

2012 Year in Review

by Mike Pegram, TOC Chairman



2012 was a very productive year for TOC! Here are some of the highlights:

- TOC members turned out in record numbers to vote in March, and from 30 candidates for Board of Directors, 15 directors were elected including six owner-trainers. The new board, which was seated at the April meeting, quickly got up to speed and has been working together tirelessly on your behalf.

- TOC re-established its PAC and its relationships in Sacramento. Together with the CTBA, we hired a lobbyist and are continuing our efforts to ensure racing's inclusion in any Internet Poker legislation or sports wagering bill, which would allow tracks and satellite

wagering facilities to conduct wagering on professional and collegiate sports, to make sure that California horsemen will benefit from any new revenue source.

- SB 1072 continues play an important part in growing purses. This game changing legislation, which was supported by all facets of the industry, accounted for 18.4% or \$22,469,369 of the total purses generated in the state.

- Exchange wagering was considered in the Spring but was tabled for one year. The issue will no doubt be brought back to the TOC Board in the coming months.

- TOC continues to maintain a strong stance on medication. While we support more uniform guidelines and stricter penalties for offenders, we feel equally strong on the importance of utilizing Lasix to protect our horses.

- TOC has worked with the racetracks on various concepts intended to grow field size and wagering pools. Examples of this would be the Ship and Win Program, the funding of a Pick-6 bonus, and other ways through our involvement with the California Marketing Committee.

- Expanded distribution as a result of a TOC-brokered signal swap between HRTV and TVG has proven to be very successful. To date, the Winter Meet at Golden Gate Fields is experiencing an increase in excess of 60% in ADW wagering, while Santa Anita is showing a gain of almost 35% in ADW handle during the same period. The current arrangement expires July 1st, and it is one of TOC's major objectives to continue the program because of its success.

Purse Paid Comparison 2011 vs.2010

| Golden Gate Fields | 2012 | Diff | 2011 |
|----------------------|---------------|-------------|---------------|
| Race Days | 153 | (4) | 157 |
| Purses | \$21,327,334 | (\$729,790) | \$22,057,124 |
| Ave Day Purse | \$139,394 | (\$1,097) | \$140,491 |
| Southern California | 2012 | Diff | 2011 |
| Race Days | 218 | (6) | 224 |
| Purses | \$97,897,467 | \$4,047,681 | \$93,849,786 |
| Ave Day Purse | \$449,071 | \$30,099 | \$418,972 |
| CARF | 2012 | Diff | 2011 |
| Race Days | 61 | 3 | 58 |
| Purses | \$6,273,220 | \$419,655 | \$5,853,565 |
| Ave Day Purse | \$102,840 | \$1,916 | \$100,924 |
| California Statewide | 2012 | Diff | 2011 |
| Total Race Days | 432 | (7) | 439 |
| Purses Paid | \$125,498,021 | \$3,737,546 | \$121,760,475 |

Data provided by racetracks. Santa Anita Autumn does not include two-day Breeders' Cup.

Track Reports (Purse Generation)

HOLLYWOOD PARK / FALL 2012 - Total Revenue on Live Races / Average Daily Handle

| | 2012 | Diff \$\$ | Diff % | 2011 | | 2012 | Diff \$\$ | Diff % | 2011 |
|--------------------|-------------|-----------|--------|-------------|----------------------|---------------|-------------|---------|---------------|
| SB 1072 Purses | \$1,664,679 | \$80,136 | 5.06% | \$1,584,543 | Average Daily Handle | \$6,146,813 | \$736,108 | 13.60% | \$5,410,705 |
| Purses w/o SB 1072 | \$5,197,039 | \$339,705 | 6.99% | \$4,857,334 | Total Handle | \$147,523,522 | \$6,845,181 | 4.87% | \$140,678,341 |
| Total Purses | \$6,861,718 | \$419,842 | 6.52% | \$6,441,876 | Race Days | 24 | (2) | (7.69%) | 26 |

GOLDEN GATE FIELDS / FALL 2012 - Total Revenue on Live Races / Average Daily Handle

| | 2012 | Diff \$\$ | Diff % | 2011 | | 2012 | Diff \$\$ | Diff % | 2011 |
|--------------------|-------------|-------------|----------|----------------|----------------------|--------------|---------------|----------|-----------------|
| SB 1072 Purses | \$469,051 | (\$83,544) | (15.12%) | \$552,594.92 | Average Daily Handle | \$1,411,143 | (\$181,115) | (11.37%) | \$1,592,257.93 |
| Purses w/o SB 1072 | \$1,581,087 | (\$242,725) | (13.31%) | \$1,823,812.12 | Total Handle | \$49,390,017 | (\$7,931,268) | (13.84%) | \$57,321,285.41 |
| Total Purses | \$2,050,138 | (\$326,269) | (13.73%) | \$2,376,407.04 | Race Days | 35 | (1) | (2.78%) | 36 |

SANTA ANITA PARK / AUTUMN 2012 - Total Revenue on Live Races / Average Daily Handle

| | 2012 | Diff \$\$ | Diff % | 2011 | | 2012 | Diff \$\$ | Diff % | 2011 |
|--------------------|-------------|-------------|---------|----------------|----------------------|---------------|---------------|---------|------------------|
| SB 1072 Purses | \$1,458,691 | (\$138,115) | (8.65%) | \$1,596,806.62 | Average Daily Handle | \$6,161,942 | \$139,942 | 2.32% | \$6,022,000.31 |
| Purses w/o SB 1072 | \$4,988,332 | (\$319,278) | (6.02%) | \$5,307,610.06 | Total Handle | \$135,562,726 | (\$8,965,281) | (6.20%) | \$144,528,007.35 |
| Total Purses | \$6,447,023 | (\$457,394) | (6.62%) | \$6,904,416.68 | Race Days | 22 | (2) | (8.33%) | 24 |

Santa Anita Autumn does not include two-day Breeders' Cup.

LEADING OWNERS FROM THE HOLLYWOOD MEET

MOST WINS

| | |
|--|---|
| 1 Tommy Town Thoroughbreds LLC | 4 |
| 1 Glen Hill Farm | 4 |
| 1 B G Stable and Palma, Hector | 4 |
| 4 Watson, Karl, Pegram, Michael E. & Weitman, Paul | 3 |
| 4 Jay Em Ess Stable | 3 |
| 4 Zayat Stables, LLC | 3 |
| 4 Barber, Gary and Cecil | 3 |
| 4 Lanning, Curt and Lila | 3 |
| 4 Wygod, Pam and Martin | 3 |

MOST EARNINGS

| | |
|-----------------------------------|-----------|
| 1 Black Rock Thoroughbreds, LLP | \$388,200 |
| 2 Magdalena Racing (Susan McPeck) | \$260,000 |
| 3 Tommy Town Thoroughbreds LLC | \$250,552 |
| 4 Yvonne Jacques | \$200,000 |
| 5 Westrock Stables LLC | \$178,600 |

LEADING OWNERS FROM THE GOLDEN GATE FIELDS MEET

MOST WINS

| | |
|--|---|
| 1 Hollendorfer, Jerry and Todaro, George | 8 |
| 2 Joseph P. Morey, Jr. Revocable Trust | 7 |
| 2 Nicholas B. Alexander | 7 |
| 4 Williams, Mr. and Mrs. Larry D. | 6 |
| 4 Barber, Gary and Cecil | 6 |

MOST EARNINGS

| | |
|--|-----------|
| 1 Hollendorfer, Jerry & Todaro, George | \$153,020 |
| 2 Joseph P. Morey, Jr. Revocable Trust | \$121,835 |
| 3 Williams, Mr. and Mrs. Larry D. | \$110,882 |
| 4 Chappell Alpine Farms LLC | \$84,900 |
| 5 Bruce Dillenbeck | \$80,610 |



LEADING OWNERS FROM THE SANTA ANITA MEET

MOST WINS

| | |
|--|---|
| 1 Spendthrift Farm LLC | 3 |
| 1 Watson, Karl, Pegram, Michael E. & Weitman, Paul | 3 |
| 1 Jay Em Ess Stable | 3 |
| 1 C R K Stable | 3 |
| 1 West, Gary and Mary | 3 |

MOST EARNINGS

| | |
|--|-------------|
| 1 Janis R. Whitham | \$2,700,000 |
| 2 Priscilla Vaccarezza | \$1,620,000 |
| 3 Spendthrift Farm LLC | \$1,158,200 |
| 4 Besilu Stables | \$1,080,000 |
| 4 Morton Fink | \$1,080,000 |
| 4 Martin S. Schwartz | \$1,080,000 |
| 4 Starlight Racing, Magnier, Mrs. John, Tabor, Michael B. & Smith, Derrick | \$1,080,000 |

PURSE COMPARISON

2012-2013 Winter Meets

| Condition | Santa Anita | Gulfstream | Aqueduct | Fair Grounds |
|--------------|-------------|------------|----------|--------------|
| NW2X (short) | \$60,000 | \$46,000 | \$64,000 | \$43,000 |
| NW1X (short) | \$58,000 | \$43,500 | \$62,000 | \$41,000 |
| MDNS (short) | \$56,000 | \$42,000 | \$60,000 | \$39,000 |

IMPORTANT DATES

- Tues., Feb. 1, 2013: Nomination Deadline for TOC 2013 Board Election
- Fri., Mar. 1, 2013: Deadline to file completed petitions, for those seeking to qualify for Board Election by the petition process.
- Sun., Apr. 7, 2013: Open Forum at Santa Anita

For information on these and other TOC events visit www.toconline.com or call (626) 574-6620.

LEGISLATIVE UPDATE

In the new 2013-2014 legislative session, the Assembly Governmental Organization Committee will introduce eight new members in the Assembly and one new member in the Senate. These new members, along with the existing G.O. committee members, will be hearing debate and voting on Senator Rod Wright's SB 51, which is the new "Internet Poker" bill.

SB 51, much like last year, will establish a framework to authorize intrastate Internet gambling and authorize eligible entities to apply to the commission for a 5-year license to operate an intrastate Internet gambling Web site offering the play of authorized gambling games to registered players within California. The bill would require each licensee to pay a one-time license fee in the amount of \$30,000,000 for deposit in the budget's General Fund.

TOC will be working diligently through its lobbyist in Sacramento to educate the new G.O. Committee members, as well as existing members, about the importance of California's Thoroughbred industry and our vital need to be included in any new revenue sources.

E.I.P.H. FORUM REPORT

A panel of international scientists with cutting edge knowledge of Exercise Induced Pulmonary Hemorrhage (E.I.P.H.) and other critical Thoroughbred injuries gathered at the Four Seasons Hotel at Beverly Hills Jan. 18 for a day-long seminar. Also in attendance were several prominent owners and trainers. The event was co-chaired by Pegasus Training and Equine Rehabilitation Center, TOC board member Dr. Mark Dedomenico, and Colorado State University's Dr. Wayne McIlwraith.

Dr. Dedomenico, who played a major role in developing coronary bypass surgery and has written many major landmark papers on heart surgery, paid the travel expenses to gather these world-renowned scientists to help determine the present status of knowledge concerning the research into E.I.P.H., racetrack surface injuries, traumatic joint injury, including catastrophic injuries, blood bio-markers that could signal impending injuries and the use of platelet rich plasma and stem cells in treating equine injuries.

The panel issued a consensus statement on E.I.P.H.:

Exercise Induced Pulmonary Hemorrhage (E.I.P.H.) is a consequence of the high pulmonary vascular pressures achieved by elite athlete horses during strenuous exercise. A similar condition occurs in racing greyhounds and has been reported in some elite human athletes. In all of these situations, the heart is approaching its maximal functional capacity. E.I.P.H. has a detrimental effect on performance in Standardbreds and Thoroughbreds. The only treatment that has been shown to prevent the occurrence and decrease severity of E.I.P.H. in Thoroughbred racehorses is furosemide (Lasix). The result of furosemide administration is a decrease in pulmonary vascular pressures. On average, horses administered furosemide have better performance. This could be attributable to the reduction in E.I.P.H. or to other factors. Horses administered furosemide on a routine basis have not been recognized to experience detrimental effects. Furosemide does not mask detection or other agents when modern analytical methods are used.

The Breeders' Cup's phase-out of Lasix began in 2012, banning the medication on race day from all events restricted to 2-year-olds. The current plan calls for all Breeders' Cup runners to compete Lasix-free in 2013. Lasix was first introduced as a race day medication in the U.S. in the early 1970s. According to Dr. McIlwraith, "The current medication policy of the American Association of Equine Practitioners is no race day medication except Lasix. Lasix remained because there was scientific proof that it reduced E.I.P.H. That has been our stance all along. It is also the stance of the Racing Medication Testing Consortium."

All agreed that the industry needs to develop funding for these projects, while also looking to the breeders and sales companies for funding. Dr. Dedomenico commented that he thought several million dollars over the next few years would be needed in order to do the research to find the cause of E.I.P.H. He also said that studies, including one on genetics, could be started while he and Dr. Cohen were finding the cause of E.I.P.H. When asked if E.I.P.H. and the other critical issues could be fixed Dedomenico replied, "Absolutely. We just need to get started." For a full report on the forum, see "E.I.P.H. Discussion Takes Center-stage" on the TOC website, www.toconline.com.

Tax News for Horse Owners: 2013 Investment Incentives

January 3, 2013 - The fiscal cliff tax legislation passed by Congress and signed by President Obama earlier this week reinstated two business investment incentives that were scheduled to either expire or be significantly reduced for 2013. Bonus depreciation will remain at 50% as it was in 2012. The expense allowance will be increased to \$500,000 in 2013 and retroactively increased from \$125,000 to \$500,000 for property purchased in 2012.

These incentives may be used by businesses in the Thoroughbred industry and are designed to encourage investment and boost the economy.

For a closer look at bonus depreciation and the expense allowance for 2013, visit our website, www.toconline.com, under Legislative News.

Workers' Comp Program for CA Horsemen Modified by CTBL

The California Thoroughbred Business League (CTBL), a group comprised of racing associations, horsemen's organizations and fairs, is responsible for overseeing funds that are to be utilized for providing workers' compensation insurance relief to horsemen. Working with Finish Line Self Insurance Group (FLSIG), who has handled workers' compensation for the Thoroughbred horsemen for the past year and a half, the CTBL has been dealing with the issue of skyrocketing workers' compensation rates. The cost of the 2013 program for Thoroughbreds is estimated to be \$12,000,000. As a result, the program has been revamped and the changes went into effect at Santa Anita Park and Golden Gate Fields on December 26.

The outcome is that owners no longer have \$105 automatically deducted from their paymaster account every time they start a horse. Money generated by statute for the fund will be paid directly to FLSIG. In addition to these funds, trainers will continue to pay at the same rate as they did in 2012. The balance of money needed to fund the program will come from the purse accounts at the various venues throughout the state.

Participation Purses – Owners of horses competing in ALL races in which their horses do not finish first through fifth are entitled to a Participation Purse. Horses that finish sixth and beyond (and to fifth place finishers when their share of purse money is less than the corresponding Participation Purse) shall be paid as follows:

- \$250 per start in the South
- \$100 per start in the North
- \$100 per start at the Fairs

Owners having workers' comp insurance questions concerning the FLSIG Workers' Compensation program may call (714) 820-2743.

20% Pick-6 Bonus Offered at Santa Anita

Beginning January 1 of this year, TOC, Santa Anita and the California Marketing Committee (CMC) have joined forces to offer a 20% bonus to anyone with a winning Pick-6 ticket that is purchased on-track on any non-carryover day. The only stipulation is that the individual be a Thoroughbreds Club member. The 20% bonus is to be paid on top of the winning Pick-6 price and is also applicable to wagers placed on-track through any smart phone.

This joint effort is an attempt to reward those fans who make the effort to experience a day of live racing at beautiful Santa Anita while showcasing California's most popular, high-profile wager.

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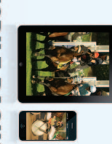


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