

## Prioritizing the Year Ahead!

As our Chairman points out, for 2007 the TOC Board has set its sights on achieving a few key objectives, perhaps none more important than the following:

- Obtaining some form of “mitigation” from Native American tribes granted the exclusive rights to operate gaming businesses within the State;
- Revision and renewal of the laws governing California’s advance deposit wagering (“ADW”) activities;
- Installation of engineered racing surfaces at all major Thoroughbred tracks in the State;
- The adoption of multiple-year racing calendars for Northern and Southern California, which identify both race dates and live race venues, beginning in 2009;
- Implementation of a new, national simulcast pricing model, one that returns to purses a more equitable share of wagering revenues; and,
- The initiation of stabilized race and purse schedules such that California owners and breeders will have greater certainty when making important decisions about future investments in the industry.

Why is it that these goals have been selected as priorities over others that some may view as equally important? In a nutshell, because the Board firmly believes that these objectives are the most critical to stabilizing the industry, long-term, and to improving the basic economics for owners. Those beliefs stem from the following facts:

1. California faces greater competition from out-of-state racing jurisdictions strengthened by laws enabling each to subsidize purses with revenues derived from alternative gaming activities such as track-operated slot machines and VLTs. To compete, California racing must either obtain similar rights to operate such devices, or receive compensation – mitigation – from California tribes that currently enjoy the exclusive right to do so. “Mitigation” in this sense stems from the fact that, in reaching a compact with a tribe, the State may require that the adverse economic impact on existing gaming activities be mitigated by tribes entitled to conduct such gaming activities. Thus, unable to compete on an even footing with our out-of-state colleagues, California racing has no choice but to look to the tribes for help.
2. Five years of ADW activities have revealed the strengths and weaknesses of California’s advance deposit wagering laws and regulations. As intended beneficiaries of approximately half of these ADW revenues, owners have been effectively denied the ability to control the use of our race signals or to participate in decisions that impact how imported Thoroughbred race signals are used by ADW providers in the California wagering marketplace. Similarly, revenue and fee allocations made previously on inaccurate predictions can now be adjusted, based on actual data and handle history.
3. The recently concluded Fall meet at Hollywood Park proved, beyond a shadow of a doubt, that engineered racing surfaces – such as Cushion Track – are not only safer for horse and rider, they are extremely popular with race fans, and with concerned Thoroughbred owners from around the country. Establishing California as the first major American Thoroughbred racing jurisdiction to offer year round racing on such surfaces, North and South, will signal our commitment to remaining one of the premier racing jurisdictions in the United States.
4. Closure of at least one track in Northern California now appears almost certain to occur in 2008. Without a feasible plan to establish an alternative venue by 2009, one that offers improved facilities for horsemen and patrons, racing in that region could suffer a setback from which it would be difficult, if not impossible, to overcome.
5. For far too many years, industry leaders have conceded that the current simulcast business model “does not work,” yet have done little or nothing to correct its deficiencies. Paralyzed by threats of retaliatory antitrust litigation, the industry continues to annually implement the failed model in the misguided hope that somehow the situation will spontaneously improve. In cooperation with concerned horsemen’s groups from around the country, TOC and these others have retained the services of one of the country’s leading antitrust law firms in an effort to legally develop a new model, one that ensures a fair and equitable share of such revenues for owners everywhere. *(Continued on page 16)*

