



Race Track Industry Program

**36th ANNUAL
SYMPOSIUM ON RACING & GAMING
THURSDAY DECEMBER 10, 2009**

**Making a Race Track Work as
Part of a Destination Property**

Moderator:

Gary Palmer, President/CEO, Prairie Meadows Racetrack & Casino

Speakers:

Frank L. Ciminelli, II, Senior Vice President, LPCiminelli

David Climans, Principal, Climans Green Liang Architects

Donald Dissinger, Senior Vice President, EwingCole, Inc.

Russ Simons, Senior Principal, Populous

Ms. Wendy Davis: That's what I like to hear. Good for you for being up and on time. We are right on schedule. Appreciate it and again thank you for being here at the Symposium on Racing and Gaming. I need to make just a couple of housekeeping announcements and first thing is always to thank our sponsors. Without our sponsorships we couldn't do what we do for you. Breakfast, we'd like to thank Equibase. I hope everybody had a wonderful breakfast this morning. Then Delaware North who is sponsoring our refreshment break, after this panel.

I want to make sure that everybody sticks around today. We've got some really great panel sessions. I know that it's the end of the Symposium, and people are starting to think about travel plans and getting home. Although, from what I've heard in the morning, I don't know why you guys want to go home if it's 20-some below with the wind chill. We'd love to have you stay. You're welcome to stay. I thought it was a little chilly this morning but I guess it's all relative.

We have some great panels this afternoon, and we finish up again this year with a commercial break, which is always a very fun time. It's commercials from all over the world. We serve popcorn, wine, beer, so come finish off the Symposium in good style.

Right now, what I'd like to do is get us kicked off with this panel session entitled "Making a Race Track Work as Part of a Destination Property." I

think we're going to all take away something very important from this. To walk you through and to moderate the panel today, we have Gary Palmer, President and CEO of Prairie Meadows Race Track and Casino. He certainly is well qualified to lead this discussion. Right now I'd like to turn it over to Gary and thank you and all the panelists for being here this morning and being so prompt.

Mr. Gary Palmer: Thank you very much Wendy and good morning everyone. Glad to see everyone up and moving this morning. There are a few people shy this morning but we understand how that works. I thought this morning we'd have a little fun by kind of giving a little history of Prairie Meadows briefly before our distinguished guests here begin their speaking.

In 1989, we opened Prairie Meadows in Altoona, Iowa. It's right on Interstate 80 outside of Des Moines. We started out as a horse track naturally, standardbreds, quarter horses and thoroughbreds, mostly thoroughbred at the time. At the first — you could see this is where we started. As we moved through history building our race track, the first night we opened, March 1, 1989, there was a blizzard. Our HVAC was off. You couldn't see out the windows. We had the governor and all the distinguished people of our state out there soaking wet with all the snow. We thought this may be an omen or something that happened to us.

After going through that type of evening, the next year, so we went bankrupt. We went on operating. One year we didn't have racing. We went into our next phase. We knew we had to do something different. In 1993 we went to lobby our legislature for slots. In the 11th hour in 1993 we lost by one vote. We went back in 1994; in the 11th hour we won by one vote. In 1995, April 1, 1995, we opened one of the first racinos in the nation with slot machines and racing at Prairie Meadows Race Track and Casino.

At that time we were about \$90 million in debt to the county. The county owns the facility. We're a community owned race track and casino. We knew that we had to keep doing things to bringing people in, make it a destination if we could. We're located right next to the largest amusement park in probably the Midwest. That helped us as well. When we started, we had visitation of about 500,000 a year. We started with 200 employees. We now have about 1,600 employees after we added a lot more amenities that I'll go over here.

You can see in 2000 we expanded our casino. We had a \$20 million expansion of the casino. In 2004, we added table games. We were one of the first racinos in the United States with table games and slot machines. In 2005, we added a \$4 million paddock, walking ring and jockey's quarters. You can see this in the display here. In 2006, in order to keep our complement going, we added a convention hall, two restaurants — a steakhouse and a buffet.

We knew we had to do something different to keep people coming out there to our casino and race track. We had to have a venue that people wanted to come out. I'll tell you, that \$60 million addition really made us because our attendance continues to grow. Even in these bad times, our attendance is growing this year.

Right now as you can see there are different phases of the fun we've had. We're looking into at the end of this year we'll probably finish design on a hotel — a 200-room hotel we're putting up. It's going to be a Hilton Garden Inn. We're also; you can see here where the yellow is to the left that's going to be our hotel that joins to the convention space now. We're going to add more convention space on the first floor of that hotel will be ours as well. To the right we're planning now a 1,000 slot parking ramp.

In essence we always have on the drawing table something in order to bring more people — more people into Prairie Meadows Racetrack and Casino. It is definitely an entertainment venue, entertainment center. A lot of people come for a lot of reasons. Just to be a little happy about everything in this economy today, last year's the best year we've ever had. This year will probably be the second best year we've ever had, and it will probably be the best attendance year. We've got the attendance going up and going up and going up. The only problem is the spending is going down and down. We're about three percent down in spending this year.

We're excited. We know what it takes in order to keep this industry growing, in order to keep this property itself going. We do think we have a destination, and we were lucky enough six months ago a Bass Pro put one of their biggest shops about three-quarters of a mile down the street from us. We also, two years ago, had a NASCAR track, the Iowa Speedway put up right down the highway 30 miles from us. Again, all of us working together we're trying to make it one of the largest destination places in the state of Iowa or in the Midwest.

That kind of goes along with our panel discussion today. What do we do to continue to be a destination property? Next, I would like to introduce Frank Ciminelli to come up and speak. Thank you.

Mr. Frank Ciminelli, II: Thank you, Gary. Just quickly a little bit about us. At LPCiminelli we are a construction management firm out of Buffalo, NY with 200 full-time employees. Top 100 construction management firm. We've been in the hospitality entertainment business since 2001. We cut our teeth in the racing business starting out with Wheeling Island Race Track. We've really grown to love it. We've expanded quite a bit. I'm going to talk to you primarily about how to develop cost effectively.

We're used to — I'm sorry. We've delivered all over the country primarily up in the Northeast but we've been as far west as Arkansas, east to Delaware, up as far north to Saratoga, and we just recently successfully delivered down

in Miami, FL. What I'm going to use today to talk about is The Meadows Race Track and Casino down in Western Pennsylvania, the Saratoga Race Track up in northern New York and some master planning for the Delaware Park and Casino in Wilmington, Delaware.

We've built in seven states. We know the race track entertainment environment. Like I said we've been doing it over seven years now. We've done over a billion dollars worth of work on 28 projects on 14 properties for 7 owners and 6 designers. What we've seen is a lot of different diversity in the way the approach of how things expanded. A lot of it's driven by everybody's got a different approach. We've actually seen that diversity.

In order to understand how to successfully deliver, you wonder why you ask the contractor what it means to expand and create amenities. To understand that we wanted to a quick look at what's in essence, the players in the team are bringing to the table.

The operator, the developer is obviously one who's creating the idea, takes the risk of the operation, and wants to operate efficiently. The designers then take that idea and convert it into a function vision. Then it's our job typically as contractors at its highest level to deliver. Convert that vision and deliver that and do that effectively. A good construction manager, which is what we consider ourselves, really is ultimately responsible for delivering on the project risk. That's schedule. That's budget. That's logistics of your site. Maintaining your operations and obviously making sure everybody's safe.

What you really want to look for from your construction manager is to help them make strategic decisions. We're there to help advise. We're not here to insert our opinion necessarily on how to operate what's a good design. We can insert our opinion on constructability, delivery, cost effective but ultimately we're there to help make those strategic decisions.

What do I consider the three most important things for a cost effective delivery? For us that's investing in the pre-planning. That's the master plan. Ultimately to be effective I like to call blocking and tackling and getting back to the basics in this environment where tax rates are high, cost of financing is high; the legacy operation of a race track really drives what you need to be cost effective. We think that pre-planning, considering your master activity schedule from your earliest stages and managing your budget which is the three things we really feel when you boil it down are the most important things.

What is pre-planning? Ultimately it's looking at your master plan. To do that you need to bring in your team members very early. Not just your designer but your operations people, preferably your construction manager. Ultimately you're trying to establish a desired outcome, not just for your enabling project but also trying to consider all the things that may happen,

what do you want to happen, what the desires of the property are. We consider that very important.

All too many times logistics, infrastructure it needs and adjacency issues end up becoming not maybe issues for the first project but the subsequent development. You don't want to spend money and time undoing things that were already done because you hadn't considered your overall plan. In particular, site logistics, you've got to maintain your existing operation.

Thoroughbred tracks can be very sensitive with training and operating of the horses. They don't like to hear banging and rustling and trucks backing up. It really does impact the way you're operating your facility.

Power, water, gas and traffic needs become extremely important. The example we're using here is The Meadows Racetrack and Casino. Ultimately it was decided very, very early on to go with a temporary facility because the existing grandstand just wasn't going to work. Working with David, the team actually developed a master plan to establish where the temporary gaming facility was going to go in concert with maintaining existing operations. What it ultimately allowed us to do, tear the existing grandstand down, maintain their simulcast and racing operations and build their beautiful 37,000 slot casino, bowling alley, restaurants, meeting space. This was all done successfully in less than three years. We invested in planning up front.

We knew how we were going to operate parking. We actually made the initial investment in this particular case in a central plan that fed both the temporary and ultimately fed the permanent facility so that we never had a disruption in service.

The master activity schedule is really what drives — we like to look at it as what we refer to as pull scheduling. That's ultimately understanding your end date first. What end date are we looking for? Ultimately what are the constraints that drive an end date? To us, that's start up and training. Start up and training will dictate our delivery dates for when we need to turn over space. Those turn over dates dictate our construction schedule and how we're going to manage that. Our construction schedule ultimately dictates design deliverables from the architect. The architects' design deliverables ultimately dictate decisions from the operation. That's pull scheduling; working backwards you know to understand it.

What that really requires is an opening up and a trust with your design team and your construction team, to allow us to get into your operation and understand the needs of the operation during construction and ultimately at start up. It's a bit of a "just in time" delivery method. I'm actually an industrial engineering major by background so to me this is — the needs were self-evident.

Owner input, trust in your team, consensus from the beginning all the way through to the end is very, very important, and it's ultimately what would create a master activity schedule. The days of spending a ton of money to deliver quickly are gone. We used to joke about throwing the pound of \$50's on the fire to get it done. "Keep on throwing money at it, throwing money at it, we got to get open", those days are gone. Fast track scheduling doesn't necessarily have to mean you're throwing bricks and money into the fire to keep the engine running. To us that means you know establishing the deliverables early because we understood the end game. If we establish those early we can compress schedules without spending a lot of money.

Ultimately, the conventional construction project schedule looks something like this. Very head to tail. Design. Derives an estimate. Derives a start date. End of construction. Turn over the building. Allow the owner to operate. What we like to advocate is this. The compression comes from understanding, and team building and the collaboration consensus that comes along with it.

Managing your budget. Obviously everybody is always concerned early. Lenders and investors these days want cost certainty, and they want it early. How are you going to do that when you're at the earliest of stages? We're accustomed to the high tax rate and the high interest rate because of the environment we've successfully been operating in. The developers who've done that successfully, and not let budgets get out of hand is because they let pro forma dictate the capital expense. If you keep that in mind the entire time, you can very quickly off of a floor plan, and an elevation and an idea start to establish what we call target design values.

We're doing that right now with Don on the Delaware Park Casino and Race Track. This is a property that's in its earliest stages. We've been spending a lot of time with Bill Fasy in operations and with Don's team trying to establish a program. What's the minimum program requirements? Mapping those out and understanding what that means. What we're working on now is trying to establish design values that we can manage throughout the process because we want to do that early.

That again, it's early participation of all the players. It's consensus amongst the operations, how much they want to spend in a particular venue; agreement between the construction team and the design team about what's the right commitment of dollars; and how we're going to spend that money.

Part of that is, in this particular case we've gotten to the point where we're trying to isolate adjacency issues; how the building is going to be structured; trying to understand what's the fixed part of the equation; and what's the variable piece. The fixed piece can be site work, your core and shell model. The variables are what are you going to do to create the customer experience.

Just a couple of categorical advice to owners. Again, we've seen 28 projects, 14 owners; everybody's got a different philosophy. That's dictated a lot by the tax rate, the hurdle rate and your competition. What we ultimately encourage owners to do is stay engaged in the process, early in planning, during construction; through to the end it really takes a team effort. Without the owner engaged, projects tend to unravel.

Again, I can't stress it enough that early trust, early consensus collaboration in your team is very, very important. The more we collectively as a team understand the ultimate goal, the more successful your project's going to be. The old adage of "decision by committee is no decision at all", ultimately we always like to have one point of contact. At the end when the melee begins we need the final one point of contact because you got a lot of people pulling in one direction. You got F&B, surveillance, you have your individual marketing people, and they all have wants. They all have needs. Budgets and schedules can really start to unravel when you have a lot of people trying to make decisions collectively trying to give direction.

I was an owner's rep for three and a half years for Proctor and Gamble, so I advocate this early. There are a lot of parts and pieces to an entertainment facility. Again, that's your food and beverage, your security people, your racing people. Understanding — letting them be engaged in the process so they ultimately know what the property is going to be is very, very important. Getting their sign off. Getting their buy in. For the design team it is also important. Rework is frustrating and ultimately that impacts our ability to deliver.

Understand the scope of the project. All too often, we as a delivery team, presume that the owner understands what those lines on drawings mean. Committing yourself to asking questions and understanding ultimately what it's going to look like; how it's going to lay out. The biggest way again for a budget to fall and a schedule to fall away early, and this again goes to being engaged, is avoiding the full scale mock up. To me that's your building. That's standing in this room and ultimately not liking what it looks like. People ask me when is the last time I can make a decision. Well, the full scale mock up it's too late. That's where budgets and schedules can fall apart.

Beware of the fallacy of by others. By that I mean a construction budget typically takes up 80 percent of the overall capital investment depending on if you have to buy the slot machines. What's in the 80 percent? What's in the 20 percent? That comes down to your furniture, fixtures and equipment (FF&E). Who's buying what? How's it getting installed? When is everything coming? Budgets can fall apart because of the crisscrossing of assuming.

Kind of like hand-in-hand with that are your vendors. Nothing is worse to a schedule is that we can't turn up surveillance, and we can't get online with your gaming facility because everybody forgot to call the telephone company

to get the service turned on. Managing the outside vendors that are outside your typical project team can be also important.

Allow time for training. I can't stress it enough. That opening day, Murphy and his law will come into play somewhere along the way. Ultimately, if your team is not engaged; and they haven't been trained; and they're not comfortable with where everything is, there are going to be hiccups in the early stage of a project. If you're in a competitive environment, you're in a high tax environment. It may impact the first customer experience and keep people going somewhere else.

Ultimately that's it. For us it's about being effective, being efficient and being effective. Construction is typically viewed as a very inefficient process. Since World War II the construction industry has actually gone down in productivity. Hopefully I've brought a couple of things to mind that help encourage ways to get around that because it doesn't have to be that way.

With that I'm going to turn it over to David, and he's going to talk about design.

Mr. David Climans: Thanks Frank. Good morning everybody. Just wait for my image to come up. Here we go. Okay. My name is David Climans and my company is Climans Green Liang Architects, Inc. We're based in Toronto, Canada. Our firm was established in 1988, and, for more than ten years now, we've specialized in racino design starting with a small project in Ontario called Clinton Raceway. Then our flagship project in Innisfil, Ontario called Georgian Downs, which is just north of Toronto. This image that you see here on the screen is a collage of some of our projects that have been completed and are currently in design.

It's only in the last 15 years or so that race tracks have been transformed into casinos and entertainment destinations in the United States and Canada. According to my research, there's 44 racinos in 12 states, so far, with pending legislation in various others, as well as 28 racinos in Canada. There remain great opportunities for future growth based on the uncharted territory in this field and the state of the global economic situation.

Race tracks lend themselves naturally to the integration of gaming devices, due to the fact that they are established wagering facilities on large properties usually in prominent and accessible locations. Initially slot machines and video lottery terminals were installed at race tracks as a means of generating revenue for host states and municipalities, as well as a means of revitalizing the declining racing industry. Over time, racinos have become much more than glorified slot parlors within existing race track facilities. There are many examples of completely integrated, full-service entertainment destinations involving existing and new race track facilities throughout North America.

I'd like to focus my presentation on our most recently completed project that my firm designed and were involved as prime consultants responsible for all of the architectural and engineering components for the project. The project is The Meadows Racetrack and Casino which is situated in North Strabine, PA, approximately 30 minutes south of Pittsburgh. I have a series of slides here that will demonstrate the evolution of the property.

This is a context map, which shows the original property of 154 acres including a five-eighths mile standardbred track and clubhouse, which was opened in 1963 and was operated by the Washington Trotting Association.

Here we have the track in the center of the image and then I-79 to the left, which goes north up to Pittsburgh, and then route 19 along this easy boundary and then you've got Race Track Road, which is access to the site. Actually the development of the casino has spawned other developments. You've got the Tanger Outlet Malls located over here that was recently completed, as well as a series of hotels along Race Track Road including a Holiday Inn as well as a new Hampton Inn. There are future plans for more hotels in the area. These developments are actually quite influential in sparking new development.

Now there was a series of transformation of ownership of The Meadows over time. There was a group that purchased the track including a driver and trainer Delvin Miller and then it was purchased by Stuart Williams, a prominent lawyer in Pittsburgh in 1986. Then he subsequently sold it to Magna, an English-based group Ladbroke in 1988. Then it was bought by Magna Entertainment in 2001 and then in 2006, my clients purchased The Meadows. My clients being The Cannery Casino Resorts based out of Las Vegas. They had quite a vision for The Meadows.

With the new gaming legislation in Pennsylvania allowing slot machines at tracks, the new owners had a vision for The Meadows that would transform it into one of the premiere entertainment destinations in the country. The original five-eighths mile track is still operational for more than 200 race dates a year. The modest clubhouse has been demolished, and a new, state-of-the-art entertainment complex has been created in its place.

Immediately upon acquisition of the property, the new owners headed by Bill Paulos and Bill Wortman, had a mandate to have a temporary casino operational within the first year. In June 2007, the temporary casino opened with 1,800 slot machines along with food and beverage facilities while the existing race track remained operational.

From the time the foundation was in place, it only took seven months to complete the temporary casino with the design team and LPCiminelli as construction managers who kept the project on schedule and on budget. The result was a highly successful facility that generated revenue exceeding expectations paving the way for the permanent facility. This is a site plan

showing the location of the temporary facility in relation to the existing clubhouse which is shown in blue here. I have a series of slides of the temporary facility. This was our original rendering of the temporary facility, which was basically in what are called sprung structures that are clear-spanned, tent-like structures supported by clear-span aluminum sections. We developed an entry building leading into the structures. This is the final product here of the temporary facility and an aerial shot of that as well. A couple of images of the interior of the temporary facility, which actually when we were inside it didn't feel temporary at all. This is our central bar and then the general gaming floor as well.

During the operation of the temporary facility casino design commenced for the permanent facilities. Master planning went through a series of transformations starting with phase one, and this shows the temporary facility here with the permanent facility in place of the existing clubhouse. Then a subsequent phase, we were envisioning a hotel located in this location as well as a parking structure linked to the casino. Then we had also planned for a retail lifestyle center located along Race Track Road linking to the hotel. Within the infield of the track, we have plans for an amphitheater as well as a feature pond, which would function as a skating rink in the winter. The future of The Meadows actually has tremendous potential to support all this development.

During the design of the — this is a rendering of our permanent facility with the hotel. During this design phase, it was decided by the owners that it was important to include the parking structure with the first phase of the permanent facility.

We changed the design to incorporate the parking structure and leave the hotel for a future phase. The parking structure — this is the current permanent site plan actually that has the parking structure now located over here linked directly to the casino. The temporary facility is now gone and this is space for future development, and we have plans for other facilities including a hotel and a multipurpose banquet and entertainment center as well in that area.

The permanent facility was opened in April of 2009, just this year. This is a rendering of the front of the permanent facility. Then this is the track side view. This is an actual photo of the finished product. The front façade and then an enlargement of the main portico share, and then there's another entrance for the race track as well. Here's the track side view.

Inside, this is a plan of the ground floor. The Meadows is a multipurpose entertainment complex. It's got 36,000 square feet of space on three levels. The parking structure is a 5-level structure with 1,000 cars linking to the casino. All of the components have been carefully integrated to maximize the synergies within all of the facilities.

This master plan of the main level shows the entrance at the bottom here. The red is the overall gaming floor. In every corner of the facility it's animated with various functions including the high limit slots in the top left. You've got the cage in the bottom left. We have a mid-tier gaming area in the bottom right. There's an entertainment lounge and bar in this area. The food court that has five venues overlooks the race track in this rotunda. You've got a central bar located here. There's a main restaurant overlooking the track called The Terrace Lounge that spills out onto a deck overlooking the race track. You've got animation throughout the entire floor. The actual footprint of the main floor is the size of four football fields. There are 3,700 slot machines in totality within that level.

This is a view of the main foyer. It's a two-story space as you walk in right into the gaming floor, a photograph of the central bar and lounge within the atrium space that leads up to the second level. This is a view of the terrace lounge that overlooks the race track. A view of the food court, it's very well lit with the five venues overlooking the race track again. We were very careful in terms of our relationship between the track and the casino so that everything is integrated and has a very natural flow between the functions.

This is a shot of the high limit slot area and a view looking down from the glass elevator that overlooks the central bar and the gaming floor and that takes you up to the second level, which we call the sky level, which has a steakhouse that overlooks the track. It's got VIP rooms here. This is a shot of the track level that contains the race book. We've got a 24-lane bowling center. It's got another food concession called Delvin's within the mutuel hall that spills out this way onto the apron of the track.

There's a series of shots of the upper level. These are the VIP booths. It's another shot. They have their own internal grandstands, as well as some meeting space with their own private bars and betting facilities. This is a view of the steakhouse entrance. Now we're down on the track level. I have a series of shots of the bowling center, 24-lane bowling center that allows for tournaments as well as there are four private VIP lanes. There's a lounge within the bowling center and various lighting effects that we have.

We're currently in anticipation of the pending table game legislation in Pennsylvania. We've designed a new poker room on the track level adjacent to the simulcast lounge. This room will have 26 poker tables, and we're ready to begin construction when the state gives the green light.

There will also be accommodations for other table games within the existing footprint on the main casino. The new table game legislation will likely spawn additional development, so we've been in the process of master planning future phases for The Meadows; which will allow the property to evolve further and to add to this very successful and exciting entertainment destination. Thanks very much.

Mr. Palmer: Now I'd like to turn it over to Don Dissinger, and I'm sure he will liven things up a little.

Mr. Donald Dissinger: Good morning. I have a question for the audience. Let's see how this advances. Okay. Let's back up one here. Okay. Got it. Does anybody know what the two most attended sports in the country was before 1972? Over here? Absolutely right. They were the two largest spectator sports in the country. Of course in the timeframe that led up to 1972, the horse racing industry was the largest of the two. As you can see by the buildings that exist in California, New York, Arlington, Old Arlington, Hialeah Park, attendance was in the 40,000 patrons per event per day.

I've been coming to Tucson since 1984. In the early 80's, horse racing expanded. It started in Minneapolis. It moved to Birmingham, Alabama then to Oklahoma City. The idea that Pari-mutuel racing was still growing in the early 80's, although it was on the downside after the start of the lotteries throughout the country, and the \$2.00 bet moved to the lottery.

The whole industry of racing has been on the decline since the mid 1970's. Of course the onset of gaming, to help revitalize this in the late 1980's and early 1990's, the battle that — I was here when the racing industry was struggling with the idea of integrating gaming with racing. I think David Vance, a colleague of ours from Remington Park in those days, was at the forefront of that experience and is still engaged in that event as we speak today.

Things have changed. Gaming is here to stay. It is a partner with racing. Everything will change as it did since the early 1970's. What I'd like to talk to you about today is anybody here that's engaged in racing and gaming, that is a moving target. If you have real estate, and you have a gaming legislation, you have to protect that legislation and its current rate structure so that, in fact, the horse racing industry can continue to benefit from that gaming legislation.

You need to plan and anticipate competition. What do I mean by that? Maryland has just created legislation. Ohio has created legislation. Pennsylvania's kind of out in front of it. Florida has legislation. There are 44 racinos. There are 12 states and several other states are considering this. It's a regional market. Gaming and racing is a regional market, and you have to understand what your long-term opportunities are going to be in that market. If and when you have an opportunity to build, you want to think ahead as to where things are going to be, not just what you have to do to get in play. I'd like to suggest that what you think is the easiest thing to do may not be the right thing to do.

In the case of The Meadows Racetrack and Casino, having the temporary made a lot of sense. Today the costs of the current tax rates are such that unless that temporary facility can become a permanent facility and add

money to the bottom line in the long-term, better to build what you want right the first time. You need to be capital conscious. Buildings that are \$400 a square foot don't pencil in a tax rate market that's at 50 percent. You've got to rethink the investment structure and the facility model.

You have to understand your market characteristics. Who is your racing fan? Who is your potential gaming fan? What are the competitive discretionary dollar businesses that are in your marketplace and how are you going to compete with them? Then ultimately, you've got to look at alternatives for what it is you're going to bring online and develop them. In the case of Prairie Meadows, they continued to create attraction after attraction after attraction just like an amusement park to continue to excite and enhance the patron base. I think the key to that is understanding what all the pieces are and having a very clear master plan for that set.

What I'd like to do is talk briefly about what's happening today in some fairly competitive markets, through the eyes of a master plan and a long-term development strategy for enhancing a property's value in a particular region. Those three projects are Delaware Park, Harrington Raceway, both Delaware properties that now have the ability for sports betting and potentially table games, and Hialeah Park, which just reopened here the day after Thanksgiving for the first time since 2001 and the 9/11 disasters in the US.

What's really interesting to understand is that Delaware Park's been running a gaming operation for 15 years inside an existing grandstand. It's done well.

They continue to take more money away from them as the tax revenues in the state fall, and it makes it exceedingly challenging for them to continue to be competitive with Pennsylvania, in particularly Chester, PA with the Harrah's Casino right on their heels. But they've invested in a long-term develop strategy that's going to capitalize on their acreage.

They are an old DuPont property, historic race track in Delaware that has a very solid racing base and a very strong racing program. They have just under 3,000 slots in the existing grandstand. What they realized is that they have a property that could evolve into something more than just a racino.

Their strategy is to develop the property. Their race track and clubhouse really started about 15 years ago. Their first major reinvestment was the development of a golf course on some of that acreage that winds itself through the property, so that they would create another amenity for their frequent players. Right now we're in the planning stages of a casino hotel, 300-room hotel, and the relocation of the slots to an entertainment facility on the property that's connected closer to the golf course and to the transit center, which will be funded by the federal government, which is on the Amtrak line that links Washington, Wilmington and Philadelphia.

Ultimately a retail center that will link both the resort property to the original race track itself and then a commercial center, which is connected to Kirkwood Highway on the back side of the property, and then eventually housing that is at the other end of the golf course. They're looking at their real estate model and looking at multiple business plans for the development of that property so that they can sustain the racing model and integrate racing as an overall destination development.

The stand alone casino property sits along the railway and transit center so that they can become connected. You can see there's a bridge that crosses the railroad tracks to the parking structure. What you end up with is a 3,000 slot facility that has a sports betting parlor in the upper part of the drawing and then eventually transforms into a table game setting this summer. With that legislation passing, so they can begin to create a destination entertainment center similar to what you see at The Meadows. Of course The Meadows in Pittsburgh will be adding table games.

In addition to that, the podium supports the development of a convention business, similar to that discussed by Prairie Meadows, and as a result the hotel in front, 300 rooms, creates overnight stay on the property for the first time in its history.

All of those things are essential to connecting the various gaming, sports betting, simulcasting, cards and eventually, of course, the hotel and convention business. That's how the property looks. The track building stays and then the retail center is connected to it in the final phase of the development.

That's a somewhat urban center in the northeast corridor. I'm going to give you an example of a slightly more rural setting where the demographic market is a 60 to 80 mile. It draws in DC, eastern shore of Maryland, the Delmarva Peninsula, even destinations coming up from Norfolk, VA. It's on the southern frontier of Delaware along the Maryland border. Built as a fairgrounds in the 50's, a standardbred track, half-mile standardbred track. You see this as it's set up for their state fair.

Once a year, 10 days a year they bring 300,000 people on site to host the state agricultural fair. Most of the buildings are all fair buildings, simply pre-engineered structures that were designed not necessarily for casinos but for agricultural events. They have a different strategy. They're in a different market.

What we did is we looked at how that campus works as a destination for that market demographic. What we did is we struggled with how to transform it from an equestrian and agricultural center to become an entertainment center year round. In that process, what we realized was that the race track, or the grandstand, is trapped by the agricultural fair because it's located in the heart of the campus on the right side and all the yellow is parking that

serves that. There's a training center on site, so within 200 acres, only 5 acres was dedicated to entertainment.

The goal was to try to understand how we could reorganize that property so we could expand the entertainment model because it is the revenue model. Ninety-nine percent of all revenues that flow to the Delaware State Fair flow from the casino slot machines into a dividend structure that is managed by a 90 person board, which feeds the construction of the facilities of the Delaware State Fair. It's a non-profit, but it's driven to support the agricultural mission.

Our goal was to take that property and bring it into a modern casino. What you see here, in Phase One, you had a 50,000 square foot, pre-engineered single-span butler building. Phase Two you had a similar building, and then in Phase Three we converted all of those facilities into a new casino feeling and created a strategy to create an entertainment facility on their property. They've been sustaining revenues in the state fairly well. With the sports book opening now, they have the ability to generate overnight stay, and with gaming tables coming on potentially as early as this summer, their plan was to create an opportunity for a hotel.

Linked to the grandstand, which is to the right, and you can see the race track; the new gaming hall, which is above in green. The yellow color is an expansion for table games and a hotel that sits, again, in the heart of that campus reorganizing the equestrian buildings outside of that area so that they can use them for things other than equestrian facilities. The main equestrian shed is being studied and will become an entertainment arena. That's also part of this so that they can also start to host conventions, as well as concert events on a year round basis. These structures are being renovated at fairly modest numbers. I mean we're talking about a building that's got some 75,000 square feet that will be converted into entertainment for \$12 million. That will generate 20 additional events a year, which creates on a per-event basis a net \$250,000 a year which generates for their campus an additional win on a per year basis of a couple million dollars, so in five years it's a profit center.

This is thinking ahead. They are not going to build a \$40 million arena, but they are going to entertain their demographic and enhance the long-term win in their slot parlor.

Same thing with the hotel. The hotel is going to accomplish more than a one-day stay. Their average stay is four and a half hours. They have a buffet. There are some six-hour stays. Their goal here is to go to one and a half days. With the sports bet now up and running and with table games coming, they're going to be able to generate an overnight program. Again, that's projected to add another \$100,000 of win on a weekly basis. This is all the idea of staying ahead, looking ahead. It's not going to make them become the most successful racino in the country, but it'll make them and

their business sustainable in the long-term which preserves racing as a destination.

Let's now look at one of the grand dames of all, Hialeah Park. The day after Thanksgiving I attended the reopening of that property. There were 26,000 people witnessing a quarter horse race. The largest attendance at a quarter horse race in the history of quarter horse racing. Only \$200,000 of handle. A lot of people kicking the tires about what could Hialeah become again as a destination racing facility.

We discovered that property in a jungle, overgrown, beat by four hurricanes, totally devastated in July. We reopened the clubhouse in a restored condition five months later. There is a will if there is an opportunity and a market for it. These are some of the early days. The plan was quite simple. Open up the clubhouse, which is the yellow structure. You can see the grandstand in the middle and the large paddock. This paddock is like Central Park in Hialeah. It is the number one destination and identity of the City of Hialeah. Preserving that in the long run as a part of a community development strategy is the way they see reestablishing Hialeah as an investment property. Restoring the clubhouse is part of that strategy.

Looking at what it was like and totally reimagining it again, totally revitalizing it so that it can run as racing but only one-third of the whole racing infrastructure will be used for racing. The rest of the campus will be developed into other things. This is a pavilion in the paddock called the Flamingo Pavilion; it's been restored as their new clubhouse and simulcast building. The other idea is to link that then eventually to the grandstands on the other end, which become the gaming property.

The long-term development strategy at Hialeah is to restore the paddock as an entertainment space that works both for racing and for gaming; and to create the clubhouses on the right side and on the left you can see the casino position. That project is under way as we speak with an opening scheduled for 2012.

The original grandstand is on the right. The proposed casino facilities, the Flamingo Pavilion is on the left. The grandstand and hotel, or the casino and hotel are kind of anchoring the other end of the paddock. What's most important in this strategy is there is urban investment money that will fund a transit center, because there is an existing transit stop on this site similar to Delaware Park. This site will benefit from that.

The existing train station will be connected to the new Hialeah Transit Center, which will be partially funded by the City of Hialeah and the State of Florida in terms of the parking facilities, creating development in the community for the first time in 20 years.

That will lead to the town center, which will be attached to the paddock. Then you can begin to see the overall development will create a whole new destination in the City of Hialeah and become the center of their overall development district in the future of the City of Hialeah. That's many years away, but the idea that the race track and the gaming can feed the development model is key in the strategy in looking ahead for that property.

The Brunetti's have owned it since 1972. It's been dormant since 2001. The amount of energy that is now surrounding this property points to the potential of this being reopened and hosting a Breeders' Cup maybe as early as 2013. In this case, destination thoroughbred racing will be restored as a result of the gaming model.

Mr. Palmer: This is a good friend. Our firms have collaborated many years from baseball stadiums and other projects. This is Russ Simons.

Mr. Russ Simons: Thank you. Good morning ladies and gentlemen. Thanks for your time and your patience. I'm really excited how this panel has evolved. Gary started talking about the evolution of Prairie Meadows as a destination and Frank — I appreciate Frank saying that operations people must be and should be included in this process. It's a concept that I have trouble selling. David and Don really talking how these things evolve. I was hoping the panel would do that.

Normally I could talk my part about this for about an hour; and then want to compress it into ten minutes and now maybe about eight, being respectful of your time so that means only one thing, I have to talk really fast. I have to get rid of the jacket.

I'm a senior principal with Populous. As you can tell by my slide, I'm really interested in the horse. I'm interested in the race track as the foundation destination for what we're talking about here. Populous formerly HOK Sport, ten offices worldwide, lots of numbers. Most important thing of our 1,000 projects we have done, over 250 have been in equestrian and race tracks and fair environments.

I think we have a unique perspective and a distinguishing difference, and that's because my name is Russ Simons and I lead a part of our practice called the Facility Operations, Evaluation and Analysis group. I am not an architect. I don't try to be one. In fact, I'm sure my colleagues are very grateful for that. The idea is that I spent 30 years in operating public assembly facilities.

My focus is what happens to the guest. How do we create revenue? How do we manage expenses? Where do we create opportunity? I'm going to talk about this in a context that takes the fine work of our panel, in terms of the pieces and parts of destinations that focus either in and around or support racing, and tell you that there are some things we've learned, particularly in

major professional sports and major professional sports franchises, that can be applied to your business. It may look like I'm going off the reservation for a minute, but I promise I'll bring it right back around.

Major professional sports, I've heard a lot of talk here this week about how the major sports franchises have done some things that you've haven't been able to do in racing; that you haven't been able to really capture a consistent and/or deliver a consistent guest experience overall. These people know that architecture is an important part; it's not the only part. While we have to have the physical tools in order to meet the expectations of our guests, there's another part of this process that I want to talk about, which is the guest experience.

While it applies to destination environment where the overall guest experience for each and every one of the parts must be at a very high level, I think it also applies to the day to day functions at your race tracks. Lot of talk here about new customers. Everybody wants new customers. I heard a lot of frustration about how do we get them, and if we get them how do we get them? When they're making their decisions about their discretionary incomes, they might give you a chance. You get that one chance, that one opportunity to do it right.

Well, here's one of my major concepts today is if your facility does not meet the standards that they come to expect in their daily life, they're not going to come back. This is a convenience store. I can go in that convenience store. I can get my gas, I can get money. I can usually get a sandwich made for me, perhaps a hot something to eat. Krispy Kreme because I'm from Nashville, Tennessee. Everything can be done on my credit or debit card. Can that happen in each of your facilities?

I've been in a lot of race tracks over the last couple of years; I can't use my credit card at your concession stands. I can't use it at your portables. We know in the major professional sports business that the take is 15 to 25 percent higher when you have a comprehensive POS system for food and beverage. Is there a reason you're leaving this money on the table? Perhaps the capital costs can be stringent, but when you think about that playing out over a period of time, and you think about the consequences of not delivering the experience to your guest, not really a good idea.

What can I get in a movie theater? What's my experience? This is how I live my daily life. Now I'm going to take my discretionary dollars, this value proposition for entertainment and I'm going to go to your tracks. If I can't get what I can get in my daily life, why am I coming back?

Starbucks, any kind of retailer — look at what grocery stores are doing today. They are becoming, in a way, entertainment in their own right. Many, many more men are shopping. Why? We now get free samples. It's not that complicated. This is the experience in your daily life. If this isn't the

experience at your track; if the convenience is not consistent with the experience at your track, what do you think your customers are going to do with their money? They're going to go where they feel like they're appreciated. Regardless of it's a destination or just the daily operations at your facility, you must take this into consideration. While you maybe don't have the resources to have a wholesale revamping of every piece, you can begin with a master plan. You can begin with a vision and that puts you in a position to take advantage of opportunity when it's created.

Key elements about the physical structure and the successful fan or guest experience. My other major point here is that the condition of the facility and the attitude of your staff have the greatest impact on your guest experience. We all know that your fans don't win the game every race. We know that everything else has to be at its best. In major professional sports, we can't predict the outcome on the ice or on the field. We can't really have anything to do with the quality of the entertainment proposition, but if we manage these other pieces, we can have our guests leave our facility thinking that it was a good experience.

I had a conversation with Gary earlier. He said, "I'll go to a restaurant and maybe it'll be mediocre but people treated me well and I felt good. I'll go back. Food wasn't that great. That's why I was there but I'll go back." Here's a concept that I don't think has made its way into a lot of your individual track operations' thinking. As people approach and arrive, that's the difference in two facilities.

All the pictures I'm showing, by the way, are in the sports environment. I didn't want to take anybody to task within the racing or gaming overall. Lobby. Some small piece. You can sit there right now and say to yourself, "What's the experience of your guest like?" If nothing else I would encourage you to get out, manage by walking around and really take note of what your guest is seeing as they approach, as they arrive, as they navigate the path of travel through your facility. Understand what they're seeing.

Corridors. I see this kind of shot in a lot of racing facilities. I really won't spend a lot of time in this portion on concessions overall, which by the way in major professional sports, we know is the critical issue in terms of people feeling like they've had a good fan experience. Can I get the variety? Can I get waited on in a way? Is it clean? Is it well appointed?

I want to take you very quickly — I'm going to go through a lot of slides very quickly. These are, as a part of my guest experience mystery shopping practice. I have been in every major public assembly facility, certainly in North America, and many around the world. Everything you are going to see is what fans or guests saw as they were going to this entertainment destination. If this is you, is this what you want your fans to see? This is actually the worst thing that I can think of. Dead bird.

We have some ladies here, thank you for coming. I don't know if that's right or not, but I think dead bird pretty much is it. Ladies see dead bird, they immediately extrapolate that the kitchen is not clean, that the toilet facilities are not going to be adequate or satisfactory and dead bird equals, "honey, let's go. Come on. I'll go to Home Depot and walk around with you for a while." Okay.

Guest services. This is an example of a guest services representative. The attitude of your people, the training of your people, what they wear and how they act has a huge, huge opportunity to create a personal one-to-one relationship with your guest. How do you train them? How do you outfit them? How do you support them? How do you assess their activities?

This is a lady right here at a major league baseball park, saw a lady taking a picture of somebody else and said, "Hey let me take your picture for you. Why don't you guys get together?" Not only did she do that, not only did she express great customer service, but she helped them create a memory that they would have for a lifetime.

This is another example of a lady who was ending her shift. She went to her regular customers to tell them goodbye, remind them when the next home stand was coming. Create a one-to-one direct relationship. All of the architecture we can talk about, and admittedly I'm from an architecture firm; but all of the architecture on the planet without this commitment means that it doesn't matter if you have a destination; you're going to have a destination to nowhere.

Very quickly, you're walking around, you're in a facility and you see this. How do you feel? How's that going? Wow. What am I going to buy from there? What are the chances whatever I get out of that stand is not going to make me ill? I actually regret this, I wanted to get a ladder and write my name up on top. That would have been a nice feature. How about when you walk up to get some service, and your people are on the cell phone or having a conversation and ignoring their customers? I don't care what your architecture is. It could be the most spectacular in the world, but this customer walks away thinking they don't care about me. They don't care about my money and more importantly they disrespected my time.

Want something to eat? Pretty good actually lay out. Menu boards. How do you invite me to participate? Am I thinking maybe the hot dog is as old as that sign? Is there any chance that the hot dog looks anything like the hot dog that's pictured in there? No way.

Signage, graphics and lighting are your best friend. They are some of the cheapest investments you can make in whatever condition or physical facility is today. It's very easy to get up and say, "Oh you should build this or you should do that." I'm not here to tell you that. I ran public assembly facilities for 30 years. I was responsible for the money. I get it. You can have a plan

so that when opportunities create, you can respond and then when all of those opportunities are blended together, you have delivered your vision.

Cleanliness. Nothing more important. Roller grill. Do you want to eat off of that or this? We think our customers can't see behind the counter. Come on. Put yourself — everybody's hungry so never mind. These are the kinds of things that have been seen. These are in public areas. Now unfortunately for my children, I'm known for trashing toilets. Everybody's got to be something, and I have that category.

Very quickly as you're walking around through your facility — I love people eating on top of garbage cans. Inspires me to go home. Everywhere we look. This is what I call public art. Everywhere we look and everywhere we go these things — you actually don't have to worry too much about that the bugs because most people don't look up. Everywhere we go and everything we see begins to create a sense about where we are and the commitment of who we're there with to our value.

This right here, NFL stadium, bad idea. This right here, a major top ten football team just before half time, which is when everyone will go to the toilet. When you get that black color in mold, it's really had to been there for a while. These are the details that make the difference. When you have a guest who creates a personal connection by their smile, by their overall knowledge of the site, by being able to answer questions, you can create a fan for life. How much do we invest in those people? How much do we give them the tools and the training necessary to successfully deliver on the expectations of the architecture?

For me, the guest experience overall, if you eliminate that from the discussion on destinations, what do we have? We have a lot of pretty buildings. They don't bring life. They don't create revenue. They don't create the type of fan for life that you get when you take your kids to something, and they take theirs and you have something that you're always talking about as part of your family.

In my opinion, there's a few things, leadership. You must lead by example. You must lead and manage by walking around. It's very difficult to manage from an office in a public assembly environment. Training. Training is for everybody. Within training, I get things like uniforms and things like—all of the things that are going to contribute to your guest services representatives being successful. Execution by all parties, which includes not only your in-house staff but also any subcontract services. Your customer doesn't know who they are. They are you.

Finally, assessment. If you don't measure then there's no way to really know. I will tell you that I do a great deal of work in safety and security and finance and that type of thing. Simple rule of thumb for me is that when

people know that someone is paying attention, they behave differently. Thank you for your time. I know I went over.

Mr. Palmer: Thank you very much all — pardon me, all you panelists. I don't want to rush you. Are you sure you don't want a few more minutes?

Mr. Simons: I got more.

Mr. Palmer: Does anyone have any questions? I know we're running over time a little bit here, but anybody have any quick questions for any of our panelists this morning? Russ has got at least an hour left, he said, if you want to go for it. If not, thank you so much for coming this morning. We appreciate it and thank you panelists for coming.



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