

Memorandum of the Regular Meeting of the
Indiana Horse Racing Commission

October 1, 2020

Indiana Grand Racing & Casino
2nd Floor Clubhouse
4300 N. Michigan Rd.
Shelbyville, IN 46176

Commission members present: Philip C. Borst, Chairman; Greg Schenkel, Vice Chairman; George Pillow (by telephone), member; William McCarty (by telephone), member, and Bill Estes, member.

Commission Staff members present: Deena Pitman, IHRC Executive Director; Tom Linkmeyer, IHRC Deputy Director; Noah Jackson, IHRC General Counsel; Jessica Barnes, IHRC Breed Development Director; Wendi Samuelson-Dull, IHRC Controller; Megan Arszman, Communications Coordinator.

Speakers from the audience: Tom Reeg, Chief Executive Officer of Caesars; Joe Morris, Sr. Vice President of Racing for Caesars; Anthony Carano, President and COO of Caesars; Brian Elmore, Executive Director for the IHBPA; Eric Halstrom, Indiana Grand VP and General Manager of Racing; Tom Mosley, ITOBA Director and Chair of the Governmental Affairs Committee for ITOBA; Rick Moore, Vice President and General Manager of Racing for Harrah's Hoosier Park; Paul Martin, President of the Quarter Horse Racing Association of Indiana; and Joe Putnam, President of the Indiana Standardbred Association.

I. Call to Order

Chairman Borst called the meeting to order at approximately 10:45 a.m. A quorum was present.

II. Approval of memorandum and executive session memorandum from the July 13, 2020, meeting.

Chairman Borst asked for a motion for approval of the memorandum and executive session memorandum from the July 13, 2020, Commission Meeting. Motion for approval by Vice Chairman Schenkel. Chairman Estes seconded the motion. The vote, by roll call, was unanimous 5-0 for approval.

III. Agenda

Note: All items on the agenda were transcribed by a court reporter from Stewart Richardson. Transcripts are available at www.in.gov/hrc.

1. Consideration of Settlement Agreement between Indiana Horse Racing Commission Staff and Shane Bowermaster.

Indiana Horse Racing Commission ("IHRC") General Counsel Noah Jackson ("Mr. Jackson") presented the Settlement Agreement between the Indiana Horse Racing Commission Staff ("Commission Staff") and Mr. Shane Bowermaster ("Mr. Bowermaster").

Mr. Jackson stated the Settlement Agreement was fully executed in September 2020 and stemmed from pre-race blood gas analysis on or about July 17, 2020, where two of Mr. Bowermaster's horses showed high measurements for pH and bicarbonate. The two

horses were scratched from competition. Mr. Bowermaster was suspended by the Judges. Mr. Bowermaster timely appealed.

After settlement discussions with Commission Staff, Mr. Bowermaster agreed to serve a fifteen-day suspension, with credit for ten days already served. Mr. Bowermaster also agreed to one violation of 71 IAC 8-2-2.

Mr. Jackson, on behalf of Commission Staff, respectfully requested approval of the Settlement Agreement. Chairman Borst asked if there were any questions. Seeing none, the Chairman asked for a motion and a second. Vice Chairman Schenkel moved for approval of the Settlement Agreement as presented. Commissioner Estes seconded the motion. The vote, by roll call, was unanimous 5-0 for approval.

2. Readoption of administrative rules scheduled to expire. See attached Notice of Intent to Readopt, LSA Document #20-406.

Mr. Jackson presented the Notice of Intent to Readopt. Mr. Jackson stated that like other administrative agencies, the Commission's administrative rules automatically expire every seven years. However, the agency is given the opportunity to readopt the rules so long as the rule language remains identical. There are a number of rules scheduled to expire at the end of the year, each of which is listed in the Notice. Commission Staff posted the rules on the Legislative Service Agency's website are required by statute to give an opportunity for members of the public to ask the IHRC to consider making changes to the rules or readopt them separately. Commission Staff did not have any requests to do so. Mr. Jackson on behalf of the Commission Staff respectfully requested approval of the rule change.

Chairman Borst asked if there were any questions. Vice Chairman Schenkel asked Mr. Jackson to confirm there were not substantive changes. Mr. Jackson confirmed the readoptions used the exact same language as the current rules. Chairman Borst asked if there were further questions and seeing none asked for a motion to approve. Vice Chairman Schenkel moved to approve the rule readoptions. Commissioner Estes seconded. The vote, by roll call, was unanimous 5-0 for approval of the Notice of Intent to Readopt.

3. Thoroughbred Breed Development Advisory Committee request to amend the previously approved 2020 Thoroughbred Breed Development Program budget.

Ms. Jessica Barnes presented the request. Ms. Barnes stated the projected revenue is much higher than anticipated in May and there has been a much greater reliance on

Indiana-bred races to fill the racing card. The committee working with members of management, ITOBA leaders, HBPA leaders, and the horsemen thought it best to push some of the excess back into purses. The proposal takes the excess money, keeping the reserves at approximately \$2 million, and divides it out to cover different facets of the program: purse fund for Indiana-bred races, breeders awards and stallion awards for those additional races, and if revenue is at least higher than estimated for the program for October and November then a stakes bonus program will be instituted. Ms. Barnes and Mr. Eric Halstrom (Mr. Halstrom), Indiana Grand VP and General Manager of Racing, have been working together on a weekly basis to monitor what races are filling and ongoing track needs.

Vice Chairman Schenkel noted that the Commission would be delegating to Ms. Deena Pitman, Executive Director ("Director Pitman"), the ability to do the stakes bonus program only if sufficient revenues were available. Ms. Barnes stated any bonuses would be paid out in December. Vice Chairman Schenkel requested to be updated as that happened.

Chairman Borst asked if there were further questions and seeing none asked for a motion to approve. Commissioner Estes moved to approve the program amendment. Vice Chairman Schenkel seconded. The vote, by roll call, was unanimous 5-0 for approval to amend the previously approved 2020 Thoroughbred Breed Development Program budget.

4. Thoroughbred Breed Development Advisory Committee request to renew the Mare Incentive Program.

Ms. Barnes presented the request. The program was put into place last December to attract new mares to the thoroughbred breed development program. The program provides payments to individuals who bought a mare at a sale, a public auction, for a minimum specified price, and brought the mare to Indiana to foal, resulting in an Indiana-bred foal. The program also provides an added incentive for the mare owner to breed the mare back to an Indiana sire and complete the process again. It is a battle each year getting mares into the state. Six mares took place in the program. The intent is to renew the Mare Incentive Program so the committee can begin advertising it with the current and future sales.

Vice Chairman Schenkel noted six mares participated this year and the budget for renewal is not expected to exceed \$50,000.00. Vice Chairman Schenkel asked if there is some interest in this program. Ms. Barnes replied there was interest. There would have been more mares last year, but several did not meet the minimum specified price. Ms. Barnes stated that for the amount spent on the program, It is beneficial to introduce mares

to the program and get new people involved.

Chairman Borst asked if all six mares qualified. Ms. Barnes stated they qualified for the first payment, but the second payments will not happen until certain requirements are fulfilled this coming spring. Chairman Borst asked if there were further questions and seeing none asked for a motion to approve. Commissioner Estes moved to approve the program renewal. Vice Chairman Schenkel seconded. The vote, by roll call, was unanimous 5-0 for approval to renew the Mare Incentive Program.

5. Advance deposit wagering (ADW) allocation request from Indiana Horsemen's Benevolent & Protective Association (INHBPA).

Mr. Jackson explained that ADW funds from the agreements between the secondary pari-mutuel operators ("SPMOs) and the racetracks have built up in escrow since the SPMOs were licensed at the December 2019 meeting. Mr. Brian Elmore ("Mr. Elmore"), Executive Director of IHBPA, submitted a request (unanimously supported by the IHBPA board) for the Commission to approve a limited allocation of the money in escrow to the Indiana Grand purse account so as to ensure that the pandemic-shortened and pandemic-impacted race meet could continue and afford the horsemen opportunities to try to make up for the abbreviated racing season. Based on the extraordinary events of this year and IHBPA's request, Mr. Jackson on behalf of the Commission Staff respectfully requested approval of the limited allocation, specifically monies accumulated as of August 31, 2020, along with funds deposited on September 30, 2020, and October 31, 2020.

Chairman Borst asked if there were any Commissioner questions. Vice Chairman Schenkel asked if Mr. Elmore was going to speak. Mr. Elmore talked about a conversation in which Mr. Halstrom said all their customers were home due to the restriction, but betting using the ADWs. The money from the ADWs was funneling in and greatly exceeded expectations. The increased ADW money has allowed them to run more races, but now they need to transfer the money that has built up to the purse account to ensure they make it through the November closing date.

Vice Chairman Schenkel asked for a projection at the end of October based on there being \$732,000.00 through August. Mr. Elmore estimated they would have about \$950,000.00 to \$960,000.00. Mr. Elmore asked the Commission to approve the request. Chairman Borst asked if there were further questions and seeing none asked for a motion to approve. Vice Chairman Schenkel moved to approve the request. Commissioner Estes seconded. The vote, by roll call, was unanimous 5-0 for the allocation request.

6. Advance deposit wagering (ADW) request from Indiana Thoroughbred Owners and Breeders Association (ITOBA).

Mr. Jackson explained the ITOBA request was similar to the previous request from the IHBPA. ITOBA is requesting a limited allocation of ADW funds currently held in escrow in order to ensure that the pandemic-impacted 2020 race meet can reach a successful conclusion. ITOBA noted in its request that the success of the 2020 race meet can have a lasting impact beyond 2020: citing upcoming breeding decisions, the yearling market, and the retention of horses in training. This request was considered, approved, and unanimously supported by the ITOBA's directors and officers. Mr. Jackson on behalf of the Commission Staff respectfully requested Commission approval of the limited allocation of ADW funds as described in the meeting materials. Additionally, on behalf of Commission Staff, Mr. Jackson requested the Commission's approval state that the money deposited after the October 31, 2020, deadline must be deposited in escrow pending Commission approval, as was required of the IHBPA.

Mr. Tom Mosley ("Mr. Mosley"), ITOBA Director and Chair of the Governmental Affairs Committee for ITOBA, expounded on ITOBA's request. Mr. Mosley reiterated the lasting effect a successful 2020 race meet would have on the horsemen. Mr. Mosley explained that horsemen are making decisions now about how much they can invest for next year.

Vice Chairman Schenkel asked for a projection at the end of October based on there being roughly \$148,000.00 through August. Mr. Mosley estimated they would have about an additional \$30,000.00 per month over the next two months. Chairman Borst asked if there were further questions and seeing none asked for a motion to approve. Commissioner Estes moved to approve the request. Commissioner McCarty seconded. The vote, by roll call, was unanimous 5-0 for the allocation request.

7. Review of commission rulings – July 10, 2020, through September 23, 2020.

Chairman Borst explained the rulings were presented for the Commission's information and no vote was required. Vice Chairman Schenkel asked about several the rulings showing medication/drug violations with no fines or suspensions listed, and whether there is a process to track multiple violations. Director Pitman stated it generally depends on what the medication violation is and the level of the points associated with that particular medication. Vice Chairman Schenkel asked if there is a point system kept and if they are watched. Director Pitman answered in the affirmative.

Chairman Borst asked if there were any further questions. Commissioner McCarty asked if this was a normal volume for the time period covered as it seemed to him to be more

violations than normal even though there were no egregious violations. Chairman Borst stated there seemed to be more violations. Director Pitman confirmed there were more violations overall. Mr. Jackson explained a number of factors had played into that, specifically whip violations. Mr. Jackson explained the Stewards have been taking an extra interest in assuring the rider allows the horse time to respond before whipping the horse again. Increased interest in the use of the whip, due to equine safety concerns, has resulted in an increase in the total number of violations.

8. Consideration of Caesars second request to amend 2020 preapproved Capital Expenditures for alternative 2020 purchases as requested by Harrah's Hoosier Park and Indiana Grand.

Executive Director Pitman explained earlier this year both racetracks requested changes to the previously approved capital improvements plan that was a result of the 2018 sale to Caesars. Director Pitman recommended approval of the request as detailed in the meeting materials.

Mr. Rick Moore ("Mr. Moore"), Vice President and General Manager of Racing for Harrah's Hoosier Park, explained the original equipment, a generator welder and modulators, were not needed. Being used about once per year, the old welder is sufficient. The modulators were to expand the DIRECTV Sportsbook beyond the Sportsbook area, but Hoosier Park was not able to accomplish the expansion, eliminating the need for the modulators. Mr. Moore explained that instead Hoosier Park added forty new 49-inch televisions to the grandstand, purchased a screen for the track aggregate resulting in a safer track for both human and equine athletes, and installed new flooring in the track kitchen. Overall, Hoosier Park spent about \$24,000.00 more in capital improvements than originally planned.

Mr. Halstrom explained Indiana Grand originally budgeted for three items that totaled about \$13,000: an aerator, a roller, and a sprayer. However, they did not need them this year and were instead requesting to change out a second valve, a backflow device for their fire suppression system, at a cost of over \$15,000.00.

Chairman Borst asked if there were further questions and seeing none asked for a motion to approve. Commissioner Estes moved to approve the requests. Vice Chairman Schenkel seconded. The vote, by roll call, was unanimous 5-0 to approve Caesars second request to amend 2020 preapproved Capital Expenditures for alternative 2020 purchases as requested by Harrah's Hoosier Park and Indiana Grand.

9. Caesars presentation of quarterly 2020 Community Giving Report as part of the required conditions included in the Commission's July 13, 2020 Final Permit Order and their

assessment of current race meet.

Ms. Kiersten Flint (“Ms. Flint”), VP of Marketing for Hoosier Park, presented the Community Giving Report. The report includes both community-driven sponsorships and donations, but does not include volunteer hours, in-kind contributions, Caesars Foundation contributions, and marketing partnerships. For 2020, Hoosier Park and Indiana Grand combined contributed \$953,344.00, a 71.4% increase year over year. Madison and Shelby Counties combined realized an eighty percent increase in year-over-year giving. Ms. Flint detailed the giving broken down by county and use. Ms. Flint further explained giving from Caesars Foundation and guest initiatives for fundraising was not included in the \$953,344.00. Ms. Flint stated their intent was to give quarterly updates in 2021.

Chairman Borst asked if there were any questions. Vice Chairman Schenkel commented that Caesars heard the Commission’s concerns from several months ago and the presentation showed much improvement and a real commitment to those communities. Vice Chairman Schenkel also commented that Caesars report referred to continued support of the Equine Specialty Hospital that was over and above the contributions previously discussed and he did not think they were taking enough credit.

Mr. Joe Morris (“Mr. Morris”), Sr. Vice President of Racing, from Caesars spoke of work they have done over the last several months. Weekly meetings with the horsemen, a signed horsemen’s agreement with the Standardbreds, substantially agreed to horsemen’s agreements with Thoroughbreds and Quarter Horses, improved handle due to the schedule changes (with over a million dollar handle on the two big days at Hoosier Park), and the creation of a Racing Capital Fund Advisory Committee were mentioned by Mr. Morris. Also discussed was the ongoing work on the 2021 racing plan. Mr. Morris discussed the Breeders Crown was using an invitation system due to social distancing guidelines and would have 597 fans. Even with the pandemic, sponsorships increased from \$190,000.00 three years ago to \$230,000.00 for this year.

Chairman Borst asked to see the policies developed by Caesars. Mr. Morris stated he would provide what they had that day. Chairman Borst asked if any contributions made by Caesars Foundation would eventually be counted in the yearly giving. Ms. Flint answered that it would be included in the recap at the end of the year given.

Mr. Tom Reeg (“Mr. Reeg”), Chief Executive Office of Caesars spoke about plans to move forward with an expansion and adding addition table games and slot machines at both Hoosier Park and Indiana Grand, which would increase revenue to the horsemen. Mr. Reeg also discussed Caesars purchase of William Hill, which will consolidate all of

the company's sports wagering under the Caesars brand. Mr. Anthony Carano, President and COO of Caesars spoke about how well everyone had done this year and getting started during the pandemic. Chairman Borst added Director Pitman deserved a ton of credit for making sure racing started as early as possible this year.

10. Horsemen's association representative's assessment of racetrack ownership since permit transfer and current race meet conditions.

Mr. Paul Martin, President of the Quarter Horse Racing Association of Indiana, stated communication with the track has been great with the new team put together by Caesars, he wanted to thank the Commission and Commission Staff for getting racing started, and Caesars management for being responsive to every reasonable request made to them.

Mr. Brian Elmore ("Mr. Elmore"), Executive Director of IHBPA, stated Mr. Joe Morris was the right man for the job. Mr. Elmore also expressed he would not trade Caesars executive management team for any other racing company in the United States.

Mr. Joe Putnam ("Mr. Putnam"), President of the Indiana Standardbred Association, stated the Standardbred industry had gotten back to 2019 levels, or maybe slightly above, which is not necessarily the case nationwide for horse racing. Vice Chairman Schenkel expressed his thanks to Mr. Putnam, the Association, and Mike McDaniel for putting together the Governors Cup series even though it was slowed a bit by the pandemic. It was noted Commissioner Pillow handed out trophies at the Governors Cup series. Chairman Borst asked if there were any further questions. There were none.

III. Old Business

There was no old business.

IV. New Business

Chairman Borst stated there were two items of new business.

First, Mr. Morris, with Caesars, discussed winterizing the barns, which includes putting in some underground water lines. The big item is Caesars' plan to purchase and install an electric horse walker that can exercise eight horses at one time. Caesars requested authorization to pay for the walker now and replace the money with funds from the \$25 million fund that will be available on January 1, 2021. Vice Chairman Schenkel asked if the \$25 million fund was monetized with a third-party fiduciary as required. Mr. Reeg answered in the affirmative.

Commissioner Estes made a motion to allow Caesars to pay for the walker project (approximately \$225,000.00) now and be reimbursed from the 2021's portion of the \$25 million fund when it is available on January 1, 2021. Commissioner McCarty seconded the motion. The vote, by roll call, was unanimous 5-0 to approve Caesars request.

Second, Mr. Halstrom, from Caesars, talked about adding races as the meet progressed and was now requesting to add two additional race days in November since the purse funds were available.

Vice Chairman Schenkel moved to approve the two additional race days. Commissioner Estes seconded. The vote, by roll call, was unanimous 5-0 to approve Caesars request for two extra race days.

V. Adjournment

The meeting was adjourned at approximately 11:55 a.m.

Memorandum of the Executive Session of the
Indiana Horse Racing Commission

October 1, 2020

Indiana Grand Racing & Casino

Founder's Room

4300 N. Michigan Rd.

Shelbyville, IN 46176

Pursuant to public notice issued in compliance with IC 5-14-1.5-1 et seq., the Indiana Horse Racing Commission (the "Commission") met in executive session at 10:00 a.m. on Monday, October 1, 2020, at Indiana Grand Racing & Casino. Commission members present were Philip C. Borst, Chairman; Greg Schenkel, Vice Chairman; George Pillow, member (by telephone); Bill McCarty, member (by telephone); Bill Estes, member; and Deena Pitman, Executive Director. The Commissioners met pursuant to IC 5-14-1.5-6.1(b)(5).

No subject other than that authorized by IC 5-14-1.5-6.1 and identified in the public notice was discussed during the executive session.