

**THOROUGHBRED OWNERS OF CALIFORNIA
BOARD OF DIRECTORS MEETING
Friday, January 19, 2018 – 11:00 a.m.
Santa Anita**

MINUTES

Directors Attending: Allen Aldrich, Nick Alexander, Bob Baffert, Joe Ciaglia, Gary Fenton, Mike Harrington (by phone), Terry Lovingier, Ed Moger, Jack Owens (by phone), Mike Pegram (by phone), Samantha Siegel, Bill Strauss (by phone), and Kathy Walsh.

Directors Absent: Mark Dedomenico and Ron Ellis.

Staff Attending: Greg Avioli, Mary Forney, Elizabeth Morey, Joe Hasson (by phone), and Patricia Chinnici.

I. Approval of Minutes

On a motion by Mr. Fenton, seconded by Mr. Aldrich, the minutes of December 15, 2017 were unanimously approved.

II. Presentation on Proposed New Stalls at Santa Anita (Tim Ritvo)

Mr. Ritvo joined the meeting to discuss The Stronach Group's plans for future stabling and development at Santa Anita, including their plans to build 1,400 additional stalls in the north parking lot beginning this summer. He noted they had begun conversations with the City of Arcadia and staff was supportive of the project but they still needed a vote of the City Council to finally approve the new stalls as part of a master plan for the full property.

He stated his personal belief was that the Stronach Group should pay for the stalls without funds from horsemen as horsemen funds should be used for purses. He added that the new stalls were critically important, and if he was not successful in getting them built he would leave his position. He also discussed possible plans for a training center in West Covina but noted those plans had not been signed off on by Stronach Group, while he did have internal approval for the capital needed for the new 1,400 stalls in the north lot.

As regards SLRD, he advised the board that there are now 200 stalls in good shape post fire and TSG was currently accepting bids to build an additional 250 permanent or temporary stalls at SLRD to be open sometime in April, 2018.

Mr. Ritvo then provided an update on business for the Santa Anita meet to date, including analysis of the new wagers introduced this meet. He reviewed the Santa Anita Race Summary Report, which was provided as a handout. He agreed that Santa Anita would meet with TOC Racing Affairs committee at regular intervals to review the results.

He then answered questions from the board.

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III. South Stabling & Vanning Report

Mr. Avioli reviewed the stabling situation at Del Mar, where horses were transferred following the Dec. 7 fire at SLRD and noted that the South Stabling & Vanning Committee

met yesterday to discuss the situation. Del Mar has made it clear they must close off site stabling operations by mid-April due to previous commitments, making the need for alternative offsite stabling a high priority. A discussion followed regarding the logistics of stabling in Southern California in the near term and long term, including how realistic the Stronach Group's plans were for the new stalls at Santa Anita in the next year.

IV. Insurance Coverage at SLRD /Other Insurance Issues

Mr. Avioli reviewed an insurance policy received from our broker, Mr. Unick, (which was provided to the board) for the fire at SLRD. It is not clear yet whether the policy will cover the fire at SLRD as it was not a named facility on the policy, which did name tracks in the state. He noted discussions were ongoing with the carrier.

Mr. Avioli reviewed the provision in our horsemen's agreements stipulating that the tracks must provide fire and disaster insurance covering TOC members. He noted that the actual amount of coverage provided over the past decade was insignificant compared with the potential losses from 2,000 or more horses in a catastrophic event (total coverage of \$1.5M, \$300k per occurrence). TOC staff is currently discussing with SG and Del Mar what is reasonable insurance coverage going forward to protect horses racing in California and how the cost would be allocated.

Mr. Avioli also reported that at their recent meeting the Stabling & Vanning Committee approved TOC staff continuing to administer the Stabling & Vanning Committee for calendar year 2018 at a rate of \$5,000/month.

V. SCOTWINC/NOTWINC Updates

Mr. Avioli reviewed the status of SCOTWINC and NOTWINC. He noted the funding shortfalls resulting from SG refusal to provide supplemental funding from ADW handle as had been the case for the past five years.

For SCOTWINC Mr. Avioli recommended that TOC agree to authorize its share of the funding extension of 2.5% from ADW with three conditions: (i) that all SCOTWINC legal documents and agreements be revised to clarify that references to contributions meant the "purse account" rather than "TOC," (ii) that the tracks confirm their past and future obligations to pay all costs for live race tellers through reimbursements to SCOTWINC and NOTWINC, and (iii) that TOC will have a lead role in and must consent to all future labor negotiations and final agreements with the unions. On a motion by Mr. Alexander, seconded by Ms. Walsh, the board unanimously approved Mr. Avioli's recommendation.

As regards NOTWINC, Mr. Avioli noted the discussions were just beginning and there was no firm deal to propose at this time.

VI. CMC 2018 Plan

Mr. Avioli updated the board on the 2018 plan for California Marketing Committee (CMC), which is due to sunset at the end of this year. He noted discussions were ongoing with tracks re the potential for extending CMC or developing other alternatives for tracks and horsemen to provide financial support for mutually beneficial marketing programs.

VII. Bet America/Game Play Network Hub Agreement Updates

Mr. Avioli updated the board on the BetAmerica ADW hub agreement, which was negotiated between CDI/BetAmerica and CARF at 5.0%. TOC has demanded arbitration at 4.2% that was previously agreed to by SG and TOC with CDI. He requested authority from the Board for the TOC to withdraw its consent for in state ADW wagering by Bet America customers if the matter is not immediately resolved.

He then updated the board on the Game Play Network hub agreement, which was previously approved by the TOC Board in November 2017 at a rate of 6.5%. Subsequently, The Stronach Group filed arbitration at a lower rate of 5.0%. Mr. Avioli suggested the Board approve the revised GPN agreement at the lower 5% rate to avoid arbitration while maintaining the TOC's previous level of additional support as set forth in the hub agreement approved by the Board in November.

Mr. Lovingier made a motion to ratify TOC management's recommendations with regards to both hub agreements. The motion was seconded by Mr. Ciaglia and unanimously approved.

VIII. Committee Reports

A. Legislative Report

Mr. Avioli reported that there were 64 participants on the TOC/NTRA teleconference last week to hear a discussion regarding the new federal tax bill and ramifications for horse owners. A transcript of the teleconference is now available on the TOC website.

Mr. Avioli the provided a brief update on the status of sports betting legislation.

B. Finance Committee

Mr. Chinnici reviewed the December year-to-date financial reports.

C. Racing Affairs

Ms. Morey reviewed the revenue reports for the Golden Gate Fields and Santa Anita meets to date as well as the horse counts for Northern and Southern California.

D. Owner Relations

The board reviewed the 2018 TOC events calendar, and Mr. Avioli called their attention to the upcoming meeting at Golden Gate Fields on Sunday.

Mr. Avioli announced that all five board incumbents have agreed to stand for election again this year.

IX. Adjournment

The meeting adjourned at 12:53 p.m.