

ONTARIO RACING



LONG-TERM FUNDING

REPORT ON HORSE RACING
INDUSTRY CONSULTATIONS

MARCH 2017

ONTARIO RACING

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EXECUTIVE SUMMARY

PURPOSE

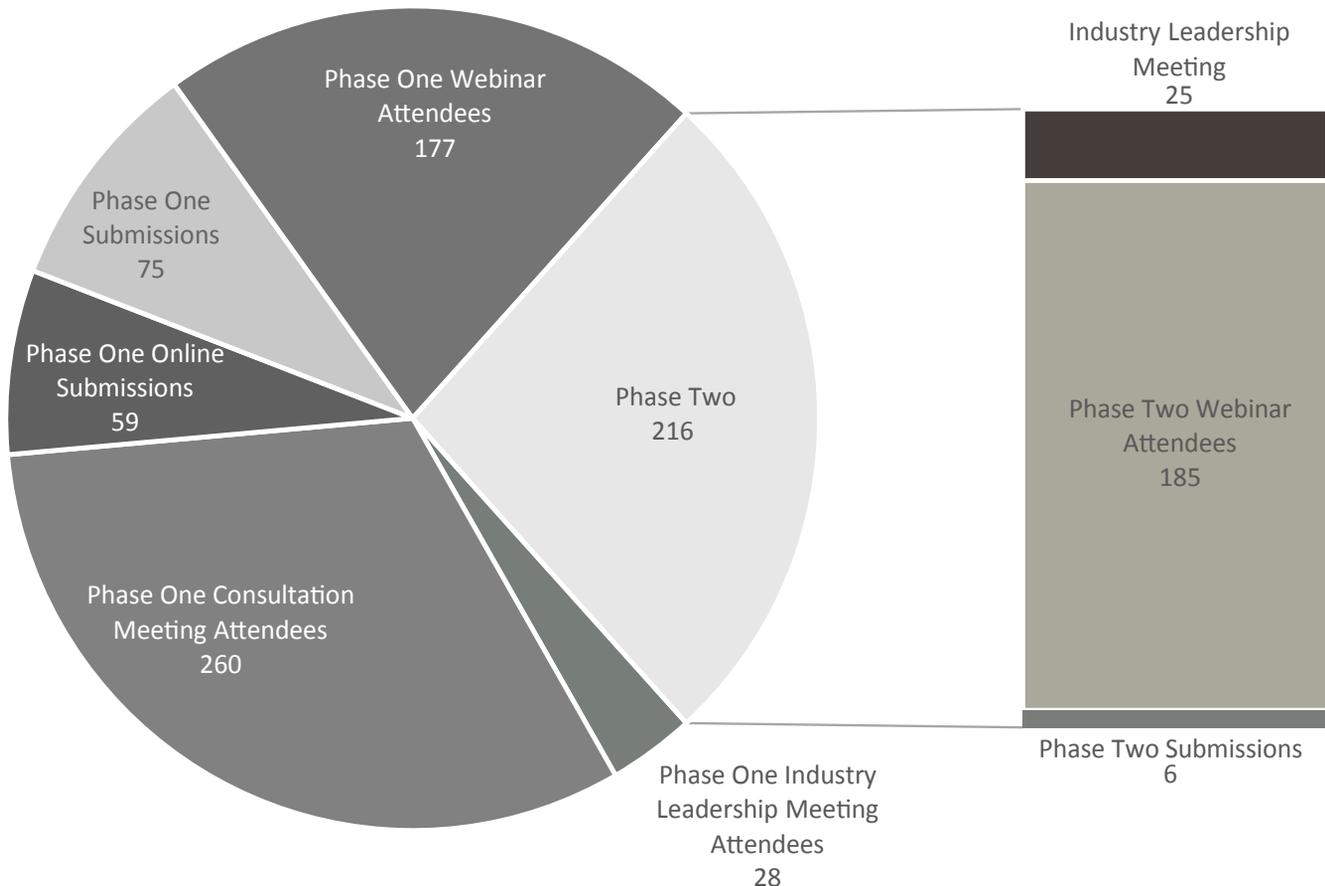
Ontario Racing, the new industry association for horse racing in Ontario, has been tasked with consulting with horse racing industry stakeholders regarding a proposed long term funding framework in support of a sustainable live horse racing industry in Ontario.

These consultations began in Fall 2016 with Phase One, which included a series of in-person consultations and requests for written and online feedback. Phase One of consultations concluded with the release of a Preliminary Long-Term Funding Consultation Report. During Phase Two of consultations,

the preliminary version of this report was posted for comment for a period of 25 days. Phase Two also included a webinar presentation on the Letter of Intent and a leadership meeting. This final report reflects the totality of Ontario Racing's approach to seeking industry feedback and a comprehensive summary of what was heard.

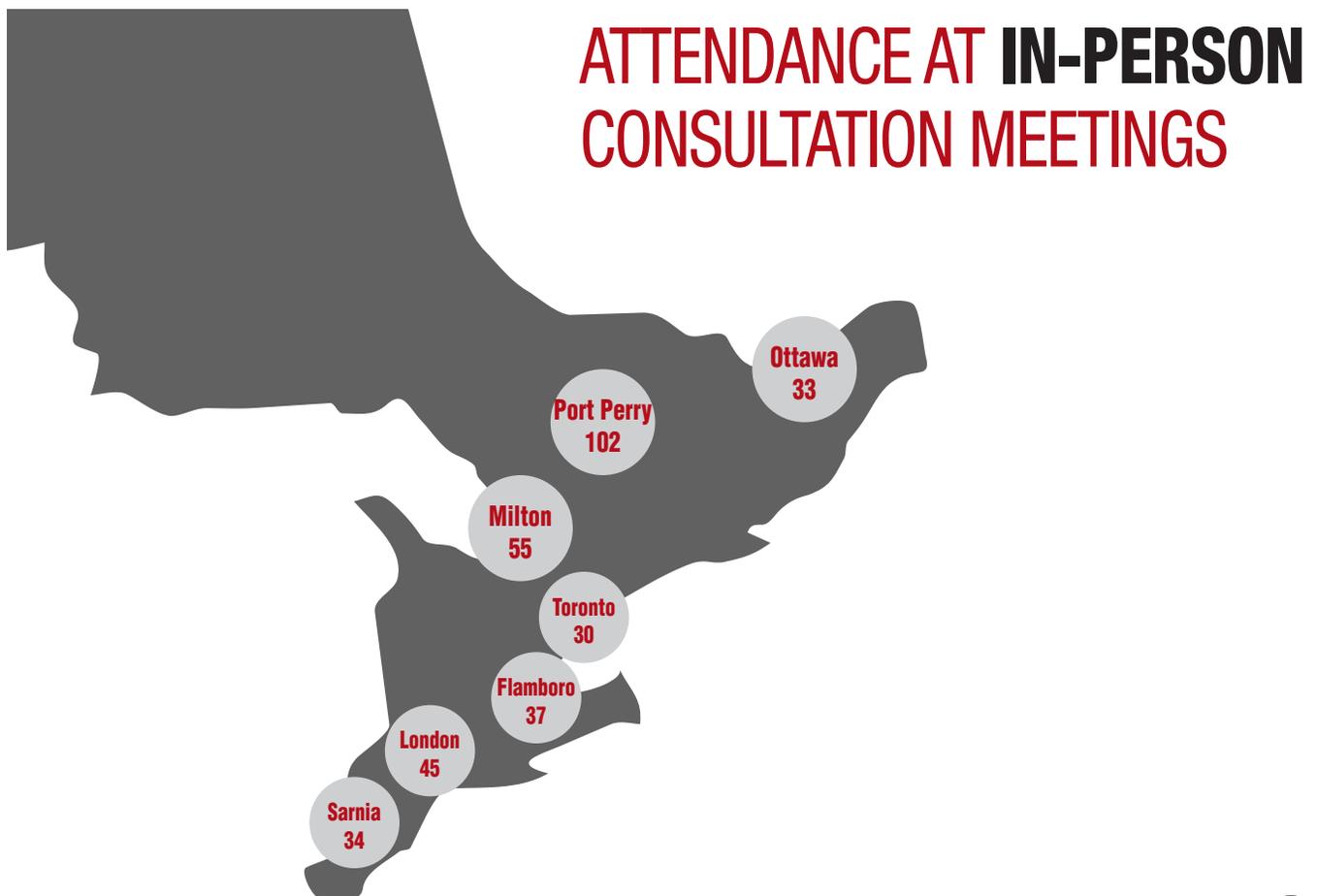
This document provides an overview of the methodology by which these consultations were executed and a record of what was heard by horse racing industry stakeholders regarding the proposed framework and provides recommendations.

CONSULTATION PARTICIPATION AT-A-GLANCE



WHAT WE HEARD: OVERVIEW

- The horse racing industry is generally supportive and appreciative of an annual \$93.4 million contribution from the government towards sustainability
- The proposed level of funding will provide continued certainty for investment, although concerns were expressed about the impact of rising industry costs over time on a fixed annual funding amount
- The industry is generally supportive of the length of term of seven years plus two five-year term options for renewal if the metrics and key performance indicators (KPIs), upon which renewals will be assessed, are realistic and developed with the industry
- There was a consensus among consultation participants that the creation of a new Racetrack Alliance that invites all tracks to participate is an important component of this proposal
- The industry supports the use of key performance indicators to ensure sustainability objectives are met, while conveying that performance measures account for parameters facing regional racetracks in smaller markets
- A representative, transparent, and accountable governance model for the industry is vital for ensuring the concerns of all industry members, in all horse racing regions of the province, are considered
- The horse racing industry is strongly committed to considering and pursuing new and innovative options to grow employment, expand the customer base, increase wagering, and introduce horse-themed products
- Woodbine Entertainment Group has performed well in managing the success of the current Standardbred Alliance of racetracks, however its own business objectives must be balanced with the overall best interests of the province's horse racing industry if it is to succeed as administrator of a new Racetrack Alliance.
- Concerns were raised by industry participants and racetrack operators about the nature of distribution of slot lease revenues, with a particular focus on how that revenue can be subject to "clawbacks."



SUMMARY OF RECOMMENDATIONS

FUNDING:

- Ontario Racing recommends that the proposed funding amount of \$93.4 million annually over 17-years serve as a foundation for financial support, and be indexed to the consumer price index (CPI) to ensure that funding levels are not eroded due to inflation and rising industry costs.
- Ontario Racing recommends that the criteria used to extend each funding term be based on transparent, achievable and reasonable performance indicators to provide the utmost certainty and predictability for horse racing industry participants.

ENHANCED HORSE IMPROVEMENT PROGRAM:

- Ontario Racing recommends that annual funding of \$6.5 million continue to be provided over the proposed 17 year funding term for the Enhanced Horse Improvement Program (Enhanced HIP), and that this funding amount be indexed to the consumer price index.

NEW RACETRACK ALLIANCE:

- It is recommended that Ontario Racing be provided the tools to attain the financial resources and the governance structure required to ensure the annual business plan and management decisions of the New Racetrack Alliance consider the broader interests and betterment of Ontario's entire horse racing industry.

WOODBINE ENTERTAINMENT GROUP:

- Ontario Racing recommends that Woodbine Entertainment Group be responsible for management of the new Racetrack Alliance.

ADMINISTRATION OF THE FUNDING AGREEMENT:

- Ontario Racing recommends that the funding agreement require all parties to act in the best interests of Ontario's horse racing industry, with remedies for addressing violation of any conflict of interest policies, or otherwise not meeting their obligations and covenants under the agreement.

TRANSPARENCY AND CONSULTATION:

- Ontario Racing recommends that opportunities be given for public consultations on all major and significant business and governance decisions made on behalf of the industry.

KEY PERFORMANCE INDICATOR METRICS:

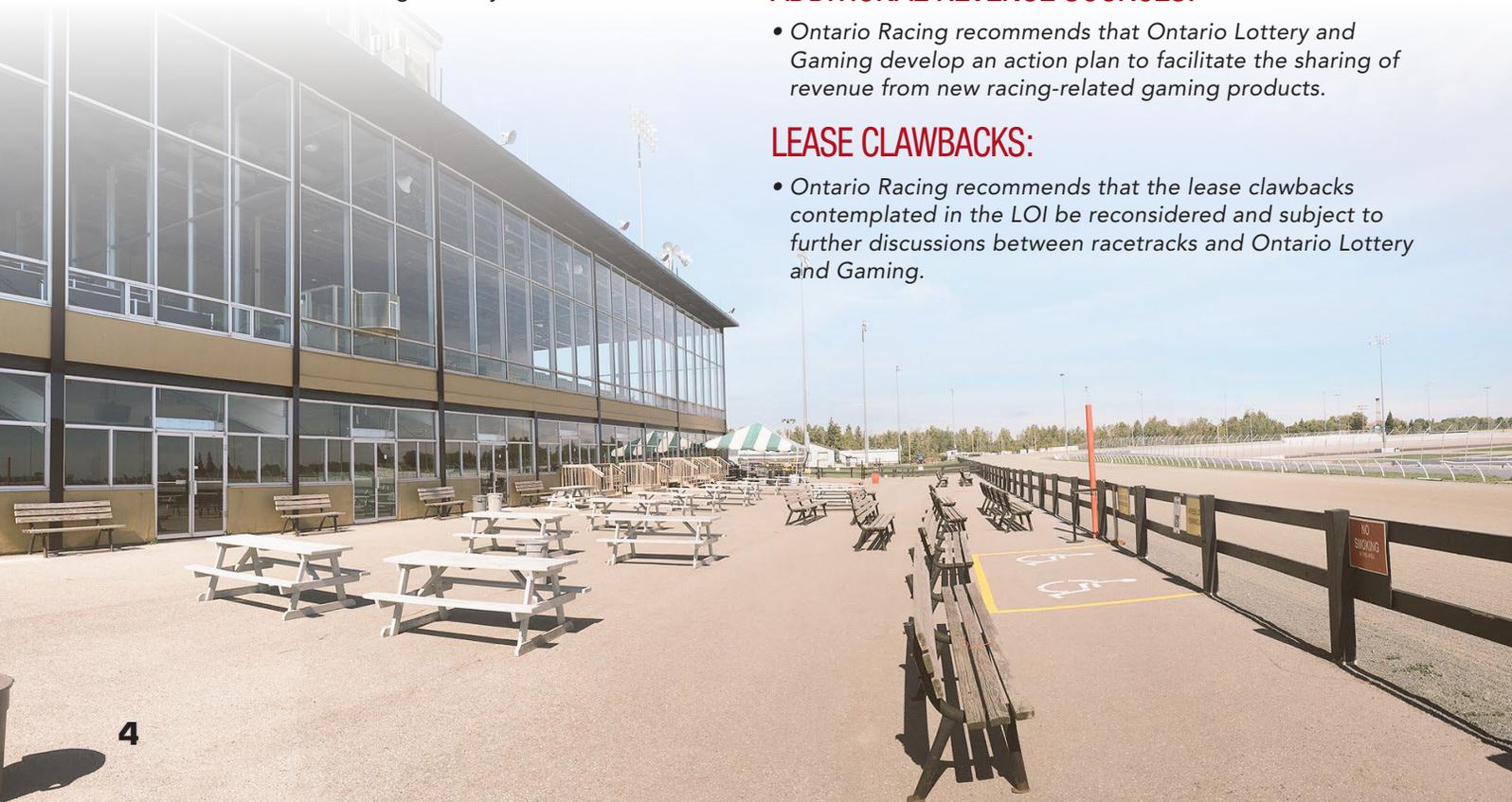
- Ontario Racing recommends that the Long-term Funding Agreement clearly identify how key performance indicators will be developed, how these indicators will be used to assess racetrack performance, and how the indicators will be utilized to determine continued eligibility for funding and funding term extensions.

ADDITIONAL REVENUE SOURCES:

- Ontario Racing recommends that Ontario Lottery and Gaming develop an action plan to facilitate the sharing of revenue from new racing-related gaming products.

LEASE CLAWBACKS:

- Ontario Racing recommends that the lease clawbacks contemplated in the LOI be reconsidered and subject to further discussions between racetracks and Ontario Lottery and Gaming.



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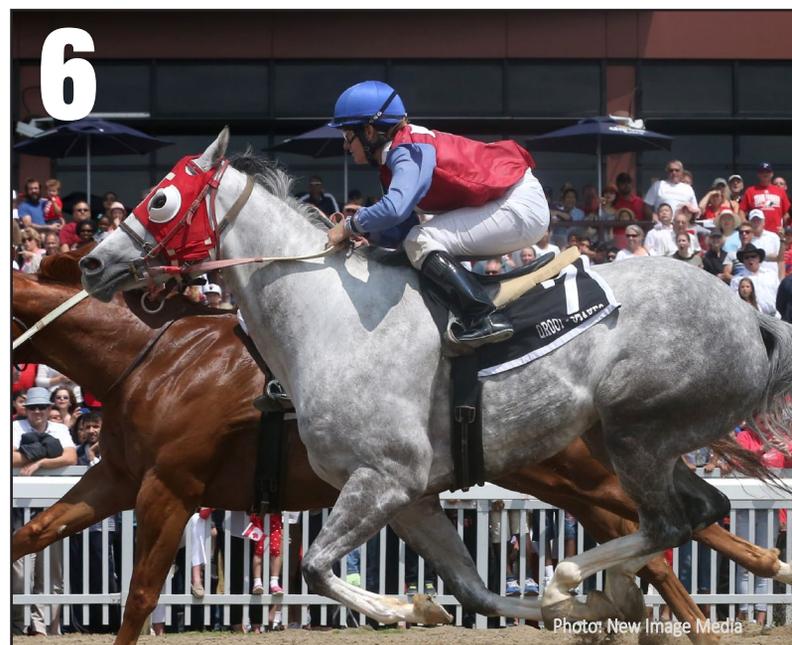




Photo: New Image Media

INTRODUCTION

In Ontario, horse racing has a significant economic footprint: with over 8,300 active race horses, 10,000 races and over 17,500 full-time employees, Ontario horse racing generates an over \$2 billion contribution to the province's GDP.

The Horse Racing Partnership Plan, which was established on April 1 2014, represented Ontario government's five-year plan to invest up to \$500 million to support the horse racing industry as it transitioned from the old Slots at Racetrack Program to a new and economically sustainable model. The plan reflects the hard work and genuine willingness of many in the horse racing industry to work together and build a new partnership with government.

The 2016 Budget announced that government funding for horse racing had been extended for two additional years beyond March 2019, to March 2021. The consultation on which this document is premised

relates to a government proposal, represented by the OLG, for a longer-term funding agreement with the industry. The agreement would be subject to government approvals and negotiations, and would further support industry sustainability.

Ontario Racing has engaged in a comprehensive public consultation process to solicit industry feedback regarding this proposed long-term funding model. Hundreds of industry participants, representing horseperson groups, owners, breeders and racetrack management and employees, have contributed to the findings detailed in this report.

Ontario Racing began public consultations on October 12, 2016 with an industry leadership meeting, which was attended by industry association and racetrack leadership. On October 19, 2016, Ontario Racing hosted a webcast which outlined available information about the proposed framework. A recording of this webcast is now

available on the Ontario Racing website. Subsequently, seven in-person consultation sessions were conducted in the following locations: Toronto, Flamboro, Sarnia, Ottawa, Port Perry, Milton and London. Opportunities for online and written feedback were also provided.

A preliminary version of this report was released and posted for public comment for a period of 25 days. During the course of that time, Ontario Racing sought additional feedback from industry participants, conducted a second webinar, engaged industry leadership in conversation about recommendations and encouraged all racetracks and industry associations to submit written feedback on the proposed funding framework. This report now represents a thorough overview of Ontario Racing's consultative process, what was heard from stakeholders and recommendations for next steps.

OBJECTIVES

- To secure a funding framework for a sustainable long term future for horse racing in Ontario.
- To seek input on the funding framework from industry participants, including trainers, owners, breeders, track operators, stable workers, track employees and other interested parties.
- To ensure that industry participants have a strong voice in the determination of next steps in the funding framework development process.



METHODOLOGY

INDUSTRY OUTREACH

OVERVIEW

The Ontario government, through the Ontario Lottery and Gaming Corporation, developed a proposed funding framework to support the long-term sustainability of horse racing in Ontario. This framework was outlined in a non-binding legal document, called a Letter Of Intent or LOI. As the new industry association for horse racing, Ontario Racing was tasked with soliciting feedback from a diverse range of industry participants.

During Phase One of consultations Ontario Racing conducted seven in-person consultation sessions, that were attended by: track operators, owners, trainers, breeders, track employees, riders, drivers, jockeys and stable workers. Feedback was also solicited in writing, and online via the Ontario Racing website.

During Phase Two of consultations, Ontario Racing posted the Preliminary Long-Term Funding Consultation Report for further feedback.

A comprehensive list of all consultation participants can be found in Appendix A.

PHASE ONE:

INDUSTRY LEADERSHIP MEETING

Several days prior to the public release, via webinar, of the proposed long term funding plan Ontario Racing

invited leaders from each of the horse racing organizations, representatives from each racetrack, and the Ontario Racing board, to be introduced to the proposed funding framework. This meeting was also attended by OLG and WEG leadership, to provide ample opportunity for questions and answers.

WEBINAR

Ontario Racing conducted a webinar to provide industry participants and other interested parties with an overview of the proposed long term funding framework. This webinar was attended by 177 industry participants, and set the foundation for the following stages and channels for consultation. Please see Appendix B for a copy of this presentation.

IN-PERSON CONSULTATION SESSIONS

In-person consultation sessions were conducted at seven locations across the province, and were attended by escalating numbers of industry participants as the process unfolded. The sessions were attended by: track operators, owners, trainers, breeders, track employees, riders, drivers, jockeys and stable workers. Attendees signed-in and were provided with a funding framework backgrounder as well as a feedback card for any questions and/or comments.

Ontario Racing used a theater-style format for each consultation session. Each session was opened by the Executive Director of Ontario Racing who presented an



overview of the industry association and a detailed review of the proposed long-term funding model in a manner parallel to the webinar presentation. Three quarters of the consultation time allotment was dedicated to a question and answer session to allow for an open and transparent discussion of stakeholder issues of concerns and priorities. Ontario Racing staff were present to capture the comments which are highlighted in this report.

TORONTO, OCTOBER 19 2016

Holiday Inn Toronto International Airport, 2pm-4pm

Attendance: 30

HAMILTON, NOVEMBER 1 2016

Flamboro Downs, 2pm-4pm

Attendance: 37

SARNIA, NOVEMBER 9 2016

Hiawatha Raceway, 5pm-7pm

Attendance: 34

LONDON, NOVEMBER 13 2016

Western Fair Raceway Agriplex, 2pm-4pm

Attendance: 45

OTTAWA, NOVEMBER 16 2016

Rideau-Carleton Raceway, 5pm-7pm

Attendance: 33

PORT PERRY, NOVEMBER 19 2016

Golfer's Dream Golf Club, Scugog, 1pm-3pm

Attendance: 102

MILTON, NOVEMBER 22 2016

Country Heritage Park, 2pm-4pm

Attendance: 55

ONLINE PORTAL

An online portal was also made available on the Ontario Racing website. See **Appendix C** for a complete version

of the survey found there. Twenty-eight individuals submitted feedback to Ontario Racing via the online portal. A recording of the webinar is available alongside the online portal for ease of reference.

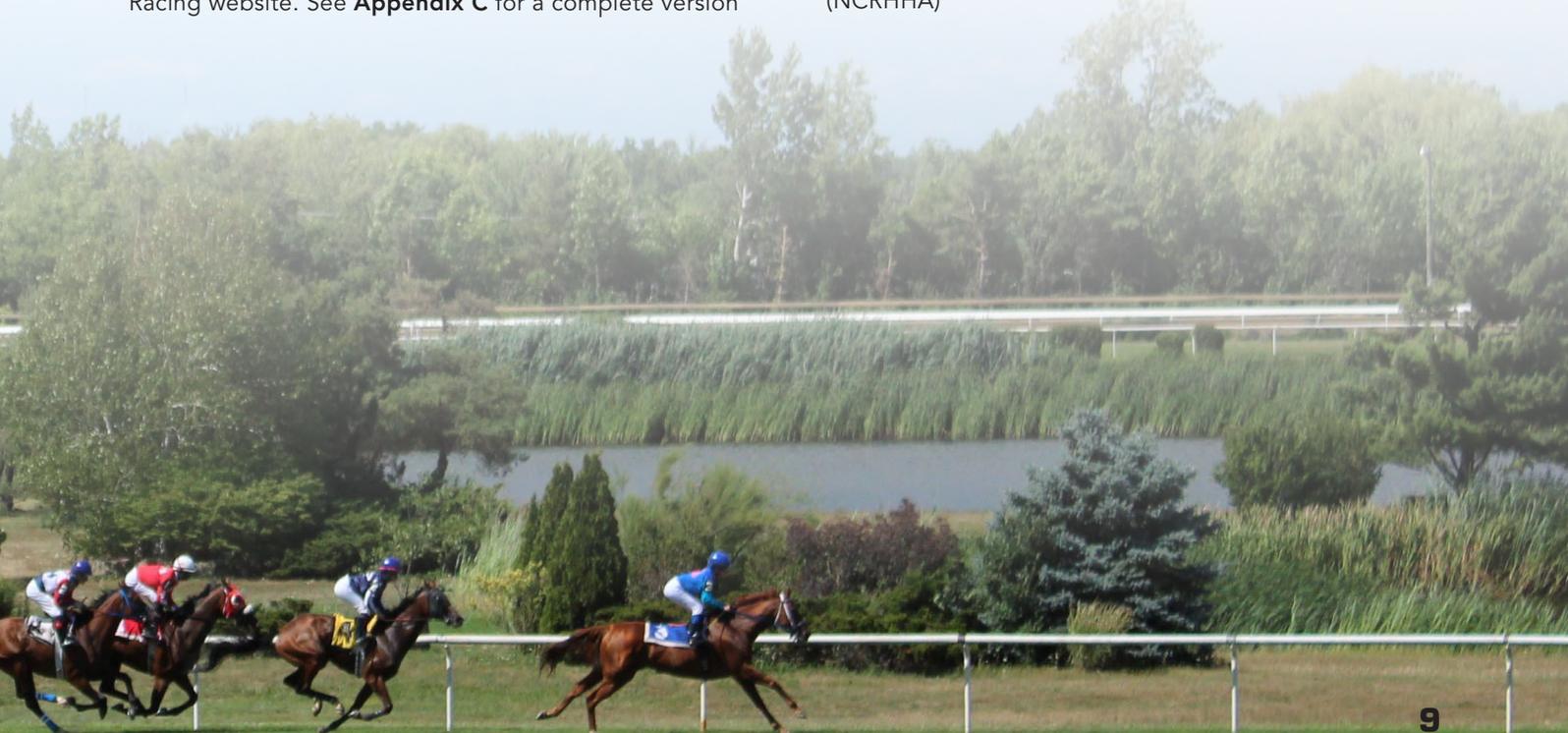
WRITTEN SUBMISSIONS

In addition to feedback gathered in person and via the Ontario Racing online portal, Ontario Racing also accepted written feedback. During each of the in-person sessions, feedback forms were distributed. Attendees were encouraged to use these to share their feedback. Ontario Racing received seventy-one comment cards, and one written submission.

INDUSTRY ASSOCIATION AND RACETRACK SUBMISSIONS

Ontario Racing received submissions from the following racetracks and horse racing industry associations. Please see **Appendix D** for copies of these submissions.

- Ajax Downs
- Central Ontario Standardbred Association (COSA)
- Canadian Thoroughbred Horse Society – Ontario
- Clinton Raceway
- Dresden Raceway
- Grand River Raceway
- Great Canadian Gaming Corporation
- Hiawatha Horsepark
- Horsemen's Benevolent and Protective Association of Ontario (HBPA)
- National Capital Region Harness Horse Association (NCRHHA)



- The Ontario Harness Horse Association (OHHA)
- Rideau Carleton Raceway
- Standardbred Breeders of Ontario Association (SBOA)
- Quarter Racing Owners of Ontario Inc (QROOI)
- The WFA Raceway Corporation
- The Woodbine Entertainment Group

ONTARIO RACING WEBSITE

Ontario Racing established a dedicated section on its website in support of a comprehensive industry consultation and communication program to solicit industry feedback regarding this proposed long-term funding model. The website provided viewers with information on the proposed funding model and the consultations as well as providing the platform for the online portal to provide comments.

PAID AMPLIFICATION

Ontario Racing engaged Standardbred Canada's news website to amplify its consultation message. Standardbred Canada serves as the largest and most viewed news aggregator for the racing industry, and thus was a logical advertisement investment option. This advertisement received 601,200 impressions. As the consultation process progressed, this ad was updated to promote each upcoming session and to push interested parties towards the online feedback portal.

SOCIAL MEDIA OUTREACH

Ontario Racing's twitter and facebook pages were heavily leveraged to promote these consultations. With 2,682 twitter followers and 7,741 "likes" on facebook, these platforms provide significant access to industry participants. Each session was promoted via these channels and photos were posted to reflect industry interest throughout the process. Twenty posts were made on Ontario Racing channels.

In addition to leveraging owned social channels, Ontario Racing engaged with several facebook groups focused on Ontario's racing industry. These include the "Stand up, speak out for Ontario horse racing" group and the page belonging to the "Horse people's Alliance of Ontario".

See **Appendix E** for samples of these posts.

MEDIA ENGAGEMENT

Ontario Racing's long term funding consultations have been well covered by industry media. Trot, Standardbred Canada's publication, published four pieces. Canadian

Thoroughbred also covered the sessions, with additional writing done by Kawartha Downs and the QROOI organizations as well.

PHASE TWO:

The interim or Preliminary Long Term Funding Consultation report was posted on the Ontario Racing website, distributed through the Association's online distribution list and shared with all the industry associations. Ontario Racing posted this draft report for comments for a period of 25 days ending February 28, 2017.

During this final consultation period, Ontario Racing solicited additional feedback from all interested industry participants, conducted a webinar and engaged the horse racing leadership community in a second Leadership Meeting.

LETTER OF INTENT RELEASE AND WEBINAR:

In response to industry requests and as part of a commitment to transparency, Ontario Racing worked with the Ontario Lottery and Gaming (OLG) to release the nonbinding legal document which underpins the proposed long term funding agreement for horse racing in Ontario. The Letter of Intent (LOI) was explained during a webinar on Friday February 10 2017; this webinar was attended by 180 people.

The presentation was intended to provide a high-level overview of the LOI's key principles and clauses, while also providing the webinar participants with the opportunity to partake in the Question & Answer period. Outstanding questions that related to the LOI were answered after the webinar session.

INDUSTRY LEADERSHIP MEETING:

The Industry Leadership community was convened in Toronto on Thursday February 23 2017. Representatives from all racetracks and all industry associations were invited to participate in a group conversation about the Preliminary Consultation Report and to provide feedback regarding possible recommendations regarding how the proposed funding framework could be improved.

WRITTEN FEEDBACK

During Phase Two of consultations, Ontario Racing reached out directly to all racetracks and industry associations who had not yet provided written feedback for inclusion in the report with an invitation to do so. Written feedback was also accepted on the contents of the Preliminary Report from all interested parties. This was an important step to ensure that their respective feedback could be incorporated into the final report.

LETTERS & SUBMISSIONS FROM KEY STAKEHOLDER ORGANIZATIONS

Letters and formal submissions were received by Ontario Racing from the following organizations during Phase One of consultations. Key points from their feedback are summarized below. Additional submissions were received during Phase Two of consultations, and summaries are included in the Phase Two section of this report.

CENTRAL ONTARIO STANDARDBRED ASSOCIATION (COSA) (Standardbred Horseperson group – 1,843 members)

- Support for continued negotiations and advancement of the long-term funding framework.
- Support the long term financial commitment as a basis of industry sustainability. Supports WEG administration.

DRESDEN RACEWAY (Standardbred racetrack)

- Support in principle for the formation of a province-wide Alliance for implementation of the long-term funding agreement.

GRAND RIVER RACEWAY (Standardbred racetrack)

- Support for the long-term funding agreement and need to consider improvements based on the consultation with the industry.
- Supports the alliance concept and the role of WEG as the manager of the new alliance.

GREAT CANADIAN GAMING CORPORATION (Standardbred racetracks – Georgian Downs & Flamboro Downs)

- Support for the long-term funding framework with recognized need to modify and improve the framework based on industry consultation.

- Support the concept of an alliance and management of the alliance by WEG.

H.B.P.A. OF ONTARIO (Thoroughbred Horseperson Group – 1,600 members)

- Support for further discussion, negotiation and advancement of the framework LOI.
- Support for the proposed funding, term, alliance concept, WEG administration and the role of Ontario Racing as the voice of the industry and balance to the alliance.
- Several areas of improvements recommended.

STANDARDBRED BREEDERS OF ONTARIO ASSOCIATION (SBOA) (Standardbred breeders group – 87 members)

- Support for the long-term funding framework and recommends that discussions be initiated to modify and improve the proposed framework based on industry feedback.
- Support for the long term financial commitment as critical to investment decisions.

QUARTER RACING OWNERS OF ONTARIO INC. (QROOI) (Quarter Horse Horseperson group – 200 members)

- Disappointment in the lack of clarity around governance, timing and industry revenue information.
- Support for improving the long-term funding proposal to ensure that the industry can sustain and govern itself in the long term.
- Concern with WEG administration unless reasonable controls around decision making are in place.
- Recommendations on a variety of issues connected and not connected to the long-term funding proposal.

THE WFA RACEWAY CORPORATION (WESTERN FAIR)

(Standardbred racetrack)

- Support for the long-term funding proposal, financial commitment and alliance concept.
- Support for WEG administration of the alliance.

WOODBINE ENTERTAINMENT GROUP (WEG)

(Thoroughbred and Standardbred racetracks)

- Support for the long-term funding framework in concept.
- Recommendations for improvement through continued discussion and negotiation.

CANADIAN THOROUGHBRED HORSE SOCIETY (ONTARIO)

(Thoroughbred breeders group - 479 members)

- The Canadian Thoroughbred Horse Society (Ontario) supports the Long-Term Funding Framework and recommends to the Ontario Lottery and Gaming Corporation (OLG) that discussions be initiated to modify and improve the proposed framework based on industry consultation and feedback.

NATIONAL CAPITAL REGION HARNESS HORSE ASSOCIATION

(Horseperson's group in the Ottawa area)

- In full support of the continued negotiations and advancement of the LOI, as well as the initiatives of Ontario Racing (OR), in concert with OLG and the Ontario Government, in seeking a long term sustainability model through financial commitment.

ONTARIO RACING (OR) RESOLUTION

As the initial phase of this public consultation ended, the Ontario Racing board of directors reviewed industry feedback, and passed this resolution in November 2016:

"Be it resolved that: Ontario Racing (OR) supports the proposed long term funding framework and recommends to the Ontario Lottery & Gaming Corporation (OLG) that discussions be initiated to modify and improve the proposed framework based on horse racing industry consultation and feedback."

As part of Ontario Racing's efforts to ensure that all industry participants have an opportunity to share their thoughts and perspectives, this preliminary report has been released for additional industry feedback.



CONSULTATION FEEDBACK SUMMARY

FUNDING LEVELS & TERMS OF THE FUNDING AGREEMENT

A central pillar of the proposed long term funding framework for horse racing in Ontario includes the premise of a seventeen-year term – comprised of an initial seven-year term, followed by opportunities for two five year extensions – and a continuation of current government funding levels of \$93.4 million. This reflects a need for certainty about the future of horse racing in Ontario, to permit tracks and horsepeople to make breeding, capital, racing program and hiring decisions with confidence.

WHAT WE HEARD: FUNDING LEVELS AND TERMS OF THE FUNDING AGREEMENT

Details regarding the proposed seventeen-year term, to be implemented no later than 2021, and the proposed continuation of the current annual funding of \$93.4 million, were received with appreciation by industry participants and horse racing association leadership. Concerns were raised about the potential impacts of inflation and rising industry costs on the fixed amount of annual funding over the term of the agreement. Additional concerns were raised regarding potential “claw backs,” or what the appropriate mechanism should be to ensure that a decline in government funding relative to an increase in horse racing revenues is not punitive.

SUPPORT REGARDING FUNDING LEVELS AND AGREEMENT TERM:

There is general appreciation and support for the government’s commitment of \$93.4 million per year. The proposed funding amount is an important step toward a stable, healthy and successful horse racing industry. The 17-year plan depicted at the consultations achieves longer term certainty, and this will help spur investment. Moving toward self-sustainability and economic viability is an important objective for the horse racing industry, and this proposal can help the industry achieve that.

CONCERNS REGARDING FUNDING LEVELS AND AGREEMENT TERMS INCLUDED:

The time-frame of 17-years is welcome, though some in the industry expressed that their challenged businesses may

not survive to 2019, when the existing TPAs expire, or 2021, when existing TPAs may be extended to.

This amount of funding may still be inadequate to support purse levels at signature level racetracks, and many consultation participants noted that \$93.4 million per year is not enough to sustain all of Ontario’s existing racetracks. Many also noted that a fixed annual amount of funding over 17-years will decline in real dollars, due to inflation and rising industry costs.

Ontario Racing also heard some participants express that government funding is not sole the solution for horse racing sustainability. These concerns included suggestions that revenue from new horse racing related gaming products, and better marketing and promotions, be employed to support industry.

SUGGESTIONS FOR IMPROVEMENT INCLUDE:

The proposed long-term funding framework does not, at this point, include confirmation regarding the funding for the Enhanced Horse Improvement Program (E-HIP). Indication regarding the long term survival of this program is needed by breeders.

Many industry members expressed the need for increased purse amounts. There was recognition that there either needs to be fewer racetracks, or more money for the existing number of tracks.

CREATION OF A NEW RACETRACK ALLIANCE

The proposed long term funding framework for horse racing in Ontario is premised around the creation of a new expanded Racetrack Alliance. A condition of receipt of government support would be membership in the Racetrack Alliance. OLG would then create a single funding agreement with the Racetrack Alliance, as a replacement for the old transfer payment system.

WHAT WE HEARD: NEW RACETRACK ALLIANCE

The concept of an expanded Racetrack Alliance was welcomed by the tracks and horsepeople who have seen the positive results associated with the existing Standardbred Alliance. For those industry participants, this proposal reflects a clear and easily understood improvement on the status quo. For many outside the existing Alliance, there were questions and concerns

regarding how the interests of horse racing within their region would be protected within a larger Alliance. There was significant input that was in favour of a model that invited all racetracks to join the new Racetrack Alliance.

PARTICIPANTS IN FAVOUR OF CREATING A NEW RACETRACK ALLIANCE EXPRESSED:

The existing Standardbred Alliance has demonstrated success in managing costs and growing wagering. Consultation participants expressed that there may be good opportunities for the new Racetrack Alliance to build on this success. Notably, at the Ottawa consultation, many expressed the desire for the Rideau Carleton Raceway to join the Alliance.

PARTICIPANTS OPPOSED TO CREATING A NEW RACETRACK ALLIANCE EXPRESSED THESE CONCERNS:

Many consultation participants expressed that more information is needed about the function of the current Standardbred Alliance to agree with this new proposal. There were also concerns expressed about the need for horsepeople representation within the new Racetrack Alliance. Concerns were also raised about how the small regional tracks would co-exist with the larger tracks; industry participants from those tracks worried that they will not receive equal funding, relative to the other tracks. Some individuals also noted that industry participants racing at the Signature track level are particularly in need of increased purses. Many suggested that some tracks would need to be closed in order to redistribute the existing funds. Finally, many also noted that this proposal does not address existing issues around Quarter Horse racing, particularly around upcoming funding gaps.

ALLIANCE MANAGEMENT BY THE WOODBINE ENTERTAINMENT GROUP

Woodbine Entertainment Group (WEG) would be responsible for the management and the administration of the new Racetrack Alliance, leveraging WEG's expertise in operating the current Standardbred Alliance.

The current Standardbred Alliance represents a group of racetracks centered around the concentrated horse supply in Central and South Western Ontario, and provides a measure stability and growth for participant racetracks. The current Standardbred Alliance has developed a racing plan with a coordinated year-round racing calendar that is attractive to both foreign and domestic customers, providing for consistent purse levels at each track, and enabling enhanced operational efficiencies among the tracks in the current Standardbred Alliance.

Under the leadership of Woodbine Entertainment Group, the current Standardbred Alliance tracks have seen wagering growth, successful integrated marketing efforts,

and have met the objective of maintaining a live racing schedule with stable, competitive purses. Members of the alliance have also accessed Woodbine's substantial distribution network, and many administrative efficiencies have already been realized across the current Standardbred Alliance. As well, the Ontario racing customer is well serviced by the one home market model operated by WEG, with the Ontario-based HPI online platform, and the Champions off-track betting brand, providing access to horse race wagering across the province.

In recognition of this expertise and experience, WEG would be responsible for management and administration of the new Racetrack Alliance during the term of the funding agreement. WEG's management role of the Alliance would be pursuant to a management agreement negotiated with other Racetrack Alliance members.

WHAT WE HEARD: WEG MANAGEMENT

While many industry participants who have experienced the existing Standardbred Alliance are supportive of this approach, Ontario Racing also heard from many industry participants who expressed concerns regarding this proposed leadership role for WEG. Specifically, concerns were raised regarding the need for a strong commitment to transparency regarding the operation of the proposed Alliance. Additional concerns were expressed regarding the process by which this leadership role was assigned to WEG. If Woodbine Entertainment Group is to be successful as administrator of the funding program, it is vital that its own business interests be balanced with those of Ontario's entire horse racing industry.

PARTICIPANTS IN FAVOUR OF THIS PROPOSAL EXPRESSED THE FOLLOWING FEEDBACK:

The current Standardbred Alliance run by WEG has been a success in its first two years, providing the industry with stability by cooperating on race dates and reducing costs for the seven participant tracks. This proposed expanded Racetrack Alliance has the opportunity to mirror this success. An additional advantage to this proposal is that WEG can access the entire North American market with their signal; their support gives a larger platform to the signal of other tracks. As the largest player in the industry, and with the experience WEG has in running the current Alliance, many consultation participants feel that Woodbine is the logical choice to play an enhanced leadership role.

PARTICIPANTS OPPOSED TO THIS PROPOSAL EXPRESSED THE FOLLOWING FEEDBACK:

With WEG leadership, control of the industry is centered in Toronto. To that point, many consultation participants raised concerns that WEG may not adequately consider the needs of smaller racetracks. Concerns were also raised about WEG's role in maintaining a strong horse population. There were specific concerns about transparency by WEG in their current operations, specifically regarding how commissions

are distributed or received, financial disclosure and communication of information to horsepeople. Some also expressed the concern that WEG could put its own business interests ahead of what may be best for the horse racing industry as a whole.

SUGGESTIONS FOR IMPROVEMENT INCLUDE:

Many consultation participants suggested that controls are needed to ensure that new Racetrack Alliance management decisions are made for the betterment of the industry as a whole. Some questions were also asked about how wagering channels, like tele-theatre, phone and online wagering, would be controlled in that new context. Finally, some suggested that it would have been appropriate to have the management of a new alliance tendered to an RFP, to ensure that the process is open and transparent.

INDUSTRY REPRESENTATION AND GOVERNANCE

The proposed new Racetrack Alliance (RA) would be governed by a Board of Directors comprised of representatives from the Alliance, including a minority of representatives from Woodbine Entertainment Group (WEG). The Alliance would work together to create the racing program, with approval required by Ontario Racing. Ontario Racing would support the new funding framework through cooperation in the formation and organization of the Racetrack Alliance, and by reviewing and approving the Alliance's annual business plan.

OR's new interim board of directors provides an industry perspective to direct association affairs. However, many industry participants perceive that additional representation for horsepeople is required. A governance committee has been struck to work with legal experts to determine a new, permanent and representative board structure. Additional interim steps and a new structure will be in place in 2017.

WHAT WE HEARD: INDUSTRY REPRESENTATION AND GOVERNANCE

A common concern raised by consultation participants relates directly to complaints regarding representation of horsepeople in leadership bodies across the horse racing industry. This includes the OR board, which OR has detailed plans to improve and evolve, and the board of the proposed Racetrack Alliance. During the consultations, industry members consistently expressed support for improved representation and accountability in the governance of Ontario Racing, and the new Racetrack Alliance.

PARTICIPANTS CONCERNED ABOUT THIS COMPONENT OF THE PROPOSAL EXPRESSED THE FOLLOWING FEEDBACK:

Many industry participants expressed that horsepeople are not adequately represented by industr leadership. It was

noted repeatedly that OHHA, which represents a significant portion of the Standardbred industry, is not currently represented in decision making bodies. To that end, many consultation participants noted that the OR board should be elected directly and that all industry associations should also elect their leadership. Many noted that there are many layers of industry associations and leadership throughout the industry, and it is perceived to be onerous and ineffective in many instances. To effectively represent the industry, there was significant support for a timely transition of OR's board of director's from its current composition of former OHRIA directors.

A key piece of feedback heard from industry participants is the need for more transparency. Some data is not available from Alliance tracks; many participants expressed the need for additional disclosure. Consultation participants consistently expressed that commissions, wagering numbers, details on HPI numbers and operating costs should all be shared publicly.

SUGGESTIONS FOR IMPROVEMENT INCLUDE:

Many consultation participants indicated that increased communications are needed, particularly between OLG, OR, WEG and horsepeople.

SUGGESTED KEY PERFORMANCE INDICATORS

The proposed long term funding framework for horse racing in Ontario will be evidence based, with investment decisions based on clearly defined performance measures. These success measures, also known as Key Performance Indicators (KPIs), will be used to determine how the investment of public funds can be made to generate the largest positive return regarding the creation and maintenance of industry jobs and also regarding the overall health of the industry.

WHAT WE HEARD: SUGGESTED KPIS

Ontario Racing asked consultation participants for their suggestions regarding these KPIs. The overwhelming majority of feedback related to a focus on the need to increase the live handle at all racetracks. Other common performance metric suggestions related to breeding numbers and the number of unique starts. Many industry participants also expressed the need for research regarding correlation between handle and purse levels.

PARTICIPANTS EXPRESSED THE FOLLOWING FEEDBACK AND SUGGESTIONS REGARDING KPIS:

The most common suggestions regarding Key Performance Indicators were:

- Wagering levels, with a focus on live handle churns.
- Number of horses foaled or registered each year.

- Number of unique racing starts.
- Horse sale prices at all Ontario racehorse sales.
- Average field size per race, average card size per race date.
- Attendance levels at live racing events.
- Track operating expenses, including payroll.
- License registration numbers (numbers of licensed owners, breeders, trainers etc)
- Many participants also suggested the development of a metric that reflects the social and cultural contribution of racetracks to their communities.

ONTARIO LOTTERY AND GAMING (OLG) AND HORSE RACING INTEGRATION

OLG is working with the Ontario government and the horse racing industry to help build a sustainable industry in Ontario. Part of this effort toward financial sustainability is integration of horse racing into OLG's provincial gaming strategy. OLG is providing support that puts a focus on horse racing to grow the customer base and ensure the industry has a strong future in Ontario by:

- helping the industry become self-governing
- providing responsible gambling expertise
- providing marketing strategy expertise
- developing new horse-themed products
- providing advice to the Province of Ontario regarding horse racing

These objectives are intended to align with the Ontario government's commitment to support live racing and to secure stable funding to the horse racing industry.

Within the proposed long-term funding framework, OLG would be party to the long-term funding agreement, along with the new Racetrack Alliance and Woodbine Entertainment Group. OLG's role would also include overseeing the new funding model, such as reviewing the new Racetrack Alliance management agreement, and making decisions on extending the term of the funding agreement.

WHAT WE HEARD: OLG AND INTEGRATION

Over the course of Ontario Racing's consultations, issues were raised that were external to the scope of the proposed long term funding framework. Many of those comments pertained to OLG's management role within the horse racing industry, and particularly to the process of integrating horse racing to OLG's other lines of business.

Many horsepeople and track operators engaged in discussion about the urgency of moving forward with the development of new gaming products that can generate new revenue streams for Ontario's horse racing industry. OLG's capacity to invest in marketing and promotion of horse racing was also seen as vital for building sustainability and growing the fan base.

COMMENTS REGARDING ONTARIO LOTTERY AND GAMING (OLG) AND HORSE RACING INTEGRATION INCLUDED:

Transparency regarding OLG funding allocation is important to industry participants. Many consultation participants asked that more funding and financial information be made publicly available.

Integration of horse racing and gaming by OLG could contribute to sustainability for horse racing if new revenue streams are generated; many industry members are anxiously awaiting delivery on the government's commitment to produce new OLG gaming products that support horse racing. During the consultation there was recognition that direct government funding alone will not result in sustainability for the horse racing industry, and that new and innovative gaming products, and marketing campaigns are necessary for revitalizing the industry.

A significant amount of feedback recommended that new revenue streams generated by other gaming products could help bolster both awareness and financial viability of racing. Some feedback suggested that new gaming products could be geared to make horse wagering more accessible, simplified and convenient for customers – for example, making horse wagering as simple and convenient as buying an OLG lottery ticket. There were many recommendations during the consultation that a timetable be set for the introduction of, and revenue sharing from, horse-related gaming products

OLG has a vital role to play in marketing and promotion of horse racing. However, some industry members feel that marketing and promotion of horse racing by OLG is a higher priority than the development of new gaming products.

Racetracks that currently have slot facilities located on their properties are concerned about potential relocation of these facilities. This is of particular concern to industry participants that race at Ajax Downs, the sole Quarter Horse racing facility. Without revenue from slot lease fees, it may not be possible for racing to continue at Ajax Downs; the closure of Ajax Downs would end Quarter Horse racing in Ontario.

According to many consultation participants, an objective of integration should be to reduce competition between horse racing and casinos, and allow the two gaming activities to complement each other. Some feedback recommended a return to revenue sharing with slot machine facilities.

PHASE TWO CONSULTATION PERIOD

As part of Ontario Racing's commitment to ensure that industry perspectives are well and comprehensively represented by this report, a draft version was released for comment. This second phase of the Long Term Funding Consultation lasted for a period of 25 days.

Key engagements during this period included:

- Posting of the draft report on the Ontario Racing website, distribution of the draft report through Ontario Racing's mailing list and social channels, to solicit feedback from any interested parties.
- Direct invitations made to all racetracks and industry associations to make written submissions for inclusion in this final report.
- A webinar to provide an overview of the Letter of Intent; this is the non-binding legal document which formed the underpinning of the proposed long-term funding framework.
- A leadership meeting, attended by racetracks and industry associations, to discuss the draft report and the possible recommendations.

PHASE TWO CONSULTATION SUBMISSIONS

Formal submissions were received by Ontario Racing from the following organizations during Phase Two of consultations.

AJAX DOWNS

(Quarterhorse racetrack)

- Concerns expressed regarding funding for quarterhorse racing and the negative impact of OLG's modernization process on horse racing, particularly on racing at Ajax Downs and the awarding of long-term leases to some tracks and not others.
- Strong critique of provisions in the LOI pertaining to the "clawback" of slot lease revenue, presenting a perceived disincentive for for-profit tracks to conduct racing.

CLINTON RACEWAY

(Standardbred racetrack)

- Support for the proposed funding framework, with requests for additional transparency measures.
- Thanks to all parties for efforts to establish a sustainable future for racing.

FORT ERIE LIVE RACING CONSORTIUM

(Thoroughbred racetrack)

- Thankful for the long-term commitment the government has announced and are also appreciative of the fact that the track will be included in the Alliance of tracks. Concerned about current very unfair distribution of resources and industry funding, resulting in inability to re-invest
- Very supportive of being in the Alliance and need this to happen as soon as possible to ensure continued participation in the industry. Sees benefits to some overall cost reductions by integrating the pari-mutuel operations and marketing.

HIAWATHA RACEWAY

(Standardbred racetrack)

- Purses must be increased;
- All tracks should be invited to be part of the new Racetrack Alliance;
- A different funding model, and new opportunities to generate more revenues from additional gaming products and services, are needed at racetracks that currently lack slots facilities;
- Funding must take into consideration wide variation in operational costs at different racetracks.

THE ONTARIO HARNESS HORSE ASSOCIATION

(Standardbred Horseperson group - 2400 members)

- Concerns raised about transparency regarding industry funding and distribution of funding to horsepersons' associations; criticism of the commercially sensitive information clauses of various agreements which prohibit the disclosure of additional data.
- Concerns raised about transparency regarding the long-term funding negotiation process.
- Calls for additional autonomy for horsepersons associations.

RIDEAU CARLETON RACEWAY

(Standardbred racetrack)

- Support for WEG leadership of the new Racetrack Alliance.
- Calls for transparency among members of the new Alliance regarding long-term funding negotiations.



Photo: New Image Media

LOI WEBINAR

The proposed Long Term Funding framework on which this report is predicated was based on a legal document, called a Letter of Intent (LOI). This non-binding document was signed by the Woodbine Entertainment Group, the Ontario Lottery and Gaming Corp and Ontario Racing. As part of Ontario Racing's ongoing commitment to transparency, this document was released on the OR website and a webinar that was facilitated by OR and conducted by legal counsel for OLG and WEG. Attended by 180 participants on February 10 2017, this webinar provided a detailed overview to interested industry participants of the preliminary horse racing funding framework. Key questions by participants focused on the process for the creation of the new Racetrack Alliance and how the priorities of horse people would be effectively considered by the new Alliance. Key concerns related to the timing of the release of the LOI document during the consultation process. **Please see Appendix F for a copy of this slide deck.**

INDUSTRY LEADERSHIP MEETING

Ontario Racing invited all Ontario racetracks, and all Ontario racing-related industry associations to send representatives to a leadership consultative session. This meeting was attended by representatives from the following organizations: Western Fair, Grand River Raceway, Kawartha Downs, Ajax Downs, Dresden Raceway, Clinton Raceway, Fort Erie Racetrack, Hiawatha Horsepark, the Woodbine Entertainment Group, the Horsemens Protective Benevolent Association, the Standardbred Breeders of Ontario Association, Quarterhorse Racing Owners Inc and the Ontario Harness Horse Association.

This meeting provided an overview of the consultations to date, and a robust discussion about possible recommendations to amend the proposed long-term funding framework. Key topics of discussion and concern were focused on the nature of how racetrack slot lease revenues may be subject to "clawbacks" and on what the process of the formation of the proposed new Racetrack Alliance would be. **Please see Appendix G for a copy of this slide deck.**

RECOMMENDATIONS

1. FUNDING LEVEL

Ontario Racing recommends that the proposed funding amount of \$93.4 million annually over 17-years serve as a foundation for financial support, and be indexed to the consumer price index (CPI) to ensure that funding levels are not eroded due to inflation.

The horse racing industry confirmed during Phase Two of the consultations that it is supportive of the proposed annual funding amount of \$93.4 million per year to provide a foundation for financial support of the industry. It is important that the annual funding amount be indexed to the CPI. For example, based on the average annual change in the consumer price index over the past decade of 1.9%, the value of \$93.4 million would decline to approximately \$67.8 million over seventeen years.

2. EXTENSION OF FUNDING TERMS

Ontario Racing recommends that the criteria used to extend each funding term be based on transparent, achievable and reasonable performance indicators in order to provide the utmost certainty and predictability for horse racing industry participants.

The proposed model includes a plan to allocate funding over an initial 7-year term, followed by extensions of two 5-year terms at the option of Ontario Lottery and Gaming. The decision to extend funding by the two additional 5-year terms will be based on an assessment of financial and operational performance of the Racetrack Alliance. Horse racing requires long-term decisions and business planning, for all aspects including the breeding and purchase of horses, and investment into racetrack and customer improvements. It is vital that the criteria used to assess funding term extensions be as transparent and achievable as possible.

3. ENHANCED HORSE IMPROVEMENT PROGRAM

Ontario Racing recommends that annual funding of \$6.5 million continue to be provided over the proposed 17-year funding term for the Enhanced Horse Improvement Program (Enhanced HIP), and that this funding amount be indexed to the consumer price index.

It was noted that the majority of Government funding is directed to purses and racing and it was therefore deemed as vital that annual funding of \$6.5 million, which is mainly directed at the breeding sector, continue to be provided for the Enhanced Horse Improvement Program (Enhanced HIP). The funding for the Enhanced HIP plays a significant role in improving the quality of racing and developing the breeding stock in Ontario. By supporting the supply of quality horses, continued funding for the Enhanced Horse Improvement Program contributes to a strong racing product, generates significant economic activity and employment across the entire industry, including that in rural communities.

4. NEW RACETRACK ALLIANCE

It is recommended that Ontario Racing be provided the tools to attain the financial resources and the governance structure required to ensure the annual business plan and management decisions of the New Racetrack Alliance consider the broader interests and betterment of Ontario's entire horse racing industry.

The industry confirmed during Phase Two of the consultation that it supports a new racetrack alliance that invites all tracks to participate. For horse racing to be economically successful, all industry participants must have a voice in determining the future of racing, including horsepersons as well as racetracks. As the board of directors for the new Racetrack Alliance will be composed of racetrack representatives, it is vital for Ontario Racing, with its representation of horseperson groups from across Ontario, play a more significant role in negotiation and implementation of the agreement, to ensure decisions of the Racetrack Alliance are in the best interests of all industry participants.

5. MANAGEMENT BY WOODBINE ENTERTAINMENT GROUP

Ontario Racing recommends that Woodbine Entertainment Group be responsible for management of the new Racetrack Alliance.

Under the leadership of Woodbine Entertainment Group (WEG), the current Standardbred Alliance tracks have

seen wagering growth, successful integrated marketing efforts, and have met the objective of maintaining a live racing schedule with stable, competitive purses. By having access to Woodbine's substantial distribution network, operational efficiencies for other racetracks have been achieved. WEG's management role of the Alliance should be pursuant to a management agreement negotiated with other Racetrack Alliance members. As stipulated in the Letter of Intent, WEG's nominees to the Board of the new Racetrack Alliance will not comprise a majority of directors, and it must perform any covenants contained in the funding agreement. As manager of the new Racetrack Alliance, WEG's own business objectives must be balanced with the overall best interests of the province's horse racing industry.

Ontario Racing also supports that the agreement reflect that the current one home market structure operated by Woodbine across the province be maintained, but going forward it should benefit all racetracks conducting live racing. Having WEG operate the one home market area ensures that the benefits generated by HPI (internet) and Champions (teletheatres) remain in the Province and are used to benefit the industry. The success of the new Racetrack Alliance requires the Funding Agreement to include provisions granting WEG rights to operate the Province's one home market.

6. ADMINISTRATION OF THE FUNDING AGREEMENT

Ontario Racing recommends that the funding agreement require all parties to act in the best interests of Ontario's horse racing industry, with remedies for addressing violation of any conflict of interest policies, or otherwise not meeting their obligations and covenants under the agreement.

The success of this model will depend on all parties working together toward a common goal of achieving a stable and sustainable live horse racing industry in Ontario. The interests of any one party cannot, and should not, be put ahead of what is best for Ontario's horse racing industry as a whole.

7. TRANSPARENCY AND CONSULTATION

Ontario Racing recommends that opportunities be given for public consultations on all major and significant business and governance decisions made on behalf of the industry.

For industry participants to make educated business and investment decisions, transparency on the industry's performance was identified as critical. Transparency matters identified included how funding is allocated, the amounts revenues generated and shared, the level of purses and races dates, how decisions are made

by the Agreement Parties, and how business plans are developed. As part of this approach to improve transparency, all non-commercially sensitive industry data and information should be publicly disclosed to industry participants.

8. KEY PERFORMANCE INDICATOR METRICS

Ontario Racing recommends that the Long-term Funding Agreement clearly identify how key performance indicators will be developed, how these indicators will be used to assess racetrack performance, and how the indicators will be utilized to determine continued eligibility for funding and funding term extensions.

The industry is generally supportive of a new Racetrack Alliance using key performance indicators to determine the optimal allocation of funds, and to improve racetrack performance. Detailed clarity must be provided that the KPI's are valid and attainable, and that the impact on funding levels and duration are transparent. The industry should also have a say in the metrics that are to be implemented.

9. ADDITIONAL REVENUE SOURCES

Ontario Racing recommends that Ontario Lottery and Gaming develop an action plan to facilitate the sharing of revenue from new racing-related gaming products.

The horse racing industry recognizes that long-term growth and sustainability will require generation of revenue from additional industry sources. This includes revenue sharing from new horse-related gaming products. Development and introduction of new gaming product revenues should be expedited for the betterment of Ontario's entire horse racing sector.

10. LEASE CLAWBACKS RECONSIDERED

Ontario Racing recommends that the lease clawbacks contemplated in the LOI be reconsidered and subject to further discussions between racetracks and Ontario Lottery and Gaming.

The "clawback" provision of the funding model does not provide for the growth of the industry and could put all racetracks at a competitive disadvantage to all other potential gaming sites. In cases where there are negotiated long-term gaming leases at racetracks, the funding agreement could allow for racetracks to negotiate reasonable revenue thresholds above which appropriate clawbacks could start. Such thresholds for clawbacks being applied should be negotiated to allow for real sustained growth, and avoid disincentives for racetrack operators to run successful live racing.

APPENDIX A:

HENSIVE CONSULTATION PARTICIPANT LIST

A

Al Boeckman
Al McIntosh
Alan Fair
Alex Lawryke
Andrew Cady
Andrew Demetrious
Andrew Wright
Ann Lilley
Ann Straatman
Antionietta Petrella
Audree Vachon

B

Benoit Frense
Betty Ellis
Bill Ford
Bill Kulpatrick
Bill Manes
Bill McMaon
Bob Ladouever
Bob McKeen
Bonnie Rowntree
Brett Carachi
Brian Bell
Brian O'Leary

Brian Peterson

Brian Tropea

Bruce Irving

C

Carlo Micucci
Carmen Di Paola
Carol Robertson
Catherine Day Phillips

Cathy Noughton

Cathy Scowcroft

Chad Gates

Chantal Mitchell

Chris Robson

Corey Johnson

D

D O'Brien Moran
Dave Tyrrell
Deana D'Ambrosio
Dean Culislo
Dan Gall
Dan O'Brien
Dave Boyle
Darryl Kaplan
Debbie Slater
Debi O'Brien Moran

Dennis Morrissey

Dick Lush

Don Reid

Donald W Leschied

Doug Reddick

Dr Chris Robson

Drew Cady

Dustin Jones

E

E Thomas Knight
Ellie Mayhew
Eric Leghtinen
Estelle Clunies

F

Frank Roth
Frank Sabli
Frank Di Giulio
Fred Haskell

G

Gail Woodward
Garfield McBeen
Gary Grieve
Gayle Sommer
Geoff Davidson
George Coleman
Gerald Hill

Gerard Catalano

Gerry Sloan

Gilbert Mercier

GJ Guzzo

Glenn Pearson

Glenn Sikura

Gordon McDonald

Graeme Mitchell

Gregory Peck

H

Harold Eder

Harry Elder

Harry Martin

Heather MacKay

J

J Doug Patton
Jack Darling
James Donald
James Wellwood
Janet Mullen
Jason Niblock
Jean C Fravictoire
Jeff Begg
Jeff Jamain
Jeff Porchak

Jeff Wellwood
Jennifer Anstey
Jennifer Smiley
Jim Ellis
Jim Fraleigh
Jim Hashall
Jim Wellwood
Jim Whelan
Joan Cassell
Jody Jamieson
John Braid
John Burness
John Hayes
John MacMullan
John Pentland
John Stolte
John Van Allen
Jordan Haxym
Joyce Lehtinen
Julie Coulter
Justin Nixon
Justin Picov
K
Karen Kroger
Kathy Heys
Kathy McBride
Katie Browne
Katie Lamb
Ken Morden

Ken Oliver
Kim Ito
L
Lesley Barter
Lisa Bauer
Liz Knight
Lois Grieve
Lyn Mancini
Lynn Farrell
M
Mark Frostad
Mark Morner
Mark Williams
Martin Earle
Mary Schrama
Megan Walker
Melisa Hamilton
Michael Edwards
Michael Petetski
Michelle Jerome
Mike Keeling
Mike Wade
N
Neil Desborough
Norie Hasspieler
P
Pam Frostad
Pamela Loomis
Park Stud
Patti Ball

Paul Branton
Paul Garrison
Peter Andruser
Peter Berringer
Peter Spoar
Peter Smiley
R
Ralph A Davis
Ralph Davis
Ralph Pearson
Randy Fulnier
Randy Rier
Ray Elgie
Rebecca Geisel
Rebecca Singleton
Rhonda Waechter
Rhonda Waechter
Richard Farrell
Richard Gardner
Rik Hudson
Rob Hammond
Robert Burgess
Robert Woodward
Ronald Legault
S
Sam Meli
Sam Taylor
Scott Reid
Sean Slater
Shawn Minshall

Stacey Newman
Stan Henderson
Stephanie Keeble
Steve Desterd
Steve Goddard
Steve Lehman
Steve Suttie
T
Tanya Boulmetis
Ted Bailey
Ted Clarke
Ted Smith
Terry Fried
Terry Fuer
Theodore Burnett
Thomas Brodhurst
Thomas Rankin
Tom Bain
Tom Durand
Tom Farley
Tom Hamm
Tom Knight
Tom Valiquette
V
Vera Simpson
W
Walter Parkinson
Warren Byrne
William Dalious
William Sorokolit

APPENDIX B:

LONG TERM FUNDING FRAMEWORK POWERPOINT DECK (USED AT INDUSTRY CONSULTATION SESSIONS)



Ontario Racing: Background

- Ontario Racing (OR) is the successor to OHRIA, and the new industry association for horse racing in the province.
- Recognized by government – including the AGCO and the OLG – as the voice for the industry, with a mandate to advocate on behalf of the horse racing industry and to work for a sustainable future for horse racing in this province.
- Ontario Racing will be leading the consultation process with the industry on a long term funding framework and agreement.



Ontario Racing: Updates

- OHRIA board has now transitioned to become the new, interim board of directors at Ontario Racing to provide a strong industry perspective and to direct association affairs
- Michael Keegan and John Snobelen have stepped down as founding OR directors, with thanks for their hard work and dedication
- New interim board has struck a governance committee to work with legal experts to determine a new, permanent and representative board structure
- Additional interim step and a new structure to be in place in 2017
- Current OR board representation – 5 horseperson groups and 3 tracks



Ontario Racing: Updates

Sue Leslie, Ontario Racing President & Secretary (Chair of the Board)
President, Horseman's Benevolent and Protective Association (HBPA)

Bill O'Donnell
President, Central Ontario Standardbred Association (COSA)

Glenn Sikura
President, Canadian Thoroughbred Horse Society (CTHS)

Walter Parkinson
President, Standardbred Breeders Ontario Association (SBOA)

Jim Lawson
Chief Executive Officer, Woodbine Entertainment Group (WEG)

Bruce Barbour
Executive Director of Racing Operations, Flamboro Raceway (Great Canadian Gaming)

Ted Clarke
General Manager, Grand River Raceway

Bob Broadstock
President, Quarter Racing Owners of Ontario Inc. (QROOI)



Objectives

- Goal is to create a long term funding model for live horse racing in Ontario
- Create a foundation for a more stable and sustainable horse racing industry in Ontario
- Industry self determination: the industry making decisions on what the future looks like, where change is needed and how public funds invested in the horse racing industry can have the greatest long term economic impact



Proposed Parameters

- Evidence-based decision making, informed by metrics that drive growth and sustainability of the business
- Long-term funding certainty so that tracks and horsepeople can make breeding, capital, racing program and hiring decisions
- Less reliance on public funds, over time, after demonstrated industry growth over targets
- Use WEG expertise, Alliance management experience and market impact can be leveraged to improve product and grow wagering
- A single TPA so that funding can be invested across the entire sector to derive the greatest impact
- Not about maintaining the status quo: moving towards a sustainable industry



Long Term Funding Framework

- Long term funding framework is based on four key principles:
 1. Racetrack Alliance
 - All Ontario Racetracks that conduct live racing, and agree to the terms of the new model, will create a new alliance
 - OLG will create a funding agreement with the Racetrack Alliance to replace the old transfer payment system
 2. Length of Term to Enable Investments and Annual Payment Amounts
 - Breeders, owners can invest knowing the funding program is built to last
 3. Sustainability
 - Key Performance Indicators that allow for evidence based decisions for fund investment
 4. Industry Leadership and Cohesiveness
 - Business plans, race dates, purse levels coordinated across racetracks



Current Standardbred Alliance

- History and membership
- Financial structure – TPA's and wagering
- Alliance tracks - operating costs
- Alliance purses and pooled commissions
- WEG centralized support
- Wagering growth



Racetrack Alliance

- Will be an incorporated Ontario not-for-profit corporation
- Governed by a Board of Directors comprised of representatives from the Alliance
- WEG will be responsible for the management and the administration of the Racetrack Alliance, leveraging WEG's expertise in operating the existing Standardbred Alliance
- There will be a funding agreement created between OLG and the Racetrack Alliance for the full amount of government funding
- The Alliance will work together to create the racing program, with approval required by Ontario Racing



Racetrack Alliance - Organization

- Alliance to be formed with the support of OR
- WEG will not have majority of the directors, but certain material decisions will require approval of WEG nominees
- Racetrack Alliance will enter into the Funding Agreement with OLG for receipt of the Annual Funding Payment
- WEG will be responsible for the management and administration of RA pursuant to a Management Agreement
- WEG will prepare Racetrack Alliance Annual Business Plan, the main feature of which will be the racing program and use of the OLG Annual Payment
- The Annual Business Plan will be approved by RA and OR Boards, then OLG and AGCO



Racetrack Alliance - WEG's Expertise

- WEG has done a credible job at halting the declining handle and is now starting to see growth across the current standardbred alliance.
- With WEG's expertise, the members of the alliance have been able to offer sustainable racing programs and obtain increased distribution.
- Since the inception of the HRPP, the Ontario based wager has grown each year. Members of the Alliance are able to tap into WEG's substantial distribution network.
- Many administrative efficiencies have already been realized across the current Alliance.



Length of Term

- Designed to provide the industry with the certainty they need for breeding, buying, capital and other types of business investments
 - Initial term 7 years beginning in 2021
 - Plus two five-year extensions, based on performance measures
 - Total **17 years**
- These extensions based on performance measures and contract compliance
- Annual fund: \$93.4 million
 - Realizing efficiencies - examples: central race office staff, purse management, tote operations, settlements



Sustainability

- Performance Measurements and Key Performance Indicators (KPI's), including wagering targets
- Cost allocation agreement to ensure shared administrative efficiencies for racetracks

Confidential for discussion only.



Industry Leadership and Cohesiveness

- Ontario Racing responsibilities:
 - Organizational support of the Racetrack Alliance
 - Reviewing and approving Racetrack Alliance program and annual business plan
- Annual Business Plans from tracks required
- Pari-mutuel wagering revenue sharing agreement
- Reporting requirements to OLG, including 5-year strategic plans



Consultation

- In person consultation sessions meant to hear from you, our shareholders
- We need your insights and counsel on how a best going forward position
- This consultation process is just the beginning of more industry engagement
- Comments and opinions can also be expressed through a portal on the Ontario Racing website
- Keep checking with the Ontario Racing website for any changes or additions to the meeting schedule



Consultation Dates

Wednesday, October 19	1pm-2pm	Long Term Funding Webcast (available online)
Monday, October 31	2pm-4pm	Toronto (Location TBD)
Tuesday, November 1	2pm-4pm	Hamilton (Flamboro Downs)
Wednesday, November 9	5pm-7pm	Sarnia (Hiawatha Raceway)
Sunday, November 13	2pm-4pm	London (Western Fair Raceway)
Wednesday, November 16	5pm-7pm	Ottawa (Rideau-Carleton Raceway)
Saturday, November 19	1pm-3pm	Port Perry (Location TBD)
Tuesday, November 22	2pm-4pm	Milton (Location TBD)



APPENDIX C:

ONLINE PORTAL QUESTIONNAIRE

The screenshot shows the 'Long Term Funding - Online Consultation Portal' for Ontario Racing. The page includes a navigation menu with links for 'INDUSTRY NEWS', 'TRANSPARENT ABOUT HORSE RACING', 'FIND A TRACK', 'SCHEDULE RACING EVENTS', and 'NEEDING PROGRAMS'. The main content area contains a survey with 11 questions. Questions 1-3 are multiple choice, question 4 is a Likert scale, question 5 is a multiple choice, question 6 is a text box, question 7 is a Likert scale, question 8 is a Likert scale, question 9 is a radio button selection, question 10 is a Likert scale, and question 11 is a text box. The Ontario logo is visible in the bottom left corner.

Long Term Funding - Online Consultation Portal

Ontario Racing is engaging in industry-wide consultations on a proposed framework for long term funding for horseracing in Ontario. You can review that presentation that outlines the proposed framework here. We encourage all interested parties to share feedback by completing the survey below and sharing their thoughts and perspectives.

1. Name
2. Email
3. Select all that apply
 - Owner
 - Trainer
 - Breeder
 - Racetrack Operator
 - Racetrack Employee
 - Driver
 - Rider/Jockey
 - Groom/ Stable Worker
 - Horseplayer
 - Standardbred
 - Thoroughbred
 - Quarterhorse
4. Do you believe that this proposed long term funding framework is on the right track for the future of the racing industry in Ontario?

<input type="radio"/>									
1	2	3	4	5	6	7	8	9	10
Disagree					Agree				
5. What elements of the proposed long term funding framework do you think are most positive? Choose all that apply.
 - Level of funding
 - Length of term
 - New racetrack alliance
 - Industry-led
6. What elements of the long-term funding framework do you think are problematic? Why? (max. 1000 characters)
7. Do you think that a roadmap or business plan for the industry as a whole will support a more sustainable industry?

<input type="radio"/>									
1	2	3	4	5	6	7	8	9	10
Disagree					Agree				
8. Does the proposed long term funding model provide you with enough certainty to invest in the Ontario horse racing industry?

<input type="radio"/>									
1	2	3	4	5	6	7	8	9	10
Disagree					Agree				
9. Prioritize (1-5) the preferred year/timeline you would like to see the funding agreement take effect.
 - 1. Prior to 2019
 - 1. In 2019 (when current government transfer payment agreements expire)
 - 1. In 2021 (after a two-year extension to current government transfer payment agreements)
10. How important are success measurements, benchmarks and key performance indicators to determining the sustainability of the horse racing industry in Ontario?

<input type="radio"/>									
1	2	3	4	5	6	7	8	9	10
Disagree					Agree				
11. What do you think those success measurements should be? (max. 1000 characters)

FOR A WORKING VERSION OF THE PORTAL QUESTIONNAIRE, PLEASE VISIT: WWW.ONTARIORACING.COM

APPENDIX D:

INDUSTRY ORGANIZATION SUBMISSIONS



PO Box 297, 36 Main St. N.,
Campbellville, ON L0P 1B0
Tel: 905-854-2672
Fax: 905-854-2644
Website: www.cosaonline.com

December 2, 2016

Ontario Racing
10 Carlson Court, Suite 400
Toronto, ON M9W 6L2

Attention: Rob Cook, Executive Director

Re: Horse Racing Partnership Funding Program

We, the undersigned, are writing to confirm our agreement and acceptance of the proposed Long Term funding program. Our entire working lives have been devoted to the racing industry and many own our own farms. All of us have our complete net worth invested in the industry and are concerned about the future of racing in the province of Ontario.

The funding program you have described, and the proposed Alliance of Racetracks, will ease much of our concerns.

We would be pleased to discuss this further, either through our horsemen's association (COSA) or individually.

Yours respectfully,

Jack Darling
Richard Moreau
Ted McDonnell
Greg McNair
Murray Brethour
Scott McNiven
Mark Horner
Joe Hudon
Doug Wilson
Doug McNair
Rob Giles
Jim Wellwood



PO Box 297, 36 Main St. N.,
Campbellville, ON L0P 1B0
Tel: 905-854-2672
Fax: 905-854-2644
Website: www.cosaonline.com

November 30, 2016

Ontario Racing
10 Carlson Court, Suite 400
Toronto, ON M9W 6L2

Attention: Rob Cook, Executive Director

On behalf of the COSA board of directors, we would like to inform you that we are in full support of the continued negotiations and advancement of a LOI. We further support the initiations being put forward by OR with the OLG and the Ontario Government in moving forward on a long-term financial commitment which will give our industry sustainability.

Also, thank you for spearheading the recent industry consultations which were of great importance to our members in letting them have their input into the future of horse racing in Ontario.

COSA also supports WEG as the administrator of the funds. WEG holds world class thoroughbred and harness racing and without them there would not be a racing program in Ontario.

Sincerely,

Bill O'Donnell
President



Tel: (519) 846-5455
Fax: (519) 846-0206
7445 Wellington County Rd. 21
RR #2 Elora, Ontario N0B 1S0
info@grandriverraceway.com
www.grandriverraceway.com

November 29, 2016

Rob Cook, CEO,
Ontario Racing,
10 Carlson Court, Suite 400
Toronto, Ontario, M9W 6L2

Dear Mr. Cook,

I am writing on behalf of the Grand River Raceway in support of the proposed long term funding agreement for the horse racing industry in Ontario that is currently under study and which has attracted both support and concern (at least at the 3 sessions I attended). Although there are several areas where there is room for development, there were constructive comments about adopting best practices (Sarnia meeting) and a need for the development of the Alliance sooner rather than later (Framboro meeting FAR track rep). There were many questions based on insecurity that comes from the short term future of our current state of affairs.

Grand River Raceway supports the development of the Alliance concept as described with Woodbine Entertainment Group acting as the service provider to facilitate the conduct of the services required to conduct racing and wagering. They are capable (the only entity that can do the job) and have done a good job with the current Standardbred Alliance. There is a need for more purse money in several operations that must be recognized. The current Alliance has succeeded in growing the wager which is one of the remedies for the purse issue.

Yours truly,



C. E. Clarke



flamboro downs limited
P.O. Box 8220, Hamilton, Ontario L9H 6Y6

967 Hwy # 5 West, Hamilton, Ontario
telephone: (905) 627-3561 fax: (905) 627-0480

December 2, 2016

Ontario Racing
400-100 Carlson Court
Toronto, Ont.
M9W 6L2

Attention Mr. R. Cook
Executive Director

Dear Mr. Cook:

I would like to take this opportunity to provide the support of both Georgian Downs and Flamboro Downs, as it relates to the proposed long term funding framework for Horse Racing in the Province of Ontario.

In addition, we would recommend to the Ontario Lottery & Gaming Corporation (OLG) that discussions be initiated to modify and improve the proposed framework based on the horse racing industry consultation and feedback.

Georgian Downs and Flamboro Downs continue to support the concept of a Horse Racing Alliance much like the Standardbred Alliance with Woodbine Entertainment as the "manager" of said Alliance.

Yours Truly

Bruce Barbour
Executive Director
Racing Operations

THE H.B.P.A. of ONTARIO
Administrative Office
135 Queen's Plate Drive, Suite 520
Toronto, Ontario M9W 6V1



Telephone: 416-747-5252
1-866-779-3067
Fax: 416-747-9606
www.hbpa.on.ca

Representing the Thoroughbred Horsemen and Horsewomen of Ontario

November 29, 2016

Rob Cook
Executive Director
Ontario Racing
400 - 10 Carlson Court
Toronto, Ontario
M9W 6L2

Dear Mr. Cook,

Please be advised that the Board of the Ontario HBPA has discussed the outline of the proposed LOI.

While more specificity, vision and adjustments are required the HBPA Board supports continued negotiation and consultation of the long term funding and the progression of the LOI.

As such, I have copied to you below the motion of the HBPA Board in this regard.

"To support further discussion, negotiation and advancing of the framework LOI as presented by OR through its webinar and consultation meetings. This support is based on the principles of long term funding of 93.4 million for 17 years, the formation of a new racetrack Alliance administered by WEG and OR as the Association that will be the voice of the industry to Gov't and review, approve or not, decisions of the Alliance."

The Board wants to identify the following as some of the more relevant concerns within the current presentation that need to be addressed.

1. An inflation mechanism for purses to grow is required
2. The need for a commitment on development of horseracing gaming products to help grow industry income as other forms of gaming increase and modernize
3. A monetary allowance is needed for necessary capital investments at racetracks for safety issues and good customer experience
4. The amount of money (93.4 million) is not sufficient to keep the entire industry as it exists whole. How and when is this going to be addressed?

We trust this makes our support clear.

Best,

President
HBPA of ONTARIO



Standardbred Breeders of Ontario Association

December 2, 2016

Dear Rob,

On behalf of the Standardbred Breeders of Ontario Association (SBOA) I would like to extend our sincere thanks to you and Ontario Racing (OR) for engaging Ontario's Standardbred horse breeders in the consultations for the proposed long-term funding model for Ontario's horse racing industry.

As Standardbred breeders, a long-term funding model is essential to creating a vibrant and sustainable breeding industry within the province. The Ontario Standardbred breeding industry continually produces high quality horses that compete at the top levels of racing both domestically and internationally. This requires long term financial commitments with an expected return on investment. A long term funding model will further promote industry confidence, thus encouraging breeders to continue to make investments and to produce horses that are in demand.

The Standardbred Breeders of Ontario Association is in support of the long term funding framework and recommends to the Ontario Lottery & Gaming Corporation (OLG) that discussions be initiated to modify and improve the proposed framework based on horse racing industry consultation and feedback.

The Standardbred Breeders of Ontario Association is more than willing to assist OR, OLG and the Province in further developing and initiating a long term funding framework that benefits all sectors and partners within Ontario's horse racing industry.

Sincerely,

A handwritten signature in black ink that reads "Walter Parkinson". The signature is written in a cursive, flowing style.

Walter Parkinson
Assistant Farm Manager – Seelster Farms Inc.
President – Standardbred Breeders of Ontario Association



11 Harwood Avenue South, Suite # 202
Ajax, Ontario L1S 2B9
Phone 905-426-7050 • Fax: 905-426-7093
grooiheadoffice@gmail.com

Ontario Racing
Rob Cook – Executive Director

Mr. Cook,

The Quarter Racing Owners of Ontario Inc. and our horsemen look forward to the continued consultation and negotiations that will provide the framework for the Ontario Racing Industry over the next 20+ years. Through our attendance at the industry consultations that took place in October/November this year, we were disappointed with the lack of clarity around governance, timing and information about all sources of industry revenues. The Ontario horse racing industry relies on approximately \$322M, of which only \$99.7M (31%, including breeder's incentives of \$7M) came from the HRPP in 2015. The remainder, approximately \$222M (69%), is generated by contributions from OLG slots at racetracks leases (approx. \$50M) and wagering revenues (approx. \$172M, net of provincial and federal taxes, and including PMTR of approx. \$58M). Both of these other sources of funding are critical to industry sustainability and have not yet been elaborated on in the consultations.

We fully recognize that OLG has originated this plan and Ontario Racing is trying to consult industry on it, get feedback, and provide guidance to decision makers including the OLG, OMAFRA, Ministry of Finance and the OR board. We feel that it is extremely important to get this right the first time and that is why we have decided to provide you with some key suggestions to ensure that the industry has the capacity to sustain and govern itself over the long-term.

Our submission herein constitutes various suggestions aimed at identifying fatal flaws and improving what we know about the currently proposed plan. We expect that we will have additional comments and positions on matters as they arise from your consultation summary report, and through future rounds of consultations where we may learn more.

SITE SECURITY

The future of horse racing in Ontario is dependent on the continued success of a variety of tracks located in geographically strategic locations. OLG must work to secure these key racing sites across the province by providing racetrack operators with long term lease agreements that coincide, at minimum, with the term of the long-term funding plan. Approximately one sixth of all racing industry revenues (~\$50M) is derived from OLG leases. The racing industry would be unable to operate without them today, and growth in leases through gaming expansion (and subsequent contribution to horse racing) will be the single largest driver of sustainability going forward.

SMALL TRACK SECURITY/QUARTER HORSE FUNDING SECURITY

Funding must be designated and directed to specific sectors within the industry. Funds should be set for: Standardbred Grassroots/Regional Track Purses, Standardbred Purses, Thoroughbred Purses, Quarter Horse Purses and Track Operations.

WEG currently receives all province-wide revenues from teletheatre and internet wagering, which equates to approximately \$845 million wagered (FY14) and generates approximately \$114 million in additional revenue, which as been entirely retained, as far as we know, by WEG. Funds from these streams should also be set-aside for Alliance and Operational funding while additional purse money should be directed to breeds based on OLG performance measures. These funds would then be required to be spent within their designated sector with the WEG-administered alliance and restricted from being able to move funding between the sectors.

WEG-CONTROLLED ALLIANCE

Real or perceived, Woodbine control of the industry is a significant concern for all in the sector other than WEG. Unfortunately, we are required to operate within a single TPA system, therefore it is important to put in place a variety of fair and reasonable controls designed to ensure balance in industry decision-making. This is not only a track issue but is crucial for horse people, who should also have a dedicated line to the Alliance.

Alternatively, many concerns may be resolved by providing sector-specific funding security as described above. The support and consultation of horse people would be required for changes to purse allocation programs, while track support would be required to resolve operational issues and/or consolidation.

ONTARIO PRODUCT FOCUS

WEG must utilize the teletheatre network and internet wagering platforms to expand wagering on Ontario product first. We have experienced this first hand in the quarter horse industry, where we have a monopolistic ADW platform (HPI) and OTB network, now entirely controlled by WEG, that has historically favoured other product and has left quarter horse racing with a severely limited opportunity for exposure.

REWARD FOR SUCCESS

We believe that KPIs should provide (i) a way to measure the industry fairly and effectively, with consideration of each breed/sector's unique attributes (ie. It is all relative). Furthermore, we believe those same KPIs should be utilized to provide incentive for growth through a reward system.

KPIs under development by OLG, OR and OMAFRA should continue to focus on growth of LIVE ON TRACK wagering and should also consider the individual earning potential of the horse (e.g. unique starters province wide x total purse by breed).

KPIs should also look to racetracks that are performing well and measure on-track attendance and wagering development. This information not only provides a way of measuring the success of our industry but can also be used as a benchmark to determine each sector's share of wagering revenues generated at teletheatres and through internet wagering platforms. We believe strongly that, the revenues generated from these wagering platforms, if they remain a monopoly, should be controlled by Ontario Racing, with WEG maintaining its established administration and management of them as part of the proposed WEG administration agreement.

LOI “CLAWBACK” PROVISIONS

The “clawback” provision of the LOI puts all tracks (especially those that are for-profit) at a competitive disadvantage to all other potential gaming sites. The “clawback” provision is only effective in an environment where racetracks have a secure long-term cash flow in which they can contribute back a reasonable portion of said cash flow to the industry.

In the current environment of site competition as a result of the OLG modernization process, the existence of this “clawback” creates a disincentive for racetrack operators to run live racing and therefore it should be modified from its currently proposed form.

ONTARIO RACING – GOVERNANCE

Ontario Racing will need to be an organization that has support of the entire industry. As the Alliance will be racetrack controlled, horse people should have a majority role at Ontario Racing. There should be representation from all three breeds both as horseman and breeders and those representatives should be duly elected by their membership. At no time should horsemen be appointed to serve at Ontario Racing, they must be elected and it is Ontario Racing’s job to ensure that elections are held in a manner that cannot be challenged by horsemen that disagree with the results. Although the exact structure of the board needs further work, we believe that this provision is the only way that our industry will come together. We live in a ‘democratic’ society and should stand up for those values.

I look forward to meeting with you to discuss this submission. We are dedicated to working through the challenges that we are facing in order to ensure that Ontario Racing can be an effective governing body and so that horse racing remains a vibrant industry in Ontario for future generations.

Sincerely,

Bob Broadstock
President
Quarter Racing Owners of Ontario Inc.



The WFA Raceway Corporation



December 1, 2016

To: Rob Cook, Executive Director

Ontario Racing

The Raceway at Western Fair District writes to offer its support of Ontario Racing's (OR) long term funding plan for the horse racing industry in Ontario.

The Raceway has been part of the current Standardbred Alliance, which has been very capably administered by the Woodbine Entertainment Group (WEG), since 2014. This unique business model has allowed the tracks involved to realize operational efficiencies in several areas which have been critical to the overall success of the Alliance in its first 2 ½ years of operation. These efficiencies include a centralized tote service, centralized race office and purse cheque distribution, the handling of simulcast contracts with other racing organizations and ADW platforms, in addition to other back of house services.

The Standardbred Alliance has been able to not only stabilize but grow wagering on its product by offering a consistent wagering platform in more locations throughout Ontario. And, by linking all Alliance tracks and teletheatres to the HPIBet platform, offer a loyalty program across the province.

A lot of hard work and co-operation between the Alliance tracks has produced positive results and we believe that customers in Ontario have benefitted greatly from this initiative. We should strive to continue improving this customer experience and we feel that the stability of a long term funding agreement and a stronger Alliance will be vital to achieving this goal.

We want to stress how important WEG has been in helping to stabilize the Ontario racing industry during a very turbulent period. Their expertise and commitment to racing as administrators of the Alliance has been and will continue to be a critical component to determining the future success of horse racing in this province.

Sincerely

Hugh H. Mitchell, CEO

Greg Blanchard, Raceway Manager



November 28, 2016

James J. Lawson
Chief Executive Officer

Rob Cook
Executive Director
Ontario Racing

And

Cal Bricker
Senior Vice President – Horse Racing
Ontario Lottery and Gaming Corporation

Dear Sirs,

We felt it important to provide you with our thoughts following the completion of the public consultant sessions which Ontario Racing (“OR”) has held across the Province to discuss the future of the horse racing industry in Ontario (the “Plan”) as set out in the letter of intent (“LOI”) signed by Woodbine Entertainment Group (“WEG”), Ontario Lottery and Gaming (“OLG”) and OR. Either WEG senior officers or senior representatives of member racetracks of the Standardbred Racing Alliance attended each of the public sessions and we were very disappointed that the meetings, in most cases, became forums for the same disgruntled voices to air their historical disagreements with the government, industry governing organizations and WEG. We understand that many industry participants are struggling with the new realities of racing in the Province and that the cancellation of the Slots at Race Tracks program remains front and centre for many individuals, but we must work to a path forward.

WEG is the owner and operator of the Province’s two Premier level racetracks – Woodbine and Mohawk. WEG is a corporation without share capital and our mandate is to support horseracing in the Province and invest any profit back in to the industry, as we have been doing in the Province since 1881. We proudly employ over 1700 individuals directly and have many more times that number earning their livelihood at our racetracks. WEG tracks host over 3,000 race horses on our properties each year along with the thousands of rural-based horse people that work daily with these equine athletes. Our account wagering platform, HPI, is a recognized North American leader in the field and available across the entire country. We are the current operator of the Province’s off-track teletheatre network and since taking over that operation have increased both the footprint of outlets (doubling the number of outlets to 54) and significantly grown the handle of this network.

In 2013, to ensure the survival of the racing and breeding industries in the Province we created the Standardbred Alliance. WEG currently invests \$5M annually to administer the Standardbred Alliance of 7 racetracks. This Alliance has been a success in its first 2 years of operation. It has provided the industry with stability by cooperating on race dates, reducing operating costs for the 7 participant tracks and given the Signature and Grassroots tracks access to a wagering and marketing network that would otherwise not be available to them. Much of the growth has come from the export of the Ontario racing product to US wagering markets.

November 28, 2016

Page 2

Currently, 85 % of all wagering in the Province on horseracing is managed by WEG. WEG has plans to continue to invest significantly in the Woodbine and Mohawk properties to maintain our world-class racing facilities for decades to come. We believe that we will be able to continue to grow top-line wagering handle.

We remain strongly supportive of the Plan in concept. There are many reasons why, but to list just a few:

- The industry risks losing investment and has no hope of attracting new investment without longer term certainty – the 17-year Plan depicted at the consultations achieves that certainty. The racing and breeding industries need participants that are prepared to invest significantly. Without that there is no hope of keeping and attracting the next generation of industry participants.
- A majority of the owners of racetracks in Ontario are not prepared to operate horse racing at their tracks without the support that the Plan provides – each racetrack which operates live racing cannot operate without additional revenue streams, as operating costs, including purses, significantly outweigh the income received from its commissions on pari-mutuel wagering. Simply put – pari-mutuel wagering alone cannot support the Province's horseracing and breeding industries. Additional horse racing/lottery products and gaming leases must be solidified quickly to bolster revenue and create sustainable business for all horse people in the Province.
- The objective behind the Plan is to spread the success of the Standardbred Alliance across a larger group, and given the realities of the horseracing and gaming industry today, this is the only opportunity the industry will have to survive in this Province.
- The industry needs to take control of its own destiny – by settling on the Plan the industry can be represented by an expanded Racetrack Alliance overseen by a large and diverse non-profit board which will largely run the industry with a step towards self regulation – the alternative is a very much reduced industry driven solely by Government and likely just the WEG tracks surviving.

What should the next steps be? We strongly feel that OR and government should speak to and consult with the major owners, breeders and other significant racetracks in Ontario, including in particular, the current Standardbred Alliance racetracks. Attending at the public sessions it was very clear to us that you have not heard from over 90% of the industry and any report or review of the consultations will lack credibility unless and until there is now a concerted effort made to hear from more than the disgruntled handful that attended the sessions.

We know that there remain significant large issues that must be addressed to ensure the survival of the Province's racing and breeding industries. We are prepared to work with both industry and government to address them. Of immediate concern:

November 28, 2016

Page 3

- Those tracks that are to survive and be vital components of the expanded Alliance must be provided certainty that gaming will remain at their sites or, in the alternative additional funds be made available to compensate for the loss income stream.
- Integration of horseracing and gaming is required. Products that provide significant income streams to the industry must be introduced quickly and with a meaningful marketing investment.
- The level of required deductions from pari-mutuel wagers must be significantly reduced to put the Province's racetracks on a level playing field with their North American competitors.
- The cost of regulation must be controlled and some certainty provided to racetracks.
- The Province's breed improvement programs must be reviewed so that programs can be put in place that will ensure the breeding of quality horses is a priority and breeders are given a level of long-term certainty. Without a strong breeders awards program and HIP, there will not be a racing product. We must support the investments of the breeders as well.

We look forward to continuing our dialogue of these key points and on the Plan. We remain hopeful that the Plan, in either its current form or slightly revised, can provide the long-term platform that will allow success and build an industry that we can all be proud to participate in.

Sincerely,



James J. Lawson
Chief Executive Officer

JJL:cw

cc: Sue Leslie - OR
Stephen Rigby - OLG



DRESDEN
RACEWAY

P.O. Box 790, DRESDEN, ON NOP 1M0
Phone: 519-683-1116 Fax: 519-683-4203
Email- DAS: agsociety@gmail.com
Raceway dresdenraceway.bramsay@gmail.com
Website: www.dresdenex.com

Attention:

December 12, 2016

Rob Cook
Executive Director
Ontario Racing (OR)

Dear Mr. Cook,

We the Dresden Agricultural Society (DAS)/ Dresden Raceway are excited to send this letter of support to you and your team in regards to the long term funding plan being proposed by your organization.

We appreciate the diligent effort you have put forth in preparing this plan as well as the consultations that were held province wide to solicit industry feedback. It gave us more insight into how the Alliance operates and the potential benefits of becoming a part of it.

We support in principle the formation of a province-wide Alliance as part of the plan put forward and appreciate the fact that industry was asked to participate and offer feedback and that this feedback is being taken into consideration.

On behalf of the DAS which operates Dresden Raceway, we appreciate OR having the best interest of the Ontario Horse Racing industry at heart, for all race tracks involved.

Sincerely,

Lucille Laprise
DAS President

CC: Gabrielle Gallant



The Canadian Thoroughbred Horse Society

Ontario Division

December 13, 2016

Sue Leslie
Ontario Racing
400 - 10 Carlson Court
Toronto, Ontario
M9W 6L2

Dear Sue:

The Canadian Thoroughbred Horse Society (Ontario Division) supports the proposed long term funding framework and recommends to the Ontario Lottery & Gaming Corporation (OLG) that discussions be initiated to modify and improve the proposed framework based on horse racing industry consultation and feedback.

Yours truly,

R. Glenn Sikura, President
On behalf of the Board of Directors
CTHS (Ontario Division)



National Capital Region Harness Horse Association
Suite 651
136 - 2446 Bank St.
Ottawa, Ontario, K1V 1A8

Email: ncrhha@rcr.net

16 January 2017

Ontario Racing
10 Carlson Court, Suite 400
Toronto, ON
M9W 6L2

Attention: Mr. Rob Cook, Executive Director

On behalf of the NCRHHA Board of Director, who represent our racing community here at Rideau Carleton, I thank you for taking the time to visit our area for Round Table Consultation. These opportunities to voice input to forward planning for our industry are important to every member of our racing community.

We are in full support of the continued negotiations and advancement of the LOI, as well as the initiatives of OR, in concert with OLG and the Ontario Government, in seeking a long term sustainability model through financial commitment.

We ask that you continue to communicate advancements in discussion and planning, with a view to providing further opportunities to collaborate and contribute to positive outcomes as we move toward sustainability in cooperation with Rideau Carleton Entertainment, a staunch supporter of the industry in these difficult times.

Please reach out to the NCRHHA at the address or email indicated in the letter head should you wish to respond to this communique. Alternatively, I may be contacted by mobile at 1-613-292-9476 or by email at gordon.mcdonald@rogers.com .

Regards,

Gordon McDonald
President, NCRHHA



Justin Picov
Ajax Downs Racetrack
50 Alexander's Crossing
Ajax, ON L1Z 2E6

Rob Cook, Executive Director
Ontario Racing Association
10 Carlson Court
Toronto, ON M9W 6L2

DELIVERED VIA EMAIL

February 28, 2017

Dear Rob,

Please accept this submission in response to the "Industry Leadership Consultation Session" held at the Sheraton Toronto Airport centre on Friday, February 24, 2017, and the industry consultation sessions undertaken by Ontario Racing ("OR") that began in October, 2016. I should note that none of the topics described herein are new concepts, nor are they exhaustive, but rather a consolidated summary of our numerous oral and written submissions made between 2015 and now.

We, along with many in the industry, are appreciative of the funding support committed by the Government of Ontario. It is critically important to ensure the administration of this funding is fair, transparent and accurately reflects the Government's mandates that accompany it. This is underpinned by the goals of *long-term sustainability* for all *three breeds*.

As you are aware, Ajax Downs has a unique position within the industry as we wear two distinct hats. First, we are host to OLG Slots at Ajax Downs through a commercial lease of our lands and building. Second, we operate Quarter Horse racing at Ajax Downs Racetrack, the only Quarter Horse racetrack in Ontario. We have been staunch supporters of the Quarter Horse Racing Industry ("QHRI") in Ontario since we began racing at Ajax Downs (formerly Picov Downs) in 1969.

While our two business lines share common space, the commercial arrangements that govern their operations and revenue streams are independent of each other; OLG elected to impose this structure on the industry as a whole in 2013 following their unilateral termination of the successful Slots at Racetracks Program (SARP). For clarity, our real estate operation receives market-based rent from OLG in return for providing physical space for its gaming operations. Our real estate operation is for-profit and provides a return on our family's investment in the lands and building. Our horse racing operation receives funding through a Transfer Payment Agreement (TPA), funded by the Government of Ontario and administered by OLG. This TPA covers \$2M of basic operational costs at Ajax Downs and \$650K in purse funding, while the QHRI reserve fund is depleted every year to cover the remainder of purse funding requirements of approximately \$3M in total. Ajax Downs is not compensated by the TPA, nor any other horse racing revenue source, for any of its executive time spent on horse racing, nor is paid any compensation to utilize the \$14M Ajax Downs racing facility; the Picov Family, through its affiliated companies, has provided these valuable assets as charity to the QHRI since 2013 – a result of our love for the sport and the people who participate in it.

We find it very concerning that OR has been holding consultations to receive feedback from the Ontario horse racing industry on the proposed, albeit vague, structure of the LOI and long-term funding plan; especially given its historically limited involvement in the negotiation of the LOI and its similarly limited control over the new “Alliance” agreement and Long-Term Funding Agreement. It does not seem that OR will be a signatory to the new Long-Term Funding Plan, nor have control over the formulation of the “Alliance” structure, by-laws or agreement. The industry consultation also concluded prior to the release of the LOI, one of the foundational documents that will guide the development of the Long-Term Funding Agreement. For these reasons, we question the merit and timing of the recent consultations as a whole.

As background, we were made aware in the February 24th meeting that OLG and WEG were responsible for negotiating the LOI, which lasted approximately one year, and that OR was only made privy to the documents days prior to their signature. It is our assumption that OR, the only body to represent the interests of the collective industry, was offered little more than the chance to review the LOI prior to its signature. Similarly, the industry was made privy to the LOI on February 10, 2017, months after the public consultations were completed and less than three weeks before the industry is expected to formalize a report with recommendations on modifications to the LOI and long-term funding plan. The industry has not had sufficient time to respond fulsomely to the contents of the document. We do not accept OR and OLG’s stated position of “*better late than never*” towards comprehensive and thoughtful consultation on an agreement that will govern the next 17+ years of horse racing in Ontario and the livelihoods of those who rely on it. We also cannot accept OLG’s hands-off approach to industry consultations; they have been mandated by their stakeholder to be an integral part of the Long-Term Funding Agreement (as signatory, auditor and regulator), have been the architect and counterpart to all material agreements thus far, and have directly tied the success of the Long-Term Funding Agreement to their concurrent Modernization Process.

In a submission made to you on November 30, 2016, by the Quarter Racing Owners of Ontario Inc. (“QROOI”), they pointed out various issues associated with the proposed Long-Term Funding Agreement structure, including WEG Control, the claw-back provision, site security and industry governance, amongst other things. To elaborate on the extent of our collective submissions, Ajax Downs and the QROOI have also made written submissions expressing these same concerns and various solutions to OR and/or OLG on the following dates:

- January 30, 2017 – QROOI to OLG
- December 20, 2016 – QROOI to OLG
- November 28, 2016 – Ajax Downs to OLG
- October 31, 2016 – Ajax Downs to OLG
- October 12, 2016 – QROOI to Minister Charles Sousa (cc OR and OLG)
- June 5, 2015 – Ajax Downs to OLG

Our primary issues with the LOI and proposed Long-Term Funding Agreement are as follows:

1. **“Alliance” Formation and Governance:** it was made abundantly clear at the February 24th meeting that the majority of industry participants will have little knowledge or input into the formation and governance framework of the “Alliance,” which we understand will be a new company created and structured by WEG. This process mirrors the formation of the existing alliance agreement, for which we were asked to join but could not for the following reasons:
 - a. The agreement was negotiated without any consideration for the unique attributes of, or input from, Ajax Downs; and

Modernization Process while providing no alternative solutions for Quarter Horse racing. We feel that OLG has had the opportunity and ability to implement solutions to the unique and imminent issues facing the QHRI since 2013 and has consciously chosen to do nothing about them. We feel strongly that this is contrary to the Premier's mandate for three-breed sustainability.

Despite numerous (separate) oral and written submissions by Ajax Downs and the QROOI over the past few years to both OR and OLG, it was made evident at the February 24th meeting that OR and OLG have given no consideration to the overall implications that these aspect of the LOI and Long-Term Funding Agreement will have on various industry participants, especially Ajax Downs and the broader QHRI.

We would suggest, at minimum, that the following action be taken by OR to address these issues prior to recommendations being made on the LOI and Long Term Funding Agreement, and prior to the formalization of the "Alliance" or any agreements associated therewith:

1. Ensure the OR board, including any yet-to-be-filled position(s), is fully subscribed.
2. Recommend to OLG that it include the broader horse racing industry, through OR or otherwise, to participate in the negotiation and formalization of the "Alliance", including but not limited to its legal structure, by-laws, and board composition.
3. Conduct a thorough legal review of the claw-back provision as it relates to the *Competitions Act* (Canada) to determine the legal validity of such a provision, its impact on for-profit and non-for-profit horse racing businesses, and whether it should have been implemented in context of the competitive nature of the OLG Modernization Process.
4. Recommend to OLG the reconsideration and/or removal of the claw-back provision as a whole, following a thorough evaluation of any unfair impacts it may have on racetrack operators, individual horse racing groups and/or RFP participants in the context of the OLG Modernization Process.
5. Ensure a sustainable revenue stream is allocated to the QHRI to accommodate:
 - a. A minimum level of revenue for Quarter Horse Racing during the term of the Long-Term Funding Agreement, subject to meeting Quarter-Horse-relevant KPIs;
 - b. Increases in operating and administration costs over time;
 - c. Increases in purse funding over time, subject to meeting Quarter-Horse-relevant KPIs; and
 - d. Introduction of racetrack lease costs over time.
6. Ensure suitable arrangements are made to accommodate Quarter Horse Racing activities throughout the term of the Long-Term Funding Agreement including:
 - a. site security and protection and/or reserve funds to compensate for inefficiencies in the absence of co-located gaming; or
 - b. alternatives for the QHRI in the absence of the ability to race at Ajax Downs.
7. Protection against predatory action of the "Alliance" or WEG through:
 - a. A downward adjustment to long-term funding as a result of hyper-consolidation in the "Alliance's" control;
 - b. Significant long-term "Alliance" funding penalties associated with the failure of any of the three breeds; and
 - c. The ability to remove WEG as manager/administrator of the "Alliance" in the event that WEG and/or the industry do not meet KPI or other prescribed obligations.

- b. Executing the agreement would have resulted in a net operating loss to Ajax Downs of over \$1M as a result of a misalignment in industry KPI's, on-track wagering revenues and operational costs.

For clarity, the existing alliance agreement was presented to Ajax Downs for signature only after it had been fully negotiated and executed. Ajax Downs was forced to refrain from joining the existing alliance, or benefit from its success, as it would not have been able to make ends meet if it had.

2. Potential misalignment of Woodbine Entertainment Group (“WEG”) and Industry:

we anticipate that given the fairly fixed nature of the Long-Term Funding Agreement, there may be a misalignment of intent amongst WEG and other racetracks that may result in an eventual disproportionate share of “Alliance” funding flowing to WEG. As an example, if the industry consolidates, remaining funding previously allocated to extinct tracks will continue to be available to the common “Alliance” pool of funds. While to an extent this may ultimately promote sustainability, it is clear that WEG has bilaterally negotiated a monopolistic position with OLG and OR as it relates to ADW, OTBs and “Alliance” administration, which will naturally render it “last man standing”. We are very concerned that, given no counter-balance or accountability for the industry’s overall success, WEG may stand to benefit disproportionately from consolidation, and therefore be incentivized to promote and/or effect it through its role as administrator to a greater extent than necessary for industry sustainability.

3. LOI “Claw-back” Provision: the proposed clawback provision in the LOI is intended to apply to the entire industry but was negotiated solely between WEG (an effective not-for-profit business) and OLG. This provision, at one extreme, makes it impossible for a for-profit corporation to facilitate racing, and at the other puts Ajax Downs and any other for-profit racetrack owner/operator at a competitive disadvantage in the context of the OLG modernization process. In any event, the claw-back provision puts the future of the QHRI in immediate jeopardy. As stewards of the QHRI and their only home for almost 50 years, we take great concern with the proposed claw-back structure and the detrimental impact it will have on the QHRI. Our primary concerns are as follows:

- a. The LOI proposes that an existing racetrack operator (ie. Ajax Downs) is required to contribute 100% of any additional financial benefits above and beyond its current OLG lease revenues (hereinafter “Net Proceeds”) from gaming expansion on its property to the “Alliance” in order to be eligible to receive government funding for horse racing. This has no regard for:
 - i. A return on investment on the additional land/buildings required for said expansion;
 - ii. A return on investment on the additional investment made towards hard and soft costs associated with said expansion;
 - iii. Additional administrative costs and/or opportunity costs associated with racetrack lands and buildings with no opportunity for a return on investment (since all monies must be re-invested into horse-racing-related costs as a condition of the TPA);
 - iv. Who the actual recipient of the funding is, since some racetrack owners do not conduct racing activities directly (ie. Fort Erie Racetrack ownership vs. FELRC); or
 - v. The relative amount of money contributed to the “Alliance” from a racetrack’s Net Proceeds, to the amount of money required to run racing at said track.
- b. Considering the claw-back provision in its current form (ie. 100% of Net Proceeds are contributed to the “Alliance”):

- i. Ajax Downs, a for-profit company, cannot realize any level of profitability on additional land/financial contributions towards gaming while operating a racetrack;
 - ii. Ajax Downs cannot realize any level of profitability from any investment made back into the horse racing industry via the claw-back;
- c. Considering a reduced claw-back provision (ie. 0>100% of Net Proceeds are contributed to the "Alliance") :
 - i. Ajax Downs must "gross up" its Net Proceeds to account for both profit and contributions to the "Alliance";
 - ii. No other site competing with Ajax Downs to host a gaming facility within C3 is required to contribute their Net Proceeds to the "Alliance"; and
 - iii. All else being equal, Ajax Downs will be at a competitive disadvantage to any other site that does not intend to host horse racing by the amount levied under the claw-back provision.
- d. Assuming no significant amendments are made to the LOI structure and/or the Long-Term Funding Plan:
 - i. All participants in the "Alliance" will be required participate in the claw-back, otherwise they will not receive any government funding;
 - ii. The QHRI's long-term sustainability relies on the provision of government funding through the long-term funding plan;
 - iii. Ajax Downs cannot participate in the claw-back provision for the reasons stated above;
 - iv. The QHRI as a whole would be disqualified from receiving government funding through the "Alliance" and therefore the QHRI will ultimately cease to exist in Ontario upon or before the implementation of the Long-Term Funding Agreement.

It should therefore be considered that should OR and OLG administer the "claw-back" provision in a manner consistent with the above, they will have unilaterally contributed to the failure of the QHRI in Ontario.

4. **Site Security:** we have repeatedly warned of the implications of a casino relocation from Ajax Downs to another site in OLG's "C3 Zone". Since the QHRI is effectively limited to racing at Ajax Downs for both financial, practical and track surface-related reasons, its future relies on the co-location of gaming and racing in order to provide basic levels of customer service, infrastructure and to take advantage of critical shared services that reduce racing overhead. To reiterate our previously stated position, the cessation of gaming at Ajax Downs will:
- a. Eliminate any opportunity for future growth of the QHRI fan base or live wagering;
 - b. Eliminate critical cost-mitigation opportunities (currently provided through the synergies of common area maintenance, etc.) that will impose >\$1M in additional annual burden on the QHRI operating costs;
 - c. Significantly diminish the value proposition for a for-profit company of maintaining racing on the lands, and for these reasons, Ajax Downs does not expect to continue racing operations should this occur; and therefore
 - d. Lead to the demise of the QHRI as a result of its single-site reliance.

It is common knowledge that OLG has provided long-term lease arrangements to WEG at both Woodbine Racetrack and Mohawk Racetrack that largely protect against the perils of gaming relocation at both sites, and provides critical site certainty for both the Standardbred and Thoroughbred industries in Ontario. Ajax Downs has, on numerous occasions since 2014, provided similar solutions to OLG but they have ultimately rejected them, prioritizing their

8. Recommend to OLG that it must provide the required interim funding sources needed to sustain Quarter Horse Racing and offset the “funding cliff” currently looming for the 2019 and 2020 race seasons. This occurs prior to the implementation of the Long-Term Funding Agreement.
9. Advise Government more accurately on:
 - a. Any inconsistencies or conflicts between the OLG Modernization Plan and the practical realities of horse racing sustainability; and
 - b. The status of the consultations, its shortcomings, and remedial action proposed to solve any outstanding issues.

We trust you will consider this letter in your final recommendations to Government, OLG and the industry, and look forward to working with you towards industry sustainability. Should you require any additional information, please do not hesitate to contact me.

Sincerely,
AJAX DOWNS

A handwritten signature in black ink, appearing to read 'JPicov', with a small dot at the end.

Justin Picov

cc. Bob Broadstock, President, QROOI
Cal Bricker, SVP Racing, OLG



Andrew E. Wright
Director

Ontario Racing
Rob Cook, Executive Director
400 - 10 Carlson Court
Toronto, Ontario M9W 6L2

February 7, 2017

Dear Mr. Cook,

I am writing on behalf of the Board of Directors of Rideau Carleton Raceway Holdings Limited in support of the Alliance of Racetracks and the Ontario Racing initiatives and Long Term Funding model. This initiative will allow Ontario Horse Racing the opportunity to become fully sustainable in the future.

On behalf of the ownership, staff and horsemen of Rideau, I would like to thank you and the OLG for your support and creative thinking in trying to solve for an industry in transition.

We respect the leadership that WEG is taking to administer this model and look forward to working with them as we plan for the unique realities that exist at RCR and the Eastern Ontario horse industry.

Your purposed funding model will create the necessary confidence, for all our participants, to invest for the long term, and ensure our industry has an exciting future.

Thank you for the efforts and work put forth by all involved. If you have any further questions, please do not hesitate to contact me directly at 613-822-2211.

Sincerely,

A handwritten signature in black ink, appearing to be "A. Wright", written over the printed name.

Andrew Wright

Cc Richard Gardner
Rideau Carlton Raceway



PO Box 778
Clinton ON N0M 1L0
519-482-5270

February 28, 2017

Rob Cook
Executive Director
Ontario Racing
400-10 Carlson Court
Toronto ON M9W 6L2

Dear Mr. Cook,

On behalf of Clinton Raceway Inc. I'd like to take the opportunity to acknowledge the positive steps that are proposed in the long-term funding plan. While there are ample opportunities to improve upon that framework such as transparency and integration with gaming to increase purses this plan is the only way to stabilize the industry long-term and the implementation of it is a must.

I'd like to thank all parties who have put a great deal of effort and time into the plan to get it to this stage and would be glad to lend any assistance if needed.

Sincerely,

Ian Fleming
General Manager
Clinton Raceway



Fort Erie Live Racing Consortium

February 10, 2017

Robert (Rob) Cook
Executive Director
Ontario Racing

Dear Rob

Thank you for your e-mail of February 8 concerning a written submission to the long term funding of the industry plan. In 2016 I have stated our position in numerous conversations with OLG staff and at the industry sessions held in Flamboro. I have also included this in our business plan submitted to the OLG and the AGCO in the fall, but I apologize for failing to submit a written report to Ontario Racing that formally states this position.

We at Fort Erie are very thankful for the long term commitment the government has announced and are also appreciative of the fact that our track will be included in the Alliance of tracks. While we are a separate track from Woodbine, with a significant base of horsepeople living in Fort Erie, our racing operations are very much entwined with that of Woodbine's. Historically we operated as a B track to Woodbine's A status, and provided horses to Woodbine throughout the racing season especially in the beginning and end of the year when we were not racing.

Over the last 10 years or so, and especially in the last 4, the structure of the industry funding has resulted in a very unfair distribution of resources weighted to Woodbine which has resulted in Woodbine paying vastly greater purses than Fort Erie for similar caliber horses, resulting in Fort Erie being placed in a very difficult situation of trying to fill its races. It has also limited our track's ability to invest in our facilities. These extra resources that Woodbine has received have little to do with the value of its racing, but clearly due to the value of the slot income to the province. This allocation has resulted in our track, which only 7 years ago supplied 1,000 jobs to a small community, to now being a fraction of this amount.

If the current situation continues, we feel that it is only a matter of time that our resident horsepeople will be forced out of the business and we will be unable to fill our races. Some of our horsepeople will race at Woodbine, but clearly they cannot afford to move to Toronto, nor can they compete with the higher caliber horses found at Woodbine, and as a result their stay will be short.

We understand that Woodbine is required to take care of its own business and financial affairs, but in the present situation their racing policies have a direct negative impact on our business, which may help

Woodbine but hurt Fort Erie and does not improve the thoroughbred racing product in Ontario as a whole. An example of this is Woodbine producing a condition book which lists identical races that appear in the Fort Erie condition book over the same period of time, yet at double the purse amount. Another example is Woodbine reaping the benefits from former Fort Erie bettors on its on-line and teletheatre operations track, where we receive no benefit despite the fact that we created these customers in the first place.

In summary we are very supportive of being in the Alliance and we need this to happen as soon as possible as if we wait 4 more years we may not be around to participate in the industry. We also see some benefits to some overall cost reductions by integrating the pari-mutuel operations and marketing, and are willing to explore those opportunities on the racing side as well.

Thoroughbred racing is a very expensive sport to both operate and participate in. With the fact that the vast majority of wagering now taking place away from where the product is created means that Fort Erie, with its vastly lower land costs and lower cost of living and live racing operating costs, can play an important part in improving the economics of the sport. This can only be achieved through a integrated approach where decisions are made from a provincial stand point, rather than on a track versus track basis. Therefore we are fully supportive of being included in the Alliance.

Clearly the governance of the Alliance will be a major issue going forward. There will be some very difficult decisions over allocation of resources that will be held and there needs to be a process in place to ensure that decisions are made based on the health of the industry and what is good from a provincial public policy. As a result, the Board will have to have multiple representatives and cannot be controlled by an individual group. Some guiding principals will be needed and the Alliance must be given a specific mandate. This mandate should include the value of the industry to rural and small town Ontario.

Thank you for the opportunity to contribute to the make-up of the racing industry in the future.

Yours Truly

A handwritten signature in black ink, appearing to read 'Tom Valiquette', with a stylized flourish at the end.

Tom Valiquette

COO, CFO Fort Erie Live Racing Consortium

16 January, 2017

Ontario Racing
400 – 10 Carlson Court
Toronto, ON M9W 6L2
(416) 477-5519



1730 London Road, Sarnia, ON N7T 7H2
(519) 542-5543

Mr. Rob Cook:

I thought that it was important to provide you with my thoughts following the completion of the public consultant sessions which Ontario Racing has held across the Province to discuss the future of the horse racing industry in Ontario.

The purses are too low at the Grassroots tracks. A 5th place finish does not pay enough to cover the horsemen's expenses. The purses should be increased to \$45,000 or \$50,000.

All tracks should be part of the Alliance to benefit from the cost savings and buying power.

Racetracks without slots need a different funding model. These tracks do not benefit from slot rent or the extra patrons from having a slot parlor. It is difficult for a track to keep staff when they are only open one day per week. We need additional forms of gaming, possibly jackpot bingo or a small number of slots at the track to attract couples.

The Provincial style marketing of racing is nice to see. Racetracks should help to promote each other. For example Hiawatha could promote Dresden's corn roast and Dresden could promote Hiawatha's corn roast. All tracks need to market big race days of each other and Ontario Racing.

There should be more cross promotion between slots and racetracks to increase customer numbers.

Racetracks that are close together should use more cross staffing. We have started doing this with Mutuels and Paddock staff; we need to do more to give more hours to staff.

Simulcast signals should go out as one Ontario Racing product and promote more Ontario Racing for all Grass Roots Tracks, the same way larger tracks have been promoted.

Funding must take into consideration operational costs at tracks differ. Government support is not equal. Some tracks:

- Don't have a slot lease
- Are not for profit and do not pay taxes
- Are not 'winterized' and don't have utilities
- Have no other source of revenue other than horse racing
- Have support of the WEG alliance group already in operation

All of these things need to be considered when comparing racetracks.

For example slot revenue would allow Hiawatha to do more. More simulcast, more events, etc.

I look forward to continuing our dialogue of these key points. I remain hopeful that the Plan will provide the long-term platform that will build an industry that we can all be proud to participate in.

Sincerely,

Jim Henderson
President



ONTARIO HARNESS HORSE ASSOCIATION

35 CRAWFORD CRESCENT, PO BOX 429, CAMPBELLVILLE, ONTARIO L0P 1B0
Telephone (905) 854-OHHA (6442) • Toll Free: 1-866-774-OHHA (6442) • Fax (905) 854-6103
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February 28, 2017

Ontario Racing
400-10 Carlson Court
Toronto, ON M9W 6L2

Recently we were asked to comment on the ongoing consultations held by Ontario Racing on a new funding model for horse racing in Ontario for presumably the next 17 years. The funding, \$93.4 million dollars per year, is close to \$7 million dollars less per year than the industry currently receives from Government. OHHA recently learned that the amount of Government assistance will decrease as the industry generates new revenue. It is our understanding, although we have been unable to verify this, that racetracks have signed agreements in place that ensure funding minimally until 2019 and, depending on how you interpret the announcement of two additional years of industry funding, possibly until 2021. As you are aware, the Ontario Harness Horse Association has consistently, yet unsuccessfully, requested from Ontario Racing and others, the details regarding industry funding, its sources and its distribution.

Ontario Racing is suggesting that OHHA should comment on a proposal based only on rumor and speculation and without any transparency or disclosure as to the sources of industry funds and how they are currently being utilized in the best interests of the horse-racing industry. Despite the Government's promise of more accountability and transparency it appears that there are concerted efforts by participants in the industry to keep the information secret from other industry partners. Information, as basic as the Canadian Pari-Mutuel reports that OHHA used to receive monthly and which could be used to verify wagering statistics, is now kept secret and made available only to racetrack operators.

Almost all of the agreements governing the sharing of industry revenue are now hidden under the suggested veil of corporate-sensitive information. OHHA, as the largest Standardbred horsepersons group in Ontario, used to have access to the wagering numbers and the commissions earned, and could audit those figures to ensure that horsepeople were receiving their fair share of revenue.

It would appear to OHHA that the Letter of Intent, signed by the OLG, OR and WEG, was signed on September 19, 2016 yet consultations on the merits of such a plan began only after the agreement had been executed. The first mention of any proposed agreement was on October 18, 2016, almost one month after the LOI had been executed, when Ontario Racing conducted a Webinar to discuss and get feedback on a long-term funding model. Comments from that webinar indicated that the purpose was to talk about a long-term funding agreement, that it was a starting point and that input was to help shape the future agreement. It was clearly emphasized during that webinar that this was "only a proposal" and that "nothing was set in stone."

OHHA attended the consultations and participated in all sessions. Not once did we hear at any consultation that we were discussing a proposal that had already been executed. It appears that the consultations were not meaningful and had no effect on the final decision regarding the Letter of Intent. In fact, when the Letter of Intent was finally divulged to the Industry it was indeed dated September 19, 2016. None of the comments or concerns voiced during the consultations had any effect at all on the final LOI, now published completely unchanged, as the final executed LOI on the Ontario Racing website.

In the LOI it indicates that there would be one contract with each of the breeds negotiated by the horsepersons groups. As you are aware, there are multiple Standardbred groups and although efforts were made to consolidate these groups, with the help of the Ontario Racing Commission and Government supplied facilitators and Governance experts, that process did not result in bringing the groups together. OHHA believes that it is essential that there be a single voice for the Standardbred horsepeople and supports the Transitional Panel's recommendation, which was agreed to by Government, that there be a vote of horsepeople, to determine who will ultimately negotiate that contract on behalf of horsepeople. It should be the horsepeople - not the Government, not Ontario Racing and certainly not the racetracks - that determine, through a democratic process, properly organized and monitored by AGCO, who will represent their interests going forward. OHHA, a democratically elected, provincial association has for the last 55 years represented the Standardbred horsepeople in Ontario. In fact, OHHA is the only Provincial Standardbred horsepersons group yet there has been little effort made on behalf of Ontario Racing to have any dialogue on the future of the industry with this group. For the past five years racetracks have had total control of the funds and the decisions which horsepeople must accept. There has been no equivalent voice of the industry participants that has been able to balance against the wishes of the racetracks. It is past time for that counterpart voice to be established and considered.

The proposed model for future funding is almost completely void of mention of horsepeople having any input in, or consideration on the formation or evaluation of any decisions regarding race dates, purses, race conditions or cost allocations. Without full and proper disclosure of all contracts and agreements between and with industry partners OHHA remains unable to comment or respond to the recently published LOI or racing funding model.

Yours truly,



Ken Hardy
President

APPENDIX E:

SOCIAL MEDIA PROMOTION EXAMPLES



APPENDIX F:

LOI WEBINAR DECK

 <h3>Horse Racing Funding Letter of Intent (LOI) Overview Industry Webinar</h3> <p>Presenters: Lori Sullivan, SVP Governance, Legal & Compliance and General Counsel, OLG Bill Ford, General Counsel and Secretary, Woodbine Entertainment Group February 10, 2017</p> <p>2</p>	<h3>PURPOSE OF PRESENTATION</h3> <ul style="list-style-type: none">Take Webinar participants through an overview of the purpose and key provisions of the non-binding Letter of Intent (LOI) entered into between OLG, Woodbine Entertainment Group (WEG) and the Ontario Racing Association (OR). <p>2</p>
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<h3>LOI PURPOSE AND GUIDING PRINCIPLES</h3> <ul style="list-style-type: none">Purpose: Roadmap for funding a sustainable Ontario horse racing industryGuiding principles:<ul style="list-style-type: none">Industry self-determination and decision-making with all tracks and breeds representedEvidence-based decision making, informed by metrics that drive growth and sustainability of the businessLong-term funding certainty so that tracks and horse people can make breeding, capital, racing program and hiring decisionsLess reliance on public funds after demonstrated industry growth over targetsWEG expertise, Alliance management experience and market impact can be leveraged to improve product and grow wageringA single funding agreement so that funding can be utilized across the entire sector to derive the greatest impact <p>3</p>	<h3>KEY TERMS OF LOI</h3> <p>Preamble (pages 1 -2)</p> <ul style="list-style-type: none">Letter of Intent is non-bindingOLG requires specific regulation under the Ontario Lottery and Gaming Corporation Act to fund horse racing directly in the Province <p>4</p>
--	--

KEY TERMS OF LOI

Downward Adjustment to Racetracks Payment (pages 5-7)

- Pari-mutuel wagering growth above established targets
 - If during a fiscal year, the aggregate amount of pari-mutuel wagering handle generated from the RA Members' Home Market Area in Ontario is greater than \$1.2 billion the Racetrack Payment will be reduced by 5% of the amount by which the wagering handle is greater than \$1.2 billion
- Gaming expansion rent at Woodbine
 - Racetracks Payment will be reduced by the amount of rent received by WEG for the expansion of gaming at the Woodbine site
 - WEG must contribute all expansion rent to RA to replace OLG funding

7



KEY TERMS OF LOI

Downward Adjustment to Racetracks Payment Cont...

- Increased/additional gaming rent at Mohawk
 - Racetracks Payment will be reduced by the amount of increased/additional rent received by WEG for the lease of gaming space at the Mohawk site which is in excess of \$15 million
 - WEG must contribute all increased/additional rent to RA to replace OLG funding
- Increased/additional gaming rent at Other Racetracks
 - Racetracks Payment will be reduced by 50% of the amount of increased/additional rent received by a Racetrack for the lease of gaming space
 - Racetrack must contribute all increased/additional rent to RA to replace OLG funding

8



KEY TERMS OF LOI

Downward Adjustment to Racetracks Payment (pages 5-7)

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 - Racetracks Payment will be reduced by the amount of rent received by WEG for the expansion of gaming at the Woodbine site
 - WEG must contribute all expansion rent to RA to replace OLG funding

7



KEY TERMS OF LOI

Downward Adjustment to Racetracks Payment Cont...

- Increased/additional gaming rent at Mohawk
 - Racetracks Payment will be reduced by the amount of increased/additional rent received by WEG for the lease of gaming space at the Mohawk site which is in excess of \$15 million
 - WEG must contribute all increased/additional rent to RA to replace OLG funding
- Increased/additional gaming rent at Other Racetracks
 - Racetracks Payment will be reduced by 50% of the amount of increased/additional rent received by a Racetrack for the lease of gaming space
 - Racetrack must contribute all increased/additional rent to RA to replace OLG funding

8



KEY TERMS OF LOI

Additional Covenants of RA (pages 7-10)

- Funding Agreement will include covenants of RA and WEG relating to administration and use of Racetracks Payment and the operation of the member Racetracks
- Covenants of RA include:
 - Annual Business Plans ("ABP") & 5-Year Strategic Plans - approved by OR, OLG and AGCO
 - Regular Reporting – financial, industry performance and health indicators
 - Enter into Wagering Revenue Sharing Agreement, Cost Allocation Agreement with WEG – similar to current Standardbred Alliance agreements
- Covenants of WEG include:
 - Ensure RA members run race days with purse levels in ABP with WEG providing supplemental funds to extent necessary

9



KEY TERMS OF LOI

Performance Measurement & KPIs (page 11)

- Minimum service levels and KPIs will be developed with the industry and be used by OLG, RA and OR to assess the health of the industry and guide fact-based decision making on funding and industry goals.

Termination Rights (pages 11-13)

- Commercial agreement binding on OLG with customary termination rights for a funding agreement of the size and nature of the proposed Funding Agreement.

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APPENDIX G:

PHASE TWO LEADERSHIP MEETING DECK

THREE BREEDS. ONE VISION.

Leadership Meeting February 23rd, 2017

Confidential for discussion only

1

Agenda

1. Welcome statement
 - Hugh Mitchell, OR Board Chair
2. Introductory remarks
 - OR governance changes and introduction of new board chair Hugh Mitchell
3. Overview of phase one consultations
4. Review of LOI
5. Suggested final report recommendations
6. Next steps

Confidential for discussion only

2

Hugh Mitchell

- Ontario Racing is pleased to welcome Mr. Mitchell as the new OR Board Chair.
- Mr. Mitchell brings to the Chair role, a wealth of experience and knowledge about Ontario's horseracing industry.

Confidential for discussion only

3

Introduction – OR Governance

- Effective February 1st 2017, Sue Leslie was succeeded by Hugh Mitchell as interim, non-voting Chair of OR's Board of Directors.
- Three additional Director positions have been added to the board.
 - One of these positions has been assigned to a regional race track representative.
 - Two positions are for Directors at Large
- Three new Board committees: an executive committee, a governance and nominations committee and a strategic planning committee.
- Three new advisory groups: one representing horse players and customers, one representing equine welfare and one representing Standardbred horsepersons.
- More information regarding the new director and advisory committee appointment process will be shared in the coming weeks.
- Ontario Racing has also posted the code of conduct for board directors on our website.

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4

Introduction – OR Strategic Direction



Learn more on ontarioracing.com



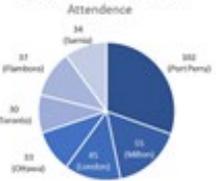
5

Consultation Overview

Consultation Overview



In-person Consultation Session Attendance



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6

WHAT WE HEARD: OVERVIEW

- The horse racing industry is generally supportive and appreciative of an annual \$93.4 million contribution from the government towards sustainability
- The proposed level of funding will provide continued certainty for investment, although concerns were expressed about the impact of rising industry costs over time on a fixed annual funding amount
- The industry is generally supportive of the length of term of seven years plus two five-year term options for renewal if the metrics and key performance indicators (KPIs), upon which renewals will be assessed, are realistic and developed with the industry
- There was a consensus among consultation participants that the creation of a new Racetrack Alliance that invites all tracks to participate is an important component of this proposal

Confidential for discussion only.



7

WHAT WE HEARD: OVERVIEW (2)

- The industry supports the use of key performance indicators to ensure sustainability objectives are met, while conveying that performance measures account for parameters facing regional racetracks in smaller markets
- A representative, transparent, and accountable governance model for the industry is vital for ensuring the concerns of all industry members, in all horse racing regions of the province, are considered
- The horse racing industry is strongly committed to considering and pursuing new and innovative options to grow employment, expand the customer base, increase wagering, and introduce horse-themed products
- Woodbine Entertainment Group has performed well in managing the success of the current Standardbred Alliance of racetracks, however its own business objectives must be balanced with the overall best interests of the province's horse racing industry if it is to succeed as administrator of a new Racetrack Alliance

Confidential for discussion only.



8

LOI Review

- Webinar on February 10; 170 attendees; legal counsel from OLG and WEG sharing insight; recording available on the Ontario Racing website
- Purpose: to serve as a roadmap for funding a sustainable horseracing industry in Ontario, giving industry participants and racetracks certainty about the future
- Evidence-based decision making for investments, guided by Key Performance Indicators as metrics
- Leverage WEG expertise, Alliance management experience to improve product and grow wagering
- Non-binding document

Confidential for discussion only.



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Suggested Final Recommendations: Discussion

Indexation of funding levels

- Indexed to the consumer price index (CPI) to ensure that funding levels are not eroded due to inflation and rising industry costs

Extension of the Horse Improvement Program

- continued annual funding of \$6.5 million continue to be provided for the Enhanced Horse Improvement Program (Enhanced HIP)

Governance of the new Racetrack Alliance

- ensure the business plan and management decisions of the New Racetrack Alliance consider the broader interests and betterment of Ontario's entire horse racing industry – including horsepersons as well as racetracks.

Confidential for discussion only.



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Suggested Final Recommendations: Discussion

Administration of the funding agreement

- All parties involved in the long-term funding agreement must be compelled to act in the best interests of Ontario's horse racing industry, with consequences for violating any conflict of interest provisions or otherwise not meeting their obligations under the agreement.

Openness, transparency, and consultation

- Transparency of how funding is allocated, and how business decisions are made, are important to all industry participants. Ontario Racing should take every opportunity to publicly consult on any funding, governance or business plan decision made on behalf of the industry.

Confidential for discussion only.



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Suggested Final Recommendations: Discussion

Key Performance Indicator Metrics

- Clarity must be provided that the KPIs are valid and attainable, and that the impact on funding levels and duration are transparent.

Additional Revenue Sources

- Development and introduction of new gaming product revenues should be expedited.

Lease claw backs

- There should be a reduction in lease claw-backs for re-negotiated gaming leases at racetracks.

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