



Summary of FY2020 Business Plan of Ontario Racing

Background

In communities across the province, the horse racing industry contributes significant economic benefits, both in direct terms of the economic activity generated through purses, live wagering and entertainment expenditures at racetracks, as well as the related support racing provides to the horse breeding industry throughout the province. Taken as a whole, the horse racing industry generates hundreds of millions of dollars for the Ontario economy and creates thousands of jobs throughout the province.

In the wake of the cancellation of the Slots at Racetracks Program, those jobs and racing's economic contributions were put at severe risk. Implementation of the Amended and Restated Funding Agreement for Live Horse Racing entered into between the Ontario Lottery and Gaming Corporation ("OLG"), Horse Racing Ontario ("Ontario Racing"), Ontario Racing Management Inc. ("ORM"), and Woodbine Entertainment Group ("WEG") dated effective as of April 1, 2019 (the "Funding Agreement") should prove conducive to stronger industry results in the short term and to the sustainability of the horse racing industry in the long term.

With a funding formula that addresses the need for large wagering pools and meaningful purses, the Funding Agreement provides much-needed certainty concerning the racing opportunities available to participants. A consistent and reliable calendar of dates, along with certainty regarding purse levels, is critical to stabilizing and growing the horse supply required to fill races and meet financial objectives for all three breeds. Horse owners need confidence to reinvest in Ontario horse racing.

Ontario Racing is a not-for-profit corporation established in 2018 as the successor to the Ontario Racing Association. Ontario Racing is directly responsible for setting an annual program of races, attracting new horse owners, implementing breed improvement programs for all breeds of racehorses, growing the fan base and connecting the horseracing industry with the government and the public.

1. Assumptions

Key Planning Assumptions

1. Funding will be provided as per the current provisions of the Funding Agreement.
2. Operating and purse funding to the Member Racetracks will remain consistent with the 2018-2019 fiscal year, as it is a priority of Ontario Racing to maintain current purse structures at Ontario's racetracks.
3. The stranded purse funds and the purse fund surplus will be reduced to zero by the end of the 2018-2019 fiscal year.



4. Race date calendars for each Member Racetrack will be substantially similar to the 2018-2019 race date calendars.
5. The Additional Purse Enhancement Payment will be allocated to the Member Racetracks (save and except Woodbine and Woodbine, Mohawk Park) based on an equitable formula, taking into account race dates as well as level of racing.
6. The Capital Improvement Payment will be allocated to the Member Racetracks (save and except Woodbine and Woodbine, Mohawk Park) based on a review of each track's request(s), taking into account the new High Definition TV capability requirements of the Alcohol and Gaming Commission of Ontario ("AGCO").
7. All Racetrack Members will at all times be and remain in compliance with the provisions of the Membership Agreement.
8. Wagering revenues will not increase over the coming year. Wagering revenues generated in the Ontario market will continue to decrease, which will be offset by foreign (but more expensive) wagering revenues.

2. Operational Objectives/Goals

I The Vision, Mandate and Objectives of Ontario Racing are as follows:

Vision

Ontario Racing is the customer-focussed leader and representative voice of the Ontario horse racing industry.

Mission/Mandate

To promote and further the interests of horse racing in the province by fostering a trusted partnership with government and other stakeholders and by championing and advocating for public policy that supports industry self-determination and that creates and sustains a vibrant and financially sound horse racing industry.

Objectives

1. To promote the horse racing industry as a vital part of Ontario's agricultural, sports, entertainment and gaming sectors.
2. To educate the public and stakeholders about the financial, employment and community benefits of the horse racing industry.



3. To advance the industry's self-determination as the basis for policy development and decision making on important issues that affect the industry.
4. To develop the strength, capacity and knowledge to lead the industry and represent the views and diverse needs of all members and segments of all three breeds of the horse racing industry.
5. To engage and consult broadly to consolidate industry views and perspectives as a basis for guiding beneficial activities, programs and priorities.
6. To promote best practices in areas of equine welfare and customer service, and to pursue transparency in collecting and sharing data and information about all aspects of horse racing.
7. To administer government and industry programs that benefit the industry.

II The objectives of Ontario Racing's Member Racetracks are as follows:

Based on the information contained in the proposed business plans of Ontario Racing's member racetracks, the operational goals objectives and goals of the Racetrack Members are to:

- attract competitive fields of high-quality horses
- maximize the audience for live horse racing in Ontario, both on track and off track, and
- increase wagering on the Ontario racing product, both domestically and internationally.

Ontario Racing will continue to administer the Horse Improvement Program ("HIP") for all three breeds of racehorses in order to ensure that these funds are used to benefit the industry as a whole and to promote the supply of high-quality racehorses in the province.

Ontario Racing will also work with the OLG to design and implement an aggressive industry-wide marketing and communications plan in order to attract new racing customers.

3. Racing Information

Among Ontario Racing's core objectives is the production of high-quality live racing for competitive purses throughout Ontario. A consistent and reliable calendar of dates, along with certainty regarding purse levels, is critical to stabilizing and growing the horse supply required to fill the proposed dates and meet the financial objectives of Ontario Racing.

The Ontario Sires Stakes program continues to be administered by Ontario Racing at Ontario racetracks via the HIP program and is recognized as one of the best in North America. Also, among the well-known stakes races in 2019-2020 will be:

- Clinton Raceway – Kin Pace
- Flamboro Downs – Confederation Cup
- Georgian Downs – Upper Canada Cup
- Grand River Raceway – Battle of Waterloo & Battle of Belles



- Hanover Raceway – Dream of Glory & Balanced Image
- Western Fair Raceway – Camluck Classic
- Woodbine, Mohawk Park – North America Cup
- Fort Erie – Prince of Wales
- Woodbine – Queen’s Plate, Woodbine Mile, Pattison International, Breeders’ Stakes

Subject to available horse supply, Ontario Racing has created a coordinated racing schedule for the 2019-2020 season. This schedule includes 222 Premier Standardbred race days (at Woodbine, Mohawk Park); 417 Signature Standardbred race days (at Flamboro, Georgian Downs, Grand River, Western Fair, and Rideau); 42 Standardbred Grassroots race days (at Clinton, Hanover, and Dresden); 133 Premier Thoroughbred race days (at Woodbine); 40 Signature Thoroughbred race days (at Fort Erie) and 25 Quarter Horse race days (at Ajax). In addition to the foregoing, Hiawatha will run 21 days, Kawartha will run 21 days and Lakeshore will run 13 days.

4. Purses

For the 2019-2020 fiscal year, base purse allocation will consistent with the 2018-2019 fiscal year. Purse levels for racetracks which were formerly members of the Standardbred Alliance will continue to be reflective of those average purse levels maintained during the previous fiscal year.

As provided in the Funding Agreement, the Racetracks Payment shall be allocated to the Member Racetracks for the purpose of paying purses and operating costs in a manner that reflects the same level of funding that each Member Racetrack was entitled to receive pursuant to its respective Terminated Transfer Payment Agreement during the 12-month period that commenced on April 1, 2017 and ended on March 31, 2018.

Additional Purse Enhancement Payment

As noted above, the Additional Purse Enhancement Payment will be allocated to the Member Racetracks (save and except Woodbine and Woodbine, Mohawk Park) based on an equitable formula, taking into account race dates as well as level of racing.

Transition Payment

Transition Payments will be paid to the applicable tracks in accordance with Schedule 5.6(A)(II) of the Funding Agreement. The majority of the Transition Payment funds are to be utilized by the applicable tracks to supplement purses as well.

Attached as ‘Schedule A’ are the Sources of Purse Funding and Purse Enhancement allocation for the OR Member Racetracks for the 2019-2020 fiscal year.

5. Capital Improvements Payment



The Capital Improvements Payment has been allocated to the Member Tracks in accordance with requests of the tracks as outlined in their respective business plans. Consideration has been given to (i) AGCO regulatory HD requirements, and (ii) documented need.

6. Horse Improvement Payment

The Horse Improvement Payment is to be allocated based on the determination of the Board of Ontario Racing, with input from the Thoroughbred, Standardbred and Quarterhorse HIP Committees.

The goals of the HIP program, which will be applied to the Horse Improvement Payment, include the following:

- a. Rewarding excellence
- b. Developing programs that support a strong and sustainable live racing product in Ontario that attracts enhanced wagering
- c. Developing and supporting programs that foster, sustain and encourage investment within the breeding sector
- d. Supporting the Ontario breeding sector as a priority with programs and race conditions that create incentives for the breeding and purchase of Ontario offspring (yearlings in particular)
- e. Supporting the Ontario breeding sector over the long term
- f. Establishing conditions for allocation of HIP funding for overnight races
- g. Investing in equine research
- h. Promoting the Ontario HIP program to provide education on program benefits and eligibility requirements, and to introduce our products to new people

The objectives of the program are to benefit the Ontario racing industry in general and to grow the industry in a sustainable and responsible manner, to support the Ontario breeding sector, to fund equine research and to promote participation in the program.

The allocation of the Horse Improvement Payment to different programs and race conditions differs by breed and is accomplished via an intensive budgeting process at the Committee level. The Horse Improvement Payment will in part be allocated between purses and breeders awards based on the criteria specific to each of the Thoroughbred, Standardbred and Quarterhorse sectors.

7. Operational Enhancement Payment

The Operational Enhancement Payment will be paid in accordance with the provisions of Schedule 3.4(A) of the Funding Agreement.

8. Responsible Gambling

WEG has been working with the OLG and the Responsible Gambling Council ("RGC"), and a commercial has been created and is currently on air using WEG's tagline "Know When to Take the Reins." OR will



continue to work with WEG, the OLG, and the RGC in order to assist with Responsible Gambling initiatives and will encourage the OR member tracks to promote responsible gambling at their locations.

OR will work closely with the AGCO to determine the parameters of a province-wide Responsible Gambling program, as well as its practical application at the OR member track level.

9. Ontario Teletheatre Network

The teletheatre strategy is based on the concept that a consistent and integrated wagering model, including OTB and ADW, can best leverage new product offerings and provide the best case for ongoing integration with OLG and the provincial gaming strategy. The teletheatre network offers efficiencies and provides a platform to take advantage of new features for pari-mutuel wagering.

Funds generated via the teletheatre network are paid to the OR member tracks in accordance with the provisions of Schedule 3 of the Membership Agreement – Pari-Mutuel Revenue Sharing Arrangements.

Conclusion

Ontario Racing has worked closely with government, regulators and industry participants to build on the vision for a sustainable horse racing industry in Ontario and has made significant strides towards realizing the objectives set out in this Business Plan. Ontario Racing represents the beginning of an unprecedented unity of purpose among tracks and horseperson's associations throughout the province: to work in concert to deliver racing and wagering opportunities with a focus on ease of access for existing customers, and consistent and co-ordinated racing opportunities with guaranteed purses for its participants. In addition, Ontario Racing will deliver more efficient racetrack operations through the consolidation of services and a coordinated approach to attracting new customers. With the solid progress they have already made, Ontario Racing's members are committed to working together in a co-operative and integrated way to ensure the short-term viability and long-term sustainability of racing in Ontario.