

**THOROUGHBRED OWNERS OF CALIFORNIA  
BOARD OF DIRECTORS MEETING  
Thursday, September 20, 2018 – 11:00 a.m.  
Los Alamitos**

**MINUTES**

Directors Present: Allen Aldrich (by phone), Nick Alexander, Joe Ciaglia, Ron Ellis (by phone), Gary Fenton, Rick Gold, Mike Harrington, Terry Lovingier, Ed Moger, and Jack Owens (by phone).

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

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

I. Approval of Minutes

On a motion by Mr. Fenton, seconded by Mr. Gold, the minutes of August 10, 2018 were unanimously approved.

II. The Stronach Group Updates / Tim Ritvo & Scott Daruty

Messrs. Daruty and Ritvo joined the meeting. Mr. Ritvo addressed the new minimum starts per stall proposal for the South, stating that the philosophy of the Stronach Group is that the eventual responsibility for stabling costs should fall to the track and that the track should be able to require racing participation by the stabled trainers. During the upcoming December-June meet, they believe that two starts per stall in a six-month period is attainable. He added that they will also be scrutinizing the program for implementation at the next meet. The proposed penalty for not meeting the required minimum of starts will be \$10 per stall per day, with the proceeds to go to the Stabling & Vanning fund. Mr. Ritvo reiterated that Santa Anita's goal is to eventually eliminate the Stabling & Vanning fund and handle stabling at the racetrack level.

Mr. Ritvo then discussed the status of the construction of new barns at Santa Anita. The City of Arcadia has been very receptive, and in general the city believes the addition of the barns helps give a certainty to the longevity of the track in Arcadia. Mr. Ritvo stated that Santa Anita's goal is to have the barns ready by end of 2019 or beginning of 2020.

Mr. Daruty provided an update on the Golden Gate vs. CHRB lawsuit. He explained that Golden Gate believes the existing OTB model needs to be replaced for several reasons including the current state of the Northern California OTB facilities, the cost of subsidizing those facilities, and the 20-mile radius restriction. He added that with

OTB handle declining as ADW handle increases, they would like to see brick and mortar facilities in Northern California using ADW law rather than OTB law.

Mr. Ritvo then demonstrated a new phone app SG has developed that will allow customers to fund accounts with cash and bet on their phones at the track. The account is known as an anonymous day account. SG will be testing the new app at the upcoming Santa Anita race meet.

Mr. Daruty then updated the board on the status of SG's labor negotiations, stating that an agreement was reached last week for Santa Anita and Golden Gate with no manning clause, allowing those tracks to hire according to business needs. He explained that the Stronach Group does not believe they are required to operate the OTBs; however, they never intended to close all OTBs before having another system in place. They are seeking a court ruling that they don't have to operate the OTBs, which will be important to establish a precedent and allow them to negotiate better agreements with the OTBs and move forward with the new model.

He also noted that the Stronach Group has asked the courts for a preliminary injunction so that they don't have to operate the OTBs while negotiations are ongoing. The next step will be a hearing in October, but he believes it may be a two year or more process before the court rules on the law. With that being said, the Stronach Group would like work with the other industry groups to develop a strategy to transition to the type of model they are proposing, rather than depending on a court ruling.

Mr. Avioli added that with the ADW hub agreements up for renewal at the end of 2019, this is a good time to work to develop a viable long-term ADW revenue model going forward. He noted that any solution may still require legislation, due to the funding that currently comes from SCOTWINC/NOTWINC for so many industry programs.

Mr. Daruty updated the board on the 2019 racing dates calendar proposed by Golden Gate Fields, which is the same as the 2018 Northern racing calendar with the exception that it does not include the un-overlapped week at Humboldt. He stated that SG is committed to having Golden Gate open for summer stabling next year, and have offered CARF \$16,000/day to do so. Mr. Avioli stressed the importance of having a stabling plan worked out ahead of the CHRB race dates meeting.

Messrs. Ritvo and Daruty then reviewed Santa Anita's two new wagering proposals, including the Stronach 5 and Instant Racing. With regard to the Stronach 5, Mr. Ritvo noted that the multi-layered bets are designed to encourage people to focus in on each of the races at the various tracks, with a goal of increasing wagering on those tracks. The economics for California will likely not be significant, but we will receive standard simulcast fees.

Regarding the status of Instant Racing, Mr. Ritvo said Santa Anita believes it has a right to install Instant Racing machines using the pari-max system, as they are based on the outcome of historical horse races. They believe SG can clearly prove to regulators and legislators that the instant racing machines are pari-mutuel. The estimated contribution to purses is \$2 to \$3 million per year. Mr. Daruty added that they are certain there will be resulting litigation, and they may ask that the horsemen's contribution remain in an escrow account until the case is over to cover possible legal expenses. He also stated that the 2019 race meet license application submitted to the CHRB will include a statement that Santa Anita intends to conduct a new type of pari-mutuel wager called Instant Racing. Mr. Avioli noted there have been no discussions with TOC regarding the horsemen's share of any revenue from Instant Racing to date.

Mr. Alexander asked for an update on the condition of the track surface for the upcoming Fall meet. Mr. Ritvo reported that track superintendent Dennis Moore is leaving at the end of the year, but a safe track remains a priority for Santa Anita. He added that they have not yet identified a replacement for Mr. Moore.

After Messrs. Daruty and Ritvo left the meeting, the board considered their minimum starts per stall proposal. Following discussion, a motion was made by Mr. Alexander to support South Stabling & Vanning joining with Santa Anita to adopt the proposed two starts per stall, with a \$10/day/stall penalty, for the Santa Anita winter-spring meet subject to staff reviewing final details. The motion was seconded by Mr. Ciaglia and unanimously passed. [Mr. Ellis subsequently asked to go on record that he was unable to be on the call for the above vote due to phone problems but would have voted in opposition.]

### III. North 2019 Calendar & Stabling

Mr. Avioli briefly reviewed the issue of Northern California racing and stabling. The Northern California parties are in agreement on all points with the exception of the un-overlapped week at Humboldt. Ms. Morey reviewed the CARF purse account to date. Mr. Aldrich reviewed a memo, which he provided to the board, regarding race dates and stabling for CARF and Golden Gate Fields.

Mr. Avioli stated that the CHRB is most likely going to issue the 2019 Northern California dates at their meeting next week and that CARF has indicated they will ask for the un-overlapped week at Humboldt. A discussion ensued regarding the position TOC should take at the CHRB meeting. Following discussion, a motion was made by Mr. Owens to support the calendar as proposed by Golden Gate Fields provided a stabling agreement is reached, with TOC management having the authority to use up to \$200,000 from the Golden Gate purse account to fund CARF's purse account. The motion was seconded by Mr. Alexander and passed with one "no" vote (Aldrich).

IV. South Stabling & Vanning

A. Emergency Response Plan

Mr. Hasson reviewed the proposed response plan for a potential emergency at SLR or any other facility, a copy of which was provided to the board.

B. Update on Negotiations with KC Transport for Consolidated Vanning

Mr. Avioli updated the board on negotiations on the final terms for a contract between Southern California Stabling & Vanning and KC Horse Transport.

V. NTRA Board Update

Mr. Avioli updated the board on a meeting he attended two weeks ago for all NTRA board members in Chicago, at which a new chairman was elected with the goal of bridging the differences between the Jockey Club and the rest of industry, as well as resolving the fight over federal legislation. Additionally, a subcommittee has been formed to meet with the Jockey Club. Mr. Avioli added that Alan Foreman will be invited to present at an upcoming board meeting regarding the Mid-Atlantic consortium's medication rules.

Mr. Lovingier asked staff to provide information on the status of any work being done on the federal hobby loss rule.

VI. Finance Committee

A. August Financials

Ms. Chinnici reported on the financials for August and year to date, as well as updating the board on TOC investments.

VII. Racing Affairs

A. Review of Fall Purse Increases at Santa Anita

Ms. Morey reported that the Racing Affairs committee approved increases of over \$1 million in additional stakes and increases of \$2,000 and \$3,000 in lower level claiming races, which they believe will be a steppingstone for more increases for the winter-spring meet.

B. Discussion & Action on DMTC Fall Stakes & Overnights

Ms. Morey reviewed the proposals from Del Mar, which were provided to the board, noting that the proposed increases will allow for underpayment funds going into next summer's meet. On a motion by Mr. Fenton, seconded by Mr. Alexander, the board unanimously approved the recommendation of the Racing Affairs committee regarding DMTC Fall stakes and overnight purses.

VIII. Wagering Committee

Mr. Avioli informed the board that there will be a meeting within the next few weeks of the Wagering Committee to discuss regulations for residency requirements for ADW companies in California. He also updated the board on his meeting with Messrs. Baedeker, Daruty and Rubinstein regarding late odds changes.

Mr. Avioli announced that Mr. Gold will head up a subcommittee working with TOC staff to study TOC-funded high volume wagering programs and incentives, with the goal of presenting a recommendation to the board by the end of the year.

IX. Race Meet Reports

Ms. Morey reviewed the purse account status for Golden Gate Fields, LACF at Los Alamitos, Del Mar, CARF and Santa Rosa – a copy of which was provided to the board. She then reviewed the Northern and Southern California horse counts, which were also provided to the board.

X. Mr. Avioli updated the board on a new lawsuit against CMC alleging wrongful termination of Ms. McDonald.

XI. Adjournment

The meeting was adjourned at 1:28 p.m.