



Race Track Industry Program

**36th ANNUAL  
SYMPOSIUM ON RACING & GAMING  
TUESDAY, DECEMBER 8, 2009**

## **Exposing Yourself to Strangers**

**Moderator/Speaker:**

**W. David Tompkins, Jr.**, Senior Vice President and CMO, Churchill Downs, Inc.

**Speaker:**

**Mike McCarley**, SVP, Strategic Marketing, Communications and Promotions NBC Sports & Olympics

**Mr. Doug Reed:** Good morning. Those of you out in the foyer, if you'd come on in, we'd like to get started. We're running a couple minutes over from the prior panel. Everybody — those of you out in the foyer, if you'd come on in, we'd like to get started. First of all, like to thank our sponsors again. They're up here on the screen to my right, your left. Racing and Gaming Services, RGS, is the sponsor of this panel. We had a wonderful breakfast this morning. Equineline.com and a refreshment break following this is sponsored by Equibase and of course our reception last night by Betfair/TVG.

Well I got quite a few phone calls on the title of this panel, and I tell you a little story about that one. We were talking about the content and what it was and kind of what NBC and Churchill Downs did, and we were just talking about it — how they used other platforms. I jokingly said, "Exposing yourself to strangers," and I wasn't meaning that quite seriously to put that out in print, but Steve and Wendy wouldn't let me back down on that. So it stuck and, of course, we did get a few calls. So we accomplished our mission.

We brought some attention to this panel and to the agenda. So I guess it was a little bit of a marketing ploy but it is appropriately titled. You might look at the two speakers here that we have and say, "We kind of have two outsiders," even though Churchill certainly wouldn't be considered an outsider, but I know Dave has just joined Churchill since 2007. He has a wealth of experience in other industries. So we have a couple of people here that bring some outsider's view.

Dave is the senior vice president and CMO of Churchill Downs, Inc., and he will be the second presenter. Also want to take a little cheesy plug here for a second. Our next speaker, Mike McCarley, senior VP of strategic marketing,

communications and promotions for NBC Sports and Olympics — when talking to him about this panel and coming down here to Tucson, he told me he was the only one at NBC that could do a proper morning line and here comes the cheesy plug.

Mike was a student of ours, so Mike actually minored in the Race Track Industry Program and learned how to do a morning line in one of our classes. It's kind of exciting to have someone in Mike's position come back here — a former student. Mike was in the Street and Smith's *Business Journal* this fall as one of the top 40 under 40 executives in the sports world. So it's kind of nice when you see people like that that you remember from the classroom come back to Tucson and be as successful as Mike has been. In fact, Mike was — for those of you that are students here in the audience I see — Mike was in your chair about 10 years ago, 12 years ago — somewhere in that neighborhood.

So I'm going to turn things over to Mike and really glad to have him come back — so Mike we'll turn it over to you and we'll let you start things off "Exposing Yourself to Strangers."

[Applause]

**Mr. Mike McCarley:** Doug, I think when I told you that joke about the morning line it was definitely in the past tense. Because whatever exam we would have had, I probably crammed the entire night before to figure out how to set a morning line, and then ten minutes after I walked out of class, I may not have been able to do it again. So don't give me another quiz, because I would fail miserably, all right?

One, I just wanted to thank everybody for coming, and I think it's a testament to everyone in this room, and especially the students in the program, who have been putting this event on for 36 years and especially in an economy like this. It's pretty amazing to have a turnout and it kind of speaks to the brand that they've built and continue to have a conference like this with all the leaders in the industry coming together for a few days of sharing of ideas. So with that, we'll kind of get right into what we're talking about here.

My job, at its core, is all about collaborating with our partners, which the folks at Churchill are one of our most important partners. We try to build their TV audience and, in turn, grow their fan base, and it's a lot of fun. We sit and we talk and we hash out a lot of ideas, but, ultimately, the job is about making some of the biggest events in sports even bigger. It's tough, but it's a lot of fun. We've been working with Churchill for many years, and we've made a lot of strides, I think, especially in the last three or four.

I made a promise to Dave nearly two years ago, which I don't know if you actually remember this or not, but I told him, I said, "I will help Churchill Downs make thoroughbred racing's biggest day on television even bigger, but after that, it's up to you." And I was kind of joking, because of course we're going to continue to talk, but the idea being I've got the easy part. You can promote the Kentucky

Derby – the tough part comes later when you're trying to take that fan base that's been expanded for that one day and you're trying to get them to come back to the tracks. You're trying to increase your revenues through attendance and handle and increase your sponsorship and licensing revenue.

When I talk to our partners at other leagues in the stick and ball sports, we tell them it's like, "We're going to try to get the biggest rating possible for your event, and, on the back end of that, it's up to you to make more money selling hats and t-shirts and jerseys. So it's a very specific kind of plan, but we're in place. My job is to try to drive as many people to watch the event as possible, and it, for me, Doug kind of alluded to it a little bit — for me that promise was pretty personal because when I was a student here, I felt, like many of you I'm sure, that the sport has a bright future ahead of it. It's not just this rich history in the past but I think there are a lot of things that — the sport has a growth potential and some of the things that we're going to detail for you today is some examples of a few things that we all can continue to build the sport and keep it moving in the right direction forward. And I told a lot of people that this past year as we were trying to do a lot of new things with the Derby, especially sponsors and advertisers would kind of come to us and say, "You know, you guys are spending a lot of time talking about the Derby. What is all of this you're doing? I mean, everybody knows the Derby is, you know, it's old and horse racing is a bunch of old men. Why are you guys trying to spend all this energy and effort trying to reenergize it?" I spent a lot of time trying to explain to them that — that is not actually the case and I took the guys from Pimlico through this a couple of weeks ago and kind of told them the exact same thing. So we're trying to take some of the things that we did with the Derby last year and do the same thing with the Preakness this year to try to help them, through broader promotion, try to expand their audience as well.

So it's important to explain the strategy behind what made this year's Kentucky Derby the most-watched Derby in 20 years and it started with just some very simple demographic research. You always have to know your audience. So there are only three sports that have more female viewers than male viewers and — you see here the red is female. The gray is male. The Winter Olympics — no secret — very female. The difference between the two — if you look at the numbers, they don't add up, is kids under 18. So this is adults 18 and over. The Summer Olympics, obviously a primetime powerhouse. No secret there, a bigger female audience, but the Derby has a bigger female audience than a male audience. And then if you put — the Belmont and the Preakness are the next two — go ahead — are the next two there, which are actually very similar to the Derby in their audience and then the next one over is the Super Bowl, which it's really interesting to look at. All three of those Triple Crown races are similar to big events like the Super Bowl in their audience.

Then as you go off to the right, obviously, all of the sports — as the gray bar rises and the red bar drops, the — obviously a lot more traditionally male — that's the demographics. That's who's watching. The next thing we always look at is the psychographics and you kind of have to look at and understand what appeals to

these people. What appeals to these casual fans and what's going to make them watch? So I would say the — kind of the seminal moment in our relationship with Churchill was last September, a group of us went to the track and sat down in a big conference room on a Friday in September and we just spent the afternoon and we kicked around a lot of ideas and we — we hammered through some really kind of complicated things and ultimately we got to what I like to call it, a “shared vision” that really started with a concept that came from Bob Evans, who wanted to create almost a disruptive event, or an event that's so big that it stops America to watch a race. And it's a pretty ambitious goal but I think you've got to have an ambitious goal to get to a point and kind of get people behind that, that goal.

So we went back to New York, and we started working on how we can use the broad-based promotional assets of our company, NBC Universal, to appeal to casual fans and to help Churchill broaden the audience for this event that's already pretty big. So if you look at the Derby audience. This is kind of a simple bubble graph where women are to the left, and men are to the right and you can — the size of the bubble is the size of the audience. Age is up and down.

You can see the Derby's right in the middle, right in that kind of 50/50; half male, half female. If you add the Preakness, the Belmont, they're in a very similar place. But for the purposes of this conversation, let's just focus on the Derby and how does the Derby fit into the kind of broad — you can go ahead and advance it — the broad promotional pieces of our company. You'll see them just kind of lay in there; that is all of the assets of NBC Universal on television.

So if we wanted to go more male and promote to more men, obviously, you've got CNBC something like 24 hour, or regional sports networks or things like that are even kind of further to the right of CNBC; more male. If you want to go more female you look on the lower left. There's Oxygen. The Today Show would be represented in that big NBC bubble, but it would obviously be on the left-hand side of that because it's very female. Bravo, the yellow bubble there, or iVillage, a website that reaches 30 million women a month. The folks at Churchill did it — used a great promotion with iVillage and having those women register their Derby parties on one of the Churchill sites, which was a huge success.

So with this in mind, we kind of used our big event promotional strategy, which it's a philosophy that works with the Olympics; it works with the Super Bowl; and this year it worked with the Derby. It's all about broadening an audience and promoting to them in ways that are relevant to them, and that's the key point. You have to find the touch points that are relevant to these people in the audience; otherwise, they're most likely not going to care, and we always ask ourselves, “Well how are we going to do it?”

We try to create categories of connection, which is a term that we use. These categories of connection are touch points, and they are a way to reach out to the audience. And it's important — really important — when you're selecting these categories to always remain true to the event. That's — we don't let — I've had a

few of these in the past, but we don't let a plan go out of our door and out on the street unless it does three things — and they're very simple.

It's got to be big, it's got to be simple, and it's got to be true. So, the truth is really the key part, and we all know that. The Derby has a rich history, and we all know that certain aspects that appeal to women, but if we were to try to create something that wasn't organic to the event, or was kind of made for TV moment, it's not true. The public, our viewers, have a great BS detector, and if there's anything that they're going to otherwise kind of turn off is if you're trying to promote to them about something that's not really there. So the four categories, or the four touch points, that are organic to the Derby, they're not made-for-TV but they are part of the fabric that makes up the spectacle of the Kentucky Derby every year, and they've always been there, you know?

Food. How many sporting events have a signature cocktail? The Derby. I can think of a few others that have a signature cocktail and other foods associated with that as well. Fashion. Everyone knows that the lady's hat begins the outfit, and the rest of the outfit is built around the hat. Celebrity. You see a modern-day celebrity there, but for years and years and years Hollywood stars, and sitting presidents, and kings and queens have attended the Derby, and I think they always will. And then entertaining. Entertaining was something that came from the guys at Churchill. I was blown away that the number of people who actually throw Derby parties. They throw Derby parties the same way as they throw Super Bowl parties, and they throw Oscar parties.

There's a lot of, mostly women, but probably some men too, who are just looking for an excuse to throw a party. There's the gatekeeper, the mom of the household, who's really looking for a reason to get her family together, and the Derby provides that opportunity. There's the social connector who really just needs any excuse to throw a party, and the Derby provides that. One important note in this is that we are promoting these four categories. We cover these four categories, but we do not do it at the expense of the event. Our production team has won Eclipse Awards, and they are so focused on telling the stories of the race. There was no time taken away from telling the stories of the race to tell a story like this.

This was — these four categories were kind of woven through our coverage and told — the spectacle of the event around our traditional race coverage. It's really a balancing act where we think that balance works. As you're trying to serve the largest number of people while you are there and tell the story of the spectacle of the race, but make sure the traditional race coverage is still there and is still exactly what the sports fan who has gone to the Derby for years and years and years is what they expect. You have to broaden your audience, but you can't do something that's going to offend the core fan who has always come to the event.

That balancing act is kind of what did we do and this is all promotion leading up to the Derby and then a few things that we did during the Derby. The Today Show and Bravo's Top Chef and iVillage and iVillage's blogger community, called

BlogHer, which is a lot of women around the country who blog on various topics, all did Derby recipe ideas and Derby meals for Derby parties. Fashion is one of my favorite. I would say that when Paris Hilton was on Access Hollywood, trying on, or shopping for her Derby hat. That's us promoting fashion of the Derby, but the next one, celebrity, would be when Paris Hilton was on the red carpet at Churchill and interviewed by Access Hollywood. That's us promoting fashion of the Derby.

Then the last is simple. We talked a lot about it. It's the entertaining. *The Real Housewives of Atlanta* were actually in the show throwing a Derby party that we promoted during the Oaks and kind of trying to get people to throw Derby parties the next day. Then iVillage pointed to a website that Churchill created that was very successful in people registering their Derby parties from around the world. With that said, all of this led to the most-watched Derby in 20 years. Instead of having me kind of go through all of this and talk about it at ad nauseum, it's a lot better just to show you what we did. So you can roll the tape.

[Video]

**Mr. W. David Thompson, Jr.:** Well, it's obviously great to have a tremendous partner in Mike and NBC Sports. I came to Churchill Downs about two and-a-half years ago really not — from outside the industry — not knowing too much about the industry. My first couple of weeks there, I went to Keeneland and saw the spectacle that is racing and just thought we had, as far as racings concerned, a lot of upside. With the Derby upcoming that we have the greatest two minutes in sports; that hopefully we could transform into a lifetime brand experience. So I was talking to our CEO, Bob Evans who hired me, that we're going to transform two minutes into a lifetime brand experience and that's our vision.

He said, "No, our vision's a lot more simple than that. Our vision is our job is fun." And I said, "What — our job is fun? We're — that sounds kind of selfish. That we enjoy our job, and that's our vision." He said, "No, we're in the racing and the entertainment business, and if we don't love what we do, how can we convince our consumers that they're going to love what we provide? But we have to have a very sympathetic ear in presenting our product to our consumers, because we have to really provide them what they want to consume, and let's start with the Derby." Obviously the tradition, but also the aspiration, the lifestyle elements that Mike brought out, and NBC's been a great partner at promoting that on air, and as he said, now it's up to us to take it from there.

So what we're going to talk — but I'm going to sort of close up with his talk a little bit about Kentucky Derby Party, sort of our first attempt to kind of expand the Derby brand off-site and to all the parties that are occurring around the world. Then I'm going to talk about the importance of women, we believe, to our brand's future; because they seem to really most sort of viscerally embrace the tradition and aspirational and lifestyle, and style elements and fun elements of our brand. What we're trying to do with — sort of what we want to create is the signature

women's event in racing, Oaks, and then talk about something where we've — we did this summer to really export the fun experience to everyday racing.

We launched Kentucky Derby Party in 2008, really as a means to capture the activity and the imagination of all the Derby parties that go on around the United States and the world and really provide sort of a one-stop shop, if you will, for recipes from celebrity chefs. We were happy to work with Bobby Flay the last couple of years. We thought Bobby was the right choice because he has a ton of appeal to women, but he also has appeal to men, in terms of his grilling stuff, which is a very important part of a Kentucky Derby party. We also worked with some of the better known and sort of genuine chefs in Kentucky and coming up with the right burgoo and the right mint julep. It became sort of our online store for all of the party participants to purchase all of their party supplies.

There's fashion trends, traditions around the Oaks and Derbies, games you can play, a portal through which — sort of an easy way to bet on the race through [twinspires.com](http://twinspires.com). We looked at it as really a free consumer service for people to have their Derby parties and have a better Derby party, an official Derby party through us, but also as a way for us to monetize it through sponsorship; through the sale of products; and then on Derby day, and hopefully beyond as these members sign up through incremental handle through [twinspires.com](http://twinspires.com).

We launched it in 2008 and had some very surprising success but we really took off in 2009 with — you see the activity of over 300,000 visitors to [kentuckyderbyparty.com](http://kentuckyderbyparty.com), with parties occurring in 113 countries around the world. That really impressed us. Obviously a lot is due to what Mike's team did in promoting it on air and through iVillage. We had it in six of the seven continents around the world. Unfortunately, we didn't get that weather station in Antarctica, but we're — that's one of our big goals for this year.

We really see this concept growing and what's great about it is it's sort of growing on its own sort of momentum now. It's not something where we have to buy a lot of media to promote it. We have a partner that promotes it. We have our own website and growing social network that promotes it, and so we think the future is bright for Derby Party in terms of extending the Derby brand but also extending sort of the lifestyle of racing, which is very important to us.

The reason why we think that women are an important part of the future of our brand and the sport is that they really seem to just fundamentally get, arguably more than men, what's truly special about horse racing; the traditions of horse racing; the lifestyle of horse racing; the aspiration of horse racing; obviously, the emotional connection between the little girl and growing up into older woman between the horse and human.

Men have someone like me in their mid-40s, new to the sport; have a lot of competition for my eyeball. I'm a NFL fan; I'm an Alabama football fan looking forward to going to Pasadena to watch them beat Texas. I'm a baseball fan — so it's kind of hard to bring me in. If you go to [ESPN.com](http://ESPN.com) for example, horseracing is

always going to be on the second or third page of the website, except for the one week Breeders' Cup, but they're really covering horse racing. So women can become sort of the new fan. We feel like for that to occur, and for us to have a major role in that, we have to create an event that is uniquely their own.

One can argue that there are only really two events right now, sporting events in the world, that women truly care about, and that's the Winter Olympics and the Summer Olympics. I don't know if Mike's research bears this out, but I've got to believe that for the Winter Olympics it's due to figure skating, and the Summer Olympics it's due to gymnastics. Every ten years or so there is a Mia Hamm and Brandi Chastain moment, but otherwise there's no real sport or event that women can cling to every year. So we're trying to create that in Oaks, and we felt like the best way to do that is we needed to attach our event to the cause-oriented organization that women care deeply about. One can argue that there's no more important organization in the world — cause organization in the world to women than Susan G. Komen for the Cure.

My marketing team is, by design and by coincidence, comprised largely of women. They sort of came up with the ideas for Oaks and what really needs to make Oaks special. If you look at the four topics; charity, sisterhood, fashion and celebrities, two of those four were what Mike talked about with regard to the Derby. Charity is pretty obvious and working with Susan G. Komen. It's hopefully apparent why we did that. Sisterhood, I'm not even going to get into. That's what my team worries about that I just kind of stay out of the way there, so we partnered with Susan G. Komen this year. We, with great pride, donated \$130,000.00 to finding the cure for breast cancer. We have renewed our relationship with them and look very forward to Oaks 2010.

What is Susan G. Komen, and why is it so important to women and so important to us? I think a couple reasons — and I'll kind of give it — present it from, if you will, somewhat of a selfish perspective. One is that their founder, Nancy Brinker, is a truly, truly remarkable woman. She is the sister of Susan G. Komen and the founder and CEO of the charity. As Susan G. Komen was, unfortunately, losing her battle to breast cancer, her sister, Nancy, promised that she would devote the rest of her life to helping to find a cure. Since then, she's developed a very active social network of, as you can see, over 5 million very passionate members. A number of events, that occurs around the world, sort of really focused around October and the Race for the Cure events, but also events that occur throughout the year. Then corporate partners — and if you look at these partners, BMW, Microsoft, American Airlines — those are partners that either are already partners of ours or partners we want to be of ours. So there's a great synergy there and they have a tremendous licensed product program.

In the wake of Oaks this year, they actually convened a conference at their headquarters in Dallas, invited us and introduced us to all their sponsors. So, we now have a number of conversations going for sponsorship for Oaks and for Derby. That's been a big sort of lever in growing our sponsor program. This year, we'll be launching a number of co-branded products, with their tremendous

distribution channels that they have, at all of their races and, of course, they like activating at our Oaks event. So we're excited about where we started with Susan G. Komen and look forward to a great future.

If we were going to make Oaks really a special event and something sort of unique for women, we felt like a lot of things kind of had to happen year one for it really to get off the dime. A couple of sort of key moments happened that really helped us create Oaks into something new. First was Mike's team agreeing that we move it from ESPN2. I'm sure they're not going to mind moving it off a competitive network, but move it to Bravo. We had a lot of discussions about should it be on NBC; should it be on Oxygen; and we kind of agreed no it should be on Bravo. That is our absolute sort of target demo going back to that bubble chart that Mike showed for Oaks.

Then we needed to do some really special things on site to make it unique; sort of pink outs. I think there's no better form of flattery than imitation, but pink outs have become sort of more frequent with Amy Mickelson getting — coming down with breast cancer and what the NFL did this October. We really staged the first pink out and did a complete makeover of the Churchill Downs Race track. Everyone showed up in pink, and it was a really — really a lot of fun. We asked Nancy Brinker to serve as our First Lady of Oaks, our inaugural First Lady of Oaks, and really be our ambassador and our primary media spokeswoman around the event. She is now working with us to target celebrities who are breast cancer survivors for our next First Lady of Oaks.

This whole thing about sisterhood and what is sisterhood. I didn't know what sisterhood is or was, but I know that there was not sisterhood during this First Lady of Fashion Contest. There was no — when you have 250 women competing for an all-expenses week in New York at IMG Fashion Week, there's going to be some real competition. It's probably the — when you consider that Rachel Alexandra won by 20-1/2 lengths, probably the only thing more competitive than this First Lady of Fashion Contest was the Kentucky Derby race that Mine That Bird won.

That was a real big activation moment for us but it wasn't our key moment. Obviously the Derby — its 135 years of tradition has so many key moments, but I think really the most important of those being in that last hour before the race with the walkover and "My Old Kentucky Home" and the race and the garland of roses. We really felt like since we were celebrating the fight and the survival and the victory over breast cancer, it being our 135th Oaks, we petitioned 135 survivors to sort of lead the procession of Oaks horses over.

They walked from the back side, around the track, to some very inspirational music. We were telling their stories. They're very — just brave and courageous and sort of grace under pressure stories over the loudspeakers. We got to know these women as heroines in fighting their battle against breast cancer. We're very happy that Mike's mom — who is about to observe her ninth year anniversary of victory over breast cancer — she was one of those walking in the procession, and

it was just really a special moment. It's the first year of the event doing it this way, and we'll see where it goes from here but we were really, really happy with our initial progress. Oh, by the way, Rags to Riches wins in 2007; then beats Curlin in the Belmont in 2007; and then Rachel wins in 2009; and beats the boys and Mine That Bird at the Preakness two weeks later. So that didn't — that didn't hurt. We're really happy with how that went.

Sort of moving beyond Oaks and Derby and what can we do to make racing more fun — we can sort of stick here and stick to these two days. There's a lot of growth for Churchill Downs and, of course, we'd be happy with that, but we sort of took another look and said, "What are we and the industry — what should we do the other 363 days out of the year? How do we make racing more entertaining and more fun?" So we took a little risk and came up with a night racing concept, and we knew that and know that night racing occurs at venues all around the country, but we wanted to do something a little bit different with night racing.

We created something called Downs After Dark, and this was basically a pilot. We rented — we spent undisclosed number of hundreds of thousands of dollars renting lights, and we held events on June 19, June 26 and July 2 at Churchill Downs. The whole idea here was to have racing but maybe have entertainment sort of eclipse just the core racing and see if it's going to draw a different demo; a bigger demo, a more regional demo and see if we could just sort of shake things up and what would come out of it. We went into it, and this is what I really credit my leadership — Bob and Bill Carstangen and Bill Mudd — in saying, "You know what, if this experiment doesn't work, that's okay. At least we learned something. We learned not to do it."

So we went into it with sort of with that safety net, and we learned a whole lot from it. I think we can consider it a consumer success. We had an all-time record attendance each night. You can see some of the metrics there — that we averaged nearly 30,000 people per night. We probably would've averaged more, but we didn't sort of think through the traffic patterns and Louisville kind of needed to have a Derby traffic grid. We maybe could have gotten a whole lot more people there each night, and we'll — we've learned our lesson there.

You see that the handle doesn't go up as much as the attendance. That does not mean to us that handle's not going to be — handle growth is not going to be a part of the growth of night racing. It's just that we maybe need to market our betting product to the new consumer — the new demographic that came to night racing, maybe in a different way. So sort of — some of the pricing lessons that we learned and other sort of marketing lessons that we learned is: one, that the demographic that came to the track on those three nights went from here — if this is old, older I guess I should say — and if this is sort of Oaks and Derby, it went all the way to here. It reduced probably by 15 to 20 years, and we thought it was going to be younger — we didn't realize it was going to be that young. We were encouraged by that.

We expected to get sort of the usual flow of curious Louisvillians who will kind of come to anything at Churchill when it's being done for the first time. But we were very, very impressed and pleased that while we didn't market in markets like Cincinnati and Indianapolis and Nashville, we had a big flow of consumers coming from there. That really made us happy and sort of helped us believe that if we're really going to expand entertainment — some of you might've heard about our Hullabaloo concert, or music festival we're doing this summer — that we've really got to get a regional drawing of not just the million people that live in Louisville, but the 10 or 12 million people that live in the combined of Indianapolis and St. Louis and Nashville and Knoxville, etc.

We also learn that many of the sort of Derby lessons apply in terms of pricing; sort of the venue within the venue exclusivity. If you're on this deck and there's, if you will, prettier people and more music and stuff going on — on the next deck, you can sort of tier your prices accordingly and sort of segment the market.

Finally what we learned is that we've really got to deliver a product that is sort of fresh to the real consumer that's coming — that younger audience — in terms of music, in terms of other programming, video programming. This is not something we're going to do every Friday night during every meet that we do, or we're going to do multiple times a week. The product would very quickly get stale if we did that. It's got to be fresh, and we've got to have the courage to update it every season that we do it. Management did approve the installation of permanent lighting at Churchill Downs, so we're very excited about that. Next year on our calendar includes four nights in the spring and then two nights in the fall.

So what is it that we — what is it that we did there, or why do we think night racing is something that's important to us, and I think important to other entities that conduct racing around the United States? One is that at least if our initial test was successful. It did attract that 21- to 45-year-old demographic, and it did attract many more women, a demographic that sort of didn't view it as a \$3.00 admission to then go in and do what you normally do at the track. They viewed it as more of a \$7.00 or a \$10.00, or who knows, a \$20.00 cover charge that they're going to pay and go and get premium entertainment. As part of that premium entertainment, they have high expectations in terms of the quality of food, the quality of customer service and all of the things that occur.

We are looking to really expand it into more of a regional play. We're working with the Louisville Convention and Visitors Bureau, and we have a long way to go in this in terms of social media. I'm not at all proclaiming to be an expert here, but sort of take our lessons learned from Derby Party and how we in a year and-a-half got membership in 113 countries and really created sort of a meaningful social media strategy and then provide the entertainment that people really care about.

Dinner by Design was a celebrity chef from Chicago teaching mostly sort of 30-something and middle-aged women how to prepare a gourmet Italian meal. The paddock became sort of this — the biggest club in Louisville with 10,000 mostly

21- to 28-year-old kids in there with a nationally-known DJ spinning tunes until late in the evening. We turned our decks into sort of set designs. One sort of looked like the Hotel Delano in Miami that had the Louisville Ballet there dancing the tango and it may not have worked but it seemed to really get a big following. Then we thought about our betting product and is there something we can do there that might more tailor to the younger demographic that's there.

So we came up with, once again, borrowing a page from the NBC playbook, *Bet or No Bet*, which is really a spinoff of *Deal or No Deal*, the show that NBC does with Howie Mandel. For four races, each of the three nights, four lucky contestants got to either take the \$100.00 or place a \$1,000.00 bet — not 100,000 — a \$1,000.00 bet that we were sort of funding for them. All of this was captured on all of the screens around the track, on the tote board. So, the first time we did it, it didn't get much of a buzz, but by bet number three or race number three with it, on the first night, it had the entire track sort of undivided attention.

On the second night a couple kind of down on their luck from central Kentucky came in; filled out their application. They were selected. They decided to place their \$1,000.00 bet on a long shot. The entire crowd knew that that was the long shot. That spawned some betting for or against, and we got some handle activity that arguably wouldn't have been there. It was — it had a Derby level noise as that long shot came down the stretch, pulled ahead and won, won sort of by a nose in a photo finish. This couple that had been down on its luck from central Kentucky had a life-altering moment, and all the tears and stuff that we captured. It was a cool thing.

I don't think *Bet or No Bet*, by itself, turns night racing into a big handle product, but it's a start. That's kind of where we are with night racing. We're really excited about it. We're trying to make, obviously, the Derby bigger. It's important to us financially to do that, among other things, but we're trying to use that lesson. Use the Oaks lesson and use our night racing lesson to make it more fun and really make a meaningful attempt to reach out to a younger demographic, a more female demographic and a demographic that's willing to make a three-hour drive to one of our tracks, or one of your tracks for some fun and entertainment. We're so happy to have Mike and his team as partners sort of working with us every step of the way on that.

Thank you very much and I guess we do questions now if there are any.

**[Applause]**

**Mr. McCarley:** No — one question here?

**Mr. Tom Burch:** My name is Tom Burch. I'm a legislator from Kentucky. My district is right up against Churchill Downs. But I watched the commercial and what you did and that's super. I want to take you back a little bit in history. This is not a question. 1972, I sat with the Speaker of the House, and a legislator named Bob Benson and myself with Thurston Morton and Mr. Stone, who was the

CEO at that time, and proposed to them that the state would buy Churchill Downs. All they lived for at that time was the Derby. Now this is just to show you how far they've come. I've dealt with Tom Meeker and all the CEOs they've had and former Vice Presidents and Presidents of Churchill Downs, but I've seen it grow from just a one or two races a year until what we have today.

But I would like to encourage you in the next commercial you do for this to put in the balloon races; put in the Thunder Over Louisville; the boat races; all these draw women to it. In fact, there's mostly mothers and children at these functions than there are guys there at those things. In the Thunder Over Louisville, we have over 750,000 people make that — just watching the fireworks over Louisville which is in Derby Week. But I do congratulate the management and so forth at Churchill Downs to see how far they've come since 1972 and made Churchill Downs what it is today. I think the — it was a \$123 million investment they made a couple of years ago in order to bring it to where it is today. They've still got the two spires there, which I think helps add to it and please keep them, but take them up a notch higher where you can see it from the road. Thank you.

**Mr. Thompson:** *(Laughter)* Well thank you, and I'm actually on the Board of the Derby Festival, and I couldn't agree with you more. I'd be a very happy board member if the world knew what a special two — actually three-week celebration the festival is and particularly things like Thunder Over Louisville and the marathon and the great events they put on.

**Dr. Holly Kruse:** I have a question for Mike and, I hope everyone can hear me, and I'm just wondering if the — if you foresee the Comcast buy-out of GE, thus NBC Universal, as affecting some of these synergies around the Derby/Oaks across media properties in any way?

**Mr. McCarley:** For those of you who don't know, but last Thursday it was announced that Comcast and GE were merging to basically buy NBC Universal to create a media company. There are 5,000 lawyers and a lot of legislators in Washington, D.C. who are interested anytime anyone from NBC or Comcast answers a question like this. So I have to be careful. There's going to be a — what will be a 9- to 12-month regulatory process before anything can happen, but I think the one thing that we like to say is that it's two companies that are strong now, independently of one another. It will hopefully be a stronger company for a lot of reasons when it all happens, and I think there are a lot of natural opportunities to take some of the things that we've done here and continue and grow.

I mean, even if it weren't for Comcast, there are things that Dave and I talk about constantly of things that we can do better; things that we can do more of. One of them is actually the festival from the previous question. So there are a lot of things we can do. I think to answer your question, it's just going to be some time until this regulatory process goes through the normal process, and then at that point, we'll be able to really talk about new initiatives at that point.

**Dr. Kruse:** Okay, I mean, I was just — and by the way, I'm Holly Kruse of the University of Tulsa. I'll be speaking Thursday on social media in horse racing. So everybody —

**Mr. McCarley:** Good promo for Thursday's session there.

**Dr. Kruse:** Yeah, thank you. Thank you.

**Mr. McCarley:** Social media. Don't miss it.

**Dr. Kruse:** Thank you. I mean I was just thinking, because Comcast is a cable provider, that they might have an even more specific interest in — across cable channels — creating those kinds of connections and then to promote cable hook ups in the home through their properties.

**Mr. McCarley:** Probably so. I'm, I'm hopeful, yeah, yeah.

**Dr. Kruse:** Okay, thanks.

**Mr. McCarley:** Thank you. Great — two questions from one about a legislator and one that lawyers are interested in. That's good.

**(Laughter)**

**Mr. McCarley:** Nothing but fun. Anything else? Great. Thank you.

**Mr. Thompson:** Thank you.

**[Applause]**

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