different experience. As someone who didn't grow up around this sport, who sometime, frankly, has a hard time watching and following our simulcast feeds, I could really understand and see the strategy in the sport in a very different way.

Number nine and not the least important but really close to my heart is customer service. Santa, help us with that. Our brand perception stinks. Track operators, horsemen we all talk about it but we do very little for are the fan experience. I always say we are in the business of selling experiences. We create the water cooler talk. Our experiences are our social currency and people trade in it.

That is why folks sit at the water cooler on Monday and have the conversation, what did you do this weekend and everybody starts one upping each other.

The Jockey Club report that I've referenced a few times, put out this earlier said on the topic of customer service, 42 percent of respondents said the bathrooms were dirty and 37 percent of respondents who said the facility was not well maintained. Really, this one just blows me away. Almost half of the people coming to the racetracks feel this way. I know it's important to lean but really, it's bringing the entire industry down and I'd be of the opinion that if you can't clean your restrooms, maybe you need to relook whether you should be open.

Thanks, Santa. Anything you could do, I'd really appreciate it.

I know we didn't talk about things like race days and medications and safety. I think those things are important, too, but I think we've had a lot of chance to talk about them, as well. So, thank you.

[Applause]

**Mr. Joe Harper:** Thank you, Andrea. That's obvious Santa's coming to your house this Christmas and we'll get all of those things. I think you probably don't need Santa.

You know the interesting thing about this group is that they've identified problems. They haven't complained about them. They've positively stated that they're gonna find solutions to them and then some of them have already found solutions to them. I feel a lot better after listening to these guys.

I was gonna give 'em some advice but I don't think I have anything to give them. I was gonna say something about innovation is never without risk nor people complaining about something but they seem to have realized that and aren't afraid at all of taking a risk and being innovative.

So, I'll leave you with this. You know there's one thing in this career that I've had is I've loved it, every minute of it. I get up every morning; I look forward to going to work. I've never looked at it as a job and if you can keep outlook 'cause I know you have it now. I can see the passion and I can see the love of what you're doing. So, if you can stand here at closing in on 70 and say I've loved every minute of it and had a ball, racing will be in great shape.

Also, now we have some time briefly for some questions of this group if anybody's out there would like to ask them something. Not necessarily on what they've talked about but just racing in general. These are the guys that are gonna be around for quite a while. In fact, some of you might probably be getting hired by them so you might want to ask some intelligent questions but if not, I mean stupid questions are fine, too. Any questions, at all? Anybody have anything? You guys wanna ask anybody else questions up there?

**Audience Member:** I would have a question for Mr. Mutti. For general marketing of racetracks you marketed on the demographic angle and I see that you focused on the area of non-professionals. I think it was very original how you came up with that and does it mean that you just targeted to the family orientation or other young non-professionals?

**Mr. Raj Mutti:** It's a little bit difficult for us in BC, we're very heavily regulated in the gaming industry; and we have a very difficult time in marketing to minors, anyone under the age of 19. We really have to stay away from family days and days that try to bring out young people that are under the age of 19. We had to take a different approach and try to go over 19 versus that younger group is our future demographic some day but we're restricted in how we can talk to 'em and communicate to them, so had to take a different approach.

**Audience Member:** On the question of the takeout, did you widely publicize that the takeout was going to be reduced on those top best?

**Mr. Erich Zimny:** We had put it out to our simulcast outlets and we had put out some stuff to media outlets as well. We canvassed it as best we could. It was up to the media outlets at that point to do what they wanted with the information that we put out to them and disseminate it to the public.

We did our best on track through some advertisements on our signal and just word of mouth, obviously, 'cause we're a small track. We feel like the word got out there pretty good and that's kind of what led to the numbers that we saw up there as well.

**Audience Member:** Are you actively working on putting race days at Charles Town?

**Mr. Erich Zimny:** No. We have 235 race days scheduled for 2012.

**Mr. Joe Harper:** Anybody else? Yes.

**Audience Member:** Raj, you talked about your age group 24 to 35, have you run any numbers to find out what their median income is, disposable income, what their average bet is, and particularly, how often they come to the track?

**Mr. Raj Mutti:** We actually haven't run — define numbers on any of those aspects though, but we've seen the growth of these people as we started this campaign in 2008 and really started seeing the results this past year in 2011. As their average bet in the areas where they most frequent, their average bet and the amount handled in those areas had a dramatic increase this past year.

Their visitation just from, we operate a casino, so we don't take accurate attendance counts but we've just seen from program sales and food and beverage and just seeing the same people back over and over again that their frequency in visits over the years has increased dramatically as well.

**Audience Member:** I'm from the Charles Town area. We have Washington, D.C. right over the mountain, as we say. My question is to follow-up how far will they travel? Will they come an hour? Can we get 8 million young people to come over the mountains to Charles Town, West Virginia? Will they travel that far to have a good time or a good experience?

**Mr. Joe Harper:** Maybe Erich even wants to respond to that.

**Mr. Erich Zimny:** First off, the one thing I'll say with Raj in terms of the running numbers, I mean, any track is kind of behold to the people who sign up for cards, mostly, generally speaking, as far as running those numbers. At Charles Town, we have a little bit of a more difficult time. We don't have as many people signing up for those sort of player cards so it's a little bit tougher to track that kind of information.

As far as getting people to come over, we have, I think, for our event days, as you are aware, I mean, people will come from all over. It's a lot more travel than just an hour drive that some people make to go to those. Will they come on a Wednesday night in February? Will they drive 90 minutes to come to Charles Town on a Wednesday night in February? I'll be honest, that's a tough sell.

**Mr. Joe Harper:** Anyone else? If not, I want to thank you all for coming here. There's actually some stuff from France here from the Deauville area that feel free to come up and grab some.

In other words, thank you very much. They'll be a little break and our next panel starts at 10:30 a.m. Thanks.

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