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Gentlemen: 5 YEAR HORSEMENS' CONTRACT BETWEEN COSA AND WEG

Early this summer I attended at the COSA offices in Campbellville to briefly review this new contract between WEG and COSA. I had arranged this personal attendance at the COSA offices in response to Bill O'Donnell's kind invitation to provide access to me to review and study his copy of this long- term 2019 horsemen's contract between COSA and WEG (but only for review in his office).

Earlier, as a COSA member, I had asked Bill for a copy of this contract at the 2019 COSA annual meeting. I made this request since the Notice announcing the annual and general meeting called for this new contract with WEG to be approved by the members of COSA to be in attendance at the annual and general meeting.

However, at the actual meeting Bill advised the members of COSA present at the meeting that a copy of the new contract would NOT be available for distribution at the meeting. Notwithstanding this failure to be provided with this copy, the members present, including ALL of the COSA directors who were present at the meeting, still voted to approve the new contract on behalf of the entire COSA membership (without either seeing or reviewing the contract).

I can now report that Bill has confirmed to me that this new five-year 2019-2024 horsemen's contract was subsequently executed by the requisite officers of both COSA and WEG, without amendment.

Bearing in mind that I did not take notes at my meeting in Bill's office in Campbellville, my thoughts on this contract follow below.

As a preliminary comment, this entire document review process vividly reminded me of being required to analyze a series of life insurance policy contracts many years ago as a young lawyer. In that instance the insurance policies to be reviewed had all been drafted by counsel for the insurance company. Ultimately, as I reviewed the insurance policies, it was clear to me that the terms of all of the policies coincidentally favoured the insurance company.

Now, in our case this new COSA – WEG contract review process appears to have turned out to feature a very one-sided approach with all discretionary items seemingly to be decided in WEG's favour. An approach, in my view that will ultimately favour WEG, the party that had presumably drafted the contract in the first place. This current COSA-WEG contract is equally one-sided. It seems, in my opinion, to favour WEG at each and every available opportunity.

This COSA-WEG contract is eight pages long. From my reading of this contract, it appears to me that no detail or covenant in it could actually have been the subject of a normal negotiation process between the two parties, WEG and COSA. Or indeed, between opposing counsel for WEG and for COSA.

Certainly, in my opinion, if the contract were in fact actually negotiated in good faith between opposing counsel for these two parties, from a reading of the contract the horsemen's counsel would seem to have lost each and every argument arising during these negotiations!

To sum up, the entire contract document reads as if it were designed to cover the operations of some type of municipal utility or government-operated business and not the day-to-day extremely unique operations of a standardbred racetrack and its relationships with its horsemen. Furthermore, it was certainly not drawn to properly cover the specialized operations of a commercial horse racing business currently facing a very uncertain economic future for its participants.

Nor, in my opinion, does the contract even pretend to protect the future for COSA's membership, the standardbred horsemen racing at Mohawk. This COSA-WEG contract does not make any meaningful provision for either future growth or for inflation during the next five years (other than the recently announced cost of living adjustments to purses of one million dollars to be paid in each of the next five years). In my opinion these cost of living increases are grossly inadequate.

It is sad but true that at Mohawk in 2018 and 2019 we have been racing for just over forty million dollars annually, net of the O.S.S. commitment and net of stake payments. This figure of forty million dollars is taken from and confirmed in and by the Notice to Members of the scheduled annual and general meeting of COSA for 2019.

However, in 2012 and 2013 horses racing at Mohawk were racing for purses averaging seventy million dollars annually!

The remaining "B" tracks now conducting standardbred horse races elsewhere in Ontario, (and with which WEG is now aligned in many areas) have sustained an equally dramatic deterioration in their purses. These B tracks are our farm system for developing future horses and trainers and grooms. Currently, in my opinion, the purses for which they race on the B tracks are clearly inadequate.

A required and very important inclusion that should have been part of this new contract are specific provisions to cover the monetary benefits or profits to be shared by WEG with its standardbred horsemen. These are the profits that will most certainly result from WEG's future expansion into different types of wagering. Likewise, the contract should cover a share of WEG's earnings to be derived from the new real estate opportunities now being undertaken by WEG, both at Woodbine and Mohawk.

Furthermore, there is no mention in the new contract of the imminent introduction of all sports betting in Ontario or of the always promised, but never delivered, partnership and integration for our standardbred horsemen into the wagering operations of its partner, the OLG.

The foregoing omissions have occurred at a time when our standardbred overnight purses at Mohawk are down 40% over the past six years with no recovery in sight. This decline has taken place since our standardbred horsemen no longer share in the SARP or in any increases in the betting handle at Mohawk.

In the new COSA-WEG contract itself every power within WEG's purview is expressed to be a discretionary power. Accordingly, all future deadlocks over monetary matters between the parties appear capable of being resolved in WEG's favour.

The various financial numbers laid out in the COSA-WEG contract seem to accord with my recollection of the various financial statements contained in recent WEG press releases, including those with respect to the Breeders Crown. Presumably, COSA has no input in these press releases.

However, it is absolutely clear that there is still no provision made in the new contract for any purse increases or bonuses to our horsemen based on merit (and not just based on changes in the cost of living) during the next five years of the contract. Five years is a long time.

This will take place despite how successfully our members may work to increase betting handles at Mohawk during the period from 2019 and 2024. In contrast to the Ontario situation Meadowlands purses in New Jersey are increased periodically based on increases in their wagering handle. Accordingly, WEG cannot compete for race horses, particularly due to the strength of the American dollar.

This new contract also dignifies the recent completely unjustifiable transfer of a percentage of our Standardbred HIP purse entitlement to the Thoroughbred Division of WEG over the next five years. Unfortunately, this transfer of our funds occurred despite WEG's promise not to permit such a transfer of funds between breeds. It has set an unfair precedent.

Now that Ontario Government policy consistently mandates a new era of cooperation between the OLG and horseracing we should realistically expect a push by all members of the horseracing industry, led by and including WEG, towards the development and integration of a V-75 type wagering system in Ontario. This new system would be similar to that that is now so successfully deployed in Sweden and France for many years.

The necessary facilities for a V-75 type wagering system of a like nature in Ontario are now in place currently with both the current OLG expertise and WEG's extensive Teletheater network already available.

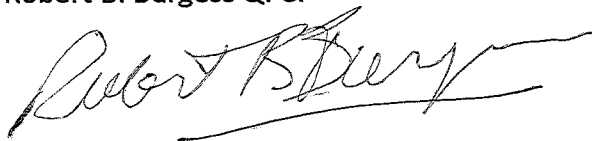
Far greater public interest in both thoroughbred and standardbred racing will automatically result with the timely introduction of a V-75 type wagering system. It will create a significant rush of new wagering customers for horseracing. Racing will again be able to compete for attention with the other professional sports.

Federal approval should be forthcoming if the appropriate applications for a V- 75 type wagering system are made by WEG on a timely basis given that even the approval of all sports wagering by Government appears now almost a reality!

In conclusion, this new COSA contract with WEG, as it stands now, seems to provide no incentive whatever to increase either our business or our handle or to improve our racing product. Unfortunately, it is my opinion that the Standardbred Division of WEG is currently being operated like some type of utility and as such appears to have an uncertain long- term future featuring little growth.

Respectfully,

Robert B. Burgess Q. C.

A handwritten signature in cursive script, appearing to read "Robert B. Burgess", written in black ink. The signature is fluid and somewhat stylized, with a long horizontal stroke at the end.