

2016 AGREEMENT
SUBURBAN DOWNS, INC. AT HAWTHORNE RACE COURSE, INC.

This agreement is made and entered into by and between the ILLINOIS HARNESS HORSEMEN'S ASSOCIATION, an Illinois not-for-profit corporation (hereinafter referred to as "the IHHA"), and SUBURBAN DOWNS, INC. authorized to do business in Illinois (hereinafter referred to as "LICENSEE").

WITNESSETH:

WHEREAS, LICENSEE is an organization licensed by the Illinois Racing Board to conduct, and is engaged in the business of conducting pari-mutuel harness race meetings at Hawthorne Racecourse; and,

WHEREAS, the IHHA is a voluntary association of independent contractors who are owners, breeders, trainers, drivers and caretakers (grooms) of harness horses (HORSEMEN); and,

WHEREAS, the IHHA represents that it has been designated by a majority of the HORSEMEN to represent all HORSEMEN racing at LICENSEE'S track as their agent for the purpose of negotiating the within Agreement; and,

WHEREAS, the parties hereto desire to cooperate in promoting the popularity of the sport of harness racing, and insuring the continuity of harness racing at LICENSEE'S track for the best interests of the parties hereto and the public.

NOW, THEREFORE IN CONSIDERATION OF THE MUTUAL BENEFITS TO BE DERIVED BY THE PARTIES HERETO, IT IS AGREED AS FOLLOWS:

1. The terms of this Agreement apply to and govern all harness race meetings to be conducted by LICENSEE for the year 2016.

2. From LICENSEE'S retained share of the pari-mutuel handle, as provided for by the laws of the State of Illinois, LICENSEE must pay to a HORSEMEN'S daily purse account, moneys as specified in the Horse Racing Act of 1975 as amended. From the HORSEMEN'S daily purse account payments must be made by LICENSEE as follows:

A. LICENSEE agrees to pay to the IHHA, in amounts totaling \$585,600 dollars and in the daily amount of one thousand six hundred (\$1,600) dollars per day from January 1 through December 31 of 2016. If a gaming bill, which is supported by the IHHA passes the legislature and is signed by the Governor before August 1, then the daily amount will be increased by \$1,000 per day for the final five (5) months or 153 days (\$153,000) of the year, for a year-end potential total of \$738,600. LICENSEE shall pay these monies, pursuant to section 37-29(d) of the Horse Racing Act of 1975 as amended. The payments shall be made within twenty-one (21) days after weekly billing. For each invoice payment made after twenty-one (21) days, LICENSEE shall pay from LICENSEE'S share of the pari-mutuel handle to the IHHA an amount

equal to twenty-five dollars (\$25.00).

B. An amount up to \$1,500,000.00 shall be allocated for stakes races for Illinois Conceived and Foaled horses. LICENSEE and the IHHA agree to work together to create a stakes schedule for such races to be attached as Exhibit A to this Agreement. All nominating, sustaining, entry and starting payments shall be held for the benefit of entrants and shall be paid out as part of the respective purses for such races. Deductions may not be made from nomination, sustaining, entry and starting payments or from the advertised purse for clerical or any other expenses. This stakes purse schedule may be changed only by mutual written agreement of LICENSEE and the IHHA. At the request of the IHHA, LICENSEE shall provide to the IHHA a compilation listing of all nominating, sustaining, entry and starting payments, and an audit report indicating individual purses paid for stakes as listed along with source of purse monies paid for those respective races.

C. To races other than ICF stakes (2B), the purses paid will initially be those listed in Exhibit C attached hereto. This shall include a 12% purse bonus paid from the HORSEMEN'S purse account to any Illinois Conceived and Foaled (ICF) horse finishing first, second or third in races open to non-ICF horses where no entry, nominating or starting fees are paid. Races where no entry, nominating or starting fees are paid that are limited to ICF horses shall have the entire purse increased by TEN PERCENT (subject to reasonable rounding). LICENSEE'S Race Secretary must make every possible effort to avoid the use of multiple, secondary or also eligible conditions. LICENSEE may reduce all purses by a fixed percentage if the HORSEMEN'S daily purse account is projected to have a debit (overpayment) balance greater than TWO HUNDRED THOUSAND (\$200,000.00) DOLLARS at 2016 year end. LICENSEE must increase all purses by a fixed percentage if the HORSEMEN'S daily purse account is projected to have a credit (underpayment) balance greater than THREE HUNDRED THOUSAND (\$300,000.00) DOLLARS at 2016 year end. The actual percentage of such reductions and/or increases shall be set in such an amount as to create the best possible probability of ending 2016 with a HORSEMEN'S daily purse account balance of as close to ZERO (\$0) Dollars as possible. No such percentage changes may occur in the first fourteen (14) days of each race meet covered by this agreement without the approval of the IHHA. Any modification of the purses for specific conditions may be made only with mutual agreement of LICENSEE and the IHHA. LICENSEE'S Race Secretary and the IHHA Condition Sheet and Purse Account Committee members shall meet as necessary to discuss the use and purses of conditions not listed in the annual purse schedule agreement.

D. Preferred Race Date: Horses entered into a race that meet the following criteria will be given preference over other horses entered that do not (in no particular order).

1. Illinois Conceived and Foaled

and/or

2. 100% Illinois Owned

and/or

3. Illinois Trained

and/or

4. Having made their last THREE (3) starts in Illinois.

“Illinois trained” shall be defined as any trainer that has made at least 100 starts in Illinois (including any Illinois County Fairs) in the previous 12 month period (calculated month by month) or has made at least 75% of his starts in Illinois in the previous 12 month period.

3. Underpayment/Overpayment of Purses – LICENSEE will use best efforts to collect and distribute all purses earned, after deduction for stakes, IHHA fees and recapture, to overnight purses in amounts determined by management to minimize any significant over or underpayment at the conclusion of 2016. To the extent an underpayment of purses exists at the conclusion of 2016, and LICENSEE does not conduct a harness meeting in 2017, then LICENSEE shall pay such underpayment to the successor’s harness horseman’s purse account for dates beyond 2016. To the extent an underpayment exists and LICENSEE is awarded dates for 2017, then such underpayment will be carried forward and credited to the harness purse account of LICENSEE for 2017. To the extent an overpayment of purses exists at the conclusion of 2016, and LICENSEE does not conduct a harness meeting in 2017, then repayment of such overpayment will be made from the successor’s harness horseman’s purse account for dates beyond 2016. To the extent an overpayment exists at the conclusion of 2016 and LICENSEE is awarded dates for 2017, then such overpayment will be carried forward and charged to the harness purse account of LICENSEE for 2017.

4. LICENSEE and the IHHA agree that if the amount appropriated by the State of Illinois and approved by the Governor for "reimbursement of 2016 recapture" is not funded by the State of Illinois, then 100% of the recapture amounts certified payable in 2016 from the standardbred purse account will be allocated and deducted from the standardbred purse account on a calendar day per diem basis.

5. LICENSEE must provide transportation from the areas of the backstretch to the areas of the front stretch for all horsemen, their grooms and their equipment as necessary.

6. LICENSEE must send, each and every week of 2016, to the IHHA office, a purse account report in a form and format to be agreed on. At the conclusion of the year, LICENSEE will furnish the IHHA an annual statement of summaries of all totals of the aforesaid. LICENSEE, within SIX (6) months of the conclusion of the year, will furnish to the IHHA office a letter verifying the final balance in the HORSEMEN'S daily purse account.

7. From LICENSEE’S retained share of the pari-mutuel handle, LICENSEE shall be liable for the sum of ONE HUNDRED FIFTY (\$150.00) DOLLARS for each race card conducted for the payment of sulky damage claims. No payment will be made unless the owner of the sulky is a member of the IHHA at the time of

loss. The IHHA and LICENSEE shall work together to insure that no abuse occurs under this paragraph and agree that all sulky damage claims must be approved by a two-person committee, which shall be named by LICENSEE and the IHHA. Claims shall be paid based on the rules and guidelines adopted and incorporated into this Agreement and more fully set forth in Exhibit B attached hereto. Any monies not distributed for damage occurring prior to the end of the period covered by this agreement must revert back to LICENSEE.

8. LICENSEE'S racing secretary shall have posted at all times condition sheets for a minimum of one week's racing with new sheets published weekly no later than twenty-four (24) hours prior to the first deadline for entries on said sheet. No race may be scheduled which has not been listed on the condition sheet or specified as a condition revision on an overnight sheet.

9. Qualifying races shall take place the same scheduled day and time of each week, weather permitting. Schedule additions and/or changes shall be allowed by mutual consent of LICENSEE and the IHHA.

10. A representative of the IHHA may be present when the entry box is opened. LICENSEE'S racing secretary must publicly announce the draw, and then wait at least ten (10) minutes to proceed with the draw. If a horseman enters a horse in more than one class, his entry must indicate the first choice for that horse. LICENSEE must publish and consistently apply rules for the entry of a horse in a race other than the first choice indicated.

11. LICENSEE agrees to pay the premium on an insurance policy covering perils such as fire, lightning, windstorm, cyclone, tornado, explosion, riot, earthquake, or flood, provided that the terms of such policy includes coverage on all horses stabled at Hawthorne Race Course, up to FIFTEEN THOUSAND DOLLARS (\$15,000) for any one horse, except that unraced horses aged one year eight months or older are limited to FIVE THOUSAND DOLLARS (\$5,000) per horse, and TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000) per occurrence, that LICENSEE is named in the policy as an insured, and that the insurance underwriter is legally qualified to issue policies of insurance that cover risks located in Illinois. As a condition to LICENSEE'S liability for premiums, the IHHA agrees that it will deliver, to LICENSEE, a duly executed copy of the policy, together with evidence from the Illinois Department of Insurance that the said underwriter is legally qualified and registered to insure risks located in Illinois. In lieu of paying premiums on a policy issued by an underwriter selected by the IHHA, LICENSEE may provide similar coverage on all horses stabled at Hawthorne Race Course under a policy issued by an underwriter selected by LICENSEE, provided LICENSEE must furnish the IHHA with evidence of such coverage and of the underwriter's qualification to issue such policy on risks located in Illinois.

12. LICENSEE must provide free official programs to owners, trainers, and drivers of horses scheduled to race. These free official programs must be available in the paddock and race office no later than one (1) hour prior to the first race.

13. LICENSEE and the IHHA agree that horses entered in races with nominating, entry and/or starting fees must meet all and only those conditions published for said races. Horses entered in overnight

races with no nominating entry or starting fees must meet published qualifying standards and reasonable standards of competitiveness. Preference shall be accorded certain horses entered in overnight races with no nominating entry or starting fees as defined in paragraph 2D.

14. LICENSEE and the IHHA mutually agree that the track must be open six (6) hours per day, seven (7) days per week for training and/or qualifying races during the weeks when LICENSEE is conducting live races and conditions permit, with specific hours to be agreed to by LICENSEE and the IHHA. LICENSEE shall also provide, at no charge to horsemen during live racing, stall facilities with appropriate utilities at Hawthorne Racecourse for horses racing there during those times when LICENSEE is conducting live races at Hawthorne Racecourse.

15. LICENSEE must furnish office space at no charge to the HORSEMEN to be used by the IHHA Field Representatives.

16. HORSEMAN BOOKING SERVICES: LICENSEE and the IHHA agree to split the cost of bookkeeping services 50/50, inclusive of payroll. Payment for 50% of the cost of the bookkeeping services will not be deducted from the standardbred purse account. LICENSEE or "InCompass" will send a bill to the IHHA on a monthly basis.

17. LICENSEE must furnish at the beginning of each meeting various items of paddock equipment as required under the IRB rules. LICENSEE agrees to set up a procedure whereby the paddock judge would check in and out said equipment in order to account for the same.

18. LICENSEE must make available a track kitchen which shall be open until the conclusion of the last race on any night when racing occurs at Hawthorne Racecourse.

19. RACES PER WEEK: LICENSEE will conduct a minimum of 50 races per week during the meet held in January and February. Beginning with the week of May 6 and continuing through September 25th, LICENSEE will conduct a minimum of 45 races per week. Provided, however, that if there are insufficient horses entered to conduct such races this schedule may be amended. For purposes of this paragraph, "insufficient horses entered" shall be defined as fewer than 70 horses entered for a particular race date. On any date in which insufficient horses (69 or less) are entered at the time the entry box is closed, LICENSEE agrees to immediately notify the IHHA of the lack of entries and to extended the time allowed for entries by four hours to allow the IHHA to assist LICENSEE'S race office in reaching out to trainers to attempt to procure a sufficient number of horses. Should a race card not fill following an effort to procure a sufficient number of horses, LICENSEE agrees to add additional races (when applicable) to the remaining cards during that same week where a sufficient number of horses are available.

20. LICENSEE'S condition sheet must be date specific. No races shall be listed that do not correspond with one specific date. For example, a \$10,000 claiming race to be run on Saturday or Sunday is not acceptable. Provided, however, that if a race date is cancelled due to insufficient entries, races scheduled for the date cancelled may be carried over to another date that week by amending the condition sheet for the

subsequent date. LICENSEE shall fax or e-mail to the IHHA the condition sheet and the overnight sheet as soon as available.

21. **MARKETING FUNDS:** LICENSEE agrees to use its best efforts in seeking sponsorships and advertising revenues related to the harness meet and the nighttime race signal. The IHHA agrees to assist in this effort through its marketing committee. Any funds raised through such sponsorships and advertising efforts will be applied, in their entirety, to the standardbred purse account and will be used to increase purses in 2016. LICENSEE and the IHHA agree that any such sponsorships and advertising revenues must not conflict with LICENSEE'S current marketing contracts. New funds specific to the nighttime signal or live harness racing from existing sponsors will not be considered to conflict with LICENSEE'S existing marketing contracts.

22. **DEFERRED RECAPTURE:** If legislation supported by LICENSEE is passed by the Legislature and signed by the Governor that:

- A. allows for slot machines and/or table games at LICENSEE'S facility, or;
- B. creates an alternative revenue stream of a similar nature to that of slot machines and/or table games; and if:
- C. sixty days after the signing of such legislation no law suit has been filed challenging such legislation, and;
- D. LICENSEE will have an active standardbred purse account in 2017; then LICENSEE agrees to defer the amount of recapture remaining due in 2016 as of the date the legislation is signed. Repayment of any deferred recapture under this agreement shall not be made until new revenues created by such legislation become available. However, should the above conditions not be met, LICENSEE shall be entitled to collect the amount of deferred recapture due from the existing purse account in 2016 as if no legislation had been passed and signed, as contemplated by Paragraph 6 of this Agreement.

Further, if the above conditions are met and recapture deferral is triggered, LICENSEE agrees to retroactively pay purses to the owners of horses who have received checks in races during the May to September race meet in an amount reflected by the total of the funds being deferred. Such payment shall be made on a pro rata basis and shall only be made to the owners of horses that are 1) Illinois Conceived and Foaled, or 2) horses that are 100% Illinois owned.

Provided, however, that If legislation supported by LICENSEE is passed by the Legislature and signed by the Governor that 1) allows for slot machines and/or table games at LICENSEE'S facility, or 2) creates an alternative revenue stream of a similar nature to that of slot machines and/or table games, then the parties specifically agree to immediately meet and discuss alternative options for the payment of such deferred recapture.

The above provisions of this Paragraph 22 will be implemented as noted above unless the parties agree mutually agree to amend this section of the contract within 30 days of such legislation being signed by the Governor.

23. STANDARD BRED SHIPPING: No horse shall be permitted to exit the track unless a sign out sheet is signed by authorized trainer or authorized trainer representative. The sign out sheets at the Hawthorne stable gate will contain in part, "Shipping a horse with the intent to send to a slaughterhouse facility is strictly forbidden and will result in revocation of racing privileges"

24. Pursuant to LICENSEE'S request, the IHHA agrees to start the January-February race meet on Friday, January 8, 2016, instead of Wednesday, January 6, 2016.

25. LICENSEE agrees to pay the legally mandated twelve and one half percent breeder's awards on a quarterly basis. The payments to be made within forty-five (45) days of the end of each calendar quarter. For each quarterly payment made more than forty-five (45) days after quarter end, LICENSEE must pay from LICENSEE'S share of the Pari-Mutuel Handle to the IHHA the amount of One Hundred Dollars (\$100.00).

26. LICENSEE shall provide, without cost to the IHHA or to the HORSEMEN, policies of insurance, providing coverage for licensed USTA member trainers and/or drivers licensed by the IRB who are actively participating as drivers and/or trainers at Hawthorne Racecourse, in an amount not less than ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS for accidental death or dismemberment, TWO HUNDRED FIFTY THOUSAND (\$250,000.00) DOLLAR medical accident coverage for racing participants, and FIVE HUNDRED (\$500) DOLLARS per week for a period of up to 104 weeks disability insurance, covering life, injury or accident to participants during activities related to jogging, training, and the warm-up for and conduct of any race. LICENSEE shall pay any and all deductibles and/or co-payments under said insurance policies. LICENSEE shall provide the IHHA with copies of all insurance policies purchased and notices with respect thereto and the IHHA shall receive evidence of all premium payments.

27. It is agreed that FOUR THOUSAND (\$4,000.00) DOLLARS has been established as the minimum claiming price of the horses at LICENSEE'S track unless otherwise agreed to by LICENSEE and the IHHA.

28. It is agreed that, from the date of execution of this Agreement until five years after the expiration of this Agreement, there may be, at the option of the IHHA, an audit, at the expense of the requesting party, by a mutually agreed accountant, of the HORSEMEN'S purse account to determine any underpayment or overpayment during the period covered by this Agreement, as the case may be. Upon completion of said audit, the parties hereto agree to fulfill their obligations as the case may be, with payment to be effected on an agreed pro-rated basis, without interest.

29. No HORSEMAN may be denied stall space or racing privileges because of membership in or activity on behalf of the IHHA or for lawful activity related to the negotiations for this Agreement.

30. LICENSEE agrees to pay for, or otherwise provide to the IHHA, a one-half page advertisement in each printed race program, provided space is available. Content of such advertisements will be provided by

the Public Relations Committee of the IHHA subject to approval by LICENSEE.

31. LICENSEE'S race offices shall be open and adequately staffed to receive entries by phone or in person.

32. In the event of inclement weather that may cause a cancellation of a carded event, LICENSEE and the IHHA, along with representatives of the IRB where appropriate, will meet to make a decision at earliest possible time prior to scheduled post time of the first race. Such decision shall be made prior to noon where possible. It is agreed that if the weather is predicted by the National Weather Service to be at or is at thirty degrees below zero wind chill factor at post time and the parties decide to race, then any driver not wishing to drive, or any trainer who wishes to withdraw his entered horse with permission of the Stewards, due to cold weather, will do so at no penalty to himself and in the case of the driver, the trainer may replace the driver without penalty.

33. LICENSEE shall, upon written request of the IHHA, provide a copy of any single day's wagering data from the totalizator companies involved.

34. LICENSEE and the IHHA agree to resolve any and all disputes pertaining to, and only to, violations of this Agreement between LICENSEE and individual horsemen, the HORSEMEN as a group and/or the IHHA. Any horseman and / or the IHHA may file a grievance or complaint alleging a violation, misrepresentation and / or misapplication of this Agreement. This LICENSEE and IHHA review panel shall consist of two people identified by LICENSEE and two people identified by the IHHA. LICENSEE and the IHHA further agree that disputes which are not resolved by the two entities shall be jointly submitted and resolved by binding arbitration in Chicago, IL under the rules of the Federal Mediation and Conciliation Service. Cost of arbitration (arbitrator, FMCS and court reporter fees and transcripts) shall be shared equally by LICENSEE and the IHHA. In the event there is an arbitration hearing each party will be limited to one day of testimony in front of the arbitrator. Each party shall bear their own attorney fees and expenses.

35. LICENSEE shall provide an on track ambulance during live racing, including qualifiers, which meet all requirements for transportation of injured or ill horsemen to off track hospitals. Said ambulance will be manned at any time horses are on the track for either live racing or qualifiers. Determination of when to use the on track ambulance for transportation and delay racing and when to call for another ambulance and delay transportation shall be made on a case by case basis.

This Agreement must be binding and inure to the benefit of the successors and assignees of the parties. The above and foregoing constitutes the entire Agreement between the parties hereto.

Any modification and amendment thereof must be in writing and signed by the parties and their duly authorized agents or representatives. IN WITNESS WHEREOF, the parties have entered into this Agreement this day of _____, 2015

ILLINOIS HARNESS HORSEMEN'S ASSOCIATION

By: _____

SUBURBAN DOWNS, INC.

By: _____

Exhibit A, Stakes to be inserted.

Exhibit B, Sulky Insurance details to be inserted.

Exhibit C, Purses to be inserted.