State Race Track Leasing Commission

NOTICE OF MEETING

State Race Track Leasing Commission Meeting
March 9, 2026 at 11:00 a.m.

Del Mar Fairgrounds
Board Room
2260 Jimmy Durante Boulevard
Del Mar, CA 92014

While the State Race Track Leasing Commission meeting will be conducted in person per Government Code Section 11133, the Commission will also provide for remote participation by Commissioners and 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.

STATE RACE TRACK LEASING COMMISSIONERS

Michele Perrault, Chair, Commissioner Department of Finance	Ana M. Lasso, Commissioner Department of General Services
Mark Arabo, Commissioner, 22nd DAA	Michael Flores, Commissioner Department of Food & Agriculture
Lisa Barkett, Commissioner, 22nd DAA	Kathlyn Mead, Commissioner, 22nd DAA

Joshua Caplan, Office of the California Attorney General, Counsel

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Persons wishing to attend the meeting and who may require special accommodations pursuant to the provisions of the Americans with Disabilities Act are requested to contact the office of the Chief Executive Officer, (858) 755-1161, at least five working days prior to the meeting to insure proper arrangements can be made.

Items listed on this Agenda may be considered in any order, at the discretion of the chairperson. This Agenda, and all notices required by the California Bagley-Keene Open Meeting Act, are available at www.delmarfairgrounds.com. Public comments on agenda items will be accepted during the meeting as items are addressed.

STATE RACE TRACK LEASING COMMISSION
AGENDA

Monday, March 9, 2026
11:00 A.M.

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

1. **Roll Call**

2. **Approval of Minutes** 3-5
   A. September 5, 2025 [Action Item]

3. **Reports** [Information Item]
   - Del Mar Thoroughbred Club (DMTC) recap of the 2025 live horse race meets, including the Breeders' Cup World Championships — Verbal
   - 2026 Operating Budget of the Del Mar Thoroughbred Club — 6-28
   - Del Mar Race Track Authority Revenue Bonds, Series 2015 Projects — 29-30

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 Commission 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. **Reconvene back into open session**

7. **General Business**
   A. Consideration and vote on direction to allocate the Commission's clerical and administrative support needs and options for providing such services to the Commission [Action Item] — 31-32
   B. Consideration and vote to authorize representatives on the Del Mar Capital Improvement Account as defined in Section 2 of the Operating Agreement [Action Item] — 33-35
   C. Consideration and vote to support trailer bill language for the Commission's legal expenses provided by the Office of the Attorney General [Action Item] — 36-37
   D. Discussion on Commission's historical financial data and on the Commission's obligations under the Operating Agreement [Information Item] — 38-87
   E. Consideration and vote to explore legal options available to extend the term of the Del Mar Race Track Operating Agreement so that the Agreement remains in effect until the Del Mar Race Track Authority's Series 2015 Bonds have been fully paid off [Action Item] — 38-87

8. **Adjournment**

STATE RACE TRACK LEASING COMMISSION
Meeting Minutes
Friday, September 5, 2025

The State Race Track Leasing Commission (Commission) met on Friday, September 5, 2025, in the Board Room hosted by the 22nd District Agricultural Association (District) at 2260 Jimmy Durante Blvd., Del Mar, CA.

CALL TO ORDER
Commission Chair Michele Perrault called the meeting to order at 1:32 p.m.

ROLL CALL
All Commissioners were present in person:

Michele Perrault, Chair, Department of Finance
Michael Flores, Department of Food & Agriculture
Ana M. Lasso, Department of General Services
Mark Arabo, 22nd District Agricultural Association
Lisa Barkett, 22nd District Agricultural Association
Kathlyn Mead, 22nd District Agricultural Association

Others present:
Joshua Caplan, Counsel, Office of the Deputy Attorney General
Carlene Moore, 22nd DAA Chief Executive Officer and Authority Secretary-Controller
Michael Sadegh, 22nd DAA Finance Director and Authority Treasurer

APPROVAL OF MINUTES – March 21, 2025

Public Comment on Approval of Minutes (see page 4 of transcript)
None

Commissioner Flores moved to approve the meeting minutes from March 21, 2025. Commissioner Barkett seconded the motion. Chair Perrault and Commissioners Flores, Arabo, Barkett, and Mead were all in favor. Commissioner Lasso abstained. The motion carried 5-0.

REPORTS

Del Mar Thoroughbred Club (DMTC) Summer Race Meet
Chair Perrault introduced DMTC President and Chief Operating Officer Josh Rubinstein, who reported that the new single circuit structure in California thoroughbred racing has increased purses at the DMTC summer race meet. Food and beverage sales from the summer meet are expected to surpass $11 million with revenues going directly to the District. More than 3,500 people are employed at the Del Mar Fairgrounds each summer race meet, and DMTC provides about 21,000 free meals for backstretch workers throughout the eight-week season.

Subject to Commission Approval

Upcoming 2025 Breeders' Cup
The Breeders' Cup World Championships will take place on October 31 and November 1, 2025, marking the fourth time in the past nine years that Del Mar has hosted the event.

Public Comment on Reports (see pages 15-23 of transcript)
Bill Strauss, Jim Coleman, Oscar de la Torre, Maria Luisa

PUBLIC COMMENT ON MATTERS NOT APPEARING ON THE AGENDA
None

RECESS TO CONVENE AND HOLD THE DEL MAR RACE TRACK AUTHORITY MEETING
The Commission recessed to the Del Mar Race Track Authority meeting at 1:56 p.m.

RECONVENE BACK INTO OPEN SESSION OF THE COMMISSION MEETING
The Commission resumed at 2:11 p.m.

GENERAL BUSINESS
Item 7-A: Discussion and vote on whether to adopt Commission Ticket Policy

Public Comment on Item 7-A (see pages 41-42 of transcript)
None

Chair Perrault referred to the draft ticket policy on pages 6-11 of the meeting packet. Commission Counsel outlined the purpose and provisions of the policy. Tickets distributed to Commissioners in accordance with the policy would not need to be reported as gifts.

Chair Perrault suggested the following motion:

1. Adopt the State Race Track Leasing Commission event ticket policy with the adoption date of September 5, 2025.
2. Publish the ticket policy on the Del Mar Fairgrounds website and post a report within 30 days of ticket distribution on the website.
3. Amend sections 3.1, 3.2, 3.10, 4.2, and 5.2 to clarify language about use of tickets for immediate family or a guest by removing the words "if the Commission Official has no Immediate Family."
4. Amend the policy to include identification of Commissioner Mead as the Ticket Administrator.
5. Add section 8.0 to clarify that the policy should not lead to disproportionate use of tickets by any one Commissioner.

Commissioner Lasso moved to approve the ticket policy with amendments as stated by Chair Perrault. Commissioner Flores seconded the motion. Chair Perrault and Commissioners Flores, Lasso, Arabo, Barkett and Mead were all in favor, and the motion carried 6-0.

Subject to Commission Approval

ADJOURNMENT

There being no further business, Chair Perrault adjourned the meeting at 2:52 p.m.

Subject to Commission Approval

Michael R. Ernst
Executive Vice President
Chief Financial Officer

December 15, 2025

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

Re: Del Mar Thoroughbred Club 2026 Budget

Dear Carlene:

We enclose Del Mar Thoroughbred Club's ("DMTC") 2026 budget pursuant to Section 7.1 of the Del Mar Race Track Operating Agreement, as amended (the "Operating Agreement"). Our goal in preparing the 2026 budget is to provide a realistic and achievable operating plan designed to:

- Maximize combined DMTC rent and racing-related food and beverage ("F&B") net income ("Combined Race Meet Net Income");
- Maintain the quality and historic character of our summer race meeting;
- Continue building upon the success of the fall race meeting; and
- Remain an industry leader in developing safety protocols and procedures to enhance the health and safety of our horses, riders and patrons.

EXECUTIVE SUMMARY

Our 2026 budget presents the projected results for our upcoming summer and fall race meets with discussions and comparisons to the results of our 2025 summer and fall race meets. The results of the 2025 Breeders' Cup World Championships are also presented to illustrate the additional benefit derived from hosting the Breeders' Cup.

Our 2025 summer and fall race meets generated a projected combined return from racing of **$8.48 million** and consists of **$3.16 million in payments** to the District and RTA and **$5.32 million in F&B net revenues** (as defined in the Operating Agreement). Del Mar was selected to host the Breeders' Cup World Championships in 2025 and the event generated **$1.53 million** of Direct Payments and F&B net revenues. Together with the Breeders' Cup, the combined return from racing in 2025 was $**10.01 million.**

As discussed in detail in this report, our 2026 budget projects a combined return from racing of **$8.92 million** and consists of **$3.38 million in payments** to the District and RTA and **$5.54 million in F&B net revenues.** These payments are **$440,000 higher** than the projected combined return from racing for the 2025 summer and fall race meets.

Industry Overview

Governance and Key Stakeholders Horse racing in California is subject to California Horse Racing Law (the "Law"), which vests the California Horse Racing Board (the "CHRB") with jurisdiction and supervision over horse racing in California. Among other things, the Law establishes the distributions from pari-mutuel wagering used to support the CHRB, purses and commissions,[1] owners' and breeders' awards, and other statutory payments as well as satellite wagering fees and interstate location and host fees. The CHRB issues licenses to operators in California, such as DMTC, to conduct horse racing meets in accordance with the Law and CHRB rules and regulations.

The 22nd District Agricultural Association (the "District") owns and operates the Del Mar Fairgrounds and Race Track as an agency of the State of California. The State Race Track Leasing Commission (the "Commission") was created by the California Legislature with the responsibility and authority to lease the Del Mar Race Track on behalf of the District. DMTC and the Commission are parties to the Operating Agreement which took effect as of January 1, 2011, and expires on December 31, 2030. The Operating Agreement provides, among other things, that the excess of DMTC's annual revenues over expenses, less the amount needed by DMTC to pay or provide for projected operating capital needs for the period from January 1 to commencement of the next race meet, is paid to the District as a Rent Payment. DMTC strives to maximize the Rent Payment to the District.

The Race Track Authority ("RTA") is a joint exercise of powers agency organized by the District and the Commission in 1990 for the purpose of financing improvements to the Del Mar Race Track. In 2015, the RTA issued revenue bonds to refinance obligations related to those improvements, with the 2015 revenue bonds secured by pledged revenues consisting of Race Track Net Revenues, derived from DMTC's operations; and Concession Net Revenues, derived from the District's operations. The 2015

[1] The purse is the prize money paid to the winning horse(s). Most of the money to fund purses comes from wagering revenues, with the Law requiring that approximately 50% of all wagering revenues must be used to fund purses. Commissions are the portion of wagering revenues retained by race meet operators like DMTC to fund their operations.

revenue bonds mature in 2038 and there exists a debt balance of approximately $29 million. DMTC strives to maximize the total return from racing to enable the District to meet the debt service and since 2015 DMTC has generated nearly $110 million for the District.

The Thoroughbred Owners of California ("TOC") represents the collective interests of all California thoroughbred owners to maximize purse revenues and preserve the long-term viability of the sport. The TOC advocates on all issues impacting thoroughbred owners before the CHRB, the California Legislature and the United States Congress. DMTC regularly engages with the TOC on various issues. The TOC also negotiates and enforces statutorily mandated horsemen's agreements with each of the licensed thoroughbred racing associations, including DMTC, and approves wagering agreements between racing associations and other tracks, off-track betting operators, and Advanced Deposit Wagering ("ADW") companies.[2]

DMTC is a partner in SCOTWINC, the entity that administers the satellite network (i.e., off-track betting locations) 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% taken from California ADW wagers. These simulcast revenues fund staff costs and other SCOTWINC simulcast-related expenses. As partners in SCOTWINC, DMTC and the horsemen (via purses) participate in 50% of the surplus, or shortfall, of SCOTWINC's simulcast revenues and expenses.

Key DMTC Programs

We operate live Thoroughbred racing meets twice each year, with one during mid-July to early September (the "Summer Meet") and the other during November (the "Fall Meet"). Del Mar's Summer Meet has long been considered one of the crown jewels of the sport of Thoroughbred racing and our Fall Meet, which began in 2014, has become known as the best autumn race meet in the nation. The Del Mar Race Track is viewed as an iconic and world-class racing venue and DMTC is highly regarded in the industry because of the way we conduct our operations, both in terms of our ability to attract the highest quality Thoroughbred racing and our success in generating a diversified revenue stream. Additionally, DMTC has a long and well-earned history as an industry leader in developing innovative programs, adopting new technologies and creating dynamic marketing campaigns designed to attract top Thoroughbred racing as well as (new) fans to the sport of racing. The following highlights the key programs that drive our success:

Safety DMTC has long been at the forefront in establishing industry-leading safety protocols and procedures to enhance the health and safety of our horses, riders, and patrons. These protocols and procedures have resulted in Del Mar consistently being ranked among the safest racing venues in the country and include the industry's most stringent medication rules and testing of horses, increased

[2] ADW providers facilitate wagering through a software app or website that allows their customer to wager via the app or internet on races wherever the race is run and from wherever they are located. The CHRB licenses ADW companies to conduct ADW wagering in California. All ADW companies operating in California with whom DMTC partners are duly licensed by the CHRB.

veterinary oversight, and enhanced stable security. Our Safety Advisory Committee, consisting of trainers, veterinarians, jockeys, track maintenance personnel and management, meets regularly to review safety practices, operations, and racing surfaces. We also work with industry stakeholders, including the CHRB and the federally established Horseracing Integrity & Safety Authority ("HISA"), to ensure DMTC's equine safety and welfare protocols continue to be the industry's gold standard. We are proud that many of our safety protocols have been incorporated into federal regulations mandated by HISA. Our efforts to provide the safest possible environment for equine and human athletes are continuous and a top priority.

Horse Population and Recruitment Our world-class live racing program and the wagering commissions and purses it generates are at the heart of our operations. Our results are impacted by a number of factors, with key ones being overall horse population and the inventory of horses available to race. The number of horses that run in a race, known as "field size," directly correlates to the amount of money wagered on the race, the so-called "handle." The larger the field size, the higher the wagering handle that is generated. More handle results in higher wagering commissions paid to track operators like DMTC and higher purses paid to the horsemen, which incentivizes them to enter their horses into our races. The funding directed to other stakeholders, including those noted above, also directly correlates to handle.

Our Summer Meet field size averaged 8.7 horses per race compared to 8.6 horses per race last year. Our field size was the second highest for all major race meets in the country and only slightly below Keeneland's spring meet of 8.8 horses per race (8.7 last year) and well above the popular Saratoga summer race meet, which had an average field size of 7.6 horses per race (7.9 last year).[3] It bears noting that both Keeneland and Saratoga, as well as other operators in their respective states, benefit substantially from supplemental revenues derived from other forms of gaming, such as Historical Horse Racing slot-style machines in Kentucky and casino gaming in New York. These supplemental revenues enable those tracks to offer higher purses to attract horsemen to enter their races. Since supplementing purses with other gaming revenue sources is not available in California, we rely heavily on our horse recruitment programs to compete with other tracks, especially those in Kentucky and New York.

Our Fall Meet field size averaged 7.8 horses per race compared with 7.7 horses per race last year. This increase was achieved despite the 2025 Fall Meet offering eleven fewer turf races compared to the 2024 fall meet. Rainy conditions impacted racing during the third and fourth weeks of the five-week race meet causing turf racing to be eliminated on two race days to preserve the turf course. Turf races consistently attract larger race fields compared to dirt races. Turf races averaged 8.5 starters per race compared to 7.2 starters per race for dirt races during the 2025 Fall Meet.

DMTC's horse recruitment programs consist of our highly successful Ship & Win program and our Co-Op marketing program. DMTC's Ship & Win program is jointly funded by DMTC and the TOC. This program provides equine transportation reimbursements and incentives for owners of out-of-state

[3] Keeneland and Saratoga operate premier horse racing meets in Kentucky and New York, respectively.

horses to race at Del Mar. We also attract out-of-state horses that do not qualify for Ship & Win incentives through our Co-Op marketing program. This program is also a joint program along with the TOC and is funded through a deduction taken from online ADW handle. This year, our recruitment efforts from both programs attracted 285 out-of-state horses that started 437 races during our summer and fall race meets. This figure represents an 11% increase in starts compared to the prior year's horse recruitment efforts, demonstrating the continued success of these programs. These out-of-state horses contributed to an increase in our average field size of 1.1 horses per race this year, with contributions to increased wagering and purse revenues. Our recruitment programs do not just benefit Del Mar; they also benefit Santa Anita and Los Alamitos as many of these out-of-state horses remain in California to race at those tracks.

There are many racing venues operating during the summer months and competition for horses is fierce. Additionally, certain out-of-state horsemen who said they planned to race some of their horses during our 2025 Summer Meet changed their plans after federal immigration enforcement actions in California (unrelated to horse racing) made national headlines. Even though no enforcement actions occurred at Del Mar, the uncertainty created by such actions negatively impacted our field size.

We are proud of our record of producing world class racing with large field sizes despite the challenges and competitive disadvantage surrounding the lack of supplemental revenues noted above.

Marketing DMTC's marketing efforts, which are built around our iconic and vibrant brand, are designed to generate substantial F&B revenues for the District and to maximize admissions-related revenues by driving attendance to areas that enjoy high per capita revenues, such as our Group Sales, Celebrity Suites and Sky Rooms, the Turf Club, and trackside restaurants as well as reaching different types of patrons and stakeholders.

- Our marketing strategy provides direct access to the desirable demographics of Gen Z, Gen Y and Millennials and takes advantage of the event-spending traits these groups often display. Our social media marketing effort relies heavily on our influencer campaign, which has grown in recent years. We hosted over 50 influencers during the Summer Meet and saw a 92% year-over-year increase in influencer impressions and a 190% increase in engagements. Our influencer partners provide independent endorsements seen by their millions of followers and create a sense of authenticity for new patrons that is hard to achieve with conventional advertising. The third-party endorsements attract a new, and often young, audience, helping us to create future fans of the sport. The results of this strategy can be observed on any race day, with many patrons from these demographics in our crowds.
- We continue to utilize Del Mar's robust 350,000-person database, called the "Diamond Club". The Diamond Club is an opt-in-only loyalty program that allows us to provide specialty offers and exciting promotions for our most fervent fans. An example is the "a Day on Us" program, providing free admission and seating on days with typically lower attendance, and pricing that packages table/box accommodations with F&B items. We simultaneously employ a direct marketing email strategy to our

280,000-opt-in email database to speak directly to an audience that we know is engaged with our events at a high level.

- We attract high volume bettors by organizing two handicapping contests during the Summer Meet. During these contests, the participants engage with each other and us in fun, exciting events. We also proactively reach out to high volume (out-of-state) bettors to explain industry developments to maintain and further develop our relationships with them. These bettors generate significant wagering revenues, and they demonstrate their appreciation for our racing product through the amount of money they wager on our races.
- We have well-established, and continue to develop, relationships with corporate partners. Our corporate sponsorship revenues continue to be among the highest in the industry because of the high-value marketing assets and hospitality packages we deliver.
- Last, but certainly not least, our marketing efforts continue to focus on DMTC's industry-leading equine safety and welfare initiatives to highlight Del Mar's standing as one of the safest racetracks in North America and educate the public about our injury prevention efforts as well as the industry's medical research and aftercare resources.

As in prior years, our Party on Opening Day was sold out and offered ticketed patrons exclusive access to the trackside cabana and featured top-notch DJs, craft beer and cocktail bars, numerous local food vendors, private wagering windows and more. The Summer Meet promotions included a variety of popular recurring F&B-focused events, such as the Del Mar Beer Fest, Uncorked Wine Tasting, along with regional food events such as the Taste of New Orleans and Tacos & Tequila. With a robust Saturday lineup in place, we shifted our focus toward elevating the Sunday experience and enjoyed great success from a new and reimagined event, Savory Sundays, during which top local restaurants served special items for purchase along with discounted drinks. Live music brought new energy to the Plaza de Mexico. In the Turf Club, we partnered with Amaya restaurant at the Fairmont Grand Del Mar to elevate our Taste of the Turf Club Sunday brunch experience. The specially curated menu increased brunch sales in the Turf Club on Sundays. We work closely with the District's concessionaire, Premier Food Services, on promotions that aim to generate F&B revenues, such as Happy Hour Fridays and Taste of Turf Club Sundays.

We compete with many other entertainment options during the summer months in San Diego and are proud that our marketing efforts have resulted in the increased attendance and F&B revenues. A leading publication in our industry also took note of our marketing efforts, particularly those that reach new and younger patrons.[4]

[4] See: How Monmouth And Del Mar Are Winning Young Fans For Racing's Future - Paulick Report | Latest news and commentary from the horse racing and equine world

Sources of Revenue

DMTC's revenues are derived from both wagering and non-wagering activities. Wagering is our primary revenue source and accounted for 63% of total 2025 revenues. Del Mar historically has enjoyed the highest level of non-wagering-to-total-revenues of all racetracks in California and is among the highest of any racetrack in the United States because of the way DMTC conducts our business and marketing efforts.

Wagering revenues and purses were generated during the 14 weeks of racing allocated by the CHRB in 2025, which consisted of the nine-week summer calendar from July 9 through September 9 and a five-week fall calendar from October 29 through December 2. Traditional wagering revenues and purses come from the rates charged for each wager and are comprised of:

- Pari-mutuel commissions and purses based on wagers placed on our races (i.e., live races) by patrons at the Del Mar racetrack and California ITW locations, as well as by California residents placing online wagers through the eight ADW providers licensed by the CHRB to operate in California.
- Pari-mutuel commissions and purses when patrons who reside outside of California wager on our races at brick-and-mortar locations (e.g., racetracks, casinos, ITW locations and sports bars) and through ADW providers who contract with us to take wagers on our races. DMTC's 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 as well as Europe and South Africa and this drives significant non-California wagering revenues.
- Pari-mutuel commissions and purses based on wagers made by patrons in California on races conducted outside of California (i.e., out-of-state or "imported" races).
- Pari-mutuel commissions and purses from separate pool simulcast fees.[5]
- Breakage revenue, which is generated because the Law requires that posted mutuel payoffs must be rounded down from calculated payoffs, and the rounding difference (i.e., "breakage") is divided among the horsemen, the State of California and the racetrack operator.[6] Minus pools occasionally occur when the racetrack operator must contribute funds to a mutuel pool when a prohibitive betting favorite[7] causes the required minimum mutuel payments to exceed the gross mutuel pool less the statutorily required takeout. Minus pools typically occur with show (i.e., third place) bets and are netted against breakage revenue. DMTC has procedures in place that limit the negative impact from

[5] Separate pools consist of money wagered on our live races in foreign countries that are not included in our main mutuel pools and are commingled into separate mutuel pools.
[6] For example, a calculated payoff of $2.19 is paid at a rate of $2.10 and the difference of $.09 per winning ticket creates breakage revenue.
[7] A prohibitive favorite is a horse with short odds that bettors believe is likely to win, place or show.

minus pools, but they cannot be avoided entirely for various reasons (*see* further discussion below under Revenues).

Starting in 2025, with the transition to a Single Circuit (as discussed below), the Southern California race tracks (Del Mar, Santa Anita and Los Alamitos) began receiving wagering revenues and purses on a year-round basis from wagering that takes place in Northern California. Single Circuit revenues and purses consist of:

- Wagering revenues from wagers placed at Northern California ITW locations; and
- Revenues from Northern California residents wagering through ADW providers on (1) live races run at Southern California tracks and (2) out-of-state imported races.

Single Circuit revenues and purses are allocated to the Southern California tracks, including Del Mar, throughout the year based on each track's share of its prior year wagering-to-total wagering in Southern California.

We reassess our wagering menu before our race meets to ensure we provide a variety of exciting betting options for our patrons and to maximize wagering revenues. This year, we added a late $5 daily double. a middle $0.50 pick-4 and a late $3 pick-3 to our Summer Meet wagering menu. These new bets were well-received received and positively impacted wagering revenues.

In an effort to diversify our sources of revenue, including maximizing F&B revenues that flow directly to the District, we strive to develop non-wagering revenues.

Non-wagering revenues are primarily comprised of:

- Admissions-related revenues (e.g., daily admissions, seating and parking, season suites and boxes, Turf Club memberships and suites, group sales, and programs);
- Sponsorship revenues;
- Merchandise (gift shop) Sales;
- Interest income; and
- Other revenues, such as consulting-based management services that we provide to others in our industry for a fee.

2025 Results

Summer Meet Highlights

- Like last year, 2025's Summer Meet consisted of 31 days of racing over our typical eight-week calendar from mid-July to early-September. Opening Day was on Friday, July 19 and saw a sellout crowd and continues to be one of the top social events of the summer in Southern California. Opening

Day is always our most well-attended day and generates the highest F&B revenues. Last year, Opening Day was on Saturday and by moving it back to Friday we replaced a lightly attended weekday in September 2024 with our best-attended weekday in 2025.

- The Summer Meet was once again one of the safest meets in the nation and featured high quality and competitive racing with the second-largest field sizes in the country.
- On-track attendance was 282,104, an increase of 3.1% compared to the 237,587 for the 2024 Summer Meet.
- Total purses and distributions to horsemen and women were $27.7 million, an increase of 5.7% over $25.8 million in 2024, and were highlighted by an impressive lineup of 38 stakes races that attracted many world-class equine stars.
- Pacific Classic Day, which is our showcase event, featured our richest and most prestigious race in the $1 million Grade I Pacific Classic as well as four other graded stakes races. The Pacific Classic was won by Fierceness, trained by Todd Flecher and ridden by John Velasquez. Fierceness also won horse of the meet honors. The day also saw impressive victories by several other horses that will compete in the 2025 Breeders' Cup World Championships ("Breeders' Cup").
- Oak Tree Day at the Races featured the Grade I Clement L. Hirsch Stakes and was sponsored by the Oak Tree Racing Association to honor the late founder of both DMTC and Oak Tree. Oak Tree was founded with the premise of horsemen helping horsemen and, among other charitable contributions to the racing industry through its history, continued its partnership with DMTC in funding a program to provide meals for our backstretch community. As part of its sponsorship, Oak Tree contributed money that was added to purses as well as prizes for grooms who had the best-turned-out horse in each race throughout the day.
- Juan Hernandez won 45 times and took top jockey honors for the fourth straight year. Bob Baffert won the top trainer crown with 24 wins. Mia Familia Racing stable was the leading owner with six wins while the owners of Fierceness topped all owners with $600K in purse winnings from their Pacific Classic win. Little Red Feather Racing led the way in the co-partnership owner category with four graded stakes wins and just over $1M in purse money

Fall Meet Highlights

- The Fall Meet, known as the "Bing Crosby Season", concluded its twelfth year on November 30th and consisted of thirteen days of racing – one day less than scheduled due to the cancellation of racing on Friday, November 14 due to substantial rain in Southern California. As with last year, the 2025 Fall Meet began with the Breeders' Cup World Championships returning to Del Mar on October 31 and November 1 for an unprecedented second consecutive year and the fourth time in the past nine years.
- The 2025 Breeders' Cup brought together Thoroughbred racing's top horses, owners, breeders, trainers and jockeys on racing's biggest stage. Fifty-five horses from thirteen countries participated

in the two-day event, which was a rousing success generating $210.2 million in pari-mutuel and international separate pool wagers, a slight increase over the previous wagering record of $209.9 million in 2024. Japan's Forever Young—one of 8 horses to come from Japan to participate in the World Championships this year—won the $7 million Breeders' Cup Classic.

- The Fall Meet, which is considered the racing industry's premiere autumn race meet in the country, once again led the nation in wagering during the month of November despite the loss of one day of racing due to heavy rains during the third and fourth week of the five-week meet. Rain resulted in the cancelation of racing on the Saturday of the third week and Friday of the fourth week of racing. The wet conditions led to no turf racing being conducted on the day following each of these cancelations and all races were instead conducted on the dirt track to allow the turf course to dry to avoid damage to the softened turf. A make-up day of racing was added on the Monday of the fifth race week.
- Total wagering for the 13-day Fall Meet rose to $183.4 million, a 9.4% gain over the $167.6 million wagered during the 14-day 2024 fall season. Average daily wagering for the 13 race days was $14.1 million, an increase of 17.8% from last year's 14-day average wagering.
- The Fall Meet closed with pleasant weather for the FanDuel Racing Turf Festival which featured six graded Turf Stakes races over the final weekend. The Turf Festival attracted several of the nation's top turf horses and notable east coast-based jockeys and trainers. East coast trainer Chad Brown swept the Turf Festivals two Grade I races as Juddmonte's Seresta won the Grade I Matriarch and Salamis shipped into Del Mar and won the Grade I Hollywood Derby.
- The race for leading jockey honors came down to the final day of the meet, with Umberto Rispoli securing the title with 17 wins. The trainer race was just as competitive through Closing Day, where George Papaprodromou finished atop the standings with 11 victories. The leading owner for the fall season was Juddmonte, concluding the meet with four wins.

2025 Revenues

The 2025 Summer and Fall Meets, together with the Breeders' Cup event, are projected to generate a combined return from racing of $10.01 million for the year. This amount is $290,000 above the budgeted return from racing and $390,000 higher than the 2024 combined return from racing.

Racing net revenues are projected to total $3.76 million in 2025 as increases in total wagering during both the summer and fall meets and higher on-track attendance during the Summer Meet drove gains in wagering commissions and attendance-related revenues. The $3.76 million of net racing revenues consists of $2.025 million of Direct Payments ($1.025 million for the Summer Meet, $400,000 for the Fall Meet and the $600,000 Breeders' Cup Facility Direct Payment), as well as $1.73 million of payments to the Race Track Authority ("RTA"). The $1.73 million RTA payments consist of (1) $1.625 million paid on November 15, 2025, and (2) an expected additional payment to the RTA of approximately $105,000. This additional payment, which will include the results of our Fall Meet and

the Breeders' Cup event, will be paid in late April following completion of our 2025 audited financial statements.

Racing-related F&B net revenues (as defined in the Operating Agreement) totaled $6.26 million and consists of $4.84 million of Summer Meet F&B net revenues, $480,000 of Fall Meet F&B net revenues and $930,000 of Breeders' Cup F&B net revenues. Summer Meet F&B revenues increased $330,000 and were $120,000 over budget due increased on-track attendance as well as growth in our high margin F&B sales in our premium Group Sales areas. Fall Meet F&B net revenues declined $100,000 and were $110,000 under budget due to the rainy weather causing one less day of fall racing. Breeders' Cup F&B net revenues were at budgeted and prior year levels.

RECENT INDUSTRY AND LEGISLATIVE DEVELOPMENTS

California Single Circuit As we have previously noted, the California Thoroughbred horse racing industry has transitioned from having racing conducted simultaneously in both Northern and Southern California to a Single Circuit focused on the Southern California race tracks at Del Mar, Santa Anita and Los Alamitos. With this Single Circuit, there was no live racing in Northern California in 2025. Proposals by potential operators to conduct (short-term) race meets at county fair locations in Northern California during the summer and fall of 2025 were rejected by the CHRB and, while it is possible there will be new attempts to revive live horse racing in Northern California in 2026 or beyond, we believe such attempts will face significant challenges just as they did in 2025 and that California likely will remain a year-round Single Circuit for the foreseeable future.

The Single Circuit has resulted in increased purses and commissions for the Southern California race tracks as wagering revenues generated in Northern California are now allocated to these tracks based on their share of prior-year wagering to the total wagering in Southern California. With racing consolidated into the Single Circuit, certain cost savings have resulted for the industry, with a reduction in the CHRB budget for its 2025/2026 fiscal year among them. Additionally, prior to 2025, Regulatory Costs had been funded through deductions from traditional wagering revenues, (e.g., total wagering revenues before Single Circuit revenues).

As we have previously noted, the California Association of Racing Fairs ("CARF") transitioned away from supporting on-track (live) horse racing operations in Northern California instead opting to sustain and enhance those satellite wagering centers that have continued to operate at some fairgrounds in the north. Santa Anita and DMTC committed to assist CARF with their transition, with DMTC making a one-time payment of $690,000 which we recognized during the first quarter of 2025. The continued operation of CARF's satellite wagering centers in Northern California will positively impact our revenues in future periods far more than this one-time cost.

Sports Wagering Sports wagering has been legalized in 38 states across the country. As we discussed in previous filings, DMTC continues to work with other racing industry stakeholders and California's Tribal casino interests on a legislative framework for legalizing sports wagering in California, which

would require a majority of the state's voters to approve amending California's constitution. We anticipate that approval of sports wagering will be put to California voters in the 2026 or 2028 election.

2026 BUDGET OVERVIEW

DMTC's 2026 budget reflects the operating, staffing and marketing strategies that we have implemented since 2014 when we began conducting our two distinctly different annual race meets during the summer and fall. Consistent with past practices, our 2026 budget is designed to maximize both DMTC's rent payment to the District as well as race meet-related F&B net revenues that flow directly to the District.

Our proposed 2026 budget is impacted by a number of key factors that are reflected in both the revenue and expense projections. As in the past, these factors result from legislative changes, new state-mandated regulatory actions and the upcoming racing calendar approved by the CHRB, as well as opportunities and changes in the business environment surrounding racing. Some of the key assumptions and other factors include:

- Regional and national economies are expected to remain stable with higher earning consumers remaining confident while moderate to lower earning consumers are expected to be more cautious and focused on value;
- Labor markets are expected to remain stable but soft compared to last year;
- The Federal Reserve is expected to continue cutting interest rates in 2026 to support employment amid soft hiring;
- The CHRB is expected to approve the continuation of an uninterrupted year-round Single Circuit in California in 2026. While it is possible that a potential operator may again request a short race meet at a county fair location in Northern California during the third quarter, we believe similar challenges exist as in 2025, when the CHRB denied a similar request for racing dates;
- CHRB approval of an extension of the current agreement between the Southern California racetracks and the TOC to continue to provide funding for Southern California Off-Track Wagering Inc. ("SCOTWINC") operations from a deduction from the ADW handle;
- CHRB approval of the request by Southern racing associations and the TOC to maintain the present deduction from both ADW wagering and California brick-and-mortar wagering to provide an increase in the funding of reimbursement to Southern California off-site stable and training locations; and
- CHRB approval and an extension of the current agreement between DMTC and the TOC to continue a present deduction from the ADW handle to provide funding for the Co-Op marketing program.

The accompanying budget is formatted to reflect the following: (i) Summer Meet budgeted revenues, expenses and rent payment; (ii) Fall Meet budgeted revenues, expenses and rent payment and (iii) a consolidated budget showing all revenues, expenses and our 2026 payments to the District and RTA.

This budget precedes the start of our summer race meet by seven months and requires us to make assumptions regarding on-track attendance and wagering levels, CHRB approval of proposed agreements and other factors that will impact our operations and financial projections. At times over the years impactful events have arisen following the December submission of our annual budget which required us to significantly adjust our operations.

As we move toward the start of the 2026 Summer Meet, our objective is to continue to implement a thoughtfully prepared budget and dynamic business plan that addresses evolving conditions and delivers a combined race meet net income that exceeds the projected amount in this budget. Through our 2026 quarterly budget submissions we will provide updates on adjustments to our operation, the costs and expected benefits of any programs and other events that are not contemplated in this budget. We also will meet with District staff and the Liaison Committee to provide updates on any other developments that may arise.

2026 Racing Calendar

At its October 16, 2025 meeting the CHRB allocated Del Mar 13 weeks of racing in 2026. These 13 weeks consist of a nine-week summer calendar from July 8 through September 8 and a four-week fall calendar from November 6 through November 29. The Del Mar live racing calendar for 2026 consists of 45 live racing days, with 32 days of summer racing and 13 days of fall racing. This compares with 14 weeks of racing dates in 2025, the nine-week summer calendar with 31 days of racing and the five-week fall calendar with 13 days of racing and the two-day Breeders' Cup World Championships, which took place on the first Friday and Saturday – October 31 and November 1 – of the Fall Meet.

Our 32-day Summer Meet will offer one additional day of live racing this summer run over eight weeks. Opening Day will be on Friday, July 17 and the Closing Day will return to the more favorable close on Labor Day Monday, September 7. Last year's Summer Meet opened on Friday, July 18 but concluded with a three-day week of post-Labor Day live racing on Friday September 6 and closing on Sunday, September 8. Post–Labor Day race weeks are less favorable because on-track attendance declines in the week following Labor Day, as fewer out-of-town vacationers are present and the closing week is limited to a three-day Friday through Sunday schedule rather than the usual four-day Thursday through Sunday race week. Additionally, the Saratoga race meet, the most popular and heavily wagered imported race signal, closes on Labor Day which causes imported wagering levels to decline the week following Labor Day. In addition to eight weeks of live racing in the summer of 2026 there will be no live racing (so-called "dark days") in Southern California the week of July 8 through July 16 prior to the start of our meet. Even though we are not offering live racing during these dark days, because they are allocated to us as part of the racing calendar, Del Mar earns wagering commissions and purse funds when Southern California patrons wager on races imported from racetracks outside California ("imported races") during such days.

The 13-day Fall Meet opens Friday, November 6 and closes on Sunday, November 29. The four-week meet, which is weekend focused will feature live racing Friday through Sunday and also offer racing on Thanksgiving, Thursday, November 26. The rain-shortened 13-day and five-week 2025 Fall

Meet opened on Thursday, October 30. The two-day Breeders' Cup World Championships ran on Friday, October 31 and Saturday, November 1, and the Fall Meet resumed on Sunday, November 7 and closed on November 30 (the Sunday of Thanksgiving week). The prior year five-week fall racing calendar also had seven additional dark days, compared to the upcoming four-week fall calendar. These dark days generate wagering commissions and purse funds when Southern California patrons wager on imported races.

Attendance for our 32-day 2026 Summer Meet is projected to total 290,750, a 3.6% increase due to an additional race day compared to the 31-day 2025 Summer Meet. On-track attendance will also benefit as the Summer Meet returns to its traditional Labor Day Closing Day, which, as noted above, is more favorable than closing with a post-Labor Day race week.

Attendance for our 13-day 2026 Fall Meet is projected to total 41,300, an 8.3% increase over the 2025 Fall Meet. Rain impacted attendance over a two-week period during last year's Fall Meet with racing canceled on the Saturday of the third week and the Friday of the fourth week. The wet conditions also led to declines in attendance on the days following each of the canceled race days. A make-up day of racing was added with short notice the Monday of the final race week and attendance on that race day was approximately 40% of a normal fall race day.

Race meet F&B revenues combined for both the Summer and Fall Meets are expected to increase 4.2% due to an additional race day in the summer, projected attendance levels and a modest increase in F&B pricing. Our marketing efforts are designed to generate substantial F&B revenues by driving attendance to high F&B per capita areas including our Group Sales Sky Rooms, Celebrity Suites, the Turf Club and our popular trackside restaurants. Additionally, F&B revenues again are expected to benefit from our high-margin lifestyle events as our events calendar is highlighted by popular lifestyle promotions, such as craft beer events, local artisan food festivals, wine tasting festivals and college days.

2026 Budgeted Revenues

Budgeted revenues for 2026 are projected to total $43.1 million, an increase of $1.02 million. Summer Meet revenues are projected to increase $1.09 million, or 3.1%, due to growth in wagering and admissions-related revenues. The CHRB allocated Del Mar a four-week fall racing calendar this year compared to five weeks in 2025 when Del Mar hosted the Breeders' Cup Championships. Fall Meet revenues are projected to decline $70,000 due to lower import wagering revenues related to one less week of racing for the upcoming Fall Meet.

Wagering revenues comprise DMTC's primary source of revenue and are projected to account for 63% of budgeted 2026 total revenues. Wagering revenues are projected to account for 58% of Summer Meet revenues and 84% of Fall Meet revenues. Our Summer Meet attracts more out-of-town and casual patrons than the Fall Meet and, accordingly, the Summer Meet generates significantly higher attendance-related revenues. The Fall Meet has a larger concentration of wagering-to-total-revenues due

to lower admissions revenues and because all existing sponsorship agreements, management services and other operating revenues are allocated to the summer race meet.

Our horse recruitment efforts, including the Ship & Win and Co-Op marketing programs, again will be a key focus of our 2026 operations. Field sizes for the summer race meet are expected to increase slightly over last summer's 8.7 horses per race. Last summer, certain out-of-state horsemen who said they planned to race their horses during our 2025 Summer Meet changed their plans after federal immigration enforcement actions in California (unrelated to horse racing) made national headlines. Even though no enforcement actions occurred at Del Mar, the uncertainty created by such actions negatively impacted our field size. Fall Meet field sizes are expected to benefit modestly as a result of more turf races in 2026. Rain during the prior fall season resulted in the meet offering eleven fewer turf races than scheduled. Turf races consistently attract larger race fields compared to dirt races. Turf races averaged 8.5 starters per race compared to 7.2 starters per race for dirt races during the 2025 fall race meet.

Wagering and purse revenue projections reflect various changes to statutory wagering deductions and modifications to contractual ADW wagering deductions used to fund stabling and vanning operations, the operations of the SCOTWINC satellite network and deductions used to fund the CHRB's annual operation as well as California's share of HISA's annual operations.

DMTC and the TOC plan to extend the agreement, subject to CHRB approval, which provides funding for the Co-Op marketing program through a deduction from ADW wagering. The Co-Op marketing program includes horse recruitment efforts, on-track large player reward incentives and a social media program designed to educate the public about Del Mar's industry-leading safety record, our comprehensive safety protocols, and procedures, as well as California's unrivaled aftercare program for retired racehorses. The 2026 deduction from ADW wagering will be unchanged from the 2025 deduction and, as a result, the impact of funding the Co-Op marketing program will be unchanged compared to 2025.

Stabling and vanning ("S&V") operations, which refer to the off-site stabling of horses and transporting them to the operating venue for live racing, are funded through a statutory deduction on wagers made at satellite facilities and on-track handle on imported and Northern California races, as well as a contractual deduction from California ADW wagering. The TOC and the Southern California race tracks increased the statutory deduction on ITW and ADW wagering in 2025 by 71 basis points. This increased funding was used to assist Northern California-based horsemen for stabling, transportation, and other supplements to benefit stables formerly based in Northern California as they have transitioned south during 2025. The S&V deduction will remain unchanged in 2026 as the reimbursement rates to the off-site stabling facilities will increase in 2026 related to increase costs incurred by the training facilities. Lasty year's increase represented the first increase in the reimbursement rates in several years.

The Law provides that the costs of funding the annual operating expense of the CHRB, California's equine drug testing program and the State's share of HISA operations (collectively, "Annual Regulatory

Operating Costs") are paid by California racing associations and purses through a deduction from wagering at all California race tracks and racing fair satellite wagering facilities. These funding deductions from wagering are established annually and are based on the projected statewide wagering compared to the CHRB's and HISA's annual operating budget for the upcoming fiscal year. These deductions from wagering effectively reduce wagering revenues and purses equally during the year. Any surplus or deficit between the funds generated from the funding deductions and the Annual Regulatory Operating Costs at the end of the year is either refunded to, or further deducted from, the following year's commissions and purses.

Annual Regulatory Operating Costs are projected to decline in 2026. California's share of HISA operations will be eliminated in 2026 because of credits earned due to race tracks in other states using the state-of-art testing lab at UC Davis, which is funded by the CHRB, to comply with HISA testing requirements. Additionally, the CHRB's fiscal year 2025/2026 operating costs are expected to remain flat, or decline modestly, as the CHRB adjusts its operations as California continues to transition from a dual circuit to the new Single Circuit.

Wagering Revenues: Wagering revenues are projected to total $26.9 million in 2026, an increase of $340,000 over 2025 wagering revenues. Summer wagering revenues are projected to increase $400,000 due to the benefit of the additional live race day, lower regulatory funding deductions and the return to the traditional Labor Day close to the Summer Meet. Fall wagering revenues are projected to decline $60,000 primarily due to lower import wagering as the Fall Meet was awarded one less week of racing. The Fall Meet will have seven fewer dark days when wagering revenues are generated by ITW and ADW patrons wagering on races imported from other states.

On-track wagering: On-track wagering commissions for the Summer and Fall Meets are projected to total $4.2 million, an increase of $150,000 over 2025 on-track wagering commissions and consist of a $50,000 increase in summer revenues and a $100,000 increase in fall revenues. The Summer Meet will benefit from an additional day of live racing this summer as well as increased on-track attendance related to the elimination of post-Labor Day racing, as the upcoming Summer Meet returns to its traditional Labor Day close. On-track revenue on imported races is projected to decline $20,000 as one patron who placed over $1 million in very large show bets on certain imported races with small fields and prohibitive betting favorites is not expected to return in 2026. (See further discussion below under "Net breakage revenue"). Fall on-track wagering revenues will benefit from increased attendance as well as additional turf racing.

ADW wagering: ADW commissions are generated by California ADW patrons wagering on live and imported races. ADW wagering revenues are projected to total $6.0 million, an increase of $40,000 over 2025 revenues. Summer ADW revenues are projected to increase $150,000 and benefit from the additional live race day as well as higher wagering on imported races. Saratoga, which is the most popular and heavily wagered imported signal, closes on Labor Day. Our 2025 Summer Meet closed one week after Labor Day and thus we operated without the benefit of wagers generated by the Saratoga signal. In contrast, the upcoming Summer Meet will benefit from the Saratoga signal throughout the

entire race meet. Fall ADW revenues are projected to decline $110,000 as the four-week fall race meet offers seven fewer dark days during which ADW patrons wager on imported races. ADW revenues for both race meets will benefit from the elimination of HISA dues in 2026. As noted above, HISA dues are funded through a deduction from ADW wagering and this deduction totaled $130,000 in 2025.

Off-track wagering: ITW commissions are generated from wagering by patrons wagering live and imported races at California ITW locations. ITW wagering revenues are projected to total $4.5 million in 2026, a decline $140,000 from last year. Both race meets will be impacted by the mid-November 2025 closure of an ITW location in the Orange County. This location accounted for approximately 4% of total Southern California ITW wagering. Summer ITW revenues are projected to decline just $10,000 as revenues from the additional live race day and higher wagering on imported races due to closing on Labor Day will offset the loss of revenue from the Orange County ITW location. Fall ITW revenues are projected to decline $130,000 primarily due to lower import wagering resulting from one less work of wagering on imported races and the closure of the Orange County ITW location.

The intertrack wagering surplus fund represents the fund that DMTC and the horsemen (via purses) participate in 50% of the surplus, or shortfall, of SCOTWINC's simulcast revenues and expenses. SCOTWINC is projected to have an $890,000 operating surplus in 2026, which is $40,000 less than the prior year operating surplus due to lower imported wagering during the fall race meet. Additionally, the 2025 operating surplus benefitted from simulcast revenues generated during the Breeders' Cup.

Out-of-state wagering: Out-of-state wagering commissions are generated from the exporting the simulcast signal of Del Mar's live racing as out-of-state customers are able to wager on our races that are distributed over numerous Internet wagering platforms and broadcast to over 1,100 locations throughout North, Central and South America. Revenues are projected to total $10.6 million, a $210,000 increase over 2025 revenues. Summer revenues are projected to increase $100,000 and benefit from the additional day of live racing. Fall wagering revenues are projected to increase $110,000 and benefit from more typical mild fall weather conditions and also reflect the benefit from additional turf races during the fall race meet. As noted previously, turf races have larger fields and generate higher wagering handle when compared to races run on the dirt track. Our 2026 out-of-state revenue projections assume no significant change in the rates charged to out-of-state customers.

Simulcasting fees: Simulcasting fees are generated from wagering by customers outside of the United States (i.e., a "separate pool wagering") and these revenues are projected to increase $30,000 primarily due to the additional day of racing in the summer and additional turf racing in the fall.

Breakage revenue*:* Net breakage revenue is projected to increase $100,000 in 2026. Last summer, one on-track patron placed very large show bets on our as well as imported races. This patron's strategy of betting on prohibitive favorites in small field sizes was successful and generated over $100,000 in on-track minus pools. In response, we enhanced our procedures to identify potential minus pools in advance by evaluating field sizes and prohibitive favorites as (a combination of) these factors create minus pool risk. When we identify a minus pool risk ahead of time, we can and often do petition the CHRB to not

offer these bets. This patron did not employee a similar strategy and during last fall's race meet and is not expected to again in 2026.

Non-wagering revenues: Non-wagering revenues consist of admissions and seat revenues, program sales, parking receipts, advertising and sponsorship revenues, merchandise concession revenues and interest income. Total non-wagering revenues for the summer and fall race meets are projected to total $16.2 million, an increase of $680,000 over 2025 summer and fall revenues due to growth in admissions-related and sponsorship revenues.

Admissions and parking revenues are projected to increase by $560,000 for the Summer Meet and by $50,000 for the Fall Meet, for a total increase of $610,000 over the 2025 Summer and Fall meets. These budgeted increases are primarily driven by an additional race day during the summer season and modest pricing adjustments in parking and select premium seating.

The 2026 Summer Meet will expand from 31 to 32 race days with the addition of Thursday, September 3. While weekend race days generate the highest wagering, Thursdays are generally strong Group Sales days, as weekdays are popular for corporate outings.

Parking fees have remained unchanged since 2023 with the exception of parking fees on Opening Day. For the 2026 summer meet, a $5 increase will be applied across all parking tiers (i.e., general, premium, and valet parking). Additionally, select premium seating areas on Opening Day will see modest price increases. Group Sales will also implement price increases in select areas on Opening Day.

Sponsorship revenues in 2026 are projected to total $3.96 million, an increase of $110,000, or 2.9%, over 2025. The increase is expected to come from new partnerships in the private aviation, footwear, and horse-racing technology categories. DMTC will continue to coordinate corporate sponsorship efforts with the District to ensure maximum sponsorship revenue opportunities for the Fairgrounds.

Novelty concession revenues are projected to decline $20,000. Although summer sales are projected to increase $35,000 due to the additional day of racing and increased attendance, fall merchandise sales are projected to decline $55,000 primarily due to the loss of sales during last year's Breeders' Cup race days which totaled $60,000. Interest income is projected to total $220,000 in 2026, a decline of $30,000 from last year and reflects expected declines in short-term interest rates. Significant cash balances are generated through pre-season sales revenues and the operation of our summer race meet, including the collections and settlements with over 1,100 brick-and-mortar simulcast locations and Internet wagering platforms that participate in our pari-mutuel wagering pools.

2026 Budgeted Expenses

Total expenses for 2026, before payments to the District and RTA (i.e., "total pre-rent expenses") are projected at $39.7 million, an increase of $790,000, or 2.0% higher than expenses for the 2025 Summer and Fall Meets. Increases in staff and other costs were partially offset by lower industry

support costs due to one-time industry support costs incurred in 2025 related to the transition to the Single Circuit.

Staff costs: Staff costs consist of salaries, employee benefits, workers' compensation costs and payroll taxes and comprise the largest expense category. DMTC employment peaks at just over 1,000 staff members during the Summer Meet, with 63% of the work force covered under eight collective bargaining agreements. These costs are measured as a percentage of total pre-rent expenses and are projected to be 56% in 2026. Total staff costs are projected to increase $820,000, or 3.9%, in 2026. Year-round administrative staff costs are projected to increase $120,000, or 3.0%, due to cost-of-living adjustments. Annual maintenance staff salaries are projected to increase 3.7% and reflect scheduled increases required by collective bargaining agreements. Seasonal salaries are projected to increase $400,000, or 3.6%, and reflect the additional day of summer racing along with scheduled increases required by collective bargaining agreements and cost-of-living adjustments for non-union seasonal staff. Employee benefit costs are projected to increase $190,000, or 5.2%, in 2026 due to higher health and welfare plan premiums for both union and administrative staff. Workers' compensation insurance costs are projected to increase $30,000, or 10.0%, based on expected workers' compensation premiums for the March 31 policy renewal and because prior year workers' compensation costs were reduced by a dividend payment based on favorable claims experience in 2024.

Marketing expenses: Advertising, marketing, and communications expenses for 2026 are projected to total $1.93 million across the summer and fall race meets, reflecting a 2% increase over 2025. This modest growth is primarily driven by expanded investment in Del Mar's highly successful social media influencer campaign. Marketing efforts will continue to prioritize social and digital media platforms, which provide strong economic value and more precise audience targeting compared with traditional channels such as television, radio, and print. Whenever possible, we will also co-present promotional events with external partners to maximize financial and operational efficiencies. In addition, we will maintain a strong focus on promoting our industry-leading equine safety and welfare initiatives—including Del Mar's status as one of the safest racetracks in North America, our top-tier equine and rider safety protocols, and our continued support for horse research and aftercare programs.

Race meet season services expenses: Season services expenses are projected to increase $220,000, or 3.0%, in 2026 due to a higher anticipated number of out-of-state horses competing in the Summer and Fall Meets and a modest increase in shipping reimbursement rates from the Ship & Win program. Costs for other season service contracts reflect vendors passing through increased materials and higher staff cost-of living adjustments. DMTC will again provide the complimentary meals program for backstretch workers for both the Summer and Fall Meets. This initiative, which began in 2023, provides backstretch workers with complimentary dinners in a family-style setting designed to promote socialization. This unique program is a bold and much needed step to improve the lives of those in the backstretch community. Our budget assumes that the California Thoroughbred Horsemen's Foundation again will co-fund this impactful program through a grant.

Other expense categories: Racing industry support costs are expected to decline $680,000 in 2026 and reflect our one-time payment in 2025 to CARF as the Northern California fairs transitioned away live horse racing operations and instead opted to sustain and enhance those satellite wagering centers that continue to operate at some fairgrounds in the north. The continued operation of CARF's satellite wagering centers in Northern California will positively impact our Single Circuit revenues in future periods far more than this one-time cost. Insurance expense is projected to increase $80,000, or 7.3%, and reflect a tightening insurance market and projected 2025 premium costs and are based on the indications we have received during our current insurance renewal process. Professional services costs are projected increase $40,000, or 7.4%, primarily the result of an increase in bank service charges. Earning credits on compensating bank balances, which help pay the cost of bank service charges and fees, are projected decline because of recent and expected declines in short-term interest rates. Data processing costs are expected increase $40,000, or 15.0%, and reflect an increase in the services provided by our third-party data processing services provider.

SUMMARY

The 2026 budget reflects DMTC's continuing efforts to manage our operations in light of changes in the racing industry and our longstanding commitment to maximizing the combined DMTC rent and race meet-related F&B net income. The budgeted payments to the District and RTA for 2026 total $3.38 million, and consist of Direct Payments to the District of $1,468,000— which includes $1.068 million for the Summer Meet and $400,000 for the Fall Meet—along with payments to the RTA of $1.91 million. These payments are $220,000 higher than the projected 2025 Summer and Fall Meets payments to the District and RTA. Net revenues for race meet-related F&B operations in 2026 are based on our event focused summer promotional events calendar, projected attendance levels and modest increases in race meet F&B pricing. Race meet-related F&B net revenues are projected to total $5.54 million in 2026, an increase of $220,000 above the prior year F&B net revenues for the Summer and Fall Meets, which totaled $5.32 million in 2025. Our combined return from racing (i.e., the total of net racing revenues and F&B net revenues as defined in the Operating Agreement) is projected to total $8.92 million in 2026, an increase of $440,000 above the projected combined return of $8.48 million for the 2025 Summer and Fall Meets.

* * *

Carlene, we appreciate the input we receive from you and the District's Liaison Committee. As you know, we always strive to maximize combined race meet net revenues generated by horse racing at Del Mar and look forward to any suggestions that you may have to help us operate more efficiently.

Very Truly Yours,
DEL MAR THOROUGHBRED CLUB

Michael R. Ernst

Enclosure

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

Del Mar Thoroughbred Club

Operating Budget

2026 Budget and Projected Results for the year ended December 31, 2025

	2026 Summer / Fall Projection	2025 Summer / Fall Projection	Budget vs 2025 Projection Summer / Fall Amount	Budget vs 2025 Projection Summer / Fall %	2025 Breeders' Cup Projection	2025 Combined Projection
Revenues:						
Pari-mutuel commissions/ADW/simulcast fees $	26,926,374	26,586,592	339,782	1.3%	4,254,927	30,841,519
Admissions / Reserved Seating	9,687,697	9,289,941	397,755	4.3%	16,508,230	25,798,171
Program sales and parking receipts	1,535,785	1,320,685	215,101	16.3%	331,623	1,652,308
Merchandise concession revenues	634,808	652,078	(17,270)	-2.6%	0	652,078
Other operating revenues	4,416,365	4,327,805	88,560	2.0%	169,707	4,497,511
	43,201,030	42,177,101	1,023,929	2.4%	21,264,486	63,441,588
Less revenue attributable to Charity Days	(90,201)	(87,099)	(3,102)	3.6%	(36,158)	(123,257)
Total Revenues	**43,110,829**	**42,090,002**	**1,020,826**	**2.4%**	**21,228,328**	**63,318,331**
Expenses:						
Salaries - annual administration and maintenance	4,984,245	4,833,113	151,132	3.1%	223,296	5,056,409
Salaries - seasonal employees	11,365,308	10,966,553	398,755	3.6%	1,273,911	12,240,464
Employee benefits / Payroll taxes	5,465,381	5,224,996	240,386	4.6%	342,628	5,567,623
Insurance--liability and workers compensation	1,511,511	1,400,637	110,873	7.9%	334,686	1,735,323
Advertising and public relations	1,934,500	1,897,219	37,281	2.0%	6,187,319	8,084,538
Professional services	532,817	496,003	36,813	7.4%	56,417	552,421
Utilities	1,724,430	1,616,036	108,395	6.7%	90,000	1,706,036
Repairs and maintenance	1,492,309	1,448,844	43,465	3.0%	778,375	2,227,219
Supplies	683,188	660,379	22,809	3.5%	428,622	1,089,001
Other operating expenses	167,416	152,716	14,699	9.6%	741	153,457
Printing	453,269	433,750	19,519	4.5%	278,909	712,659
Depreciation and amortization	795,612	773,211	22,401	2.9%	0	773,211
Cost of goods sold-gift shop	346,268	362,178	(15,910)	-4.4%	0	362,178
Equipment leased and rented	114,479	111,145	3,334	3.0%	0	111,145
Racing dues/assessments/support	32,214	697,777	(665,563)	-95.4%	7,090	704,867
Taxes and licenses	124,106	120,867	3,239	2.7%	0	120,867
Outside services	7,824,955	7,566,951	258,004	3.4%	10,456,333	18,023,285
Satellite program costs	52,438	50,910	1,527	3.0%	0	50,910
Trophies	86,133	83,624	2,509	3.0%	170,000	253,624
Interest	4,503	4,132	372	9.0%	0	4,132
Charitable support	1,750	1,750	0	0.0%	0	1,750
Total Expenses	**39,696,832**	**38,902,793**	**794,039**	**2.0%**	**20,628,328**	**59,531,121**
Net Income from Operations	**3,413,996**	**3,187,210**	**226,787**	**7.1%**	**600,000**	**3,787,210**
Income taxes	**(36,246)**	**(32,210)**	**(4,037)**	**12.5%**	**0**	**(32,210)**
Direct payment to the District	**(1,467,750)**	**(1,425,000)**	**(42,750)**	**3.0%**	**(600,000)**	**(2,025,000)**
Payment to Race Track Authority $	**1,910,000**	**1,730,000**	**180,000**	**10.4%**	**0**	**1,730,000**
Total Payments $	**3,377,750**	**3,155,000**	**222,750**	**7.1%**	**600,000**	**3,755,000**

Del Mar Thoroughbred Club

Operating Budget Detail Report

2026 Budget and Projected Results for the year ended December 31, 2025

	2026 Summer / Fall Projection	2025 Summer / Fall Projection	Budget vs 2025 Summer Variance Amount	Budget vs 2025 Summer Variance %	Budget vs 2025 Fall Variance Amount	Budget vs 2025 Fall Variance %	Budget vs 2025 Projection Summer / Fall Amount	Budget vs 2025 Projection Summer / Fall %	2025 Breeders' Cup Projection	2025 Combined Projection
Revenues:										
Pari-mutuel commissions-on track	$ 4,244,481	4,091,551	45,938	1.3%	106,992	22.2%	152,930	3.7%	3,333,493	7,425,044
Pari-mutuel commissions-account wagering	6,048,598	6,006,011	152,485	3.3%	(109,898)	-7.8%	42,587	0.7%	151,023	6,157,034
Pari-mutuel commissions-off track	4,466,660	4,610,366	(11,411)	-0.3%	(132,296)	-10.0%	(143,707)	-3.1%	641,117	5,251,483
Pari-mutuel commissions-out of state	10,617,066	10,410,087	93,441	1.2%	113,538	4.9%	206,979	2.0%	0	10,410,087
Simulcasting fees-uncommingled	509,647	483,219	17,814	5.2%	8,614	6.1%	26,428	5.5%	0	483,219
Intertrack wagering surplus fund	890,096	931,596	5,500	0.9%	(47,000)	-13.8%	(41,500)	-4.5%	0	931,596
Breakage, net	149,826	53,762	98,513	564.3%	(2,448)	-6.7%	96,064	178.7%	129,294	183,056
Pari-mutuel commissions/ADW/Simulcast fees	**26,926,374**	**26,586,592**	**402,280**	**2.0%**	**(62,497)**	**-1.0%**	**339,782**	**1.3%**	**4,254,927**	**30,841,519**
Admissions and reserved seats	9,687,697	9,289,941	**357,003**	**4.2%**	**40,752**	**5.5%**	**397,755**	**4.3%**	**16,508,230**	**25,798,171**
Program sales and parking receipts	1,535,785	1,320,685	**206,637**	**18.0%**	**8,464**	**4.9%**	**215,101**	**16.3%**	**331,623**	**1,652,308**
Merchandise concession revenues	634,808	652,078	**35,180**	**7.4%**	**(52,451)**	**-30.2%**	**(17,270)**	**-2.6%**	**0**	**652,078**
Interest income	219,395	247,530	(24,735)	-11.0%	(3,399)	-15.0%	(28,135)	-11.4%	162,224	409,754
Sponsorship	3,956,945	3,846,271	110,674	2.9%	0	0.0%	110,674	2.9%	0	3,846,271
Other operating revenues	240,025	234,004	6,021	3.3%	0	0.0%	6,021	2.6%	7,482	241,486
Other operation revenues	**4,416,365**	**4,327,805**	**91,960**	**2.2%**	**(3,399)**	**-4.5%**	**88,560**	**2.0%**	**169,707**	**4,497,511**
	43,201,030	42,177,101	1,093,060	3.1%	(69,131)	-1.0%	1,023,929	2.4%	21,264,486	63,441,588
Less revenue attributable to charity days	(90,201)	(87,099)	**(3,102)**	**4.0%**	**0**	**0.0%**	**(3,102)**	**3.6%**	**(36,158)**	**(123,257)**
Total Revenues	43,110,829	42,090,002	**1,089,958**	**3.1%**	**(69,131)**	**-1.0%**	**1,020,826**	**2.4%**	**21,228,328**	**63,318,331**
Expenses:										
Salaries - annual administration	4,033,470	3,916,277	117,177	3.0%	16	3.0%	117,193	3.0%	170,000	4,086,277
Salaries - annual maintenance	950,775	916,836	32,394	3.7%	1,545	3.8%	33,939	3.7%	53,296	970,132
Salaries - annual administration	4,984,245	4,833,113	**149,571**	**3.1%**	**1,561**	**3.8%**	**151,132**	**3.1%**	**223,296**	**5,056,409**
Salaries - seasonal employees	11,365,308	10,966,553	**300,489**	**3.7%**	**98,266**	**3.5%**	**398,755**	**3.6%**	**1,273,911**	12,240,464
Employee benefits	3,868,185	3,676,196	179,591	5.4%	12,397	3.4%	191,989	5.2%	187,181	3,863,378
Payroll taxes	1,597,196	1,548,799	40,446	3.1%	7,951	3.0%	48,397	3.1%	155,446	1,704,246
Employee benefits/payroll taxes	5,465,381	5,224,996	**220,037**	**4.8%**	**20,348**	**3.2%**	**240,386**	**4.6%**	**342,628**	**5,567,623**
Workers compensation benefit	365,259	332,151	24,553	10.0%	8,554	10.0%	33,108	10.0%	59,661	391,812
Insurance	1,146,252	1,068,486	67,282	7.2%	10,483	7.5%	77,766	7.3%	275,025	1,343,511
Insurance--liability and workers compensation	1,511,511	1,400,637	**91,836**	**7.8%**	**19,038**	**8.4%**	**110,873**	**7.9%**	**334,686**	**1,735,323**
Advertising and public relations	1,934,500	1,897,219	**31,045**	**2.0%**	**6,236**	**2.0%**	**37,281**	**2.0%**	**6,187,319**	**8,084,538**
Professional services	532,817	496,003	**36,762**	**7.7%**	**52**	**0.2%**	**36,813**	**7.4%**	**56,417**	**552,421**
Utilities	1,724,430	1,616,036	**82,064**	**6.7%**	**26,331**	**6.9%**	**108,395**	**6.7%**	**90,000**	**1,706,036**
Repairs and maintenance	1,492,309	1,448,844	**37,811**	**3.0%**	**5,655**	**3.0%**	**43,465**	**3.0%**	**778,375**	**2,227,219**
Supplies	683,188	660,379	**18,913**	**3.5%**	**3,895**	**3.4%**	**22,809**	**3.5%**	**428,622**	**1,089,001**
Other operating expenses	167,416	152,716	**8,797**	**6.1%**	**5,902**	**75.2%**	**14,699**	**9.6%**	**741**	**153,457**
Printing	453,269	433,750	**16,597**	**4.5%**	**2,921**	**4.5%**	**19,519**	**4.5%**	**278,909**	**712,659**
Depreciation and amortization	795,612	773,211	**22,401**	**3.1%**	**0**	**0.0%**	**22,401**	**2.9%**	**0**	**773,211**
Cost of goods sold-gift shop	346,268	362,178	**17,585**	**7.0%**	**(33,495)**	**-30.2%**	**(15,910)**	**-4.4%**	**0**	**362,178**
Equipment leased and rented	114,479	111,145	**3,105**	**3.0%**	**230**	**3.0%**	**3,334**	**3.0%**	**0**	**111,145**
TRA dues and assessments, net of dividends	(40,751)	(56,993)	16,031	-25.0%	211	3.0%	16,241	28.5%	0	(56,993)
Federation racing costs	24,920	24,194	614	3.0%	112	3.0%	726	3.0%	7,090	31,285
Racing industry support and safety initiatives	48,045	730,575	(682,623)	-94.6%	93	1.0%	(682,530)	-93.4%	0	730,575
Racing dues/assessments/support	32,214	697,777	**(665,978)**	**-98.3%**	**416**	**2.1%**	**(665,563)**	**-95.4%**	**7,090**	**704,867**
Other taxes and licenses	124,106	120,867	**2,963**	**2.7%**	**276**	**3.0%**	**3,239**	**2.7%**	**0**	**120,867**
Service contracts and equipment rentals	7,538,217	7,317,613	172,888	3.0%	47,716	3.0%	220,604	3.0%	10,442,762	17,760,376
Data processing	286,738	249,338	35,942	15.0%	1,459	15.0%	37,401	15.0%	13,571	262,909
Outside services	7,824,955	7,566,951	**208,830**	**3.5%**	**49,175**	**3.1%**	**258,004**	**3.4%**	**10,456,333**	**18,023,285**
Satellite program costs	52,438	50,910	**1,008**	**3.0%**	**520**	**3.0%**	**1,527**	**3.0%**	**0**	**50,910**
Trophies	86,133	83,624	**1,766**	**3.0%**	**742**	**3.0%**	**2,509**	**3.0%**	**170,000**	**253,624**
Interest	4,503	4,132	**372**	**9.0%**	**0**	**0.0%**	**372**	**9.0%**	**0**	**4,132**
Contributions	1,750	1,750	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**1,750**
Total Expenses	**39,696,832**	**38,902,793**	**585,971**	**1.8%**	**208,069**	**3.1%**	**794,039**	**2.0%**	**20,628,328**	**59,531,121**
Net Income from Operations	**3,413,996**	**3,187,210**	**503,987**	**19.4%**	**(277,200)**	**-47.3%**	**226,787**	**7.1%**	**600,000**	**3,787,210**
Income taxes	**(36,246)**	**(32,210)**	**(196,237)**	**-399.5%**	**192,200**	**-236.3%**	**(4,037)**	**12.5%**	**0**	**(32,210)**
Direct payment to the District	**(1,467,750)**	**(1,425,000)**	**(42,750)**	**4.2%**	**0**	**0.0%**	**(42,750)**	**3.0%**	**(600,000)**	**(2,025,000)**
Payment to Race Track Authority	**$ 1,910,000**	**1,730,000**	**265,000**	**16.3%**	**(85,000)**	**-81%**	**180,000**	**10.4%**	**0**	**1,730,000**
Total Payments	**$ 3,377,750**	**3,155,000**	**307,750**	**11.6%**	**(85,000)**	**-16.8%**	**222,750**	**7.1%**	**600,000**	**3,755,000**

State Race Track Leasing Commission
Item 3 - Del Mar Race Track Authority Revenue Bonds, Series 2015 Projects

PROJECTS FUNDED BY BOND PROCEEDS Originally prioritized by DAA and DMTC		ORIGINAL BUDGET	BUDGET	SPENT TO DATE	BALANCE
Main Track Replacement	**COMPLETE 7/15**	$ 4,407,500	3,929,715	(3,929,715.34)	$ -
Modification of banking and grading of m	**COMPLETE 10/17**		840,603	(840,603.30)	$ -
Equipment to maintain new track surface	**COMPLETE 7/15**	$ 497,000	497,525	(497,524.98)	$ -
Video Boards					
Paddock & 5 Points	**COMPLETE 7/15**	$ 400,000	402,908	(402,908.30)	$ -
Grandstand Main Track/Entrance	**COMPLETE 7/17**	$ 900,000	812,691	(812,690.85)	$ -
Elevators & Escalators					
Elevator Upgrades	15-BOND04-01	$ 850,000	1,811,031	(1,811,031.07)	$ -
Escalator Upgrades	**COMPLETE 7/18**	$ 300,000	106,619	(106,619.30)	$ -
Sewer System					
Sewer system updgrade around fairgrou	**COMPLETE 12/17**		39,579	(39,579.25)	$ -
Hilton Sewer Pump Lift Station Rehab	**COMPLETE 6/18**	$ 500,000	239,264	(239,264.48)	$ -
Infield Sewer Pump Lift Station Rehab	**COMPLETE 6/18**	$ -	87,259	(87,259.14)	$ -
~~**Storm Water**~~					
	~~cancelled~~	$ 250,000	30,961	(30,960.91)	$ -
Fire Protection					
Switch Room/6the Floor AV & Sound Ro	**COMPLETE 2/19**	$ 1,000,000	119,035	(119,035.05)	$ -
Preaction-Telecom Frame Room	**COMPLETE 9/18**	$ 450,000	53,255	(53,254.74)	$ -
~~**Natural Gas**~~					
~~Backside Underground pipe replacement~~	~~cancelled~~	$ 250,000	-	0.00	$ -
Potable Water					
Pipe, valve replacements	**COMPLETE 3/18**	$ 125,000	130,440	(130,440.22)	$ -
Grandstand					
Seats, Boxes & Turf Club replacements	**COMPLETE 7/17**	$ 1,250,000	736,727	(736,727.13)	$ -
Box seating vanity panel replacements	**COMPLETE 8/17**	$ 650,000	177,440	(177,440.28)	$ -
Patio covers & frames	**COMPLETE 10/17**	$ 500,000	67,838	(67,838.24)	$ -
Suite refurbishments	**COMPLETE 2/18**	$ 800,000	311,969	(311,969.15)	$ -
Clubhouse seating expansion	**COMPLETE 12/16**	$ 500,000	495,203	(495,202.79)	$ -
Deck Coatings	**COMPLETE 2/18**	$ 730,000	874,448	(874,448.35)	$ -
Replacement of security surveillance can	**COMPLETE 7/18**	$ -	199,465	(199,465.08)	$ -
Carpet in Mission Tower	**COMPLETE 5/17**	$ -	90,799	(90,799.00)	$ -
Broadcast/WIFI Infrastructure	**COMPLETE 6/18**		37,743	(37,742.81)	$ -
Paddock Pavers & Artificial Turf	**COMPLETE 5/18**		321,055	(321,054.51)	$ -
Mechanical					
Grandstand HVAC Replacements	15-BOND11-01	$ 1,500,000	641,811	(641,810.87)	$ -
Exhibit Hall exhaust fans	**COMPLETE 7/18**	$ 50,000	222,225	(222,225.06)	$ -
Bing Crosby exhaust fans	**COMPLETE 7/16**	$ 50,000	4,061	(4,061.40)	$ -
Activity Center new AC	**COMPLETE 12/16**	$ 300,000	686,836	(686,836.12)	$ -
Miscellaneous buildings/exhaust fans	**COMPLETE 7/16**	$ 100,000	12,561	(12,560.76)	$ -
Firestation Generator	**COMPLETE 5/18**	$ 50,000	4,696	(4,695.71)	$ -
Server Room AC	**COMPLETE 2/19**	$ -	9,380	(9,380.00)	$ -
Backside Improvements					
Living Quarters enhancement (to accom	**COMPLETE 7/17**	$ 500,000	253,236	(253,235.80)	$ -
Racing office infrastructure	**COMPLETE 7/16**		130,592	(130,592.08)	$ -
Recreation Hall improvements	**COMPLETE 10/17**		135,073	(135,073.45)	$ -

State Race Track Leasing Commission
Item 3 - Del Mar Race Track Authority Revenue Bonds, Series 2015 Projects

Cafeteria renovation and upgrade	**COMPLETE 7/18**			361,032	(361,032.16)	$	-
Roofs							
Grandstand, walking mats, penetrations	~~CANCELLED~~	$	750,000	-	0.00	$	-
Grandstand Deck Coatings	~~TRANSFERRED~~	$	500,000	-	0.00	$	-
O'Brien	**COMPLETE 5/17**	$	150,000	4,199	(4,199.00)	$	-
Exhibit Hall	~~CANCELLED~~	$	150,000	2,131	(2,131.00)	$	-
Arena	~~CANCELLED~~	$	175,000	-	0.00	$	-
Activity Center	**COMPLETE 5/17**	$	50,000	18,658	(18,658.20)	$	-
Miscellaneous Roofs	**COMPLETE 6/16**	$	100,000	352,073	(352,072.76)	$	-
Infield Beam & Roof Repair	**COMPLETE 6/16**	$	-	118,132	(118,131.97)	$	-
Electrical							
Main Electrical Building Switch Gear, aut	**COMPLETE 3/18**	$	50,000	87,820	(87,820.00)	$	-
Transformer Replacement Carnival Lot	**COMPLETE 7/18**	$	600,000	387,726	(387,726.38)	$	-
Energy Efficiency Projects	**COMPLETE 3/18**	$	750,000	491,419	(491,419.43)	$	-
Transformer Replacement OTB	~~CANCELLED~~			-		$	-
RV Lot Realignment	~~CANCELLED~~					$	-
Transformer O'Brien	**COMPLETE 7/18**			64,000	(64,000.00)	$	-
Asphalt							
Solana Ramp, Avenue, and South Main I	**COMPLETE 5/18**	$	750,000	963,770	(963,769.97)	$	-
Restrooms							
Finishes, fixtures and finishes	**COMPLETE 2/18**	$	500,000	531,603	(531,603.42)	$	-
Jockey Room	**COMPLETE 6/18**	$	-	140,612	(140,612.34)	$	-
Recycled Water							
Add new locations	**COMPLETE 5/17**	$	100,000	94,626	(94,626.22)	$	-
Box Office Ticket Booth	**COMPLETE 6/16**	$	-	165,169	(165,169.26)	$	-
Via de la Valle Fencing	**COMPLETE 5/17**			155,417	(155,416.57)	$	-
Backstretch Water Quality Improveme	15-BOND20-01			6,547,566	(6,547,565.80)	$	-
		$	**21,534,500**	**25,000,000**	**$ (25,000,000.00)**	**$**	**-**
TOTAL	Project Fund Balance	**$**	**25,000,000**	**25,000,000**			
				0			

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FOOD AND AGRICULTURAL CODE - FAC

DIVISION 3. EXPOSITIONS AND FAIRS [3001 - 4703] *(Division 3 enacted by Stats. 1967, Ch. 15.)*

PART 3. DISTRICT AGRICULTURAL ASSOCIATIONS [3801 - 4363] *(Part 3 enacted by Stats. 1967, Ch. 15.)*

CHAPTER 9. State Race Track Leasing Commission [4351 - 4363] *(Chapter 9 added by Stats. 1967, Ch. 1579.)*

4351. There is hereby created the State Race Track Leasing Commission which shall be composed of the Director of Food and Agriculture, the Director of Finance, and the Director of General Services and three individuals, appointed by the Governor, who are members of the Board of Directors of the 22nd District Agricultural Association. The Director of Finance shall serve as chairperson of the commission. All meetings of the commission shall be open and public.

(Amended by Stats. 2012, Ch. 216, Sec. 1. (SB 1) Effective January 1, 2013.)

4352. The Department of Finance shall provide clerical services to the commission. The Department of Food and Agriculture, the Department of General Services, and the California Horse Racing Board shall cooperate with the commission, and, insofar as possible, shall, on request, allow the commission to utilize their staffs as needed by the commission. However, the sole counsel for the commission shall be the Attorney General, as provided in Section 4357.

(Amended by Stats. 1984, Ch. 193, Sec. 22.)

4353. The State Race Track Leasing Commission may enter into leases or other agreements for the use of the Del Mar Race Track and any other property owned or controlled by the 22nd District Agricultural Association which the commission shall deem necessary to provide horseracing at Del Mar Race Track. Any such lease or agreement shall be on behalf of the 22nd District Agricultural Association, and the district shall continue in control of its property, subject to the conditions and terms of that lease or agreement.

(Amended by Stats. 1991, Ch. 540, Sec. 1.)

4356. The California Horse Racing Board shall, at the request of the commission, certify the eligibility of any prospective lessee or user of the property to be licensed to conduct horseracing at the Del Mar Race Track.

(Amended by Stats. 1991, Ch. 540, Sec. 2.)

4357. The Attorney General shall serve as counsel for, and adviser to, the commission.

(Added by Stats. 1967, Ch. 1579.)

4358. The commission shall follow the same procedures, insofar as appropriate, in leasing, or entering into agreements for the use of, the Del Mar Race Track as the Department of General Services follows in leasing or entering into agreements for other state real property. The commission shall, prior to awarding a lease of, or entering into an agreement for the use of, the Del Mar Race Track, consider all the factors concerning appropriate capital improvement of that racetrack, the financing of the racetrack, additional racing opportunities, and any use of new or additional properties or facilities, including, but not limited to, a grandstand, which factors shall be considered in the award of the lease or entering into the agreement. The commission shall also consult with any affected local governing bodies, prior to awarding the lease or entering into the agreement.

(Amended by Stats. 1991, Ch. 540, Sec. 3.)

4359. If the commission makes a determination pursuant to this chapter as to the action it proposes to take in awarding the Del Mar Race Track lease or entering into the agreement, it shall report to the Legislature, setting forth the procedures followed by the commission in reaching its determination and the reasons the proposed award or agreement is in the best interests of the state. The commission shall also make recommendations regarding any additional legislation which it deems necessary. However, no legislative action is required to make effective and operative any lease awarded, or agreement entered into, by the commission. The commission shall also make a similar report to the Legislature upon the master plan when that plan is completed.

(Amended by Stats. 1991, Ch. 540, Sec. 4.)

4360. After the award of a lease or entering into an agreement for the use of the Del Mar Race Track, the commission shall meet from time to time to review the operation of the lease or agreement, and the master plan, and any other related matters. It shall also make such recommendations as it deems proper to the Legislature, other state agencies, including, but not limited to, the 22nd District Agricultural Association, and to the lessee or user of the property.

(Amended by Stats. 1991, Ch. 540, Sec. 5.)

4361. The commission is a "department" for the purposes of hearings pursuant to Article 2 (commencing with Section 11180) of Chapter 2 of Part 1 of Division 3 of the Government Code.

(Added by Stats. 1967, Ch. 1579.)

4362. The commission may enter into a joint powers agreement with the 22nd District Agricultural Association pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code. For the purposes of Section 6502 of the Government Code, the common powers to be exercised by the entity created pursuant to the joint powers agreement shall be the powers of a district agricultural association. The commission may contract with the joint exercise of powers entity pursuant to law and may pledge any and all revenues, moneys, accounts, accounts receivable, contract rights, and other rights to payment of whatever kind, pursuant to the terms and conditions approved by the commission. The revenues, moneys, accounts, accounts receivable, contract rights, and other rights to payment of whatever kind pledged by the commission or its assignees constitute a lien and security interest which immediately attaches to the property so pledged and is effective, binding, and enforceable against the commission, its successors, purchasers of the property so pledged, creditors, and all others asserting rights therein, to the extent set forth, and in accordance with, the terms and conditions of the pledge, irrespective of whether those persons have notice of the pledge and without the need for any physical delivery, recordation, filing, or further act.

(Added by Stats. 1990, Ch. 604, Sec. 3.)

4363. The State of California pledges to, and agrees with, the holders of any bonds, other indebtedness, or obligations for the financing of the improvements described in the master plan pursuant to Section 4156, and which are issued or executed and delivered by the commission, the 22nd District Agricultural Association, or a joint exercise of powers entity created by them, that the state will not alter or change the structure of funding of, and deposits to, the commission or the 22nd District Agricultural Association set forth in Article 9.2 (commencing with Section 19605) of Chapter 4 of Division 8 of the Business and Professions Code, or the pledge of funds for debt service, security, including any coverage factors, and expenses entered into pursuant to this Part 3 until the bonds, other indebtedness, or obligations are fully paid or discharged or have been fully provided for in accordance with their terms. However, nothing precludes any alteration or change if and when adequate provision has been made by law for the protection from impairment of the contract represented by the bonds, other indebtedness, or obligations, and the right to alter or change is hereby reserved. The commission, the 22nd District Agricultural Association, and a joint exercise of powers entity created by them, are each authorized to include this pledge and undertaking of the state in their bonds, agreements evidencing other indebtedness, and other indebtedness or obligations for the financing of the improvements described in the master plan pursuant to Section 4156.

(Added by Stats. 1990, Ch. 604, Sec. 4.)

State Race Track Leasing Commission

Item 7-B, Consideration and Vote to Authorize Representatives on the Del Mar Capital Improvement Account as defined in Section 2 of the Operating Agreement

In Brief:

- The State Race Track Leasing Commission (Commission) was formed in 1968 to lease the Del Mar Race Track on behalf of the 22nd District Agricultural Association (District), which owns and operates the Del Mar Fairgrounds & Race Track.
- Under the Operating Agreement between the Commission and Del Mar Thoroughbred Club (DMTC), the District maintains the Del Mar Capital Improvement Account (Account) on behalf of the Commission for payments from DMTC.
- Payments are transferred to the Account from DMTC and from the Account to make Authority Bonds payments.
- The District needs direction from the Commission for which individuals may act as authorized representatives in direct connection to the Account.

Background:

History of the Commission

The Commission was created by the State Legislature in 1968 (Food & Agriculture Code 4351) with the responsibility and authority to lease the Del Mar Race Track and to oversee the expenditure of the rents received from leasing the track for the purpose of implementing a long-range, comprehensive improvement of the District's property.

The Commission is composed of the Secretary of Food and Agriculture, the Director of Finance, the Director of General Services, and three individuals, appointed by the Governor, who are members of the Board of Directors of the 22nd District Agricultural Association. The Director of Finance serves as chairperson of the Commission.

The Del Mar Race Track Authority (Authority) was formed in 1990 through the Joint Exercise of Powers Agreement (JPA) between the District and the Commission and was subsequently amended in 1996, 2013, and 2015, for the "purpose of financing the capital improvements, renewals, and replacements at the District's

fairgrounds." The Commission entered into the Del Mar Race Track Operating Agreement (Operating Agreement) with the Del Mar Thoroughbred Club (DMTC), effective January 1, 2011.

Agreement Terms Regarding Payments

The Operating Agreement contains certain terms pertaining to payments to be received from the DMTC. Under Section 2, Definitions, of the Operating Agreement, the District maintains the Del Mar Capital Improvement Account (Account) on behalf of the Commission for payments from DMTC. Per Section 3(B) of the Pledge Agreement by and among the Authority, District, Commission, and U.S. Bank National Association (as the Trustee), the Commission shall transfer the payments received from DMTC within 10 days of receipt to the Trustee.

The Account is accessed twice a year:

- First, when DMTC wires the Basic Payment around November 15
- Second, within 10 days of receiving the Basic Payment when the Authority Treasurer transfers that payment to the Trustee for the Authority Bonds.

Below are relevant sections of the Operating Agreement:

<u>Section 2. Definitions:</u>

- "Additional Payment" shall mean Final Net Earnings less the sum of (i) an amount in excess of funds then available to the Operator which, subject to the approval of the District, is sufficient to pay or provide for projected Operating Capital for the period from January 1 through the commencement of the next succeeding Race Meet, (ii) an amount equal to Direct Payment and (iii) an amount equal to Basic Payment. Additional Payment shall also include any amount paid by the Operator to the District pursuant to Section 6.6 upon expiration or earlier termination of this Agreement.

- "Basic Payment" shall mean an amount equal to 100% of Estimated Net Earnings, less an amount equal to the Direct Payment paid pursuant to Section 6.1.

- "**Del Mar Capital Improvement Account**" shall mean a separate account maintained by the District and for which separate records, designated by the Commission, are maintained and into which Basic Payments and Additional Payments shall be made.

<u>Section 6. Payment [as it pertains to the Del Mar Capital Improvement Account].</u>

As consideration for the right to operate the Premises pursuant to this Agreement, during each year of the Term, the Operator shall make the

following payments to the District, at the time and in the manner specified in this Agreement.

6.2. Basic Payment. The Operator shall pay the Basic Payment on or before November 15 of each year during the Term of this Agreement, beginning November 15, 2011 at which time the Operator shall furnish to the District a written statement certified by the Chief Financial Officer of the Operator, setting forth the computation of Estimated Net Earnings and the Basic Payment. The Basic Payment shall be deposited by the District in the **Del Mar Capital Improvement Account**.

6.3. Additional Payment. On or before May 1st of each year commencing in 2012, the Operator shall pay the District the Additional Payment.

Authorized Representatives

Each year, the Commission needs to transfer the funds to the Trustee for the Del Mar Race Track Authority Revenue Bonds, Series 2015.

To ensure compliance with the Pledge Agreement, the Commission needs to designate authorized representatives to act on its behalf in matters related to the Account.

Recommendation

Designate the Commission Chair and District Finance Director and District Chief Executive Officer as authorized representatives to act on behalf of the Commission in all matters pertaining to the Del Mar Capital Improvement Account.

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FOOD AND AGRICULTURAL CODE - FAC

DIVISION 3. EXPOSITIONS AND FAIRS [3001 - 4703] *(Division 3 enacted by Stats. 1967, Ch. 15.)*

PART 3. DISTRICT AGRICULTURAL ASSOCIATIONS [3801 - 4363] *(Part 3 enacted by Stats. 1967, Ch. 15.)*

CHAPTER 9. State Race Track Leasing Commission [4351 - 4363] *(Chapter 9 added by Stats. 1967, Ch. 1579.)*

4351. There is hereby created the State Race Track Leasing Commission which shall be composed of the Director of Food and Agriculture, the Director of Finance, and the Director of General Services and three individuals, appointed by the Governor, who are members of the Board of Directors of the 22nd District Agricultural Association. The Director of Finance shall serve as chairperson of the commission. All meetings of the commission shall be open and public.

(Amended by Stats. 2012, Ch. 216, Sec. 1. (SB 1) Effective January 1, 2013.)

4352. The Department of Finance shall provide clerical services to the commission. The Department of Food and Agriculture, the Department of General Services, and the California Horse Racing Board shall cooperate with the commission, and, insofar as possible, shall, on request, allow the commission to utilize their staffs as needed by the commission. However, the sole counsel for the commission shall be the Attorney General, as provided in Section 4357.

(Amended by Stats. 1984, Ch. 193, Sec. 22.)

4353. The State Race Track Leasing Commission may enter into leases or other agreements for the use of the Del Mar Race Track and any other property owned or controlled by the 22nd District Agricultural Association which the commission shall deem necessary to provide horseracing at Del Mar Race Track. Any such lease or agreement shall be on behalf of the 22nd District Agricultural Association, and the district shall continue in control of its property, subject to the conditions and terms of that lease or agreement.

(Amended by Stats. 1991, Ch. 540, Sec. 1.)

4356. The California Horse Racing Board shall, at the request of the commission, certify the eligibility of any prospective lessee or user of the property to be licensed to conduct horseracing at the Del Mar Race Track.

(Amended by Stats. 1991, Ch. 540, Sec. 2.)

4357. The Attorney General shall serve as counsel for, and adviser to, the commission.

(Added by Stats. 1967, Ch. 1579.)

4358. The commission shall follow the same procedures, insofar as appropriate, in leasing, or entering into agreements for the use of, the Del Mar Race Track as the Department of General Services follows in leasing or entering into agreements for other state real property. The commission shall, prior to awarding a lease of, or entering into an agreement for the use of, the Del Mar Race Track, consider all the factors concerning appropriate capital improvement of that racetrack, the financing of the racetrack, additional racing opportunities, and any use of new or additional properties or facilities, including, but not limited to, a grandstand, which factors shall be considered in the award of the lease or entering into the agreement. The commission shall also consult with any affected local governing bodies, prior to awarding the lease or entering into the agreement.

(Amended by Stats. 1991, Ch. 540, Sec. 3.)

4359. If the commission makes a determination pursuant to this chapter as to the action it proposes to take in awarding the Del Mar Race Track lease or entering into the agreement, it shall report to the Legislature, setting forth the procedures followed by the commission in reaching its determination and the reasons the proposed award or agreement is in the best interests of the state. The commission shall also make recommendations regarding any additional legislation which it deems necessary. However, no legislative action is required to make effective and operative any lease awarded, or agreement entered into, by the commission. The commission shall also make a similar report to the Legislature upon the master plan when that plan is completed.

(Amended by Stats. 1991, Ch. 540, Sec. 4.)

4360. After the award of a lease or entering into an agreement for the use of the Del Mar Race Track, the commission shall meet from time to time to review the operation of the lease or agreement, and the master plan, and any other related matters. It shall also make such recommendations as it deems proper to the Legislature, other state agencies, including, but not limited to, the 22nd District Agricultural Association, and to the lessee or user of the property.

(Amended by Stats. 1991, Ch. 540, Sec. 5.)

4361. The commission is a "department" for the purposes of hearings pursuant to Article 2 (commencing with Section 11180) of Chapter 2 of Part 1 of Division 3 of the Government Code.

(Added by Stats. 1967, Ch. 1579.)

4362. The commission may enter into a joint powers agreement with the 22nd District Agricultural Association pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code. For the purposes of Section 6502 of the Government Code, the common powers to be exercised by the entity created pursuant to the joint powers agreement shall be the powers of a district agricultural association. The commission may contract with the joint exercise of powers entity pursuant to law and may pledge any and all revenues, moneys, accounts, accounts receivable, contract rights, and other rights to payment of whatever kind, pursuant to the terms and conditions approved by the commission. The revenues, moneys, accounts, accounts receivable, contract rights, and other rights to payment of whatever kind pledged by the commission or its assignees constitute a lien and security interest which immediately attaches to the property so pledged and is effective, binding, and enforceable against the commission, its successors, purchasers of the property so pledged, creditors, and all others asserting rights therein, to the extent set forth, and in accordance with, the terms and conditions of the pledge, irrespective of whether those persons have notice of the pledge and without the need for any physical delivery, recordation, filing, or further act.

(Added by Stats. 1990, Ch. 604, Sec. 3.)

4363. The State of California pledges to, and agrees with, the holders of any bonds, other indebtedness, or obligations for the financing of the improvements described in the master plan pursuant to Section 4156, and which are issued or executed and delivered by the commission, the 22nd District Agricultural Association, or a joint exercise of powers entity created by them, that the state will not alter or change the structure of funding of, and deposits to, the commission or the 22nd District Agricultural Association set forth in Article 9.2 (commencing with Section 19605) of Chapter 4 of Division 8 of the Business and Professions Code, or the pledge of funds for debt service, security, including any coverage factors, and expenses entered into pursuant to this Part 3 until the bonds, other indebtedness, or obligations are fully paid or discharged or have been fully provided for in accordance with their terms. However, nothing precludes any alteration or change if and when adequate provision has been made by law for the protection from impairment of the contract represented by the bonds, other indebtedness, or obligations, and the right to alter or change is hereby reserved. The commission, the 22nd District Agricultural Association, and a joint exercise of powers entity created by them, are each authorized to include this pledge and undertaking of the state in their bonds, agreements evidencing other indebtedness, and other indebtedness or obligations for the financing of the improvements described in the master plan pursuant to Section 4156.

(Added by Stats. 1990, Ch. 604, Sec. 4.)

ORIGINAL

State Race Track Leasing Commission
Items 7-D and 7-E

DEL MAR RACE TRACK OPERATING AGREEMENT

This DEL MAR RACE TRACK OPERATING AGREEMENT ("Agreement") is entered into effective January 1, 2011, between the STATE RACE TRACK LEASING COMMISSION, ("Commission"), acting on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION, ("District"), and the Del Mar Thoroughbred Club, a California corporation ("Operator").

RECITALS

A. The District owns and maintains property that is the site of the annual San Diego County Fair which was inaugurated in 1935, satellite wagering, and a variety of other annual and interim events authorized by the District; and

B. The District's property is also the site of the annual Del Mar thoroughbred horse race meet, which was initially run in 1937; and

C. The annual Del Mar thoroughbred horse race meet has generated significant revenues for the development and capital improvement of the District's property; and

D. It is in the best interests of the people of the State of California that all of the authorized events conducted on the District's property, including the Del Mar thoroughbred horse race meet, continue as successful operations through cooperative use of the District's property; and

E. The Commission and the Operator have agreed to enter into this Agreement under the authority of, and for the purposes set forth in, Food and Agricultural Code section 4351, *et seq.* ; and

F. Under the authority of Food and Agricultural Code section 4353, the District continues in control of its property subject to the terms and conditions of this Agreement or any other agreement entered into by the Commission on behalf of the District.

NOW, THEREFORE, in consideration of, and in reliance on, the covenants and conditions contained in this Agreement, and for other valuable consideration, the parties agree as follows:

1. Relationship of the Parties.

This Agreement shall govern the relationship of the Parties to this Agreement relating to the operation of the Premises and the Premise's associated facilities. The Premises are more fully described in Paragraphs 2 and 3, and Exhibits A-2 and A-3 of this Agreement.

1.1. The Commission. The Commission enters into this Agreement on behalf of the District and retains the authority to renegotiate, amend or terminate the Agreement in accordance with the terms and provisions of this Agreement.

1.2. The District. The District will continue in control of its property, including, but not limited to, the Del Mar Fairgrounds identified on Exhibit "A-1", subject to the terms and

conditions of this Agreement and subject to the authority conferred upon the Commission by law.

1.3. Operator. In performing its obligations under this Agreement, the Operator is engaged solely in the capacity of an independent contractor. It is expressly understood that no relationship between the District, the Commission or the State of California and the Operator, other than that of independent contractor, has been or is intended to be created by this Agreement. This Agreement does not constitute, and the parties to it do not intend it to create, a partnership or a joint venture, or the relationship of master and servant or principal and agent.

1.4 Elimination of Duplication of Efforts. Many of the functions of operating the Race Meet and operating the Fairgrounds on a year-round basis are currently being duplicated. This Agreement is intended to eliminate or minimize all duplication of functions, duties, and/or responsibilities between the District and the Operator where practical in order to maximize efficiency and generate the greatest net revenue. The Operator will work closely with the District to continually improve all aspects of the operation. The parties agree, throughout the term of this Agreement and all extensions to identify and eliminate any unnecessary duplication of duties, functions and processes between the racing Operator and the District in order to minimize costs, maximize efficiencies and maximize net revenue. The District and the Operator agree to make every good faith effort to avoid spending funds or wasting resources on any products, internal services or outside services that can be provided by either party to this Agreement.

2. Definitions.

"Additional Payment" shall mean Final Net Earnings less the sum of (i) an amount in excess of funds then available to the Operator which, subject to the approval of the District, is sufficient to pay or provide for projected Operating Capital for the period from January 1 through the commencement of the next succeeding Race Meet, (ii) an amount equal to Direct Payment and (iii) an amount equal to Basic Payment. Additional Payment shall also include any amount paid by the Operator to the District pursuant to Section 6.6 upon expiration or earlier termination of this Agreement.

"Audited Financial Statements" shall mean the balance sheet relating to operations of the Operator pursuant to this Agreement as of December 31 of each year during the Term and the related statements of earnings and cash flows for the year then ended, prepared in accordance with generally accepted accounting principles and accompanied by a report thereon issued by an independent certified public accountant or accounting firm selected by the Operator and approved by the District in accordance with Section 8.3.

"Basic Payment" shall mean an amount equal to 100% of Estimated Net Earnings, less an amount equal to the Direct Payment paid pursuant to Section 6.1.

"Budget" shall mean income and expense projections for the Budget Year set forth on the form attached as Exhibit B.

"Budget Year" shall mean the calendar year.

"CHRB" shall mean the California Horse Racing Board.

"Commission" shall mean the State Race Track Leasing Commission established by Food and Agricultural Code section 4351.

"Del Mar Capital Improvement Account" shall mean a separate account maintained by the District and for which separate records, designated by the Commission, are maintained and into which Basic Payments and Additional Payments shall be made.

"Del Mar Fairgrounds" shall mean the entire property owned by the District, including, but not limited to, the property outlined on Exhibit A-1.

"Del Mar Race Track Authority" shall mean the Joint Powers Authority, established by the Joint Exercise of Powers Agreement dated as of August 1, 1990 and authorized by Food and Agricultural Code section 4362.

"Direct Payment" shall mean, subject to the limitations set forth in Section 4155 of the California Food and Agricultural Code, an amount currently set at $750,000. Subject to applicable bond indenture covenants this payment is anticipated to increase to $800,000 for year 2011 and then again to $825,000 for years 2012, 2013, and 2014. The Direct Payment is used by the District for the Fair or any other authorized purposes.

"District" shall mean the 22nd District Agricultural Association, a California institution. (Food & Agr. Code, §§ 3873 and 3953.)

"Estimated Net Earnings" shall mean total revenue derived from the conduct of the Race Meet(s) and received or projected to be received and accrued by the Operator during the period from January 1 through December 31 of each year, less the sum of (i) expenses (which expenses shall include payments made pursuant to this Agreement), paid or incurred with respect to such period, and (ii) an amount in excess of funds then available to the Operator which, subject to the approval of the District, is sufficient to pay or provide for projected Operating Capital for the period from October 31 through the commencement date of the next succeeding Race Meet.

"Fair" shall mean the annual San Diego County Fair.

"Final Net Earnings" shall mean total accrued revenues as set forth in the December 31 Financial Statements for the immediately prior calendar year, less total accrued expenses, (which expenses shall include payments made pursuant to this Agreement).

"Gross Revenues" shall mean total revenues as set forth in the Audited Financial Statements.

"Hazardous Material" shall have the meaning set forth in Section 20.3.

"Hazardous Materials List" shall have the meaning set forth in Section 20.2.

"Master Plan" shall mean the master plan for the long range comprehensive development and improvements of, and construction upon, the property of the District. (Food & Agr. Code, § 4156.)

"Net to Gross Ratio" shall mean the ratio of Final Net Earnings to Gross Revenues.

"Operating Capital" shall mean the amount required to meet cash flow requirements relating to operations of the Operator under this Agreement until the commencement date of the next succeeding Race Meet, including expenses to be incurred prior to and relating to such Race Meet.

"Operation Period" shall have the meaning set forth in Section 5.3.2.

"Premises" shall mean the property described and outlined on Exhibits A-2 and A-3.

"Race Meet" shall have the meaning set forth in Section 5.3.1.

"Records" shall have the meaning set forth in Section 8.1.

"Option Periods" shall have the meaning set forth in Section 4.1.

"Term" shall have the meaning set forth in Section 4.

"Operator" shall mean and refer to Del Mar Thoroughbred Club, a California corporation.

3. The Premises.

The Commission, on behalf of the District, under the authority of Food and Agricultural Code section 4353, incorporated by this reference, and in reliance upon and in consideration of the representations, warranties, covenants and conditions contained in this Agreement, grants to the Operator, and the Operator, in reliance upon and in consideration of the representations, warranties, covenants and conditions contained in this Agreement, accepts from the Commission, subject to the restrictions stated in this Agreement, the exclusive right to operate that portion of the Del Mar Fairgrounds described in this Agreement as "the Premises" and identified on Exhibits A-2 and A-3 to this Agreement for the purpose of providing thoroughbred horse racing at the Del Mar Fairgrounds. The Operator's operation of those portions of the Del Mar Fairgrounds identified on Exhibit A-3 to this Agreement shall be shared with the District, subject to the restrictions stated in this Agreement. The District shall provide advance notice to the Operator of its intention to conduct activities on any portions of the Del Mar Fairgrounds outlined on Exhibit A-2 during the Operation Period, and such activities shall not unreasonably interfere with the Operator's operation of the Premises for the purpose of conducting the annual thoroughbred race meet.

4. Term of Agreement.

The term of this Agreement shall be five years, commencing January 1, 2011 and terminating December 31, 2015, subject to the option periods and termination provisions set forth below ("Term").

4.1. Option Periods. The Commission, in its sole and exclusive discretion, may, on behalf of the District, elect to extend the term of this Agreement for three 5-year option periods upon the expiration of the initial term of this Agreement ("option periods"). Each option period may be exercised by giving the Operator written notice of extension on or before the 180th day prior to expiration of the original term or any operation period. Any and all option periods of this Agreement are subject to all of the provisions of this Agreement; provided, however, that the Commission has the sole and exclusive discretion to require renegotiation of all or part of this Agreement if the Commission elects to exercise one or more of the option periods. The Commission's failure to provide written notice to renew, or the parties' failure to mutually agree upon the terms and conditions of the Option Period of this Agreement will result in automatic termination of this agreement on December 31, 2015, or at the expiration of any extended term. In the event that the Commission gives notice of its desire to extend the term of this Agreement, it will deliver its proposed changes in writing to the other party, with simultaneous notice to the District, within ten (10) business days following delivery of the notice of the Commission's intent to extend the term of this Agreement. The parties shall begin any necessary face-to-face bargaining sessions no later than fifteen (15) business days following the date on which the

proposed changes are provided.

If, after good faith negotiations, the parties cannot reach agreement on the proposed changes either party may terminate this Agreement effective on December 31 of the year following the year in which notice of the Commission's intent to exercise its right to extend the term of this Agreement by giving notice in accordance with Section 22.9, not later than September 30 of the year in which notice was given.

4.2. Renegotiation on Financing. The parties recognize that it may be necessary and desirable to acquire funds for the purpose of reconstructing or renovating all or any portion of the works of improvement located on the Premises, or to accomplish other projects under the Master Plan, and that it may become necessary or desirable to issue bonds or utilize funding mechanisms not specifically mentioned in this Agreement in order to acquire those funds. The parties agree to negotiate amendments to this Agreement to include customary and reasonable provisions as necessary to accommodate the successful issuance and repayment of those bonds or necessary to accommodate other appropriate funding mechanisms, for the purpose of reconstructing or renovating all or any portion of the works of improvement located on the Premises, or for the purpose of accomplishing other Master Plan projects. The Operator also agrees to participate in any and all discussions on funding options for a permanent seasonal rail platform.

4.3. Other Renegotiation. In the event that any of the terms and conditions of this Agreement are deemed by the CHRB to be inconsistent with the grant of a license to the Operator for the conduct of a horseracing meet(s) or the allocation to the Operator of racing days, the parties agree to negotiate any and all amendments to this Agreement necessary accommodate the grant of such a license or the allocation of such racing days.

4.4. Action by Government Agencies. If at any time during the term of this Agreement the United States Government or the State of California, or any of their political subdivisions, shall pass any law or take any action that makes it illegal to conduct thoroughbred horse race meets with parimutuel wagering on the Premises for more than two calendar years then either the Commission or the Operator shall have the option of canceling this Agreement by giving notice of its election to the other party during the time that such prohibition is in force. Cancellation of this Agreement under these conditions shall not change the obligation to make any unpaid payments as they become due for any period[s] before cancellation of the Agreement under this Paragraph 4.4; or, to fulfill any other obligations arising under this Agreement.

4.5 Termination On Site. In the event of legislation duly enacted by the California Legislature authorizing a sale of the Premises, the Commission shall have the option to terminate this Agreement by giving not less than 180 days written notice of an election to terminate this Agreement. Such a termination shall be effective on December 31 of the year in which such notice is given unless the notice is given less than 180 days before December 31 of the year in which notice of termination under this Paragraph 4.5 is given, in which case the termination shall be effective December 31 of the following calendar year. The Operator shall have the right, in the event of any termination under this Paragraph 4.5, to liquidate its liabilities in an orderly manner, to make provision for accrued but unpaid liabilities, and to establish reasonable severance agreements for employees.

5. Operation of the Premises.

The operation of the Premises by the Operator shall be governed by the provisions of this Section.

5.1. Operation of the Premises. The Premises shall be operated by the Operator for the purpose of conducting thoroughbred horse races as well as wagering on the outcome thereof as approved by and subject to the jurisdiction of the CHRB, and for the transmission of television simulcasts of those races to other facilities within the State of California, or elsewhere, in accordance with then applicable law. During the Race Meet, and at such other times as may be mutually agreed upon with the District, the Operator may also conduct those activities which at that time are commonly associated with thoroughbred horse racing and the operation of a thoroughbred race meet in California. The final determination as to which activities the Operator is allowed to conduct will be made at the sole discretion of the District. The Operator shall not use or permit the Premises, or any portion thereof, to be used for any purposes other than that set forth above, except as otherwise mutually agreed upon with the District.

5.2. Application for Racing Days. In accordance with the time frame established by the regulations of the CHRB, the Operator shall apply to the CHRB for its annual allocation of racing days which shall be the traditional dates for thoroughbred horse racing at the Del Mar Fairgrounds. If additional racing days become available, the Operator shall consult with the District and shall apply for such additional days as may be agreed to in advance of such application by the District and the Operator. In such event, the Operator's application shall be diligently pursued in order to obtain the optimum number of racing days requested. Upon receipt of the decision of the CHRB and an allocation of racing dates for the year, the Operator shall immediately notify the District of those dates. The Operator will conduct thoroughbred horse racing on the Premises on all the racing days allocated, subject only to force majeure or other factors over which it has no direct control and to the rules and regulations of the CHRB. It is understood and agreed that any racing days allocated to the Operator are allocated to the Operator as an independent entity pursuant to this Agreement and Section 4353 of the California Food and Agricultural code and that the Commission and the District shall have no right, claim or interest with respect to such racing days. The Operator shall not conduct racing outside of its traditional dates for Thoroughbred racing without the advance written consent of the District.

5.3. Periods of Operation.

5.3.1. During the term of this Agreement, the Operator shall operate the Premises during the traditional dates for racing at the Del Mar Fairgrounds and any additional dates approved by the District and allocated to the Operator for thoroughbred horse racing by the CHRB ("Race Meet"), and for the additional periods described below.

5.3.2. The Operator shall operate the Premises (i) for a period of ten days prior to the opening of the Race Meet to the extent that the Operator's operation does not unreasonably interfere with satellite wagering operations or clean-up operations from the Fair and (ii) for a period of 15 days following the Race Meet to the extent that such operation does not unreasonably interfere with the activities of the District on the Del Mar Fairgrounds (such periods and the Race Meet being referred to herein as the "Operation Period"). The Operator and the District will use their best efforts to cooperate so that the grandstand and other buildings and backstretch and stable areas can be opened as needed prior to the commencement of the Operation Period of all areas and returned to the District as soon as reasonably possible after the conclusion of the Race Meet.

5.3.3. Subject to the provisions of Section 9.6, the Operator shall have access to and shall be permitted to conduct activities on the Premises during other periods in the year to the extent necessary in order to permit the Operator to carry out its permitted activities and obligations under this Agreement with respect to thoroughbred horse racing. Such activities shall be coordinated in advance with the District and shall not interfere with the District's

activities or events.

5.4. Full Time Use Areas. In addition to the operation described above, the Operator shall have the right to use and possess the office space and equipment maintenance areas described on Exhibit A-4 at all times during this Agreement. The Operator shall also be entitled to the year-round use and possession of reasonably adequate storage space in locations mutually agreed upon with the District.

5.5. Off-Track Wagering and Simulcast Transmissions. During the Race Meet, the Operator shall conduct, as the host track, all forms of authorized wagering within California as authorized by the California Horse Racing Law, the rules and regulations of the CHRB, and Operator's license as issued by the CHRB and may conduct interstate and international simulcast wagering at locations in other jurisdictions to the extent permitted by law. In addition the Operator shall not conduct off-track wagering activities on the premises at times other than during the Race Meet unless, in its sole discretion, the District chooses to initiate the negotiation and execution of a separate agreement which prescribes the terms and conditions of any such involvement by the Operator.

5.6. Operator's Right of Entry. The Operator shall have the right, at reasonable times during the term of this Agreement, to enter upon the Premises to the extent necessary to conduct tours, inspect the Premises and perform maintenance and repair required of the Operator. Such functions shall be conducted by the Operator in a manner which does not unreasonably interfere with the use of the Premises by the District or by the District's lessees or licensees. The District and the Operator shall regularly advise each other of proposed activities on the Premises in order to permit scheduling of their respective activities.

5.7. State of California's Right of Inspection. The Commission and the District and their respective officers and employees, and the officers of the Department of Food and Agriculture charged with the duty of administering the provisions of the Food and Agricultural Code relating to Fairs and Expositions shall, subject only to such restrictions as are imposed by the California Horse Racing Law, have access at all times in, to and upon the Premises for the purpose of examining and inspecting it, or for the purpose of observing any activities conducted thereon, or for the purpose of exercising any right, power or privilege of the District or Commission pursuant to law or this Agreement, or for any purpose connected with the repair, improvement and management of the Premises. The Operator shall, upon request of the District or the Commission, provide suitable badges and credentials authorizing admittance of such persons to the Premises, subject only to the restrictions imposed under the California Horse Racing Law and the rules and regulations of the CHRB.

6. Payment.

As consideration for the right to operate the Premises pursuant to this Agreement, during each year of the Term, the Operator shall make the following payments to the District, at the time and in the manner specified in this Agreement.

6.1. Direct Payment. $500,000 of the Direct Payment shall be paid annually to the District on September 15, 2011, and September 15 of each succeeding year during the Term of this Agreement. The Direct Payment balance of $300,000 shall be paid to the District by December 31 of years 2011 and 2012. The increased Direct Payment balance of $325,000 shall be paid to the District by December 31 of years 2013, 2014 and 2015.

6.2. Basic Payment. The Operator shall pay the Basic Payment on or before November 15 of each year during the Term of this Agreement, beginning November 15, 2011 at

which time the Operator shall furnish to the District a written statement certified by the Chief Financial Officer of the Operator, setting forth the computation of Estimated Net Earnings and the Basic Payment. The Basic Payment shall be deposited by the District in the Del Mar Capital Improvement Account.

6.3. Additional Payment. On or before May 1st of each year commencing in 2012, the Operator shall pay the District the Additional Payment.

6.4. Right to Review Payment Computation. Acceptance of any statement or any monies paid as Basic Payments or Additional Payments or of the Audited Financial Statements shall not be an admission by the District of the accuracy of any such statement or the Audited Financial Statements or of the sufficiency of the amount of the Basic Payment or the Additional Payment.

6.5. Payment Upon Termination. Upon the expiration or earlier termination of this Agreement, any remaining assets of the Operator, after payment of or provision for any liabilities of the Operator, shall be paid to the District as an Additional Payment. Such payment shall be made within a reasonable period of time following such expiration or termination sufficient to enable the Operator to wind up its affairs in an orderly manner.

6.6 Best Efforts. The Operator is required to, and will, use its best efforts in the operation of the horse race meets and any and all related activities to maximize all payments to the District and Commission for improvements to the Fairgrounds. The Operator, the District and the food service operator contracted by the District will meet on a regular basis, but in no event less than once every six months commencing 30 days after the inception of this Operating Agreement, to identify and analyze both revenue generating opportunities and cost savings or efficiencies for the purpose of enhancing the overall return from all operations conducted on the Premises.

7. Budget Approval and Expenditure Limitations.

7.1. Annual Budget Approval. The Operator shall submit a preliminary itemized Budget, in the form attached as Exhibit "B", to the Commission, the District's Board of Directors, the District's Chief Executive Office and Chief Financial Officer not later than December 1 of each year and prior to the beginning of the Budget year, together with any proposed increases or decreases in the annual salaries and bonuses of Operator's executive and management personnel as required by Paragraph 7.2.2 ("Personnel Budget"). Within forty-five (45) days of the receipt of the preliminary Budget and Personnel Budget, the District may submit comments or questions concerning the Budget and/or Personnel Budget, to which the Operator shall respond in writing within fifteen (15) days of receipt. Within thirty (30) days of the receipt of such response, the final Budget and Personnel Budget shall be considered and approved by the District and transmitted to the Commission. Preceding the date of such approval, representatives of the Operator shall meet with the District's Chief Executive Officer and staff, or their respective representative(s) as necessary in order to clarify Budget and/or Personnel Budget items and/or discuss questions raised by the District. In the event that the Operator disagrees with any action of the District, it may appeal in writing to the full Commission, which shall meet and resolve any Budget and/or Personnel Budget disputes within forty five (45) days after receipt of the Operator's appeal. Nothing in this paragraph shall preclude the Commission from exercising final budgetary approval. All parties shall endeavor to complete the approval process no later than March 1 of the Budget Year. During the period of time between January 1 and final Budget approval, the Operator shall conduct its operations in accordance with its approved Budget for the preceding fiscal year subject to the approval of the District.

It is understood and agreed that the Budget review and approval process is intended to permit input from the parties to this Agreement while recognizing the expertise of the Operator and its management in operating a thoroughbred race meet. Accordingly, the review process shall be conducted with the objective of developing a Budget which will facilitate the conduct of a first class Race Meet while maximizing the implementation of the Master Plan and the economic return to the District and the Commission.

7.2. Expenditure Limitations. The Operator agrees that the following limitations will apply to its activities as they relate to financial matters:

7.2.1. No member of the Operator's Board of Directors shall be entitled to receive any compensation for service in that capacity.

7.2.2. The Operator's annual expenditures for salaries and bonuses for the year-round executive and management personnel will be subject to the approval of the District and the Commission as described in Paragraph 7.1. Executive and management compensation including benefits and bonuses must not be excessive but reasonable in amount. Salaries and bonuses shall be based on the level of responsibility, experience; qualifications; the duties performed; the number of operation days; the scope and magnitude of the race meet(s); economic conditions; the level of risk and or investment; and the revenues generated. Any bonus programs established should be structured in a manner that rewards increased profitability and reductions in costs and expenses. Compensation must be based on performance that rewards increased profitability and reductions in cost. Concurrently with the submission of the preliminary itemized Budget required by Paragraph 7.1, the Operator shall make available for inspection an itemized list detailing the proposed annual salaries and bonuses for each member of Operator's year-around executive and management personnel. The information provided pursuant to this Paragraph 7.2.2 shall be treated by the Commission as personal and private information exempt from disclosure as provided under California law, including under the provisions of the California Public Records Act (Govt. Code, § 6250, *et seq.*); provided, however, that the Commission and/or the District will not be liable for any negligent, inadvertent, or accident disclosure of this information. Additionally, the information provided pursuant to this Paragraph 7.2.2 will be disclosed by the Commission and/or the District if required by any order issued by a Court of competent jurisdiction.

7.2.3. Subject to the budget approval process set forth in Section 7.1, Operator's Board of Directors shall be responsible for the evaluation of personnel performance and for decisions relating to compensation, hiring, termination, discipline and related personnel policies. Neither the District or Commission shall have any liability with respect to personnel decisions by Operator. Operator may obtain employment practices insurance coverage if obtainable on commercially reasonable terms.

7.2.4. Prior to the payment of bonus compensation attributable to any year during the term of this Agreement, the Board of Directors of Operator shall develop and approve a written bonus policy establishing criteria for the size of any bonus pool, eligibility for participation therein and the determination of actual bonus amounts, if any. The bonus policy, including amounts or percentages payable to each individual employee, shall be presented as part of the budget process outlined in Section 7.1 and any subsequent changes thereto shall be approved by the District prior to implementation thereof. . The information provided pursuant to this Paragraph 7.2.4 shall be treated by the Commission as personal and private information exempt from disclosure as provided under California law, including under the provisions of the California Public Records Act (Govt. Code, § 6250, et seq.); provided, however, that the Commission and/or the District will not be liable for any negligent, inadvertent, or accident disclosure of this information. Additionally, the information provided pursuant to this Paragraph

7.2.2 will be disclosed by the Commission and/or the District if required by any order issued by a Court of competent jurisdiction.

7.2.5. Following approval of the Budget pursuant to Section 7.1, the Operator shall not make any expenditure[s] in excess of the greater of $25,000 or 10% of any line item shown on the Budget without the advance written approval of the District, pursuant to delegation of authority by the Commission. Cumulative expenditures, other than those based on income, shall not exceed the approved Budget without the advance written approval of the District, pursuant to delegation of authority by the Commission.

7.2.6. The Operator will neither budget nor make any expenditure which is inconsistent with the usual good practices in the thoroughbred industry in Southern California. All expenditures by the Operator shall, in the best business judgment of the Operator and its management, be made for the benefit of the Premises and/or the Del Mar Fairgrounds or to support and promote thoroughbred racing at the Del Mar Fairgrounds and in California.

7.3 Quarterly Financial Reports and Business Plans. Within thirty (30) days following the last day of each quarter, the Operator shall prepare and deliver to the Commission and the District a report, in substantially the form attached as Exhibit B, comparing actual expenditures to budgeted figures, by line item, to permit periodic review of the Operator's adherence to the Budget.

8. Records, Reports and Audits.

The books and records of the Operator shall be maintained by its internal accounting staff on a calendar year accrual basis and shall be audited annually by a firm of certified public accountants approved by the District. The firm currently retained by the Operator for the year ended December 31, 2010 is deemed approved for Calendar Year 2011.

8.1. Maintenance of Records. The Operator shall maintain at its offices during the Term of this Agreement, its papers, contracts, books, ledgers, journals, accounts, and other data (collectively referred to as "Records") which (i) reflect the identity and interest of all persons having any beneficial interest, whether direct or indirect, in the Operator, (ii) reflect the identity, salary, bonus, and capacity of all officers, directors and other persons having managerial responsibility of and for the Operator and (iii) reflect all of the business activities of the Operator. These Records shall include, but not be limited to the financial and other Records which reflect all of the Operator's revenues and expenses of whatever nature from, on and after execution of the Operating Agreement.

8.2. Examination of Records. The Operator shall permit the District, the Commission and appropriate State officers authorized by law, to examine and, at their expense, to have copies made of all Records required to be maintained pursuant to this Section. Any such examination and copying shall be during reasonable business hours and upon the giving of reasonable notice to the Operator.

8.3. Operator Annual Audit. At least once during each calendar year of the term of this Agreement, the Operator, at its own expense, shall cause an audit to be made of its Records which reflect all of its business activities. That audit shall be made by a certified public accountant or accounting firm selected by the Operator, subject to the prior written approval of the District, such approval not to be unreasonably withheld. On or before May 1 of each year, the Operator shall provide the District and the Commission with a signed copy of its Audited Financial Statements. The parties agree that the certified public accountant or auditing firm engaged by the Operator for the year ended December 31, 2010 shall be deemed approved for

Calendar Year 2011 without further action by the parties.

8.4 Other Audits. The Operator shall cause the annual engagement of a certified public accountant or accounting firm to perform procedures, agreed to by the CHRB, on the parimutuel operations as required by the rules and regulations of the CHRB.

8.5. District Audit. The Operator shall permit the District, at the District's option, to cause an audit to be made of the business of the Operator by such auditor or auditors as the District may, in its sole discretion, select. All such audits shall be at the expense of the District and shall be conducted during reasonable business hours so as not to interfere unduly with the business operations of the Operator.

8.6. Location of Records. The Records shall be kept and maintained in such a manner as is usual and customary for businesses of the same type conducted in the State of California at the time. In no event, however, shall those Records be less detailed and complete than is customary or required by law for privately held businesses of the same type in the State of California at the time of the execution of this Agreement. The Operator may destroy or dispose of any Records which are five years or of age or more after such Records have been offered to the District and Commission for their retention and/or copying.

9. Maintenance, Alterations and Construction.

9.1 Facilities. During the Agreement, the District shall be responsible for all facility or infrastructure maintenance, repairs, new construction, or alterations including painting, landscaping and repair work necessary to keep the facilities and infrastructure in a safe, operational, and presentable condition. This includes the structural and operational integrity of all buildings, structures and infrastructure equipment on the property used by the Operator in the conduct of thoroughbred horse racing. Notwithstanding the foregoing, the District and the Operator may agree from time to time or as part of the annual budget process that the Operator may perform the activities contemplated by this Paragraph 9.1 or contract with a third party for such activities on the Premises.

9.1.1 Facility Cleaning The Operator shall provide all labor and supplies to properly clean all facilities, buildings, stalls, offices and grounds used by the Operator to conduct thoroughbred horse racing on a daily basis during the race meet(s).

In the event fire, earthquake, or other casualty renders the facilities unsuitable for the conduct of thoroughbred horse race meets of substantially similar quality to those previously held, it shall be the responsibility of the District, the Commission and/or the State of California to make such repairs and rebuild such portions of the facilities, including the grandstand, horse barns, paddock area, racing strips and all other buildings or structures used for or in connection with the conduct of thoroughbred horse racing, as are necessary to put the facilities in condition for thoroughbred horse racing; provided, however, that in that circumstance the Commission may choose not to repair or rebuild the Premises, but rather to terminate this Agreement pursuant to Section 13 below.

9.2. Property and Equipment. The Operator shall provide and maintain in good repair all property and equipment owned by the District and/or the Del Mar Race Track Authority which may be necessary to enable the Operator to operate the Premises for the purposes authorized by this Agreement and to fulfill its obligations under this Agreement. Certain equipment owned by either the District, the Del Mar Race Track Authority, or the Operator may be shared by the District and the Operator. All property and equipment purchased by the Del Mar Race Track Authority during the course of this agreement and used to enable the Operator to operate the

Premises for the purposes authorized by this Agreement and to fulfill its obligations under this Agreement is property and equipment owned by the Del Mar Race Track Authority.

The District and the Operator shall both provide and maintain in good repair all property and equipment which may be owned by the Operator, the District or the Del Mar Race Track Authority and shared with the Operator to operate the facilities. Both parties shall be responsible for the repair of any damage to such equipment and for the replacement of lost or destroyed equipment. The District and the Operator shall within a reasonable period of time following the execution of this Agreement jointly develop a five-year equipment replacement schedule pursuant to which such equipment will be replaced and or continued in service.

9.2.1. All significant items of property and equipment owned by the District and shared with the Operator as of October 31, 2010 have been inventoried and described in Exhibit C. As of December 31, 2011 and December 31 of each succeeding year of this Agreement, an inventory will be taken and Exhibit C will be revised as follows:

(a) Any property or equipment taken out of service will be deleted.

(b) Any property or equipment purchased during the calendar year will be added.

9.2.2. It is the intention of the parties that these items of property and equipment are available for use by both the Operator and the District for maintenance and repair and for related activities on the Del Mar Fairgrounds. The District and the Operator shall within a reasonable period of time following the execution of this Agreement develop written protocols for the use, tracking, and repair and maintenance of any shared equipment. Such protocols shall, to the extent practicable, evaluate insurance coverages with respect to such equipment in order to minimize any potential third-party liability.

9.2.3. Upon the expiration or earlier termination of this Agreement, any other property subsequently purchased by the Operator will be transferred and delivered to the District. Such transfer and delivery shall be conducted in an orderly manner to enable the Operator to wind up its affairs following such expiration or termination.

9.3. Racing Strips. During the Term of this Agreement, the racing strip shall be maintained by the Operator in condition for training thoroughbreds, harness horses, quarter horses or other horses. The Operator shall have the sole responsibility for, and authority to do, the maintenance on the racing strips and on the training track when used for horses. The responsibility of the Operator as to the maintenance of the racing strips shall include the chute, the racing turf, the dirt and synthetic track, the inner and outer rails and the hedges lining the racing strips. If the District permits third parties to use the racing strips or the training track during the interim between the Race Meet(s), the Operator shall be reimbursed by the District for the cost of preparation and maintenance of the racing strips for and during such use. The District may authorize or permit the use of the racing strips or training track for other events outside of horse racing with the consultation of the Operator provided such use will not adversely impact thoroughbred racing. The District shall not permit any use of the racing strips for a reasonable period prior to the commencement of the Race Meet(s). The District recognizes the importance of maintaining the integrity of racing strips and will consult with the Operator whenever the strips are utilized for any interim events outside of the race meet(s); e.g., the: San Diego County Fair Grandstand Staging and the Holiday of Lights.

9.4. Infield and Grandstand Landscaping and Backside Maintenance. The District shall be responsible for all landscape installation and maintenance in the infield area and

landscaped areas immediately adjacent to the Grandstand. All landscape activities shall be coordinated with the Operator to prevent unreasonable interference with events scheduled by the Operator. The District shall also be responsible for maintenance of backside areas of the Premises as indicated on Exhibit A-5. Notwithstanding the foregoing, the District and the Operator may agree from time to time or as part of the annual budget process that the Operator may perform the landscape design, maintenance, and enhancement of the Premises contemplated by this Paragraph 9.4 or contract with a third party for such activities on the Premises. The Operator and the District shall establish inspection procedures before and after the Fair, any interim events utilizing these backside areas, and the annual Race Meet to identify any need for repair and the District shall make the necessary repairs.

9.5. Reimbursable Maintenance Costs. Insofar as the District permits third parties to lease or use the Premises during the interim between Race Meets, or permits third parties to lease or use those portions of the Premises not being operated by the Operator during Race Meets, the District shall be responsible for any painting, decorating, maintenance or repair work not performed by the Operator and directly resulting from the use by that third party, and reasonably necessary to place the Premises in condition for the Race Meet. During the interim between Race Meets, day-to-day maintenance of all areas other than the racing strips and areas occupied by the Operator shall be the responsibility of the District.

9.6. Procedures for Alterations. The Operator is prohibited from temporarily or permanently demolishing, altering, modifying, rebuilding, all or any portion of the Premises, or allow or permit any demolition, alteration, modification, or rebuilding of all or any portion of the Premises, without the advance written consent of the District, which the District may grant or withhold in its sole and exclusive discretion. The Operator must submit proposed projects, other than normal maintenance and repair, to the District in connection with the submission of its preliminary Budget on December 1. The District may, at its option and at no cost or expense to the Operator, improve the Premises for purposes of the District by alteration or substitution or addition thereto, provided that such alterations, substitutions or additions shall not impair the use of the Premises for thoroughbred racing nor substantially interfere with the use of the Premises for related activities. The District will consult with the Operator concerning any potential impact of such activities on the use of the Premises for thoroughbred racing. In the event that the Operator makes temporary alterations or modifications to the Premises with the written consent of the District, the Operator shall cause the Premises to be returned to the condition prevailing prior to the Operator's Operation Period unless otherwise agreed by the District in writing.

9.7. Mechanics Liens. During the term of this Agreement, the Operator will not in any way encumber or cloud the title to the Premises, or any part thereof, and will promptly pay and discharge any and all debts contracted by it in reference thereto for labor, material, or services, or anything connected with or used by it upon the District's property to the end that no liens shall attach thereto.

The District shall have the right to post and keep posted such notices as it may desire in order to protect the District's property and any portions thereof against liens. If, nevertheless, any such lien shall be recorded and the Operator shall, within 60 days after notice from the District fail to pay, settle, or otherwise release such lien, or deposit in escrow with a reputable bank or trust company a sufficient sum to satisfy such lien in full in the event of the unsuccessful termination of any litigation in connection with the lien and under the terms of which it shall be obligated to pay such lien upon the unsuccessful termination of such litigation, then, upon the failure of the Operator to comply with these requirements, the District may pay or otherwise dispose of the lien, or defend, settle or compromise any suit brought to foreclose it, in its sole discretion. All amounts paid by the District or any loss sustained by it on that account, including

a reasonable amount for its attorneys' fees, shall be repaid to the District and shall be in addition to any other payments otherwise required under the terms of this Agreement. A failure to repay any such sum within 30 days after giving notice thereof, including the delivery of a copy of a bill thereof, to the Operator shall constitute a breach of this Agreement.

10. Capital Improvements.

All parties to this Agreement recognize the potential of constructing and making improvements to the Premises and to other areas of the District's property. To this end, and subject to the provisions of Section 9 of this Agreement, the Commission and the District have prepared and updated a Master Plan for the development of the District's property.

10.1. Capital Improvement Account. All funds paid into the Del Mar Capital Improvement Account as Race Track Net Revenues are transferred to the Race Track Authority and pledged for the payment of the Series 2005 Revenue Bonds. If sufficient net revenues are available to satisfy the annual debt service, the remainder may be used to finance improvements to the Premises in furtherance of the Master Plan. The Operator shall submit to the District its proposals for these improvements annually. District management will submit the proposals for capital expenditures to the Del Mar Race Track Authority Board of Directors for its approval at the first meet of each calendar year.

10.2. Dedication of Concession Income. The District shall pledge not less than $2,000,000 per year of its income from food and beverage concession operations to the Del Mar Race Track Authority for the repayment of bonds or to such other projects as are in furtherance of the Master Plan and mutually agreed to by the Operator and the District.

10.3 Sponsorships. It is the intent of the District to develop and maximize sponsorship opportunities to the fullest extent while achieving maximum revenue, trade, in kind services, and marketing opportunities for the overall benefit of the fairgrounds, race meet(s), the annual fair and interim events. The strategy, solicitation, sales and coordination of sponsorships will be developed and coordinated by the District in consultation with the Operator as to the best strategic plan and its implementation. The District recognizes the importance of a successful and comprehensive sponsorship program as a key element to the financial success of a first-class thoroughbred race meet as well as the financial success of the District and agrees to work diligently with the Operator to optimize both revenue and marketing opportunities in a cooperative and professional manner; however, the parties agree the District will have final approval of all sponsors. It is the intent of the District to target those sponsors who will participate in all the District and Operator events throughout the year although the parties acknowledge that various potential sponsors may have interests limited to particular events. The Operator and District will meet monthly to review strategies and potential sponsors and the Operator will provide to the District a quarterly report of its sponsorship efforts.

The District intends to pursue a long-term naming rights sponsorship relating to the Premises as well as other on site facility naming rights. The District shall consult with the Operator with respect to [i] any potential conflicts, [ii] the appropriateness of any potential sponsor [race meet],[iii] the equitable distribution of sponsorship revenues, and [iv] any financial, sponsorship fulfillment or other obligations expected of operator; however, the parties agree the District will have final approval of all issues referenced in this Paragraph.

The Operator has no express or implied authority to obligate the District's food service operator to sell or distribute products that are involved in a sponsorship agreement without the express written permission by the District, which the District may grant or withhold in its sole and exclusive discretion. If any sponsorship agreement does involve the District's food service

operator, the District will be compensated from said sponsorship subject to any pledge or debt service coverage requirements of outstanding bond indebtedness. The amount will be negotiated between the District's sponsorship Contractor and the Operator. In the event an agreement cannot be reached, the District's Chief Executive Officer will be the final arbiter.

Neither the District nor Operator shall have the authority to enter into any sponsorship arrangement, including but not limited to sponsorships for all or any portion of the Premises (including private or exclusive seating areas and/or private or exclusive skyboxes) or make any similar commitment on behalf of the other party without the advance written consent of the other party, and, where the District's consent is required. The District, in its sole discretion, has the right to seek and obtain the opinion of nationally-recognized bond counsel that the exclusion from gross income of interest on the bonds will not be adversely affected by any action or actions (including, but not limited to, actions requiring the District's consent) taken pursuant to this paragraph, and this determination will be final, conclusive, and binding on the Operator.

11. Concessions and Subcontractors.

Nothing in this Agreement shall be construed to prohibit the Operator from granting concessions or contracts for the operation of one or more of the business activities permitted under this Agreement, other than concessions for food and beverage. During the Race Meet, thoroughbred horse racing on the Premises with parimutuel wagering on the results thereof, shall be conducted only under the direct supervision and management of the Operator.

11.1. Authority to Subcontract. The Operator shall not enter into any concession or subcontract, including, but not limited to private or exclusive seating areas and/or private or exclusive skyboxes, without the advance written consent of the District, and then only upon such terms and conditions as may be prescribed by the District. The District, in its sole discretion, has the right to seek and obtain the opinion of nationally-recognized bond counsel that the exclusion from gross income of interest on the bonds will not be adversely affected by any action or actions (including, but not limited to, actions requiring the District's consent) taken pursuant to this paragraph. Any person granted a concession or subcontract by the Operator shall, as a part of that concession or subcontract agreement, agree in writing (1) to be bound by all the terms and provisions of this Agreement, insofar as applicable, and (2) to permit the District to examine and, at the District's expense, have copies made of all financial records relating to the operation of the concession or subcontract and furnish the District with signed copies of all audit reports obtained in connection with the operation of the concession or subcontract. The Operator shall be responsible for the acts of its concessionaires and subcontractors and a violation of any of the terms or provisions of this Agreement by any such concessionaire or subcontractor shall have the same effect as if such violation had been committed or suffered by the Operator as well as by the concessionaire or subcontractor and shall be actionable by the District against the Operator and/or the concessionaire and/or the subcontractor, at the option of the District.

11.2. Food and Beverage Concessions. The food and beverage concession agreement for the Race Meet shall be between the concessionaire and the District with revenues paid directly to the District. It is recognized, however, by all parties to this Agreement that the performance of the concessionaire during the Race Meet is a key factor to the success of the Operator's operations. The Operator and the District shall set standards that require the concessionaire to furnish and dispense foods and beverages of the highest quality and maintain a level of service satisfactory to the Operator and the District that is at least equal to that of other racing establishments in Southern California.

11.3. Approval of Prices. The District shall have access to and the right to set, the

schedule of prices and rates for all food and beverage products sold on the Premises. In making such determinations, the District shall consult with Operator and shall take into account the potential impact of food and beverage prices on customer satisfaction and overall business. If the District shall determine, after reasonable consultation with the Operator and/or the concessionaire, that any price or prices are unreasonable or inappropriate, they shall be modified as directed by the District. Rates and prices for such products shall be displayed on signs as appropriate. The District reserves the right to prohibit the sale or rental of any item which it deems objectionable or beyond the scope of merchandise deemed necessary for proper service to the public at a thoroughbred horse race meet.

11.4 Other Revenue Generation Opportunities. The Operator agrees to comply with the District on any revenue generating project or opportunity that will benefit both parties. The District will make all reasonable efforts to insure that such project or opportunity will not interfere with race track operations but the District will have final decision or approval on any project or opportunity contemplated by this Paragraph 11.4.

11.5 Parking and Traffic Control – The District will, in coordination with the Operator, manage parking and traffic control services during the race meets, with the understanding that revenues generated from parking and traffic control will be included in the Operator's operating income statement. The District and the Operator agree to review parking and traffic control services during the race meets on a regular basis in order to insure appropriate customer service levels are met as they pertain to parking and traffic control and to insure the continuation of reasonable and customary past practices and procedures. The District agrees the services provided under this Paragraph 11.5 will be conducted in compliance with all existing labor agreements.

12. Utility Services.

The Operator will assume and pay when due all charges for natural gas, electricity, heat, power, telephone, water, light, sewer, and any other utility services accruing or payable in connection with its operation of the Premises, or any part thereof, including deposits, connection fees or charges in meter rentals required by the supplier of any such utility service. The Operator is obligated to use and employment best available management practices to minimize its use of water, sewer, energy, electricity, natural gas, energy, and other utility services. The Operator agrees to monthly monitoring of the Operator's use of water, sewer, energy, electricity, natural gas, energy, and other utility services by the District and the District shall, to the extent practicable, provide metering or other equipment sufficient to effectively monitor usage on a timely basis. If the Operator's use of water, sewer, energy, electricity, natural gas, energy, and/or other utility services exceeds 110% of the previous year's monthly usage, the Operator will investigate the usage to determine the cause of the excess and, if applicable, apply corrective measures. Additionally, Operator agrees to recycle all "grey" water to the extent permitted by law. The District shall, to the extent practicable, take any necessary actions to ensure that the food and beverage concessionaire cooperates fully with the Operator to control utility consumption.

13. Destruction of Premises.

If all or any portion of the Premises is destroyed or damaged by any casualty such that the Premises are rendered unsuitable for the conduct of thoroughbred horse race meets of substantially similar quality to those previously held, the District, the Commission, the Del Mar Race Track Authority and/or the State of California may, at their sole cost and expense and at the earliest date reasonably possible, repair such damage, subject to the availability of funds. However, in the event of such casualty, the parties may agree to suspend thoroughbred racing

operations until such damage is repaired, or the Commission may choose to terminate this Agreement. The Operator acknowledges that it has no rights by virtue of the provisions of Section 1932 and the provisions of subsection(4) of Section 1933 of the Civil Code of the State of California, but assumes no responsibility to repair or replace portions of the Premises destroyed or damaged by casualty.

14. Indemnification and Insurance.

14.1. Indemnification. To the fullest extent permitted by law, the Operator shall defend, indemnify, and hold harmless the State of California, the District, the Commission, the Del Mar Race Track Authority, the CHRB, and their respective agents, directors, and employees (collectively, "indemnitees") from and against all claims, damages, losses, and expenses, of every kind, nature and description (including, but not limited to, attorneys fees, expert fees, and costs of suit), directly or indirectly arising from, or in any way related to the performance or nonperformance of this Agreement, regardless of responsibility of negligence; by reason of death, injury, property damage, or any claim arising from the alleged violation of any state or federal accessibility law, statute or regulation, (including but not limited to, the Americans With Disabilities Act, and/or any state, local, successor, or comparable provision of law) however caused or alleged to have been caused, and even though claimed to be due to the negligence of the indemnities, or any one or more of them. Provided, however, that in no event shall the Operator be obligated to defend or indemnify the indemnitees with respect to the sole negligence or willful misconduct of the indemnities, their respective employees, or agents (excluding the Operator, or any of its employees or agents). However, the Operator shall have the right to contest the validity of any and all claims and demands and defend any and all such suits, causes of action, and claims for damages, of any kind or character and by whomsoever claimed, as the Operator may deem necessary or proper.

14.2. Insurance Coverage. The Operator, at its own cost and expense, shall maintain in full force and effect at all times during the term of this Agreement, public liability and property damage insurance protecting the legal liability of the Operator, the District, the Del Mar Race Track Authority, the Commission and the State of California and their officers, agents, servants and employees from occurrences as to bodily injury liability and property damage liability which arise from the activities and operations of the Operator, its agents, contractors, employees, concessionaires or assigns, conducted upon or in connection with the Premises or any portion thereof. The Operator shall maintain general liability on an occurrence form with limits not less than $10,000,000 for bodily injury and property damage liability combined, automobile liability with limits not less than $5,000,000 combined single limit per accident, and statutory workers compensation and employer's liability coverage for all its employees who will be engaged in the performance of the contract with limits of $1,000,000, and any other insurance coverage required by the District under the terms of the Operating Agreement. With approval of the Commission, there may be a deductible feature in connection with such coverages and such coverages shall be on an occurrence basis.

14.3. Insurance Policy Format. All policies of insurance required by this Agreement shall be in standard form and written by such qualified insurance companies authorized to do business in the State of California and shall reasonably satisfy the District and the Department of General Services, State of California. Further, each policy of insurance shall set forth:

14.3.1. An endorsement that states the Operators' insurance is primary to any insurance maintained by the District, the Commission, the Del Mar Race Track Authority and the State Race Track Leasing Commission.

14.3.2. The policy must include an additional insured endorsement naming the

State of California, the 22nd District Agricultural Association, the Del Mar Race Track Authority, the State Race Track Leasing Commission, the California Department of Finance, the California Department of General Services, the California Department of Food and Agriculture, and their respective directors, officers, agents, servants and employees are named as additional insured, but only insofar as the operations under this contract are concerned.

14.3.3. Coverage Term – Coverage needs to be in force for the complete term of the contract. If insurance expires during the term of the contract, a new certificate must be received by the State at least ten (10) days prior to the expiration of this insurance. Any new insurance must still comply with the original terms of the contract.

14.3.4. Policy Cancellation or Termination & Notice of Non-Renewal – Insurance policies shall contain a provision stating coverage will not be cancelled without 30 days prior written notice to the State and the District. In the event Operator fails to keep in effect at all times the specified insurance coverage, the State may, in addition to any other remedies it may have, terminate this Contract upon the occurrence of such event, subject to the provisions of this Contract.

14.3.5. Deductible – Operator is responsible for any deductible or self-insured retention contained within their insurance program.

14.3.6. Inadequate Insurance – Inadequate or lack of insurance does not negate the Operator's obligations under the contract.

14.3.7. Premium payment is the responsibility of the Operator. Neither the District, the Commission, the Del Mar Race Track Authority, nor the State of California is liable for the payment of any premiums or assessments on said policy.

14.4. Evidence of Insurance. Evidence of insurance shall be provided by the Operator to the District prior to the commencement of the term of this Agreement and otherwise at such times and in such manner as the District shall from time to time request. The Operator will also provide certified copies of the Additional Insured Endorsement[s] required by Paragraph 14.3.2 of this Agreement.

14.5. Failure to Provide Insurance. If the Operator fails to procure or maintain the required insurance, the District, at its option, may do so and charge the cost of that insurance to the Operator. That cost shall be repaid by the Operator to the District and shall be in addition to any other payments required under this Agreement. A failure to repay any such sum within 30 days after the date a bill for payment of the required insurance is mailed by the District to the Operator, shall constitute a material breach of this Agreement. If any insurance required by this Agreement cannot be procured or maintained as the direct or indirect result of any act or omission by the Operator, the inability to procure or maintain the insurance will constitute a material breach of this Agreement by the Operator.

14.6. Operator as Additional Insured. Unless otherwise agreed by the parties, to the extent that any party hereto shall enter into contracts with contractors, subcontractors, concessionaires or others performing services on the Premises in which that entity is required to provide insurance to such party, each other party to this Agreement, the District, the Commission, the Del Mar Race Track Authority and the State of California shall be named as an additional insured on such policy. In the case of the concessionaire providing food and beverage services during the Race Meet, insurance policies shall be required and shall be subject to the approval of the District, such approval not to be unreasonably withheld.

14.7 Safety Practices. The Operator shall conduct all its activities, as required or permitted by the terms and conditions of the Agreement, in compliance with all codes, statutes, ordinances, and regulations, and in compliance with all generally accepted applicable safety practices. The Operator agrees to retain a Safety Officer or utilize the District's Safety Officer to insure all of its operations are conducted in compliance with the best and highest safety practices.

15. Assignment.

15.1. Prohibition Against Assignment. Other than concession agreements or subcontracts entered into pursuant to Section 11, the Operator shall not assign, mortgage, pledge, hypothecate or otherwise dispose of this Agreement, or any of rights, privileges, or obligations under this Agreement, or the Premises or any portion of the Premises, nor shall the Operator suffer any other person to operate the Premises or any portion thereof, without the advance written consent of the District which the District may grant or withhold in its sole and exclusive discretion, and then only upon such terms and conditions as may be prescribed by the District. The District, in its sole discretion, has the right to seek and obtain the opinion of nationally-recognized bond counsel that the exclusion from gross income of interest on the bonds will not be adversely affected by any action or actions (including, but not limited to, actions requiring the District's consent) taken pursuant to this paragraph. It is expressly understood and agreed that the District and the Commission may assign or otherwise dispose of the interest of the State of California in this Agreement, or in any part of this Agreement, without obtaining the consent of the Operator. Any consent granted under this Section 15 shall not be deemed to confer any right upon the Operator to thereafter do or suffer any of these prohibited acts.

15.2. Changes in Stock Ownership. The current stock ownership of the Operator is set forth in Exhibit D to this Agreement. Any change in stock ownership, whether voluntary, involuntary or by operation of law or otherwise, shall be deemed an assignment prohibited by this Section 15 unless the advance written consent of the District, the Department of Food and Agriculture and the Department of General Services is obtained. The District, in its sole discretion, has the right to seek and obtain the opinion of nationally-recognized bond counsel that the exclusion from gross income of interest on the bonds will not be adversely affected by any action or actions (including, but not limited to, actions requiring the consent of the District, the Department of Food and Agriculture, and/or the Department of General Services) taken pursuant to this paragraph. Such written consent shall not be unreasonably withheld nor shall any unreasonable terms or conditions in connection with its granting be imposed. Due consideration shall be given, however, to the financial responsibility, character, business ability, morality and reputation of such stockholder transferring and/or receiving the stock interest in the corporation.

As a condition of obtaining the written consent of the agencies referred to in this Section 15.2, the Operator shall immediately supply those agencies with any and all written information requested by any one or more of those agencies.

15.3 Approval of Management. Any change in the top five senior executive officers is subject to approval by the District and the Commission during the entire Term of this Agreement and any extensions of the Term resulting from the exercise of Option Periods under Paragraph 4.1 of this Agreement.

16. Default and Remedies.

The performance of each of the Operator's obligations under this Agreement is a condition as well as a covenant. The Operator's right to continue its operation of the Premises is conditioned upon such performance.

16.1. Events of Default. The occurrence of any of the following shall constitute a default and breach of this Agreement by the Operator:

16.1.1. If the Operator is denied a license to conduct thoroughbred horse racing for reasons other than suitability of the facilities at the Del Mar Fairgrounds or reasons relating to the terms and provisions of this Agreement, or if the Operator ceases to operate the Premises.

16.1.2. If the Operator fails to pay Direct Payment, Basic Payment or Additional Payment, or any other charge required to be paid as and when due, where such failure continues for ten (10) days after written notice thereof by the Commission to the Operator.

16.1.3. If (i) a general assignment or general arrangement for the benefit of creditors made by the Operator; (ii) a petition for adjudication of bankruptcy or reorganization or rearrangement is filed by or against the Operator and not dismissed within 120 days; (iii) there is appointed a trustee or receiver to take possession of substantially all of the Operator's assets located at the Premises; or (iv) substantially all of the Operator's assets located at the Premises are subjected to attachment, execution or other judicial seizure which is not discharged within 90 days.

16.1.4. If the Operator fails to perform any of its non-monetary obligations under this Agreement for a period of 30 days after written notice from the Commission specifying the non-monetary obligations remaining unperformed. If more time is required to complete such performance, the Operator shall not be in default if it commences such performance within the 30-day period and thereafter diligently pursues its completion.

16.1.5. If the Net to Gross Ratio for any two (2) consecutive years, does not equal at least fifteen percent (.15).

16.2. Rights and Remedies. Upon the occurrence of a material default by the Operator and its failure to correct or commence correction of that default upon notice thereof, and at any time thereafter, with or without further notice or demand and without limiting the Commission in the exercise of any right or remedy which it may have, the Commission shall be entitled to the following rights and remedies:

16.2.1. Terminate the Operator's right to operate the Premises by any lawful means, in which case this Agreement shall terminate and the Operator shall immediately surrender any and all use of the Premises to the District, as authorized by the Commission. In such event, the District, as authorized by the Commission shall have the immediate right to remove all persons and property and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of, the Operator, all without service of notice or resort to legal process and without becoming liable for any loss or damage which might be occasioned thereby.

16.2.2. Enter the Premises, with or without terminating this Agreement, and remove all persons and property from the Premises. Such property may be removed and stored in a public warehouse or elsewhere at the cost of the Operator. If the Commission elects to take such action, the Commission shall not be liable for damages by reason of such action.

16.3. Procedure for Termination. The Commission shall not be deemed to have terminated this Agreement, the Operator's right to operate the Premises or the liability of the Operator to pay Direct Payment, Basic Payment or Additional Payment thereafter to accrue or its liability for damages under any of the provisions hereof, unless the Commission shall have notified the Operator in writing that it has so elected to terminate this Agreement.

16.4. Cumulative Nature of Remedies. All rights, options and remedies of the Commission contained in this Agreement shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and the Commission shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law whether or not stated in this Agreement. No waiver by the Commission of a breach of any of the terms, covenants or conditions of this Agreement by the Operator shall be construed or held to be a waiver of any succeeding or preceding breach of the same or any other term, covenant or condition.

16.5. No Waiver. No waiver of any default of the Operator hereunder shall be implied from any omission by the Commission to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect default other than as specified in that waiver. The consent or approval by the Commission to or of any act by the Operator requiring the Commission's consent or approval shall not be deemed to waive or render unnecessary the Commission's consent to or approval of any subsequent similar acts by the Operator.

17. Letter of Credit.

17.1. Letter of Credit. During the term of this Agreement, the Operator shall obtain and file with the District an irrevocable letter of credit issued by a bank or other financial institution approved by the District. Such letter of credit shall be in the amount of $500,000 and shall be conditioned on the faithful performance by the Operator of all of the terms, covenants and conditions of this Agreement. Such letter of credit shall be approved as to sufficiency by the Commission and as to form by the Attorney General of the State of California. The Operator, at its option, may post a $500,000 cash deposit with the District in lieu of the irrevocable letter of credit.

17.2. Costs and Expenses. Any interest cost or expense incurred by the Operator in connection with the letter of credit shall be deemed expenses of the Operator under this Agreement.

18. Condemnation.

If any action or proceeding is commenced for the condemnation of the Premises, or any portion thereof, under the right of eminent domain, or if the Commission is advised in writing by any government, or any agency, instrumentality, department or bureau thereof, or by any person having the right or power of condemnation, of its intention to condemn the Premises, or any portion thereof, after the execution of this Agreement and prior to its termination, then and in any of said events:

18.1. Settlement by District. Subject to the approval of the Departments of Food and Agriculture and General Services, the District may, without any obligation or liability to the Operator, and without affecting the validity and existence of this Agreement other than as expressly provided, agree to sell or convey to the condemnor, without first requiring that any action or proceeding be instituted, or, if such action or proceeding shall have been instituted, without requiring any trial or hearing. The District is also expressly empowered to stipulate to a

judgment in any such action or proceeding or to the part or portion of the Premises sought by the condemnor, free from this Agreement and the rights of the Operator hereunder.

18.2. Rights to Proceeds. The Operator shall have no claim against the District or the Commission nor shall it be entitled to any part or portion of the amount that may be paid or awarded as a result of the sale or condemnation of the Premises, or any part or portion thereof. The Operator hereby assigns, transfers and sets over to the District any interest, if any, which the Operator would but for this provision have in, to, upon or against the Premises or any part or portion thereof, or the amount agreed to be paid or awarded and paid to the District.

18.3. Continuation of Agreement. If the condemnation is of a portion of the Premises only and the remainder is suitable for the conduct of thoroughbred horse race meets of substantially similar quality to those previously held, then this Agreement and all of its terms and provisions shall remain in full force and effect.

18.4. Termination. If the Premises, or such portion thereof as would render the remainder unsuitable for the conduct of thoroughbred horse race meets of substantially similar quality to those previously held, are condemned then this Agreement at the option of either the Commission or the Operator shall cease and come to an end at the time the District's ability to permit the Operator to operate the Premises ceases because of that condemnation.

19. Easements and Rights of Way.

This Agreement is subject to all existing easements and rights of way. The District may grant additional public utility easements as may be necessary during the term of this Agreement and the Operator hereby consents to the granting of any such easements. However, the public utility shall be required to reimburse the Operator for any impairment to its operation caused by any construction work on the easement area. No such easement will be granted during the Race Meet if, in the reasonable opinion of the Operator's and the District's management, the granting of the easement will unduly interfere with its operations or endanger personnel or horses during the course of its operations.

20. Hazardous Materials.

20.1. Prohibition of Storage. The Operator shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Premises, by the Operator, its agents, employees, contractors or invitees in a matter or for a purpose prohibited by any governmental agency or authority. If the presence of any Hazardous Material on the Premises caused or permitted by the Operator prior to or during the term of this Agreement results in any contamination of the Premises, the Operator shall promptly take all actions at its sole expense as are necessary to return the Premises to the condition existing prior to the introduction of any such Hazardous Material to the Premises, provided that the District's consent to such action shall first be obtained.

20.2. Business. Notwithstanding the prohibitions of Section 20.1, the Operator may operate its business according to the customs of the thoroughbred racing industry so long as the use or presence of Hazardous Materials is strictly and properly monitored according to all applicable governmental requirements. The Operator agrees to deliver to the District a list identifying each type of Hazardous Material to be present on the Premises and setting forth any and all governmental approvals or permits required in connection with the presence of Hazardous Materials on the Premises ("Hazardous Materials List"). The Operator shall deliver to the District an updated Hazardous Materials List at least once a year.

20.3. Definition of "Hazardous Material". As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 2, Chapter 6.8 (Carpenter-Presly-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material," "hazardous substance" or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) listed under Article 9 and defined as hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (viii) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317), (ix) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq. (42 U.S.C. Section 6903), or (x) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Section 9601, et seq. (42 U.S.C. Section 9601).

21. Compliance with Law. The Commission represents and warrants to the Operator that this Agreement has been authorized and entered into in compliance with Section 4353 of the California Food and Agricultural Code and all other applicable laws.

22. Miscellaneous Provisions.

22.1. California Law Governs. This Agreement shall be governed by and construed in accordance with the laws of the State of California. The reference in this Agreement to any legislation shall be read as though the words for any statutory modifications or reenactments thereof or any statutory provisions substituted therefore, were added to such reference. Venue of any action arising directly or indirectly out of this Agreement shall be in the County of San Diego, State of California.

22.2. Meaning of Headings. The section headings of this Agreement are only to assist the parties in reading the Agreement and shall have no effect upon its construction or interpretation.

22.3. Damage. The Operator shall not damage the Premises or any part thereof, or permit any acts to be done thereon in violation of any law or which create a nuisance and shall not operate the Premises or any part thereof for any immoral purpose.

22.4. Withholding Consent. Whenever under the provisions of this Agreement a party's consent or agreement is required for action, such party shall not unreasonably delay or withhold its consent or agreement. However, if that provision states that a party may grant or withhold its approval in its sole discretion, or contains words of similar import, that party may grant or withhold its consent for any reason or for no reason.

22.5. Assignability. Subject to the provisions of Section 15, this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. Notwithstanding any provision of this Agreement, this Agreement shall not be assigned or assignable by operation of law and in no event shall this Agreement be an asset of the Operator in any receivership, bankruptcy, insolvency or reorganization proceeding.

22.6. Partial Invalidity. If any term or provision of this Agreement shall be held invalid or unenforceable to any extent under any applicable law by a court of competent jurisdiction, the remainder of this Agreement shall not be affected and each remaining term and provision shall be valid and enforceable to the fullest extent permitted by law. To the extent that the provisions of applicable law may be waived, they are hereby waived to the end that this Agreement be deemed to be a valid and binding agreement and enforceable in accordance with its terms.

22.7. Giving of Consent. Whenever the Commission or the District is required or authorized to give consent or approval to or authorization of, any act of the Operator, such consent, approval or authorization may be given by such committee or person as may be designated by the Commission or the District. The action of such committee or person shall be binding on the parties for whom such action is taken.

22.8. Entire Agreement. This Agreement, along with any schedules, exhibits, attachments or other documents referred to, constitutes the entire and exclusive agreement between the Commission, the District and the Operator relative to the operation of the Premises. This instrument and such exhibits, attachments and other documents may be amended or revoked only by an instrument in writing signed by both the Commission and the Operator or their respective successors in interest. The Commission and the Operator agree that no prior agreement, understanding or representation pertaining to any matter covered or mentioned in this Agreement shall be effective for any purpose.

22.9. Notices. All notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by certified or registered mail, return receipt requested and postage prepaid. If any request, demand or notice is to be given by personal delivery it shall be given as follows: (i) In the case of the Operator, to the Chairman of the Board, the President or the General Manager; (ii) in the case of the Commission, to the Chairperson; (iii) in the case of the District, to the President of the Board of Directors and the Chief Executive Officer.

If any request, demand or notice is to be given by mail, it shall be delivered as follows:

If to the Commission:

Director of Finance
Chairperson
State Race Track Leasing Commission
State Capitol, Room 1145
Sacramento, CA 95814

With a copy to:

Deborah M. Fletcher
Deputy Attorney General
110 West A Street, Suite 1100
San Diego, CA 92101

If to the District:

President of the Board of Directors
22nd District Agricultural Association
2260 Jimmy Durante Boulevard
Del Mar, CA 92014

With a copy to:

Timothy J. Fennell, Chief Executive Officer
22nd District Agricultural Association
2260 Jimmy Durante Boulevard
Del Mar, CA 92014

If to the Operator:

Craig R. Fravel
President and General Manager
Del Mar Thoroughbred Club
PO Box 700, Del Mar, CA 92014

Any person or address set forth above may be changed, or other persons added, by giving notice in accordance with the provisions of this subsection.

22.10. Events Beyond Control of the Parties. If either party cannot perform any of its obligations due to events beyond that party's control, such failure to perform shall not constitute a breach of this Agreement and the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond the parties control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood, earthquake or other casualty, shortages of labor or material, government regulation or restriction and weather conditions. This Agreement shall not be terminated, nor shall its term be extended, by reason of any such suspension. Performance shall be resumed within a reasonable time after such cause has been removed. This Section shall not apply to destruction covered by Section 13 of this Agreement.

22.11. Non-discrimination. The Operator covenants by and for itself, its successors and assigns and all persons claiming under or through it, and this Agreement is made and accepted upon and subject to the condition that, there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, sex, sexual orientation, age, physical handicap, disability, national origin, or ancestry in the operation of the Premises. Neither the Operator nor any person claiming under or through the Operator shall establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of the concessionaires, subcontractors or others in or on the Premises.

22.12. Waiver. No waiver by the Commission of the breach of any covenant, condition or term of this Agreement shall be construed as a waiver of any preceding or succeeding breach nor shall the acceptance of any moneys from the Operator pursuant to this Agreement during any period in which the Operator is in default be deemed a waiver of such default.

22.13. California Horse Racing Board. No right, option or privilege contained in this Agreement or conferred upon the Operator by it shall be deemed to bind the CHRB or any other agency of the State of California to exercise any discretion granted upon it by law in any particular manner.

22.14. Amendments. This Agreement may be amended only by the mutual agreement of the Commission and the Operator, evidenced by a written amendment duly executed by the Commission and the Operator and approved by the Departments of Food and Agriculture and

22.14. Amendments. This Agreement may be amended only by the mutual agreement of the Commission and the Operator, evidenced by a written amendment duly executed by the Commission and the Operator and approved by the Departments of Food and Agriculture and General Services.

22.15. Execution and Binding Effect. This Agreement shall not be binding upon the Commission until it has been duly executed by the Commission and approved by the California Departments of Food and Agriculture and General Services.

22.17 Litigation Expenses. Should litigation be necessary to enforce any term or provision of this agreement, or to collect any portion of the amount payable under this agreement, then all litigation and collection expenses, witness fees, court costs, and attorney's fees shall be paid to the prevailing party.

IN WITNESS WHEREOF, the Commission has caused this Agreement to be executed by its Chairperson, and the Operator has caused this Agreement to be executed by its President, all as of the date set forth above.

STATE RACE TRACK LEASING
COMMISSION, on behalf of the
22ND DISTRICT AGRICULTURAL
ASSOCIATION

By: Cynthia Bryant
Cynthia Bryant
Chairperson

DEL MAR THOROUGHBRED CLUB

By: _____
Joseph W. Harper
Chief Executive Officer

Approved pursuant to Food and Agricultural Code Section 4051:

DEPARTMENT OF FOOD AND
AGRICULTURE

By: _____
A.G. Kawamura
Director

Approved pursuant to Food and Agricultural Code Section 4051 and pursuant to Government Code Section 11005.2:

22.14. Amendments. This Agreement may be amended only by the mutual agreement of the Commission and the Operator, evidenced by a written amendment duly executed by the Commission and the Operator and approved by the Departments of Food and Agriculture and General Services.

22.15. Execution and Binding Effect. This Agreement shall not be binding upon the Commission until it has been duly executed by the Commission and approved by the California Departments of Food and Agriculture and General Services.

22.17 Litigation Expenses. Should litigation be necessary to enforce any term or provision of this agreement, or to collect any portion of the amount payable under this agreement, then all litigation and collection expenses, witness fees, court costs, and attorney's fees shall be paid to the prevailing party.

IN WITNESS WHEREOF, the Commission has caused this Agreement to be executed by its Chairperson, and the Operator has caused this Agreement to be executed by its President, all as of the date set forth above.

STATE RACE TRACK LEASING
COMMISSION, on behalf of the
22ND DISTRICT AGRICULTURAL
ASSOCIATION

By: _____
Ana Matosantos
Chairperson

DEL MAR THOROUGHBRED CLUB

By: _____
Joseph W. Harper
Chief Executive Officer

Approved pursuant to Food and Agricultural Code Section 4051:

DEPARTMENT OF FOOD AND
AGRICULTURE

By: _____
A.G. Kawamura
Director

Approved pursuant to Food and Agricultural Code Section 4051 and pursuant to Government Code Section 11005.2:

General Services.

22.15. Execution and Binding Effect. This Agreement shall not be binding upon the Commission until it has been duly executed by the Commission and approved by the California Departments of Food and Agriculture and General Services.

22.17 Litigation Expenses. Should litigation be necessary to enforce any term or provision of this agreement, or to collect any portion of the amount payable under this agreement, then all litigation and collection expenses, witness fees, court costs, and attorney's fees shall be paid to the prevailing party.

IN WITNESS WHEREOF, the Commission has caused this Agreement to be executed by its Chairperson, and the Operator has caused this Agreement to be executed by its President, all as of the date set forth above.

STATE RACE TRACK LEASING
COMMISSION, on behalf of the
22ND DISTRICT AGRICULTURAL
ASSOCIATION

By: _____
Ana Matosantos
Chairperson

DEL MAR THOROUGHBRED CLUB

By: _____
Joseph W. Harper
Chief Executive Officer

Approved pursuant to Food and Agricultural Code Section 4051:

DEPARTMENT OF FOOD AND
AGRICULTURE

By: _____
A.G. Kawamura
Director

Approved pursuant to Food and Agricultural Code Section 4051 and pursuant to Government Code Section 11005.2:

DEPARTMENT OF GENERAL SERVICES

DEPARTMENT OF GENERAL SERVICES

By: _____
Ronald L. Diedrich
Acting Director

Approved As to Form:

EDMUND G. BROWN JR.
Attorney General of the State of California

By _____
Deborah M. Fletcher
Deputy Attorney General

DAA22-103.agt.44802.1

AMENDMENT TO DEL MAR RACE TRACK OPERATING AGREEMENT

This Amendment ("Amendment") to the Del Mar Race Track Operating Agreement entered into effective January 1, 2011 ("Operating Agreement") between the STATE RACE TRACK LEASING COMMISSION ("Commission"), acting on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION ("District"), and the DEL MAR THOROUGHBRED CLUB, a California corporation ("Operator") is made and entered into on March 14, 2012.

RECITALS

A. An ambiguity exists in the one of the definitions in Paragraph 2 of the Operating Agreement.

B. The Commission and the Operator agree the definitions in Paragraph 2 of the Operating Agreement should be amended to more accurately reflect the intention of the parties, and that the amended definitions will not alter or impair in any way the consideration paid under the terms and conditions of the Operating Agreement.

THEREFORE, in consideration of the above recitals, the mutual obligations and agreements in this Amendment, and for other good and valuable consideration, the Commission and the Operator agree as follows:

AGREEMENT

1. The definition of the term "Net to Gross Ratio" set forth in Paragraph 2 on Page 3 of the Operating Agreement shall be revised in its entirety to read as follows:

"Net to Gross Ratio" shall mean the ratio of total payments made pursuant to this Agreement to Gross Revenues.

2. Except as expressly provided in this Amendment, in all other respects the Operating Agreement is hereby republished in its entirety and remains in full force and effect.

3. This Amendment may be signed in counterparts.

IN WITNESS WHEREOF, the Commission has caused this Amendment to be executed by its Chairperson, and the Operator has caused this Amendment to be executed by its President, as of the date set forth above.

STATE RACE TRACK LEASING COMMISSION, on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION

By: _____
Ana Matosantos
Chairperson and Director of the California Department of Finance

DEL MAR THOROUGHBRED CLUB

By: _____
Joseph W. Harper
President and General Manager/CEO

SECOND AMENDMENT TO DEL MAR RACE TRACK OPERATING AGREEMENT

This Second Amendment (Second Amendment) to the Del Mar Race Track Operating Agreement entered into effective January 1, 2011 ("Operating Agreement") between the STATE RACE TRACK LEASING COMMISSION ("Commission"), acting on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION ("District") and the DEL MAR THOROUGHBRED CLUB, a California corporation ("Operator") is made and entered into effective February 14, 2014.

RECITALS

A. The Commission and the Operator entered into the Operating Agreement for operation of the Del Mar Race Track, located on the premises of the District, effective January 1, 2011.

B. The Commission and the Operator executed an Amendment to the Operating Agreement effective March 14, 2012 ("First Amendment").

C. In or about November 2013, the California Horse Racing Board granted to the Operator the right to conduct, in addition to its traditional dates for racing, a four-week live horse race meet in November of 2014 and a five-week live horse race meet in October and November of 2015 at the Del Mar Race Track located at the Del Mar Fairgrounds.

Therefore, in consideration of the above recitals, the mutual obligations and agreements in this Second Amendment, and for other good and valuable consideration, the Commission and the Operator agree as follows:

AGREEMENT

1. The definition of "Direct Payment" in Paragraph 2 of the Operating Agreement is amended in full to read as follows:

> "Direct Payment" shall mean, subject to the limitations set forth in Section 4155 of the California Food and Agricultural Code, the amount of $1,225,000.00 for calendar years 2014 and 2015. The Direct Payment is used by the District for the Fair or any other authorized purposes.

2. Paragraph 6.1 of the Operating Agreement is amended in full to read as follows:

> 6.1. Direct Payment. $500,000 of the Direct Payment shall be paid annually to the District on September 15 of each calendar year during the term of this Operating Agreement. $400,000 of the Direct Payment shall be paid annually to the District on December 15 of each calendar year during the term of this Operating Agreement. The Direct Payment balance of $325,000 shall be paid to the District by December 31 of each calendar year during the term of this Operating Agreement.

3. Paragraph 5.8 shall be added to the Operating Agreement to read as follows:

5.8. Breeders' Cup. 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 the 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 Commission.

4. Except as expressly provided in this Second Amendment, in all other respects the Operating Agreement and the First Amendment are hereby republished in their entirety and remain in full force and effect.

5. This Second Amendment may be signed in counterparts.

IN WITNESS WHEREOF, the Commission has caused this Second Amendment to be executed by its Chairperson, and the Operator has caused this Amendment to be executed by its President, effective February 14, 2014.

STATE RACE TRACK LEASING COMMISSION
on behalf of the
22nd DISTRICT AGRICULTURAL ASSOCIATION

By: Eloina Ortiga
Michael J. Cohen
Chairperson of the State Race Track Leasing Commission and Director of the California Department of Finance

DEL MAR THOROUGHBRED CLUB

By: _____
Joseph W. Harper
President and General Manager/CEO

3. Paragraph 5.8 shall be added to the Operating Agreement to read as follows:

5.8. Breeders' Cup. 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 the 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 Commission.

4. Except as expressly provided in this Second Amendment, in all other respects the Operating Agreement and the First Amendment are hereby republished in their entirety and remain in full force and effect.

5. This Second Amendment may be signed in counterparts.

IN WITNESS WHEREOF, the Commission has caused this Second Amendment to be executed by its Chairperson, and the Operator has caused this Amendment to be executed by its President, effective February ___, 2014.

STATE RACE TRACK LEASING COMMISSION
on behalf of the
22nd DISTRICT AGRICULTURAL ASSOCIATION

By: _____
Michael J. Cohen
Chairperson of the State Race Track Leasing Commission and Director of the California Department of Finance

DEL MAR THOROUGHBRED CLUB

By: _____
Joseph W. Harper
President and General Manager/CEO

THIRD AMENDMENT TO THE DEL MAR RACE TRACK OPERATING AGREEMENT

This Third Amendment ("Third Amendment") to the Del Mar Race Track Operating Agreement entered into effective January 1, 2011 ("Operating Agreement") between the STATE RACE TRACK LEASING COMMISSION ("Commission"), acting on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION ("District") and the DEL MAR THOROUGHBRED CLUB, a California corporation ("Operator") is made and entered into effective February 26, 2015.

RECITALS

A. The Commission and the Operator entered into the Operating Agreement for operation of the Del Mar Race Track, located on the premises of the District, effective January 1, 2011.

B. The Commission and the Operator executed an Amendment to the Operating Agreement effective March 14, 2012 ("First Amendment").

C. The Commission and the Operator executed a Second Amendment to the Operating Agreement effective February 14, 2014 ("Second Amendment").

Therefore, in consideration of the above recitals, the mutual obligations and agreements in this Second Amendment, and for other good and valuable consideration, the Commission and the Operator agree as follows.

AGREEMENT

1. Paragraph 6.1 of the Operating Agreement is amended in full to read as follows:

> 6.1. Direct Payment. $500,000 of the Direct Payment shall be paid annually to the District on September 15 of each calendar year during the term of this Operating Agreement. $400,000 of the Direct Payment shall be paid annually to the District on November 15 of each calendar year during the term of this Operating Agreement. The Direct Payment balance of $325,000 shall be paid to the District by November 30 of each calendar year during the term of this Operating Agreement.

2. Paragraph 7.1 of the Operating Agreement is amended to provide that the Operator's submission of the preliminary itemized budget will be due on December 15 of each calendar year.

3. Except as expressly provided in this Third Amendment, in all other respects the Operating Agreement, the First Amendment, and the Second Amendment are hereby republished in their entirety and remain in full force and effect.

4. This Third Amendment may be signed in counterparts.

IN WITNESS WHEREOF, the Commission has caused this Third Amendment to be executed by its Chairperson, and the Operator has caused this Third Amendment to be executed by its President, effective February 26, 2015.

STATE RACE TRACK LEASING COMMISSION
on behalf of the
22nd DISTRICT AGRICULTURAL ASSOCIATION

By: _____
Eraina Ortega
Chief Deputy Director of the California Department of Finance on behalf of
Michael J. Cohen
Chairperson of the State Race Track Leasing Commission and Director of the California Department of Finance

DEL MAR THOROUGHBRED CLUB

By: _____
Joseph W. Harper
President and General Manager/CEO

FOURTH AMENDMENT TO THE DEL MAR RACE TRACK OPERATING AGREEMENT

This Fourth Amendment ("Fourth Amendment") to the Del Mar Race Track Operating Agreement entered into effective January 1, 2011 ("Operating Agreement") between the STATE RACE TRACK LEASING COMMISSION ("Commission"), acting on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION ("District") and the DEL MAR THOROUGHBRED CLUB, a California corporation ("Operator") is made and entered into effective as of August 1, 2015.

RECITALS

A. The Commission and the Operator entered into the Operating Agreement for operation of the Del Mar Race Track, located on the premises of the District, effective January 1, 2011, as amended.

B. In order to facilitate the issuance of the Del Mar Race Track Authority Revenue Bonds, Series 2015, to finance and refinance improvements on the District's property, the Commission and the Operator wish to amend the Operating Agreement as described in this Fourth Amendment

Therefore, in consideration of the above recitals, the mutual obligations and agreements in this Fourth Amendment, and tor other good and valuable consideration, the Commission and the Operator agree as follows.

> In Section 10.1 of the Operating Agreement, "Series 2005 Revenue Bonds" shall be deleted and replaced with "the Del Mar Race Track Authority's Series 2015 Bonds and any refunding bonds or additional bonds issued to finance capital improvements on the District's property."

IN WITNESS WHEREOF, the Commission has caused this Fourth Amendment to be executed by its Chairperson, and the Operator has caused this Fourth Amendment to be executed by its President, effective as of August 1, 2015.

STATE RACE TRACK LEASING COMMISSION
on behalf of the
22nd DISTRICT AGRICULTURAL ASSOCIATION

By: Eraina Ortega

Eraina Ortega
Chief Deputy Director of the California Department of Finance on behalf of
Michael J. Cohen
Chairperson of the State Race Track Leasing Commission and Director of the California Department of Finance

DELMAR THOROUGHBRED CLUB

By:_____

Joseph W. Harper
President and General Manager/CEO

DOCSOC/1715127v1/200092-0004

FOURTH AMENDMENT TO THE DEL MAR RACE TRACK OPERATING AGREEMENT

This Fourth Amendment ("Fourth Amendment") to the Del Mar Race Track Operating Agreement entered into effective January 1, 2011 ("Operating Agreement") between the STATE RACE TRACK LEASING COMMISSION ("Commission"), acting on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION ("District") and the DEL MAR THOROUGHBRED CLUB, a California corporation ("Operator") is made and entered into effective as of August 1, 2015.

RECITALS

A. The Commission and the Operator entered into the Operating Agreement for operation of the Del Mar Race Track, located on the premises of the District, effective January 1, 2011, as amended.

B. In order to facilitate the issuance of the Del Mar Race Track Authority Revenue Bonds, Series 2015, to finance and refinance improvements on the District's property, the Commission and the Operator wish to amend the Operating Agreement as described in this Fourth Amendment

Therefore, in consideration of the above recitals, the mutual obligations and agreements in this Fourth Amendment, and tor other good and valuable consideration, the Commission and the Operator agree as follows.

> In Section 10.1 of the Operating Agreement, "Series 2005 Revenue Bonds" shall be deleted and replaced with "the Del Mar Race Track Authority's Series 2015 Bonds and any refunding bonds or additional bonds issued to finance capital improvements on the District's property."

IN WITNESS WHEREOF, the Commission has caused this Fourth Amendment to be executed by its Chairperson, and the Operator has caused this Fourth Amendment to be executed by its President, effective as of August 1, 2015.

STATE RACE TRACK LEASING COMMISSION
on behalf of the
22nd DISTRICT AGRICULTURAL ASSOCIATION

By:_____
Eraina Ortega
Chief Deputy Director of the California Department of Finance on behalf of
Michael J. Cohen
Chairperson of the State Race Track Leasing Commission and Director of the California Department of Finance

DEL MAR THOROUGHBRED CLUB

By:_____
Joseph W. Harper
President and General Manager/CEO

DOCSOC/1715127v1/200092-0004

Approved:

DEPARTMENT OF FOOD AND AGRICULTURE

By: Karen Ross
Name:
Title: Secretary

DEPARTMENT OF GENERAL SERVICES

By: _____
Name:
Title:

[SIGNATURE PAGE – FOURTH AMENDMENT TO OPERATING AGREEMENT]

DOCSOC/1715127v1/200092-0004

Approved:

DEPARTMENT OF FOOD AND AGRICULTURE

By: _____
Name:
Title:

DEPARTMENT OF GENERAL SERVICES

By: _____
Name: Esteban Almanza
Title: Chief Deputy Director

[SIGNATURE PAGE – FOURTH AMENDMENT TO OPERATING AGREEMENT]

DOCSOC/1715127v1/200092-0004

FIFTH AMENDMENT TO DEL MAR RACE TRACK OPERATING AGREEMENT

This Fifth Amendment ("Fifth Amendment") to the Del Mar Race Track Operating Agreement entered into effective January 1, 2011 ("Operating Agreement") between the STATE RACE TRACK LEASING COMMISSION ("Commission"), acting on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION ("District"), and DEL MAR THOROUGHBRED CLUB, a California corporation ("Operator") is made and entered into on this 5th day of April, 2017.

RECITALS

A. The Commission and the Operator entered into the Operating Agreement for operation of the Del Mar Race Track, located on the premises of the District, effective January 1, 2011.

B. The Commission and the Operator executed an Amendment to the Operating Agreement effective March 14, 2012 ("First Amendment").

C. The Commission and the Operator executed a Second Amendment to the Operating Agreement effective February 14, 2014 ("Second Amendment"). The Second Amendment to the Operating Agreement was entered into by the Commission and Operator to permit the Operator to operate an annual live horse race meet during the fall in addition to the traditional summer face meet.

D. The Commission and the Operator executed a Third Amendment to the Operating Agreement effective February 26, 2015 ("Third Amendment").

E. The Commission and the Operator executed a Fourth Amendment to the Operating Agreement effective August 1, 2015 ("Fourth Amendment").

F. Section 6.6 of the Operating Agreement provides, in part, that the "Operator is required to, and will, use its best efforts in the operation of the horse race meets and any and all related activities to maximize all payments to the District and Commission for improvements to the Fairgrounds."

G. Section 16.1.5 of the Operating Agreement provides that an occurrence of a default and breach of the Operating Agreement occurs "[i]f the Net to Gross Ratio for any two (2) consecutive years does not equal at least fifteen percent (.15)."

H. The addition of a second race meet to the annual calendar has generated additional payments to the District and Commission for improvements to the Fairgrounds, but has had a negative effect on the Operator's Net to Gross Ratio as currently defined in the Operating Agreement.

I. The award by Breeders' Cup Limited to conduct the Breeders' Cup World Championships at the Fairgrounds in 2017 will generate additional payments and revenues to the District and Commission for improvements to the Fairgrounds, but will also have a negative effect on the Operator's Net to Gross Ratio as currently defined in the Operating Agreement. Breeders' Cup

Limited has an option to conduct further Breeders' Cup World Championships in 2019 and 2020 on the same terms and conditions as 2017, subject to the approval of the Commission.

THEREFORE, in consideration of the above recitals, the mutual obligations and agreements in this Third Amendment, and for other good and valuable consideration, the Commission and Operator agree as follows:

AGREEMENT

1. The following definitions shall be made a part of the Operating Agreement:

    a. **"Racing Food and Beverage Gross Revenues"** shall mean the total revenues realized during the horse racing meets by the food service operator contracted by the District."

    b. **"Racing Food and Beverage Net Revenues"** shall mean an amount equal to Racing Food and Beverage Gross Revenues multiplied by forty-two percent (.42).

    c. **"Gross Combined Revenues from Racing"** shall mean the combination of Gross Revenues and Racing Food and Beverage Gross Revenues.

    d. **"Combined Racing Final Net Earnings"** shall mean Final Net Earnings plus Racing Food and Beverage Net Revenues.

2. The following definition contained in the Operating Agreement as amended shall be deleted and replaced in its entirety with the following definition:

    a. **"Net to Gross Ratio"** shall mean the ratio of Combined Racing Final Net Earnings to Gross Combined Revenues from Racing."

3. Except as expressly provided in this Fifth Amendment, in all other respects the Operating Agreement, the First Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment are hereby republished in their entirety and remain in full force and effect.

4. All capitalized terms used, but not expressly defined, in this Fifth Amendment shall have the meanings given to them in the Operating Agreement, the First Amendment, the Second Amendment, the Third Amendment or Fourth Amendment.

5. This Fifth Amendment may be signed in counterparts.

IN WITNESS WHEREOF, the Commission has caused this Fifth Amendment to be executed by its Chairperson, and the Operator has caused this Fifth Amendment to be executed by its Chief Executive Officer and President, as of the date set forth above.

STATE RACE TRACK LEASING COMMISSION,
on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION

By: _____ for
Michael Cohen
Chairperson of the State Race Track Leasing Commission and Director of the California Department of Finance

DEL MAR THOROUGHBRED CLUB

By: _____
Joseph W. Harper
Chief Executive Officer, President

SIXTH AMENDMENT TO DEL MAR RACE TRACK OPERATING AGREEMENT

This Sixth Amendment ("Sixth Amendment") to the Del Mar Race Track Operating Agreement entered into effective January 1, 2011 ("Operating Agreement") between the STATE RACE TRACK LEASING COMMISSION ("Commission"), acting on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION ("District"), and the DEL MAR THOROUGHBRED CLUB, a California corporation ("Operator") is made and entered into on this 2nd day of August, 2024.

RECITALS

A. The Commission and Operator entered into the Operating Agreement for operation of the Del Mar Race Track, located on the premises of the District, effective January 1, 2011.

B. The Commission and Operator executed an Amendment to the Operating Agreement effective March 14, 2012 ("First Amendment").

C. The Commission and Operator executed a Second Amendment to the Operating Agreement effective February 14, 2014 ("Second Amendment").

D. The Commission and Operator executed a Third Amendment to the Operating Agreement effective February 26, 2015 ("Third Amendment").

E. The Commission and Operator executed a Fourth Amendment to the Operating Agreement effective August 1, 2015 ("Fourth Amendment").

F. The Commission and Operator executed a Fifth Amendment to the Operating Agreement effective April 5, 2017 ("Fifth Amendment").

G. During the Commission's March 20, 2024, public meeting, the Commission voted to exercise the final remaining option of the Operating Agreement under Paragraph 4.1 of that agreement and voted to approve the Breeders' Cup agreement between the Operator and the Breeders' Cup (for the 2025 Breeders' Cup event), as required by Paragraph 5.8 of the Operating Agreement. As authorized by Section 4.1 of the Operating Agreement, the Commission also voted to require renegotiation of certain parts of the Operating Agreement.

NOW, THEREFORE, in consideration of the above recitals, the mutual obligations and agreements contained in this Sixth Amendment, and for other good and valuable consideration, the Commission and Operator agree as follows:

1. The definition of "Direct Payment" contained in Paragraph 2 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

> "Direct Payment shall mean, subject to the limitations set forth in Section 4155 of the California Food and Agricultural Code, ***$1,425,000 for year 2025, $1,467,750 for year 2026, $1,511,783 for year 2027, $1,557,136 for year 2028, $1,603,850 for year 2029, and $1,651,966 for year 2030***. The Direct Payment is used by the District for the Fair or any other authorized purposes."

2. Paragraph 5.3.2 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

"Operator shall operate the Premises (i) for a period of ten days prior to the opening of the Race Meet to the extent that the Operator's operation does not unreasonably interfere with satellite wagering operations or clean-up operations from the Fair and (ii) for a period of ***7 days*** following the Race Meet to the extent that such operation does not unreasonably interfere with the activities of the District on the Del Mar Fairgrounds (such periods and the Race Meet being referred to herein as the "Operation Period"). The Operator and the District will use their best efforts to cooperate so that the grandstand and other buildings and backstretch and stable areas can be opened as needed prior to the commencement of the Operation Period of all areas and returned to the District as soon as reasonably possible after the conclusion of the Race Meet."

3. Paragraph 6.1 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

"Direct Payment. ***$500,000 of the Direct Payment shall be paid for year 2025 to the District on September 15, 2025, $400,000 of the Direct Payment shall be paid for year 2025 to the District on November 15, 2025, and the Direct Payment balance of $525,000 for year 2025 shall be paid to the District by November 30, 2025. $500,000 of the Direct Payment shall be paid for year 2026 to the District on September 15, 2026, $400,000 of the Direct Payment shall be paid for year 2026 to the District on November 15, 2026, and the Direct Payment balance of $567,750 for year 2026 shall be paid to the District by November 30, 2026. $500,000 of the Direct Payment shall be paid for year 2027 to the District on September 15, 2027, $400,000 of the Direct Payment shall be paid for year 2027 to the District on November 15, 2027, and the Direct Payment balance of $611,783 for year 2027 shall be paid to the District by November 30, 2027. $500,000 of the Direct Payment shall be paid for year 2028 to the District on September 15, 2028, $400,000 of the Direct Payment shall be paid for year 2028 to the District on November 15, 2028, and the Direct Payment balance of $657,136 for year 2028 shall be paid to the District by November 30, 2028. $500,000 of the Direct Payment shall be paid for year 2029 to the District on September 15, 2029, $400,000 of the Direct Payment shall be paid for year 2029 to the District on November 15, 2029, and the Direct Payment balance of $703,850 for year 2029 shall be paid to the District by November 30, 2029. $500,000 of the Direct Payment shall be paid for year 2030 to the District on September 15, 2030, $400,000 of the Direct Payment shall be paid for year 2030 to the District on November 15, 2030, and the Direct Payment balance of $751,966 for year 2030 shall be paid to the District by November 30, 2030.***"

4. The first subparagraph of Paragraph 7.1 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

"The Operator shall submit a preliminary itemized Budget, in the form attached as Exhibit "B", to the Commission, the District's Board of Directors, the District's Chief Executive Officer and ***Director of Finance*** not later than ***December*** 15 of each year and prior to the beginning of the Budget year, together with any proposed increases or decreases in the annual salaries and bonuses of Operator's executive and management personnel as required by Paragraph 7.2.2 ("Personnel

Budget"). Within forty-five (45) days of the receipt of the preliminary Budget and Personnel Budget, the District may submit comments or questions concerning the Budget and/or Personnel Budget, to which the Operator shall respond in writing within fifteen (15) days of receipt. Within thirty (30) days of the receipt of such response, the final Budget and Personnel Budget shall be considered and approved by the District and transmitted to the Commission. Preceding the date of such approval, representatives of the Operator shall meet with the District's Chief Executive Officer and staff, or their respective representative(s) as necessary in order to clarify Budget and/or Personnel Budget items and/or discuss questions raised by the District. In the event that the Operator disagrees with any action of the District, it may appeal in writing to the full Commission, which shall meet and resolve any Budget and/or Personnel Budget disputes within forty five (45) days after receipt of the Operator's appeal. Nothing in this paragraph shall preclude the Commission from exercising final budgetary approval. All parties shall endeavor to complete the approval process no later than March 1 of the Budget Year. During the period of time between January 1 and final Budget approval, the Operator shall conduct its operations in accordance with its approved Budget for the preceding fiscal year subject to the approval of the District."

5. The first subparagraph of Paragraph 9.1.1 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

"The Operator shall provide all labor and supplies to properly clean all facilities, buildings, stalls, offices and grounds used by the Operator to conduct thoroughbred horse racing on a daily basis during the ***Race Meet(s)***."

6. Paragraph 9.3 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

"Racing Strips. During the Term of this Agreement, the racing strip shall be maintained by the Operator in condition for training thoroughbreds, harness horses, quarter horses or other horses. The Operator shall have the sole responsibility for, and authority to do, the maintenance on the racing strips and on the training track when used for horses. The responsibility of the Operator as to the maintenance of the racing strips shall include the chute, the dirt and ***turf tracks***, the inner and outer rails and the hedges lining the racing strips. If the District permits third parties to use the racing strips or the training track during the interim between the Race Meet(s), the Operator shall be reimbursed by the District for the cost of preparation and maintenance of the racing strips for and during such use. The District may authorize or permit the use of the racing strips or training track for other events outside of horse racing with the consultation of the Operator provided such use will not adversely impact thoroughbred racing. The District shall not permit any use of the racing strips for a reasonable period prior to the commencement of the Race Meet(s). The District recognizes the importance of maintaining the integrity of racing strips and will consult with the Operator whenever the strips are utilized for any interim events outside of the race meet(s); e.g., the: San Diego County Fair Grandstand Staging."

7. Paragraph 9.4 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

Infield and Grandstand Landscaping and Backside Maintenance. The District shall be responsible for all landscape installation and maintenance in the infield area and landscaped areas immediately adjacent to the Grandstand. All landscape activities shall be coordinated with the Operator to prevent unreasonable interference with events scheduled by the Operator. The District shall also be responsible for maintenance of backside areas of the Premises as indicated on Exhibit A-5. Notwithstanding the foregoing, the District and the Operator may agree from time to time or as part of the annual budget process that the Operator may perform the landscape design, maintenance, and enhancement of the Premises contemplated by this Paragraph 9.4 or contract with a third party for such activities on the Premises. The Operator and the District shall establish inspection procedures before and after the Fair, any interim events utilizing these backside areas, and the annual Race Meet to identify any need for repair, the ***Operator*** shall make the necessary repairs, ***and the District will reimburse the Operator for those repairs.***

8. The second sentence of Paragraph 9.6 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

"The Operator must submit proposed projects, other than normal maintenance and repair, to the District on ***November*** 1."

9. The third sentence of the third paragraph of Section 10.3 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

"The amount will be negotiated between ***the District*** and the Operator."

10. Paragraph 11.5 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

"Parking and Traffic Control - ***Operator will manage parking and traffic control services during the Race Meets***, with the understanding that revenues generated from parking and traffic control will be included in the Operator's operating income statement. The District and the Operator agree to review parking and traffic control services during the race meets on a regular basis in order to insure appropriate customer service levels are met as they pertain to parking and traffic control and to insure the continuation of reasonable and customary past practices and procedures."

11. Paragraph 12 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

"Utility Services. The Operator will assume and pay when due all charges for natural gas, electricity, heat, power, telephone, water, light, sewer, and any other utility services accruing or payable in connection with its operation of the Premises, or any part thereof, including deposits, connection fees or charges in meter rentals required by the supplier of any such utility service. The Operator is obligated to use and ***employ*** best available management practices to minimize its use of water, sewer, energy, electricity, natural gas, energy, and other utility services. The

Operator agrees to monthly monitoring of the Operator's use of water, sewer, energy, electricity, natural gas, energy, and other utility services by the District and the District shall, to the extent practicable, provide metering or other equipment sufficient to effectively monitor usage on a timely basis. If the Operator's use of water, sewer, energy, electricity, natural gas, energy, and/or other utility services exceeds 110% of the previous year's monthly usage, the Operator will investigate the usage to determine the cause of the excess and, if applicable, apply corrective measures. Additionally, Operator agrees to recycle all "grey" water to the extent permitted by law. The District shall, to the extent practicable, take any necessary actions to ensure that the food and beverage concessionaire cooperates fully with the Operator to control utility consumption."

12. Paragraph 22.9 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

All notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by certified or registered mail, return receipt requested and postage prepaid. If any request, demand or notice is to be given by personal delivery it shall be given as follows: (i) In the case of the Operator, ***to the President***; (ii) in the case of the Commission, to the Chairperson; (iii) in the case of the District, to the President of the Board of Directors and the Chief Executive Officer.

If any request, demand or notice is to be given by mail, it shall be delivered as follows:

If to the Commission:

Director of Finance
Chairperson
State Race Track Leasing Commission
State Capitol, Room 1145
Sacramento, CA 95814

With a copy to:

Joshua M. Caplan
Deputy Attorney General
Office of the California Attorney General
600 West Broadway, Suite 1800
San Diego, CA 92101

If to the District:

President of the Board of Directors
22nd District Agricultural Association
2260 Jimmy Durante Boulevard
Del Mar, CA 92014

With a copy to:

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

If to the Operator:

Josh Rubinstein
President
Del Mar Thoroughbred Club
PO Box 700, Del Mar, CA 92014

With a copy to:

Chris Jaczko
General Counsel
Del Mar Thoroughbred Club
PO Box 700, Del Mar, CA 92014

Any person or address set forth above may be changed, or other persons added, by giving notice in accordance with the provisions of this subsection."

13. Except as expressly provided in this Sixth Amendment, in all other respects the Operating Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment are hereby republished in their entirety and remain in full force and effect.

14. Except as expressly provided in this Sixth Amendment, in all other respects the Operating Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment are hereby republished in their entirety and remain in full force and effect.

15. This Sixth Amendment may be signed in counterparts.

IN WITNESS WHEREOF, the Commission has caused this Sixth Amendment to be executed by its Chairperson, and the Operator has caused this Sixth Amendment to be executed by its Chief Executive Officer, as of the date set forth above.

STATE RACE TRACK LEASING
COMMISSION,
on behalf of the 22ND DISTRICT
AGRICULTURAL
ASSOCIATION

By: Joe Stephenshaw
Joe Stephenshaw (Sep 25, 2024 14:38 PDT)
Joe Stephenshaw
Chairperson of the State Race Track Leasing Commission and Director of the California Department of Finance

DEL MAR THOROUGHBRED CLUB

By: Joe Harper (Sep 25, 2024 14:05 PDT)
Joseph W. Harper
Chief Executive Officer

DEPARTMENT OF FOOD AND AGRICULTURE

By: Karen Ross
Karen Ross (Sep 5, 2024 13:48 PDT)
Karen Ross
Secretary of the California Department of Food and Agriculture

Approved:

DEPARTMENT OF GENERAL SERVICES

By: Jennifer Osborn for
Jennifer Osborn for (Sep 25, 2024 14:29 PDT)
Ana M. Lasso
Director of the California Department of General Services

Outlook

Pls Reply ASAP/Include in Board Packets for upcoming DMTRA, SRTLC and 22nd DAA Board Meetings

From Martha Sullivan <[redacted]>
Date Tue 3/3/2026 8:26 AM
To Sierra Ceballos <sceballos@sdfair.com>; Molly Arnold <marnold@sdfair.com>
Cc Carlene Moore <cmoore@sdfair.com>

Good Morning! Please include the following in the Board Packets for upcoming Meetings on March 9th and 10th of the Del Mar Race Track Authority, State Race Track Leasing Commission, and 22nd DAA Board. Thank You for your assistance.

Martha Sullivan
Imperial Beach

The California Horse Racing industry now based at three tracks in Southern California (down from 9 statewide in 2024) hinges on just $2 - 4 Million out of the $24 Million/year of revenue it receives from Northern California betting. *From the Los Angeles Times, published on February 26, 2026:*

"The hopes of Northern California racing and breeding interests were once again dashed when the California Horse Racing Board refused to license short racing dates to the Tehama District Fair and the Humboldt County Fair on Thursday.

"Rather than a discussion about how to grow the sport, the 2-hour 45-minute meeting was mostly about how bad the state of racing is in the state and a determination that the future of Southern California racing is in jeopardy if it isn't given every advantage available.

"That advantage is the amount of money that goes to the host track from advance deposit wagering (ADW) and computer assisted wagering (CAW). If Tehama and Humboldt were racing, then money bet by any means in Northern California would stay there, the way it was since the start of ADW until shortly after the closing of #GoldenGateFields in Berkeley.

That money now is being sent south, meaning Santa Anita Park, Del Mar Racing and Los Alamitos Race Course, to increase purses. #California #horseracing is at a huge disadvantage nationally because it receives no additional income from other forms of gambling. So its purses are small compared to other large racing jurisdictions such as Kentucky and New York.

"*Bill Nader, president and chief executive of the Thoroughbred Owners of California (TOC),* **said a month of fair racing costs the south $2 million.**

"Nader summed up the state of the industry this way:

"'We would all agree these are the most difficult and challenging of times. And we can further agree that the California racing industry, not Southern California, not Northern California, but the whole California racing industry is fighting desperately to remain relevant and sustainable.'"

https://www.latimes.com/sports/story/2026-02-26/chrb-dashes-hopes-of-northern-california-horse-racing