

**THOROUGHBRED OWNERS OF CALIFORNIA
BOARD OF DIRECTORS MEETING
Thursday, November 8, 2018 – 11:00 a.m.
Del Mar Thoroughbred Club**

MINUTES

Directors Attending: Allen Aldrich (by phone), Nick Alexander (by phone), Joe Ciaglia (by phone), Mark Dedomenico (by phone), Gary Fenton, Rick Gold, Mike Harrington (by phone), Bob Liewald (by phone), Terry Lovingier (by phone), Jack Owens (by phone), Samantha Siegel (by phone), and Bill Strauss.

Staff Attending: Greg Avioli, Mary Forney, Elizabeth Morey, and Patricia Chinnici.

Guests Attending: Scott Daruty, Josh Rubinstein, Joe Harper, Tom Robbins, Alan Foreman, and Rick Baedeker.

I. Approval of Minutes

On a motion by Mr. Fenton, seconded by Mr. Gold, the minutes of October 19, 2018 were unanimously approved.

II. TOC Board Open Seat

The board considered Bob Liewald as a candidate to fill the seat of retired member Ron Ellis. No other candidates were put forward by the board following the October meeting. On a motion by Mr. Fenton, seconded by Mr. Gold, the board unanimously approved the appointment of Mr. Liewald. Per bylaws, Mr. Liewald will be required to run for the board seat in the next TOC election.

III. Mid-Atlantic Compact Presentation / Alan Foreman

Mr. Avioli introduced Alan Foreman of the THA, and Ms. Morey summarized her discussions with Mr. Foreman regarding the mid-Atlantic medication compact. Mr. Foreman then spoke about the national Uniform Medication program and its relationship to the mid-Atlantic compact. He explained key components, including the Controlled Substances Medication List, the NTRA Code of Standards for laboratories, and the industry third party Lasix program. Additionally, they have developed a multiple medication penalty system. Beginning in 2014, all mid-Atlantic members adopted the entire program with excellent results. Mr. Foreman added that the Mid-Atlantic program has been largely adopted as the national standard, and they are hoping that California will embrace it as well. Finally, he discussed the proposed medication national compact, which will streamline the adoption process for the model rules and how implementation works under the compact system.

Mr. Baedeker added some input on the functional aspects of the compact in California, noting that certain members of the CHRB are supportive.

Mr. Foreman then discussed the proposed Office of Racing Integrity, which would be an independent board to certify that a jurisdiction is in compliance, possibly

utilizing the simulcast signal for leverage. He added that the industry also currently lacks an investigative arm, which could be developed.

Mr. Avioli thanked Mr. Forman for his work and dedication, noting that the issue will be further discussed at the next board meeting. Mr. Avioli will also discuss with industry partners in California.

IV. Historical Racing Presentation / Scott Daruty

Mr. Avioli introduced Mr. Daruty, who outlined the Stronach Group's plan for historical racing machines at Santa Anita, the challenges they anticipate in California, and their work and legal opinions regarding the legality of instant racing. Based on their belief that it is currently legal under California law, TSG proposes entering into negotiations with TOC to modify the traditional commission/purse split, which they would then submit to CHRB for approval. Mr. Daruty expects the issue to be on the December or January CHRB meeting agenda. He offered to demonstrate the machines for any board members, adding that TSG plans to install 5 or 10 machines at Santa Anita.

Mr. Avioli then reviewed the SG letter to the CHRB, which was provided to the board. He discussed statutory distributions and the concept of asking the recipients to voluntarily take less.

Mr. Daruty then answered questions from the board, and Mr. Avioli noted TOC will complete an analysis for review by our Wagering Committee before bringing the issue back to the full board for a vote.

In closing, Mr. Avioli asked Mr. Daruty to address the current Stronach lawsuit, particularly with regard to liquidity issues including an expenditure for the proposed new barns at Santa Anita. Mr. Daruty replied that plans for the new stalls are going forward.

V. Stabling & Vanning Update

A. Stronach Group Change of Position on Starts Per Stall Policy

Mr. Avioli asked Mr. Daruty to briefly comment on Santa Anita's apparent abandonment of the starts per stall policy. Mr. Daruty said the policy was put off because of lack of time for implementation and objections raised by the CTT, but it will be revisited at a later date.

B. 2019 Stabling & Vanning Agreements

Mr. Avioli reviewed the 2019 Stabling & Vanning agreements for Northern and Southern California, which were provided to the board. He noted we have stabling assured at Los Alamitos until December 31, 2019, and that will be an issue for consideration over the next six months. Ms. Morey briefly reviewed the Northern agreement.

VI. Santa Anita & Golden Gate Fields Winter-Spring Horsemen's Agreements

Mr. Avioli provided updates on the horsemen's agreements for Santa Anita and Golden Gate Fields, which are in the process of being completed. Although Golden

Gate Fields is not required by law to offer any imports, following discussions with TOC and CHRB they have agreed to import the same out-of-state signals as last year. He also updated the board on a NOTWINC meeting two days ago, noting that although TSG has dropped out of NOTWINC, they will continue to participate by contract. He added that Golden Gate Fields has hired someone specifically to encourage players to wager through ADW.

Mr. Avioli then reviewed the projected Santa Anita purse account underpayment at meet end, and Mr. Fenton added that the Racing Affairs Committee would like to try to apply the money to purses for the next meet. Board members were asked to provide any input to Mr. Fenton or Ms. Morey.

VII. CJWC Board / Update on Jockey Health Insurance

Ms. Forney provided an update on the recent CJWC board meeting at which the jockeys' health insurance plan for 2019 was approved. She reviewed the CJWC proposed 2019 budget, which includes \$24,500 in projected investment revenue from the \$1.5 million in reserves that has been invested in CDs. She also reviewed the Medical Coverage Contribution Modeling report, which was provided to the board. Noting that revenue from unclaimed refunds has been declining, a plan was developed to increase the jockeys' contribution by a cumulative 21.4% over three years. This is expected to help keep the program running for the foreseeable future.

VIII. CTBL Board Meeting Update

Ms. Forney briefly reviewed the CTBL 2018 year-end financials and proposed 2019 budget, which were provided to the board, noting that the CTBL administers the workers' compensation insurance fund.

IX. Finance Committee

Ms. Chinnici provided a brief financial report, reviewing the October financials and investment report. She reported that the \$300,000 insurance settlement for the SLR fire had been invested in 90-day CDs, which have just matured. The insurance subcommittee will meet within the next few days to approve payments to the owners who lost horses in that fire.

X. Wagering Committee

A. Hub Agreements: NYRA Bets, Game Play Network

Mr. Avioli reviewed the hub agreements for NYRA Bets and Game Play Network, which have been approved by the Wagering Committee. On a motion by Mr. Fenton seconded by Mr. Strauss, the board unanimously approved the hub agreements.

B. Request from Monarch re: Elite #18 Rate Reduction

Mr. Avioli informed the board of a request by Monarch for a rate reduction for an out-of-state simulcast site, Elite #18, which has been approved by the Wagering Committee.

XI. Medication Committee

A. CHRB Rule 1844.1 – Suspension of Clenbuterol

Ms. Morey briefly reviewed the CHRB Rule 1844.1, which suspends the use of Clenbuterol. The TOC successfully negotiated a warning period that runs through Dec. 1.

XII. Legislation

A. NTRA Press Release re: IRS Regulations

Mr. Avioli briefly reviewed a press release from the NTRA regarding the beneficial effects of the updated IRS/Treasury regulations on winning pari-mutuel wagers. A copy of that press release was included in the board packet.

B. Sports Wagering Update

Mr. Avioli provided an update on the election of Gavin Newsom as governor. He noted that TOC had joined other industry partners in contributing to Mr. Newsom's campaign, and he thanked Mr. Gold for his individual contribution as well.

XIII. Race Meet Reports

Ms. Morey congratulated California connections for their success in this year's Breeders' Cup, noting that there were several instrumental California races leading up to the Breeders' Cup, particularly at the autumn meets. She also reviewed Breeders' Cup handle and revenue.

Mr. Avioli reviewed data provided by Del Mar identifying the number of unique workers, which we plan to include in board materials going forward.

XIV. Adjournment

The meeting was adjourned at 12:42 p.m.