

**THOROUGHBRED OWNERS OF CALIFORNIA
BOARD OF DIRECTORS MEETING
Thursday, September 15, 2016 – 11:00 a.m.
Los Alamitos Racecourse**

MINUTES

Directors Attending: Allen Aldrich (by phone), Nick Alexander, Joe Ciaglia, Ron Ellis (by phone), Mike Harrington, Terry Lovingier, Ed Moger (by phone), Jack Owens (by phone), Mike Pegram, and Kathy Walsh (by phone).

Directors Absent: Bob Baffert, Mark Dedomenico, Samantha Siegel, and Bill Strauss.

Staff Attending: Greg Avioli, Mary Forney, and Liz Morey.

I. Call to Order

Mr. Avioli called the meeting to order at 11:07 a.m.

II. Approval of Minutes

On a motion by Mr. Alexander, seconded by Mr. Lovingier, the minutes of August 5, 2016 were unanimously approved.

III. Executive Session

The board adjourned to Executive Session. There was a discussion about the addition of a director to fill the vacant seat created by the resignation of Billy Morey in July, with a recommendation being made to appoint Gary Fenton. There being no other nominations, Mr. Harrington made a motion to appoint Mr. Fenton to the board. The motion was seconded by Mr. Ciaglia and unanimously passed.

On a motion by Mr. Ciaglia, seconded by Mr. Pegram, the board unanimously approved the promotion of Mary Forney to Executive Director.

The board considered a recommendation from the Executive Committee regarding stabling and vanning in the North. Following discussion, the Executive Committee's recommendation was modified to a motion made by Mr. Pegram to request that the CHRB not take action on the allocation of the Stockton dates until the end of the current Pleasanton meet in two weeks, but if the board determines to take action, TOC would support the allocation of those dates to Golden Gate Fields based on higher purse generation at Golden Gate. The motion was seconded by Mr. Alexander and passed with eight yeases and two abstentions (Aldrich and Harrington).

IV. Del Mar Meet Recap – Josh Rubinstein, Tom Robbins

Mr. Avioli reviewed the latest revenue report from the recently completed Del Mar meet in advance of Messrs. Rubinstein and Robbins coming in to the meeting.

Mr. Rubinstein provided a recap of the 2016 Summer meet, which finished very strong after a rocky start. He noted that field size during the final week averaged 9.2 horses per race, bring the meet average to 8.3, versus 8.8 in 2015. All sources handle for the meet was down 1.2% from last year. He reviewed the challenges faced on the wagering side including significant decreases in ADW handle mainly due to TVG's funding issues.

Messrs. Rubinstein and Robbins then discussed the issues relating to catastrophic equine injuries during the meet and measures Del Mar will take to prevent injuries in the future. Among their plans are added safety precautions and better control of horse traffic during morning training and negotiations with the 22nd Ag District to provide extra time after the fair and before the meet to allow for better preparation of the track surface. They also discussed the development of a PR plan for addressing equine injuries, safety and care.

They then answered questions from the board regarding extending training hours, obtaining statistics on horses that trained during the meet but did not run, and Del Mar's proposed attempts to increase attendance.

V. Workers' Comp Insurance Presentation – Brad McKinzie

Mr. McKinzie joined the meeting to make a presentation on the workers' compensation insurance in California. He provided the historical background, noting that since July 2011, the majority of workers' comp coverage for Thoroughbreds has been through FinishLine Self Insurance Group and explaining the proposed move of the Thoroughbred insureds to Post Time Insurance, a new self-insurance group.

Previously, State of California requirements for self-insurance groups called for a core member of a group to have \$5 million in assets within the industry he is insuring and for each member of the group to provide proof of financial where-with-all. These requirements were fulfilled personally for FinishLine by Dr. Allred. As a result of their efforts over the last couple of years, Messrs. McKinzie and Lyon of FinishLine have been successful in getting these requirements changed. Under the new license regulations, a group need only show through a business plan that they will bring in enough premiums to make it a financially viable self-insurance group. Mr. McKinzie anticipates that the new law will take effect in time for a January 1, 2017 start date for Post Time Insurance. He added that all projections show the new self-insurance group will be self-sustaining.

Mr. McKinzie went on to explain that under the new structure FinishLine will insure the Quarter Horse group, and Post Time will insure the Thoroughbreds, with existing expenses and asset allocation for each carrying over from the current joint group. He then reviewed how the workers' comp insurance is funded, which includes a subsidy fund from handle, an owners' contribution, and a trainer premium. He also reviewed incurred Thoroughbred group losses and claims for the past five years.

Mr. McKinzie then reviewed the proposed corporate structure for Post Time, which will include a board of directors made up of group members (trainers). There is also a plan to have CTT and TOC representatives sit on the board as non-voting members. Initially, a five-member board will be appointed to get the new company up and running.

Mr. McKinzie then answered questions from the board.

VI. Proposed Committee Mission Statements

Mr. Avioli reviewed the proposed charters for TOC committees. Staff will meet with committee members between now and the next board meeting to review.

VII. CHRB Proposed Amendment to Rules 1581 and 1843, with Regard to Definition of Horsemen's Organization

Mr. Avioli reviewed the proposed CHRB amendments to Rules 1581 and 1843, which contain clauses requiring approval by "the acknowledged horsemen's organization." TOC management requested the CHRB to stay action on these items until we have had time to review thoroughly with counsel, which they have agreed to do.

VIII. Horse Counts

Mr. Avioli reviewed the horse counts for Northern and Southern California, neither of which presented any significant trend. Mr. Pegram requested a follow up on the Ship and Win program at Del Mar, and Mr. Avioli noted that an analysis has been requested. Staff will add to the next board meeting agenda an analysis of that program, as well as existing rebate programs.

IX. Northern California Race Dates and Stabling Discussion Covered in Executive Session.

X. Committee Reports

A. Finance

Mr. Alexander gave a financial report for August and year to date, noting that the surplus at two-month year end is \$76,000.

B. Legislative/ADW/Simulcast

Mr. Avioli provided a report on the iPoker bill, noting that we were unable to get it through the last session; however, we were able to defeat legalization of fantasy sports betting. He added that the Legislature is now more fully aware that racing has the only legal Internet betting in the state. Going forward, we will be looking at new ways to use our internet betting exclusivity to appeal to a broader group.

Mr. Avioli informed the board that Monarch has proposed a revised fee structure for selling our signal to Mexico through MIR Caliente. The proposal will go to the ADW/Simulcast Committee.

C. Racing Affairs

Mr. Avioli reviewed the revenue reports for Golden Gate Fields and Los Alamitos to date. He also reviewed the Economic Indicators nationally and for California.

XI. Other Business

On a motion by Mr. Harrington, seconded by Mr. Ciaglia, the board unanimously approved a change in title for Mr. Avioli from CEO to President & CEO.

XII. Next Meeting

The next meeting will be Friday, October 21, 2016, 11:00 a.m. at Golden Gate Fields. Mr. Pegram urged all board members to attend that meeting and the Northern California Annual Meeting on Saturday, October 22.

XIII. Adjournment

Mr. Avioli adjourned the meeting at 1:43 p.m.