

**THOROUGHBRED OWNERS OF CALIFORNIA
BOARD OF DIRECTORS MEETING
Thursday, January 14 – 11:00 a.m.
Santa Anita**

MINUTES

Directors Present: Allen Aldrich, Nick Alexander, Mark Dedomenico (by phone), Ron Ellis (by phone), Mike Harrington, Terry Lovingier (by phone), Ed Moger, Billy Morey, Jack Owens, Mike Pegram, Bill Strauss (by phone), Kathy Walsh, and Mike Wellman.

Directors Absent: Bob Baffert.

Staff Present: Nick Coukos, Greg Avioli, Mary Forney, Richard Scheidt (by Phone), and Jennifer Saavedra.

- I. Call to Order
Mr. Coukos called the meeting to order at 11:04 a.m.
- II. Approval of Minutes
On a motion by Mr. Wellman, seconded by Mr. Harrington, the minutes of December 11, 2015 were unanimously approved.
- III. Proposed Increase in Administrative Fee re: Australian Racing
Mr. Avioli reported that Los Alamitos has requested to raise their administrative fee on nighttime Australian racing to a level equivalent to the expense level for other imported signals. Mr. Pegram added that the Executive Committee agreed that the increase fully support the proposed legislation to increase funds available to South Stabling & Vanning. Mr. Harrington made a motion to increase the administrative fee at Los Al from 4.0% to 6.0% conditional on the South Stabling and Vanning legislation passing. The motion was seconded by Mr. Alexander and passed unanimously.
- IV. Executive Session
The board then adjourned to Executive Session.
- V. CTBL/CHSA Update
After the board reconvened to the full session, Mr. Brad McKinzie of Finish Line Self Insurance Group (FLSIG) joined the meeting to provide an update on the status of the workers' compensation self-insurance company being proposed by the CTBL. He reviewed the funding projections and proposed 2016 funding, noting a funding shortfall of \$937,000. He also explained how the self-insurance company works and the process used for determining the annual funding requirements. He explained that California has seen sharp increases in medical and litigation costs, which has affected FLSIG's funding needs. Additionally, the State of California is now requiring that the owners' contribution to funding be on a per-start basis, as was done prior to 2013. According to actuarial studies, they will need to charge \$95 per start in 2016. This funding increase would allow trainers' funding charges to remain on par with 2015 levels. He also reviewed actuarial studies showing the process to determine the owner contribution.

Mr. McKinzie then updated the board on efforts to establish the new Post Time self-insurance company, which was initially set up last year. He explained that the current company, FLSIG, is financially backed by Founding Member, Dr. Ed Allred, and this arrangement cannot be continued in perpetuity. In November, the State came out with new regulations that eliminated the need for self-insurance companies to have a founding member. Instead the proposed new regulations would require the firms to show sufficient funding to cover potential losses, which means the Thoroughbred industry could now form its own self-insurance company. FLSIG would manage the group with a 5-year commitment, and the goal is to have it set up by July 1, 2016. However, the change in fees began Jan. 1.

Mr. Harrington made a motion to approve the program proposed by CTBL and to raise the participation fee for 2016 by \$95 in the north and south to cover the increased costs of the program. The motion was seconded by Ms. Walsh. Following additional discussion, the motion passed with one nay (Alexander) and one abstention (Owens). Mr. Coukos will send letters to the racetracks informing them of the decision.

VI. President's Report

A. Industry Update

Mr. Coukos informed the board that we received a thank you letter from the CTT for our contribution to the backstretch Christmas party. He also pointed out an article regarding the Derby Wars lawsuit. He then distributed a copy of the letter sent to California Assembly and Senate GO Committee members inviting them to attend Sunshine Millions/Cal Cup. He also informed the board that the ARCI will be at Santa Anita next week, and staff will be attending a round table session. Mr. Coukos will be participating by conference call in an NTRA board meeting tomorrow and will update this board on that meeting. He then reported that he met with Mr. Balch this week, and CTT is very interested in pursuing the use of Fairplex as a training center. Following discussion, the board agreed that Mr. Coukos should, with minimal cost and time, do a preliminary investigation of the situation.

B. Southern California Horse Count

Mr. Coukos reported on the horse count conducted last week at Galway Downs, San Luis Rey Downs and Los Alamitos.

C. Golden Gate/Pleasanton Horse Count

Mr. Coukos reviewed the horse count conducted at Pleasanton and Golden Gate Fields on Monday, which Mr. Aldrich also attended. The count was conducted jointly by TOC, CTT, Golden Gate management and the Fairs. At Pleasanton, there were 322 total horses, of which 27 were ponies and one Arabian. At Golden Gate Fields, there were 999 horses, 31 of which were ponies. We are currently in the process of getting a list of the names of all horses, which will be used to research further through InCompass including the horses' race records.

D. Northern & Southern California Stabling & Vanning Update (Audit)

This item was discussed in Executive Session. Mr. Wellman made a motion to recommend to Stabling & Vanning that they hire an independent auditor to review the actual costs of stabling and vanning at approved facilities. The motion was seconded by Mr. Moger and passed unanimously.

E. Resignation and Replacement of Dr. Todaro

This item was discussed in Executive Session.

F. 2016 TOC Board Election

Mr. Coukos reviewed the board election timeline, which was provided in the board packet. Discussion ensued, and it was suggested that non-board members could be put on committees, and that a recruitment committee should be formed.

G. 2016 Priorities

Mr. Coukos reviewed 2015 and 2016 priorities. Following lengthy discussion, the board identified the following priorities for 2016:

1. Revenue Generation
 - a. Geo-location for On-track Wagers
 - b. Sacramento/Legislation
 - c. Increase number of and wagering handle from OTB's
 - d. 1072 Protection
2. Stabling & Vanning
 - a. Industry Fund
3. Workmen's Compensation
4. Medication
5. Statewide Stakes Coordination and Race Dates Calendar
6. CMC – Marketing
7. Owner Relations (Administrative Staff Driven)
 - a. Email List

H. 2016 NTRA Dues

Mr. Coukos informed the board that the 2016 TOC-NTRA membership agreement has been received and our 2016 dues assessment is \$140,119. On a motion by Ms. Walsh, seconded by Mr. Aldrich, the board approved the 2016 dues with one nay (Wellman).

VII. ADW/Simulcast Committee

A. ADW Hub Fee Arbitration Update

Mr. Avioli provided a report on the current status of the ADW arbitrations, reviewing charts showing total betting on ADW since 2001 and percentages to purses. Mr. Avioli discussed the potential to resolve the arbitrations in conjunction with resolution of the issues surrounding on track ADW wagering and the industry's need to recapture the benefit of these on track wagers.

VIII. Finance Committee

Mr. Alexander provided a brief financial update, noting a year-to-date surplus of \$168,000.

IX. Owner Relations Committee

Mr. Wellman reported on the CMC meeting of last week. There is roughly \$1.7 million available for 2016, which includes a carry forward from 2015, to be used for the "betterment of the overall industry by enhancing marketing north and south." Santa Anita was given a deadline in November, along with CARF and Del Mar, to provide a plan for utilizing the funds, but has yet to provide a specific plan. Santa Anita has now been given a Feb. 17 deadline to provide their plan, or CMC will find other ways to use the money. Mr. Coukos added that at that meeting CARF requested that money be diverted from the Golden State Series for use by CARF, but it was voted down.

X. Racing Affairs Committee

A. Del Mar 2016 Fall Dates Proposal

Mr. Coukos informed the board that he received a request from Del Mar to start its 2016 Fall meet on Friday, Nov. 11 (Veteran's Day) and close on Sunday, Dec. 4. This

schedule and number of days is similar to what Del Mar ran in 2014, the last time we had Breeders' Cup here in California. Mr. Alexander made a motion to approve Del Mar's request, which was seconded by Mr. Wellman and carried unanimously.

- B. Los Alamitos Spring Meet Update
 - Mr. Scheidt provided a brief update on the status of the Los Alamitos race meet agreement.

- XI. Medication Committee
 - No update.

- XII. Legislative Committee
 - a. Jan. 6 Legislative Meeting Recap
 - Mr. Avioli reported on recent meetings in Sacramento with racetrack representatives and members of the legislature regarding pending bills concerning i-Poker, Daily Fantasy Sports and sports wagering. He also reviewed proposed Stabling & Vanning legislation for the south to increase the percentage of funding from 1.25 to 2.0%. Following discussion, a motion was made by Mr. Alexander to approve the proposed language with the caveat that the TOC would notify the other members of the industry that (i) it has no present intention to exercise its 50 percent voting rights to approve any use of Stabling & Vanning funds beyond documented and audited incremental costs (as per the language of existing 19607 and the procedures historically in place thru January, 2016) and (ii) it remains willing to discuss exercising its voting rights to authorize expanded use of the Stabling & Vanning funds for use in a new Thoroughbred industry owned and controlled stabling and training facility that would provide up to 1200 Thoroughbred stalls in the Southern zone. The motion was seconded by Mr. Aldrich and unanimously passed.

- XIII. Race Meet Reports
 - Mr. Scheidt gave brief race meet reports for Santa Anita and Golden Gate Fields to date as well as the Golden Gate Fall meet final.

- XIV. Next Meeting
 - The next meeting will be Friday, February 19, 2016, at 11:00 a.m. at Santa Anita.

- XV. Adjournment
 - Following a motion to adjourn by Ms. Walsh, seconded by Mr. Moger, Mr. Coukos adjourned the meeting at 2:41 p.m.