

STATE RACE TRACK LEASING COMMISSION (SRTLCL)

AGENDA

August 14, 2023

11:00 A.M.

Del Mar Fairgrounds, Board Room
2260 Jimmy Durante Boulevard
Del Mar, California 92014
AND
Department of Finance
1021 O Street, Suite 3110
Sacramento, CA 95814

While the State Race Track Leasing Commission meeting will be conducted in person, the Commission will also provide for remote participation by members of the public. If you prefer to participate remotely, please check the 22nd DAA's website ([Public Information](#)) for the ZOOM link and/or ZOOM dial-in instructions on how to participate and/or view this meeting.

Items listed on this Agenda may be considered in any order, at the discretion of the chairperson.

1. **Roll Call** 2

2. **Approval of Minutes** 3-5
 1. March 30, 2022 (Action Item)

3. **Reports**
 - 22nd DAA Update (Informational) Verbal
 - Del Mar Capital Improvement Account (Informational) 6-8
 - DMTC Operating Results for 2022 (Informational) 9-47
 - Racing Industry Update (Informational) Verbal
 - 2023 Summer Race Meet Dates – July 21 thru September 10 (Informational) Verbal
 - 2023 Fall Race Meet Dates – November 10 thru December 3 (Informational) Verbal

4. **Public Comment on Matters Not Appearing on the Agenda**

This item is for Public comment on issues **NOT** on the current Agenda. However, no debate by the Board shall be permitted on such public comments and no action will be taken on such public comment items at this time, as law requires formal public notice prior to any action on a docket item. Speaker's time is limited to **two** minutes and may be modified based on the number of public speakers. No speaker may cede their time to another speaker.

5. **Recess to convene and hold the Del Mar Race Track Authority meeting**

6. **New Business** 48-159
 1. Consideration and request for approval of the Breeders' Cup agreement between the Del Mar Thoroughbred Club and the Breeders' Cup, as required by Paragraph 5.8 of the Operating Agreement, added to the Operating Agreement with adoption of the Second Amendment to the Operating Agreement. (Action)

7. **Adjournment**

ROLL CALL

STATE RACE TRACK LEASING (SRTL) COMMISSIONERS

Department of Finance (DOF)

Gayle Miller, Chair

Chief Deputy Director, Policy, Delegate for Joe Stephenshaw, Director, SRTL Chair

Department of General Services (DGS)

Jennifer Osborn, Delegate

Chief Deputy Director, Delegate for Ana M. Lasso, Director; Commissioner

Department of Food and Agriculture (CDFA)

Michael Flores, Delegate

Deputy Secretary Administration and Finance, Delegate for Karen Ross, Secretary; Commissioner

22nd District Agricultural Association (22nd DAA)

Richard Valdez, Commissioner

22nd DAA Board President

Lisa Barkett, Commissioner

22nd DAA Board Vice President

Kathlyn Mead, Commissioner

22nd DAA Board Member

Office of the Attorney General California

Josh Caplan

Deputy Attorney General

STATE RACE TRACK LEASING COMMISSION MEETING
Minutes – Tuesday, March 30, 2022

The State Race Track Leasing Commission (SRTLTC) met on Tuesday, March 30, 2022 via ZOOM/teleconference in the Board Room hosted by the 22nd District Agricultural Association (22nd DAA) 2260 Jimmy Durante Blvd., Del Mar, CA.

ROLL CALL

SRTLTC Delegate Chair Gayle Miller called the meeting to order at 11:23 a.m. with a quorum present. Delegate Chair Miller moved New Business up after Reports.

Department of Finance (DOF) - Keely Bosler, Director; SRTLTC Chair

Gayle Miller, Chief Deputy Director, Policy; Delegate Chair

Department of General Services (DGS) VACANT, Director; SRTLTC Commissioner

Jennifer Osborn, Acting Director for the Department of General Services, Delegate

Department of Food and Agriculture (CDFA) – Karen Ross, Secretary; SRTLTC Commissioner

Kevin Masuhara, Deputy Secretary Administration and Finance, Delegate

22nd District Agricultural Association (22nd DAA)

Richard Valdez, RTLC Commissioner

Lisa Barkett, RTLC Commissioner

Kathlyn Mead, RTLC Commissioner

Carlene Moore, 22nd DAA CEO

Office of the Attorney General California

Josh Caplan, Deputy Attorney General

OTHERS PRESENT

Kevin Civale

Mark Young

Donna O’Leary, 22nd DAA Executive Assistant

Melinda Carmichael, 22nd DAA Chief Administrative Officer

Michael Sadegh, 22nd DAA Finance Director

Josh Rubinstein, President and COO, Del Mar Thoroughbred Club

Joe Harper, CEO, Del Mar Thoroughbred Club

Mike Ernst, Executive VP, CFO, Del Mar Thoroughbred Club

APPROVAL OF MINUTES

March 30, 2021

Commission Delegate Chair Miller moved to approve the March 30, 2021, meeting minutes. Commissioner Barkett seconded. SRTLTC Delegate Chair Miller, Commissioners Osborn, Masuhara, Valdez, Barkett, and Mead, were in favor and the motion carried.

REPORTS

22nd DAA Update

22nd DAA CEO Carlene Moore explained that the San Diego County Fair was not held in 2021, but in its place was “Home Grown Fun” a scaled down event. Overall, it was very well received by the community. CEO Moore announced that plans for the 2022 San Diego County Fair have begun.

DMTC Operating Results for 2021

Del Mar Thoroughbred Club (DMTC) CEO Joe Harper reported that due to having the Breeders’ Cup and betting handle being way up they were able to present a check for rent to the RTA for a little over \$10 million. President and COO Josh Rubinstein reviewed the DMTC budget report on pages 7-27. Although still a challenging year due to the pandemic guidelines ever changing, the 2021 racing season at Del Mar was very successful due in part to the Breeders’ Cup held November 5 and 6. It alone brought in over \$70 million of positive economic impact to the San Diego region.

Racing Industry Update

DMTC President and COO Rubinstein reported that the Horseracing Integrity Safety Act, also known as HISA, regulates horseracing on a national level. HISA will largely implement the regulations that have been in place in California the last several years, including regulations on track safety and medication.

2022 Summer Race Meet Dates – July 22 through September 11 and 2022 Fall Race Meet Dates – November 11 through December 4

DMTC released their 2022 summer racing program and announced that DMTC will be paying out the highest purses in California history, an average of \$800,000 a day to owners, trainers, and jockeys.

Public Comment on DMTC Operating Results, page 22 -32

Martha Sullivan	Maria Luisa
Jim Coleman	Kimberly Marrs
Oscar de la Torre	Wayne Johnson
Doug O’Neil	

NEW BUSINESS

Consideration and vote on whether to delegate authority to the Chief Executive Officer of the 22nd District Agricultural Association and to the Director of Finance of the 22nd District Agricultural Association to perform those functions that are necessary to manage the State Race Track Leasing Commission bank accounts, including ensuring that all funds received are deposited and maintained in accordance with California law. (Action item)

Deputy Attorney General Josh Caplan gave a short overview of SRTLTC framework and how the funds from DMTC are immediately transferred out to the trustee for the bond obligations. The delegation of authority is providing staff the ability to communicate with the banks that hold the accounts for the SRTLTC.

Commissioner Valdez moved to approve the delegation of authority as presented by staff. Commissioner Mead seconded. SRTLTC Delegate Chair Miller, Commissioners Osborn, Masuhara, Valdez, Barkett, and Mead, were in favor and the motion carried.

PUBLIC COMMENT ON MATTERS NOT APPEARING ON THE AGENDA (page 39)
Martha Sullivan

RECESS TO CONVENE AND HOLD THE RACE TRACK AUTHORITY MEETING

The Commission recessed to the Del Mar Race Track Authority meeting at 12:36 p.m. The Commission resumed at 1:34 p.m.

OTHER BUSINESS

None

ADJOURNMENT

Commissioner Valdez as the RTA President adjourned the meeting at 1:35 p.m. as Commission Delegate Chair Miller had to depart the meeting early.

Bank Statements

Del Mar Fair
 Carlene Moore

Thursday, August 10, 2023 5:40:33PM

Page 1

Bank Account - Statement Date	Description	GL Date	Closed?																													
RTL Cap Imp 4911 - 12/31/2022	December 2022	12/31/2022																														
Statement Totals	<table style="width: 100%; border: none;"> <tr> <td style="width: 25%; border: none;">—— Bank ——</td> <td style="width: 25%; border: none;">— Reconciled —</td> <td style="width: 25%; border: none;">—— Difference ——</td> <td style="width: 25%; border: none;"></td> </tr> <tr> <td style="border: none;">Beginning Balance:</td> <td style="border: none; text-align: right;">0.00</td> <td style="border: none; text-align: right;">0.00</td> <td style="border: none; text-align: right;">0.00</td> </tr> <tr> <td style="border: none;">Total Deposits:</td> <td style="border: none; text-align: right;">0.00</td> <td style="border: none; text-align: right;">0.00</td> <td style="border: none; text-align: right;">0.00</td> </tr> <tr> <td style="border: none;">(Total Charges):</td> <td style="border: none; text-align: right;"><u>0.00</u></td> <td style="border: none; text-align: right;"><u>0.00</u></td> <td style="border: none; text-align: right;"><u>0.00</u></td> </tr> <tr> <td style="border: none;">Ending Balance:</td> <td style="border: none; text-align: right;">0.00</td> <td style="border: none; text-align: right;">0.00</td> <td style="border: none; text-align: right;">0.00</td> </tr> </table>	—— Bank ——	— Reconciled —	—— Difference ——		Beginning Balance:	0.00	0.00	0.00	Total Deposits:	0.00	0.00	0.00	(Total Charges):	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	Ending Balance:	0.00	0.00	0.00	<table style="width: 100%; border: none;"> <tr> <td style="width: 75%; border: none;">GL Balances</td> <td style="width: 25%; border: none;"></td> </tr> <tr> <td style="border: none;">Current GL Balance:</td> <td style="border: none; text-align: right;">0.00</td> </tr> <tr> <td style="border: none;">(Outstanding Deposits):</td> <td style="border: none; text-align: right;">0.00</td> </tr> <tr> <td style="border: none;">Outstanding Charges:</td> <td style="border: none; text-align: right;"><u>0.00</u></td> </tr> <tr> <td style="border: none;">Compare to Bank Balance:</td> <td style="border: none; text-align: right;">0.00</td> </tr> </table>	GL Balances		Current GL Balance:	0.00	(Outstanding Deposits):	0.00	Outstanding Charges:	<u>0.00</u>	Compare to Bank Balance:	0.00
—— Bank ——	— Reconciled —	—— Difference ——																														
Beginning Balance:	0.00	0.00	0.00																													
Total Deposits:	0.00	0.00	0.00																													
(Total Charges):	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>																													
Ending Balance:	0.00	0.00	0.00																													
GL Balances																																
Current GL Balance:	0.00																															
(Outstanding Deposits):	0.00																															
Outstanding Charges:	<u>0.00</u>																															
Compare to Bank Balance:	0.00																															

Total Number of Statements: 1



Statement of Accounts

This Statement: December 30, 2022
 Last Statement: November 30, 2022

Account 2170174911

DIRECT INQUIRIES TO:

Customer Service 1 (800) 400-6080

0034531 4263-06-0000-CBT-PG0023-00000

DEL MAR RACE TRACK AUTHORITY
 DEL MAR CAPITAL IMPROVEMENT
 2260 JIMMY DURANTE BLVD
 DEL MAR CA 92014-2216

Del Mar Corporate Banking
 2775 Via DE La Valle
 Del Mar, CA 92014-1915
 (858) 792-4770

SUMMARY OF ACCOUNT BALANCE

<i>Account Type</i>	<i>Account Number</i>	<i>Checking/Savings Ending Balance</i>	<i>Outstanding Balances Owed</i>
Commercial Analyzed Checking	2170174911	\$0.00	

COMMERCIAL ANALYZED CHECKING 2170174911 128 0

<i>Previous Balance</i>	<i>Deposits/Credits</i>	<i>Charges/Debits</i>	<i>Checks Processed</i>	<i>Ending Balance</i>
0.00	0.00	0.00	0.00	0.00

0 DEPOSITS/CREDITS
 There were no transactions this period.

0 CHARGES/DEBITS
 There were no transactions this period.

0 CHECKS PROCESSED
 There were no transactions this period.

AGGREGATE OVERDRAFT AND RETURNED ITEM FEES

	<i>Total for This Period</i>	<i>Total Year-to-Date</i>
Total Overdraft Fees	\$0.00	\$0.00
Total Returned Item Fees	\$0.00	\$0.00

To learn more about our other products and services that may lower the cost of managing account overdrafts or to discuss removing overdraft coverage from your account, please contact Customer Service or visit your local branch.

DAILY BALANCES

<i>Date</i>	<i>Balance</i>
12/30	0.00





Michael R. Ernst
Executive Vice President
Chief Financial Officer

January 30, 2023

Carlene Moore
Chief Executive Officer
22nd District Agricultural Association
2260 Jimmy Durante Boulevard
Del Mar, CA 92014

**Re: *Del Mar Thoroughbred Club's Budget Report for the Period Ending
December 31, 2022***

Dear Carlene:

Enclosed is Del Mar Thoroughbred Club's budget report for the twelve-month period ending December 31, 2022. Also enclosed is our Management's Discussion and Analysis of DMTC's operations, revenues and expenses for the year ending December 31, 2022. This analysis was prepared based on our unaudited financial statements. An Additional Payment, currently projected to be \$710,000 will be finalized and paid following the completion of our 2022 financial statement audit in late April 2023.

Very Truly Yours,

DEL MAR THOROUGHBRED CLUB

Michael R. Ernst

Enclosures

cc: Michael Sadegh, 22nd DAA
David Batchelder, DMTC
Joe Harper, DMTC
Josh Rubinstein, DMTC

DEL MAR THOROUGHBRED CLUB

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

FOR THE TWELVE-MONTH PERIODS ENDING DECEMBER 31, 2022 and 2021

The management of Del Mar Thoroughbred Club ("DMTC") provides the following discussion and analysis of our operating results through the period ending December 31, 2022. The following analysis reflects our review of industry and economic events that factored into our operating results as well as our comparison of our budgeted projections and prior-year operating results. The following discussion reflects the results of our 31-day summer race meet and our 13-day fall race meet. We prepared our analysis based on our unaudited financial statements and it accompanies our fourth quarter financial report filed at the end of January 2023. Our final 2022 results will be finalized following the completion of our 2022 audited financial statements in April 2023.

The 2022 summer and fall meets are projected to generate a combined return from racing (i.e., DMTC net revenues and race meet-related food and beverage ("F&B") net income as defined in the Del Mar Race Track Operating Agreement) of \$11.92 million for the year. This amount is \$260,000 above the budgeted return from racing and \$630,000 higher than combined contribution in 2021 (excluding the \$4.08 million one-time benefits of the Breeders' Cup and the forgiven Payroll Protection Program ("PPP") loan). Racing net revenues are projected to total \$6.66 million in 2022, and be \$470,000 under budgeted net racing revenues. Racing net revenues consist of \$1.225 million of Direct Payments, as well as the \$5.435 million of payments to the Race Track Authority ("RTA"). The \$5.435 million RTA payments consist of: (1) \$4,725,000 paid on November 15, 2022; and (2) an expected additional payment to the RTA of approximately \$710,000. This additional payment will be paid in late April following the completion of our 2022 audited financial statements and will include the results of our fall race meet. When combined with the 2021 RTA payments (which exceeded the annual debt service of the 2015 RTA Bonds), this year's \$5.435 million RTA payments will fully fund the 2023 and the 2024 RTA Bond annual debt service.

Race meet F&B revenues in 2022 totaled \$12.52 million, \$11.02 million during the summer race meet and \$1.5 million during the fall race meet. F&B revenues exceeded projections by 15.9% due to higher than anticipated on-track attendance together with strong F&B sales in our high-margin premium seated and Group Sales areas during both race meets. F&B net revenues, all of which flowed directly to the District, totaled \$5.26 million in 2022. These net revenues were \$720,000, or 28.5%, above the prior year's summer and fall race meets F&B net revenues and 15.9% higher than budgeted F&B net revenues.

Overview

Del Mar is viewed as a world-class venue for Thoroughbred racing. DMTC enjoys an unparalleled reputation for operations considered to be among the very best in the industry, both in terms of our ability to attract the highest quality Thoroughbred racing and our success in generating a highly diversified revenue stream. DMTC is viewed as an industry leader in developing innovative programs, adopting new technologies and creating dynamic marketing campaigns designed to attract top Thoroughbred racing to Del Mar and new fans to racing. DMTC also is the leader in developing practices and procedures to protect and enhance equine, rider and patron safety.

DMTC has long been at the forefront of enacting industry-leading safety protocols and procedures and, those efforts have resulted in Del Mar consistently being ranked among the safest racing venues in the country. DMTC has implemented extensive safety measures, including adopting the industry's most stringent medication rules, increasing veterinary oversight and testing of horses, enhancing stable security and establishing a safety advisory committee consisting of trainers, veterinarians, jockeys, track maintenance personnel and management which meet regularly to review safety practices, operations and racing surfaces. In 2022, DMTC proudly continued its exemplary national safety record for the fourth consecutive year, with no catastrophic injuries among its 2,688 starters in the 294 races during the 31-day summer race meet. Additionally in 2022, Tom Robbins, DMTC's Executive Vice President of Racing, was the lone racing association executive named to the Horseracing Integrity & Safety Authority's ("HISA") newly formed Horsemen's Advisory Committee. DMTC's efforts to provide the safest possible environment for the sport's equine and human athletes never cease and safety remains our top priority. We continue to work with industry stakeholders, including HISA, to ensure Del Mar's equine safety and welfare protocols remain the industry's gold-standard.

Overall horse population and the inventory of race horses available to run in Southern California are key factors impacting our industry. As we previously have noted, the number of horses that run in each race (known as "field size") directly correlates to the amount wagered on a race, or the "wagering handle." The more horses that run in a race, the larger the wagering pool and a larger wagering pool means greater wagering commissions are paid to track operators along with higher purses paid to the horsemen and women. While other racetracks across California and the entire nation have struggled to maintain field sizes, DMTC leads the industry in developing innovative programs to address the challenges of the declining horse population in Southern California and bolster field sizes.

DMTC created the innovative and highly successful Ship & Win program. The program provides an incentive for owners of out-of-state horses to ship them into California and race at Del Mar. DMTC and the Thoroughbred Owners of California ("TOC") jointly funded the program and provided record incentive payments for the 2022 program. Since the Ship & Win program was

introduced in 2011, it has brought 2,120 horses to race at Del Mar, with many remaining and continuing to race at other California racetracks.

Additional funding to attract out-of-state horses not qualifying for Ship & Win incentives is provided through the Co-Op marketing program and the ADW purse supplement, which represent negotiated funding provided by California's largest ADW providers. These programs are discussed in greater detail later in this report.

The Ship & Win program, along with our other horse recruitment efforts, not only helped Del Mar's average field size levels at our summer and fall meets but also contributed to increased field sizes at the other tracks in California. For example, following our two race meets this year through the date of this report, horses from our Ship & Win program made 197 starts at the race meets at Los Alamitos and Santa Anita.

While wagering revenue is our primary revenue source, we strive to diversify our revenue stream by generating significant non-wagering revenues. Our non-wagering revenues consist of admissions-related revenues (e.g., daily admissions, seating and parking, season suites and boxes, Turf Club memberships and suites, Group Sales, programs and novelty concessions) and sponsorship revenues as well as fee-based management services provided to others in our industry. Del Mar historically has enjoyed the highest level of non-wagering revenues compared to total revenues of all tracks in California and among the highest of any racetrack in the United States. Although F&B revenues are not reflected in our financial statements, our marketing efforts also are designed to produce significant race meet-related F&B net revenues, all of which flow directly to the 22nd District Agricultural Association ("District").

Another important component of our diversified non-wagering revenues is our industry-leading sponsorship revenue program. DMTC has been successful in maintaining and growing corporate partnerships by creating and implementing robust marketing and co-branded initiatives. Even in the recently changed landscape that resulted in DMTC forgoing large scale general admission concerts, Del Mar continues to provide substantial value to our corporate partners, including on-line and social media opportunities. These digital assets, combined with traditional on-site engagement, offer sponsorship opportunities not seen by many other racetracks. In addition, Del Mar's dedicated and robust fan base is rich with Millennial and Gen Z demographics and offers our corporate partners access to this highly sought-after audience. DMTC also will continue to leverage its in-demand high-end race day hospitality to increase sponsorship revenues. Lastly, DMTC works in tandem with District staff on facility-wide corporate partnerships that maximize year-long sponsorships for the Fairgrounds and will continue to collaborate on these opportunities to ensure that venue sales goals are achieved.

2022 Results

The eight-week, 31-day, 2022 summer race meet opened on Friday July 22 and enjoyed record field sizes, highly competitive racing and, most importantly, it was one of the safest meets

in the nation and in Del Mar's history. The 2022 summer meet provided world-class racing and some of the best overall performances in Del Mar's 83-year history including the finest individual race ever seen at the summer meet when the unbeaten superstar Flightline captured the \$1-million TVG Pacific Classic on September 3 in breathtaking fashion by nearly 20 lengths. Flightline's extraordinary display of speed and class in the TVG Pacific Classic drew raves from racing fans and officials around the globe and moved him to the world's top-rated Thoroughbred. Our 2022 marketing efforts once again included many of our popular lifestyle events, with the exception being our concert series, which we chose to forego this summer. Our popular promotions, such as craft beer festivals and local food specialty events, were aimed at driving attendance and generating high-margin F&B revenues. Moreover, we utilized our valuable Diamond Club database to offer our core customers enticing value-added promotions to drive attendance on the lesser-attended race days (i.e., Thursdays and Sundays). On-track attendance rose 16.1% over 2021 levels and exceeded our budgeted growth of 10.9%. The attendance gains were due to our expanded marketing efforts and also because last year we restricted general admissions and walk-up sales until the second week of the summer race meet due to uncertainties regarding COVID-related state guidelines for public events and until we became comfortable with our reopening procedures and our ability to safely host our fans. On-track attendance was up 24.1% after the sixth week of racing but was impacted the final two race weeks by a 12-day period of unseasonably hot and humid weather, including rain the final Friday of the summer race meet.

The four-week fall race meet was the ninth fall session that now complements the historic Del Mar summer race meet. Our fall meet is North America's most heavily wagered race meet during the fall season, with fans and stakeholders viewing Del Mar as offering the nation's premier autumn racing. The fall race meet's quality racing product – with its emphasis on turf racing – was highlighted with eight major turf stakes races (our "Turf Festival") contested over the fall meet's final two weekends. The quality of our racing attracted 15 out-of-state horses along with several of the nation's leading trainers, including Chad Brown, Todd Pletcher, Shug McGaughey, Christophe Clement, and Graham Motion, all of whom competed in this year's Fall Turf Festival. The fall's major turf stakes races also drew several of the country's top jockeys, including Irad Ortiz, Joel Rosario and Florent Geroux. Trainer Chad Brown enjoyed the most success over closing weekend by winning two stakes races, including the Grade I Matriarch Stakes convincingly with Regal Glory. Fellow trainer Graham Motion started 13 horses over the duration of the Fall season, including Speaking Scout who was victorious in the Grade I Hollywood Derby. The quality racing product, expanded lifestyle promotional events, together with growth in our Group Sales business, led to a 7% increase in on-track attendance and resulted in admission-related revenues exceeding projections.

As noted above, we strive to generate strong race meet F&B revenues, which all flow to the District. Our marketing efforts are designed to drive attendance to areas that enjoy high F&B per capita revenues, such as our Group Sales celebrity suites and sky rooms, the Turf Club and our trackside restaurants. We also worked closely with the District's concessionaire, Premier Foods, on

promotions that generate F&B revenues, such as Happy Hour Fridays, Taste of Turf Club Sundays and the Table Steals trackside restaurant promotion. These efforts to generate high-margin F&B revenues together with the growth in on-track attendance during both the summer and fall race meets contributed to a 28.5% increase in race meet F&B revenues, which grew to over \$12.52 million, and exceeded budgeted F&B revenues by 15.9%.

The foundation of our operations is a strong live racing program and the wagering commissions and purses generated on our races. Our horse recruitment efforts, including the Ship & Win, Co-Op marketing and ADW purse supplement programs, were a key focus of our 2022 operations. We increased Ship & Win program incentives for the 2022 summer race meet to record levels. Last year, the program paid a \$5,000 starter bonus and a 50% purse supplement for any out-of-state dirt runner and a \$4,000 starter fee and a 40% purse bonus paid for out-of-state runners in the more popular turf races. The purse bonus was paid for additional starts at the summer meet and was also expanded this summer to award a purse bonus on winnings by first-through-fifth place finishers. Our racing department started early in 2022 to actively promote our record purse offerings and the enhanced Ship & Win program incentives to out-of-state horse owners and trainers.

These recruitment efforts and programs attracted a record 379 horses that made 515 starts during the 2022 summer and fall race meets. The horses recruited to race last summer helped Del Mar's average field size grow to an all-time high of 9.1 horses per race in 2022, which is an increase from 8.45 horses in 2021 and 8.36 horses in 2020. The summer race meet's field sizes were the highest in the nation for all major race meets, including this summer's popular Saratoga race meet in upstate New York, which had an average field size of 7.86 horses per race. Our recruitment efforts also grew the recent fall race meet's field size to 7.91 horses, up from 7.76 runners during the 2021 fall race meet. Del Mar's fall race meet had the second highest field size of all of California's race meets in 2022, behind only the Del Mar summer race meet. Our large fields, quality racing program and record purse distributions attracted bettors from across North America and grew total wagering to \$744.72 million in 2022, an all-time record for the Del Mar race meets (excluding those meets with Breeders' Cup wagering).

Revenues

Revenues for the year ending December 31, 2022 totaled \$40.30 million and were \$1.08 million, or 2.74%, over budget. Current year revenues rose \$1.63 million, or 4.2%, above prior year recurring revenues of \$38.66 million (2021 revenues excluding 2021 Breeders' Cup revenues of \$18.67 and the \$2.84 million one-time revenue benefit from the forgiven Payroll Protection Program loan).

Summer race meet revenues totaled \$33.31 million and were \$1.34 million, or 4.2% over budget. Wagering revenues were \$520,000, or 2.6%, above budget as our large race fields and quality racing product increased wagering on live racing. The growth in summer race meet on-

track attendance drove growth in attendance-related revenues which were \$440,000, or 5.4%, over budget. Other operating revenues were \$380,000, or 10.0%, over budget due to growth in sponsorship revenues and higher interest income.

Fall race meet revenues totaled \$6.99 million and were \$260,000 under budget as fall race meet wagering revenues were \$320,000 under budget due to lower- than-expected ADW and out-of-state wagering. Fall race meet non-wagering revenues were \$60,000 over budget due to gains in attendance-related revenues along with higher interest income.

Wagering Revenues: Wagering represents DMTC's primary source of revenues and accounted for 61.1% of total revenues. DMTC receives wagering commissions and purses from wagering by patrons in California whether the wagers are made on-track at Del Mar, off-track at Southern California satellite ("ITW") locations, or from Southern California residents wagering through Advanced Deposit Wagering ("ADW") providers that are licensed by the California Horse Racing Board ("CHRB"). Del Mar also receives commissions and purses when patrons who are outside of California wager on Del Mar races at brick-and-mortar locations (e.g., racetracks, casinos, ITW locations and sports bars) and through ADW providers that contract with Del Mar to take wagers on our races. California patrons are able to wager on three types of races: 1) those run at Del Mar ("live races"); 2) those run in Northern California, and 3) races imported from racetracks outside California ("imported races").

Live wagering totaled \$447.23 million for the 2022 summer meet, which was \$10.07 million, or 2.3%, higher than live wagering during the 2021 summer season. The 2022 summer race meet offered 294 live races run over the 31-day meet compared to 293 races run over the 31-day 2021 summer meet. On-track wagering on live races increased \$2.33 million, or 5.8%, due to higher on-track attendance. Wagering on live races at California satellites increased \$1.08 million, or 5.2%, due the large fields and the reopening of the Pomona satellite wagering facility in 2022. The growth in Del Mar's race field sizes drove record wagering by out-of-state patrons as they were attracted to wager on Del Mar's larger fields compared to other race programs having smaller field sizes. Wagering by out-of-state bettors on Del Mar summer races rose \$5.96 million, or 2.0%, over the prior summer.

Live wagering during the 2022 summer race meet, however, was impacted by lower wagering on the Pick 6 wager. The Pick 6 wager, which pays tickets that pick the winning horse of the last six races of the day, also provides a bonus jackpot that is paid if a single Pick 6 ticket correctly selects the six winners for that race day. If there are more than one Pick 6 winning tickets, the bonus jackpot is carried-over ("bonus carryover jackpot") to the following day. The Pick 6 wager provides for the mandatory payout of the bonus carryover jackpot on TVG Pacific Classic Day and Closing Day of the summer race meet. The guaranteed payout of the bonus carryover jackpot generates a significant increase in Pick 6 wagering on these mandatory payout days, i.e., the larger the bonus carryover jackpot, the more money wagered on the Pick 6. Additionally, because experienced bettors have already handicapped these races in preparing their Pick 6 wagers,

wagering on the late Pick 4 and the late Pick 5 typically increases on these mandatory payout days as well. At the 2021 summer race meet, an 18-day and \$1.875 million Pick 6 bonus carryover jackpot was paid out on the 2021 TVG Pacific Classic Day and an eight-day and \$694,000 bonus jackpot was paid out on that meet's Closing Day. This summer, there were several single ticket winners of the Pick 6 and the bonus carryover jackpot was paid which resulted in smaller Pick 6 bonus carryover jackpots paid out on this year's mandatory payout days. The 2022 TVG Pacific Classic had a three-day and \$116,000 bonus jackpot while Closing Day had a three-day and \$166,000 bonus jackpot. These lower bonus carryover jackpots resulted in a \$10.55 million decline in live Pick 6 wagering in 2022 compared to 2021.

Live wagering during the 2022 fall race meet totaled \$118.34 million, which was \$4.04 million, or 3.3%, lower than live wagering during the 2022 fall season. Del Mar hosted the 2021 Breeders' Cup World Championships during the first week of the 2021 fall race meet. While wagering on Breeders' Cup races are not included in Del Mar fall race meet wagering totals, Del Mar's hosting of the Breeders' Cup attracted significant interest and led to increased wagering on live races during the 2021 Del Mar fall race meet.

Wagering on imported races by on-track and Southern California satellite and ADW patrons totaled \$126.06 million during the 2022 summer race meet. The 2022 and 2021 Del Mar summer race dates were both nine-week calendars – 31 live race days conducted over eight weeks. In addition to eight weeks of live racing, there was no live racing ("dark days") in Southern California the week prior to the start of live racing for both the 2022 and 2021 race meets. Because of the similar race dates and number of imported races for 2022 and 2021 summer race meets, wagering on imported races during 2022 was close to 2021 levels as these wagers were \$1.83 million, or 1.5%, higher than the prior summer race meet. The growth in imported wagering was entirely due to increased wagering by ADW patrons. Wagering on imported racings during the 2022 fall race meet totaled \$40.97 million, which was \$3.01 million, or 7.0%, lower than live wagering during the 2022 fall season. Del Mar's hosting of the 2021 Breeders' Cup attracted significant interest and increased wagering during the Del Mar fall race meet including increased wagering on imported races during the prior year's fall race meet.

Wagering on Northern California races declined \$2.80 million, or 30.0%, to a total of \$6.54 million during the recent summer race meet. This decline was due to the lower field sizes on races run in Northern California (5.6 horses per race) compared to the field sizes of 9.1 horses on Del Mar's races. Additionally, last summer there were more Northern California races run at Golden Gate Fields and fewer races run at Northern California fairs compared to 2021. Wagering is traditionally higher on Northern California races run at Golden Gate Fields than those races run at the Northern California fairs. Wagering on Northern California races during the 2022 fall race meet totaled \$5.58 million, which was \$290,000, or 5.0%, lower than wagering on Northern California races during the 2022 fall season. As noted above, prior year wagering totals benefited from Del Mar hosting the Breeders' Cup in 2021.

Wagering revenues in 2022 were impacted by various changes to statutory wagering deductions and modifications to contractual ADW wagering deductions that are used to fund stabling and vanning, the operations of the SCOTWINC satellite network and to fund the CHRB's annual operations. These deductions from wagering effectively reduce wagering revenues and purses equally during the year.

Stabling and vanning ("S&V") operations are funded through a statutory deduction on ITW wagering and on-track wagering on imported and Northern California races as well as a contractual deduction from California ADW wagering. S&V wagering revenues were significantly impacted in 2020 as the pandemic caused California racetracks to operate without fans and only a limited number of small satellites with outdoor facilities. This decline in S&V revenues resulted in a \$2.23 million operating deficit for the S&V fund at the end of 2020. With the reopening of the satellite network and the return of fans at racetracks in 2021, S&V revenues slightly exceeded S&V expenses. Nonetheless, a \$1.95 million S&V fund deficit remained as of December 31, 2021. In order to eliminate the S&V fund deficit, the TOC and the Southern California racetracks increased the statutory deduction on ITW and on-track import and Northern California race wagering by 30 basis points in 2022. These organizations also raised the deduction from ADW wagering that fund stabling and vanning operations by a similar 30 basis points. These increased S&V funding deductions on on-track, ITW and California ADW wagering reduced both wagering commissions and purses by \$420,000 in 2022.

Racing law provides that the operations of the CHRB and California's equine drug testing program are to be funded by California racing associations and purses through a deduction from on-track, ITW, California ADW and out-of-state wagering at all California racetracks and racing fairs. The CHRB funding deduction from wagering is established annually on July 1st and is based on the projected wagering compared to the CHRB's annual operating budget for the upcoming fiscal year ending June 30. This deduction from wagering effectively reduces wagering revenues and purses equally during the fiscal year. Any surplus or deficit between the funds generated from the funding deduction and the cost of CHRB operations at the end of the fiscal year is either refunded to, or further deducted from, the following year's commissions and purses.

Statewide wagering grew faster than the CHRB's fiscal annual operating budget so the CHRB funding deduction rates declined for the fiscal year starting July 1, 2022. This decline in the funding deduction during 2022 effectively increased wagering commissions and purses each by \$70,000. Additionally, the record \$943.4 million of wagering at Del Mar during 2021 contributed to a statewide surplus of CHRB board support funding over CHRB operating costs for the fiscal year ending June 30, 2022. This state-wide surplus was \$360,000 higher than the CHRB board support surplus for the prior fiscal year ending June 30, 2021. Del Mar's share of the net increase in CHRB board support surplus was \$110,000 and this amount was redistributed equally to benefit 2022 commissions and purses.

The Horseracing Integrity and Safety Authority (HISA) was established when the Horseracing Integrity and Safety Act was signed into federal law in 2020. Overseen by the Federal Trade Commission, HISA is responsible for drafting and enforcing uniform safety and integrity rules in Thoroughbred racing in the U.S. and was created to implement, for the first time, a national, uniform set of rules applicable to every Thoroughbred racing participant and racetrack facility. HISA is comprised of two programs: the Racetrack Safety Program, which became effective July 1, 2022, and the Anti-Doping and Medication Control (ADMC) Program, which will go into effect in January 2023. The CHRB is responsible for collecting California's proportionate share of the annual funding of the HISA's Racetrack Safety Program, and the State's share totaled \$1,450,000 in 2022. Each California racing association funded its proportionate share of this program by paying the CHRB through an ADW deduction starting July 1, 2022. The ADW funding deduction for Del Mar's share was \$350,000, which was split equally between wagering commissions and purses generated.

On-track wagering: On-track wagering commissions totaled \$4.37 million in 2022 and were \$260,000, or 6.3%, above 2021 on-track recurring revenues and on-track wagering commissions were \$60,000, or 1.5%, over budgeted revenues.

Summer race meet on-track wagering revenues increased \$250,000, or 7.1%, and these revenues were \$70,000, or 2.0%, over budget. This growth was driven by the 16.1% increase in on-track attendance resulting from our expanded lifestyle promotional events and other marketing programs which were designed to drive attendance. On-track per capita wagering declined to \$169 in 2022 from \$187 the prior summer as the marketing efforts attracted more casual race fans that typically wager less than our core race fans. These fans did, however, generate higher F&B per capita spending than our core patrons. The impact from the higher S&V deduction on import and Northern California wagering was only \$10,000, as there is no stabling and vaning deduction for on-track live wagers. Wagering on live racing accounted for 91% of all on-track wagers, while wagering on import and Northern California races combined to account for 9% of on-track wagering. The yield for on-track wagering increased slightly to 7.79% in 2022 compared to 7.77% in 2021. This modest increase was due to the benefits of the lower CHRB board support funding deduction and the prior year CHRB board support surplus redistributed to wagering commissions.

Fall race meet on-track wagering revenues totaled \$630,000 during the 2022 autumn race meet. These revenues were \$10,000, or 1.1%, under budget as the benefit from a 7.0% gain in on-track attendance was offset due to a decline in on-track per capita wagering in 2022. On-track per capita wagering was 11.1% higher in 2021 when Del Mar hosted the Breeders' Cup as the event attracted significant interest and increased wagering from out-of-town patrons that also attended the fall race meet the first week of fall meet when Del Mar hosted the Breeders' Cup event.

Off-track wagering: ITW wagering commission totaled \$3.91 million in 2022 and were \$100,000 lower than 2021 recurring revenues and ITW commissions were \$240,000, or 5.8%, under budgeted revenues.

Summer race meet ITW wagering revenues generated from live, import and Northern California wagering collectively declined \$20,000 in 2022 and were \$190,000 under budget. Wagering at ITW locations for the 2022 summer race meet totaled \$59.6 million, a decline of \$290,000, or 0.5%, and these wagers were \$5.58 million, or 8.6%, under projected wagering. Wagering by ITW patrons on Northern California races declined \$1.16 million, or 24.5%, due to the smaller fields on Northern California races compared to Del Mar's field size. Wagering on imported races by ITW patrons declined just 0.6% in 2022 as field sizes for imported races were slightly lower than Del Mar's field sizes. The larger Del Mar fields along with the reopening of the Pomona satellite facility, which did not operate during the prior summer race meet, resulted in a \$1.08 million, or 5.2%, increase in wagering on live races. The yield on ITW wagering declined 12 basis points to 4.58% due to the impact from the higher S&V deduction, which totaled \$90,000 in 2022.

ITW wagering revenues for the fall race meet totaled \$1.08 million which were \$80,000 lower than 2021 wagering revenues and were \$50,000, or 4.4%, under budgeted revenues. The decline in ITW revenues, along with the budget shortfall, were related to the fact that Del Mar hosted the Breeders' Cup in 2021 which had a greater benefit to ITW wagering than was expected. The impact from the increased S&V deduction on ITW wagering was a \$30,000 reduction in 2022 ITW wagering revenues when compared to 2021 revenues.

DMTC is a partner in SCOTWINC, which is the entity that administers the satellite network in Southern California. SCOTWINC receives simulcast revenues consisting of a 2.5% fee on all wagers placed at satellite locations and a negotiated fee of 2.4% that is taken from California ADW wagers. These simulcast revenues fund mutuel and administrative staff costs and other SCOTWINC simulcast-related expenses. As a partner in SCOTWINC, DMTC and the horsemen participate in 50% of the excess, or shortfall, of SCOTWINC simulcast revenues and expenses. The SCOTWINC operating surplus totaled \$1.64 million for 2022 compared to budgeted revenues of \$600,000 and prior year revenues of \$1.51 million. The 2021 operating surplus benefited from additional simulcast revenues generated during the 2021 Breeder's Cup and because SCOTWINC qualified for and received Employee Retention Credits under the Cares Act in 2021. These credits offset certain SCOTWINC operating costs. The SCOTWINC 2022 operating surplus was \$600,000 over budget due to lower than anticipated health and welfare costs resulting from the new agreement with the pari-mutuel clerk's union Local 280. Additionally, mutuel clerks qualified for additional Employee Retention Credits for their employment last year and this final credit was granted and received in 2022.

ADW wagering: Wagering commissions from California ADW patrons totaled \$5.06 million in 2022 were \$650,000, or 11.4%, under budget. ADW wagering commissions declined \$490,000, or 8.8%, from 2021 recurring ADW commissions. ADW commissions were impacted by the new HISA funding that started in 2022, and totaled \$170,000, along with by the higher S&V funding deduction, which was \$290,000 higher than the year's S&V funding deduction.

ADW wagering during the summer race meet increased \$1.22 million, or 0.9%, compared to 2021 wagering levels. Wagering on Del Mar races increased \$600,000, or 1.1%, wagering on imported races increased \$2.1 million, or 2.4%, while wagering on Northern California races declined \$1.47 million, or 36.5%, due to their smaller race fields compared to the Del Mar and imported races fields. ADW wagering on Del Mar races through the fifth week of the summer race meet was 7.0% higher than the prior year but, as noted above, live wagering was impacted by lower Pick 6 wagering due to the smaller Pick 6 bonus carryover jackpots paid out on the two mandatory payout days, TVG Pacific Classic Day on the Saturday, September 3, and the mandatory payout on Closing Day. The yield on California ADW wagering declined 27 basis points to 2.46% due to the aforementioned modifications to stabling and vanning and the new HISA funding on ADW wagers which combined to reduce current year ADW revenues \$360,000 when compared to 2021 revenues.

ADW wagering revenues for the fall race meet totaled \$1.29 million which were \$170,000, or 11.4%, lower than 2021 wagering revenues and these revenues were \$240,000, or 15.8%, under budgeted revenues. The decline in ITW revenues, along with the budget shortfall, were primarily related to the fact that Del Mar hosted the Breeders' Cup in 2021 which had a greater benefit to ADW wagering in 2021 than was expected. The impact from the increased S&V and the new HISA funding deductions on ADW wagering was a combined \$100,000 reduction in 2022 ITW wagering revenues when compared to 2021 revenues.

Out-of-state wagering: The export of Del Mar's live racing product leads to significant non-California wagering revenues because Del Mar races are distributed through numerous Internet wagering platforms and broadcast to over 1,100 brick-and-mortar wagering locations throughout North, Central and South America, Europe and South Africa. Wagering revenues from these out-of-state patrons totaled a record \$11.60 million in 2022 and these revenues were \$490,000, or 4.4%, over budget and were \$390,000, or 3.5%, higher than prior year's wagering revenues.

Out-of-state patrons tend to be serious and more experienced bettors that were attracted to wager on Del Mar's larger field sizes compared to the other race programs having smaller field sizes. As noted above, Del Mar's summer race meet field sizes increased to 9.1 horses for our summer race meet which compares favorably to Saratoga, the other major summer race meet offered to out-of-state bettors. Out-of-state wagering during the summer race meet totaled \$307.8 million and was \$5.96 million, or 2.0%, over 2021 wagering levels. As was the case with ADW wagering by California patrons on Del Mar races, out-of-state wagering on live racing was 9.1% above last summer's wagering after the fifth week of the summer meet. But out-of-state wagering was impacted by lower Pick 6 wagering due to the smaller bonus jackpot carryover paid-out on TVG Pacific Classic and Closing Day of the summer race meet. Wagering by out-of-state players who employ sophisticated computer algorithms to handicap races totaled \$116.9 million, and was 1.7% higher than last summer and had been up 8.5% through the fifth week of the summer race meet. These experienced players are attracted to wagering on Del Mar races due to our large field

sizes and the liquidity of our large pari-mutuel wagering pools. Our large wagering pools allow these players to place significant bets without significantly impacting the pari-mutuel odds on their wagers. Out-of-state wagering revenues during the summer race meet were \$420,000, or 4.8%, over budget due to growth in summer race meet field sizes.

Fall race meet out-of-state wagering revenues were \$100,000 under budget because Del Mar hosted the Breeder's Cup in 2021 which increased the interest and wagering by out-of-state patrons on Del Mar's races during the prior year's fall race meet. The yield on out-of-state wagering increased 9 basis points in 2022. This increase was due to a higher negotiated fee on certain large out-of-state customers and the lower CHRFB funding deduction in 2022.

Breakage revenue is generated because California law requires that posted mutuel payoffs must be rounded down from calculated payoffs, and the rounding difference (i.e., "breakage") is divided between the horsemen, the State of California and the track operator. For example, a calculated payoff of \$2.19 is paid at a rate of \$2.10 and the additional \$.09 per winning ticket creates breakage revenue. Minus pools occur when the track must contribute funds to a mutuel pool when a prohibitive betting favorite wins and the required minimum mutuel payments exceed the gross mutuel pool less the statutory takeout. Minus pools almost always occur with place, or second-place, and show, or third-place, bets. Minus pool contributions are netted against breakage revenue. DMTC carefully reviews live-race programs and those races imported from Northern California to identify when a prohibitive favorite is scheduled to run in a race with a small field making it probable that a minus pool is likely to occur. For any races conducted in California that are not of national significance, DMTC has petitioned the CHRFB for its approval to eliminate show wagering on these races to eliminate the possibility of the minus pool losses. DMTC and other California racetracks do not have the ability to eliminate show wagering on races imported from out-of-state racetracks. Net breakage revenue in 2022 totaled \$180,000 and was \$30,000, or 14.0%, under budget primarily due to lower breakage revenue on imports races during the summer race meet resulting for minus pool losses on certain Saratoga races won by betting favorites which had small fields.

Non-wagering revenues: Non-wagering revenues consist of admission and seat revenues, program sales, parking receipts, advertising and sponsorship revenues, management services and interest income. Non-wagering revenue totaled \$14.11 million in 2022 and increased \$1.92 million, or 15.7%, above prior year recurring non-wagering revenues and these revenues were \$880,000, or 6.4%, above budgeted revenues. The increase in on-track attendance for both and summer and fall race meets resulted in growth in attendance-related revenues of \$1.21 million, or 14.1%, and these revenues were \$460,000, or 5.0%, over budget. Other operating revenues increased \$710,000, or 20.0%, and were \$410,000, or 10.7%, over budget due to growth in sponsorship revenues and higher interest income.

Admissions-related revenues for the summer totaled \$8.68 million, an increase of \$1.15 million over 2021 revenues and were \$440,000, or 5.3%, over budget. Trackside restaurant table sales rose \$420,000 and exceeded budget by \$90,000 due to higher attendance and a successful Table Steals promotion that included a F&B value component offered on lesser attended race days. Group Sales revenue increased \$300,000 and was \$320,000 over budget as our aggressive pre-season sales effort produced growth in sales of high-end suites, sixth floor sky rooms and Turf Club tables. The sale of season boxes and Turf Club memberships were close to 100% of our normal capacity and these revenues were at budgeted levels. In order to drive attendance and F&B revenues, pricing for admissions, seating, boxes, Turf Club memberships and Group Sales areas was generally unchanged for the 2022 summer race meet. The strong demand for our trackside restaurants, Turf Club tables and high-end Group Sales areas contributed to a 10.5% increase in summer race meet F&B per capita revenues. Summer race meet F&B sales totaled \$11.1 million and these revenues increased \$2.67 million, or 39%, over 2021 revenues and were \$1.75 million, or 19%, over projected revenues.

Parking and program revenues for the 2022 summer race meet totaled \$1.0 million, \$270,000 higher than last summer and these revenues were \$60,000, or 6.4%, over budget. The gain in parking revenues was due to the implementation of premium-priced preferred parking along with the growth in attendance. Merchandise and gift shop sales totaled \$310,000 and were \$20,000 above prior-year sales due the growth in on-track attendance.

Fall race meet admissions-related, parking and concessions revenues totaled \$1.16 million in 2022, an increase of \$60,000, or 5.7%, above 2021 fall race meet revenues and these revenues were \$20,000, or 2.0% above budgeted revenues. The fall race meet's expanded lifestyle promotional events, together with growth in our Group Sales business, led to a 7% increase in on-track attendance which contributed to the growth in admission-related revenues.

Sponsorship revenues increased \$490,000, or 15.6%, to \$3.63 million in 2022 and were \$230,000, or 6.8%, over budgeted sponsorship revenues. The growth was in part based on the emergence of the sports wagering category (35 states have legalized sports wagering since 2018) and the development of new partnerships in the hard-seltzer and kombucha space. DMTC continued its long-standing relationships with top-tier corporate partners and maintained the strength of our brand and Del Mar's position among the top sports and entertainment venues in the United States. DMTC also was able to provide substantial value to our corporate sponsorship partners through our growing digital and social media platforms.

Interest income totaled \$270,000 in 2022, an increase of \$230,000 over 2021 and interest income was \$200,000 over budget as the Federal Reserve aggressively raised its short-term benchmark interest rate during the second half of 2022 in its fight to tame the persistently high rate of inflation. Significant cash balances are generated during our race meet operations and from the float on the collections and settlements with the over 1,100 out-of-state brick-and-mortar locations and Internet wagering platforms that participate in our pari-mutuel wagering pools.

Expenses

Total expenses for the year ending December 31, 2022 totaled \$33.41 million and were \$1.43 million, or 4.5%, over budget. The higher costs were primarily due to increased staff costs related to the tight job market and hosting a greater number of fans than projected. Additionally, several seasonal services contracts were renewed at higher-than-expected rates due to increased materials and labor costs.

Staff costs: Staff costs consist of salaries and wages, benefits, workers' compensation insurance and payroll taxes and collectively comprise the largest single expense category and accounted for 55.4% of total 2022 pre-rent. Employment peaked at 1,263 team members during the summer race meet with 69% of the work force covered under eight collective bargaining agreements. Staff costs in 2022 totaled \$18.51 million, and were \$220,000, or 1.2%, over budget. Seasonal salaries were \$690,000, or 7.8%, over budget due to higher patron-services staffing levels required as the growth in on-track attendance exceeded projections. Additionally, wages for new and returning non-union seasonal staff salary rates increased above projections as we struggled to hire seasonal staff due to the tight job market. The seasonal staffing shortage also required that we increase the use of outside contracted labor for security and cleaning services and these increased costs are reflected in higher season services expenses. Year-round administrative salaries were \$230,000 under budget due to lower incentive compensation payments. Year-round maintenance salaries were \$60,000 over budget due to increased wage rates and overtime. Additionally, our turf course superintendent resigned and our new turf course superintendent's start date resulted in an overlap period for the position during the third quarter. Payroll taxes were \$190,000 under budget as on-track mutuel clerks qualified for Employee Retention Credits for their employment last year and the credit was received and recognized in 2022. Employee benefit costs were \$60,000, or 1.9%, under budget primarily due to lower health and welfare costs negotiated in one of the large union contracts renewed in 2022. Non-union health insurance costs were at budgeted levels and premiums renewal rates at expected levels. Workers Compensation costs were at budgeted levels as a refund on prior year premiums offset increased premiums related to higher seasonal staff levels and increased premiums related to higher loss claims paid for the pari-mutuel union staff.

Marketing expenses: Advertising, Marketing and Communications expenses totaled \$1.79 million in 2022 and these expenses were \$70,000, or 3.8%, over budget due to additional horse recruitment marketing efforts and increased horse owner hospitality costs. As we discussed previously, our 2022 marketing plan once again included many of our popular lifestyle events with the exception of concerts. These popular promotions, such as craft beer festivals and local food specialty events, drove attendance and generate high-margin F&B revenues. Moreover, we utilized our valuable Diamond Club database to offer our core customers enticing value-added promotions to drive attendance on Thursdays and Sundays. These expenses, however, were approximately one-third of our traditional pre-pandemic annual marketing costs. Marketing savings were realized by targeting economically efficient promotions along with co-presented

events with outside promoters. These events continued to preserve high-margin F&B revenues that flow directly to the District. Our 2022 marketing plan largely focused on aggressive advertising to race fans through highly-targeted digital and social media platforms. We continued to utilize Del Mar's vast database for low-cost campaigns which have a proven track record. These efforts were spearheaded by our Diamond Club fan loyalty program, which now has more than 450,000 members. An example of our database offers is our Table Steals trackside restaurant and F&B packaged-pricing promotion that was offered on less attended race days. Additionally, our campaign also highlighted our high-quality racing product and was designed to drive online simulcast wagering, including several promotions with the nation's leading Internet wagering entity, TVG/FanDuel. Lastly, our communications efforts again focused on DMTC's industry-leading equine safety and welfare initiatives, including Del Mar's standing as the safest major race track in North America, four years running. In addition to such efforts, we utilized social and digital media platforms to educate the public about our safety protocols and injury prevention efforts as well as our research and aftercare resources.

Seasonal services: Seasonal services and contract costs totaled \$6.59 million and were \$970,000, or 17.3%, over budget as several seasonal contracts were renewed at higher rates as providers charged for their increased costs of materials and labor costs.

Seasonal contracts for ambulance service, trash removal and the bus service for transporting patrons to and from the Solana Beach train station collectively were \$140,000 over budget as providers increased contract rates due to higher labor and fuel costs. The strong construction and homebuilding markets significantly increased materials and installation labor costs. The cost of temporary seating, (e.g., Group Sales trackside restaurant, clubhouse season box section and the Seaside Cabana) were \$190,000 over budget due to higher labor and materials costs. Trailer rental costs were \$80,000 over budget due to higher per unit rental and delivery costs for the nearly 70 units used during the summer race meet for backside housing and stabling offices. Due to the challenges in hiring sufficient seasonal janitorial staff noted above and because of increase supplies costs, contracted cleaning services costs were \$130,000 over budget. Veterinary services costs exceeded budget by \$50,000 due to the engagement of a veterinary consultant to ensure compliance with the new HISA procedures that became effective July 1, 2022. Also, sufficient local contract veterinaries were not available for the summer race meet which resulted in the hiring some veterinaries from Santa Anita and Los Alamitos and resulted in increased travel reimbursement and other costs. Equipment rental expense exceeded budget by \$110,000 largely due to health and safety initiatives and because of the lack of traditional funding from the RTA for the replacement of equipment. A number of carts in our aging fleet of utility and maintenance carts were not operating which required the rental of replacement carts. Several of the lights in the parking lot were not working which required the rental of temporary lights. Additionally, temporary lights were installed at the crosswalks leading from backside worker parking areas to the stable entrance. Air purifier units were rented and used in several enclosed areas with restricted access for health reasons.

Ship & Win program costs for 2022, which are shared with the TOC, increased \$260,000 due to an increase in the number of Ship & Win horses recruited along with higher incentives payments made in 2022. However, because a portion of DMTC's share of the Ship & Win program funding was provided from the ADW purse supplement, a fund designed to enhance California's racing product that was provided by two of our largest ADW companies, TVG/FanDuel and Xpressbet, DMTC's share of Ship & Win costs were just \$10,000 over budgeted levels.

Various other expense categories: Professional and banking services were \$100,000 under budget because the sharp increase in short-term interest rates during the second half of 2022 generated higher earning credits on compensating bank balances and these earnings credits offset bank service charges and fees. Supplies were \$130,000 over budget due to higher janitorial supplies and a sharp increase in fuel costs for track maintenance equipment. Interest expense was \$20,000 under budget because of the prepayment of sponsorship revenues allowed us to not use our seasonal bank line of credit normally required prior to the start of the summer race meet. Insurance expense was \$80,000 over budget due to higher general liability premiums and increase liability settlement cost. Data processing expense was \$10,000 under budget as new multi-year contracts for backup and cloud storage provided annual savings for these services.

The foregoing represents our Management's Discussion and Analysis of DMTC's operations, revenues and expenses for the year ending December 31, 2022. This analysis was prepared based on our unaudited financial statements and it accompanies our fourth quarter financial report filed at the end of January 2023. The Additional Payment, currently projected to be \$710,000, will be finalized and paid following the completion of our 2022 audited financial statements in April 2023.

DEL MAR THOROUGHBRED CLUB
CALENDAR YEAR 2022 OPERATING BUDGET REPORT
 December 31, 2022

	2022 Actual	2022 Actual	2022 Actual	2022 Budget	2022 Budget Variance		2021 Actual	2022 / 2021 Variance		2021 Actual
	YTD	YTD	YTD	YTD	Combined	Combined	YTD	Recurring Actual (1)	Actual (1)	YTD
	Summer	Fall	(Unaudited)	Combined						Combined (2)
Revenues:										
Pari-mutuel commissions/ADW/Simulcast fees	\$ 20,535,457	5,753,011	26,289,468	26,091,658	196,800	0.75%	26,568,183	(279,715)	-1.05%	30,622,972
Admissions and reserved seats	7,365,290	881,197	8,246,486	7,801,048	445,438	5.71%	7,292,133	954,353	13.09%	21,586,543
Program sales and parking receipts	1,003,974	195,630	1,199,604	1,185,240	34,364	2.95%	933,394	266,210	28.52%	1,200,478
Merchandise concession revenues	309,699	78,351	388,049	404,388	(16,339)	-4.04%	396,038	(7,989)	-2.02%	396,038
Other operating revenues	4,181,884	91,694	4,273,577	3,858,977	414,601	10.74%	3,568,120	705,457	19.77%	6,503,301
	33,396,303	6,999,882	40,396,185	39,321,321	1,074,864	2.73%	38,757,868	1,638,317	4.23%	60,309,332
Less revenue attributable to charity days	(85,435)	(12,886)	(98,320)	(98,580)	240	-0.24%	(94,472)	(3,849)	4.07%	(132,536)
Total Revenues	33,310,868	6,986,997	40,297,865	39,222,761	1,075,104	2.74%	38,663,397	1,634,468	4.23%	60,176,795
Expenses:										
Salaries - annual administration	4,403,729	32,893	4,436,622	4,664,270	(227,648)	-4.88%	4,474,823	(38,201)	-0.85%	5,018,736
Salaries - seasonal employees	6,946,594	2,500,175	9,446,769	8,759,100	686,846	7.84%	8,425,940	1,020,006	12.11%	9,614,020
Employee benefits/payroll taxes	3,592,459	537,486	4,130,577	4,373,554	(242,977)	-5.56%	4,361,008	(230,431)	-5.28%	4,591,424
Insurance-liability and workers compensation	1,153,994	252,244	1,406,399	1,319,038	87,361	6.82%	1,126,029	280,369	24.90%	1,565,188
Advertising and public relations	1,348,591	441,434	1,790,024	1,724,911	65,114	3.77%	1,223,860	566,165	46.26%	5,332,264
Professional and banking services	551,818	55,302	607,120	709,817	(102,696)	-14.47%	734,326	(127,205)	-17.32%	1,073,579
Utilities	886,150	280,790	1,166,940	1,118,432	48,508	4.34%	1,167,065	(126)	-0.01%	1,255,190
Repairs and maintenance	1,085,047	132,312	1,217,359	1,289,511	(72,151)	-5.60%	1,206,396	10,963	0.91%	2,033,128
Supplies	555,518	114,723	670,240	537,206	133,034	24.76%	549,598	120,642	21.95%	941,014
Other operating expenses	22,359	(25,997)	(3,637)	(15,364)	11,727	-76.33%	1,778	(5,415)	-304.58%	6,484
Printing	361,431	61,812	423,243	437,674	(14,432)	-3.30%	410,286	12,956	3.16%	1,029,058
Depreciation and amortization	502,353	39,000	541,353	506,176	35,177	6.95%	450,790	90,564	20.09%	450,790
Cost of goods sold - gift shop	189,354	54,109	243,463	228,350	15,113	6.62%	226,946	16,517	7.28%	226,946
Equipment leased and rented	72,056	1,968	74,025	83,158	(9,133)	-10.98%	76,753	(2,728)	-3.55%	76,753
Racing dues/assessments/support	(13,801)	24,856	11,055	14,731	(3,676)	-24.96%	2,463	8,592	348.87%	2,463
Other taxes and licenses	220,056	19,413	239,469	159,269	80,200	50.36%	125,174	114,295	91.31%	126,968
Outside services	5,351,197	1,503,211	6,854,408	5,894,205	960,203	16.29%	6,514,354	340,054	5.22%	15,818,526
Satellite program costs	44,340	14,312	58,652	71,171	(12,519)	-17.59%	67,496	1,156	2.01%	65,200
Trophies	69,682	28,966	98,648	85,551	13,097	15.31%	85,200	13,447	15.78%	266,359
Interest	0	0	0	20,009	(20,009)	-100.00%	13,520	(13,520)	-100.00%	13,520
Charitable support	550	104	654	1,838	(1,184)	-64.40%	3,108	(2,453)	-78.94%	3,108
Total Expenses	27,343,476	6,069,082	33,412,558	31,982,605	1,429,953	4.47%	31,236,912	2,175,646	6.96%	49,510,697
Net Income from Operations	5,967,392	917,914	6,885,307	7,240,156	(354,849)	-4.90%	7,426,485	(541,178)	-7.29%	10,666,098
Income tax expense	(417,392)	192,086	(225,307)	(114,556)	(110,751)	96.68%	(193,098)	(32,209)	16.68%	(193,098)
Direct payment to the District	(825,000)	(400,000)	(1,225,000)	(1,225,000)	0	0.00%	(1,225,000)	0	0.00%	(1,625,000)
Payment to Race Track Leasing Commission	\$ 4,725,000	710,000	5,435,000	5,900,600	(465,600)	-7.89%	6,008,387	(573,387)	-9.54%	8,848,000
Combined District and Race Track Leasing Commission Payment	\$ 5,550,000	1,110,000	6,660,000	7,125,600	(465,600)	-6.53%	7,233,387	(573,387)	-7.93%	10,473,000

- (1) 2021 recurring revenues and expenses exclude the one-time benefit of the PPP Loan Forgiveness and 2021 Breeders' Cup results.
 (2) 2021 Actuals Includes benefit of the PPP Loan Forgiveness and 2021 Breeders' Cup results.

DEL MAR THOROUGHBRED CLUB
CALENDAR YEAR 2022 OPERATING BUDGET DETAIL REPORT
December 31, 2022

	2022 Actual YTD Summer	2022 Actual YTD Fall	2022 Actual YTD (Unaudited)	2022 Budget YTD Combined	2022 Budget Variance Combined		2021 Actual YTD	2022 / 2021 Recurring Actual (%)	Variance	2021 Actual YTD Combined (2)
Revenues:										
Pari-mutuel commissions-on track	\$ 3,742,600	627,519	4,370,118	4,305,663	64,455	1.50%	4,110,159	259,959	-6.32%	7,480,793
Pari-mutuel commissions-account wagering	3,769,396	1,294,936	5,064,331	5,715,085	(650,754)	-11.39%	5,550,718	(486,387)	-8.76%	5,550,718
Pari-mutuel commissions-off track	2,830,466	1,081,775	3,912,240	4,163,405	(241,165)	-5.81%	4,007,494	(95,253)	-2.38%	4,589,387
Pari-mutuel commissions-out of state	6,789,392	2,368,144	11,157,536	10,777,416	380,120	3.53%	10,870,979	286,557	2.64%	10,870,979
Simulcasting fees-uncommingled	320,571	120,143	440,714	328,799	111,915	34.04%	333,004	107,710	32.35%	333,004
Intertrack wagering surplus fund	945,306	218,761	1,164,067	802,500	361,567	93.21%	1,509,324	(345,257)	-22.87%	1,509,324
Breakage, net	137,727	41,733	179,461	208,800	(29,339)	-14.05%	186,504	(7,044)	-3.78%	288,768
Pari-mutuel commissions/ADW/Simulcast fees	20,535,457	5,753,011	26,288,468	26,091,658	196,800	0.75%	26,568,183	(279,715)	-1.05%	30,622,972
Admissions and reserved seats	7,365,290	881,197	8,246,486	7,801,048	445,438	5.71%	7,292,133	954,353	13.09%	21,586,543
Program sales and parking receipts	1,003,974	195,630	1,199,604	1,165,240	34,364	2.95%	933,394	266,210	28.52%	1,200,478
Merchandise concession revenues	309,699	78,351	388,049	404,388	(16,339)	-4.04%	396,038	(7,989)	-2.02%	396,038
Interest income	227,874	43,260	271,134	72,379	198,755	274.60%	43,816	227,518	521.64%	43,816
Sponsorship revenues	3,631,058	0	3,631,058	3,401,274	229,783	6.76%	3,142,018	489,040	15.56%	3,228,018
Payroll protection program loan forgiveness	0	0	0	0	0	0.00%	0	0	0.00%	2,839,813
Other operating revenues	322,952	48,434	371,386	385,323	(13,937)	-3.62%	382,487	(11,101)	-2.90%	392,054
Other operating revenues	4,181,884	91,694	4,273,577	3,858,977	414,601	10.74%	3,568,120	705,457	19.77%	6,503,301
Less revenue attributable to charity days	33,396,303 (85,435)	6,999,882 (12,886)	40,396,185 (98,320)	39,321,321 (98,560)	1,074,864 240	2.73% -0.24%	38,757,868 (94,472)	1,638,317 (3,849)	4.23% -0.23%	60,309,332 (132,536)
Total Revenues	33,310,868	6,986,997	40,297,865	39,222,761	1,075,104	2.74%	38,863,397	1,834,468	4.23%	60,176,795
Expenses:										
Salaries - annual administration	3,507,631	187	3,507,818	3,793,482	(285,663)	-7.53%	3,591,568	(83,749)	-2.33%	4,102,501
Salaries - annual maintenance	896,088	32,706	928,800	870,789	58,015	6.66%	883,256	45,548	5.16%	916,235
Salaries - annual administration	4,403,729	32,893	4,436,622	4,664,270	(227,648)	-4.88%	4,474,823	(38,201)	-0.85%	5,018,736
Salaries - seasonal employees	6,946,594	2,500,175	9,446,769	8,759,100	686,846	7.84%	8,425,940	1,020,806	12.11%	9,614,020
Employee benefits	2,678,079	360,469	3,038,548	3,096,266	(57,719)	-1.86%	3,036,465	2,083	0.07%	3,162,723
Payroll taxes	914,380	176,987	1,092,029	1,277,287	(185,258)	-14.50%	1,324,543	(232,514)	-17.55%	1,428,701
Employee benefits/payroll taxes	3,592,459	537,456	4,130,577	4,373,554	(242,977)	-5.66%	4,361,008	(230,431)	-5.20%	4,591,424
Workers compensation insurance	379,058	118,497	497,716	493,235	4,481	0.91%	463,117	34,599	7.47%	526,901
Insurance	774,936	133,747	908,683	825,803	82,880	10.04%	662,913	245,770	37.07%	1,038,268
Insurance—liability and workers compensation	1,153,994	252,244	1,406,399	1,319,038	87,361	6.22%	1,126,029	280,369	24.90%	1,565,168
Advertising and public relations	1,348,591	441,434	1,790,024	1,724,911	65,114	3.77%	1,223,860	566,165	46.26%	5,332,264
Professional and banking services	551,818	56,302	607,120	709,817	(102,696)	-14.47%	734,326	(127,205)	-17.32%	1,073,579
Utilities	886,150	280,790	1,166,940	1,118,432	48,508	4.34%	1,167,065	(126)	-0.01%	1,255,190
Repairs and maintenance	1,085,047	132,312	1,217,359	1,289,511	(72,151)	-5.60%	1,206,396	10,963	0.91%	2,033,128
Supplies	555,618	114,723	670,240	537,206	133,034	24.76%	549,598	120,642	21.95%	941,014
Other operating expenses	22,359	(25,997)	(3,637)	(15,364)	11,727	-76.33%	1,778	(5,415)	-304.58%	6,484
Printing	361,431	61,812	423,243	437,674	(14,432)	-3.30%	410,286	12,956	3.16%	1,029,058
Depreciation and amortization	802,353	39,000	841,353	506,175	335,178	6.95%	450,790	390,564	20.09%	450,790
Cost of goods sold - gift shop	189,354	54,109	243,463	228,350	15,113	6.62%	226,946	16,517	7.28%	226,946
Equipment leased and rented	72,056	1,968	74,025	83,188	(9,133)	-10.98%	76,753	(2,728)	-3.55%	76,753
TRA dues and assessments	(62,027)	5,760	(56,267)	(37,603)	(18,664)	49.63%	(50,355)	(5,912)	11.74%	(50,355)
Federation racing costs	15,476	9,846	25,321	13,566	11,755	86.65%	14,420	10,902	75.60%	14,420
Racing industry support - NTRA	32,750	9,250	42,000	38,768	3,232	8.34%	38,388	3,602	9.38%	38,388
Racing dues/assessments/support	(13,801)	24,856	11,055	14,731	(3,676)	-24.96%	2,463	8,592	348.87%	2,463
Other taxes and licenses	220,056	19,413	239,469	199,269	40,200	50.36%	125,174	114,295	91.31%	125,968
Service contracts and equipment rentals	5,121,546	1,466,309	6,587,855	5,616,458	971,498	17.30%	6,280,121	327,834	5.24%	15,557,093
Data processing	229,551	36,902	266,453	277,747	(11,295)	-4.07%	254,233	12,219	4.81%	261,433
Outside services	5,351,197	1,503,211	6,854,408	5,894,205	960,203	16.29%	6,514,354	340,054	5.22%	15,818,526
Satellite program costs	44,340	14,312	58,652	71,171	(12,519)	-17.59%	57,496	1,156	2.01%	65,200
Trophies	69,882	28,966	98,848	85,551	13,097	15.31%	85,200	13,447	15.78%	266,359
Interest	0	0	0	20,009	(20,009)	-100.00%	13,820	(13,520)	-100.00%	13,520
Charitable support	550	104	654	1,838	(1,184)	-64.40%	3,108	(2,453)	-78.94%	3,108
Total Expenses	27,343,476	6,069,082	33,412,558	31,982,605	1,429,953	4.47%	31,236,912	2,175,546	6.96%	49,510,697
Net Income from Operations	5,967,392	917,914	6,885,307	7,240,156	(354,849)	-4.90%	7,426,485	(541,178)	-7.29%	10,666,098
Income tax expense	(417,392)	192,086	(225,307)	(114,558)	(110,751)	96.68%	(193,098)	(32,209)	16.68%	(193,098)
Direct payment to the District	(825,000)	(400,000)	(1,225,000)	(1,225,000)	0	0.00%	(1,225,000)	0	0.00%	(1,625,000)
Payment to Race Track Leasing Commission	\$ 4,725,000	710,000	5,435,000	5,900,600	(465,600)	-7.83%	6,008,387	(573,387)	-9.54%	8,848,000
Combined District and Race Track Leasing Commission Payment	\$ 5,550,000	1,110,000	6,660,000	7,125,500	(465,600)	-6.53%	7,233,387	(573,387)	-7.93%	10,473,000

(1) 2021 recurring revenues and expenses exclude the one-time benefit of the PPP Loan Forgiveness and 2021 Breeders' Cup results.

(2) 2021 Actuals Includes benefit of the PPP Loan Forgiveness and 2021 Breeders' Cup results.



DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Consolidated Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7



KPMG LLP
Suite 1100
4655 Executive Drive
San Diego, CA 92121-3132

Independent Auditors' Report

To the Board of Directors
Del Mar Thoroughbred Club:

Opinion

We have audited the consolidated financial statements of Del Mar Thoroughbred Club and its subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

San Diego, California
April 21, 2023

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 10,623,400	21,184,400
Restricted cash – current	13,467,200	14,762,100
Receivables, net of allowance of \$27,300 and \$28,600 in 2022 and 2021, respectively	6,858,800	9,307,100
Income taxes receivable	76,800	194,200
Other current assets	569,400	387,000
Total current assets	31,595,600	45,834,800
Fixed assets:		
Equipment	7,361,600	6,949,000
Automotive	995,900	999,100
Furniture and fixtures	3,252,400	3,178,400
Leasehold improvements	3,956,400	3,858,800
	15,566,300	14,985,300
Less accumulated depreciation and amortization	(12,755,400)	(12,334,400)
Net fixed assets	2,810,900	2,650,900
Restricted cash	1,165,000	1,595,000
Total assets	\$ 35,571,500	50,080,700
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 8,221,800	13,063,500
Accrued liabilities	22,975,200	32,532,700
Income taxes payable	198,500	—
Total current liabilities	31,395,500	45,596,200
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$1,000 par value. Authorized 250 shares; issued and outstanding 10 shares in 2022 and 2021	10,000	10,000
Retained earnings	3,583,500	3,677,100
Total equity attributable to Del Mar Thoroughbred Club	3,593,500	3,687,100
Noncontrolling interest	582,500	797,500
Total equity	4,176,000	4,484,600
Total liabilities and equity	\$ 35,571,500	50,080,800

See accompanying notes to consolidated financial statements.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Consolidated Statements of Operations
Years ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Pari-mutuel commissions – on-track	\$ 4,370,100	7,480,800
Pari-mutuel commissions – account wagering	5,064,300	5,550,700
Pari-mutuel commissions – Southern California satellite locations, including a surplus from intertrack wagering of \$1,178,100 and \$1,509,300 for the years ended December 31, 2022 and 2021, respectively	5,090,300	6,098,700
Pari-mutuel commissions – out of state	11,157,500	10,871,000
Admissions and reserved seats	8,278,000	21,062,300
Program sales and parking receipts	1,199,700	1,200,500
Simulcasting fees – uncommingled	449,600	333,000
Interest income	271,100	43,600
Breakage, net	179,500	288,800
Novelty concession revenue	388,100	920,200
Payroll Protection Program loan forgiveness	—	2,839,600
Sponsorship revenues	3,582,700	3,228,000
Other operating revenues	379,200	392,100
	40,410,100	60,309,300
Less revenue attributable to charity days	(98,300)	(132,500)
Total revenues	40,311,800	60,176,800
Expenses:		
Salaries and wages	13,768,400	14,632,700
Advertising and public relations	1,784,400	5,332,300
Employee benefits	3,039,000	3,162,700
Service contracts and equipment rentals	6,588,000	12,686,700
Breeders' Cup Contract related expenses	—	2,870,400
Payroll taxes	1,092,000	1,428,700
Depreciation and amortization	541,400	450,800
Repairs and maintenance	1,217,400	2,033,100
Utilities	1,167,000	1,255,200
Supplies	682,000	941,000
Workers' compensation insurance	497,700	526,900
General liability insurance	908,700	1,038,300
Printing	423,200	1,029,100
Other operating expenses	(3,400)	6,500
Cost of novelty concession revenue	244,300	226,900
Professional services	607,500	1,073,600
Satellite program costs	58,700	65,200
Racing industry support	42,000	38,400
Equipment leased and rented	74,000	76,800
Other taxes and licenses	1,026,200	127,000
Federation racing costs	25,300	14,400
Contributions	700	3,100
Trophies	98,600	266,400
TRA dues and assessments, net of dividends	(56,300)	(50,400)
Data processing	262,600	261,400
Interest	—	13,500
	34,089,400	49,510,700
Total expenses	34,089,400	49,510,700
Income before rent expense and income taxes	6,222,400	10,666,100
Rent expense	6,000,000	10,473,000
Net income before income taxes	222,400	193,100
Income tax provision	316,000	353,800
Net loss	\$ (93,600)	(160,700)

See accompanying notes to consolidated financial statements.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Consolidated Statements of Equity

Years ended December 31, 2022 and 2021

	Common stock		Retained earnings	Total stockholders' equity	Noncontrolling interest	Total equity
	Shares	Amount				
Balance, December 31, 2020	10	\$ 10,000	3,837,800	3,847,800	542,500	4,390,300
Contribution from noncontrolling interest	—	—	—	—	255,000	255,000
Net loss	—	—	(160,700)	(160,700)	—	(160,700)
Balance, December 31, 2021	10	10,000	3,677,100	3,687,100	797,500	4,484,600
Distribution to noncontrolling interest	—	—	—	—	(215,000)	(215,000)
Net loss	—	—	(93,600)	(93,600)	—	(93,600)
Balance, December 31, 2022	10	\$ 10,000	3,583,500	3,593,500	582,500	4,176,000

See accompanying notes to consolidated financial statements.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Consolidated Statements of Cash Flows

December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net loss	\$ (93,600)	(160,700)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	541,400	450,800
Gain on sale of fixed assets	800	—
Change in deferred income taxes	—	238,200
Payroll Protection Program loan forgiveness	—	(2,814,000)
Changes in assets and liabilities:		
Receivables, net	2,448,200	(4,647,000)
Other current assets	(182,400)	207,100
Accounts payable	(4,841,700)	7,683,800
Accrued liabilities	(9,524,400)	25,820,700
Income taxes receivable/payable	316,000	114,900
Due to Del Mar Charities, Inc.	(33,200)	28,300
Net cash (used in) provided by operating activities	(11,368,900)	26,922,100
Cash flows from investing activities:		
Capital expenditures	(703,900)	(1,096,100)
Proceeds from sale of equipment	1,800	—
Net cash used in investing activities	(702,100)	(1,096,100)
Cash flows from financing activities:		
Borrowing on credit facilities	—	3,774,000
Repayment of credit facilities	—	(3,774,000)
Distribution to noncontrolling interest	(215,000)	—
Contribution from noncontrolling interest	—	255,000
Repurchase of common stock	—	—
Net cash (used in) provided by financing activities	(215,000)	255,000
Net (decrease) increase in cash and cash equivalents, and restricted cash	(12,286,000)	26,081,000
Cash, cash equivalents, and restricted cash at beginning of year	37,541,600	11,460,600
Cash, cash equivalents, and restricted cash at end of year	\$ 25,255,600	37,541,600
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ —	6,600
Cash paid for income taxes	—	800

See accompanying notes to consolidated financial statements.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(1) Description of Business and Summary of Significant Accounting Policies

(a) Description of Business

Del Mar Thoroughbred Club (DMTC) is a California corporation engaged in the operation of live thoroughbred horse racing and the transmission of simulcast signals of these races. DMTC operates seven to nine weeks of thoroughbred horse racing each year during the summer and, starting in 2014, four or five weeks of thoroughbred racing during the fall. The racing weeks are limited as determined by California Horse Racing Law. The thoroughbred horse racing is conducted in Del Mar, California. In addition, DMTC broadcasts the live races via cable television, satellite, and the Internet to locations throughout North America, the Caribbean, Central and South America, Europe, and Australia.

(b) Basis of Presentation

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP).

(c) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of DMTC and its subsidiary, the Southern California Change Fund LLC (note 1(i)). All significant intercompany balances and transactions have been eliminated in consolidation.

(d) California Horse Racing Law

California Horse Racing Law has established the distributions from pari-mutuel wagering (handle), which have been retained as commissions or paid to support the California Horse Racing Board, purses, owners' and breeders' awards, satellite wagering fees, interstate location and host fees, and other statutory payments as mandated by California Horse Racing Law. The California Horse Racing Board annually allocates racing weeks to the licensed racing associations throughout the state and approves licenses to conduct live thoroughbred horse racing and transmission of simulcast signals of races based upon applications submitted by California Racing Associations.

(e) Cash and Cash Equivalents

DMTC considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include cash and money market accounts. The cash balances of DMTC may exceed federally insured levels or may be held in accounts without any federal insurance or any other insurance or guarantee. However, DMTC believes it mitigates such risks by maintaining cash balances in financial institutions with high credit ratings and has not experienced any losses in such accounts.

(f) Restricted Cash

Cash balances of the LLC (note 1(i)) and balances held for statutory payments to racing industry stakeholders are presented as restricted cash on the consolidated balance sheets. Restricted cash was \$14,632,200 and \$16,357,100 at December 31, 2022 and 2021, respectively, of which \$1,165,000 and \$1,595,000 was held for the LLC and classified as non-current at December 31, 2022 and 2021, respectively. The remaining \$13,467,200 and \$14,762,100 was held for statutory payments to racing industry stakeholders and presented as current assets at December 31, 2022 and 2021, respectively.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(g) Fixed Assets

Fixed assets are stated at cost. Depreciation on fixed assets is calculated on the straight-line basis over the estimated useful lives of the related assets, which generally range from three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the agreement term and reasonably assured option periods or the estimated useful life of the asset. No depreciation is charged on assets under construction. Routine maintenance, repairs, renewals, and replacement costs are expensed at the time the costs are incurred. Expenditures that increase values or extend useful lives are capitalized.

(h) Investment in Limited Partnership

DMTC is a limited partner in Southern California Off-Track Wagering, Ltd., a California limited partnership (the Partnership) and a shareholder in Southern California Off-Track Wagering, Inc. (SCOTWINC), the general partner of the Partnership. The Partnership and SCOTWINC were formed pursuant to the California Business and Professions Code (the Code) for the primary purpose of establishing and operating satellite-wagering facilities in Southern California. The Partnership and Shareholder Agreements provide that the ownership and voting interests of each limited partner and shareholder are reset annually based on each limited partner/shareholder's relative share of their prior-year wagering to the total combined prior-year wagering of all the limited partners/shareholders. DMTC held partnership voting interests of 24.1% and 20.5% and shareholder voting interests of 13.0% and 11.5%, as of December 31, 2022 and 2021, respectively. DMTC was not required to make any initial or subsequent contributions to the Partnership or SCOTWINC in exchange for DMTC's interests. Based on its ownership percentage and inability to exercise significant influence, DMTC accounts for its investments in the Partnership and SCOTWINC at cost. The Partnership's simulcast receipts for each race meet are calculated as a percentage of the handle of Southern California satellite wagering and Advanced Deposit Wagering. Partnership costs associated with each race meet are allocated to the host track and any excess or shortfall of receipts versus allocated expenses (the distribution) is paid to or collected from the host track, which splits any excess or shortfall with the horsemen on an equal basis.

For the years ended December 31, 2022 and 2021, DMTC's share of the surplus resulted in receipts of \$1,178,100 and \$1,509,300, respectively. The surplus receipts for the years ended December 31, 2022 and 2021 are included in pari-mutuel commissions from Southern California satellite locations in the accompanying consolidated statements of operations.

(i) Southern California Change Fund, LLC and Noncontrolling Interest

DMTC and Los Angeles Turf Club (LATC) created the Southern California Change Fund, LLC (the LLC) to provide operating change and cash for Southern California satellite wagering facilities managed by SCOTWINC. The change fund comprises cash and coins in various denominations sufficient to stock pari-mutuel tellers' change drawers at the beginning of each race day at various off-track simulcast wagering facilities that comprise the Southern California Satellite Network to carry on pari-mutuel wagering activities. Through a bailment agreement, SCOTWINC has access to the LLC's change and cash in exchange for an annual bailment fee of \$104,700 and \$96,300 in 2022 and 2021, respectively.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

DMTC and LATC each held an interest of 50.0% at December 31, 2022 and 2021. The LLC is managed by DMTC. As such, DMTC can exercise control and the LLC has been consolidated into these consolidated financial statements. LATC's interest in the LLC has been presented as a noncontrolling interest on the consolidated balance sheets. The total cash contributed to and held by the LLC was \$1,165,000 and \$1,595,000, as of December 31, 2022 and 2021, respectively. These amounts are included in restricted cash on the consolidated balance sheets (note 1(f)). The Southern California satellite wagering facilities fully operated in 2021 after a majority of satellite locations were either closed or operating at limited capacity in 2020 due to the global pandemic. As a result, during 2021 the operating change and cash requirements at the satellite locations were increased and \$509,900 was provided to the LLC. DMTC and LATC each contributed approximately \$255,000 to the LLC. In 2022, following an evaluation of the satellite locations operations, the change and cash levels maintained at the satellite locations were adjusted and lowered and \$430,000 was returned to the LLC and \$215,000 distributed to both DMTC and LATC. The amounts distributed to and contributed by LATC in 2021 and 2022 are shown as distributions to and contributions from noncontrolling interests in the accompanying consolidated financial statements.

For the years ended December 31, 2022 and 2021, the LLC earned an insignificant amount of interest income and paid an insignificant management fee to DMTC. DMTC's portion of the LLC's income, approximately \$62,800 and \$58,600 for 2022 and 2021, respectively, has been recognized in the consolidated statements of operations, net of the LATC portion, which is not material.

(j) Revenue Recognition

DMTC's two principal sources of revenue are derived from wagering and nonwagering activities. Wagering revenues include pari-mutuel commissions based on wagers placed at various locations, including the Del Mar racetrack, other Southern California satellite locations, interstate satellite locations, and via the Internet and telephone through advanced deposit accounts established with operators approved by the California Horse Racing Board. Nonwagering revenues primarily include the sales of admission tickets, reserved seats and programs, parking receipts, and advertising and sponsorship revenues. Wagering revenues are recognized upon completion of horse races when the commissions are fixed and determinable. Nonwagering revenues are recognized at the point of sale or at the time the services are rendered. Food and beverage concessions sold at the Del Mar Fairgrounds, including those during the race meets, are provided pursuant to a concession agreement between the 22nd District Agricultural Association (the District) and a separate, third-party concessionaire. Accordingly, food and beverage revenues generated during the race meets are generally not received or recognized by DMTC.

Receivables consist primarily of pari-mutuel commissions and other statutory deductions on wagers placed at interstate and international satellite locations, and via the Internet and telephone through advanced deposit accounts with operators approved by the California Horse Racing Board. DMTC maintains an allowance for doubtful accounts for estimated losses inherent in its receivable portfolio. In establishing the required allowance, management considers DMTC's customers' financial condition, historical payment patterns, and the amount and aging of the receivables owed. All past-due balances over 90 days are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Write-offs were \$1,300 and \$29,700 for 2022 and 2021, respectively.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

In May 2022, DMTC and a sports wagering operator (the Operator) entered into an agreement (Sports Wagering Agreement) for brick-and-mortar (retail) sports wagering and race meet sponsorship benefits (with such sponsorship benefits starting in 2022) at the Del Mar horse racing track for a 10-year period upon California passing a law (Qualifying Law) prior to December 31, 2024, that would permit certain authorized California horse racing tracks, including DMTC, and tribal casinos to offer retail sports wagering at their venues. During 2021, to secure the exclusive retail sports wagering rights with DMTC, the Operator and DMTC signed a binding term sheet and the Operator paid DMTC an upfront payment of \$5 million (the Initial Payment). In connection with the Sports Wagering Agreement, the Operator also entered into an annual sponsorship agreement with the DMTC that began in 2022 and is valued at \$500,000 annually. In the event the Qualifying Law is not enacted prior to the end of 2024, DMTC shall reimburse the Operator the Initial Payment less \$2,000,000 for the sponsorship and other benefits the Operator received through 2024. At December 31, 2022, \$4,500,000 (the Initial Payment, less the \$500,000 for sponsorship benefits provided to the Operator in 2022), has been recorded as deferred revenue within accrued liabilities in the accompanying consolidated balance sheet.

(k) Income Taxes

DMTC accounts for income taxes under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

DMTC recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are recognized in the period in which the change in judgment occurs.

(l) Impairment of Long-Lived Assets

Long-lived assets, such as fixed assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or group to be tested for possible impairment, DMTC first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and independent third-party appraisals, as considered necessary.

(m) Advertising and Public Relations Costs

DMTC expenses advertising and public relations costs as incurred.

(n) Use of Estimates

Management of DMTC has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

reporting period in order to prepare these consolidated financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates.

(o) Breeders' Cup

DMTC and Breeders' Cup Limited (BCL) entered into an Agreement (BC Agreement), approved by the State Race Track Leasing Commission (Commission), for DMTC to host the Breeders' Cup World Championship (Championship) at Del Mar on November 5 and 6, 2021. The Championship terms and conditions, including the Championship revenues and expenses recognized by DMTC, the amount payable to the District and BCL's share of net Championship profits are described in the BC Agreement.

Balances related to the Championship at December 31, 2022 and 2021 are presented below:

	<u>2022</u>	<u>2021</u>
Receivables	\$ —	621,100
Accounts payable	—	1,301,400
Accrued liabilities	—	13,227,900

For the years ended December 31, 2022 and 2021, Championship revenues recognized by DMTC totaled \$0 and \$18,673,800, and Championship expenses, including BCL's share of net Championship profits and the amounts payable as rent expense (note 2), were \$0 and \$18,673,800, respectively.

(q) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. For leases greater than 12 months, the new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective for the Company on January 1, 2022, with early adoption permitted. The Company adopted Topic 842 on January 1, 2022 and the impact was not material as the rent obligations under the Operating Agreement are primarily variable in nature and other leases are not material.

(2) Operating Agreement

In December 1989, DMTC entered into an agreement (the Agreement), amended and restated on June 13, 2000, with the Commission acting on behalf of the District for the use of the Del Mar Race Track located on the Del Mar Fairgrounds for the operation of thoroughbred horse racing and for the transmission of live simulcasts of those races for 20 years, commenced January 1, 1990 and ended on December 31, 2009. In 2009, the Agreement was extended for a period of one year, ending December 31, 2010. In December 2010, DMTC and the Commission entered into a new Race Track Operating Agreement (the 2011 Agreement) with a term of five years, commencing on January 1, 2011. The Commission has the option to, at its sole discretion, extend the 2011 Agreement for 3 five-year option terms. In February 2019, the Commission exercised its second option to extend the 2011 Agreement for a five-year period through December 31, 2025. In the event the California Legislature enacts legislation authorizing a sale of the Del

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Mar Fairgrounds, the Commission has the option to terminate the 2011 Agreement by giving DMTC at least 180 days' written notice. The termination would become effective on December 31 in the year in which the notice is given provided, however, that if the notice is given less than 180 days before the end of the year, then the termination would become effective on December 31 of the following year. In the event of a termination due to the sale of the Del Mar Fairgrounds or if the Commission does not exercise its option to extend the 2011 Agreement beyond the end of the current five-year option term, DMTC has the right to use all cash and noncash assets to discharge all outstanding obligations. Liabilities that DMTC would be required to provide for upon termination include liabilities associated with health and welfare benefits, employee severance payments, pension benefits, property taxes, income taxes, charity days, as well as other liabilities existing as of December 31 of the year in which the 2011 Agreement terminates. The single largest projected liability DMTC would need to settle if the 2011 Agreement is terminated is a potential withdrawal liability associated with DMTC's participation in the Service Employees International Union (SEIU) National Industry Pension Plan (note 5). DMTC's share of the withdrawal liability associated with this plan was last determined by an actuary to be approximately \$13.8 million as of December 31, 2017. An estimate of DMTC's share of the withdrawal liability associated with this plan was not determined as of December 31, 2022; however, DMTC believes the amount continues to be significant. Additionally, upon termination of the 2011 Agreement, any assets remaining after payment or provision for all outstanding obligations must be remitted to the District. As of December 31, 2022, the California Legislature has not enacted legislation to authorize a sale of the Del Mar Fairgrounds and no legislation authorizing a sale is pending.

The 2011 Agreement provides that by November 15 of each year, the annual amount payable to the District by DMTC is required to be 100% of the estimated net earnings for the year ending December 31. The balance of audited net earnings, less an amount sufficient to provide operating capital for the period through the commencement of the succeeding race meet, subject to the approval of the District, shall be payable by May 1 of the following year. The annual amount payable to the District shall not be less than \$825,000. The 2011 Agreement was amended in February 2014 to provide for the addition of the fall race meet and the minimum annual amount payable to the District increased by \$400,000 to \$1,225,000 for the calendar year 2014 and beyond. The February 2014 amendment also provides that if DMTC enters into negotiations with the Breeders Cup Limited (BCL), for conducting the Championship at Del Mar, DMTC shall consult with and solicit input of the District and any final agreement with BCL shall be subject to the prior approval of the Commission. In March 2019, the Commission approved the BC Agreement between DMTC and BCL to conduct the Championship at the Del Mar Race Track on November 5 and 6, 2021. The BC Agreement provided for an additional \$400,000 amount payable to the District for the year ending December 31, 2021.

The 2011 Agreement requires DMTC to maintain a ratio of the annual amount payable to the District (rent expense) to its gross revenues equal to or greater than 15% (the Net to Gross Ratio). A default under the agreement could be declared if the Net to Gross Ratio is below 15% for two consecutive years. The 2011 Agreement was amended in March 2017 to adjust the Net to Gross Ratio to allow food and beverage net and gross revenues generated by DMTC's operation of the race meets at Del Mar to be included in the calculation of the ratio. The Agreement also provides that DMTC is exempt from the Net to Gross Ratio provision during years when events beyond DMTC's control, including government regulation or restrictions, result in the Net to Gross Ratio falling below the 15% threshold. DMTC was in compliance with the Net to Gross Ratio for the years ended December 31, 2022 and 2021.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

DMTC classifies the annual amounts payable as rent expense in the accompanying consolidated statements of operations, which totaled \$6,000,000 and \$10,473,000 for the years ended December 31, 2022 and 2021, respectively, and of which \$50,000 and \$1,548,000 was included in accrued liabilities as of December 31, 2022 and 2021, respectively. Future annual amounts payable are not disclosed herein, as such amounts cannot be reasonably estimated, but are expected to be significant and approximate earnings before income taxes and these annual payments.

(3) Income Taxes

On March 27, 2020, the President of the United States signed and enacted into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Among other provisions, the CARES Act provides relief to U.S. federal corporate taxpayers through temporary adjustments to net operating loss (NOL) rules. In particular, the CARES Act permits a five-year carryback of NOLs arising in tax years beginning after December 31, 2017 and before January 1, 2021. The Company has filed amended returns to reflect these NOL carrybacks and has recorded a federal income tax receivable of \$164,200 at December 31, 2022 and 2021 which is included in income taxes receivable in the accompanying consolidated balance sheets.

As of December 31, 2022, the Company has recorded a valuation allowance of \$1,102,900 against its net deferred tax assets, including its NOLs, as realization of these deferred tax assets is not currently deemed more-likely-than-not. In making this determination, the Company considered the likelihood of generating future taxable income sufficient to recover the net deferred tax assets including the NOLs. The valuation allowance increased by \$95,900 from December 31, 2021, to December 31, 2022. DMTC will continue to evaluate the likelihood of realizing the deferred tax assets which could result in future adjustments to the valuation allowance.

As of December 31, 2022, the Company had federal NOL carryforwards of \$141,500. The Federal NOL's have no expiration date but are limited to 80% utilization of taxable income per year. The Company does not anticipate any limitation of its usage of NOL's per IRC Section 382. However, no formal study has been completed.

Components of income tax provision (benefit) are as follows:

	<u>2022</u>	<u>2021</u>
Current:		
Federal	\$ 117,400	114,800
State	198,600	800
Total current	<u>316,000</u>	<u>115,600</u>
Deferred:		
Federal	—	62,500
State	—	175,700
Total deferred	<u>—</u>	<u>238,200</u>
	<u>\$ 316,000</u>	<u>353,800</u>

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Actual income taxes differ from the "expected" income taxes (computed by applying the applicable U.S. federal corporate tax rate to earnings before income taxes) as follows:

	<u>2022</u>	<u>2021</u>
Computed "expected" taxes	\$ 46,700	40,500
State tax, net of federal effect	198,500	139,600
Nondeductible expenses	27,500	19,600
Non-deductible losses/(non-taxable income)	1,800	(593,000)
Change in federal valuation allowance	49,600	692,300
Return to provision reconciliation	—	54,800
Other	<u>(8,100)</u>	<u>—</u>
	<u>\$ 316,000</u>	<u>353,800</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2022 and 2021 are presented below:

	<u>2022</u>	<u>2021</u>
Deferred tax assets:		
Net operating loss carryforwards	\$ 29,700	682,400
Allowance, accruals, and other reserves	1,255,900	451,900
Valuation allowance	<u>(1,102,900)</u>	<u>(1,007,000)</u>
	182,700	127,300
Deferred tax liabilities:		
Depreciation	<u>(182,700)</u>	<u>(127,300)</u>
Total deferred income taxes	<u>\$ —</u>	<u>—</u>

(4) Charity Days

Article 7 of the California Horse Racing Law requires DMTC to designate three racing days to be conducted as charity days; however, the amount to be distributed is the lesser of two-tenths of 1% of DMTC's on track live handle or the net proceeds of the three designated racing days. The amount distributed is paid to various charities approved by the California Horse Racing Board. The total distribution under Article 7 amounted to \$98,300 and \$132,500 in 2022 and 2021, respectively, of which \$103,100 and \$136,300 was included in accounts payable on the consolidated balance sheets as of December 31, 2022 and 2021, respectively.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(5) Pension Plans

DMTC makes pension plan contributions to several defined-benefit pension plans that provide retirement benefits to certain union and nonunion employees.

(a) Union Plans

Union employees are covered under several multiemployer defined-benefit union pension plans where DMTC pays fixed amounts per hour or day worked as negotiated under the terms of various collective bargaining agreements. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (3) if DMTC chooses to stop participating in some of its multiemployer plans, DMTC may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a "withdrawal liability." Information describing DMTC's participation in the significant multiemployer plans is outlined in the table below. The Pension Protection Act of 2006 (PPA) requires the plan's actuary to annually determine the plan's financial status, or certified zone status, as defined by the PPA, and assign one of the following zone categories: green zone pension plans are considered in good financial health, yellow zone pension plans are considered in endangered status, and red zone pension plans are considered in critical status. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The most recent certified zone status available for the SEIU National Industry Pension Plan (SEIU Plan) and for the Western Conference of Teamsters Pension Trust was for the year ended December 31, 2022.

Four unions with separate collective bargaining agreements that expire over various dates between March 2022 and December 2022 participate in the SEIU Plan. The SEIU Plan's actuaries classified the SEIU Plan in critical status in 2009. As required by the PPA, the SEIU Plan's trustees in November 2009 adopted a rehabilitation plan designed to reasonably enable the SEIU Plan to emerge from critical status over a 13-year period. The rehabilitation plan requires all contributing employers, including DMTC, to pay surcharges above the contribution rate provided for under the current collective bargaining agreements. The pension surcharges are graduated throughout the term of the rehabilitation plan and are capped at 62.5% above the contribution rate provided for under the current collective bargaining agreement. The pension surcharges for the four unions participating in the SEIU Plan were at the cap of 62.5% in 2022 and 2021.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

None of the annual contributions presented below represents more than five percent of total plan contributions. Additionally, DMTC's portion of these plans' accumulated plan benefits and plan net assets are not separately determinable.

Plan name	EIN/pension plan number	Pension protection act zone status		Rehabilitation plan status	Company contributions		Collective bargaining agreement expiration date
		2022	2021		2022	2021	
SEIU National Industry Pension Fund	52-6148540	Red	Red	Implemented	\$ 361,400	371,600	Jan 2026
Western Conference of Teamsters Pension Trust	91-6145047	Green	Green	N/A	179,600	200,100	Jun 2024
Other funds combined	Various	*	*	N/A	196,300	203,100	Various
All plans					\$ 737,300	774,800	

(b) Qualified Retirement Savings Plan

DMTC sponsors a savings plan, which is a qualified retirement plan in accordance with the Internal Revenue Code. The plan allows substantially all full-time, nonunion employees who are at least 21 years of age with a minimum of one year of service to participate. DMTC contributed matching contributions of \$517,900 to the plan in 2022 and \$463,000 in 2021, which were included in employee benefits in the consolidated statements of operations.

(6) Stockholders' Equity

DMTC's Articles of Incorporation (the Articles) contain provisions that prohibit DMTC from paying dividends or making any distributions on account of any stock or other ownership interest. The Articles also state that "upon any liquidation or dissolution of the corporation, after payment or provision for all debts, all of the corporation's assets shall be distributed to such one or more governmental agencies and not-for-profit or charitable organizations as may be designated by the then Governor of the State of California."

Each director, when elected to the board of directors, is required to purchase one share of \$1,000 par value common stock. As a condition to the purchase of the common stock, each director/shareholder enters into a Stock Transfer Restriction Agreement (Stock Agreement).

(7) Credit Facilities and Promissory Note

DMTC entered into an \$8.5 million credit facility with a financial institution in 2008 to provide working capital for the race seasons. The credit facility bears interest for a fixed term and rate based on the Bloomberg Short-Term Bank Yield Index (BSBY) rate plus 1.35% or a variable rate based on the BSBY Daily Floating Rate plus 1.35% starting in 2022. Previously, the credit facility bore interest for a fixed term and rate based on the British Bankers Association London Interbank Offered Rate (LIBOR) plus 1.35% or a variable rate based on the LIBOR Daily Floating Rate plus 1.35%. DMTC exercised the variable rate option and the weighted average interest rate for borrowings under the credit facility in 2021 was 1.44%. There were no borrowings under the credit facility in 2022. The credit facility is unsecured, and accordingly, DMTC did not pledge any assets as collateral for the obligation. The facility agreement requires that the credit facility borrowings be paid off annually from December 15 through January 15. The credit facility has no outstanding balance at December 31, 2022 and 2021. The facility was set to expire the earlier of March 1,

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2023 or 15 days prior to the termination of the 2011 Agreement. On December 13, 2022, the Company exercised an extension option that extended the availability of the facility through the earlier of March 1, 2024 or 15 days prior to the termination of the 2011 agreement.

During 2020, DMTC was approved for a Paycheck Protection Program loan (PPP loan) through the Small Business Administration (SBA) totaling \$2.8 million upon the passage of the Act CARES Act. The loan was subject to a promissory note dated May 1, 2020 and was eligible to be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loan bears interest at a rate of 1%. DMTC applied for forgiveness in December 2020 and the SBA granted DMTC full forgiveness of the PPP loan and accrued interest in 2021. The amount of the loan forgiveness has been recognized as revenue in the 2021 consolidated statement of operations.

(8) Lease Obligations

DMTC leases various equipment under noncancelable operating leases. Rental expense under the leases was approximately \$58,900 and \$61,900 for the years ended December 31, 2022 and 2021, respectively.

Future minimum lease payments, excluding amounts payable under the 2011 Agreement (note 2), under noncancelable operating leases (with initial or remaining lease terms in excess of one year), as of December 31, 2022 are as follows:

Year ending December 31:		
2023	\$	27,600
2024		27,600
2025		7,500
2026		7,500
2027		<u>6,800</u>
Total minimum lease payments	\$	<u>77,000</u>

(9) Commitments and Contingencies

DMTC has an irrevocable standby letter of credit to the Commission in the amount of \$500,000. The letter of credit is redeemable in the event of a breach of DMTC's Operating Agreement with the Commission and expires on December 31, 2023. The 2011 Agreement requires DMTC to maintain a letter of credit in the amount of \$500,000 or post a \$500,000 cash deposit with the District in lieu of the letter of credit.

DMTC is a party to various legal proceedings, claims, and assessments arising in the normal course of its business activities. DMTC will accrue a provision related to such matters when it is both probable that a loss will be incurred, and the amount can be reasonably estimated. Based, in part, on the advice of legal counsel, DMTC does not expect these legal proceedings, claims, and assessments, individually or in the aggregate, to have a material adverse impact on DMTC's financial position or results of operations.

DEL MAR THOROUGHBRED CLUB AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(10) Subsequent Events

DMTC has evaluated subsequent events from the consolidated balance sheet date through April 21, 2023, the date at which the consolidated financial statements were available to be issued, and determined that there were no other items requiring disclosure in or adjustment to the consolidated financial statements.

State Race Track Leasing Commission Item 6-1, Consideration of Breeders' Cup Agreement

Background:

The State Race Track Leasing Commission (Commission) was created through Food and Agriculture Code 4352 by the State Legislature in 1968 with the responsibility and authority to lease the Del Mar Race Track (Race Track) of the 22nd District Agricultural Association (District) and to oversee the expenditure of the rents received from leasing the track for the purpose of implementing a long-range, comprehensive improvement to District property.

On January 1, 2011, and following completion of a competitive bidding process, the Commission, acting on behalf of the District, and the Del Mar Thoroughbred Club (DMTC), entered into the Del Mar Race Track Operating Agreement (Operating Agreement). The initial Operating Agreement was a five-year term, with three, five-year options. Under the Operating Agreement, the Commission granted to DMTC the exclusive right to operate a portion of the Del Mar Fairgrounds for the purpose of providing thoroughbred horse racing at the Del Mar Fairgrounds.

In 2014, due to the California Horse Racing Board granting DMTC the right to conduct an additional live horse race meet in November of 2014 and 2015, the Commission executed a Second Amendment to the Operating Agreement which increased the annual Direct Payment to the District and added Section 5.8, which states "If Operator enters into negotiations with Breeders' Cup Ltd., for conducting the Breeders' Cup at the Del Mar Race Track, Operator shall consult with and solicit the input of the District on a regular basis. Subject to the foregoing and the consent of the District, Operator shall negotiate with Breeders' Cup Ltd. for conducting Breeders' Cup at the Del Mar Race Track located at the Del Mar Fairgrounds; *provided, however*, that any final agreement shall be subject to the prior approval of the [State Race Track Leasing] Commission."

Through the DMTC's operations at the Del Mar Fairgrounds, the Race Track was selected as the host site for the Breeders' Cup World Championships in 2017 and 2021. The Race Track has once again been selected as the host site for the return of the Breeders' Cup World Championships in 2024.

For the 2017 and 2021 Breeders' Cup events at the Race Track, the practice has been for DMTC to present the terms to the District for approval by the District's Board of Directors and the agreement to the Commission for approval. Consistent with that practice, the District Board of Directors approved the financial terms as outlined in the attached memo from DMTC, on April 11, 2023.



Josh Rubinstein
President & COO

April 4, 2023

Sent via email: cmoore@sdfair.com

Carlene Moore
Chief Executive Officer
22nd District Agricultural Association
2260 Jimmy Durante Blvd
Del Mar, CA 92014

Dear Ms. Moore,

We write to update the 22nd District Agricultural Association (“District”) on the Del Mar Thoroughbred Club (“DMTC”) being awarded the role as host of the 2024 Breeders’ Cup World Championships. When DMTC hosted the Breeders’ Cup in 2017 and 2021, you and the District’s Board of Directors saw first-hand that the Breeders’ Cup represents the pinnacle of Thoroughbred racing throughout the world. The event attracts the sport’s premier participants from all over the globe, generates sellout crowds and showcases Del Mar to a domestic and international audience on-site and through NBC Sports’ television broadcast.

The positive financial impact of DMTC hosting the Breeders’ Cup is significant for the region, local businesses and, of course, the District. Indeed, the event fills local hotels, restaurants and other businesses. Based on the economic impact study issued following the 2017 Breeders’ Cup, the region’s total economic impact from DMTC hosting the 2024 Breeders’ Cup at the Del Mar Fairgrounds & Race Track is projected to be over \$100 million. When coupled with the financial impact of Del Mar’s summer and fall race meets, DMTC’s 2024 horse racing operations are projected to provide a combined positive economic impact to the local community of over \$300 million.

As was the case when DMTC hosted the 2017 and 2021 Breeders’ Cups, the financial terms for the 2024 event are subject to approval by the District and the State Race Track Leasing Commission (“SRTLCL”). We are pleased to share the following terms for the District’s consideration of DMTC hosting the Breeders’ Cup World Championships on November 1 & 2, 2024:

- **Facility Rental Fee:** The District will receive a \$600,000 facility rental fee. Please note that this is a 50% increase from the \$400,000 facility rental fee the District received for the 2021 event.
- **Walk-Up Food & Beverage Concessions:** The District will receive 50% of net revenue (defined as gross revenue less cost of goods sold and direct labor attributable to sales) generated from walk-up food and beverage concessions during the two-day event, subject to a cap on such retention of \$200,000. For reference, the District received \$200,000 in both 2017 and 2021 when DMTC hosted the Breeders’ Cup.
- **Event Expenses:** ALL costs associated with operation of the 2024 Breeders’ Cup are the responsibility of Breeders’ Cup Limited.

- Future Year Option: The Breeders' Cup has the option – at the same favorable terms to the District as noted above – to present the World Championships at Del Mar in 2026, 2027 or 2028. This future year option is contingent on the Breeders' Cup providing written notice to DMTC on or before May 15 of the year that is two years prior to the year for which the event is exercised. In addition, the option is contingent on DMTC continuing as the operator of Thoroughbred racing at Del Mar following the current term of the Del Mar Race Track Operating Agreement which expires on December 31, 2025.

Upon approval by the District's Board of Directors of the terms outlined above, DMTC will request a similar approval by the SRTLTC at their upcoming meeting.

DMTC is delighted to have been chosen to host our third Breeders' Cup and we very much look forward to welcoming another global audience to Del Mar's world-class facility and the tremendous economic benefit it will bring to the District and local businesses. The award of our third World Championships in eight years is a testament to the exceptional community asset that is the Del Mar Fairgrounds & Race Track.

Sincerely,



Josh Rubinstein
President & Chief Operating Officer

cc: Director Lisa Barkett, DMTC Liaison Committee Member
Director Richard Valdez, DMTC Liaison Committee Member
Joseph W. Harper
Michael R. Ernst

AGREEMENT

BY AND BETWEEN

BREEDERS' CUP LIMITED

AND

DEL MAR THOROUGHBRED CLUB

FOR

BREEDERS' CUP WORLD CHAMPIONSHIPS

2024

TABLE OF CONTENTS

ARTICLE 1
DEFINITIONS 2

 1.1. **Definitions 2**

ARTICLE 2
PRESENTATION OF CHAMPIONSHIP 7

 2.1. **The Championship 7**

 2.2. **Revision of Races or Standards 7**

ARTICLE 3
ELIGIBILITY AND FEES 8

 3.1. **Eligibility 8**

 3.2. **Fees 9**

ARTICLE 4
PURSES 9

 4.1. **Purse Structure 9**

 4.2. **Delivery of Purse Monies 10**

ARTICLE 5
CONTRIBUTION 11

 5.1. **Contribution 11**

 5.2. **Delivery of Facility Contribution 11**

 5.3. **Facility Improvement Deposit 13**

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF BCL 13

 6.1. **Organization and Qualification 13**

 6.2. **Authorization; Absence of Violation or Default 13**

 6.3. **Disclosure 14**

ARTICLE 7
REPRESENTATIONS AND WARRANTIES OF HOST 14

 7.1. **Organization and Qualification 14**

 7.2. **Authorization; Absence of Violation or Default 14**

 7.3. **Proceedings 15**

 7.4. **Compliance with Laws and Other Instruments 15**

 7.5. **Labor Relations 15**

 7.6. **Sale of Facility 16**

 7.7. **Disclosure 16**

ARTICLE 8
COVENANTS OF HOST 17

8.1.	Simulcasting and Off-Track Wagering; Delivery of Simulcasting Net Revenue	17
8.2.	Permits and Agreements; Conduct of Championship in Accordance with Law	22
8.3.	Additional Races	25
8.4.	Condition and Preparation of the Race Courses	26
8.5.	Equine Facilities; Equine Drug Testing.....	28
8.6.	Media Access and Coverage.....	32
8.7.	Trophy Presentations.....	35
8.8.	Marketing and Sponsorship.....	35
8.9.	Hospitality.....	39
8.10.	Operating Budget.....	49
8.11.	Totalisator Security	51
8.12.	Treatment of Funds	52
8.13.	Takeout on Pari-mutuel Wagers	52
 ARTICLE 9		
PROPERTY RIGHTS AND LICENSE		52
9.1.	Ownership of Properties.....	52
9.2.	Merchandise Licensing and Sales.....	53
9.3.	Creation of Championship Logo	53
9.4.	License of BCL Marks.....	54
 ARTICLE 10		
RELATIONSHIP BETWEEN PARTIES.....		55
10.1.	Relationship Between Parties.....	55
 ARTICLE 11		
TERMINATION		55
11.1.	Termination	55
11.2.	Termination of BCL Option for Years 2026, 2027 or 2028.....	57
 ARTICLE 12		
INDEMNIFICATION		58
12.1.	BCL Indemnification	58
12.2.	Host Indemnification	58
12.3.	Indemnification Procedure	59
 ARTICLE 13		
FORCE MAJEURE.....		60
13.1.	Force Majeure	60
 ARTICLE 14		
INSURANCE.....		60
14.1.	Host Insurance	60
14.2.	Event Insurance	61
 ARTICLE 15		
MISCELLANEOUS		62

15.1. Deliveries and Notices.....	62
15.2. Waivers	63
15.3. Expenses.....	63
15.4. Headings and Counterparts	63
15.5. Exhibits	63
15.6. Entire Agreement; Modification	63
15.7. Governing Law; Consent to Jurisdiction and Venue	64
15.8. Binding Effect.....	65
15.9. Severability	65
15.10. Confidentiality.....	65
15.11. Survival of Covenants.....	65
15.12. Option for 2026, 2027 or 2028 Breeders' Cup World Championships.....	66
15.13. Key Personnel.....	66

EXHIBITS

- A - Facility Contribution Formula
- B - Operating Budget
- C - Standards
- D - Financial Reports
- E - Collective Bargaining
- F - Excise Tax/Races
- G - Race Dates and Approvals
- H - Location of Quarantine Facility
- I - Credential Guidelines
- J - Host Track Marketing
- K - Commercial Signage Specifications
- L - First Class Experience
- M - Hospitality Spaces
- N - Admission and Reserved Ticket Prices
- O - Concession Stations
- P - Ticket Sales and Distribution Plan
- Q - Parking
- R - Expense Approval Worksheet
- S - Personnel Change

(D2)
February 3

AGREEMENT

THIS AGREEMENT, made and entered into effective as of ~~December 9, 2022~~, (the "Effective Date") by and between BREEDERS' CUP LIMITED, a New York not-for-profit corporation having its principal office and place of business at 215 West Main Street, Suite 250, Lexington, Kentucky 40507 ("BCL") and DEL MAR THOROUGHBRED CLUB, a California corporation, having its principal office and place of business at 2260 Jimmy Durante Boulevard, Del Mar, California 92017 ("Host").

WITNESSETH:

WHEREAS, BCL has been organized for the purpose of enhancing Thoroughbred racing through the development of public interest in the sport of Thoroughbred racing, thereby improving business conditions in the Thoroughbred industry;

WHEREAS, BCL sponsors a series of races known and designated as the Breeders' Cup World Championships;

WHEREAS, pursuant to a written agreement with the State of California's State Race Track Leasing Commission (acting on behalf of the 22nd District Agricultural Association) Host is the exclusive operator of Thoroughbred racing at the Del Mar Fairgrounds in Del Mar, California ("Del Mar") with a current term ending December 31, 2025 and an option exercisable by the State Race Track Leasing Commission to extend the term thereof for another five-year term ending December 31, 2030 (the "Del Mar Race Track Operating Agreement");

WHEREAS, Host conducts live pari-mutuel racing at Del Mar under a license granted to it under the laws of the State of California and has, or will obtain, the permits, licenses, authority and facilities to conduct Thoroughbred racing as herein contemplated;

WHEREAS, the parties have negotiated an agreement under the terms of which the Breeders' Cup World Championships will be conducted by Host at Del Mar on November 1 and

2, 2024, the terms and conditions of which agreement the parties now desire to reduce to writing as hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties as herein contained, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which being hereby acknowledged, it is hereby agreed by and between the parties hereto as follows:

ARTICLE 1

DEFINITIONS

1.1. Definitions

Unless otherwise defined in the Agreement for purposes of a specific reference, capitalized terms appearing in the Agreement shall have the following meanings:

“Additional Races” shall mean the horse races, which Host will, with the approval of BCL, schedule on Championship Friday and Championship Saturday at the Facility in accordance with the provisions of Section 8.3 of the Agreement.

“Adverse Consequences” shall mean all proceedings, charges, complaints, claims, demands, injunctions, orders, damages, assessments, expenditures, outlays, awards, dues, penalties, fines, costs, interest, amounts paid in settlement, liabilities, obligations, payments, taxes, liens, losses, reduction in value, loss of use, injuries, expenses and fees of whatever nature, including without limitation court costs and reasonable attorneys’ fees and expenses.

“Affiliates” shall mean Breeders’ Cup Properties, LLC and Breeders’ Cup Charities, Inc.

“Agreement” shall collectively mean this Agreement and all exhibits hereto, as amended from time to time by a party hereto pursuant to the terms hereof or by agreement of the parties hereto.

“BCL Marks” shall mean the words “Breeders’ Cup” or “World Championships” and any logos, symbols or designs (i) referring to the Championship or (ii) referring to, relating to, owned by or licensed or sub-licensed by, BCL.

“Bankruptcy Event” shall mean, with respect to a Person, if such Person shall (i) discontinue business, or cease doing business for more than ten (10) days; (ii) make a general assignment for the benefit of creditors; (iii) apply for or consent to the appointment of a custodian, receiver, trustee or liquidator of all or a substantial part of its assets; (iv) be adjudicated bankrupt or insolvent; (v) file a voluntary petition in bankruptcy or file a petition or an answer seeking a

composition, reorganization or an arrangement with creditors or seek to take advantage of any other law (whether federal or state) relating to relief for debtors, or admit (by answer, default or otherwise) the material allegations of any petition filed against it in any bankruptcy, reorganization, composition, insolvency or other Proceeding (whether federal or state) relating to relief for debtors; (vi) suffer the filing of any involuntary petition in any bankruptcy, reorganization, insolvency or other Proceeding (whether federal or state), if the same is not dismissed within thirty (30) days after the date of such filing; (vii) suffer or permit to continue any judgment, decree or order entered by a court which assumes control of its business or financial affairs or approves a petition seeking a reorganization, composition or arrangement of its business or financial affairs or any other judicial modification of the rights of any of its creditors, or appoints a receiver, trustee or liquidator for it, or for all or a substantial part of any of its businesses or assets or financial affairs; (viii) be enjoined or restrained from conducting all or a material part of any of its businesses as then conducted or as hereafter conducted and the same is not dismissed and dissolved within thirty (30) days after the entry thereof; (ix) not be paying its debts generally as they become due; or (x) admits in writing its inability, or is unable, to pay its debts generally as they become due.

“Challenge” shall mean the Breeder’s Cup Win and You’re In Challenge program, which are a series of select Thoroughbred horse races held at various tracks throughout the world created to increase awareness of and interest in the Championships and create more high attendance days for host racing associations.

“Championship” shall mean a series of Thoroughbred races called the Breeders’ Cup World Championships and consisting of the Races to be presented by Host at the Facility on Championship Friday and Championship Saturday, and related activities contemplated in the Operating Budget.

“Championship Friday” shall mean November 1, 2024.

“Championship Saturday” shall mean November 2, 2024.

“Championship Week” shall mean the period October 26, 2024, through November 3, 2024.

“Change in Control” shall mean with respect to any Person one or more of the following: (i) any merger, share exchange or other reorganization to which such Person is a party or subject where there is greater than ten percent (10%) change in the ownership of such Person, (ii) the sale, lease or exchange following the date of the Agreement (either in one (1) transaction or a series of transactions) of greater than ten percent (10%) or more of the assets of such Person within a one (1) year period, (iii) the issuance of equity interests in such Person following the date of the Agreement (either in one (1) transaction or a series of transactions) which increases by greater than ten percent (10%) or more the equity of such person; (iv) the issuance of voting interests equal to greater than thirty-three percent (33%) or more of the voting interests of such Person prior to such issuance; or (v) any transfer of a controlling interest (a “Controlling Interest”) in such Person or in any entity which directly or indirectly owns a Controlling Interest in such Person.

“Contribution” shall mean the sum of the Facility Contribution and all Simulcasting Revenue.

“Dirt Dozen” shall mean the Breeders’ Cup Dirt Dozen program which is a series of designated dirt Thoroughbred horse races held at various tracks throughout the United States.

“Eligibility Requirements” shall mean the requirements to be satisfied for a horse to be eligible to compete in one of the Races as set forth in the Standards.

“Entry Fees” shall mean the fees paid with respect to horses competing in the Races as described in the section entitled “Entry Procedures and Fees: Entry Fee Requirements,” in the Standards.

“Facility” shall mean the Del Mar racetrack facility in Del Mar, California, which includes, without limitation, any stabling areas, exhibit halls, parking or other buildings and spaces.

“Facility Contribution” shall mean the amount of monies in United States dollars which Host agrees to pay to BCL for the privilege of presenting the Championship and consisting of the elements of the calculation of the Facility Contribution, all as set forth on Exhibit “A,” the formula for the Facility Contribution being designed to provide Host with its average profits for a Friday and Saturday of high quality stakes racing, including on-track simulcasting that would occur on such days, reimbursement of Host’s lost profits that occur during the weeks leading up to the Championship and following the Championship as compared to years when the Championship is not conducted at the Facility and to recognize extraordinary costs incurred by Host in connection with the Championship, including, without limitation, capital expenditures.

“Facility Gross Revenues” shall mean the aggregate Facility revenues for the Championship in all categories set forth in the Operating Budget and any additional operating revenues generated at the Facility on Championship Friday and Championship Saturday not specifically set forth in the Operating Budget but specifically excluding BCL only related revenue, which includes, without limitation, Simulcasting Revenues, merchandise revenues, and sponsorship revenues and also excluding any statutory purse distribution to Facility horseman with respect to on-track wagers in the Northern California simulcast signal.

“Facility Improvement Deposit” shall mean monies in United States Dollars equal to 50% of Host’s share of Facility Net Revenue, which shall be deposited in a Facility Improvement Fund to be invested in the upgrade of the Facility on capital projects mutually agreeable to BCL and Host.

“Facility Net Revenue” shall mean the difference resulting from subtracting from Facility Gross Revenues the sum of the aggregate Facility expenses actually expended for the Championship in the categories set forth in the Operating Budget.

“Fees” shall include the Pre-Entry Fees, Entry Fees and other fees, except for BCL nomination fees, collected at Pre-entry and Entry.

“Field Selection Methodology” shall mean the methodology to be used in determining the horses which will compete in the Races as set forth in the section entitled “Breeders’ Cup Field Selection Methodology” in the Standards.

“HISA” shall mean the Horseracing Integrity and Safety Act.

“Horseracing Act” shall mean the Interstate Horseracing Act of 1978 (15 U.S.C. §3001 et seq.).

“Host Marks” shall mean the words “Del Mar,” and any logos, phrases, symbols, or designs referring to Host or the Facility.

“Host Racing Commission” shall mean the racing regulatory authority in the state where the Facility is located with jurisdiction over the racing and wagering activities of Host.

“Material Adverse Event” respecting BCL, Host or the Facility shall mean an event, change or occurrence which, individually or together with any other event, change or occurrence, has a material adverse impact on (i) the financial condition, business or results of operations of such party or Facility; (ii) the ability of such party or Facility to perform its obligations under this Agreement or to consummate other transactions contemplated by this Agreement in accordance with applicable law or orders; or (iii) the ownership rights of horseowners participating in the Championship races .

“Off-Track Betting Facilities” shall mean any racetrack, off-track betting facility or gaming facility, advanced deposit wagering entity or any other entity, Person, or facility, including, without limitation, home wagering systems with the ability to wager on the Races and Additional Races, but excluding the Facility, Golden Gate Fields, the Southern California Off-Track Wagering Facilities and the Northern California Off-Track Wagering Facilities. “Operating Budget” shall mean the budget attached hereto as Exhibit “B.”

“Person” shall mean a natural person or any legal, commercial, or governmental entity, such as, but not limited to, a corporation, general partnership, joint venture, limited partnership, limited liability company, limited liability limited partnership, trust, business association, group acting in concert, or any person acting in a representative capacity which has a direct or indirect financial interest in Host.

“Pre-Entry Fees” shall mean the fees paid with respect to horses competing in the Races as described in the section entitled “Pre-Entry Fee Requirements” in the Standards.

“Properties” shall mean any and all property of whatever nature owned by or related to BCL, including, without limitation, the BCL Marks, the BCL name, logo, symbol, mascot, design or similar property.

“Property Rights” shall mean all rights in, related to or associated with the Properties, including, without limitation, all intellectual property rights, broadcast, television, cable, pay, satellite and other television, radio, streaming, Internet, social media platforms (including, without limitation, any page, account, post, tweet notification or other application) and media rights and privileges in and to the promotion, communication and commercial exploitation thereof.

“Purse Distribution Rules” shall mean the rules respecting the distribution of Purse Monies as set forth in the section entitled “Purse Distribution Rules” in the Standards.

“Purse Monies” shall mean the sum of the purses for the Races as prescribed by the Race Conditions, which sums shall derive from (i) sums paid by BCL to Host pursuant to Section 4.2 of the Agreement and (ii) such Fees and portion of the Contribution elected by BCL to offset monies otherwise payable by BCL to Host for Purse Monies, as set forth in Sections 3.2 and 5.2, respectively, of the Agreement.

“Races” shall mean the up to sixteen (16) Breeders’ Cup Championship races for Thoroughbred horses as set forth in the section entitled “Race Conditions” in the Standards.

“Race Conditions” shall mean the conditions prescribed for the Races as set forth in the section entitled “Race Conditions” in the Standards.

“Simulcasting” shall mean the authorized simulcasting of the Races and the Additional Races, and interstate and international off-track wagering on the Races and the Additional Races, including, without limitation, Pick 6 or other exotic wagering at locations other than the Facility as well as telephone wagering, advanced deposit wagering (including, but not limited to, advance deposit wagering under the contracts described in Section 8.1(h) below), Internet or other computer wagering, home wagering or any other form of wagering besides on-track pari-mutuel wagering at the Facility; provided, however, that “Simulcasting” shall not include wagering at Southern California Off-Track Wagering Facilities, the Northern California Off-Track Wagering Facilities, and Golden Gate Fields.

“Simulcasting Revenue” shall mean all revenue which Host actually collects as a result of the Simulcasting of the Races and the Additional Races through Host’s good faith commercially reasonable efforts (which good faith commercially reasonable efforts shall not include the requirement to commence litigation), less any money room shift in Host’s favor resulting from Simulcasting which Host is unable to collect through the exercise of good faith commercially reasonable efforts (which good faith commercially reasonable efforts shall not include the requirement to commence litigation).

“Standards” shall mean the Race Conditions, the Eligibility Requirements and the Field Selection Methodology set forth in Exhibit “C” attached hereto, as the same may be revised by BCL in accordance with the Agreement.

~~“Term” shall mean, unless sooner terminated in accordance with Article 11 hereof, the period from the Effective Date, through December 31, 2024.~~

“Territory” shall mean Canada and all states, territories, and other property of the United States of America.

“TSC” shall mean The Safety Coalition formed in November 2019 by the BCL and leading racetrack organizations.

ARTICLE 2

PRESENTATION OF CHAMPIONSHIP

2.1. The Championship

(a) Host agrees to present and conduct the Championship as set forth herein, which undertaking by Host includes, without limitation, an agreement by Host to present and conduct the Races at the Facility on Championship Friday and Championship Saturday in accordance with the Standards and the other terms of this Agreement.

(b) BCL and Host agree to hold a meeting of their respective department managers and key staff at the Facility no later than July 15, 2024 and thereafter at the request of BCL, to review plans for the Championship. The agenda for the meeting will include but not be limited to staffing, ticketing, temporary seating, hospitality (including catering and food service which shall include detailed staffing plans), racing, wagering (including wireless or Wi-Fi wagering at the Facility), television, and marketing/promotion.

2.2. Revision of Races or Standards

BCL reserves the right to revise the Races or the Standards, including, without limitation, the distance of each Race, the days on which the Races are run (but all Races must be run on either Championship Friday or Championship Saturday), the number of Races, the times of each race, and the order in which the Races are run, and any such revision shall be incorporated into and become a part of this Agreement as if the same had been adopted prior to the date hereof and included herein; provided, however, that apart from revisions to the purse structure of the Races by BCL pursuant to Section 4.1 hereof no such revision shall be effective if it would, in the

reasonable and good faith opinion of Host, constitute a Material Adverse Event respecting the Facility; and provided further that any such revisions shall comply with at least the minimum requirements set forth in Host house rules on safety and integrity, California Horse Racing Board rules or HISA. Any such proposed revision shall be promptly submitted to Host and Host may, within fifteen (15) days of its receipt of such proposed revision, notify BCL in writing that such revision will, in the reasonable opinion of Host, constitute a Material Adverse Event respecting the Facility's operations, (provided, however, Host shall notify BCL within 24 hours if a proposed revision is submitted to Host during the week of the Championship) in which event BCL may, at its option (i) withdraw such proposed revision or (ii) terminate this Agreement with no liability to either party except that BCL shall reimburse Host for Host's actual out-of-pocket expenses for the presentation of the Championship incurred prior to the date of termination. In the absence of such timely written notification by Host, such revision shall be deemed effective and binding on the parties hereto.

ARTICLE 3

ELIGIBILITY AND FEES

3.1. Eligibility

It is agreed by the parties that horses competing in the Races will be restricted to Thoroughbred horses, that BCL shall be the sole judge as to whether a horse is eligible to participate in the Races, and that BCL may refuse the pre-entry or subsequent entry of any horse if, in BCL's sole discretion, for any reason, including, without limitation, its association with any connection (e.g., owner, trainer, jockey) of such horse has engaged in, or become the subject of a regulatory or law enforcement inquiry or action alleging, conduct that is unlawful, unethical or may otherwise compromise the integrity of the Breeders' Cup World Championships or Host;

provided, that, (i) Host shall have the right to provide BCL with a list of any owners, trainers and jockeys who have been excluded from the Facility ("Host Exclusion List"). BCL, after considering in good faith such list, shall decide whether such persons are eligible to participate in the Races; (ii) BCL agrees to indemnify Host for any third-party claims in respect of any such refusals; and (iii) Host agrees to indemnify BCL for any third-party claims in respect of BCL's compliance with the Host Exclusion List. Notwithstanding the foregoing, BCL has the option to require the Host to run an Arabian horse race on either Championship Friday or Championship Saturday in the Additional Races or BCL may elect to run an Arabian horse race in the Races; provided, however, that in either case Host shall have reasonable approval rights over such Arabian Race if the running of such race would be reasonably expected to negatively impact Host's economics under this Agreement.

3.2. Fees

The Fees (except for Pre-Entry Fees paid directly to BCL or BCL's agents) shall be paid to and collected by Host in accordance with the Fees Collection Guidelines set forth in the Standards and for the account of BCL, and Host shall pay over and deliver the Fees (net of required refunds, if any) to BCL within five (5) business days after receipt thereof or, at the election of BCL, the Fees (net of required refunds, if any) may be deducted as an offset from the sums for Purse Monies which BCL is obligated to transfer to Host pursuant to Section 4.2 hereof.

ARTICLE 4

PURSES

4.1. Purse Structure

BCL shall provide the Purse Monies to be awarded in connection with the Races. The individual purse structure for the Races may be revised by BCL in its sole discretion at any time

prior to September 1, 2024, and notice of any such revision shall be promptly furnished in writing to Host; provided, however, that BCL shall consult with Host before implementing any material decrease in the purse structure for the Races.

4.2. Delivery of Purse Monies

On or before the fourth business day following Championship Saturday, BCL shall wire transfer to Host, in United States Dollars, in trust for the purposes of this Agreement and to be held in the segregated Del Mar Race Meet Trust Purse Account, the Purse Monies, less (i) any Fees to be offset as provided in Section 3.2 hereof, and (ii) BCL's projection of the Facility Contribution.¹

Host further agrees to grant BCL a primary security interest in the funds in such trust account and to execute such reasonable and customary documents and make such reasonable and customary filings as are necessary to perfect the security interest. Host shall immediately notify BCL in writing if any secondary security interest occurs and Host shall be required to use good faith commercially reasonable efforts (which shall not include the payment of money) to obtain from the party seeking the secondary security interest an agreement which provides that BCL's security interest is a primary interest and that BCL is the first lien holder. Host, as trustee of BCL, shall disburse the 2024 Championship Purse Monies (less taxes and other sums required to be deducted pursuant to any applicable law) as expeditiously as possible but in no event earlier than the later of (i) November 15, 2024 if all drug testing on the purse earning horses has been completed and no positive test occurred, or (ii) the date upon which drug testing on the purse earning horses has been completed (or otherwise as required by applicable law) in accordance with the Purse Distribution Rules and Section 8.2(d) hereof and upon the prior written consent of BCL. Notwithstanding the foregoing, BCL may direct the Host to withhold or delay disbursements of an

owner's Purse Money at the sole discretion of BCL; provided, however, that BCL shall indemnify Host for any third-party claims in respect of any such withholding or delay direction. Notwithstanding the foregoing, BCL may direct Host to make such Purse Money payments earlier than November 15, 2024 on the condition that BCL has previously wired, and Host has received the balance of such Purse Money payments by providing written notice to Host. If requested by BCL, Host shall delay disbursement of an owner's Purse Monies beyond the foregoing date until such owner presents to Host documents relating to the exemption from or reduction of such owner's withholding taxes. Host shall use good faith commercially reasonable efforts to utilize wire transfer or ACH to disburse 2024 Championship Purse Monies to connections of horses entitled to such monies that are based outside the United States. It shall be the obligation of Host to transmit any withheld taxes to appropriate governmental bodies pursuant to any applicable law and Host shall indemnify, defend and hold harmless BCL for any failure to do so.

ARTICLE 5

CONTRIBUTION

5.1. Contribution

For the privilege of presenting the Championship (and to preclude, in accordance with Section 501(c)(6) of the Internal Revenue Code of 1986, as amended, proscribed inurement of net income that is associated with the Championship) and in recognition of the benefits provided by the Championship and the entire BCL program to the Thoroughbred industry, Host agrees to pay BCL the Contribution.

5.2. Delivery of Facility Contribution

Host shall use its best efforts to provide BCL the Estimated Facility Contribution within six (6) weeks following Championship Saturday but no later than eight (8) weeks following

Championship Saturday in sufficient detail to allow BCL to determine the accuracy of the calculation thereof. If BCL agrees with the Estimated Facility Contribution determination, it shall so advise Host and Host shall, within eight (8) weeks following Championship Saturday, deliver to BCL in United States Dollars ninety percent (90%) of the Estimated Facility Contribution (less any portion thereof elected by BCL to be deducted as an offset from the sums for Purse Monies which BCL is obligated to transfer to Host pursuant to Section 4.2 hereof) (the "Initial Facility Contribution"), with the balance of the Facility Contribution due BCL to be paid by Host on or before January 31, 2025, unless such date is extended in writing by BCL in its sole discretion. In the event information within the control of BCL is not provided by BCL to Host in a timely manner to permit Host to perform the calculations required by this Section 5.2 within the time periods required hereunder, then such time periods shall be delayed for a period of time sufficient to allow Host to perform such calculations after receiving the necessary information from BCL. If BCL in good faith disagrees with Host's determination of the Estimated Facility Contribution, the Initial Facility Contribution Payment shall still be paid to BCL within eight (8) weeks following Championship Saturday, and upon the request of BCL, Host's accounts and records may be audited by BCL (or an independent accounting firm selected by BCL) at the expense of BCL. If as a result of such audit, BCL continues to disagree with Host's determination of the Estimated Facility Contribution, the parties shall negotiate in good faith a determination of the Facility Contribution or the actual Facility Contribution. If such good faith negotiations do not result in an agreed determination of such amount within sixty (60) days after completion of the BCL audit, the amount of such unpaid Facility Contribution due from Host to BCL shall be determined by binding arbitration pursuant to the expedited arbitration rules of the American Arbitration Association and paid to BCL immediately following such binding determination. The obligation of Host to deliver

the Facility Contribution to BCL shall survive the termination of this Agreement provided Host presents and conducts the Championship. Regardless of whether there is a dispute over the amount of the Estimated Facility Contribution, Host agrees to grant BCL timely access to Host's books and records in respect of the Championship, including, without limitation, the reports set forth on Exhibit "D" hereto. Notwithstanding the foregoing, to the extent that good faith negotiations or the binding arbitration determines that the Host's Estimated Facility Contribution was lower than Five Percent (5%) of the Facility Contribution decided pursuant to negotiations or binding arbitration, then Host shall reimburse BCL for its related audit, legal and accounting fees.

5.3. **Facility Improvement Deposit.** Host agrees to make the Facility Improvement Deposit on or before January 15, 2025.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF BCL

BCL hereby represents and warrants to Host, as of the date of this Agreement and at all times during the Term, as follows:

6.1. **Organization and Qualification**

BCL is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of New York and has full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby.

6.2. **Authorization; Absence of Violation or Default.**

(a) All corporate action required to be taken by BCL to authorize the execution, delivery and performance of this Agreement has been properly taken.

(b) The execution, delivery and performance of this Agreement and any other agreements contemplated hereby by BCL and the consummation by it of the transactions

contemplated hereby and thereby (i) will not violate or require any authorization, consent, approval, filing or notice under, any provision of any law or order applicable to BCL and (ii) will not conflict with the charter or bylaws of BCL.

6.3. Disclosure

No representation or warranty by BCL in this Agreement, and no written statement contained in any document, certificate or other writing, delivered by BCL to Host in connection with the transactions contemplated by this Agreement, contains any untrue statement of material fact or omits to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF HOST

Host hereby represents and warrants to BCL, as of the date of this Agreement and at all times during the Term, as follows:

7.1. Organization and Qualification

Host is a corporation duly organized, validly existing and in good standing under the laws of the state in which it is organized and has full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby.

7.2. Authorization; Absence of Violation or Default

(a) All corporate action required to be taken by Host to authorize the execution, delivery and performance of this Agreement has been properly taken.

(b) The execution, delivery and performance of this Agreement and any other agreements contemplated hereby by Host and the consummation by it of the transactions

contemplated hereby and thereby (i) will not violate or require any authorization, consent, approval, filing or notice under any provision of any law or order applicable to Host (other than any necessary approvals of the Host Racing Commission) and (ii) will not conflict with the charter or bylaws of Host.

7.3. Proceedings

As of the execution of this Agreement, there is no proceeding instituted or pending or, to the knowledge of Host, threatened (or unasserted but probable of being asserted) against Host or the Facility that is reasonably likely to constitute a Material Adverse Event respecting the Facility. In the event Host becomes aware of any such proceeding after the execution of this Agreement, it shall give BCL prompt written notice of the existence of same.

7.4. Compliance with Laws and Other Instruments

Host conducts its business and operates the Facility so as to comply with all applicable laws, orders, governmental authorizations, licenses, or other proprietary and intellectual property rights of others, except for any instances of non-compliance that will not constitute a Material Adverse Event respecting Host or the Facility.

7.5. Labor Relations

As of the execution of this Agreement, Host's relations with its employees and its service providers are good and there are no labor difficulties or pending or threatened litigation respecting Host or the Facility that are reasonably expected to result in a Material Adverse Event with respect to the Championship or the Facility. As of the execution of this Agreement, Host is not the subject of any proceeding or is unaware of any such pending or threatened proceeding in which it is asserted that Host has committed an unfair labor practice (within the meaning of the National Labor Relations Act or comparable state law) or seeking to compel Host to bargain with any labor

organization as to wages or conditions of employment, nor is there any strike or other labor dispute involving Host or the Facility that is reasonably expected to result in a Material Adverse Event with respect to the Championship or the Facility pending or, to the knowledge of Host, threatened, nor to the knowledge of Host, is there any activity involving employees of Host seeking to certify a collective bargaining unit or engaging in any other collective bargaining organizational activity that is reasonably expected to result in a Material Adverse Event with respect to the Championship or the Facility. In the event Host becomes aware after the execution of this Agreement of any such matters or proceedings regardless of whether Host believes such matters will have a Material Adverse Event, Host shall give BCL prompt written notice of the existence of same. Host and Host's material vendors, including, without limitation, caterers and concessionaries, have entered into all collective bargaining agreements applicable to labor at the Facility. Attached as Exhibit "E" hereto is a list of all collective bargaining agreements and the covered time period of each collective bargaining agreement with respect to Host and Host's material vendors. To the extent any terms, conditions or status of any of the collective bargaining agreements change, Host shall immediately notify in writing BCL of any such changes.

7.6. Sale of Facility

As of the Effective Date only, there are no current or pending significant discussions regarding the sale or Change in Control of the Host or any related party or Person, including, without limitation, any and all parent or affiliate companies or the sale of any or all of the Facility or any other material assets.

7.7. Disclosure

No representation or warranty by Host in this Agreement, and no written statement contained in any document, certificate or other writing, delivered by Host to BCL in connection

with the transactions contemplated by this Agreement, contains any untrue statement of material fact or omits to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading. To the extent any representation, warranty or covenant contained herein becomes untrue or materially changes, Host shall immediately notify BCL in writing.

ARTICLE 8 COVENANTS OF HOST

Host covenants to BCL as follows:

8.1. Simulcasting and Off-Track Wagering; Delivery of Simulcasting Net Revenue.

(a) Host covenants that it shall use best efforts to obtain any and all governmental authorizations required from Host's jurisdiction by the Horseracing Act and all other laws, orders and governmental authorizations for the Simulcasting of the Races and the Additional Races and the wagering thereon within the Territory on or before December 31, 2023, and that all such governmental authorizations shall be in full force and effect during the Championship.

(b) Host covenants that it will request at execution of this Agreement and obtain, on or before December 31, 2023, the written consents of all necessary horsemen groups required by the Horseracing Act and all other laws, orders and governmental authorizations for the Simulcasting of the Races and the Additional Races and the wagering thereon to be contested in 2024, which consents (i) will be irrevocable; (ii) will make clear that no deductions other than statutory and the 2.5% horsemen's administrative fee payable to the TOC and CTT) will be made from: (i) the Simulcasting Revenue, (ii) revenues from (a) on-track wagering, (b) wagering at Southern California Off-Track Wagering Facilities on the Races and Additional Races, and (c)

wagering in the Southern California Advanced Deposit Wagering zone on the Races and Additional Races for purses to Facility horsemen and (iii) will make clear that all source market fees and/or market access fees generated for Host on the Races and Additional Races will be paid to BCL as Simulcasting Revenue. BCL will use commercially reasonable efforts to assist Host to obtain such horsemen's consents. Host covenants that such written consents of the horsemen groups at the Facility shall be in full force and effect during the Championship.

(e) Host covenants to use best efforts to actively pursue the Simulcasting of the Races and the Additional Races and to generate the broadest possible Simulcasting of the Races and the Additional Races consistent with industry standards of wagering integrity and security at a commission rate to Host equal to or greater than fifty percent (50%) of the net commissions received by the Off-Track Betting Facilities accepting wagers on the Races and the Additional Races after payments to bettors and the subject state governmental bodies (except to the extent not permitted by applicable law), including, without limitation, the entry into such contracts (as may be satisfactory in form and substance to BCL and its counsel) with Off-Track Betting Facilities as may be necessary to assure maximum participation by Off-Track Betting Facilities in wagering on the Races and the Additional Races. Host shall obtain the approval of BCL of the form and substance of said contracts with Off-Track Betting Facilities prior to submitting said contracts to said Off-Track Betting Facilities for their execution and shall not enter into any exclusive contracts for Simulcasting on the Races or Additional Races without the prior written consent of BCL. Host covenants that it has not entered into (and will not at or prior to the Championship enter into) any contract (including, without limitation, any contract granting exclusive rights with respect to Facility simulcasting) which would inhibit or in any way interfere with the Simulcasting and the broadest possible Simulcasting of the Races and the Additional Races. Host covenants to have in

place by no later than October 25, 2024 internet capabilities with the bandwidth to reasonably accommodate most patrons at the Facility so that most patrons may wager over the internet via their mobile devices while at the Facility. Host shall develop (in consultation with BCL) on or before May 1, 2024, a listing of all Off-Track Betting Facilities to be solicited by Host (and such list shall include all Off-Track Betting Facilities that Host has done business with in the last twenty-four (24) months) and shall, as reasonably requested by BCL, add to or delete from said listing of Off-Track Betting Facilities to be solicited for Simulcasting. Following the development of such listing, Host covenants to report the results of such solicitation to BCL every fourteen (14) days or, if any such reporting day is not a business day, the first business day thereafter. So long as Host complies with all of the requirements set forth in this Section 8.1(c), Host may have the Simulcasting contracts executed by Host's simulcast purchase and sales agent, Monarch Content Management LLC.

(d) Host covenants to use best efforts (which best efforts shall not include the requirement to commence litigation) to collect, within eight (8) weeks following the Championship, all Simulcasting Revenue and will submit weekly reports to BCL describing the efforts being taken and the results thereof beginning within one (1) week following the Championship, until such time as all Simulcasting Revenue has been collected or until BCL agrees in its reasonable judgment that collection efforts may be discontinued. Notwithstanding the provisions of Section 5.2 hereof, Host agrees to pay over and deliver to BCL all Simulcasting Revenue as a component of the Contribution within five (5) days after receipt by Host but in no event later than the date six (6) weeks after the Championship. Any amounts not paid to BCL on a timely basis as described in this Section 8.1(d) shall be subject to the lesser of (i) a per annum service charge of eighteen percent (18%) (compounded on a monthly basis) or the highest possible

interest rate allowed by law. Following the Championships, Host agrees that it will not subsequently permit any Off-Track Betting Facility that has not paid to Host all unpaid Simulcasting Revenue to process wagers on horse races conducted at the Facility.

(e) Simulcast Revenue. Host shall pay to BCL one hundred percent (100%) of the Simulcasting Revenue received pursuant to such Simulcasting arrangements within and outside the Territory as part of the Contribution pursuant to the terms and conditions of this Agreement and in accordance with the provisions of Section 8.1(d) hereof. The obligation of Host to deliver the Simulcasting Revenue to BCL shall survive the termination of this Agreement.

(f) On-Track ADW. Notwithstanding anything contained herein, to the extent wagering occurs via Advanced Deposit Wagering by a resident of California on the Races, Additional Races, and imported simulcast signals while the resident of California is present at the Facility, one hundred percent (100%) of such revenue (at the increased Host Track takeout percentage) shall be treated as on-track pari-mutuel handle in the calculation of Facility Net Revenue. BCL and Host shall work in good faith with each other to determine a commercially reasonable strategy to try to require Advanced Deposit Wagering providers to geo-locate non-California residents at the Facility and include any such wagering by such non-California residents as on-track pari-mutuel handle in the calculation of Facility Net Revenue.

(g) California Off-Track Handle. Wagering on the Races and Additional Races occurring at Southern California Off-Track Wagering Facilities and any fees related to wagering on the Races and Additional Races occurring at Northern California Off-Track Wagering Facilities shall be treated as on-track pari-mutuel handle in the calculation of Facility Net Revenue. To the extent any rules or regulations are amended with respect to (i) the Northern California Off-Track Wagering Facilities or (ii) Advanced Deposit Wagering in the Northern California Advanced

Deposit Wagering zone which permit a portion of such wagers to be allocated to Host then: (i) such portions from Northern California Off-Track Wagering Facilities shall be treated as on-track pari-mutuel handle in the calculation of Facility Net Revenue; and (ii) such portions from Advanced Deposit Wagering in Northern California Advanced Deposit Wagering zone shall be treated as Simulcasting Revenue.

(h) Host covenants that on Championship Friday and on Championship Saturday, for the period beginning thirty (30) minutes prior to the first Race on each day and continuing through the conclusion of the last Race on each day, it will not conduct at the Facility simulcast presentations of, and will not accept wagers on, races from other race tracks unless written consent for such simulcast presentations and wagering thereon has been granted in writing by BCL (which consent may be withheld by BCL in its sole discretion) and if BCL consents to such simulcast presentation then wagering revenue on such simulcast presentations shall be treated as on-track pari-mutuel handle in the calculation of Facility Net Revenue. On Championship Friday and Championship Saturday, BCL agrees that Host may conduct at the Facility simulcast presentations of, and accept wagers on, races from other race tracks after the conclusion of the last race at the Facility on each day or as permitted by BCL in writing. The wagering on such simulcast presentations shall be treated as on-track pari-mutuel handle in the calculation of Facility Net Revenue.

(i) Host acknowledges and covenants that Host shall timely enter into non-exclusive contracts with advanced deposit wagering companies (and those companies shall include, without limitation, XpressBet, Betfair/TVG, NYRA Bets, TwinSpires and such other advanced deposit wagering companies reasonably necessary to maximize simulcast revenue) to permit such advanced deposit wagering companies to exercise the right to process wagers on the

Races and Additional Races on Championship Friday and Championship Saturday. If requested by BCL, Host covenants to use its best efforts to enter into non-exclusive contracts permitting exchange wagering on the Races and Additional Races; provided, however, that such wagering is approved by the applicable horsemen's group and governmental authority.

(j) If requested, Host covenants to use its best efforts to obtain a waiver of any requirement to pay excise taxes relating to the Races and Additional Races as set forth on Exhibit "F."

8.2. Permits and Agreements; Conduct of Championship in Accordance with Law.

(a) On or before December 1, 2023 Host covenants to use its good faith commercially reasonable efforts to obtain authorization for racing dates for the Championship to be held on November 1 and November 2, 2024. On or before August 31, 2024, Host covenants to use its good faith commercially reasonable efforts to receive any and all permits and other authorizations as may be necessary to present the Races and the Additional Races on Championship Friday and Championship Saturday at the Facility in accordance with the terms and conditions of this Agreement and any and all laws. If Host has not obtained any and all such authorizations and such permits on or before August 31, 2024, BCL may terminate this Agreement by providing written notice to Host at any time thereafter until such time as those authorizations and permits are obtained. If BCL does not terminate this Agreement, Host shall provide BCL with updates at reasonable intervals informing BCL of the then current status of obtaining such authorizations.

(b) Host shall (i) promptly seek such additional approvals, rule variations, waivers, racing dates and any other governmental authorizations, including approval of the State

Race Track Leasing Commission, as may be required to so present the Races and the Additional Races in accordance with the terms and conditions of this Agreement and (ii) obtain racing dates and all other such additional approvals, rule variations, waivers and any other governmental authorizations as may be so required, including, without limitation, those set forth on Exhibit "G" hereto. Host covenants to request any and all conditions of entry and seek any and all related consents, including, without limitation, the horsemen consent and the California Horse Racing Board consent with respect to any medication stipulations, including, without limitation, conditions of entry and all other house rules (so long as such conditions of entry or house rules do not otherwise violate applicable laws), and steroid prohibitions requested by BCL. Host shall notify BCL that it has so secured such racing dates and such other additional approvals, rule variations, waivers and any other governmental authorizations promptly after receipt thereof. Moreover, Host covenants to provide BCL a status update, by May 1, 2024, regarding racing and non-racing (e.g., temporary structure permits) permits and authorizations necessary to present the Championship as set forth herein, including any permits or authorizations that have been denied or are anticipated to be denied.

(c) Host covenants to use good faith commercially reasonable efforts to obtain, on or before August 31, 2024, any and all governmental authorizations permitting the specialized Championship wagering format for both on- and off-track wagering, including, without limitation, necessary waivers to permit Championship bet types, minimum runner standards, coupling/entry rules, takeout rates and other matters as requested by BCL, which governmental authorizations shall be acceptable in form and substance to BCL and its counsel and, once obtained, shall be in full force and effect during the Championship. If Host has not obtained any and all such authorizations on or before August 31, 2024, BCL may terminate this Agreement by providing

written notice to Host at any time prior to Host receiving such authorizations. If BCL does not terminate this Agreement, Host shall provide BCL with updates at reasonable intervals informing BCL of the then current status of obtaining such authorizations.

(d) Host further covenants to use good faith commercially reasonable efforts to have in effect prior to January 1, 2024 (other than Local 280), such contracts with applicable representatives of employees or contractors of Host and the Facility including, without limitation, any and all collective bargaining agreements as may be necessary to ensure the presentation of the Championship without interruption or disturbance of the racing program by any and all labor/management disputes. If Host has not obtained any and all such authorizations on or before January 1, 2024 (other than Local 280), BCL may terminate this Agreement by providing written notice to Host at any time prior to Host receiving such authorizations. If BCL does not terminate this Agreement, Host shall provide BCL with updates at reasonable intervals informing BCL of the then current status of obtaining such authorizations.

(e) Apart from determinations respecting satisfaction of the Standards (which determinations shall be within the sole authority of BCL), Host covenants that it shall be solely responsible for conducting the Championship in compliance with any and all applicable laws and orders, including, without limitation, determinations respecting the issuance and validity of credentials, including, without limitation, licenses to owners, trainers and other participants in the Races and the Additional Races, the entry of horses, the running of the Races and the Additional Races, the determination of winners and the placing of finishers in the Races and the Additional Races, compliance with any withholding or other obligations respecting taxes and the Simulcasting of the Races and the Additional Races. Purse distribution with respect to the Races, as determined

by BCL in accordance with the terms of this Agreement, shall be made on the official order of finish as determined exclusively under the laws of the jurisdiction in which the Facility is located.

(f) Host covenants that the Facility shall be accredited by the National Thoroughbred Racing Association's Safety and Integrity Alliance and such accreditation shall be in place on the dates of the Championship.

(g) Notwithstanding the deadlines set forth in Section 8.2, Host shall use commercially reasonable efforts to secure all necessary approvals, consents and permits as soon as reasonably possible.

8.3. Additional Races.

(a) Host covenants that it shall schedule the Additional Races in 2024 on both Championship Friday and Championship Saturday, the purses for which are included in the Operating Budget. Host and BCL covenant to work in good faith to establish Additional Races which shall maximize wagering and improve the quality of Championship Friday and Saturday. The number, distance, type, purses, starting position, fees and conditions for the Additional Races shall be established by Host and submitted to BCL for its approval no later than July 1, 2024; provided, however, that Host shall schedule five (5) Additional Races on Championship Friday and three (3) Additional Races on Championship Saturday which are approved by BCL. The purses for the Additional Races shall be provided by Host, but shall be considered an expense of the Championship for purposes of calculating Facility Net Revenue (i.e., such purses shall be included in Facility expenses in the Operating Budget) so long as such purses are not funded from the horsemen's purse account. The Additional Races shall be arranged and scheduled by Host and approved by BCL and shall be compatible with the Championship racing program, and none of such races shall be scheduled within the time frame of the television coverage to be provided by

the licensee of BCL without the prior written consent of BCL (which consent may be withheld by BCL in its sole discretion). Host covenants to use its commercially reasonable efforts to recruit horses for the Additional Races, including, without limitation, coordinating recruiting with BCL representatives, provided that Host shall not be responsible for payment of any financial or other recruitment incentives. From the Effective Date through the end of 2024, Host shall consult with BCL (including by providing copies of its condition books) and exercise good faith efforts to not conduct races that would directly conflict with the Additional Races.

(b) Host covenants that BCL shall retain all commercial sponsorship rights to the Additional Races (in addition to the Races) and Host shall not sell any commercial sponsorships to the Additional Races without the prior written consent of BCL (which consent may be withheld by BCL in its sole discretion).

8.4. Condition and Preparation of the Race Courses.

(a) Host covenants to use its best efforts to see that the turf course and main track at the Facility shall be fresh and in excellent repair and condition for the racing to be conducted thereon on Championship Friday and Championship Saturday. Host further covenants that for the Championship (i) the Facility turf course and the main track shall be prepared in such a fashion to make the racing surface safe, consistent and unbiased, (ii) the Facility turf course shall be prepared in such a fashion so that it is consistent with international turf championship racing conditions; and (iii) the composition of either the Facility turf course or main dirt track shall not be changed in any significant manner without the prior written consent of BCL. Host covenants that it will not schedule races at the Facility with conditions similar to those of any of the Races for the two (2) weeks prior to and for the two (2) weeks immediately following the Championship. BCL shall have the right to approve, in its sole and absolute discretion, the race cards each day

during Championship Week to assure that no damage is done to the turf course or the main track. Host covenants that it will conduct racing on its turf course during its Fall 2024 meet in such a manner as to preserve the condition of the turf course and specifically the portion of the turf course which begins at the zero-rail position and extends to the 24-foot mark. Specifically, Host will run all turf races, including turf stakes, with the temporary rail at twenty-four (24) feet (or the Facility's normal distance) rather than on the inside zero-rail position during the two (2) week period prior to the Championship. Additionally, Host will restrict the number of starters in such turf races to twelve (12) or less. Host covenants that it shall not conduct nor permit any entertainment or other activities within one hundred twenty (120) days prior to the Championship which could damage the turf course or main track. None of the races scheduled to be run on the turf on Championship Friday or Championship Saturday shall be rescheduled for any other surface without the prior written consent of BCL (which consent may be withheld by BCL in its sole discretion), unless the California Horse Racing Board stewards deem it unsafe for horses to run on the turf course. Unless otherwise approved by BCL, Host covenants to provide a single finish line for both the main track and the turf course at the Facility. Host covenants that the main track, turf course and stable area at the Facility will be available from the date three (3) weeks prior to Championship Friday through the date ten (10) days following Championship Saturday for training and stabling of any and all horses intended to be entered in the Races and Additional Races, and Host covenants to use best efforts to accommodate any horses which cannot feasibly be shipped from the Facility on or before the date ten (10) days following Championship Saturday; provided, however, that BCL acknowledges and agrees that (i) Host cannot guarantee the availability of the Facility prior to Sunday, October 26, 2024 (with the exception of the Quarantine Facility being sealed for a month prior to the Championships and horses being permitted to ship in on Saturday, October 27, 2024)

and (ii) for any incremental costs incurred by Host in the event that Host is required to take possession and open the Facility prior to the Normal Opening Date of its Fall Meet in order to satisfy its obligations hereunder shall be included in the Facility Net Revenue calculation.

(b) BCL shall be solely responsible for any incremental costs incurred by Host in the event Host is required to take possession and open the Facility prior to the start of its fall meeting in order to satisfy its obligations hereunder.

(c) Host covenants to make the main track and turf course at the Facility available for inspection(s) by an independent third party designated mutually by BCL and Host, to assure the condition and safety of the main track and turf course, upon reasonable notice by BCL, and that the condition of the main track and turf course shall be acceptable to the satisfaction of BCL's third party designee. Host agrees to negotiate in good faith with BCL to implement reasonable changes at the sole cost and expense of Host to its main track and/or turf course recommended by such third-party designee to assure the condition and safety of such racing surfaces such that the condition of the main track and turf course are similar to the conditions occurring at the 2021 Breeders' Cup World Championships.

(d) Host agrees to provide BCL access to the InCompass Jockey Injury Database and the InCompass Equine Injury Database for the Facility during the Term and BCL shall use the information contained therein for its internal purposes only.

8.5. Equine Facilities; Equine Drug Testing.

(a) Host covenants to cause to be located at the Facility or at a location approved by BCL, not later than thirty (30) days prior to Championship Friday, and to be operated as necessary thereafter through the date ten (10) days following Championship Saturday, fully approved and accredited quarantine and isolation facilities in which horses arriving from other

countries may be accommodated. The quarantine facilities shall be suitable to accommodate such horses until duly released by the appropriate governmental bodies of the United States and the state in which the Facility is located for racing at the Facility, without the necessity of such horses remaining in quarantine subsequent to importation at some other location. Host shall provide the quarantine and isolation facilities in the areas at the Facility identified on Exhibit "H." The quarantine and isolation facilities in such areas shall meet all requirements of applicable law (including, without limitation, the requirements of the state in which the Facility is located and the United States Department of Agriculture). Host agrees to accommodate the shipping and training schedules of such horses. Further, in the event the horses are prevented by applicable state or federal rules and regulations from training within the quarantine facilities, Host shall timely provide quarantine facilities which contain a walking area satisfactory for horses to utilize prior to being released from the quarantine facilities. The quarantine facilities must be capable of accommodating the segregation of at least six (6) separate shipments of horses without delaying the training schedule of the earlier arriving horses. Facility expenses for the quarantine facilities reflected in the Operating Budget shall not include the portion of Facility quarantine expenses incurred with respect to horses running in races other than the Races.

(b) Host covenants to make available for the presentation of the Races and the satisfaction of its obligations hereunder the entire premises of the Facility with the sole exception of such areas (e.g., a portion of the Facility stable areas) as may be required for Thoroughbred racing at the Facility prior to and following the Championship. In that regard, Host covenants to make available at the Facility a minimum of 175 stalls (in addition to the stalls in the above-referenced quarantine and isolation facilities) in sprinklered, full security BCL barns for use by horses which are shipped to the Facility for the purpose of competing in the Races and the

Additional Races. Such stalls in the barn shall be in close proximity to one another. All such stalls shall be available to such Thoroughbred horses for three (3) weeks prior to Championship Friday and for ten (10) days after Championship Saturday, with ready access to media representatives approved by BCL and other personnel approved by BCL; provided, however, that BCL acknowledges and agrees that (i) Host cannot guarantee the availability of the Facility prior to Normal Opening Date (with the exception of the Quarantine Facility being sealed for a month prior to the Championships and horses be permitted to ship in on Sunday, October 27, 2024) and (ii) any incremental costs incurred by Host in the event that Host is required to take possession and open the Facility prior to the Normal Opening Date of its Fall Meet in order to satisfy its obligations hereunder shall be included in the Facility Net Revenue calculation. Host covenants to provide twenty-four (24) hour security beginning on Tuesday, October 29, 2024 at 11:00AM (Pacific Time) for each horse competing in the Races, at least equal to the highest race track industry standard, including services by the agency or agencies designated by BCL , for all such barns designated as BCL barns at the Facility during Championship Week, and, with respect to any quarantine facilities referred to in Section 8.5(a) hereof, for so long as any such facility is occupied by a horse entered for a Race. Host also covenants to provide twenty-four (24) hour security beginning forty-eight (48) hours prior to first post for each horse competing in the Additional Races as per requirements for horses competing in the Races. Host covenants to provide a twenty (20) stall race day assembly barn in close proximity to the racetrack at the Facility for the exclusive use of entrants in the Races on Championship Friday and Championship Saturday. In addition, Host agrees to provide a test barn capable of accommodating ten (10) horses walking at the same time with no less than six (6) stalls for post-race drug testing.

(c) Host covenants to provide, if and to the extent that room is available in existing dormitories on the Facility backside, accommodations at the Facility during Championship Week, mutually agreeable in condition and number, for grooms and other backstretch personnel caring for horses pre-entered or entered in the Races.

(d) Host covenants that the quarantine and isolation facilities, barns and backside accommodations for grooms and other backside personnel shall be in good repair and, to the extent that work is required to bring such buildings into good repair, such work shall be completed and reasonably satisfactory to BCL no later than October 1, 2024.

(e) Host agrees to implement house rules, if requested by BCL, requiring trainers of horses pre-entered in the Races to utilize official Breeders' Cup saddle towels each and every time a pre-entered horse goes to the Facility racetrack during Championship Week.

(f) In order to provide for emergency medical treatment for the horses competing in, and training for, the Races and Additional Races, Host covenants to provide at least three (3) equine ambulances, which must have technological features at least as sophisticated as those of the equine ambulance manufactured by Kimzey Welding Works, Inc. of Woodland, California. During morning workouts of Championship Week, Host shall have an equine ambulance pulled by a truck and continually staffed by a driver in close proximity to the track and have veterinarians on hand. In addition, Host agrees to secure access to an equine trauma facility acceptable to BCL within a reasonable distance from the grounds of the Facility.

(g) Host covenants that it will use available drug testing tools and methods which can best assure that the Races and the Additional Races are conducted in compliance with applicable law and race conditions and will have available split blood and split urine samples in connection with such testing, the cost of such testing not funded by the Host Racing Commission

or other sources to be included in the calculation of Facility Net Revenue. Drug testing in accordance with this Section 8.5(g) shall be conducted on a minimum of the first four (4) finishing horses and at least one (1) extra, as determined by the Stewards, in each Race. In addition to the foregoing, Host covenants to cooperate with racing regulatory authorities in pre-race testing for total carbon dioxide to be conducted on all horses participating in the Races. Host covenants to cooperate with racing regulatory authorities so that all blood and urine samples collected from horses competing in the Races shall be collected in sufficient volumes so that samples may be preserved for future analysis. Further, Host covenants to cooperate with racing regulatory authorities in pre-race, out-of-competition testing to be conducted on up to one hundred (100) percent of potential Breeders' Cup participating horses or horses that have been pre-entered.

(h) BCL and Host may by mutual agreement implement race conditions or other rules respecting the use of medications in the Races and/or the Additional Races, subject to approval of regulatory authorities.

8.6. Media Access and Coverage.

(a) Host covenants to work in good faith with BCL to develop plans (subject to final approval of BCL) designed to present the Championships in a fashion which will create maximum publicity and media exposure for the entire BCL program, and the Thoroughbred industry in general, in order to increase interest in and attendance at Thoroughbred racing events throughout the world.

(b) BCL is a party to an agreement with NBC Universal under the terms of which NBC Sports Network and/or NBC Network has agreed to telecast Breeders' Cup World Championships races, which expires following the 2024 Breeders' Cup World Championships.

Both BCL and Host agree to use their best efforts to work together in good faith with NBC Universal with respect to the production and telecast of the Breeders' Cup World Championship.

(c) Host covenants to cooperate in good faith with BCL, its agents and employees, in the negotiation for and provision of television, radio and other media coverage of the Championship, and to do each and every thing reasonably required to assure the successful promotion and broadest coverage of the Races. In addition, to the extent such rights are the property of Host, Host grants to BCL any and all commercial broadcast, television, cable, pay, satellite, and other television, radio, Internet and media rights and privileges (subject to the receipt of any approval required by law which Host shall use best efforts to obtain) in and to the promotion, communication and commercial exploitation of the Races and the Additional Races. Host covenants to cooperate in good faith with such marketing and promotional persons and agencies as BCL may designate in its efforts to market and promote BCL, the Championship, the Property Rights and the Thoroughbred industry in general, and to secure the widest possible media coverage thereof. Host covenants to cooperate with and to assist media licensee(s) or BCL's designee(s) in the provision of media coverage of the Championship and the Additional Races. Host covenants to grant non-exclusive access to BCL's selected industry television network to produce a simulcast show and a pre-event "works" show and to cooperate and assist such industry television network in connection with the provision of television coverage relating to the Championship. Host further covenants that, except as authorized or permitted under the terms of this Agreement, it will not permit the presentation of depictions or recordings of the Races for viewing of whatever nature (including, without limitation, any local television programming featuring Facility races) without the prior express written consent of BCL or its primary television licensee (which consent may be withheld by BCL or its television licensee in their sole discretion); provided, however, that the

foregoing shall not restrict the Simulcast of the Races and the Additional Races to Off-Track Betting Facilities. Host covenants to make available to BCL and its licensees and to assist as requested by BCL during Championship Week in the use of any of the Facility's video rooms and related facilities. Host covenants to provide such facilities and accommodations at the Facility during the period from October 23, 2024, through November 3, 2024, as BCL may in its discretion require for BCL's television licensees.

(d) Host covenants that the starting times of the Races, and the presentation of the Races, shall be consistent with the goals set forth in Section 8.6(a) above, and consistent with any television schedule required by any national network, cable or other entity designated by BCL to televise the Races. Host covenants that it shall adjust the starting times for the Races as may be directed by BCL to accommodate any such television schedule, and covenants that the time schedule for the Races shall be strictly followed.

(e) Host covenants to provide ready access to BCL staff members, BCL television licensee(s) and all other media representatives to areas of the Facility in accordance with the Championship Credentials Guidelines set forth in Exhibit "I" hereto. BCL has the right to credential or exclude all media representatives in its sole discretion and BCL shall decide specific areas of the Facility that media representatives are entitled to visit or are prohibited from visiting. Host further grants BCL the right to designate the positioning of any temporary electronic message boards (e.g., Jumbotron) at the Facility in order to remove any obstruction or impediment to BCL's desired media coverage of the Championship.

(f) Host covenants that BCL shall have final approval regarding the selection of a race caller for both the on-track and broadcast call of the Races. Host further covenants to

have an announcer acceptable to BCL in its sole discretion other than the aforesaid race caller available for on-track comments between the Races and/or to call the Additional Races.

(g) Host covenants to provide appropriate facilities in good condition for members of the media on Championship Friday and Championship Saturday as directed by BCL. Host shall provide a minimum of 200 work stations in its press boxes for the local, national and international media covering the Championship and provide a press facility for photographers containing no less than 75 work stations. In addition, Host agrees to provide a media facility for post-Races interviews on Championship Friday and Championship Saturday with a minimum seating capacity of 35 persons and will also provide a backstretch/morning workout media area. Host agrees that all of the facilities described in this section shall be fully operational beginning Sunday, October 27, 2024, and remain operational and in good condition throughout Championship Week. Host covenants that BCL will have final approval of all press area designs and on the accreditation of, and the assigned seating locations for press members.

8.7. Trophy Presentations

Host covenants to provide within its trackside winner's circle at the Facility space and circumstances, suitable in the reasonable judgment of BCL, for the awarding of trophies or other prizes by BCL and its sponsors following each of the Races and Additional Races. Host covenants to provide an adequate number of qualified personnel approved by BCL necessary to assist in the conduct and staging of the awards presentation in conjunction with BCL's television licensee(s), so as to provide unimpeded television coverage of such presentations.

8.8. Marketing and Sponsorship.

(a) Host covenants to cooperate in good faith and consult in good faith with BCL and its designee(s) which shall conduct marketing programs specifically designed to promote

the Championship, BCL and BCL's other events in the Facility market area. Such marketing program shall be developed in consultation with Host and shall include, without limitation, daily Championship marketing (making use of the Championship logo designed pursuant to Section 9.3 of this Agreement) in the programs at the Facility during the years preceding the Championship, it being understood that all of such promotions shall refer to the Championship sponsors if such promotion does not result in a conflict with a Host sponsor. BCL and Host acknowledge the importance of continually promoting BCL, the BCL Challenge Series, the BCL Dirt Dozen, the 2022 World Championships, the 2023 World Championships, and the 2024 World Championships significantly in the years before and after Championship Week, and Host covenants to promote such events through such marketing efforts as set forth on Exhibit "J" hereto with the approval of BCL as set forth herein with respect to each individual promotion. Host shall permit BCL to temporarily install video cameras in consultation with Host throughout the Facility, subject to the reasonable consent of Host, for purposes of producing and distributing ancillary content, including, without limitation, virtual reality, augmented reality, 360 degree cameras, and social media cameras.

(b) Host covenants that BCL shall have final approval of, and the right to designate placement of, (i) all advertising, publicity, promotional and other marketing or digital materials relating to BCL, the Championship, including, without limitation, any and all handicapping publications (distributed for free or sold), and all related official BCL programs, (ii) locations, programming and scripting for the post-position draw for the Races, press conferences and other media or promotional events and (iii) programming and scripting for electronic message boards to be used at the Facility on Championship Friday and Championship Saturday. Host covenants that it will not sell or place advertising or promotional material in official BCL

programs, any official BCL publications or locations, including media information books, horsemen's information guides, press center materials, ticket folders, any simulcast signal distributing the Races or the like.

(c) Host agrees that BCL shall retain all sponsorship rights to the Championship and that the Facility will be a clean venue on Friday November 1, 2024 and Saturday November 2, 2024, free of all marks and advertising, including, without limitation, alcohol displays and branding, except as directed by BCL in its sole discretion. Notwithstanding the foregoing, Host shall work in good faith with BCL, including, hiring a third party to remove existing signage throughout Championship Week with all existing signage to be removed before Championship Friday in order to accommodate sponsor signage of BCL to be in place by no later than Championship Friday through efforts of Host. Host and BCL acknowledge that Host or a third-party designee will put up signage as directed by BCL throughout Championship Week so that all BCL sponsor signage will be in place on Championship Friday and Championship Saturday. BCL shall work in good faith to put up all competing sponsorship signage late in Championship Week but Host acknowledges and agrees that certain signage will be in place prior to Championship Friday. The actual costs associated with making the Facility a clean venue, free of all marks and advertising, shall constitute expenses of the Operating Budget.

(d) Host recognizes that BCL has granted, and may hereafter grant, license sponsorship rights to one or more firms in connection with the Championship and understands that these sponsors of BCL will have certain promotional rights during Championship Week, including, without limitation, Championship Friday and Championship Saturday under their agreements with BCL. Host covenants to reasonably assist BCL in its Championship sponsorship activities, including placement of sponsors' promotional signage and displays in accordance with the

Commercial Signage Specifications set forth in Exhibit "K" hereto. Host agrees that BCL or its representatives may erect signage at any time during Championship Week in all areas of the Facility, including the stable area, so long as such activity does not materially interfere with racing at the Facility. Host further covenants that it will not permit the display of signage at the Facility other than signage approved by BCL from Sunday, October 20, 2024, through Championship Saturday. Both BCL and Host may display their sponsors' signage at the Facility on Sunday, November 3, 2024 and so long thereafter as commercially reasonable in order to remove the BCL sponsor signage. Host shall announce all names of each Race as directed by BCL which name may include the name of a sponsor.

(e) If BCL enters into a sponsorship agreement with a local sponsor whose principal business is in California through an introduction from Host, then any sponsorship revenue attributable to the 2024 year shall be allocated towards the Operating Budget and any expenses associated with such sponsorship agreement for the 2024 year shall be an expense of the Operating Budget. Should BCL at the request of Host provide an introduction to an existing BCL sponsor during the Term of this Agreement and Host subsequently enters into a sponsorship or promotional agreement with such BCL sponsor, Host agrees to pay BCL a commission equal to fifteen percent (15%) of the net dollar amount of the fee paid to Host by such BCL sponsor during the Term. Notwithstanding the foregoing, the net dollar amount shall not be less than seventy-five percent (75%) of the gross amount paid. Should Host at the request of BCL provide an introduction to an existing Host sponsor during the Term of this Agreement and BCL subsequently enters into a sponsorship or promotional agreement with such Host sponsor, BCL agrees to pay Host a commission equal to fifteen percent (15%) of the net dollar amount of the fee paid to BCL by such Host sponsor during the Term. Notwithstanding the foregoing, the net dollar amount shall not be

less than seventy-five percent (75%) of the gross amount paid. It is understood that this Section 8.8(e) shall not be construed to diminish Host's obligation to provide a clean venue for the Championship as set forth in Section 8.8(c) above.

(f) Host agrees that BCL's Affiliate, Breeders' Cup Charities, Inc., and any charity beneficiaries of BCL that are approved by Host in writing and in advance, which approval shall not be unreasonably withheld, may have access to Facility public areas during Championship Week for the purpose of erecting and operating a reasonable number of booths (the number and location of which shall be subject to Host's advance written approval) in pursuit of their charitable purposes.

(g) Host agrees that designated representatives of BCL's sponsors may have access to the Facility during normal business hours (or otherwise as requested by BCL) during Championship Week for the purpose of erecting sponsor areas for use during the Championship and the like; provided, however, that such activities do not materially disrupt the conduct of the fall racing meet at the Facility during such week.

8.9. Hospitality.

(a) Host covenants that BCL shall have final approval of the schedule of official Championship events and Host agrees to coordinate official events and functions with BCL so as to provide the best possible first-class atmosphere for the Championship for the period beginning on the date two (2) weeks prior to Championship Friday and continuing through the date one (1) week following Championship Saturday; provided, however, that the official BCL events occurring at the Facility after Championship Saturday shall be scheduled by mutual agreement of the parties in good faith. In addition, during such time periods, Host, including 22nd DAA, agree to not to schedule events at the Facility that may conflict with the setup or execution of the

Championship. Host covenants that BCL may hang paintings or racing photographs during Championship Week throughout the Facility, including, without limitation, in suites and dining areas.

(b) Host acknowledges and agrees that the ability to deliver a first class, premier international event (as represented by the venue, hospitality, and service in the 2017 and 2021 Breeders' Cup World Championships), including, without limitation, first class hospitality and service is valuable to the BCL brand, including, without limitation, the ability of BCL to sell tickets to future BCL events. Host covenants to use best efforts to deliver a first class, premier international event. Host covenants to provide to BCL status updates as set forth in Exhibit "L" hereto in order to ensure BCL that Host is on schedule to deliver a first class, premier international event, and such updates shall include, without limitation, the following: (i) VIP and horsemen hospitality, (ii) food and beverage quality and delivery, and (iii) parking and traffic management. Host covenants to immediately notify BCL of any changes or delays which would affect the required progress as set forth in Exhibit "L" or would affect Host's covenant to deliver a first class, premier international event.

(c) Host, working in cooperation with elected officials and leaders of the state and region where the Facility is located, agrees to establish a local host committee, whose primary purpose will be to conduct, financially support and promote a series of events leading up to the Championship to create an exemplary experience for attendees of and participants in the Championship. Membership, financial support, duties and responsibilities of the local host committee shall be jointly determined by BCL and Host. Host shall use best efforts to ensure that such local host committee supports and promotes the Championships.

(d) Host covenants to provide hospitality areas free of charge at the Facility for BCL's use, including, without limitation, space and dining facilities of first-class type and quality as shall be acceptable to BCL. Such hospitality areas, which includes, without limitation, the Enclosure and Champion's Terrace, shall be for the exclusive use of BCL, its sponsors, guests and designees. It is understood that BCL may design, decorate and upgrade such areas set aside for BCL's exclusive use in its sole discretion. The cost of (i) decorating/upgrading/constructing these areas and returning them to their original configuration shall be included as an expense in the calculation of Facility Net Revenue. BCL shall also be permitted to construct a chalet to use as the "Trophy Lounge" and BCL may host sponsors, potential sponsors, and other guests of BCL at no charge. The cost of the chalet and the food and beverage (without markup if by the track caterer) shall be included as an expense in the calculation of Facility Net Revenue. Host covenants to provide a toasting area for the connections of the horses winning each of the Races which will accommodate up to fifty (50) guests at a location designated by BCL and the costs of any build out and food and beverage shall be included in the Operating Budget. The hospitality areas for BCL and Host shall consist of the seats, space and dining facilities listed on Exhibit "M." Admission and reserved seats ticket prices and bundling and the like are set forth in Exhibit "N" to this Agreement and may be changed at the request of BCL, but may not be changed by Host without the prior written approval of BCL (which approval may be withheld by BCL in its sole discretion).

(e) Host agrees to assist BCL in providing ample space for a handicapping tournament during the Championships by which players will pay an entry fee set by BCL (entry fee has historically been \$10,000) and make live wagers on the Championships with the chance of winning a prize pool (the prize pool is a portion of the entry fee set aside by the decision of BCL)

known as the Breeders' Cup Betting Challenge (the "BCBC") during the Championships as directed by BCL. Host shall host, conduct and operate the BCBC based on the good faith direction and rules from BCL and BCL shall indemnify, defend and save harmless Host pursuant to Section 12.2 hereof. Host is required to create a registration webpage (which registration page shall include the various Advanced Deposit Wagering Companies that BCBC participants may wager through) for the BCBC. All costs associated with developing the aforementioned webpage for the BCBC, including the registration webpage, shall be included in the Facility Net Revenue calculation.

(f) To the extent that Host utilizes temporary seating or hospitality areas that are also utilized during Host's race meet immediately preceding or following the Championships, the cost of such temporary facilities shall be allocated between Host and BCL on a pro rata basis and the portion attributable to the Championship shall be included in the calculation of Facility Net Revenue.

(g) Host covenants that credential assignment and distribution shall be subject to the prior approval of BCL in its sole discretion. Host covenants that it will not issue complimentary tickets or passes of any type for Championship Friday or Championship Saturday without the prior written consent of BCL, which consent may be withheld by BCL in its sole discretion. BCL will reimburse Host the value of all complimentary tickets or passes that it uses except for complimentary tickets and passes provided to (i) owners, trainers, breeders and jockeys of starters in the Races and the Additional Races and (ii) up to fifty (50) tickets for broadcast partners, including, without limitation, NBC and other companies involved in distributing and broadcasting coverages of the Races (the "Media Partners"). Payments from BCL for complimentary tickets shall be included in the calculation of Facility Net Revenue.

Notwithstanding the foregoing, unsold ticket inventory for grandstand reserved seating may be distributed by BCL after October 13, 2024, on a complimentary basis for promotional purposes without reimbursement. Unsold tickets may be used for charitable and promotional purposes as determined by mutual agreement of the parties.

(h) Host covenants that prices to be charged by Host or Facility caterers, vendors, and agents for concessions and food and beverages sold directly to consumers on Championship Friday and Championship Saturday shall be determined by BCL. The 22nd District Agricultural Association shall be entitled to retain an amount equal to fifty percent (50%) of the net revenue (defined as gross revenue less cost of goods and direct labor attributable to sales) generated from walk-up food and beverage concessions during the Championship, subject to a cap on such retention of Two Hundred Thousand Dollars (\$200,000). To the extent that food and beverages provided by Host's proprietary catering entity are included in Championship ticket prices or served in the media hospitality area, the View, Champions Terrace, or via meal passes to backside workers as consistent with the 2021 Breeders' Cup World Championships or such other activations agreed to between Host and BCL, such food and beverages shall be included in the calculation of Facility Net Revenue at the actual cost of goods sold plus direct labor and taxes without any additional markup or profit margin. To the extent BCL utilizes Host's proprietary catering entity for training and orientation event, the draw or other race related events and meals for BCL staff or consultants, such meals shall be at the actual cost of goods sold plus direct labor and taxes without any additional markup or profit margin. All profit on any food and beverages sales, including, without limitation, general concessions, shall be accounted for in the calculation of Facility Net Revenue. Host agrees to facilitate a meeting or meetings between BCL and Facility caterer(s) to discuss the provision of services and products by the caterer(s). Host agrees to cause

its and Facility caterer(s)'s proposed menus and pricing schedule for the Championship to be submitted to BCL no later than October 15, 2024. Host and Facility caterer(s) agree to host a menu tasting event for BCL and its designees no later than March 1, 2024. Host agrees that BCL shall have the right to approve menus to be offered to patrons during the Championships. Host agrees to cause Facility caterer(s) to (i) serve brands designated by BCL, including brands produced or promoted by BCL's sponsors and (ii) to not serve brands specifically designated by BCL. BCL may, at its option, in consultation with Host, designate an "Official Chef or Chefs of the Championships" during the Championship for the purpose of creating menus and supervising catering in designated areas. BCL may cause an independent chef or food service provider, selected by BCL and approved by Host in good faith, to provide food and beverage service in the breakfast marquee and any and all other areas designated on Exhibit "O" at the Facility on Championship Friday and Championship Saturday. BCL shall be permitted to cause an independent chef or food service provider, selected by BCL to provide food and beverage services in all temporary structure areas, including, without limitation, the breakfast marquee. BCL may also designate celebrity chefs to assist Host or its designated caterer for all other food and beverage services at the Facility. Host covenants that it currently is not a party to any contracts (except for contracts reached by collective bargaining) that would limit the ability of BCL to utilize a guest chef or food service provider to provide food and beverage service as set forth in this section of the Agreement. Host further covenants that it will not enter into such a contract without the prior consent of BCL. By no later than December 15, 2024, Host shall use best efforts to have Facility caterer provide to BCL a detailed analysis of food and beverage sales which analysis shall include, without limitation, the following: (i) gross sales per location; (ii) net sales per location; (iii) amounts and types of specific items sold or consumed per location; (iv) specific brands purchased

or consumed (for example, Host sold 600 bottles of Veuve Cliquot champagne in Turf Club) per location; and (v) labor and additional equipment costs.

(i) Tickets to be given for free or sold to owners, breeders, trainers and jockeys of starters in the Races and the Additional Races (the "Horsemen") and Media Partners ("Hold Tickets") will be identified by BCL and shall be placed in a hold status until seats are assigned after entries close and will not be available for sale during the sales periods described in Exhibit "P". Should either BCL or Host assign a hold status to tickets, other than Hold Tickets and not release them for sale prior to the Advanced Sales Period, the party placing such tickets on hold will be responsible for paying for these seats if they are not sold to a third-party. Such payments for these held tickets shall be included in the calculation of Facility Net Revenues. If requested by BCL, Host covenants to expedite advance ticket sales and distribution of tickets for the Championship. Tickets for Championship Friday and Championship Saturday must be shipped to ticket purchasers not earlier than ninety (90) days nor later than thirty (30) days prior to Championship Friday via the shipping service selected by BCL in its sole discretion. Host covenants to provide adequate facilities, including, without limitation, internet access for all ticket booths and will call areas and staff for ticketing as may be requested by BCL. Host agrees to provide the services and staff necessary to make sales proactively to group purchasers. Host agrees, if requested by BCL, to make all sales through BCL's preferred selection for an electronic ticketing application and to enter into agreements with vendor(s) for the provision of services related to online/back-office sales and/or customer call center support. In the event that BCL requires the use of an online and back-office ticket sales system other than the ticketing system utilized by the Facility on a day-to-day basis, BCL agrees that, except for hardware or infrastructure items, any incremental costs incurred by Host in connection with the adoption of the

BCL application (e.g., creation of seat maps) shall be included in the Operating Budget. Host shall send any unused tickets for the Championship to BCL no later than ten (10) days after the Championship.

(j) If requested by BCL, Host agrees to implement security procedures identified by BCL that will provide for efficient and secure ingress and egress by patrons to the Facility.

(k) Host covenants to provide such seating and admission as BCL may request for BCL sponsors and network representatives on Championship Friday and Championship Saturday, but BCL shall pay the cost of these tickets in accordance with Section 8.9(d) hereinabove to the extent such costs are not excluded pursuant to the terms and conditions contained herein.

(l) Host shall submit to BCL for its approval no later than May 1, 2024, a traffic control plan and shall negotiate in good faith any changes to such plan suggested by BCL. Host shall allocate no less than One Thousand Four Hundred (1,400) parking spaces at the Facility for BCL's exclusive use. The BCL Parking Requirements are set forth in Exhibit "Q" to this Agreement.

(m) If requested by BCL, Host covenants to prepare, print and distribute, in cooperation with BCL, for Championship Friday and Championship Saturday special Championship racing programs and shall provide BCL and each sponsor of BCL, as determined by BCL, sponsored race page identification and one free page within such programs; provided that BCL and such BCL sponsors shall deliver camera-ready artwork to Host for production of such program acknowledgements not later than the date four (4) weeks prior to Championship Friday. Host covenants to procure the written approval of BCL for all details of such Championship programs. If requested by BCL, Host will distribute programs to patrons on Championship Friday

and Championship Saturday free of charge, with the cost of the programs being included in the Operating Budget.

(n) Host covenants to provide ample pari-mutuel capacity, trained personnel, and self-service mutuel devices in order to assure the comfort, efficiency and convenience of Facility patrons on Championship Friday and on Championship Saturday with the specific understanding that the ratio of mutuel devices to patrons shall be at least one mutuel device (either operated by a clerk or self-service) per forty (40) patrons and that such mutuel devices shall be strategically placed to minimize wait times, if any, and to maximize the on-track pari-mutuel handle at the Facility on both days. Host covenants that its pari-mutuel system and totalisator board on Championship Friday and Championship Saturday will be able to accommodate fourteen (14) uncoupled wagering entries in each of the Races and Additional Races and vertical, horizontal and multi-day exotic wagers on Championship Friday and Championship Saturday. Host covenants that BCL shall be a third party beneficiary, or otherwise have the benefit of any Host recovery, under Host's contract with its tote company to the extent BCL suffers any damage as a result of the failure or malfunction of Host's tote system (in addition to the insurance coverage pursuant to Section 14.2); provided, however, that any such recovery related to on-track pari-mutuel wagering shall be accounted for as Facility Gross Revenues and shared by Host and BCL accordingly. Host agrees that all wagering through self-service mutuel devices at the Facility shall be on-track wagers and shall not be placed through any advanced deposit wagering entities.

(o) Host will use best efforts to work with District to provide ample automated teller machines ("ATM") at the Facility in order to assure the comfort, efficiency and convenience of Facility patrons to withdraw cash from bank accounts during the Championships. Any and all fees, royalties and other revenue attributable to the ATMs shall be included in the Facility Gross

Revenues for purposes of calculating the Facility Contribution. Host shall use best efforts to provide BCL a detailed analysis of wagering activity, including, without limitation, (i) wagering revenue per terminal per area within the Facility and (ii) labor costs.

(p) Host covenants that Facility's caterer(s) will provide sufficient trained personnel, supplies and equipment to assure that Facility concessionaires meet the needs of Facility patrons on Championship Friday and Championship Saturday in accordance with the highest standards of customer service. BCL and Host agree to cooperate in good faith to resolve any customer service issues related to food and beverage service. Host and the Facility caterer(s) agree that a staffing and service location plan shall be submitted to and approved by BCL no later than August 1, 2024.

(q) Host covenants that no construction or plant renovation will occur at the Facility that will in any way impair the aesthetic presentation, operational efficiency or customer service of the Championship and/or during Championship Week. Host acknowledges that BCL may request that the 22nd District Agricultural Association either (i) not have Scream Zone at the Facility or (ii) work quickly to takedown Scream Zone prior to October 25, 2024 and the incremental costs related to taking down Scream Zone shall be included in the Facility Net Revenue calculation.

(r) Host covenants to provide such facilities and accommodations at the Facility during the period from October 4, 2024, through November 5, 2024, as BCL may in its reasonable discretion require for BCL staff. Such facilities and accommodations shall include (i) previously used workspace known as Mission Tower or space for a minimum of two (2) triple-wide trailers and four (4) single-wide trailers in the stable area or other location designated by BCL at the Facility, together with a minimum of twenty (20) reserved parking spaces in close

proximity to such trailers; (ii) space for three (3) double-wide trailer in the television compound at the Facility, (iii) space for two (2) single-wide trailers and a separate rest room facility within the fenced areas of the quarantine facility at the Facility; and (iv) electric, telephone and high speed Internet service at all trailers.

(s) Host covenants to provide space at the Facility acceptable to BCL for the placement and operation of a "Trackside Breakfast Marquee" during Championship Week. To the extent certain temporary structures and chalets, including, without limitation, the Breakfast Marquee require buildout and construction times longer than the three (3) weeks set forth in Section 8.9(a), Host shall provide such space required for such buildouts free and clear of any other events or obstacles for a period of up to five (5) weeks prior to Championship Friday for the construction and buildout of such chalets and temporary structures consistent with the practices at the 2017 Breeders' Cup World Championships.

(t) Host agrees to conduct a minimum of six (6) handicapping tournaments during 2024 by which contestants will qualify to participate in the 2024 Breeders' Cup Betting Challenge and will make best efforts to conduct such tournaments on the days of Breeders' Cup Challenge Races being conducted at the Facility.

8.10. Operating Budget

The parties acknowledge that the Operating Budget set forth in Exhibit "B" is a preliminary operating budget that reflects the categories for revenues and expenses in the operating budget for the Championship. The parties shall, by mutual agreement and in good faith, revise the Operating Budget prior to September 15, 2024 to reflect refined budget estimates, including, without limitation, the establishment of specific revenue and expense amounts and a staffing plan with detailed backup support for the plan. Host shall also provide a complete detailed general

ledger report to BCL on a monthly basis beginning November 1, 2024 and at additional intervals at the request of BCL and both parties shall review and sign off on such ledger to the extent both parties are in agreement. If both parties are not in agreement, both parties shall work in good faith to timely resolve any discrepancies and if both parties cannot reach such agreement then both parties will engage in the arbitration process set forth in Section 5.2 hereof. Host and BCL shall provide sufficient detailed back-up support to substantiate any expenditure set forth in the general ledger report that is requested by BCL. No expenditures will be made which would result in negative variances in actual expenses for the Championships without the prior written consent of (i) the Chief Executive Officer or Chief Operating Officer of BCL, and (ii) Chief Operating Officer or Chief Financial Officer of Host. The parties covenant that, without both prior written consents set forth above (which consents may be withheld by each respective party in their reasonable discretion), no expenditures will be made which would result in actual expenses for the Championship exceeding the projected expenses in the Operating Budget. In the event any such expenditures are made without obtaining both prior written consents, the party responsible for the expenditure shall be solely liable for such expenditure. In the event any such expenditures are made and both consents are obtained, the expenditure will be included as an expense in the calculation of Facility Net Revenue. Notwithstanding the foregoing, if BCL elects to make additional expenditures that are not approved by Host as set forth herein, then BCL shall be entitled to any and all revenue resulting from such additional expenditures.

The prior written consents of (i) the Chief Executive Officer or Senior Vice President of Operations of BCL and (ii) Chief Operating Officer or Chief Financial Officer of Host shall be in the form of an "Expense Approval Worksheet," a copy of which is attached hereto as Exhibit "R." It is expressly understood that Host's full-time labor costs, except for over time related to the

Championship, shall not be included in the Operating Budget and only hourly, incremental labor costs may be included in the Operating Budget to the extent such incremental labor costs are above and beyond ordinary labor costs and are directly related to the Championships and such incremental labor costs are detailed in writing, including, without limitation, the scope, type and time of work and such work and costs are approved by BCL. It is further understood that Host covenants to cooperate in good faith with BCL in the planning and execution of the expenditures contemplated by the Operating Budget, including reasonable revisions to the allocations of expenses set forth in Exhibit "B." Host and BCL covenants that they will pay all expenses identified in the Operating Budget in accordance with the terms of the expense invoice or, if the expense is invoiced by BCL, within thirty (30) days of receipt of the BCL invoices unless otherwise agreed in writing by BCL. For any Championship expenses initially paid by BCL for which BCL requests reimbursement from Host, BCL will provide copies of third party vendor invoices, or in the case of allocated costs from BCL, explanation of the allocation accompanied by a reasonably sufficient level of backup to support the charges. For any Championships expenses paid by Host, Host shall maintain a copy of all invoices and provide such invoices to BCL upon request. Any expense included in the Operating Budget and incurred by Host in carrying out its obligations pursuant to this Agreement shall be considered an expense of the Championship for purposes of calculating Facility Net Revenue.

8.11. Totalisator Security

Host covenants to have in place, at least one (1) month prior to Championship Saturday, security measures at least equal to the race track industry standard in order to protect wagering information and the integrity of the wagering process with respect to all the races to be presented at the Facility on Championship Friday and Championship Saturday. In addition, Host covenants

to use its best efforts to cause (i) its totalisator provider and (ii) each Off-Track Betting Facility with whom Host has a Simulcasting contract, to have in place, at least one (1) week prior to Championship Friday, security measures at least equal to the industry standard totalisator security measures in order to protect wagering information and the integrity of the wagering process with respect to all the races to be presented at the Facility on Championship Friday and Championship Saturday.

8.12. Treatment of Funds

Host covenants that it will maintain separate interest-bearing trust accounts into which funds resulting from ticket sales, simulcasting and the like will be maintained until the Contribution is remitted in full to BCL and Host shall provide BCL evidence thereof no later than November 1, 2024. Funds in these accounts may be used to make expenditures that are set forth in the Operating Budget or that are approved pursuant to Section 8.10. The funds in such accounts shall be invested in a manner that is mutually agreeable to the parties. Interest earned on the funds in such accounts shall be included in the Operating Budget. Host further agrees to grant BCL a primary security interest in the funds in such accounts to secure payment of the Contribution and to execute such documents and make such filings necessary to perfect the security interests.

8.13. Takeout on Pari-mutuel Wagers. Host covenants to have in place for the Championships takeout rates on pari-mutuel wagers on Championship Friday and Championship Saturday at the Facility that are mutually agreeable to the parties and consistent with applicable law.

ARTICLE 9

PROPERTY RIGHTS AND LICENSE

9.1. Ownership of Properties

BCL now owns and controls, and shall continue to own and control, and Host shall not, by virtue of this Agreement or the relationship between the parties created hereunder, acquire any interest in, or rights in or to, the Championship, the Races, the Properties or the Property Rights (except to the limited extent expressly provided in Section 9.4 below). BCL shall have, and hereby retains, the exclusive right to all the Properties and the Property Rights. BCL shall, with respect to the Championship, retain and shall have the sole and exclusive right to exercise all the Property Rights.

9.2. Merchandise Licensing and Sales

Host acknowledges that BCL has the exclusive merchandising rights for BCL-trademarked merchandise and the exclusive right to license certain Persons to produce special BCL-trademarked merchandise. During Championship Week, BCL and its licensees shall have the exclusive right to sell (directly or indirectly) BCL trademarked merchandise at the Facility at designated locations which are acceptable to BCL in its sole discretion. BCL shall receive all revenue from the sales of BCL trademarked merchandise. Host covenants to provide adequate storage areas at the Facility for the BCL-trademarked merchandise during Championship Week. Both Host and BCL merchandise may be on display at the Facility during Championship Week, during which time Host agrees to provide BCL a minimum of fifty percent (50%) of the shelving and display space within the Clubhouse gift shop and a portion of Mission Tower for the sale of BCL-trademarked merchandise which space(s) are consistent with the space assigned to BCL during the 2024 Breeders' Cup World Championships. BCL shall receive all revenue from the sales of BCL trademarked merchandise in the Facility gift shop. The Facility gift shop shall remain open at a minimum from 8 AM to 5 PM for business each day during Championship Week.

9.3. Creation of Championship Logo

BCL will use commercially reasonable efforts to create, by June 1, 2024, a logo, symbol, or design in connection with the Championship utilizing the Property Rights in conjunction with the name and the likeness of the Facility. Host grants to BCL a non-exclusive, royalty-free license to use the Host Marks for the sole purpose of promoting the Championship and the BCL program, which use shall include, without limitation, use of the Host Marks on promotional items. Any material developed by BCL which utilizes the Host Marks shall be submitted for Host's prior approval of such material and the intended use thereof, which approval shall not be unreasonably conditioned, delayed or withheld. If Host does not respond within fourteen (14) days, such submission shall be deemed approved. BCL shall, however, retain sole and exclusive ownership of any logo, symbol or design so created (and which shall be used solely for the purpose of marketing and promoting the Championship and the BCL program), and hereby grants to Host a limited license to utilize any such logo, symbol or design for the sole purpose of marketing and promoting the Championship such limited license to be granted from the Effective Date through Championship Week in 2024. Except as provided herein, any commercial use of said logo, symbol, or design by Host without the express prior written approval of BCL is prohibited. Nothing in this Agreement shall be construed as granting a license to Host to produce, purchase or otherwise obtain merchandise to be sold to the public or as granting to Host the right to develop or create any logo, symbol or design utilizing the Properties or the Property Rights.

9.4. License of BCL Marks

BCL grants to Host for the period beginning from the Effective Date through Championship Week in 2024, a non-exclusive, royalty-free license to use the BCL Marks, with no right to sub-license the BCL Marks, for the sole purpose of promoting the Championship and the BCL program. Any material developed by Host which utilizes the BCL Marks shall be submitted

to BCL for its prior written approval of such material and the intended use thereof (which approval may be withheld by BCL in its absolute discretion). Nothing herein shall be construed as granting a license to produce merchandise.

ARTICLE 10

RELATIONSHIP BETWEEN PARTIES

10.1. Relationship Between Parties

The relationship between Host, on the one hand, and BCL on the other, is that of independent contractors. This Agreement does not establish a joint venture, agency, or partnership between the parties. Subject to the terms and conditions of this Agreement, each party shall choose the means to be employed and the manner of carrying out its obligations. Each party shall have the sole responsibility for the supervision and payment of its personnel and, except as agreed to in writing, all other costs and expenses required to perform its obligations. Notwithstanding anything in this Agreement to the contrary, neither party shall have the authority or the ability to bind the other (whether contractually or otherwise).

ARTICLE 11

TERMINATION

11.1. Termination

Notwithstanding any other provision of this Agreement, this Agreement may be terminated:

- (a) By the mutual written agreement of BCL and Host;
- (b) By BCL or Host if any covenant or agreement set forth in this Agreement shall not be kept or performed by the other party in any material respect and such material failure or breach is not reasonably capable of being remedied or, if capable of being remedied, such failure

or breach shall not be remedied within thirty (30) days after such party shall have received written notice thereof from BCL or Host;

(c) By BCL or Host if any representation or warranty or other statement of fact by the other party contained herein or heretofore or hereinafter given by such other party in connection with this Agreement shall at any time be materially inaccurate or materially misleading or shall at any time omit a material fact necessary to make such representation, warranty, or statement not misleading;

(d) By BCL if Host shall suffer a Bankruptcy Event, Material Adverse Event or a Change in Control, or if the Facility shall suffer a Material Adverse Event;

(e) By BCL in the event of a change in the personnel occupying the positions set forth on Exhibit "T" such that it may reasonably be perceived by BCL to cause Host to be unable to present and conduct the Championships in the manner contemplated by this Agreement;

(f) By BCL in the event any action is taken by any governmental body that results in the occurrence of a Material Adverse Event with respect to Host's ability to present the Races and Additional Races on Championship Friday and Championship Saturday at the Facility in accordance with the terms and conditions of this Agreement or to perform all the covenants of Host set forth in this Agreement;

(g) By BCL any time, if the Facility main track and/or turf course are not in the condition required by BCL in its sole but reasonable discretion pursuant to Section 8.4;

(h) By BCL on or before July 1, 2024, if the updates provided by Host as set forth in Exhibit "L" do not support that Host will deliver a first class, premier international event in the reasonable discretion of BCL pursuant to Section 8.9(a) hereof;

(i) By Host if BCL shall suffer a Bankruptcy Event or a Material Adverse Event;

(j) By BCL or Host in the event of the repeal or material amendment of any law or order applicable to the presentation and/or Simulcasting of races at the Facility or the transactions contemplated by this Agreement;

(k) By BCL if by December 31, 2024, the Host Racing Commission shall not have adopted equine medication regulations consistent with the most current recommendations of the Racing Medication & Testing Consortium, provided that BCL may extend the deadline in this section without waiving the right to terminate hereunder;

(l) By BCL, if the Host's state government modifies California Business & Professional Code Section 19605.74 ("Section 19605.74") , or otherwise modifies BCL rights granted pursuant to Section 19605.74;

(m) By BCL, if the Host's state government requires any transfer of ownership rights for owners of horses participating in the Championship:

(n) By Host if BCL elects to run three or more Races over two separate weekends;

(o) By BCL by no later than August 15, 2024 if BCL has not secured (i) an adequate number of hotel rooms in North San Diego County at the appropriate facilities and at price points satisfactory to BCL; or

(p) By either Host or BCL if the State Race Track Leasing Commission has not approved this Agreement on or before May 1, 2023.

11.2. Termination of BCL Option for Years 2026, 2027 or 2028

Notwithstanding any other provision in this Agreement and solely with respect to the option granted to BCL set forth in Section 15.12 hereinbelow, such option shall automatically terminate in the event the State Race Track Leasing Commission does not exercise its option to continue the Del Mar Race Track Operating Agreement with Host through December 31, 2030.

ARTICLE 12

INDEMNIFICATION

12.1. BCL Indemnification

Host agrees to indemnify, defend and save harmless BCL and its Affiliates and the members, directors, officers, employees and agents of BCL and its Affiliates (collectively, the "BCL Indemnified Persons"), from all Adverse Consequences which may be imposed upon, incurred or suffered by or asserted against BCL and which arise, in whole or in part, directly or indirectly from: (i) any misrepresentation, breach of warranty or non-fulfillment or nonperformance of any agreement, covenant or condition on the part of Host to be performed, complied with or fulfilled under this Agreement; (ii) any acts of employees, agents, servants or officers of Host in connection with the operations conducted by Host during or in connection with the Championship; (iii) any claims relating to the Facility, any equipment utilized in connection with the Facility or facilities provided for the use of patrons, invitees or employees of Host or the Facility; (iv) any proper exercise by BCL of any rights granted to BCL by Host under this Agreement, including, without limitation, in Article 9 hereof; and (v) any proceedings or orders incident to any of the foregoing.

12.2. Host Indemnification

BCL agrees to indemnify, defend and save harmless Host and its affiliates, and the members, directors, officers, employees and agents of Host and its affiliates (collectively, the

“Host Indemnified Persons”), from all Adverse Consequences which may be imposed upon, incurred or suffered by or asserted against Host and which arise, in whole or in part, directly or indirectly from: (i) actions taken by Host in strict accordance with the Eligibility Requirements and the Field Selection Methodology; (ii) any misrepresentation, breach of warranty or non-fulfillment or nonperformance of any agreement, covenant or condition on the part of BCL to be performed, complied with or fulfilled under this Agreement; (iii) any acts of the employees, agents, servants, or officers of BCL or its Affiliates in connection with the Championship, including the operations conducted at the Facility in connection with the Championship; (iv) any proper exercise by Host of any rights granted to it by BCL under this Agreement, including, without limitation, in Article 9 hereof; and (v) any proceedings or orders incident to any of the foregoing.

12.3. Indemnification Procedure.

(a) If any claim or action is threatened, asserted or commenced against a BCL Indemnified Person or a Host Indemnified Person (each, a “Claim”), BCL or Host, as applicable, shall give written notice to the other party promptly after receipt of such Claim. If such party receiving notice is obligated under Sections 12.1 or 12.2 to defend the party against such Claim, then the indemnifying party shall take control of the defense and investigation of the Claim, in consultation with the other party (provided that the indemnifying party may make all final decisions, subject to the other terms of this Section 12.3), using such attorneys and other assistance as it selects in its reasonable discretion. The indemnified party shall cooperate in all reasonable respects in such investigation and defense, including trial and any appeals. The indemnified party shall be entitled to prompt reimbursement for all out-of-pocket expenses reasonably incurred by it in connection with such cooperation. No settlement of a Claim that imposes any obligation or

liability on the indemnified party shall be agreed to and entered without the consent of the indemnified party, which consent shall not be unreasonably withheld.

(b) It is not a condition precedent to recovery under this Article 12 for any party to first seek a contractual, statutory, or common law remedy against the other party in order to give notice of a Claim. No party is under any obligation to pursue any claims against the other party.

ARTICLE 13

FORCE MAJEURE

13.1. Force Majeure

In case any party to this Agreement fails to perform any of its obligations hereunder and such failure is for reasons beyond the control of that party, including without limitation, because of an act of God, inevitable accident, fire, boycott, loss of power, or an act of a public enemy, riot, war, terrorism, inclement weather, equine disease, human pandemic, injunctions or other interference through legal proceedings or to any causes beyond the control of such party, such failure shall not be deemed to be a violation by such party of its obligations hereunder, but such party shall use due diligence to put itself in position to carry out all of its obligations hereunder. If an event of force majeure causes Host to be unable to present any of the Races or Additional Races on Championship Friday or Championship Saturday, Host agrees that, if directed by BCL, it will present such of the Races and Additional Races as were unable to be presented on Sunday, November 3, 2024. Notwithstanding the foregoing, this Section 13.1 cannot be relied upon to excuse any failure to perform any act required by Section 8.1 or 8.2 hereof.

ARTICLE 14

INSURANCE

14.1. Host Insurance

Host agrees to cause BCL, its officers, agents, employees and licensees, to be included as additional insured parties under Host's commercial general liability and business interruption insurance policies as their interests may appear for the Championship and any activities relating thereto for the Term. Host shall provide BCL with a certificate of insurance demonstrating compliance with this section by February 1, 2024.

14.2. Event Insurance

Upon a request from BCL, Host has the right to and agrees to purchase event cancellation insurance with mutually agreeable coverages and policy limits after good faith consultation with BCL relating to the Championship to be in effect no later than August 1, 2024. BCL shall be named an additional insured on the policy and shall be entitled to receive an amount equal to the Contribution pursuant to the Operating Budget. The cost of such insurance shall be included in the Operating Budget and will be considered a Facility expense for purposes of calculating Facility Net Revenue. The proceeds of such insurance, if any, shall be included in the Operating Budget and will be considered Facility Gross Revenue for purposes of calculating Facility Net Revenue. In addition, Host agrees to purchase tote failure insurance with a policy limit of no less than Ten Million Dollars (\$10,000,000) with BCL and Host as the named insured to be in effect no later than August 1, 2024. The cost of such insurance shall be included in the Operating Budget and will be considered a Facility expense for purposes of calculating Facility Net Revenue. The entire proceeds of such insurance, if any, shall be allocated to BCL and Host consistent with other provisions of this Agreement. If requested by BCL, Host agrees to purchase insurance policies in lesser amounts.

ARTICLE 15

MISCELLANEOUS

15.1. Deliveries and Notices

Any deliveries, notices or other communications required or permitted hereunder shall be deemed to have been duly made or given (i) if delivered in person, (ii) if sent by certified or registered mail, return receipt requested, postage prepaid, (iii) if sent by a nationally recognized overnight courier or (iv) if sent by facsimile transmission, to the addresses or facsimile numbers of the parties as follows:

BCL: Breeders' Cup Limited
Attn: Drew Fleming
215 West Main Street, Suite 250
Lexington, Kentucky 40507
Email: Drew@Breederscup.com

with a copy to: Sarah Reeves
Stoll, Keenon Ogden, PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507
Email: Sarah.Reeves@skofirm.com

Host: Del Mar Thoroughbred Club
Attn: Josh Rubinstein
2260 Jimmy Durante Boulevard
Del Mar, California 92014
Email: josh@dmte.com

with a copy to: Chris Jaczko
Procopio, Cory, Hargreaves & Savitch LLP
12544 High Bluff Drive, Suite 400
San Diego, CA 92130
Email: chris.jaczko@procopio.com

or to each party, at such other address or facsimile number as may hereafter be designated by such party in a written notice to the other parties complying as to delivery with the terms of this Section.

All such notices, requests, demands and other communications shall be deemed to have been given

(i) on the date received if personally delivered, (ii) two business days following the date deposited in the mail if delivered by mail, (iii) on the next business day following the date sent by overnight courier if delivered by overnight courier or (iv) the date sent by email if delivered by email before 5:00 ET on a business day (otherwise on the next succeeding business day).

15.2. Waivers

No waivers or failure to insist upon strict compliance with any obligation, covenant, agreement or condition of this Agreement, or delay in exercising any right, power or privilege, shall operate as a waiver of, or an estoppel with respect to, any subsequent or other failure.

15.3. Expenses

Each party shall assume as incurred and pay its own legal, accounting and other expenses incurred in connection with the transactions contemplated by this Agreement except as otherwise provided in Article 12 hereof.

15.4. Headings and Counterparts

The headings in this Agreement have been included solely for ease of reference and shall not be considered in the interpretation or construction of this Agreement. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. In the event one or more of said counterparts are executed by facsimile transmission the parties agree to provide non-facsimile counterparts of this Agreement immediately thereafter.

15.5. Exhibits

The Exhibits to this Agreement are incorporated by reference and expressly made a part of this Agreement.

15.6. Entire Agreement; Modification

This Agreement (including all Exhibits) contains a final, complete and exclusive Agreement of the parties pertaining to its subject matter and supersedes all prior written and oral agreements pertaining hereto. Except as expressly provided in Sections 2.2 and 4.1 hereof (giving BCL the unilateral right to make certain modifications hereto), no modification or waiver of any provision of this Agreement and no consent by any party to any departure therefrom shall be effective unless such modification or waiver shall be in writing and signed by all parties, and the same shall then be effective only for the period and upon the conditions and for the specific instances and purposes specified in such writing. The rights and remedies provided are cumulative and not exclusive of any rights or remedies otherwise provided by law.

15.7. Governing Law; Consent to Jurisdiction and Venue

This Agreement and any disputes hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky, without reference to its principles of conflicts of law or choice of law. The parties hereby irrevocably and unconditionally agree that the Circuit Courts of Fayette County, Kentucky and/or United States District Court for the Eastern District of Kentucky sitting in Lexington, Kentucky shall be the sole proper venue for the resolution of any disputes, claims or proceedings regarding the obligations and liabilities of any party under this Agreement and the parties hereby irrevocably and unconditionally waive any right to a determination of any such proceedings by a court in any other venue and agree not to plead or claim that any such proceedings brought in the Circuit Courts of Fayette County, Kentucky and/or the United States District Court for the Eastern District of Kentucky sitting in Lexington, Kentucky have been brought in an inconvenient forum. The parties hereto further agree that service of process by any judicial officer or by registered or certified U.S. mail in accordance with the provisions of Section 15.1 hereof, shall establish personal jurisdiction over such parties and such

parties waive any rights under the laws of any state to object to jurisdiction within the Commonwealth of Kentucky.

15.8. Binding Effect

This Agreement shall be binding upon the parties and their respective successors, assigns, and any other transferee; provided, however, that this Agreement shall be deemed strictly personal to Host and that accordingly Host may in no fashion mortgage, encumber or assign this Agreement or any part hereof.

15.9. Severability

In case any section or provision of this Agreement, or any covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this Agreement, or any application thereof, is held to be illegal or invalid for any reason, or is inoperable at any time, that illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Agreement or any other covenant, agreement, stipulation, obligation, act or action, or a part thereof, made, assumed, entered into or taken under this Agreement, all of which shall be construed and enforced at the time as if the illegal, invalid or inoperable portion were not contained therein.

15.10. Confidentiality

The parties hereto covenant to keep the terms of this Agreement in the strictest confidence except to the extent that either may be reasonably required to disclose certain information pursuant to any law or order. The parties further agree to honor and maintain the confidentiality of any confidential, secret or proprietary information as may be so designated and disclosed by any party hereto.

15.11. Survival of Covenants.

Any provision hereof which by its terms has or may have application after the expiration, terminations cancellation or forfeiture of this Agreement (including, without limitation, all of Host's and BCL's indemnity obligations as set forth herein) shall be deemed to survive such expiration, termination and cancellation or forfeiture.

15.12. Option for 2026, 2027 or 2028 Breeders' Cup World Championships

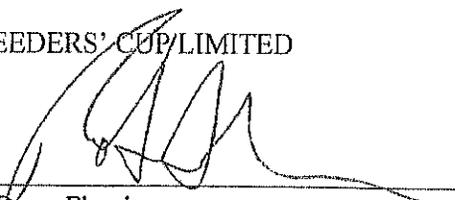
Host hereby grants to BCL an option to cause Host to present the 2026, 2027, or 2028 Breeders' Cup World Championships on and subject to the same terms and conditions as contained in this Agreement; *provided, however, that* this option shall only be exercisable by BCL to the extent Host continues as the operator of Thoroughbred racing at Del Mar following the current term of the Del Mar Race Track Operating Agreement which expires on December 31, 2025. Subject to the foregoing and subject to Section 11.2, BCL may exercise this option by delivering written notice of the exercise of the option to Host on or before March 15 of the year that is two years prior to the year for which the option is exercised. For purposes of clarity and by way of example only, in the event BCL desires to exercise its option to have Host conduct the 2026 Breeders' Cup World Championships, BCL would be required to provide written notice to Host not later than March 15, 2024.

15.13. Key Personnel.

Host agrees to timely inform BCL of any personnel changes in the positions with Host and/or the Facility set forth on Exhibit "S."

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed
by their respective duly authorized officers, all as of the day and year first above written.

BREEDERS' CUP/LIMITED

By: 

Drew Fleming
President & Chief Executive Officer

DEL MAR THOROUGHBRED CLUB

By: 

Josh Rubinstein
President & Chief Operating Officer

EXHIBIT "A"

FACILITY CONTRIBUTION FORMULA

For the privilege of presenting the BCWC, Del Mar Thoroughbred Club ("Del Mar") will pay to Breeders' Cup Limited ("BCL") a contribution consisting of the following elements:

- (a) The first \$600,000 of Facility Net Revenues is to be paid to the 22nd District Agricultural Association as a facility lease.
- (b) The next \$6,000,000 of Facility Net Revenues will be paid to BCL
- (c) If Facility Net Revenues exceed the payments made in (a) through (b) above, the remaining Facility Net Revenues in excess of \$6,600,000 shall be divided as follows:
 - i. BCL shall receive 75% and
 - ii. Del Mar shall receive 25%
- (d) 50% of Del Mar's share of Facility Net Revenues shall be deposited in a Facility Improvement Fund to be invested in the upgrade of facility capital projects mutually agreeable to BCL and Del Mar.

Schedule B - 2024 Event Operating Budget

				Contract Budget 2024
	Acct#	Dept	BCL/H-T	
1	Revenue			
2	Admissions-Seating (Including F&B)	3100	BCL	16,967,270
3	Admissions -F&B			2,512,730
4	Wagering - On Track/Scotwinc	3000	BCL	4,500,000
5	Walk-Up Food & Beverage/Dining Concessions	3400	H-T	1,800,000
6	Processing/Transportation Fees	3150	BCL	350,000
7	Local Sponsors	3800	H-T	86,000
8	Parking	3250	BCL	300,000
9	Shipping Fees	3100		70,000
10	Interest	3122	H-T	85,000
11	ATM Revenue	3124		9,000
12	Programs	3300	H-T	40,000
13	Charity Days	3700		-
14	Total Revenue			26,720,000
15	Event Operations			20,200,000
16	Salaries			
17	Benefits (All Labor)	4500	Taxes & Bene	309,774
18	Plant (Excluding Quarantine)	4360	Plant	377,095
19	Security	4160	Security	84,290
20	Admissions	4180	Operations	21,851
21	Parking/Valet	4220	Operations	45,849
22	Customer Service	4060	Operations	52,466
23	Ushers/Crowd Control	4240	Operations	15,711
24	Payroll Processing	4200	Administrative	-
25	Program Sellers	4300	Operations	7,351
26	Paddock	4280	Operations	1,316
27	Administration	4400	Operations	17,887
28	Buglers (3 of them)	4340	Operations	759
29	Wardrobe	4320	Operations	492
30	Hackney	4260	Operations	3,925
31	Total Salaries			938,765
32	Parl-mutuel (On-Track)			
33	Clerks/Money Room	4140	Parl-mutuel	283,025
34	Travel & Housing	7600	Parl-mutuel	150,000
35	Tote Infrastructure	5115	Parl-mutuel	5,500
36	Tote Fee	5120	Parl-mutuel	60,000
37	Office Supply (Radios, Adding Machines, Etc)	5580	Parl-mutuel	19,168
38	Technicians	7120	Parl-mutuel	-
39	Tote Paper	5800	Parl-mutuel	13,822
40	Training & License	7650	Parl-mutuel	5,500
41	Armored Car	7655	Mutual	3,000
42	Banking Services	7660	Accounting	12,223
43	Accounting Temporary Employees	7665	Accounting	19,509
44	Clerk Sign-up Costs	4145		16,200
45	Total Parl-mutuel (On-Track)			687,947
46	Ticketing & Programs			
47	Credit Card Fees	5220	Operations	400,000
48	Tickets & Brochures	5640	Operations	350,000
49	Programs COS	5700	Operations	250,000
50	Credentials (Media, Paddock, Staff)	5860	Operations	94,848
51	Racing Form COS	5720	Operations	36,901
52	Office Supplies	5880	Operations	4,585
53	Total Ticketing & Programs			1,136,334
54	Food & Beverage			
55	Food & Beverage (Included In Ticketing)	8000	Operations	2,512,730
56	Breakfast Marquee Portion - Buildout & Portion of F&B			-
57	Enhanced Cullinary	8007		100,000
58	Walk-Up Concessions	8010		1,100,000
59	Pick ups	8012		6,000
60	Total F & B			3,718,730
61	Facilities			
62	Temporary Chalets-Construction/Décor	8650		1,145,000
63	Event Signage-Hard Costs	8280	Operations	275,000

		Acct#	Dept	BCL/H-T	Contract Budget 2024
64	Event signage-Labor	8290			95,000
65	Bulldozer Consultants	8654	Operations	H-T	100,000
66	Temporary Boxes	8060	Plant	H-T	180,000
67	Rentals - Tables & Chairs	5245	Operations	H-T	150,000
68	Infield Activation-GA	8040	Publicity	BCL	165,000
69	Various Professional Services	7020	Plant	H-T	85,000
70	Special Area Set-Up & Enhancements	8300	Operations	BCL	150,000
71	Video Display Boards	8000	Broadcast	H-T	21,000
72	IT	7080	IT	H-T	8,000
73	Landscaping	5950	Plant	H-T	50,000
74	Ambulance (2 additional)	5200	Operations	H-T	28,000
75	Utilities	5425	Plant	H-T	75,000
76	Metal Detectors	5100	Security	H-T	30,000
77	Infield Activation-The Beach	8625		BCL	100,000
78	Radio Rentals (HT-Employees)	5020	Plant	H-T	8,000
79	Dump Charges	5000	Plant	H-T	12,000
80	EC horse crane rental to move horse	5080	Plant	H-T	5,000
81	Total Facilities				2,682,000
82	Transportation & Parking				
83	Shuttles-Offsite/Parking	8500			350,000
84	Shuttles-Hotel	5240	Operations	BCL	350,000
85	Signage-Directional	5040	Operations	H-T	35,000
86	Golf Carts/Radio Rentals	5840	Operations	BCL	25,000
87	Total Transportation & Parking				760,000
88	Non-Union Security				
89	Unarmed Event Security	7100	Security	BCL	275,000
90	Contracted Law Enforcement	7080	Security	BCL	175,000
91	Total Non-Union Security				450,000
92	Total Event Operations				10,273,775
93	Merchandising & Media				
94	Salaries & Benefits				
95	Publicity/Press Box	4100	Publicity	H-T	9,000
96	Marketing Aides	4040	Marketing	H-T	1,500
97	Advertising	4000	Marketing	H-T	-
98	Total Salary & Benefits				10,500
99	Ticket Sales Marketing				
100	Paid Media Advertising	8040	Marketing	BCL	600,000
101	Event Content Development			BCL	50,000
102	Promotional Tickets	8100	Marketing	BCL	75,000
103	Total Ticket Sales Marketing				725,000
104	Press Relations				
105	Hotel Hospitality-Press Center	8080	Publicity	BCL	55,000
106	Festival Contribution	8520			85,000
107	Public Relations Agency			BCL	75,000
108	Press Conference	6220			5,000
109	Notes Team	8200	Publicity	BCL	27,000
110	Photography Team			BCL	25,000
111	Press-Box-Food	6200	Publicity	BCL	35,000
112	Local Sports Commission Membership	8600			-
113	Press Set-Up	8220	Plant	BCL	38,000
114	Media Row	6210	Publicity	BCL	30,000
115	Printed/Media Biographies	5900	Publicity	BCL	15,000
116	Interview Room	8240	Plant	BCL	8,000
117	Total Press Relations				398,000
118	Event Upgrades				
119	Fascinator & Fedora	6160	Marketing	BCL	50,000
120	In-Venue Experience	6140	Marketing	BCL	50,000
121	Opening ceremonies	6120	Marketing	BCL	25,000
122	Champagne Garden		Marketing	BCL	75,000
123	Celebrity Promotions	6110	Marketing	BCL	100,000
124	Total Event Upgrades				300,000
125	Total Merchandising & Media				1,433,500
126	Racing				
127	Purses	8480	Pari-mutuel	H-T/BCL	1,400,000
128	Quarantine & Testing				-

	Amount	Plant	Operating	Capital	Total
129	Operating Materials & Supplies @ Labor				453,000
130	Racing Labor	4380	Racing	H-T	135,000
131	Supplies	5990	Plant	H-T	250,000
132	USDA Lab Tests	8140	Racing	BCL	150,000
133	Total Quarantine & Testing				985,000
134	Staffing				
135	Equine Surveillance	8180	Security	BCL	600,000
136	Contract Labor	8540			100,000
137	Vet Panel / Inspectors	7180	Racing	BCL	250,000
138	Track Surface Consultant	8590			15,000
139	Horse Ambulance (3)	5500	Racing	H-T	-
140	Total Staffing				985,000
141	Horsemen Relations				
142	Horsemen Hospitality	8020	Publicity	BCL	600,000
143	Gifting	8570	Racing	BCL	185,000
144	Apparel	5780	Racing	BCL	150,000
145	Trophies	8260	Racing	BCL	180,000
146	Saddle Cloths, Towels, Blankets	5820	Racing	BCL	135,000
147	Flower Blankets	6520	Racing	BCL	40,000
148	IRB	7220	Racing	BCL	80,000
149	Racing Panel	7140	Racing	BCL	50,000
150	Post Position Draw Breakfast/ Invitations	6180	Publicity	BCL	300,000
151	HIG & Printed Materials	5920	Racing	BCL	35,000
152	International Recruitment	7200	Racing	BCL	20,000
153	Transit Barn / Pony Outriders	5340	Racing	H-T	20,000
154	Racing Related Services - Other	7240	Racing	BCL	18,000
155	Starting Gates	5320	Racing	H-T	2,000
156	Barn Area Upgrades	5970	Plant	H-T	50,000
157	Total Horsemen Relations				1,886,000
158	Administrative				
159	BC Office Space/Equipment Rental	8180	Plant	BCL	125,000
160	Office Supplies	5540	Racing	H-T	500
161	Communications	5555	Administrative	H-T	-
162	Total Administrative				125,500
163	Total Racing				5,340,500
164	Television & Players Show				
165	Production & Talent	5125	Broadcast	H-T	150,000
166	Pegasus	5180	Broadcast	H-T	-
167	Salaries	4080	Broadcast	H-T	-
168	Trackus	0002			7,500
169	Total Television & Players Show				157,500
170	Miscellaneous				
171	BCBC	8360		BCL	425,000
172	BCL Accounting	8545			15,000
173	Sponsorship Fulfillment	8610			40,000
174	Celebrity Suits (Suit-up)	8070			75,000
175	Contingency/Del Mar Bonuses	8700		BCL	200,000
176	Insurance	7400	Administrative	BCL	350,000
177	Hand Held Scanners	6050			2,000
178	Florals	6055			30,000
179	Covid-19 Costs	8660			-
180	Volunteers	8025	Operations	BCL	25,000
181	Total Miscellaneous				1,182,000
182	Total Expenses				18,387,275
183	Net Revenues				8,352,725
184	Facility Payment (22nd Agricultural District)				600,000
185	Breeders' Cup Allocation				7,314,544
186	Host Track Allocation				438,181

EXHIBIT "C"

**BREEDERS' CUP WORLD CHAMPIONSHIP
RULES AND CONDITIONS**

RACE CONDITIONS

All BCWC Races are conducted under the BC Condition of Entry*

FUTURE STARS FRIDAY – NOVEMBER 1, 2024

Breeders' Cup Juvenile Turf Sprint	2YO		5 Furlongs (T)	\$ 1 Million
Breeders' Cup Juvenile Fillies	2YO	F	1 1/16 Miles	\$ 2 Million
Breeders' Cup Juvenile Fillies Turf	2YO	F	1 Mile (T)	\$ 1 Million
Breeders' Cup Juvenile	2YO	C&G	1 1/16 Miles	\$ 2 Million
Breeders' Cup Juvenile Turf	2YO	C&G	1 Mile (T)	\$ 2 Million

CHAMPIONSHIPS SATURDAY – NOVEMBER 2, 2024

Breeders' Cup Filly & Mare Sprint	3YO & UP	F&M	7 Furlongs	\$ 1 Million
Breeders' Cup Turf Sprint	3YO & UP		5 Furlongs (T)	\$ 1 Million
Breeders' Cup Dirt Mile	3YO & UP		1 Mile	\$ 1 Million
Breeders' Cup Filly & Mare Turf	3YO & UP	F&M	1 3/8 Miles (T)	\$ 2 Million
Breeders' Cup Sprint	3YO & UP		6 Furlongs	\$ 2 Million
Breeders' Cup Mile	3YO & UP		1 Mile (T)	\$ 2 Million
Breeders' Cup Distaff	3YO & UP	F&M	1 1/8 Miles	\$ 2 Million
Breeders' Cup Turf	3YO & UP		1 ½ Miles (T)	\$ 4 Million
Breeders' Cup Classic	3YO & UP		1 ¼ Miles	\$ 6 Million

Total Purses & Awards \$28,000,000.00.

All races weight-for-age

All races limited to 14 starters and will carry up to four or six also-eligibles (noted in conditions)

All Championship races are Grade I

Purses for the Championship Races shall be paid in U.S. dollars. Purses set forth above are inclusive of travel awards. Purses will not be increased by pre-entry, entry fees or nomination fees.

ENTRY PROCEDURES AND FEES

Pre-Entry Deadline and Fee Requirements

Breeders' Cup Limited (BCL) reserves the right to refuse the pre-entry or subsequent entry of any horse, in BCL's sole discretion, for any reason, including, but not limited to, situations where any connection (e.g., owner, trainer, jockey) of such horse has engaged or may have engaged in

conduct, or become the subject of a regulatory or law enforcement inquiry or action alleging conduct that is unlawful, unethical or which may otherwise compromise the integrity of the Breeders' Cup World Championships (BCWC).

In addition, BCL may, in BCL's sole discretion, refuse the pre-entry or subsequent entry of any horse that has tested positive for any anabolic steroid or other ARCI prohibited substance in out-of-competition testing conducted in connection with BCL's Breeders' Cup Challenge Series in the year of the Championships or similar testing conducted by Breeders' Cup Limited. A horse that has been treated with extracorporeal shockwave therapy within thirty (30) days of running in the BCWC will be ineligible to participate.

Pre-entries for the 2024 Breeders' Cup Championship races will close at 12:00 p.m. (PT), Monday, October 21, 2024. A pre-entry fee of one (1.5%) percent of the gross purse for a designated race will be due at the time of pre-entry. A horse may pre-enter in no more than two (2) races. All horses must be nominated to the Breeders' Cup in order to participate. Non-nominated racehorses may be nominated on or before the pre-entry deadline

If a horse is pre-entered for two races, the required pre-entry payment must be for the race of greatest purse value regardless of whether that is the race of first choice.

Should a pre-entry fee be paid of greater amount than that required for a designated race, the excess balance may be refunded or applied to entry fee requirements for the race actually entered. (For example, if a pre-entry fee of \$60,000 is paid in anticipation of entering the Breeders' Cup Mile and the horse is actually entered in the Breeders' Cup Dirt Mile instead--requiring a \$30,000 pre-entry fee--then the excess \$30,000 may be applied to the fees due at the time entries are taken.)

***Breeders' Cup Condition of Entry**

As a condition of entry for any BCWC race, no horse:

(i) within six (6) months of the BCWC shall test positive in a BCL out-of-competition test sample for, or have a veterinarian reported administration of any anabolic steroid, any bisphosphonate, or any other prohibited substance described under the Association of Racing Commissioners International ("ARCI") prohibited substance list at ARCI-011-015 V.11.0 (Annex I) of ARCI's Model Rules, and any horse in violation of this Condition (i) shall be ineligible to participate in the 2023 BCWC. Any horse nominated, pre-entered or entered to race is subject to blood, hair, or urine testing at any time.

(ii) within thirty (30) days of the BCWC shall have been treated with extracorporeal shock wave therapy; and any horse in violation of this Condition (ii) shall be ineligible to participate in the 2024 BCWC.

(iii) will have a positive finding of any medication or substance carrying a Category "A", "B" or "C" penalty as designated in California Horse Racing Board Rule 1843.2 (current) in a BCWC postrace test sample; and a positive finding for any of these medications or substances, as described

above, will lead to a disqualification of the horse, a redistribution of the purse, and a suspension of the trainer for one year from competing in the next BCWC.

If any connection of the above-described horse has been notified by a regulatory body, racetrack or racing association (i) about a pending or potential anti-doping or medication control violation involving the connection, or (ii) that such connection is currently banned, ejected or denied from participating in racing in its jurisdiction or facility, such connection must immediately report the same to Breeders' Cup. A positive test may report the presence of substance(s) administered to a horse prior to six (6) months before the BCWC.

Entry Deadline and Fee Requirements

Entries for the 2024 Breeders' Cup Championship Races will close at 10:00 a.m., (PT) Monday, October 28, 2024. An entry fee of one (1.5%) percent of the gross purse for the designated race will be due at the time of entry (fees are payable to the Del Mar Thoroughbred Club, which will accept fees on behalf of Breeders' Cup Limited).

Pre-entry and entry fees for nominated horses are nonrefundable except in the event of sickness or disability certified by the track or state veterinarian, or veterinary certification acceptable to Breeders' Cup Limited, or in the event a horse is prevented from starting by a decision of the Racing Directors/Secretaries Panel to enter the race of first choice.

All pre-entry, entry fees and nomination fees are payable in U.S. funds.

FEES COLLECTION GUIDELINES

1. The appropriateness of the form and amount of pre-entry, entry and nomination fees paid will be determined by Breeders' Cup Limited before a horse is permitted to start in a BCWC Race.
2. The form of payment of fees at pre-entry may be at the discretion of the Host Track or Breeders' Cup Limited. Payment of fees at entry must be in the form of BCL approved credit cards, wire transfers or certified funds. Participants may also make payment in cash, provided, however, that such cash payment shall be made directly to BCL unless Host, in its sole discretion, consents to accept the payment in cash.
3. All pre-entry, entry and nomination fees not paid to the Host Track must be paid to a racing authority/association or agency approved by Breeders' Cup Limited.
4. Neither Breeders' Cup Limited nor the Host Track shall extend credit for pre-entry or entry fees.
5. All refunds of pre-entry, entry and nomination fees must be approved and directed by Breeders' Cup Limited.

PURSE DISTRIBUTION RULES

The gross purse for each Championship race will include a Travel Award equal to eight percent (current level) of the purse. Owners who enter horses in Breeders' Cup Championship Races will receive a travel award in the amount of \$10,000 (US) if shipping to the Host Track from a location outside of California but in North America or \$40,000 (US) if shipping from a location outside of North America in the circumstances set forth in the rules of the Breeders' Cup Limited governing such awards.

The announced gross purse of each Breeders' Cup Championship Race will not be increased by pre-entry, entry or nomination fees collected prior to race day.

Purse Distribution for the Breeders' Cup Championship Races

Official Finish Owner Purse (10 or more starters)

1st	52%
2nd	17%
3rd	9%
4th	5%
5th	3%
6th	1%
7th	1%
8th	1%
9th	1%
10 th	1%
Travel Awards	8%

Note 1 The foregoing examples apply to races with ten (10) or more starters. All purse money not distributed reverts to BCL, unless state law requires the unclaimed purse money to escheat to the state.

Note 2 Owners' purse distributions will be based on official order of finish.

Note 3 All unpaid travel awards will remain the property of Breeders' Cup Limited.

Note 4 Owner must ensure that BCL has current contact and tax information for the owner. BCL will make reasonable efforts to locate owners to pay awards. If BCL does not locate an owner for the payment of an award and the owner does not claim the award within three (3) years from the date of the race upon which the award was determined, the owner forfeits all claims to the award and it reverts to BCL, unless state law requires the unclaimed purse money to escheat to the state. All international owners must have a US Tax ID to receive a purse distribution.

BREEDERS' CUP FIELD SELECTION METHODOLOGY

Breeders' Cup Field Selection System

A maximum of 14 starters are allowed in each of the fourteen Breeders' Cup Championship races with the exception of any BCWC race that, due to track configurations, will start 12. Breeders' Cup Limited has adopted a field selection system to select runners in the event fields are oversubscribed. **This system ranks horses in order of preference based upon (i) wins in Breeders' Cup Challenge Races, (ii) a point system, and (iii) the judgment of a panel of racing experts.** The first two criteria will assign a maximum of seven (7) horses (or all Challenge winners) for fields limited to 14 starters and a maximum of six (6) horses for fields limited to twelve starters. The field selection system will be implemented, as necessary, following the taking of pre-entries on October 21, 2024, to officially rank the oversubscribed fields. The Racing Directors/Secretaries Panel (the "Panel") will rank all the horses pre-entered in the oversubscribed races as described below. After pre-entry, any vacancies in the fields will be filled by horses in order of panel preference.

Breeders' Cup Challenge Races

The winners of certain stakes known as Breeders' Cup Challenge Races will earn the right to start in the Championship Race that corresponds to the Breeders' Cup division of the Challenge Race. In the event a horse wins Challenge Races in more than one Breeders' Cup division, that horse may be entered in the Championship Race that corresponds with any of the divisions of the Challenge Races that horse won. The Breeders' Cup Challenge Races and their corresponding Breeders' Cup divisions shall be designated and announced by BCL. The awarding of Challenge entry fees is upon pre-entering and entering the Championship division race. The benefits resulting from winning a Challenge Race are only available in the year in which the Challenge Race is won and do not carry over to future years if the horse is unable to compete in the Championships in the year it wins a Challenge Race. In the event a horse wins more than one Challenge Race in a given year, the Challenge benefits for the owner of such horse will include only one starting fee to the Breeders' Cup World Championships that year.

Graded Stakes Points

Specific point values are assigned to first-, second- and third-place finishes in stakes throughout the United States and/or Canada from January 1 through the pre-entry deadline date October 21, 2024, that have been granted graded status by the American Graded Stakes Committee of the Thoroughbred Owners and Breeders Association and/or by the Jockey Club of Canada. International Group races outside of the U.S. and Canada have no point value.

Based on this system, win, place and show horses in Grade I stakes earn ten, six and four points, respectively. The top three finishers in Grade II stakes earn six, four and two points respectively, and in Grade III races the points earned are four, two and one, respectively.

Breeders' Cup Graded Stakes Points

	Win	Place	Show
Grade I	10	6	4
Grade II	6	4	2
Grade III	4	2	1

Except for the five two-year old Championship Races, Graded Stakes Points for dirt races will be the only points considered for horses pre-entered in dirt Championship Races and Graded Stakes Points for turf races will be the only points considered for horses pre-entered in Turf Championship Races. All Graded Stakes Points will be considered for the five two-year old Championship Races.

Pre-Entry Procedures

Selection Procedures

In the case of an oversubscribed 14- or 12- horse field, the first horse(s) selected will be the winner(s) of Breeders' Cup Challenge races in the corresponding Breeders' Cup Championships division. After the selection of Challenge winners, the next horses will be ranked at pre-entry based on the total number of Graded Stakes points they have collected during the year until a maximum of seven or six horses (or all Challenge winners) have been ranked based on Breeders' Cup Challenge races and Graded Stakes points. All horses will need to accumulate a minimum of six (6) points in American and/or Canadian Graded Stakes races to be considered to receive an automatic selection on points in any Championships race with the exception of the five Juvenile races. In the five Juvenile races, horses will need to accumulate a minimum of four (4) points in American and/or Canadian Graded Stakes races to be considered to receive an automatic selection on points.

The horses remaining after the first seven or six (or all Challenge winners) in oversubscribed fourteen or twelve horse fields at the time of pre-entry will be ranked in order of preference by the Panel. The Panel will be free to establish its own criteria or ranking so that high-quality horses of demonstrated ability will have the opportunity to participate in Championships races regardless of earlier participation in graded events.

Horses will be allowed to pre-enter a maximum of two races. The races in which the horse pre-enters must be designated in order of choice at the time of pre-entry on October 21, 2024. Performance in Breeders' Cup Challenge races and points earned in American Graded Stakes races and/or Canadian Graded Stakes races have no bearing on a given Championships race field unless the race is oversubscribed (more than fourteen or twelve pre-entered).

Once a horse has been ranked among the first 14- or 12-horses in its race of first choice at pre-entry, its ranking in its race of second choice will be based first on whether it won a Breeders' Cup Challenge race in the Championships division of the second choice and then on the judgment of the Panel regardless of the number of points earned in American and/or Canadian Graded Stakes

aces. If a horse is not ranked among the first fourteen or twelve horses in its race of first choice and it did not win a Challenge race in its Championships division of second choice, then its points earned in American and/or Canadian Graded Stakes races will be utilized for ranking in its race of second choice.

'Ties' at Pre-Entry

In the event more than fourteen or twelve horses are pre-entered in a particular Championships race and two or more horses are tied for the seventh or sixth highest number of American and/or Canadian Graded Stakes races points at the time of pre-entry, the Panel shall decide in its sole discretion which of those horses shall be the seventh or sixth highest point earner. Horses not selected shall then be ranked in order of preference by the Panel at its discretion.

Pre-Entry Rankings

The Panel will issue a list of all horses ranked in order of preference for each Championship Race that is oversubscribed at the time of pre-entry. After pre-entry, any vacancies in the fields of oversubscribed races will be filled by horses in the Panel's order of preference as determined at pre-entry.

Note | Challenge Race wins and Graded Stakes points will have no bearing on ranking after pre-entry.

Entry Procedures

Entries for all Breeders' Cup World Championships races will close promptly at 10:00 am (PT) on Monday, October 28, 2024, in the Breeders' Cup Racing Office at Del Mar only. At the time of entry, a maximum of fourteen horses and up to four (4) also-eligibles may be accepted for entry in each race based on the order of preference in the rankings established at pre-entry, except for those BCWC races that start twelve horses, they will have up to six (6) also-eligibles.

Scratch time for all Friday Championships races to be contested will be 8:00 am (PT) on Friday, November 1, 2024. Scratch time for all Saturday Championships races to be contested will be 8:00 am (PT) on Saturday, November 2, 2024.

Also-Eligible Horses

There may be up to four (4) also-eligible horses for each Championships race that starts fourteen horses, in races that start twelve horses, there may be up to six (6) also-eligible horses. The also-eligible horses will be designated in accordance with the Breeders' Cup Racing Directors/Secretaries Panel's order of preference for each Championships race that is oversubscribed at the time of pre-entry.

EXHIBIT "D"

REPORTS TO RECONCILE REVENUE

Ticketing Reconciliation Report
Revenue received vs Sabo

CHRMS Reports
Updates concerning simulcast collections as requested

F & B Revenue Reports

General Admission Reports (walk-ups if applicable)

Parking Revenue Report

Program Revenue Report

ATM Revenue Report

Investment Reports

REPORTS TO RECONCILE EXPENSES

General Ledger to be received as requested (for timely expense and revenue tracking)

Paymaster of Purses Report
All inclusive report of pre-entry, entry, travel and purses paid

F & B Expense Report

Payroll Reports -for salary and hourly employees
Title, allocation of salaried employees as well as taxes and benefits
Wage per hour & number of hours worked for hourly employees (timesheets)

Payroll Report- for mutuel tellers & money room
Title, wage per hour & number of hours worked (timesheets)
Reports concerning travel & temporary housing

Credit Card Fees Report

EXHIBIT "E"
Collective Bargaining

Intentionally Left Blank

EXHIBIT "F"

Excise Tax/Races

Intentionally Left Blank

EXHIBIT "G"

RACING DATES, WAIVERS, ETC.

Host shall notify BCL by December 31, 2023 that it has secured the following racing dates and shall notify BCL prior to May 1, 2024 that it has secured other additional approvals, rules and authorizations listed below as Regulatory Requirements.

Racing Dates: Friday, November 1 and Saturday, November 2, 2024

Regulatory Requirements or House Rules Requested:

If HISA rules are not in effect, Host Racing Commission must have regulations already in effect, or Host must request rule waivers, by no later than May 1, 2024, that:

1. Prohibit the use of anabolic steroids within the previous six (6) months of race day.
2. Restrict the use of clenbuterol within six (6) weeks of race day.
3. Restrict the use of EWST or shockwave therapy within 30 days of race day.
4. Intra-articular corticosteroid treatments are prohibited within 14 days of racing. More than one corticosteroid in a post-race test sample is prohibited.
5. Non-steroidal anti-inflammatory drugs (NSAIDs) are prohibited within 48 hours of a work or a race. No authorized threshold for NSAIDs, with the exception of phenylbutazone, flunixin, and ketoprofen.
6. Require comprehensive out of competition testing on horses identified as possible starters or which have been pre-entered in the Championship.
7. Prohibit the administration of all race day medications to horses entered in the Races and Additional Races within 48 hours of race day.
8. Conduct TCO2 testing on every horse entered in the Races and Additional Races.
9. Permit loading horses into both ends of the starting gate simultaneously, known as "double loading".

10. Permit the "Quick Official" to make races official soon after they have been run.
11. Permit 14 horses to run in all Championship turf races.
12. Waive the tattoo requirement for otherwise identifiable horses coming from international locations specifically for stakes races.
13. Employ the usage of digital registration certificates.

14. Conduct “supertesting” for the presence of drugs and other substances on the 4 top finishers plus 1 other selected by the Stewards, including any beaten favorites, in all Races by an accredited laboratory.
15. Have jockey advertising rules in place.
16. Designate up to six (6) also-eligibles for each of the oversubscribed Races.
17. Designate a Friday scratch time for Friday Races and Saturday scratch time for Saturday races.
18. Permit also-eligible horses in the Races to enter an Additional Race on the same day to allow for full fields.
19. Require horses competing in the Races to ship-in on Tuesday, October 29, 2024 for mandatory testing and veterinary exams.
20. Require horses competing in the Additional Races to ship-in 48 hours prior to first post on race day.
21. Request simplification of licensing requirements for visiting participants, by offering either temporary licenses, waiving fingerprints, reduced fees, etc.
22. Each starter in the Races and Additional Races shall be considered a separate betting interest irrespective of common ownership or trainers.
23. Requiring trainers of horses pre-entered in the Races to utilize official Breeders’ Cup saddle towels each and every time a pre-entered horse goes to the Facility racetrack during Championship week.
24. Establish excessive whip rules and penalty system.

EXHIBIT "H"

BREEDERS' CUP WORLD CHAMPIONSHIP QUARANTINE & ISOLATION FACILITIES

Host will locate at the Facility a quarantine and isolation facility fully approved and accredited by the United States Department of Agriculture-APHIS.

The quarantine facility must be available a minimum of 30 days in advance of Championship Friday and Saturday. It must allow for the arrival of six (6) distinct quarantine shipments (identified as a quarantine unit) from international locations within 36 hours and include 1.) an additional separate area that is dedicated to horses that arrive in an isolation status and 2.) an additional isolation stall for a sick/diseased horse that USDA requires to be separated from arrival shipment.

1. Each quarantine unit must have its own and interior separate walking ring for exercise before the horse is released from a mandatory 42 hour quarantine. Each unit must have a minimum of 16 stalls and the combined quarantine/isolation compound must have a minimum of 96 stalls.
2. Each unit must be double screened, must have impervious floors and walkways and must be constructed according to mandatory guidelines from the USDA-APHIS. Host track will be responsible for construction of such area and present it for final inspection and sealing by USDA representatives no later than 30 days before the estimated arrival of the first quarantine shipment.
3. The quarantine/isolation compound must allow for the use of temporary offices used by the USDA, Mersant, IRB and others while horses are on the grounds. These may be trailers located in proximity to the compound.
4. Host is responsible for installing a perimeter fence around such compound for security and control.
5. Host is responsible for staffing checkpoints with security officers at the entrances to the quarantine compound.
6. BCL is responsible for hiring a quarantine barn manager to assist with preparation of arrival of runners 2 weeks prior to Championship Friday and Saturday.
7. Host is responsible for designating a parking area for Quarantine staff, BC trainers and their employees in close proximity to the Quarantine compound consisting of a minimum of 75 parking spots.
8. Quarantine compound must have a clear and unobstructed path to the racing surfaces.

EXHIBIT "I"

2024 CHAMPIONSHIPS CREDENTIAL GUIDELINES

All credentials for the BCWC must be requested through the BCL Racing/Operations office and must be in the approved format that is provided to each department and host track. All requests for access will be reviewed and approved before submitting to Populous (or approved vendor) for production.

There is one event credential produced with additional areas or security zones added.

The groups issuing credentials are listed below and the total quantities of requested credentials produced beside the type. This does not mean all are issued. A master document of all credentials is kept by BCL Racing/Operations to avoid duplication.

Included access:

Access to the following areas of the racetrack, Facility Grounds, Grandstand (including temporary seating areas), Clubhouse, Turf Club and Stable area.

Additional security zones:

R	Racing Surface
P	Saddling Paddock
W	Winner's Circle
T	Trophy Lounge
B	Breakfast Marquee
S	Suites
E	Owner/Trainer Enclosure
M	Media Centers including NBC Compound
H	Host, may escort others
EXECUTIVE	Unrestricted access

Unless a P sticker is on the event credential signifying all day access for both days, race specific Paddock Passes are required for entry to the paddock for each race for each day.

Senior officials and certain staff will receive an Executive sticker which grants unrestricted access to all areas of the racetrack with the exception of the Quarantine area.

Exceptions are the USDA Quarantine and Isolation barns. Badges and wristbands will be required for entry into the USDA Quarantine and Isolation barns.

Breeders' Cup Limited (1000) and Del Mar Credential (1000)

Full-Time and Seasonal staff of DMTC, Premier Catering and 22nd DAA that are valid employees over BCWC will utilize employee badges on race days

Network Television Credential (400)

Player's Show/TVG (150)

Media Credentials (1000)

Exhibit I-Credentials

Page Two

Participant Credentials (3500)

Guest Credentials (1000)

Vendor Credentials (1000)

Stable Area guest passes will be issued by BCL Racing for guests that are accompanied by a credentialed official or participant.

EXHIBIT "J"

HOST TRACK MARKETING

In addition to the marketing covenants set forth in the Agreement by and between BCL and Host, Host covenants that Host will deliver the following specific marketing efforts:

Marketing support of the 2022, 2023, & 2025 Breeders' Cup events, including:

1. Ticket Sales and Challenge Series:
 - a. A full page, color print ad in Host track programs for the duration of Hosts annual race meets;
 - b. Three (3) emails annually from Host to its database promoting Breeders' Cup tickets or Breeders' Cup promotions. Message to be determined by BCL; final creative/copy to be approved by Host;
 - c. :30 commercial to run on Hosts simulcast show and Jumbotron daily during race meets;
 - d. Banner ads or other equivalent promotional units on Hosts website daily, placement of such to be mutually agreed upon;
 - e. Social media posts and engagement with, and support of, Breeders' Cup social media channels at the discretion of Host.

2. Breeders' Cup World Championships:
 - a. Host to run marketing materials from September – BC event to actively promote and encourage fans to attend Host venue to watch and wager on the Breeders' Cup.
 - i. Materials to include website ad units and messaging, full page print ad in track program, on site messaging, dedicated emails, :30 commercials on simulcast and Jumbotron and social media promotion
 - b. Host to conduct and promote Breeders' Cup simulcast parties during 2022, 2023, & 2025 Breeders' Cup World Championships to encourage attendance and wagering at Host venue during those years.
 - c. Host to conduct a minimum of three (3) Breeders' Cup Betting Challenge qualifying tournaments per year.
 - d. Host to sell Breeders' Cup merchandise (if available) in gift shop and at other to be around Host venue during 2022 and 2023 Breeders' Cup World Championships.

Full marketing support of the 2024 Breeders' Cup event, including:

1. Two (2) :30 commercials to run daily on Host simulcast show during live meets
2. A full page, color print ad in track program for the duration of the Host race meets
3. Four (4) dedicated emails from Host to its database promoting ticket sales or other Breeders' Cup initiatives at dates mutually agreed upon
4. Website banner ads on Host websites daily promoting Breeders' Cup ticket sales

5. Permanent branding on Host website, email template and race meet program covers promoting Host as "Host of the 2024 Breeders' Cup" or other similar language
6. Year-round social media engagement with, and support of, Breeders' Cup social media channels on mutually agreed upon content/timing
7. Dedicated space at Host venue during live meets for ticket booths promoting and/or selling Breeders' Cup tickets
8. Host to host a minimum of three (3) Breeders' Cup Betting Challenge qualifying tournaments per year.

In addition to the marketing covenants set forth in the Agreement by and between BCL and Host, BCL covenants to deliver the following specific marketing efforts for Host:

1. Two (2) emails annually from BCL to their database providing a specific special offer on Host tickets or promotions. Message to be determined by Host; final creative/copy to be approved by BCL.
2. Social media engagement with, and support of, Host social media channels at the discretion of BCL.
3. BCL shall permit Host to be a satellite location for the Breeders Cup Challenge events for the 2022, 2023, & 2025 Breeders' Cups.

EXHIBIT "K"

COMMERCIAL SIGNAGE SPECIFICATIONS

The parties have agreed to place corporate and sponsorship identity display signage on and within the racetrack premises in the following locations and at such other locations as the parties may mutually agree. Adequate Storage for no less than three (3) 40' storage containers must be supplied by host site during the months of August through January of the subsequent calendar year.

Production and delivery costs are included within the event signage budget. Installation and removal costs are included within the track personnel budget that is also contained within the operating budget.

CLUBHOUSE

- Any and all clubhouse entrances.
- Any and all clubhouse parking areas including valet and self-park and light poles
- Interior areas of clubhouse within proximity to interior entrances and dining rooms
- Any temporary suites and hospitality areas contained within the clubhouse access Footprint
- Any exterior areas of clubhouse foot traffic areas between clubhouse gate and interior entrances

GRANDSTAND

- Any and all grandstand entrances
- Any and all grandstand parking areas including valet and self-park and light poles
- Interior areas of grandstand within proximity to interior entrances and dining rooms
- Any temporary seating and hospitality areas contained within the grandstand access footprint
- Any exterior areas of grandstand foot traffic areas between grandstand gate and interior entrances

Paddock

- Within each stall of saddling barn for each race for both Championship days
- Top of saddling barn roof
- Along paddock wall areas
- Along paddock and walking ring railing system
- All pole-stall dividers

INFIELD

- Infield Flags
- All Tote roofs and Tote sides
- All Video Boards
- Infield Grounds

FINISH LINES

Turf Track- no less than 480 feet (where possible with rail system and hedge line)
Main Track - no less than 520 feet

WINNERS' CIRCLE

Trophy Cart area for presentations of trophy
Railing areas surrounding winners circle
Railing areas above winners circle
Wall surrounding winners circle

STARTING GATE

Top of starting gate(s) using a custom frame system that will cover the front and back of all starting gates for both Championship Days with possible sponsor and BCL branding. Any rental issues with the starting gate company shall be addressed and cleared by Santa Anita in writing with gate supplier. Signage will only be used for Championship Days and then removed.

TUNNELS

Entrance To the Paddock from the Track
Exit From the Paddock to the Track

FLAGS/BUNTING

Clubhouse Areas
Grandstand Areas
Infield Areas

POLE BANNERS

Clubhouse Areas
Grandstand Areas
Infield Areas
All Parking and Entrance and Exits Roadways

SATELLITE AREAS

Any and/or all structures offering hospitality outside of permanent plant structure
Parking Lots

STABLE AREAS ON HOST SITE GROUNDS

All fencing
Roof and sides of Barns
All Parking and Entrance and Exit Roadways

EXHIBIT "L"

FIRST CLASS EXPERIENCE PROGRAMMING

It is mutually agreed by Host and BCL that it is in the best interest of both parties to create consistent, anticipatory service levels and entertainment programming to elevate the guest and participant experiences at the BCWC. In order to ensure this focus and attention, Host represents that it shall:

- (1) Provide evidence of demonstrated investment in customer service training of key public facing employee groups including:
 - Ushers
 - Admissions
 - Mutuel Clerks
 - Food Service & Concessionaire
 - Valets

- (2) Demonstrate a commitment to elevated food & beverage service delivery in premium spaces including:
 - Director's Room
 - Corporate Suites – Sky Rooms, Luxury and Celebrity
 - 4th Floor Dining Rooms
 - Turf Club
 - Temporary constructed Premium Seating
 - Permanent and Temporary Box Seating
 - Champion's Terrace (Portion of Paddock Tavern)
 - Enclosures (Portion of Paddock Tavern and 17 Hands Patio Only)

- (3) Develop with BCL, expedited ingress/egress plans for Key Groups:
 - BCL & Host Board Members
 - BCL & Host Invited VIP Members
 - Corporate Partners
 - Participants

- (4) Working in cooperation with community leadership, Host will lead planning and execution of a week-long event schedule creating a festival atmosphere for participants, invited guests, and attendees of the BCWC.

- (5) Working in cooperation with BCL, Host will assist in planning and execution of facility wide entertainment and experiential programming to elevate the guest experiences including but not limited to:

- Music executions
- Fashion & Style programming
- Exhibition Food & Beverage outlets

(6) Provide an ample number of sufficiently trained staff with respect to ushers, admissions, mutual clerks, food and service providers, and valets to provide first class experience with minimal, if any, wait times.

EXHIBIT "M"
HOSPITALITY AREAS

**BCL & HOST MAY UTILIZE THE FOLLOWING AREAS FOR HOSTING VIP'S,
CORPORATE PARTNERS, AND SPONSORS:**

- * DIRECTORS ROOM
- * CORPORATE SUITES – SKY ROOMS, LUXURY AND CELEBRITY
 - * 4TH FLOOR DINING ROOMS
 - * TURF CLUB
 - * ANY PREMIUM SEATING TO BE CONSTRUCTED
 - * PERMANENT & TEMPORARY BOX SEATING
 - * CHAMPION'S TERRACE
- * ENCLOSURES (PADDOCK TAVERN AND 17 HANDS PATIO)
 - * SPEAKEASY (TURF TERRACE BALCONY)

2025 PROPOSED BCWC BREEDERS' CUP WORLD CHAMPIONSHIPS TICKETING BUDGET & SEATING PLAN (DEL MAR)

SECTION	SEATING CAPACITY	SEAT	STAND	SCL Allocation	SCL Allocation a	Projected Fall-Through Rate		Proposed Capacity		Ticket Price Per Day		3-Day Price (No FR)	3-Day Ticket Revenue (No FR)	3-Day FRD Price**	3-Day Feed Sales	3-Day Ticket Price	3-Day Ticket Revenue	% Difference from 2024	Total Ticket and FRD Revenue
						FRI	SAT	FRI	SAT	FRI	SAT								
CLUBHOUSE:																			
Cafe Del Sol (Temporary Trackside Dining, Clubhouse Access)	138	Yes	Yes			100%	100%	138	138	\$450	\$550	\$1,000	\$138,000	\$350	\$48,300	\$11,775	\$117,225	15%	\$165,300
Clubhouse Box Seats	1,364	Yes	Yes	754		89%	97%	1,228	1,228	\$475	\$575	\$1,050	\$1,278,850	\$0	\$0	\$1,278,850	8%	\$1,288,650	
First Turn Restaurant (Trackside Dining)	282	Yes	Yes			100%	100%	282	282	\$450	\$550	\$1,000	\$282,000	\$350	\$99,700	\$11,775	\$1,230,000	15%	\$353,700
Clubhouse Terrace Restaurant (Trackside Dining)	628	Yes	Yes		56	100%	100%	628	628	\$500	\$600	\$1,100	\$682,800	\$350	\$219,800	\$11,275	\$1,440,000	14%	\$960,600
Veranda Cafe (Backpack View Dining) 1ST ROW AGAINST RAILING	40	Yes	Yes			100%	100%	40	40	\$200	\$200	\$400	\$32,000	\$350	\$14,000	\$1,020	\$117,000	12%	\$48,000
Veranda Cafe (Backpack View Dining) ADDL. ROWS/INTERIOR SEATING	225	Yes	Yes			100%	100%	225	225	\$200	\$200	\$400	\$90,000	\$350	\$78,800	\$1,020	\$1,000,000	8%	\$228,000
Clubway Grill "Blue Moon" (Backpack View Dining-12.00.00.00)	85	Yes	Yes			100%	100%	85	85	\$300	\$300	\$600	\$51,000	\$350	\$29,750	\$1,020	\$1,000,000	18%	\$110,400
Clubhouse Reserved Seats	935	No	No			80%	90%	803	803	\$200	\$200	\$400	\$321,600	\$0	\$0	\$321,600	16%	\$477,675	
Longhairs Lounge	24	Yes	No			0%	0%	0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	8%	\$0
Turf Club Restaurant (206-64pp, 107-44pp, 12-24pp)	1,948	Yes	Yes	526	50	80%	80%	1,433	1,433	\$725	\$875	\$1,600	\$2,301,150	\$350	\$508,120	\$11,775	\$1,800,000	10%	\$2,892,240
Culinary Suites (4 @ 48 seats each, 1 @ 32 seats)	224	Yes	Yes	95		80%	90%	202	202	\$400	\$500	\$1,700	\$344,000	\$400	\$80,600	\$1,875	\$1,800,000	16%	\$433,400
Luxury Suites (16 suites 15 total 18 guests, 1 hotel 30)	254	Yes	Yes	234		90%	90%	235	235	\$300	\$300	\$1,850	\$436,500	\$400	\$105,600	\$1,875	\$1,800,000	12%	\$621,610
Backpack Room (located in midback area of suites level)	30	Yes	Yes			0%	0%	0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	8%	\$0
Backpack's Room (view of paddock and track)	122	Yes	Yes			100%	100%	122	122	\$600	\$600	\$1,750	\$212,400	\$400	\$48,800	\$1,875	\$1,800,000	15%	\$262,300
Sky Boxes (4 total w/interior Subspace)	512	Yes	Yes			100%	100%	512	512	\$700	\$850	\$1,500	\$768,000	\$350	\$179,400	\$11,275	\$1,000,000	4%	\$988,400
11 Photo Packages (indoor & outdoor seating/dining)	354	Yes	Yes			100%	100%	354	354	\$700	\$850	\$1,500	\$527,400	\$350	\$127,400	\$11,275	\$1,000,000	4%	\$702,800
STRETCH RAIL:																			
Stretch Run Package (Porterport Friday Box-CH Walk Set)	300	Yes	No			100%	100%	300	300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-100%	\$0
Stretch Run Grill East (Trackside Dining)	144	Yes	Yes			100%	100%	144	144	\$400	\$500	\$900	\$128,400	\$350	\$49,200	\$11,275	\$1,200,000	18%	\$168,000
Stretch Run Grill West (Trackside Dining)	354	Yes	Yes			100%	100%	354	354	\$400	\$500	\$900	\$315,600	\$350	\$125,200	\$11,275	\$1,200,000	18%	\$485,000
Beach House Cafe (Hickman-Paddock View Dining) 1ST ROW AGAINST RAIL	64	Yes	Yes			100%	100%	64	64	\$375	\$400	\$775	\$50,400	\$350	\$22,400	\$11,275	\$1,200,000	71%	\$81,900
Beach House Cafe (Hickman-Paddock View Dining) ADDL TABLES ALL OUT	156	Yes	Yes			100%	100%	156	156	\$200	\$200	\$400	\$62,400	\$350	\$54,400	\$11,275	\$1,200,000	12%	\$147,000
Stretch Run Reserved Seats East Level 3 (Sections 1-4)	255	No	No			85%	100%	217	255	\$175	\$225	\$400	\$87,000	\$0	\$0	\$175	\$44,250	25%	\$138,050
Stretch Run Reserved Seats East Level 3 (Sections 5-8)	255	No	No			85%	100%	217	255	\$175	\$225	\$400	\$87,000	\$0	\$0	\$175	\$44,250	20%	\$235,181
Stretch Run Reserved Seats East Level 3 (Sections 10-14)	850	No	No			85%	100%	748	850	\$175	\$225	\$400	\$132,000	\$0	\$0	\$175	\$44,250	20%	\$372,900
Stretch Run Reserved Seats East Level 3 (Sections 15-18) 100 for BCBC	302	No	No			85%	100%	257	302	\$160	\$200	\$360	\$92,400	\$0	\$0	\$160	\$40,800	17%	\$148,170
Stretch Run Reserved Seats East Level 4 (Sections 11-13)	185	No	No			85%	100%	157	185	\$175	\$225	\$400	\$63,750	\$0	\$0	\$175	\$44,250	20%	\$108,000
Stretch Run Reserved Seats East Level 4 (Sections 14-16)	385	No	No			85%	100%	329	385	\$160	\$200	\$360	\$118,200	\$0	\$0	\$160	\$40,800	17%	\$132,325
Stretch Run Reserved Seats East Level 5 (Sections 3-11)	888	No	No			85%	100%	755	888	\$175	\$225	\$400	\$153,000	\$0	\$0	\$175	\$44,250	20%	\$278,250
Stretch Run Reserved Seats East Level 5 (Sections 12-15)	255	No	No			85%	100%	217	255	\$175	\$225	\$400	\$87,000	\$0	\$0	\$175	\$44,250	20%	\$108,050
Stretch Run Reserved Seats West Level 5 (Sections 14-18)	850	No	No			85%	100%	748	850	\$160	\$200	\$360	\$132,000	\$0	\$0	\$160	\$40,800	17%	\$167,315
Stretch Run Box Seats East (Less owner viewing area 22 homo owned)	2,739	Yes	Yes	1,180		80%	90%	2,405	2,405	\$450	\$600	\$1,050	\$2,524,500	\$0	\$0	\$1,050	\$1,000,000	8%	\$2,588,350
Stretch Run Box Seats West	658	No	No			90%	90%	615	615	\$450	\$600	\$1,050	\$655,500	\$0	\$0	\$1,050	\$1,000,000	8%	\$950,150
CHALET:																			
Trackside Chalet (Trophy Lounge)	812	Yes	Yes		992	80%	80%	730	730	\$200	\$200	\$1,100	\$802,560	\$350	\$401,250	\$11,480	\$1,600,000	14%	\$1,203,810
MP Engineering (Backpack Viewline Assets):																			
Paddock Tavern (Behind Post-Backpack View Dining-VIP ENCLOSURE)	0	N/A	N/A			0%	0%	0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0
17 Names Grill (Patio (Engineers for Sponsors/BCBC) Interior open for sponsor)	0	N/A	N/A			0%	0%	0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0
BC SETTING CHALLENGE:																			
BCBC-Stretch Run East Reserved Seating	100	N/A	N/A		100	100%	100%	100	100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0
BCBC - Pacific Classic Room / Burman (Backpack View Dining)	40	N/A	N/A			100%	100%	40	40	\$0	\$0	\$0	\$0	\$0	\$10,000	\$0	\$0	N/A	\$0
BCBC - Harman's Lounge (Backpack View Dining)	60	N/A	N/A			100%	100%	60	60	\$0	\$0	\$0	\$0	\$0	\$20,000	\$0	\$0	N/A	\$0
BCBC-Harman's Room (No view)	150	N/A	N/A			100%	100%	150	150	\$0	\$0	\$0	\$0	\$0	\$37,500	\$0	\$0	N/A	\$0
GENERAL ADMISSION:																			
Infield Pacific Pavilion (Tote Seating)	1,224	No	No			75%	100%	918	1,224	\$25	\$175	\$200	\$229,200	\$250	\$287,750	\$400	\$1,300,000	13%	\$259,850
The Beach - temporary seating against rail in infield (includes Beach 1-250, Sea 630)	630	No	No			75%	100%	488	630	\$175	\$200	\$375	\$242,250	\$0	\$0	\$425	\$1,200,000	12%	\$280,213
Infield General Admission (Pret at home ticket, no event day sales)	5,000	No	No			50%	100%	2,500	5,000	\$40	\$100	\$140	\$350,000	\$0	\$0	\$120	\$1,400,000	17%	\$800,000
General Admission (Trackside-less (see Beach and Infield Pac Pav))	2,500	No	No			85%	100%	2,125	2,500	\$30	\$125	\$175	\$418,750	\$0	\$0	\$150	\$1,800,000	17%	\$418,750
Clubhouse Walk Around (Standing Room Only)	1,509	No	No			100%	100%	1,500	1,500	\$100	\$125	\$250	\$375,000	\$0	\$0	\$150	\$1,800,000	17%	\$225,000
Turf Club Walk Around (Standing Room Only)	500	No	No			100%	100%	500	500	\$175	\$250	\$425	\$162,500	\$0	\$0	\$150	\$1,800,000	17%	\$157,500
Sub-totals:	78,706			3,230	1,428			23,238	27,257			\$16,836,800	\$7,812,700		\$7,812,700	\$21,649,500		\$19,144,128	
																			\$17,970,668

*Seating: # YES=customer may purchase tickets for both days (2-day package), # NO=customer may purchase tickets for a single day (FR) or sat.

**Seating: # YES=customer may purchase single box or table, # NO=customer may purchase single seats within a box or table.

***All FRD pricing includes food and non-alcoholic beverages, with exception of Trophy Lounge (includes alcoholic)

BC Allocation Breakdown	Allocations
BC Sponsor Package (Trophy Lounge-Trackside Chalet)	812
Paddock's Gateway (Club Terrace Dining)	95
IBC Enclosures (Turf Club)	50
BCBC Players	370
BCBC Participants (Max Group & Purchases****)	2,250
	3,587

Processing Fee (\$12 per ticket per day)	\$	250,000
Circle Pricing	\$	284,000
Shipping Fee (\$25 per order, assuming 4 tickets per order)	\$	70,000
Projected Ticket Revenue (including FRD, Processing & Shipping Fees):	\$	18,788,668
2024 Budget per-COW	\$18,027,491	
2024 Actual Budget	\$14,690,000	

BCL Complimentary Ticket Budget

	Section	Total Seats	Average Ticket Price Per Day	Comp Days	Ticket Comp
Owner Seats	Turf Club, Suites, Box Seats	1,250	\$1,075	1	\$1,343,750
Trainer Seats	Box Seats	350	\$525	1	\$183,750
Breeder Seats	Box Seats	150	\$525	1	\$78,750
Jockey Seats	Box Seats	75	\$525	1	\$39,375
Sub-totals:		1,825			\$1,645,625

	Price per ticket per day	# Tickets	Total
Ticket Processing Fee:	\$12.00	1,825	\$21,900

Grand Total Projected BCL Comp Tickets : \$1,667,525

EXHIBIT "O"

PRIVATE CHEFS/CONCESSIONAIRES/CATERERS

BCL MAY EMPLOY PRIVATE CHEFS IN THE FOLLOWING AREAS:

- DIRECTORS ROOM
- CORPORATE SUITES (Luxury, Skyrooms, Celebrity)
- TURF CLUB
- IL PALIO
- CLUBHOUSE TERRACE RESTAURANT
- 4TH FLOOR DINING ROOMS
- TURF CLUB
- TROPHY LOUNGE
- ANY TEMPORARY STRUCTURES BUILT FOR HOSPITALITY

BLC MAY EMPLOY LOCAL RESTAURANT GROUPS OR CATERERS FOR THE FOLLOWING AREAS:

- TRACKSIDE BREAKFAST MARQUEE
- ANY TEMPORARY STRUCTURES BUILT FOR HOSPITALITY
- LOCATION IN PLAZA DE MEXICO FOR EXECUTION OF POP-UP CONCESSIONS/RESTAURANTS

EXHIBIT "P"
2024 Proposed Pre-Sale & General Public Ticket Sales Timeline

Mailed Seat Application Window **Total Group Size: 5,000**
January 2024, date TBD

- BCL Board and 2016 Nominators
- DMTC Board & 22nd AG DISTRICT Board*
- DMTC Turf Club Members
- DMTC Box Seat Holders
- BCL / DMTC Sponsor reserved seating due by contractual obligations
- CHRB Board
- TOC Board

*A letter will be mailed from BCL to 22nd Ag District Board and DMTC Board. This letter will be addressed from BCL CEO and sent by executive assistants at 22nd Ag District and DMTC. Ticket orders will be fulfilled through BCL.

Week prior to the seat applications being mailed: DMTC mailing notice to Box Holders and Board to give advance notice of seat request forms coming via mail.

Website ticketing pages to go live at www.breederscup.com/VIP to aide applicants in reviewing seating options. Main tickets page will still direct to 2024 Host Site page to sign up.

Sales entered into ticket software by BCL/DMTC operators.

Window 1: Employee Day **Total Group Size: 100**
Date TBD

Noon – 6:00 p.m. ET / 9:00 a.m. – 3:00 p.m. PT

- Employee Day – Group Size: 100
 - BCL/NTRA: 50
 - DMTC: 50 (List coming from DMTC)
 - 22nd Ag District Employees (List coming from District)
- Employees may purchase up to six (6) tickets each from all remaining inventory
- Email blast to employees announcing 'employee day' sales window date/time and directed to call ticketing line to confirm order via operators

Date TBD – Announce Tickets On-Sale Date and Presale

- Press release to announce general public on-sale date and encourage people to sign-up online for pre-sale access
- Email and social media support to increase pre-sale signups

Window 2: V-VIP
(PRE-SALE CODE: TBD)
Date TBD

Total Group Size: ~1,500

Noon – 6:00 p.m. ET / 9:00 a.m. – 3:00 p.m. PT

- BC loyal fans – Group size: ~954
 - Purchased five of the last five years (247) or four of the last five years (752)
- DMTC loyal fans (fan advisory board) and big bettors
 - DMTC to determine – Group size ~300 (List coming from DMTC)
- Local industry organizations and key civic groups – Group size: TBD
 - Host Committee, San Diego Tourism board, Del Mar Village Association Board, etc. (List coming from DMTC)
 - TOBA Board, JC Board, CTBA Board, CTT Board, etc.
- Sponsors and media partners
- Email sent to these groups providing information to prepare them for pre-sale window along with scheduled reminder emails
 - Only send reminders to those that haven't purchased yet
- Each individual may purchase up to four (4) tickets each from all remaining inventory

Window 3: VIP
(PRE-SALE CODE: TBD)
Date TBD

Total Group Size: ~5,000

Noon – 6:00 p.m. ET / 9:00 a.m. – 3:00 p.m. PT

- Next level of loyal fans
 - Purchased tickets three of last five (1,162) or two of last five (2,720)
- DMTC next level of loyal fans (List coming from DMTC-GB)
 - DMTC to determine – Group size ~1,100
- Track Outreach
 - Offer Challenge tracks the option to buy tickets for their VIPs
- Email sent to these groups providing information to prepare them for pre-sale window along with scheduled reminder emails

Window 4: Past Purchasers & Online Signups
(PRE-SALE CODE: TBD)
Date TBD

Total Group Size: ~75,000

Noon – 6:00 p.m. ET / 9:00 a.m. – 3:00 p.m. PT

- All remaining past BC ticket purchasers (32,000)
- People who signed up for ticket information on BreedersCup.com (37,000)
- Email sent to these groups providing information to prepare them for pre-sale window along with scheduled reminder emails

General Public Sale
NO CODE NEEDED
Date TBD

- Tickets on sale to general public (6 tickets per patron)
- Press event on announcing ticket details, timing and directing people to sign up for presale (window 4)
- PR team places exclusive story in major national publication to coincide with release
 - If not national, will give to San Diego UT exclusively
- Second press release will be issued on X date as to when tickets officially go on sale

EXHIBIT "Q"
2024 ESTIMATED BCWC ONSITE PARKING PLAN & BUDGET (Single-Day Pricing)

Parking	Usage	Spaces	DCL Hold	DMTC Hold	Projected Inventory Sold		Friday Price	Saturday Price	Projected Revenue
					Friday	Saturday			
Main Lot	Participating Horsemen, Trophy Lounge, Preferred Self-Parking	2,000	750		1,250	1,250	\$ 75	\$ 75	\$ 187,500
Main Lot	BCBC	200	200		200	200	\$ 75	\$ 75	\$ 30,000
Outside O'Brien Hall	DMTC Board Parking & Racing Commission	20		20	0	0	\$ -	\$ -	\$ -
Jockeys	Designated parking in front of O'Brien Hall	60	60		0	0	\$ -	\$ -	\$ -
Nisidon Tower	Racing & Ticketing Office Parking-BCL Offices	40	40		0	0	\$ -	\$ -	\$ -
O'Brien Hall	Valet	200	150	50	200	200	\$ 125	\$ 125	\$ 50,000
Crosby Hall	Valet	200			200	200	\$ 125	\$ 125	\$ 50,000
Line	In front of Exhibit Hall	50	30		50	50	\$ 125	\$ 125	\$ 12,500
Charter Bus Parking	VIP Shuttles-30, Chatelet Charter Bus Parking In front of Crosby Hall	50	30		20	20	\$ 175	\$ 175	\$ 7,000
Chatelet Village Parking	Concert area-Chatelet Village Ticket holders	200	200		200	200	\$ 75	\$ 75	\$ 30,000
Green Lot	TMS LOT, LUXURY FLEET	100			0	0	\$ -	\$ -	\$ -
Training Track	Key Staff Parking/NBC overflow	500			500	500	\$ -	\$ -	\$ -
Red Lot	Staff (Pharmar, DLTC, BCL Vendors/Staff)	1,800	400		600	800	\$ -	\$ -	\$ -
Stable Area	Horsemen (BCWC/DMTC)	750	750		0	0	\$ -	\$ -	\$ -
Unpaved Lot (Dirt Lot)-No public sales	Media/Vendor/Volunteers/Staff Parking (Designated area)	2,500	300	1,900	0	0	\$ -	\$ -	\$ -
Central Direct Lot	Uber	500			500	500	\$ -	\$ -	\$ -
		8,370	2,910	1,970	3,720	3,720			\$ 387,000

2017 BCL Parking Allocation Detail

Horsemen, Racing Panel	810 Main Lot, Jockey Parking
Horsemen, VIP guests	150 Valet Parking, O'Brien Hall
Sponsors/Trophy Lounge	200 Chatelet Village Parking
Line (BOO, VIPs, Horsemen)	30 (tickets 19 for sponsor needs)
Buses	30 (all TMS, 20 for groups/horsemen)
Marketing Parking	200 Red Lot
Key Vendor & Contractors Parking	200 Red Lot
Racing & Ticketing Office Parking	40 Outside Mission Tower
Horsemen, Vets, Staff, Security, Stable Vendors	750 Stable area
BCBC	200 Main Lot
Press	300 Dirt Lot
	2,910



Exhibit R

Expense Approval Worksheet

Requestor : _____	Worksheet # _____
Department : _____	Request Date: _____
Responsible Employee for this Contractor/Vendor: _____	
Vendor Name: _____	Phone #: _____
Vendor Address: _____ _____	
Vendor Tax ID #: _____	Vendor Contact: _____
Amount of Contract: _____	Payment Terms: _____
Contract Begin Date: _____	Contract End Date: _____
Date Payment Needed: _____	Method of Payment: _____
Is this a budgeted item: Y N	Budget Account Number Code: _____
If cost creates a budget overage please explain here: _____ _____ _____ _____	

Bids: Please list below other bidders and amount of bids (attach all bids to this form). If no bids were solicited or if the bid accepted was not the low bid, please explain the reason below.
-Attach any additional information sheets necessary

Expense Description	Qty	Price	Total
Total:			

Insurance-To be completed by the risk assessment department (if applicable)

Commercial/Umbrella _____	Auto _____
Worker's Compensation _____	Other _____
Has necessary Certificate of Insurance been obtained: Y N	Initials: _____

Approval

Signature of Requestor _____ Date: _____

Host Track: Senior Management _____ Date: _____

BCL: CEO/Senior Management _____

Date: ***** Attach copies of all contracts & bids to this form when submitted

EXHIBIT "S"
DEL MAR EXECUTIVES

CEO: Joe Harper

President: Josh Rubinstein

CA

[REDACTED]

EVP/CFO Mike Ernst