



Race Track Industry Program

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Corporate Social Responsibility

MODERATOR/SPEAKER:

Jane Holmes, Vice President, Corporate Affairs, Woodbine Entertainment Group, Inc.

SPEAKERS:

Sherwood Chillingworth, Executive Vice President, Oak Tree Racing Association

Nick Nicholson, President and CEO, Keeneland Association, Inc.

Gary Palmer, President and CEO, Prairie Meadows Racetrack and Casino

Mr. Paul Estok: I'm just here to introduce the moderator of this panel. My name is Paul Estok, I'm the executive director of Harness Tracks of America, and I'd like to thank Doug Reed and his staff for allowing us to fold our annual meeting, which was becoming increasingly difficult to finance and get attendees for, into the Symposium on Racing. He gave us free rein for the Wednesday morning sessions to do what the guy I work with, Stan Bergstein, has been doing for the past 50 years for Harness Tracks of America, and that is trying to put on some panels that are of interest to people in racing.

One of the topics we came up with was this "Corporate Social Responsibility" an increasingly important topic, one that our moderator has been pressing for more than a few years, and has finally caught on in a number of places.

There are different kinds of corporate responsibilities, as I'm sure you know, and you're going to hear about several of them, but with that, and with our thanks to Doug, and Wendy and Steve, I'll introduce Jane Holmes, executive vice-president of Woodbine Entertainment Group, Inc.

[Applause]

Ms. Jane Holmes: Thanks, Paul, and thanks for the promotion. I appreciate that too.

Today, our session is on Corporate Social Responsibility, and the first thing I wanted to do was to basically kick off the session by defining what it is, corporate responsibility, identifying what it means to Woodbine Entertainment Group, Inc., explaining why we're committed to it, describing how we implement it, and then at the last quantifying what the results are of being a corporate socially responsible organization.

So this is a textbook definition of what CSR is, or Corporate Social Responsibility. It's really about being integrous and socially responsible in terms of how you operate your business while being economically sustainable.

You'll see that without the economic sustainability, a company wouldn't be able to fulfill a number of the programs because you couldn't afford to do it.

At Woodbine, what we think corporate social responsibility is, it is doing the right thing, by taking responsibility for all of our actions, and the decisions that we make. It's become one of our key corporate strategic initiatives, and we've now operationalized it throughout our organization.

So why should a company be corporately responsible? Because it's the right thing to do. It's the impact that we make on society, on the environment, on the people that work for us, and it's important that we recognize that we're not just there to run a business any more, and that most companies do have to look at this.

And one of the things that Woodbine is looking at is that there are international standards being set, ISO standards, and we've had the privilege of being included in some of the drafts of those, so our long-term objective is that we hope to achieve those standards.

So why should they be corporately responsible and what's the impact? It enhances the reputation of your organization. It improves the relationship that you have with all your stakeholders, promotes employee engagement.

It does create operational savings, which I will get into, and that helps support the long-term viability of the company.

So these are the areas of focus for Woodbine in terms of our CSR program, and I'm just going to talk a little bit about each one of them

In terms of the economic sustainability, as you can see, Woodbine is referred to as "the engine that drives horse racing in Ontario." Horse racing is the second largest agricultural sector in the province and it generates over 55,000 jobs. So we recognize that without us being economically sustainable it's going to have a huge impact throughout the province.

How do we empower our employees? Well, really this industry is about passion. I think if you talk to anybody that's been in it, especially with the ups and downs that we've seen over the years, it's a passion, and we want our employees to be passionate about their work and then that carries on to our customers, and there are a number of ways that we do it, but one of the key ones when we go back to the economic sustainability is profit-sharing. Our employees share in our success, so the bottom line has an important impact on them as well.

Communicating with the employees is one of the key areas. We conducted an employee engagement survey last year. About 50 percent of the employees participated in it, and one of the areas that were identified as a weakness was the fact that we need to improve the communications.

We do have, and we re-launched it, a new newsletter that is for both the employees and our horse people, so it goes to the back stretch as well, to let them know about what's happening in the business, what's happening to the people within the organization, and just

keeps them up to date and current on what's going on because one of the things that they hate more than anything is to read about it in the paper first.

So, right now as we speak, we just sent out a press release announcing our results for our thoroughbred racing season and that went out to the employees in an "In-Touch" bulletin prior to it hitting the paper tonight.

The next area is safeguarding our athletes. I hate to say this because, when we say lead by example, especially after the last presentation, where some of the terms that we use are probably not appropriate any more.

We believe that we want to have the safest racetrack, and we want to protect the horses. For our board of directors, the integrity of our product is of utmost importance because if the customer can't believe in the product that you're offering, then they're not going to bet on it.

How do we protect the safety of the horses? We were very proud last year to be accredited with the NTRA Integrity and Safety Award. We introduced Polytrack about four years ago and our Polytrack surface, we actually published the results of any incidents on it, and we believe that we're one of the leaders and have the safest racetrack because we have 0.9 percent catastrophic injuries for every thousand starters and the industry averages about two percent.

The other thing that I failed to put on here, and you may remember in 2006, we had a horrible barn fire that killed about 60 of our horses. We have put into all of our barns, sprinkler systems and spend about \$4 million every year as we go through the process of retrofitting the barns, improving the electrical systems in them and training. We've hired a fire safety marshal for our back stretch, and everybody that works in the back stretch has to be trained in fire safety, because again, without the horses, that is our product.

Serving our customers. We've invested, and this is that terrible "world class" facilities that we just heard that it wasn't good enough to be "world class," but we believe that we do have world class facilities that are clean and safe for our customers.

With the variety of options that are out there for our customer dollars these days, we have to make sure that we have a place that they want to come to, and that they feel that they're getting value for their entertainment dollar.

So we listen to our customers. We have the customer service feedback system that we actually monitor and track, and there's a very limited timeframe that each department has to respond to close off any inquiry we've got. If not, it's reported up the chain, and action is taken to make sure that the customer does get a timely response.

The other area is that we've invested in technology. We were the first track in North America to introduce the Trakus System, which is the wireless communication on the horse around the track so that the customers can see what order the horses are racing in.

We're also moving our broadcasting department to high-definition, and that's another one of the areas of technology. We introduced video streaming on our websites this year.

But when you look at customer safety, responsible gambling is another area that is well known in the casino industry, the horse racing industry in some areas, but I believe lags behind.

We worked with the Responsible Gambling Council to develop a “Know When to Take the Reins Program” that’s tailored for horse racing customers because the terminology is different. In our industry, you don’t want — on the original brochure they had suggested “Tips for Responsible Gambling,” and I suggested “tips” probably isn’t really the right word to use in our industry.

And the other area is that all of our facilities have been quality-assessed by the Provincial Regulators, and this year we hired a quality assurance and food safety manager because of the number of buffets and the number of people that we serve with food every year.

Protecting the environment is probably one of our biggest focuses right now in terms of our CSR, and this goes from the top to the bottom. Last year, our board of directors named me as the CSR officer for the company. We have an environmental officer. We have a green steering committee that’s composed of three senior, well, actually six senior levels, but three at least the VP level and three directors that are on the steering committee. We have a director of energy management and we have a manager of corporate responsibility.

So that’s the group that listens to the ideas that our Green Action team is, and the Green Action team is about 50 individuals throughout the organization at all levels that identified ideas and ways that we could reduce our waste, to reduce our energy and different ways of being better environmental stewards.

Because of that, this year we are actually introducing a Green Steward Award for some of the suggestions that our employees came up with, and we have three employees that will be honored with that award this year.

We have also introduced new green policies, such as the purchasing policy, so through our whole supply chain we want to look at our suppliers and our contractors to make sure that they’re operating in a green manner, and around the Pearson International Airport, we have what’s called the Partners In Project Green which was founded by the Airport Authority and the Toronto Region Conservation Authority and Woodbine is the founding business partner, but we’ve also been named ambassador because of all the work that we’ve done so that we can go out and share our experiences with other companies.

Waste reduction. We’ve implemented a regular audit, and we have achieved 96% waste diversion. We’re bringing out a new waste management program in January, and our goal within five years is to go to zero-waste. As with most other racetracks, our biggest issue becomes our customers with the programs and tickets that end up thrown on the floor versus into recycling bins, so it’s going to contain a very extensive education and awareness program.

So energy investment. This is where we see an impact on the bottom line. Our buildings are getting much older so we’ve had to go back and retrofit and put new boilers in. We’re putting in new light systems and taking LED lighting, and we’ve gone to building automation.

So we’ve invested about \$8 million. We’ve reduced our energy costs, our electricity costs by \$0.5 million a year. The next line shouldn’t actually be there, so ignore that one, and also it’s had a great impact on our natural gas consumption as well.

In fleet management, we’ve brought in some electric vehicles. We now have a fleet manager who is monitoring all the gas consumption. We found out that our new Massey

tractors are more energy efficient than our old John Deere tractors so it helps us in making decisions in the future in terms of what way we go with more vehicles.

One of the big areas that we're really looking at is alternative energy. We've looked and investigated the feasibility of a biogas facility using the 40 tons of manure that are generated in the backstretch along with the organic waste and it's about 40 metric tons of food waste products that we currently recycle a year that would be used to fuel it. So it's something that we continue to tweak. We're not quite there with it, but it is part of our plans.

We've also worked with suppliers and we have a prototype of a light pole that is solar and wind-powered, and right now only uses 15 percent of the battery for the light, so we're looking at how do we use the battery to put security cameras in the parking lots?

The next thing that we're planning on doing is that our big sign at the front, which is a big energy consumer, and this is being converted to LED and we're looking at can we take the rest of it off the grid by wind turbines.

So, in addition to the savings, we've also had a number of rebates from different government programs and a number of the suppliers. So far, our rebates have been about \$140 million, and by the end of this year we expect another \$100,000 in further rebates for the work that we've done this year.

In water, our big area is the use of gray water through our stormwater management plans. We do all of the watering of the track surface and all of our horticulture is watered through the gray water. In addition, we've done the low-flow toilets and taps and things like that.

This one is on our community investment and Woodbine we're proud to say that we're a member of Imagine Canada, and if you donate at least one percent of your net profits, or pretax profits to charities, that's a benchmark for getting it. There are about 125 companies in Canada that have this designation. Woodbine exceeds the benchmark through cash and in-kind donations. It's about six percent of our net revenues, and we donate into four different areas that are identified there, but we believe that it's more than just donating. We actually developed partnerships with our different social agencies that we work with.

For example, Micro Skills, which is one of the agencies that helps new immigrants and the unemployed to get retrained and develop new skills so that they can get into the workforce. We have them providing training during the off-season in the backstretch to some of our backstretch workers, through the Chaplaincy Program.

We've also — Micro Skills and Humber College have teamed up, and they have a Youth at Risk program. The area that Woodbine is in is considered a high-priority community with a number of gangs and issues within the social system in that area, and so they've trained youth in culinary skills. Woodbine has hired a number of those interns to give them the opportunity to get a foot on the ground.

And a big part of our employee, or our charity program, is through our employees. First off, our employees get to pick the charity of their choice to have as the corporate campaigns. We had three of them last year. We had Light the Night for Leukemia, United Way, and actually it was four, the Toy Drive at Christmas, and a Cancer Drive.

Woodbine provides matching dollars. Everything that the employee raises, and also if an employee is going out and works themselves, and dedicates a certain amount of time to a charity cause, then Woodbine will contribute directly to their cause as well.

To recognize the employees, we have an annual volunteer luncheon and last year we had over 100 employees participate. We also give recognition to the volunteer of the year for their work, and last year it had to be a whole department because our security department was at every event and they were participating in everything. They were absolutely phenomenal in terms of their teamwork and the individual efforts that they put forward.

And then like most other tracks, we opened our facilities for different charities to have fundraisers at the track. We allow them to sell sponsorships on the races so that they can have people go out and do race presentations.

A new concept we started two years ago was Community Day, where we invited all of our charity groups to come and showcase the good work that they do in the community, to our customers, so that they would have the chance to raise their profile.

And, again, like many others, we partnered with the jockeys, drivers and the horse people with the number of charity causes. One of the recent ones was that we had one of the stables approach us that they wanted to donate 10% of their earnings to the Daily Bread Food Bank. HBPA and Woodbine agreed to match the donations and the jockeys came out and handed out posters for all of our customers that brought food products to the track that day.

So that's just an example of the number of types of things.

We also have Sandy Hawley who now works for Woodbine, and he is the Ambassador for horse racing for us, and he probably speaks at hundreds of engagements each year, most of them charity, to help raise their efforts too.

So why do we do it? The impact, it makes your employees proud. We had an employee survey, as I mentioned, and corporate — being a socially responsible company was one of the key drivers for them being loyal and wanting to work at Woodbine.

For our customers, we've conducted surveys with the exit surveys with our customers, and when they found out that we do contribute to the community and we do support environmental issues, over 80 percent of the customers said that they would be more loyal, spend more money and be more committed to Woodbine, and with our industry, we all need that.

Government, it differentiates Woodbine from all the other government stakeholders. We've received letters of congratulations from cabinet ministers for our efforts in this area, and it enhances our image when we're looking for increase in slot machines or things like that.

Coming from a regulated industry, we all know how important it is to keep the government on our side, but I think one of the really key things that was surprising for everybody was the sponsors, people who would not have considered sponsoring horse racing because it's gambling have read our CSR report and have identified that they're proud to be our partner now.

And this is just some of the awards that Woodbine has won over the years for its work. We were named Top Entertainment Complex, Breeders' Choice. We were *Building Magazine's*

"Who's Who" list for 2008 for the top 44 corporations in North America. We used green cleaning products so we won the Sustainable Facility Care Award. Our community work has been recognized and our energy management has been recognized along with waste management.

This one, I'm particularly proud of because we just applied for this award in 2008 for the first time, and we got silver. I really liked the platinum trophy, so I suggested to the staff that maybe we could go for the platinum. The next year, we got gold. I reminded them that I really liked the platinum award, and this year we got the platinum, and they said to me, "Where do we go next," and I said, "A forest. That's what we want. A forest of platinum awards because it's a tree."

So, on that note, I am going to end my speech, and I'm going to turn it over to Sherwood Chillingworth, who is the executive vice-president of Oak Tree, and he's going to talk about what they have done there. Thank you.

[Applause]

Mr. Sherwood Chillingworth: Good morning. Jane was kind enough to add me to the list of presenters here at the last minute, and I thank her for that.

As a result, I'm not going to have a polished presentation here with slides. I'll leave that up to the other two, and I'd like to talk to you in kind of a "back of the envelope" situation.

In California, corporate responsibility is sometimes partially legislated. Under California Law, two-tenths of one percent of your live, on-track handle has to go to charitable work. A report is made every year to the California Horse Racing Board, and it must approve who the recipients are which is an interesting task in itself.

I mean, obviously most people want to make the horse and horse-related activities at the top of their list, and I think that's undoubtedly correct.

On the other hand, Oak Tree is in a unique position in that we give 100 percent of our profits to horse racing, to the horses, care of the horses, care of the people who care for the horses, and to the local community which supports us.

Let me give you a little example. We're the largest single contributor to the California Thoroughbred Horsemen's Foundation who provides for the health of backstretch personnel.

We're also the largest single contributor to the Winners Foundation which helps with people in the industry who have drug, alcohol or mental health problems, and we think these people do a marvelous job. The women, for example, have prenatal care, they have dentistry, and they get eye glasses. It's marvelous. The people on the backstretch are very well taken care of.

We also pay for half the cost at Santa Anita for the administration of their recreation program for backstretch employees. We also, in that vein, contribute \$850,000 to redo their recreational facility, and they badly needed that. We put in televisions for English-speaking and Spanish-speaking people. We've got workout rooms, lounges and all that sort of thing.

One of the other things that we do is to be very generous with the community. We do everything from — we pay for the — there's a police, not a patrol, and we pay for its operation. We contribute to other police and fire department charities.

We give to two local institutions that are taking care of children who have been abused and who are now in a program, so we take care of those people as well.

We give money to the Arcadia City High School for uniforms for the team and that sort of thing.

I think that it's important for you living in the community with a horse racing business to be helpful to people in that area who need help, and we also support other things like 4th of July celebrations and all that sort of thing, but we try to be responsive to people who come to us and say we need money.

We don't say, "Well, this year we're giving you this much."

If they come to us with a good program, we contribute to it.

One of the things you should know about Oak Tree is that it was founded 41 years ago by nine horsemen who put up their own money, to start this meet that commenced with the end of the Del Mar Meet in September. It went through, and at that time there was no meet between Del Mar and the beginning of Santa Anita on November 26th.

As you know, that's financial peril for anybody in the horse racing business, so these folks got together and convinced Santa Anita that they should lease the track to Oak Tree for five to six weeks a year, and generate money so those people could have earned a living.

The response to that has been excellent. We've continued this for 41 years. We are responsible in the way in which we give our money. We require everybody to file a written statement, what their need is and what the purpose is, and then we check out the organization, find out if it's a reputable organization, what it is that — the purpose for which they are formed, is it important, and then we ask them to report during the year as to what they've accomplished.

We review that each year so that we don't irresponsibly give away money.

One of the new things that Thoroughbred Owners of California have done is that they've formed an entity called CARMA which vets out, and I use a horse expression. It vets out a horse rescue operation, for the want of a better designation, and we give to five of these.

Now, CARMA goes out and checks each one of these entities and gives them an approval or non-approval. So they're doing a marvelous job, and we contribute to them for that service, and I think it's a great idea because the proliferation of horse rescue and rehabilitation programs is kind of overwhelming when there are people calling for our help.

One of the problems that we have right now is that, in addition to our moving around from track to track, we've been at Santa Anita for 41 years. This last year, we went to Hollywood because they said the track at Santa Anita is unsafe, and now they put in a dirt track.

We won't know until December or January 13th, probably, whether or not, or what track we're going to go to, if we're going to go to any track at all, so it's one of our major problems. We've been around for 41 years, thought we had run a great service to the

industry and the community. For example, we're the largest single contributor outside the State of California to UC Davis, which does a lot of research on prevention of injury to horses and prevention of diseases.

The other problem we face at the moment is suddenly the IRS has taken a very acute look at not-for-profit organizations. As I said, all of our profits go to charities or to related entities that provide benefits to the community.

Anyway, they've taken the position — we've had four audits in the last ten years, all of which were no change, and they've come to us in the last six months and have said, and any of you who are not-for-profit organizations, you ought to hear this, that if you contribute money to an industry-related organization that you can't specifically trace back to benefit yourself, you have to treat it as a charitable deduction.

We have in the past charged this off as a business expense, because we give away all of our money, and you can imagine, if you're cut from giving away 40 percent of your income, that was deductible, you're now down to 10 percent, which a charitable donation provides. You don't have to do the mathematics. It's just extreme for us. It practically puts us out of business.

So anyway, I just wanted to let you know that Oak Tree has survived for 42 years. We hope to continue to, and we think that we have made a major contribution, not only to the horse racing world, and to the people who care for the horses, but to the community as a whole. And not only do we — we don't define our giving to the West Coast. We give to the Grayson Foundation, the National Museum in Saratoga, and a lot of other programs, and I see Dan Fick here, that are charged with the control of drugs in horses, and one of our directors, Dr. Rick Arthur is very active and contributes his time to that purpose.

So, anyway, that's about all I can tell you that I think you'd want to know, and I appreciate you very much for listening to me.

[Applause]

Ms. Jane Holmes: Thank you Sherwood and I wish you good luck with the IRS because there are a lot of great things that Oak Tree does for the community. Our next speaker is Gary Palmer. He is the president and CEO of Prairie Meadows Casino and Race Track, and Gary has a great story to tell us about their organization.

Mr. Gary Palmer: Good morning and everybody is still awake, I hope. I'll tell you. First of all, I'd like to thank Doug and Wendy for such a great symposium again. A lot of these sessions that we've attended in the last two days, in my opinion, and I've been coming here for a good many years, they are very, very interesting and they tend to hit right on target where the problems are that we have today and the opportunities that we have to overcome.

I'm going to give you a little different outlook on how the subject today, going back to the history of Prairie Meadows. I know some of you have heard about us for a long time, but I'll give you a quick synopsis on how this relates to social responsibility in horse racing, and our positive attitude for the future.

First of all, in 1989 — we opened on March 1, 1989. There was a lot of controversy behind us because in the early 80s, middle 80s, the times were pretty tough like they are today.

We had a gentleman come to us with an opportunity to put a horse track in Altoona, Iowa which is a suburb of Des Moines.

He had some Industrial Revenue Bonds that were tax-free, State and Federal, and it sounded like a great opportunity because, at that time, we would do anything for increased business, jobs, tourism or whatever, but junk bonds would not sell on the open market. They would not sell. They put them up, and I don't know how many times, and they just wouldn't go.

So the county at that time, or the county supervisors, we had some very progressive supervisors that were willing to put their job on the line to support and back those \$40 million worth of bonds. They did without tax payers okay, and under that synopsis of doing that, they said, "You know, we want to create jobs, tourism, agriculture and economic development." They stepped forward, and they did that.

So we opened March 1, 1989. It was snowing like crazy. The windows were all fogged up in the place, and you couldn't see outside the windows, and so we all kind of looked at each other and said, "Is this an omen? What's going on here?"

So, anyway, in two years we went bankrupt. The county had supported us, and continued to support us, so we kind of moved along, and we said, "We have to do something to save this racetrack. It's a beautiful racetrack. It's a community that I grew up in, and a lot of people have been involved in it all their life. We need to make this work."

So, in 1993, we went to the legislature, spent the whole session working on Prairie Meadows. On the last day, the 11th hour, we lost by one vote.

Well, by this time the county has got a lot of money wrapped up in Prairie Meadows. So we go back in 1994, same scenario but the county told us, if it doesn't work this time, we're going to close up the day after the session and we were going to board up the place.

Well, no one wanted that done, and so as people have bragging rights, we went up there and the 11th hour we won by one vote. So the next day we stayed open. We had a referendum and in Iowa, you have to have a referendum eight years in order to stay in the community that you live in, the county, and it's — in one respect it's good, and in another respect it's bad because for us, as a nonprofit, it's tough to borrow money for our big improvements and pay it back over an eight-year period.

So it stymies us a little bit. We've worked for a long time in trying to get it eliminated, but we haven't done that yet. So far we've had three of these referendums, and I'll go into that in just a little bit, but in 1994, 62% said yes in that referendum. You have to have 50 +1 in order to pass it.

At that time, the reason we had such a good turnout was that the taxpayers did not want to pay for it. They supported us only because they didn't want to put it on their tax roll, so we had enough support to pass it.

So we decided at that time that we were going to put the casino in, we were going to run it as a nonprofit license holder, which was required, but we were going to run it as a nonprofit business section as well.

The only two that I know of in the country, one is in Des Moines, one at Altoona, at Prairie Meadows and the other was in Dubuque, Iowa, Mystique, and it used to be the Dubuque

Greyhound Track, where the county taxpayers own the property in which we operate, and in Dubuque it's the City of Dubuque that owns it, and you have to get a working relationship with them. They own it, but we operate it, and so you have to share your profits and figure out what is fair.

At the same time, we have to support the racing industry in the state of Iowa because we're only one horse track in the state of Iowa.

So as we structured it, we didn't know if it was going to work or not, but we didn't have any alternative. We were going to move forward, and we had a chairman at that time that was industrious, and a very wealthy and smart guy. He said, "I'll tell you. We can run this place and make it work."

So I was on the board of directors at that time, and we said, "Okay, let's go for it."

We structured our board. We have now 15 people on our board. That's challenging sometimes, but it works. So in 1995, April 1, 1995, we opened up the first racino with slot machines in the world that we know of.

At that time, we owed the county government \$90 million, and they were really anxious to get a payment program so that we could pay them back.

We thought we'd be very successful, but we didn't know how successful. Within 20 months, we paid all that money back plus interest. In essence, we've been debt-free ever since, so things just turned out good for us in those days and we're still doing all of the horse racing and our improvements.

We had another referendum in 2002. So we'd been operating for a while, and let's see how well that works. So we took that referendum and we had a 65 percent turnout in favor of us. Well, that was very good as well, but we were still wondering, "How are we going to be accepted by this community in the long run, and how can we prove ourselves as a legitimate corporation having racing, having casino games?"

So we continued to do this. As we moved on, in 2004, we were approved for table games. So at that time we were the first that I can remember, the first racino in the United States, in particular, that had table games, slot machines and horse racing.

As we built forward, we met with a lot of different people, a lot of different organizations. Our corporate mission is to be part of this community. All of our directors that report directly to me, and there are about 20 of them, they're all on different boards of directors for nonprofits, the United Way, Variety Club, bank boards, church boards and school boards.

Part of their compensation each year, and their bonus and their increase in wages depends on how much time they commit to the community and in these different organizations. So through these years, we have really accumulated a great reputation as a great corporate citizen. It's taken quite a while to get there, but we're there now.

To kind of give you an idea, and I'll get back to it in a little bit, since 1989 we've put (including 1989) about \$250 million in improvements on Prairie Meadows, and at the same time, Iowa laws and gaming rules state that you will give three percent of your adjusted gross revenues.

We give about 23 percent back to the community, and that was the advantage of going as a nonprofit organization where we put all of our net profits back into the community to help community service, community betterment, health, education, etc. We are a big, big player in our community. We're involved in just about everything going on.

You can see we're a good sized cooperation. In 1989 we had 300 employees. This year, we average right at about 1,350, and 1,000 of those are full-time employees. The others are part-time and seasonal. Payroll is \$56 million. We've been the number one tourist attraction in the state of Iowa with over three million visitors a year for about ten years now.

So the impact of highlighting racing, even though people say racing is diminishing, we continue to work on racing, improve it, and if you had a chance yesterday our administrator of racing, Jack Ketterer, who is here today, mentioned the fact that we have a new agreement where we race three breeds. We have a new five-year agreement with the thoroughbreds and a three-year with the quarter horses.

For years, we had a mixed meet. We now split those meets as of last year, trying to see new innovations and different creativity of what we can do to make it more interesting, to see if we can, in fact, increase that handle and to see if, in fact, we can increase the field sizes.

We had a good year last year, and we plan on continuing to do that but, again, it's that club cooperation with the horsemen and our community because, again, our community which is a metro community, we have to work together to make sure that all of this works but, at the same time, our corporate responsibility ties back to what do we do, in fact, for our community as a whole.

People ask, "where's all that money going that you've made?"

Well, I'm going to — you're not in our community, so I can tell you, but we tell them as well.

This chart that I have up now kind of shows the adjusted gross revenue from our casino that we have made since 1995 to 2009. You can see in the last three years have been our best three years, and 2008 was the best year that we ever had, going into the recession and 2009 was the second best year, and we predicted (with only a couple of weeks left) that this will be the third best year we've ever had.

It's by the cooperation that we have with our community, innovation, creativity and a positive attitude. Two or three years ago we added on a big convention hall, a new steak house and a new buffet.

About 90 percent of all nonprofit banquets in our community of 500,000 is held at our casino, and the work that we have done with so many people — three weeks ago, and this is kind of funny because this is an analogy that kind of brings you back again, but we had a lot of different religious sectors, not really getting a big kick out of gaming when we came in.

We've worked with so many of these people, including the churches. Three weeks ago, I was in a photo. We helped an Honor Flight, and I don't know if you understand what that is, but a lot of states are honoring the WWII veterans and sending them on flights to Washington, DC.

We became a big part of that. We did all the dinners for a couple of our larger corporations in our community that paid for that. In doing that, we were really involved with the Salvation Army, the Baptist church and the Catholic churches.

So about three weeks ago, I'm in a picture with one of the best known Baptist ministers in Polk County along with Bishop Pates, the bishop of the Catholic Diocese, and here we are in a picture, the three of us. Ten years before this, that would not have happened if the world was coming to an end, but it showed that we were a corporate citizen and we work with all facets of our community.

These people have brought in — we don't have the Baptist ministers out gaming a lot, and I can't say that, but we do say that they do support us and at one time they were the biggest faction in going against us on referendums. They funded most of the gains against us. So, that's really changed a lot, and again that's because of our corporate responsibility and going back to being part of the community and giving all these monies back into the community again.

We have a lot of contractual obligations in our community, to Polk County, which in fact, owns us. The city of Des Moines, we give them approximately \$4 million a year. It was an agreement that we made that they wouldn't try to enhance any other casinos in our area if we gave them part of our profits, which in my opinion that was a cheap investment for security for us where, again, we're the only horse track in the state of Iowa.

We don't need competition in our market. We have a lot of monies to give out and a lot of — we do have to subsidize the horse racing industry a lot, and by this part we can do that. We can try to grow our industry as well as giving back to our community the way that we're supposed to give back.

This chart here and I know it's kind of small, and you probably can't see it, but what it tells you is this. In essence, since 1995 when we really started making money, we put this grant process together. With the money that we get back in lease our obligation to these different communities and to our different nonprofits, since 1995 we've given back \$1,000,100,000 to our community, a billion, and that's a "B," 1,000,100,000 back to our community through all these different methods of contributions to the community.

We're darn proud of that. That's a big deal, and to kind of bolster that, we just had — November 2nd we had our third referendum, and you have to kind of measure how your success is in your community.

We were very optimistic. We worked hard, but we had a lot of the people that really never backed us before, and they helped us. So on November 2nd we had, again, our third referendum. It came in at 72.4 percent, and in a population as big as we are right now, that was just a miracle, but it showed all of us that people have bought in, they like our venue that we have out there, our racing venue, or gaming venue, our entertainment venue, and by doing that we'll create and keep adding and adding as the future grows.

Again, one thing, we're so very happy of, and our staff has done a great job, and our leaders have done a great job, and again we've been debt-free. There are not very many casinos or racetracks in this country that can state the fact that they're debt-free, and we keep growing.

We're in the process right now of adding a hotel. They're doing the footings today. It's going to be a 180-unit, and a very nice hotel, we hope.

Our management staff, and our goals, and we're working with the designers right now. It's all designed around racing. So when you come in to our hotel, you probably haven't seen anything like it unless you've been to Keeneland, or any of these places, but it's going to be very nice, very attractive and very exciting because we think that the future is very exciting for racing and our type of entertainment in the future.

Just a quick pie chart here in the front. It just shows where all our monies go every year to the community, and you can see that king's share goes to our Polk County government which owns the property, but we give so much back to the charitable contributions and to our community. Again, we're very proud of that.

This next chart, and this is kind of — this was our promotion. Prairie Meadows, yes, as we went through our community, vote for us on November 2nd, and that was a little campaign literature there that we went through.

This is a picture of our property, where you can see down to the — and it would be on your side, the right, or the left, but that's where our proposed hotel is going, and all the way to the right would be our covered parking ramp that we plan on starting in three years.

So thank you for your time today, but I just want to let you know that we're excited about racing's future. We're excited about our entertainment future in the Midwest, and that we continue to be creative and innovative. We think that if all of us do that, we're going to be just fine in the future. Thank you very much.

[Applause]

Ms. Jane Holmes: Thank you very much, and our final speaker today is Nick Nicholson. Nick is the president and CEO of Keeneland, so Nick.

Mr. Nick Nicholson: Thank you. When Gary was talking about this symposium and what a good job everyone has done, I agree 100 percent, and I looked down and I saw Jack Goodman.

For those of you who don't know, Jack Goodman's a man that thought about it that dreamed all this up. He dreamed up the school. He dreamed up the symposium, he's been the biggest cheerleader for all this, and if anybody in this room hasn't met him yet, do your self a favor. He's a wonderful man. He's a great visionary. He's one of racing's and the horse industry's greatest assets. Let's give him a round of applause, Jack Goodman.

[Applause]

He's the best, and I'll get a dinner out of that!

We tried to divide this topic up and everything that Jane said, and in fact all of the speakers, I agree 100 percent, but as Jane dealt with the silos, you've got to do it all. You can't just pick and choose once you make a commitment to do this.

I don't want to redo Jane's talk, so what we've tried to do is come up with some tangible examples of some things, recognizing that Lexington is a little different probably than most

of these communities, and we can do things that may not work in other communities, but we wanted to give you some examples.

We also wanted to start with the point that — and I want to make two main points today, and the first one is that this can also be good business. We are an industry that, for the most part, is not relevant in the lives of most of the people in the communities we live in. Horse racing is not the central part of the sports world, the entertainment worlds that most of the people that are in our communities, and so we have to find ways to make ourselves more relevant to them.

It's also in our business interests to make ourselves socially acceptable to go to the races. One of the ways that you can tie all that together is increasing your ties with the community and finding reasons that people come out to your racetrack, and oftentimes it won't be the first reason — the first reason won't be to come out to bet on the races. It's a journey to get there.

It is also very important, and Jane touched on this as well, who you associate with. Our mothers all told us that we are known by the people that we — by the friends that we keep. We're known by the people that we run around with, and the same is true in business. You're known by your sponsors. You're known by corporations that you ally with, and so what we have tried to do is to form these kinds of relationships and to try and come up with events that become part of the social fabric, the social calendar and the very essence of the culture of our community, and you can't do that by yourself.

You have to have allies, and so we have tried to affiliate ourselves with companies that have very good reputations and whose brand stands for the same thing that we stand for. And just as we're particular who we associate with, these corporations are also particular of who they associate with, and so the way that you behave in all the other areas can actually help your sponsorship program. In fact, it can be a key building block to your sponsorship program.

The first one up here, that's the president of Maker's Mark. Well, if you think of Kentucky, you probably — everybody's short list would be bourbon and horse racing, and for Jack maybe basketball, but we partner with Maker's Mark and have developed an event every year where they do a bottle that we have raised, right now, \$5.6 million for various charities.

The last one we did was a clinical trial for cancer victims, people that are Kentuckians that are trying to get into clinical trials for cancer that we ended up matching three times and ended up raising \$3 million just on that alone.

Right now, we're working with the University of Kentucky's philharmonic to take that philharmonic into the small towns of Kentucky that would never be able to see an orchestra, and it's really having a good positive impact, and it draws strings and relationship to us.

Every Camry in the United States is made about 20 miles from us, and so we've allied with Toyota, and the Camry and we do charitable things together. Toyota is a great giver, and we are too. That's the Governor of Kentucky that's in that picture and Steve St. Angelo who is the head of Quality Assurance for Toyota in North America.

In this particular slide we're giving a contribution to God's Pantry, a key hunger program around.

This is the philharmonic that we were talking about earlier and that's been a great alliance. Kentucky is the home of Fort Knox, and Fort Knox is a big army base, and we partner with Wind Stream, which is our local phone company and our communications entity to let soldiers have a day off that are going through basic training, and it's a surprise to them, and Wind Stream provides this phone bank, and it's the first time that many of these people have talked to their homes since they have been gone to basic training. It's a very emotional thing, and it generates an enormous amount of television, newspaper and news coverage.

I'll tell you one story about this last year. The man in the first row there, the soldier in the first row, he was the first one to make a call when they came, and I was standing there and I wanted to make sure the phone bank was working and all that. So as he came out, I said, "Did everything work all right?"

"Yes, sir."

I said, "You can relax."

"Yes, sir."

I said, "Did your call go through?"

"Yes, sir, it did."

I said, "Who did you talk to?"

He said, "I talked to my father, sir."

I said, "What did he say?"

"He wanted to know what the hell I was doing at a racetrack, sir."

And that story permeated throughout Kentucky.

We have also tried to come up with events, events that are not only fun for heading out for a day at the races, and that enhance our business in attendance and handle at races, but are relevant to our brand, are relevant to what we're trying to say about our corporation, relevant to the community, and again that build on that social acceptability of going to the races.

This is a picture of last year's Military Appreciation Day and — just soldiers as far as the eye can see when they come in, very emotional day.

This is the Make a Wish Day, and I got a little video here that a TV station did that will show you more about what this day is all about, better than I could. We partnered with the farms in Kentucky on this.

[Video begins]

Male Voice: *Today, Keeneland has sponsored with some of the other horse farms around the Lexington community to make it Make a Wish Day, and it's just been a great event. This is the first time we've done it, and we just had a great time.*

Male Voice: John Greeley is a good friend and asked us if we wanted to participate and we said, "We'd love to." I think it's a great thing to have the Make a Wish children here, and to be able to support that charity and the partnership between horse farms and individuals. This is really special.

Male Voice: There are nine of us, all central Kentucky farms and all the children are from Kentucky as well, so we consider it as Kentucky farmers trying to help central Kentucky kids.

Male Voice: Hopefully, this is something that we're going to do, from now on, every year and make it an annual event.

Male Voice: The Make a Wish Foundation is incredibly important. These children are battling life-threatening illnesses and they keep going on with life because they know that there's hope.

Male Voice: Each farm that is participating today has donated \$6,000 towards the sponsorship of one of these children's wishes.

Child's Voice: Well, my wish was to go to Disney. Yeah, I have been to Disney. I loved it, but sometimes you think it's going to be like you want it to be, but it's something else! It was more than I hoped it would be.

Mother's Voice: It was the best experience we've ever had.

Male Voice: Well, I always feel good when I can make other people feel good.

Male Voice: He's going to race! Can you tell him good luck?

Child's Voice: Good luck.

Male Voice: Thank you.

Male Voice: It's an overwhelming feeling. We're very fortunate for our health, and I think every day in life we take it for granted until we see things like this. These kids are struggling, so it's a great honor for us to be a part of it.

Male Voice: These kids go through so much, and then their families go through so much to put these kids on stage and let them be celebrities for the day.

Female Voice: It's just a day for them, to be all about them.

Male Voice: This is the first time, and what we'd like to do is, for after about three years, we'd like to create the model where it works perfectly and, again, working with Keeneland on that makes it easy because they take over everything, and everything is perfect here. We'd like to take it nationwide. We'd like to take it to different tracks. We'd like the horse business, not only Kentucky, but you know at Del Mar, at Saratoga, and all around the nation, to show that we care about these children and we realize we're very lucky and we want to give back to those less fortunate than us.

Male Voice: Keeneland has been just unbelievably supportive, and they've really gone out of their way to make it special for kids. It's been great.

Female Voice: *This is the best. We appreciate Keeneland being a part of it and helping these children see their wishes come true.*

Child's Voice: *I won! I like horses pretty much.*

[End of Video]

Mr. Nick Nicholson: She was from Kentucky. That's been a very successful program that attracts a lot of attention as well in addition to doing some good.

The next one is Horses and Hope, and this is a tie with a Kentucky statewide program which ties in with breast cancer. The First Lady of Kentucky is very active in this, and Churchill Downs has done a spectacular job of latching on to this one, and this is — they re-branded Oak's Day around this particular event and I think if there's one event that I know of where racing leverages its assets, it's a great job that Churchill Downs has done with Oaks, with the television broadcast around Oaks, with the way that they bring breast cancer research and breast cancer survivors into Oaks and turn Oaks literally into a Pink Day, and I think they should be commended. It's been very successful for us as well.

Also, it's not just the community. It's also about the industry and using racing and events around racing to help the industry as well. This is one of our fundraisers for the PDJF and the jockeys and we all work together, and we've done several things.

The same thing with the NTRA, the Safety Alliance, that Jane talked about. It's so important.

We do a Charities Day at the races where we'll highlight a different charity each day. This is another picture. The Hindman Settlement School, you see on there is the largest dyslexic program in southeastern Kentucky. It affects a lot of families and a lot of people, and they're very appreciative when we give them space and a program to tell their story, and to highlight them on their involvement in the races that day.

Then, after the races, we give them our facilities so that they can have their own fundraiser for each one of these, and it's been a good thing.

We also try and do things not around racing. We only race 30-some odd days a year, and so the ways that you can use your facility to build bonds with the rest of your community.

These are two walks that we have here. We had one in the last couple of weeks ago for Thanksgiving where 2,000 people showed up and did a walk-run around. This is easy for us, again, because we've got 1,000 acres, and but I think sort of the moral is to find ways to use your facilities to build ties to the industry.

You would think that everybody in Lexington knows about Keeneland, but so many people that come in and they have a predisposed idea of what a racetrack is, or what its relationship to the community is. So we have to continually reintroduce ourselves, even in central Kentucky, even being Keeneland. We use the events to make people feel comfortable coming out there, where the parking is, how you get in and out, and as they come for charities that they may care about, and then it makes it more likely that they're more comfortable to come back when we are, indeed, racing.

These are a couple of other event that we do. We do a Taste of the Bluegrass where we'll let restaurants come in and 15-20 of the leading restaurants will all come in and have their own booth, and they like it, and we like it.

We do a wine auction and a vineyard from California will come out and we'll raise a lot of money for breast cancer research.

That's point one, how to do all this, and turn it into good business as well as being, as Jane said, the right thing to do. It can also be good business.

The second point I want to make is, I've been coming to these conferences since 1982, and a theme that has permeated and will permeate if we do another 50 years is that we have to expand the fan base. That's one of the fundamental givens that we have to do. If we're going to survive as a horse racing sport on into the next generation we don't have the benefit of most of our civilization being used to being around horses. It's going to get tougher and tougher, and so we have to expand the fan base.

I believe that it is absolutely central that in order to expand the fan base, a threshold issue is that they have to know that we are a responsible industry. They have to know that we're an industry of integrity, and they have to know that we're doing everything we can to run this industry as safely and as responsibly as we can.

There is an element of danger about this sport, and we should not deny that. There's an element of danger about football. There's an element of danger about car racing, and about any number of other sports. In this modern world you have to recognize that and you have to deal with it in a responsible way. I think that we often times don't tie that to the business of all of this.

Yes, there is a socially responsible element to this, but there's also a business to this, and people expect us to behave in a certain way. We must use every means of modern science, modern technology and any other innovation that we have at our disposal to make this sport safer for our human athletes and for our equine athletes.

I put a picture of the surface up here to start this section and yes the surface is very important, but this is not a debate about the newer types of all-weather surfaces and the old dirt surfaces. It is not a debate about that. There are very, very safe dirt surfaces.

It is about a commitment to maintenance and a commitment to transparency. Jane mentioned that Woodbine puts all their statistics on their website. So do we; it's an important thing to do to let these new potential fans know that we care about this, and that we are walking the walk on this.

They won't trust us if we don't. The NFL has learned this, NASCAR is learning it, Indy is learning it. The element of danger has to be acknowledged and if you have this trust built up with your fan base, it's one of the essential elements of growing and then if bad things do happen, they know that you are doing everything that you possibly can to prevent it.

It also includes medical facilities, the standards of which — the appropriate standards for a trauma center at the racetrack and for equipment in the ambulance, and for all those other elements of standards.

There's a move afoot that you're going to hear more about, about creating a set of standards in all this healthcare area for trauma, and I hope that you'll get involved in it.

The most dangerous single moment in our sport is the starting gate, going into the starting gate, being in the starting gate and coming out of the starting gate. We need to do more and more research. We need to have better and better padding; better education, better employee education and we need to do the whole thing on the starting gate and the same with the safety rails. There has not been the improvement in safety rails that you need, and the same things with helmets.

The same thing with safety vests, and these safety vests are going to be an area that you hear more and more about, and it's appropriate that we talk about these things. It's a very unpleasant subject. It's a subject that's easy to sort of sweep under the carpet, but we cannot do that if we're going to be modern corporations and modern sporting facilities that appeal to the modern consumers. They have a different set of expectations and demands than consumers have had in the past.

So those are my two main points, and thank you all for listening, and thank you all for the conference.

[Applause]

Ms. Jane Holmes: I know we've gone past time, but if anybody has any questions? I don't want to be the one holding us up between lunch and sitting here responding to questions, but if you do?

Okay, I just wanted to say to everyone here today that it's so impressive to see and learn what the other tracks are doing. Some of the initiatives, and I think one of the things that I think that we should probably start talking about is some of the things that we can share amongst each other like we have done today because we all come up with our own ideas and our own backyard, but seeing them spread across the other jurisdictions, I think, is very critical.

We were actually looking at following the Churchill Downs one on the Pink Ribbon Campaign and some of the other ones that are taking place, but does anybody in the audience have any suggestions of things your organization has done that would be helpful to share so that we could put those on our "to do" lists of areas that we can get together and talk about?

No, okay. So, on that note, I'm just going to thank everybody here. Nick, Gary, Sherwood, thanks for your time and your effort. It was a great presentation, and I think it's going to give everybody something to think about when they go back home. So thank you all today for joining us.

[Applause]