

10:00 a.m. – 11:00 a.m.

Racing's New Partners

- **Bob Farinella, President and CEO, Prairie Meadows Racetrack and Casino**
- **Chuck Keeling, Vice President of Racing Operations, Great Canadian Racing Corporation**
- **Senator Paul Massicotte, Financier and new owner of Hippodrome de Montreal, Hippodrome de Quebec, Hippodrome D' Aylmer and Hippodrome de Trois Rivieres**
- **Robert Soper, President and CEO, Mohegan Sun at Pocono Downs**
- **Tim Wilmott, COO, Harrah's Entertainment**
- **Moderator: Chris Scherf, TRA**

Chris Scherf: Good morning, everyone, I am Chris Scherf, the Executive Vice President of the Thoroughbred Racing Associations. The next session has to do with racinos, which has been a marvelous development for our industry, although one that still scares a lot of people. We are going to have a casual conversation about it, we are going to welcome questions from the audience, and I will begin by introducing our panel.

On the far left, we have Chuck Keeling, who is the Vice President of Racing Operations for Great Canadian Racing Corporation, and he is a third generation of an old line racing family, but is now running the operations for what is becoming a gambling conglomerate that includes one of our member tracks, Hastings Park.

Next to Chuck is Tim Wilmott, COO of Harrah's Entertainment. Harrah's is the owner of Louisiana Downs and part owner of Turfway Park, and has been tremendously supportive of racing in both of those places. He has been COO for three years and has 19 years with the Harrah's Corporation.

In the middle of our panel, we have Robert Soper, who comes to us as an attorney, a graduate from the University of Georgia. He is with Mohegan Sun at Pocono Downs, which is just chomping at the bit for Pennsylvania to get its rules and regulations in order and they are good to go as the newest racino.

Next to Bob is Senator Paul Massicotte. I was going to introduce him in French, and I was not so much worried about the limits of my high school education, or my high school French, it is just that it was so damn long ago, I think is the problem. He is a cultural leader in Montreal with an accounting background, financier, and he is the new owner of four racetracks in that province, Hippodrome de Montreal, Hippodrome de Quebec, Hippodrome de Aylmer, and Hippodrome de Trois Rivieres. So he is somewhat new to our industry and gets to hear us talk about all these problems, and I hope we do not scare him off before he gets started.

Finally, immediately to my left is Bob Farinella, long-time Director of the TRA, good friend, we are sorry to see that right now he is retiring from Prairie Meadows, where he has been President and CEO since it's re-inception. If you are not familiar with the history of Prairie Meadows, it opened as a racetrack only, and a very impressively built racetrack, but even at that, it was unable to make a go until it got slots put in. Since that, it has just been an enormous success story, and he can tell us about that.

I would like to start by asking the panel if they would just, by a show of hands, is it good to own a racetrack that has slots? Yes. Well, that does it for me. Are there any questions?

Okay, we have a serious question. How many are going to bid for the New York franchise. Charlie doesn't mind. He says, "What is one more?"

I guess we will start with everybody making an opening remark and I will start at the far end and work this way. Chuck, you are building a gambling corporation now and taking on more and more, and if you could just tell us your strategy or your conviction that is pushing you in that direction.

Chuck Keeling: Sure. I will just start with an issue of semantics, Chris. You introduced the company I now work for as Great Canadian Racing Corporation. It is actually Great Canadian Gaming Corporation. It is just a small point, but it speaks to the greater issue that a lot of people in the industry are talking about and debating right now.

I have a somewhat unique background, I think, to the panel, in that I am a racing guy. As Chris alluded to, my family has been in the racing business, on the harness side, historically for a couple of generations. I am now in what I see as the enviable position of working for a gaming corporation that has started a racing division in the last eighteen months that now comprises five racetracks in Canada in two different provinces. We have one thoroughbred track, Hastings Racecourse, that Chris mentioned, as well as four harness tracks.

It has been an interesting experience for me. In the last twelve months since I have worked for this company, they have actually acquired the two tracks I formerly represented in British Columbia. I have a racing background, but now I'm going through the enviable experience, but also the challenge, of working for a gaming company and educating them about the merits and the possibilities of what racing provides them over and above just the slot machine opportunity. I hear the snickers all the time, within the industry and outside of it, that the company is just in it for slot machines. We see that internal debate in the industry in North America all the time.

However naïve my position might be, I genuinely believe that there is an opportunity for racing marrying up to these gaming companies and leveraging some of the resources that they bring. A couple of quick examples. Hastings Racecourse last season, Great Canadian actually advanced to the purse pool a million and a half dollars to finance the reintroduction of Friday

night racing. They spent half a million dollars on a horse sale that they lost substantially on, and went into it willingly to actually import thoroughbred racehorses from the US, primarily Florida. They spent an extra ten million dollars on the build out of the harness track in Vancouver called Fraser Downs, and that is ten million dollars that the company I previously worked for would not have spent. I do believe that companies like Great Canadian and other companies represented on this panel are not just in it for the slot machine opportunity. I think that on the racing side of our operations, the challenge is upon us to provide the business argument to continue those types of investments in the racing side.

Chris Scherf: Thank you, Chuck. Tim, Harrah's has a great reputation and a long experience in the casino industry, and actually the very first casino I went to was Harrah's in Atlantic City when it first opened. You are relatively new to the racing game particularly, I think it was two years ago you started with Harrah's Louisiana Downs and now you are building another racino in Chester, Pennsylvania. What is the attraction, and what has been your experience with getting into the racing business?

Tim Wilmott: I will start by saying our primary interest is slot machines and table games, and the big event in our company right now, which occurred last June, was the acquisition of Caesars, so we are in the process of consolidating those two large businesses. We now operate 40 casinos in the United States and a couple internationally.

Our involvement with racing really has developed over the last five years or so. As Chris mentioned, we have Louisiana Downs in northwest Louisiana, which we now operate with about 1,500 slot machines at that track.

We also are developing a \$400 million project in Chester, Pennsylvania, if that state enables us to open up the slot operations. We are anxious to get started. We should be able to have the track complete by the third quarter of this year and hopefully get started with the slot operation in late 2006 or early 2007.

We also operate a racino in western Iowa in Council Bluffs, which is a greyhound racetrack. As Chris mentioned, we do have some interest in Kentucky, with our part ownership of Turfway Park, and we also own Bluegrass Downs in Pedukah, Kentucky. Obviously we

would take a hedge position if Kentucky ever enables legislation to allow some form of casino entertainment.

I would characterize our interest with racing as opportunistic. I think the challenges we see going forward for further expansion of Harrah's into the racing field will be dependent upon the economic model created by states as they consider legislation. Clearly, as we look at states like Pennsylvania, where the tax rate right off the top in excess of 50 percent, it does cause us to pause and make sure we can continue to grow our large company when you have economic battles that minimize your profitability opportunities.

Chris Scherf: Thank you. Next, we are talking about Pennsylvania, and we are talking about before he got into the racing business for Mohegan Sun, this is somewhat new territory, and I know you have been on the job for at least a year now? I would like to get your thoughts, and on behalf of Mohegan Sun, what your anticipation is for running a racino, which is a slightly different creature than your very successful casinos.

Robert Soper: Sure, Chris. It is interesting. This is our first commercial acquisition outside of Connecticut, and we are very excited that it is a harness track and ultimately will be a racino. The Mohegan tribe was interested in this property, and I am often asked why they purchased this property. For various reasons, investment reasons, the synergies it is going to create with the mother property in Connecticut, probably less because it is a track.

With that being said, we are new to live horse racing, but we strongly appreciate the spirit and intent of racing and the law that allows racino operations. After all, it is called the Pennsylvania Horse Racing and Gaming Development Act. We have a strong commitment in ensuring that we can do whatever we can possibly do to improve racing operations at the track.

We, as an organization, again, are used to a much different model. We are a growing company, far away from Tim's company, but we wanted to start small, and as our first commercial acquisition, learn what it is to operate in smaller markets and in different markets. Diversification not only means in terms of geography, but it also means in terms of different business, so we hope to take the fact that we are new to horse racing and apply the fact that we have a fresh, new perspective, and hope to help the racing industry with that new and fresh perspective.

Chris Scherf: Thank you. Senator Massicotte, I leave it very open to you. What is your vision and aspirations suddenly being involved in this business?

Senator Paul Massicotte: Thank you. Let me maybe first describe what I am doing here. Sometimes I ask myself the same question. Approximately nine months ago, the Quebec government decided to privatize their four harness tracks, Montreal, Aylmer, Trois Rivieres, and Quebec City, and there were approximately five final bidders, and the good and bad news is my company won the bid, so that is what I am doing here. The closing is actually occurring now. We have a binding contract of purchase. As part of the bid process, we get nineteen hundred video lottery machines, which make the proposal financially viable.

What are we committed to do? What are the consequences? We have committed to build a new track in Montreal completely. We have committed to renovate very significantly the Quebec City and Trios Rivieres tracks and spend a bit of money at the Aylmer track. Our expenditure will be in a first phase approximately \$100 million. Lota Quebec Estate Agency will be the one operating the video lottery machines. We will not be involved in the operation. They will be commingled with our building sense. It is kind of an entertainment center concept, but they are the operator. They are going to spend approximately \$100 million also in the first phase.

We can only expect things will get a lot better. In fact, we have committed to increase purses immediately by 50 percent, and we expect purses to increase by approximately 100 percent within three to four years.

The question I was asked, why did this proposal interest me? It is very simple. In Quebec, the horse racing industry is in dire straights. They are surviving, but it is very difficult, and consequently, frankly, I can't do worse. I think we can significantly improve the situation. The concept is very simple though. It is horse racing, yes. A bit like some comments earlier from some of our panelists, if you leave it to horse racing alone, which is merely a commodity business, because you have got all kinds of competition. We are really going to emphasize the sports aspect. The star system aspects, regarding the horses, regarding the trainers as well as the drivers as well as the people in the audience to use the technology and to also invest and basically buy into process, and I guess that is our challenge.

There is a lot to be done. We are optimistic. We are going to start from scratch. The good and bad news is that I have no experience in this industry, so I am learning really a lot and being advised by people like Jim Bullock and a lot of people we have created by way of advisory council. I guess the bottom line is 3 to 5 years from now I can tell you whether we are successful or we lost a lot of money. Thank you.

Chris Scherf: Thank you. And finally, Bob Farinella got into the racing business with a casino background, and has been in it quite a while, and, as I said, resurrected a vital racing and breeding program in Iowa, has been through the wars, dealt with commissions, dealt with horsemen, dealt with concerns and fears, and the allocation of money, which always raises its ugly head as we get into this mixture of the two. I would just briefly ask Bob to make some comments on his experience.

Bob Farinella: Thanks, Chris. A brief summary, Prairie Meadows, as many of you know, did have some economic issues in the early 1990's as it was created solely as a racetrack. It was afforded the opportunity to introduce casino-style slot machines in 1994 legislation and we actually opened up a slot casino in 1995. The overriding goal, obviously, was to create economic development and jobs, a tax base, and to continue to contribute to the economic base, Iowa being a strong agricultural state, to provide another incentive and another avenue of agricultural interest, strong agricultural interest, in the state.

With that being said, we started off with a big mission to grow and nurture the racing and breeding industry in the state of Iowa, apply casino revenues to do such, and to ensure that we continue to develop the competitiveness of the overall facility, make investments to ensure that the entertainment value of the facility continues to increase. We have done all of those things.

As we look back over the past 11 years of operation, we have seen a distinct increase in the breeding industry in Iowa. We race Standardbreds, quarter horse, and thoroughbreds at Prairie Meadows. We have seen a distinct interest in new owners. We have seen the breeding industry in those three breeds continue to increase.

As we look at the actual on-track operations, over the past several years we see a younger demographic being interested in coming to see races. If you look at our apron and in our

grandstand on our Friday and Saturday nights when we are very busy, you will see a good mixed demographic, old, young, both genders, well-attended, lots of interest and watching the races.

Developing the wagering fan, on the other hand, has been more of a challenge, but, as you know, it takes a while to build that interest in racing and develop that strong acumen for wanting to participate in the sport. We see that through the younger attendants that we have at the track, and our overall goal is that eventually we will be able to see some growth in our on-track handle.

What has our on-track handle been? Our on-track handle has seen ups and downs. Generally, you could say we are flat with some small growth on-track. Attendance has grown on-track, and we have seen lots of interest in participation. The overriding goal here is to continue to generate that future interest. From that standpoint, we have seen purses grow, and to that extent, that has continued to encourage that breeding industry.

One handicap that we have in Iowa is that we do operate under an eight year referendum cycle. So, consequently, anybody that is making an investment is always looking at that eight year window when the folks that live in our county can go to the polls and say whether this gaming operation will continue or not. Obviously, if the gaming operation cannot continue, then that support for the race industry will go away. Consequently, as you are going through that eight year cycle, both as an owner and a breeder, you are looking at hedging your bets when you get close to dropping the foal in the latter part of that cycle.

From the operators standpoint, we are very interested in seeing just how we make our investment plans to reinvest in the facility. So the experiment has not been without challenges, but nothing we do in the business environment is without challenges. Overall, I would say that it has had a very positive influence on the racing industry in the state.

We have seen Iowa owners and owners of Iowa-bred horses participating in Iowa-bred racing grow to the extent that over 70 percent of our purse money is being spent and going to Iowa owners or Iowa- bred horse owners. We have seen lots of good participation in the program, and I think the other thing that we have really focused on is, this whole experiment was created to increase economic value to the community, and over the years we have been very cognizant of that requirement. We have had economic impact studies done on a frequent basis to ensure that the value of investment that we are putting into horse racing actually has a good,

positive spin, and can give us a good PR story to say that what we are doing at Prairie Meadows has been very successful.

What we do know is that investment in agriculture generally gives you a higher spin factor than many other industries, including gaming. The agricultural spin factor is actually a little bit higher, so you have a good opportunity, and I think all of us need to continue to be very cognizant that as we invest these dollars that have been allocated to generate interest and create growth in racing, that we are able to back up and tell the true story of that economic impact. I think that will help in this long term success because there are those that, at some point in time, will raise the question of all of these dollars that are going back into the industry, asking if that is really the best value that we can use for our economic model in our state. It really falls on our back to make sure that economic model stands strong from the standpoint of the overall economic value to the state.

Chris Scherf: Thank you. I think a fear that a lot of people in the industry have about the marriage of racetracks and casinos or slots is that if the slots far outperform the racing product, eventually the racing product will be eliminated. There is still that fear, and toward that, I would like to ask everyone or anyone who would like to comment to it a question. There are different margins of expected return from the two different activities, a different return on investment. How much do you view these as a single entity, and how much do you set expectations separately for the two different types of business activity? What would the difference be in a good performing casino portion of it and a good performing racetrack operation?

Tim Wilmott: Let me try to answer that, Chris, and I will use our example in Chester, as we look at that development. Obviously, we would not be interested in that development if it wasn't for slot machines there and, as I said before, we are investing about \$400 million into that facility. I would say about \$100 million is going into the track, and about \$300 million is going into all the support in the casino operation area. Clearly, all the returns that we see from that investment will come from the operation of the 2,700 or so slot machines. As we look at these investment opportunities, obviously, it is a side of the business that we know well, and it is very much focused on trying to get at least a fifteen percent cash-on-cash return for our investment and it is all coming from the gaming side of the equation.

Senator Massicotte: If you want, I can make a comment. On the horse racing side, our forecast in three or four years, once the new racetrack is built, we expect to lose approximately \$20 million a year from the horse racing operation. If we work very hard and we are damn good, we will only lose \$15 million. Obviously, if we lose \$25 million, we are no good at all. It is a funny business.

The good news is we are getting a percentage of the video lottery machines. That is the fundamental of the business, at least that is what we are seeing in Quebec and probably most of Canada. That should concern the horse people, as your question was will that peak our interest? In Quebec, as is the case in many other provinces in Canada, we are not the operators of the slot machines or the VLTs.

Our focus, my focus, my company's focus, is 100 percent on the horse racing side. Obviously, our interest is to minimize that loss for the very long term. While the VLTs are providing us the tools, the financial means, to be creative in finding a long term, permanent platform for the survival of the industry and the prosperity of the industry, our focus is horse racing. I do not think it is in contradiction. I think it is like many businesses. In the real estate business, some things you lose some money, but it makes you money in other stuff. It is like the Internet, same thing, on the retail side. For retail consumer goods, there has been an increase in Internet sales, but we still need shopping centers. People need to go visit the goods, especially fashion goods. If it is a commodity good, then you buy it Internet. That is why racetracks are the wave of the future. That is the window. That is product. They may find Internet as a medium to the purchase, but you still have to show the product.

Robert Soper: I would just like to quickly add that, first of all, horse racing and slot machines and table games in Pennsylvania, if it ever comes to fruition, are two different animals, and I don't think the concern should be how much slot machines and slot machine play will usurp from wagering on horse races because I think they are two different animals. I think what the focus should be on is trying to create those synergies, the people you are driving to the facility because of the introduction of slot machines, and to educate them about the amenity of horse racing. I think it can be a positive focus.

I think the reality in horse racing is the focus should not be so much on how much slots are going to take away from horse racing, but to figure out how to create greater demand of horse racing. In the previous panel, there was a discussion from some of the media reps that often it is framed as a gambling activity. Perhaps that is not the focus. Maybe the focus should be, you know, just some other examples, NASCAR, poker, make it an entertainment item. I think that it will not be slot machines. First of all, slot machines are not going to be a panacea for horse racing, and number two; they are not going to be their downfall. What is going to have to happen is horse racing is going to have to find a way to generate greater demand and frame itself as an entertainment option that younger generations will enjoy and would like to participate in, separate from gambling activities.

Bob Farinella: I just would like to add on to what Bob said there. That is that there is probably no place, other than a racino, where the direct competitiveness of the greatest forms of gaming can be witnessed. When you bring casino-style gaming to the racetrack, it becomes very evident that the dynamics are different, and you in many ways are competing against yourself for the same entertainment dollars.

From the standpoint of Prairie Meadows, our approach has been to utilize the racing, the casino gaming, and the food and beverage as the overall entertainment experience. As we look at our program from a revenue standpoint, perhaps four percent of our operations revenue is derived from horse racing, as far as our total revenues are concerned, but when we put on that race program, we bring folks to the facility. That adds a dynamic of energy and participation to the facility, and those folks also then participate in casino gaming, food and beverage, and other things that go on at the facility. Our approach has been to take a look at all of the things that we have to offer, and use them in the best competitive light that we can to ensure that those synergies are there because one does support the other.

Chris Scherf: I just want to follow up on this. I would like to ask the other panelists. Obviously in the casino side of your operation, you consider yourself in the gambling business, now we are hearing talk about maybe racing is an entertainment more than the gambling, and I would like to know how you view that. It is an age old debate we have had in these meetings. Are we a sport or are we gambling. Revenue mainly comes from gambling, and I do not want to put words in

anyone's mouth, but when we are talking about it as an entertainment, are we talking about that as almost a loss leader for the slot operation?

Chuck Keeling: I will pick up on that question, but will also hearken back to your previous question. Again, looking at it from my perspective, roots on the racing side, to me, I think it just speaks to the greater issue of the systemic problems and challenges that racing faces. I am in a fortunate position, similar to the previous comments here that we are not at this point looking at trying to drive significant profit to the same level through the racing side of our operations, as we do the gaming side. That is obviously just not practical. I believe that it says something about our business and perhaps perpetuating a bad business model, or a flawed business model, if, going forward, horse racing cannot generate a return. I don't think that it is a bad thing to talk in those terms. As a racing person, I am very concerned about that long-term, that if we can't generate some type of return, we may have some issues. We don't expect our trainers, our owners to go out and not make a return when they put their horses on the track, although, as we know, in a lot of instances that is the case. I don't think we should expect the same of racetrack companies or the business itself, not to be able to generate some type of return, and thus legitimate ourselves in the marketplace.

Chris Scherf: Thank you. Senator?

Senator Massicotte: I agree we should make a return, but in the real estate business, when you have Wal-Mart as a tenant, they don't pay much rent. Effectively, you lose money on that tenancy, but they bring volume, they bring traffic to your business, they bring people to your shopping center. You have other businesses, smaller tenants, which pay higher rent for that benefit, and therefore the whole makes money. We should look at segments and hopefully everyone makes money, but let's not get paranoid. If the whole makes money, and it is logical, and it is a good return investment, it will survive.

On the issue of the sport, and I have been reading up on this industry the last six months, but I will tell you I am concerned as an observer that if you strictly make it gambling, because look at the poker stuff, you become somewhat of a commodity. Look at this town. I think 40 percent of its revenues now are machines. All of the machines are nearly the same, but they have

found a way to differentiate themselves. If you leave it to be a commodity, where it is simply gambling and there is nothing peculiar about it, especially on the Internet where there are many choices, you are apt to have serious problems where your business is threatened.

Therefore, you have got to develop a business plan to say how to differentiate yourself. What is different? If you look at other sports, or other avenues, being entertainment and so on, it has got to become stories. You have to get involved in the lives of your athletes, being your horses or your drivers and trainers and so on, and you have to create that sport again. Maybe you have to have seasons, competitions. Use technology. If you have to, put a microphone up the horse's nose or something. Create the excitement, and put cameras really close where you see the horse working very hard.

In Quebec, horse racing is way down, so we will have to invest a bit, like Bob said earlier, where we have to in order to get attendance up and excitement up. They may not bet for the next couple of years, but somehow we have got to create that excitement, and we have got to get like the star system. Basically these people have to become stars. The media has to get on site. We have to get people you are popular and famous to come to the track, and I guess that is the challenge we have. If it is strictly a commodity, I think ten to twenty years from now we will talk about the same thing and we will find another cure-all through state intervention or state support to help us, and that is certainly not our plan and it is obviously not our future.

Bob Farinella: I would like to add onto what Paul said there. Essentially we get into the economic model again, which drives everything and it really brings all of the different participants in the state, the operator of the track, the owners, and the local community that you live in. How does this whole horse racing entertainment value equation to our community work out?

Things that really are going to become important in the future as purse pools are pegged to a percentage of revenue being generated at the casino, having the opportunity to drive purses to astronomical heights can become a real issue, and it really takes, in many cases, the true economic model of racing out of the question. As an example, let's say that if we raced 100 days and we had x number of dollars in our pool, and that was a million dollars a day to race 100 days, your question would be, "Well, gee, do we really want to have purses of a million dollars a day?" Then you could say, "Well, no. Let's race 200 days and only have \$500,000 a day in

purses.” The bottom line is, is racing 200 days really an economic value to the community? Are the fans going to come out and support it on those extra days that you race? Are the additional operating expenses that are involved in putting that show on for that period of time? Again, the economic model, and everybody has tried to put a concise figure on, what is codification? What percent of revenues are we paying? How many days are we going to race? What breed gets how many dollars. The more you put all of that stuff into code, the less touch to the actual economic reality you are going to have.

So as some of the new folks here get into wrestling with some of these issues, I would certainly throw out there to remember the economic model, and be thinking about how you can best balance things that will really improve racing, and what is really important for racing, as opposed to just following a stream that happens to be under the code. It may not really make economic sense.

Chris Scherf: Thank you. Tim, would you like to address that? If not, I would also like to add something to ask you. That is, with Louisiana Downs, do you find any crossover between slots and horseplayers? The second part of that also would be what is the impact on the casino play when there is live racing versus when it is dark?

Tim Wilmott: Great question, Chris. We have looked at Louisiana Downs now for the last two years, when we have had live racing versus not. We do see very little crossover play between the slot customer and the track customer. Even as we look at our operations here in Nevada, we look at our race books and who is placing wagers in the books here and their crossover play, we do see a little bit more crossover play with a table customer than we do with a slot customer, not surprisingly.

Whether we run live racing or not at Louisiana Downs, we don't see any discernable difference in our slot revenue levels during the course of the year. I do think the experience is very different and the customer's expectations are very different.

Obviously gambling, from my perspective, is a very important component of the racing experience, but as someone said in the previous panel, there is so much more to the experience that I think needs to be promoted and communicated about. Attracting new customers and having

them understand the business, how to handicap races, how to get engaged in the experience, I think is critical to the future.

If you look at customers coming in as a new customer into a casino, it is very easy to play slots and get engaged in the slot experience. That is why the slot revenues in the last 25 years continue to show tremendous growth. Even on the table games side, table games is essentially a flat business force. All the growth in the last 25 years has been because of the new technology and how easy it is for customers to engage in the slot experience. Racing has to think about how to engage new customers and to make the experience easier to understand and easier to engage in.

Chris Scherf: Have any ideas on that?

Tim Wilmott: I do think, given our society, and the changes in our society, we need to pick up the pace a bit. It is a slower, more relaxed pace. I think as people are more constrained with their own personal time, when they look to be entertained, they don't have five or six hours to spend as they once did. We see our casino experience, especially in the local markets; we are offering a one-hour, two-hour experience per customer. It is a night out where they can spend a couple hundred dollars and then go home. I think you need to think about how to shorten the experience, create a higher level of energy, and a higher level of excitement in the experience than what you traditionally have offered.

Chris Scherf: Okay, we will open for questions.

Tom Aldrich: Gentlemen, all up and down this strip, you can find games with a takeout of maybe a half percent of up to fifteen percent. Do any of your companies see the day or the possibility that you could collaborate with commissions or horsemen in your economic models to lower the takeout and perhaps generate more interest in horse racing so that these vast disparities that you have talked about in interest could be closed?

Chuck Keeling: Actually, I will jump on that one because we are experiencing something in Canada that, Tom, you will know all about, that is an interesting experiment that way. In the last

six months we have been given the ability, through a deal between Canada and the US to actually commingle wagers, and we are seeing some interesting things happen in Canada as it relates to domestic wagering on Canadian products as well as some of those American products that we could only previously separate pool, not create the pari-mutuel integrity that some of our core players are looking for. To use your track as an example, the numbers have been significant, not only because we have increased the frequency of offering Northfield Park as well as some of those other American tracks that we otherwise would not carry, but I would suggest that the American tracks offer a certain value in terms of the size of their pools, but also, typically speaking, your takeout rates have been lower in Canada. I can tell you that there is significant internal debate in Canada right now about what is happening with this migration of handle as it relates to those lower takeout rates, and what will be the net effect in terms of incremental wagering. The results of that are very premature at this point, but it seems that there is anywhere from an 8 to 10 percent decrease in those average takeout rates going into those American tracks. What do you need to generate incrementally in terms of wagering to be able to absorb that, and will our fans respond? The debate is still out right now. I think theoretically it is the right thing to do. I think in six months time we will be able to speak to some quantifiable numbers to say, you know, the Canadian experience of having a lower takeout rate does either incent or not incent enough wagering to absorb that hit.

Dick Feinburg: I have a question this time, not a comment. We have heard that slots drive the revenue, not racing, which obviously comes as no surprise. All of you up there either are operating racinos or building racinos. I would like, if possible, a 60-second philosophy from each of you as to whether in your physical plants you now do, or intend to, segregate or integrate the gaming experience with the live racing or simulcast experience?

Bob Farinella: I will tell you that Prairie Meadows' experience, and our goal when we created the casino environment when we introduced that into our racetrack, was to have an integrated floor plan. For those of you who have been to our facility, you know that our casino floor bumps right up into our racing activities. In December last year, we were also interested in and allowed to introduce table games, and those table games are co-located directly with our major simulcasting and race area up on the fourth floor club house of our facility. No matter where you

go in our particular facility, you are very much aware that there is live racing product, simulcast product available, commingled directly with our casino offerings.

Tim Wilmott: Our experience as well is similar to Bob's. We do everything to try to integrate so that the race customer or the slot customer has common access to our food and beverage offerings, has ability if they are in the slots side, to watch the races going on and actually be able to make a wager even though they are not on the racing side. We try to do everything to integrate the experience, and make it seamless for customers who may want to experience both forms of entertainment.

Senator Massicotte: Integrated also, a combination sports bar, racing, and the slots, but it is going to be segregated given that the state of Quebec is operating the machines. So the machines are together in one room, but you see the racetrack. The buffet is fully integrated. We have worked very hard at designing these things. It flows very easily, but there are very specific spaces for each.

Robert Soper: At Pocono Downs, we do have some topographical constraints, where the track is located, and where the casino is going to be located. However, we have been able to work around this pretty good, and it will be an integrated facility. The same shared amenities will connect both the racing and the gaming side, from a food and beverage, retail, entertainment standpoint. We also made conscious decision to include some other amenities in the grandstand and make substantial improvements to the grandstand area so that we can drive some of these slot customers and new customers to the racing side as well.

Chuck Keeling: We have experience with both. Similar to Quebec and Ontario, the two tracks, we operate there, there is segregation because the slot floor is actually operated by the Ontario Lottery and Gaming Corporation, so it does compromise your abilities to integrate and expose your pari-mutuel product. In British Columbia, of our three tracks, only one has slot machines right now. The other two are under construction. That one track that does, fifteen percent of our handle is pulled from the race book that you enter upon entrance to the floor. Before you get to a slot machine, you have to pass pari-mutuel machines and television screens. It is not the greatest

pari-mutuel experience and environment, but the numbers speak for themselves. For a facility that is doing \$50 million a year in handle and fifteen percent of that coming from that little area on the gaming floor, I think it does speak to the potential of the limited crossover from a slot player to a pari-mutuel player.

Bob Farinella: Essentially, in integrating the two activities, you need to be very careful because we looked at horse racing to be a family-friendly type environment, and obviously minors under 21 can't go into your casino environment. As you are looking at this integration, you have to be very careful to ensure that you are still able to keep the minor and the family aspect separate from the casino aspect.

Stan Bergstein: It was interesting, Bob, and we want to thank you for doing it during your tenure at Prairie Meadows, but you were the only one that I know of that called your operation a Racetrack and Casino. All the rest have inverted that order and call it casino and racing. Chris, I think we have to wind it up because there is a Board of Directors meeting of HTA that follows. The luncheon will be served next door at noon.

Chris Scherf: I want to thank this panel. They have been terrific.