

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee
Monday, October 6, 2008

Minutes

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 1:00 P.M., Monday, October 6, 2008. The teleconference meeting was conducted at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

Live Racing Committee Members attending: Joe Barkett, Rick Pickering, Chris Carpenter, Tawny Tesconi and Forrest White. Joining by conference call: John Alkire, and Stuart Titus.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Debbie Cook, Norb Bartosik, Richard Lewis, Kate Phariss and Margot Wilson. Joining by conference call: Kelly Baldwin, Dan Jacobs, Linda Jenkins, Scott Grieve and Tom Doutrich.

Agenda Item I – Determination of Date, Time, and Location of Next Meeting.
The next CARF Board & Live Racing Committee meetings are tentatively scheduled for 6:00 p.m. on Tuesday, November 11, 2008 in Sacramento.

Agenda Item II – Discussion and action, if any, on Racing Dates for 2009 and Beyond. [Discussion of this Agenda item pending to take place after Agenda Item III.]

Agenda Item III – Report and Discussion Regarding 2008 and 2009 Legislative Session. Mr. Barkett summarized the two actions taken by the CARF Board during their session earlier in the day. The first action is to pursue possible legislation next year for increasing the satellite wagering fees from 2% to 3%. The second action is to pursue additional take-out from exotic wagers in Northern California limited to Northern California to be used for improvements to Fair racing facilities. CARF will explore legislation to accomplish both of those things. Mr. Barkett continued by saying there was also some discussion on AB 2258 (Evans) that was signed by the Governor into law. The issue there is how the CHRB is going to interpret the retroactivity of that law. To reiterate, Mr. Pickering had made the motion to direct Mr. Korby to coordinate with F&E and WFA regarding a collective position of recommendation to the CHRB, which was unanimously approved.

Agenda Item II – Discussion and action, if any, on Racing Dates for 2009 and Beyond. Mr. Barkett noted that when the Live Racing Committee last met, Mr. Korby put forward a proposal for the 2009 calendar. Racing Fair Managers and CARF Staff are scheduled to meet on Wednesday, October 8th, at Pleasanton with other racing industry partners – the TOC, Thoroughbred trainers and Magna. Mr. Barkett expressed his hope that the Fairs will take a strong position to what they want to see happen in 2009 and beyond with respect to that block of dates that are being called the Fair Racing Dates.

Mr. Barkett suggested that the best place to start is to use Mr. Korby's recommendation. Mr. Barkett began the discussion by saying that one of the key components of that proposal would be to have the two weeks of racing currently at the Solano County Fair in Vallejo be raced at other facilities; Mr. Korby's proposal suggested one week at Pleasanton and one week at Santa Rosa. Mr. Barkett thought, although eliminating racing at the Solano County Fair is much exaggerated in terms of what is it's going to do for the overall racing industry in Northern California, he does understand that there are arguably some benefits to horse racing from doing this. One of the benefits would be that the horsemen would have one less two-week stop to make on their annual Fair circuit. Another benefit would be the on-track attendance and handle that could be generated at Santa Rosa or Pleasanton would be better than the on-track attendance and handle currently generated at the Solano County Fair meet. Going back for several years, the statistics show the off-track wagering for the race meet at Vallejo is fairly comparable to the off-track wagering at Pleasanton and Santa Rosa. Needless to say, the revenues generated from fair horse racing at Vallejo are a significant part of the revenues of the Solano County Fair. Consequently it will be extremely difficult for people in that community to voluntarily want to give up something that's been that important to that fair and that community for sixty years. There is no secret that the County of Solano has been interested and continues to express interest in the possible redevelopment of the fairgrounds someday and if the fairgrounds are redeveloped, it is almost certain that 40% of that property which is now dedicated to the horse racing facility would become part of that development. The issue of re-development is more of an issue of when it is going to happen and less of an issue of whether it is going to happen. If it is an issue of when it is going to happen, then a case can be made for doing it now; that would give an enormous psychological benefit to the collective Fairs if they can go in with a plan that does that. Mr. Barkett felt it is critical in order for this kind of plan to go forward and be accepted, provided that the fair board, the Board of Supervisors and others to accept it, that there be a transition period and that that transition period would involve generating revenues from the two weeks of horse racing that have traditionally been run at Vallejo to Vallejo for a period of time that would give the County enough time to transition to something else as was recommended in Mr. Korby's proposal. Mr. Barkett continued by saying that he is putting forward a concept, that just might be taken up by the collective group, to provide a guarantee of revenues to the Solano County Fair for a five year period with that guarantee to drop off to zero in eight years; five to eight years would give the Solano County Fair and Solano County enough time to put together a plan to do something else with that property. There is a certain amount of risk and one of things discussed between himself, Mr. Korby, Ms. Tesconi and Mr. Pickering, is perhaps that all of this risk not necessarily be borne by the individual fair that's taking on the race week but maybe it would be more of a collective effort by all the Fairs in the context of the entire plan going forward, which is another element which needs to be talked about.

Mr. White commented that the Vallejo plan sounds like criteria that could be adapted to other facilities down the road. It is Mr. White's position, and hopefully will be his board's position after Wednesday's board meeting, to stay in those dates in September. There are some hurdles but it does have some long term potential.

Mr. Barkett continued the discussion by saying that another major component is the Humboldt County Fair racing concurrently with a Fair meeting at Golden Gate Fields. Mr. Titus responded by saying that they are open to the idea generally as proposed; it would require some additional supplemental funds to allow them some parity with similar races run at other fairs for specific classifications. Just as important, rather than being tied to a flat amount of additional monies on the commission side, they instead would like to consider it from a percentage of the gross - speaking primarily of shared post fees. Some of those revenues would be going to San Mateo to accelerate their debt payment. Mr. Carpenter responded that they were certainly interested in remaining in racing in 2009 and beyond and there were several ways that an arrangement with Humboldt could be worked out similar to the one San Mateo had in the past with Bay Meadows. Mr. Carpenter emphasized that San Mateo plans on aggressively paying off their three loans before deriving any income. Mr. Korby pointed out that there is a repayment agreement that is fundamental on how the loans structured; Mr. Carpenter agreed. Mr. Carpenter continued by saying they were still in a temporary facility and they are dealing with that as best they can, but they have spent down their reserves to 3%, so it will take a little time to build up the reserves and aggressively pay back the loans.

Mr. Barkett noted that Dave Elliott with CalExpo has expressed some concerns about this issue. Mr. Bartosik said that Mr. Elliott made a good point in his proposal and it needed to be said - that any race meet at Golden Gate, in the middle of the summer, will essentially hurt fairs - it will hurt Santa Rosa, Ferndale and CalExpo - horses simply won't come. CalExpo has taken the position that while they are open, they should maximize their racing dates. The group discussed the option of giving CalExpo an additional week of racing which would be an additional three days and would fall in with their limitation of fourteen racing days.

Mr. Barkett asked Ms. Tesconi for her opinion. Mr. Tesconi responded by saying that her fair was probably the least impacted as far as gate attendance. The biggest question is the additional third week. They have a little different challenge at their facility as they have a turf track loan that they will be paying on for a number of years. Maintenance on the turf track is more intensive than a dirt track and with the highest paid employees in all of the live racing fairs their profit margin is probably a little bit thinner than most. As a consequence, her board is not enthusiastic about a joint venture between Santa Rosa and Vallejo. As far as the overall plan goes, in Ms. Tesconi's opinion, no one has shown her the benefit of having a race meet at Golden Gate during their dates. If it is a Fair benefit meet, that the discussion of how those monies are going to be used should be left to a committee and not automatically go to San Mateo or Pleasanton.

Mr. White asked Mr. Pickering if he could run three weeks and four days. Mr. Pickering quoted Richard Shapiro, Chairman of the CHRB, "...The Fairgrounds could save money if it applies for and receives a waiver for the requirement of a synthetic racing surface required of tracks which race more than thirty days of racing per year since it is a rule and not a law." Mr. White asked since Santa Rosa seems to reluctant to go the 3-3, could Pleasanton go a 4-2? Mr. Barkett said that the group had discussed that and the synthetic track requirements for four weeks before, based on that quote. Mr. Pickering felt he didn't see the dilution factor as much in Pleasanton as he would a track further outside the Bay area. There seems to be a demand for horse racing in the

Peninsula area at this time in addition to the satellites. If the CHRB went with the waiver, they would short-term that waiver, to try keep pressure on the Fairs and the industry to put in a synthetic surface or maybe turf as a fall-back. Mr. Pickering said that he could see it working there; it might adjust their fair dates. Mr. Pickering continued by saying that he felt that CalExpo should have more dates in the future; his reservation is more of what 2009 looks like than 2010 but he doesn't understand what CalExpo's plan is. Mr. Bartosik responded to the question what the future of horse racing is at CalExpo, saying CalExpo is in racing until they're not. As long as the industry supports them and they are being told to apply for more racing dates they want to do that in the most cautious way that works with the industry but to have the dates go somewhere other than to a fair does not make a lot of sense to him or his staff. He does know that there would be strong support for more dates at CalExpo. Racing is important to CalExpo, they will continue to push it, they are talking about ways to enhance it, and Mr. Bartosik even suggested at some point that if it is important for the Fairs to have more turf, they would entertain some kind of an expense sharing where they put a turf course in and, if they race shorter than the time where they thought there would be a return on the investment, the NBA, or whoever, would buy it out. The only thing that stopped them from putting a turf course in was the uncertainty of getting race dates, whether or not they would be back in Thoroughbred racing, and if Thoroughbred racing would do OK. Now they're back and they know and they can look to the future and investment in a turf course for CalExpo, even short term, may make some sense for the longevity of the industry if the industry is willing to support it. Mr. Bartosik wanted to reiterate their position so now everyone knows where they're coming from and why they are pushing for a solidified calendar. Mr. Barkett asked if Mr. Bartosik knew whether or not there was going to be an NBA deal. Mr. Bartosik responded by saying they have ongoing discussions, with the six-month negotiation period coming up November 21st, and he speculated that their Real Estate Committee would entertain a request from the NBA that the negotiations be extended and they will continue to explore how they do, what they do, the best.

Mr. Pickering expressed his thoughts on Golden Gate Fields. He wished CalExpo and Pleasanton both had turf and the group didn't have to think about a Golden Gate Fields plan, that San Mateo could run their dates at Pleasanton's facilities. He has faith in a joint Racing Secretary concept so that the herd that runs at Golden Gate Fields is better managed. Having a joint Racing Secretary and a CARF functioning meet at Golden Gate Fields sets a very positive precedence for horse racing. Mr. Pickering agreed with Mr. Bartosik's comment that if Golden Gate Fields is allowed to go out and do what the big tracks have always done to the fairs, they will run down the herd in order to fill their races. On the other hand, this is a wonderful opportunity to have a joint Racing Secretary set precedent, in coordinating the purse structure and the type of races run at Golden Gate Fields so that they are focused more on the turf horse. Another benefit Mr. Pickering sees for Golden Gate Fields to be in the mix for 2009 is they've been very willing to talk about a solid revenue sharing plan that the fairs can benefit from. He would like to see a future of more dates at CalExpo. The calendar in front of the group has got to compensate the San Mateo Fair, one way or another. If that happens though, it would cause problems with our membership by appearing to take away from one fair and awarding to another. Mr. Pickering doesn't know if there's enough money in running that extra week at CalExpo that CalExpo can share it with Ferndale and anybody else. Mr. Pickering has represented to his twenty-six member board that the racing industry

has to be supported as a whole or there won't be anything left to support. Mr. Barkett and Mr. Pickering have been discussing revenue sharing being tied to off-track, meaning only those revenues generated by the computers with no expenses applied against it. Long term, Fresno has a great market place - if they could roll-back that overlap further that would be wonderful - and we have been able to get rid of the current overlap with CalExpo; part of that had to do with Bay Meadows closing. We were able to get rid of the overlap with Stockton. So some good progress has been made, but there is still more progress to be made. Mr. Alkire reported on Fresno's meet and the impact the economy has made to the wagering. Mr. Alkire would have liked to hear that Santa Rosa come to the table a little more on that third week but he respects their position; perhaps that opens the scenario for CalExpo to pick up some extra days, which he is in favor of. Mr. Barkett pointed out with regards to the proposal on the table that Fresno would significantly benefit from the elimination of the overlap. Mr. Titus requested that Mr. Bartosik articulate what their extra week or the full fourteen days in 2009 would look like. Mr. Bartosik explained that when the fair traditionally opens on that Friday, rather than waiting for the middle of the next week to open on a Wednesday they would start racing on Friday and pick up Friday, Saturday and Sunday, then be dark on Monday and Tuesday, and start back up on Wednesday - basically they would be picking up three days. Mr. Titus stated that those three days would be on Humboldt's traditional closing weekend. Mr. Bartosik responded by saying that he understood that and that was the only thing that prevented him from wanting to do that. However, if the calendar changed where Fresno moved earlier and took the six days and just went the week, then that was something worth discussing. Mr. Titus said that from discussions at previous meetings he is a lot more skeptical they could put something together that would attract enough horsemen for just six days. Mr. Korby stated that one other element has not been discussed and that has not been addressed as specifically a racing issue is the impact on satellite handle; he felt it was an important consideration. The proposal that's on the table, as it is stated, maintaining two weeks of Fair racing in the middle of August but run at Golden Gate Fields concurrent with Humboldt, is looking at keeping the same level of satellite network handle as in the past, which over those two weeks would be about \$31 million. If those two weeks were to be divided, it would definitely have an impact on satellite handle. Mr. Barkett asked the group if anyone believed that racing those two weeks any place else, be it CalExpo or Humboldt un-overlapped or Santa Rosa would generate more support from the horsemen or more betting; it's fair to say that the reason for the proposal of the two weeks at Golden Gate is because that proposal would generate the most handle and make the horsemen the happiest, at least while Pleasanton was being improved. Ms. Cook asked, if the Golden Gate meet came out in the satellite, how would it be advertised? Mr. Barkett responded by saying that it would probably say something to the effect of 'A Fair meet held at Golden Gate Fields', much like the 'San Mateo meet at Bay Meadows.' Mr. White stated that from 2010 and beyond it would seem to him that if the long-term goal is to minimize moves and maximize fair facilities, it would be the easiest way to go but the burden falls on Santa Rosa to run a third week. The group discussed a Fair meet managed by CARF at Golden Gate Fields. Mr. Barkett summarized the situation by saying we are possibly in a position of going one of two ways: one alternative is the two weeks at Golden Gate for a year or so; the other alternative, a two week meet at Golden Gate following Santa Rosa, if Santa Rosa would be willing to take a third week, and work with Ferndale and CalExpo to extend their race meets.

Mr. White proposed the Fairs, in 2009, run two weeks at Golden Gate Fields and in 2010 Golden Gate goes away and the Fairs run an extra week each at Santa Rosa and CalExpo. Mr. Titus stated that he couldn't support the additional week at CalExpo.

Mr. Bartosik asked Mr. Korby if he had the numbers for them to look at from Golden Gate Fields. Mr. Korby said that Robert Hartman from Golden Gate had supplied him with some financial information. Mr. Korby proceeded to share what he had been told so far by Mr. Hartman regarding two options by Golden Gate Fields. The first concept is, if the rest of the calendar is such that their corporate expectations of revenue at Golden Gate Fields is met, they will provide Golden Gate Fields to the Fairs for those summer dates, at their cost, and CARF could review and audit those costs. The other concept is that Golden Gate Fields would look at more active management of the operational side and that Fairs would have some guaranteed level of compensation per day so it would be structured in a similar manner as what has been discussed with Vallejo. Mr. Carpenter asked Mr. Korby if he thought that by presenting the same three-year deal his fair negotiated with Bay Meadows and subsequently put on the table with Golden Gate and was verbally accepted, a commitment could be obtained from Robert Hartman. That three-year plan was comparable with what is currently being discussed for 2009 – it was almost during the exact same term and the exact same amount of race days. Mr. Carpenter explained it was an open contract which entailed a \$350,000 guarantee versus 50%, whichever is greater, for eleven days of racing; this plan could be used as a starting point for current negotiations. Mr. Bartosik said he didn't see any benefit for CalExpo other than the way that it works to keep the dates in play for CARF, but the benefits should be for the betterment of racing fairs and not just for San Mateo. Mr. Barkett said that if the expectation of the San Mateo County Fair was, under the scenario that Mr. Korby put forward, for some portion of \$350,000 to offset satellite wagering facility debt, it could possibly work with a week at Santa Rosa and an extra week at CalExpo and Humboldt.

Mr. White made the motion that CARF take forth a program that will run two weeks at Golden Gate, for the benefit of California Racing Fairs, and that in 2010 will run three weeks at Santa Rosa and three weeks at CalExpo. Mr. Titus seconded. Mr. Alkire questioned which of the two scenarios presented would generate more handle. Mr. Barkett responded by saying that what Mr. White's motion includes would be more handle generated for racing in 2009. Mr. Korby agreed that the 2009 scenario would generate more handle but he thinks the more developed answer is that until other fairs besides Santa Rosa make the improvements in Fair racing facilities.

Mr. Barkett called for a vote on Mr. White's proposal. Mr. Bartosik and Ms. Tesconi voted no; Mr. Pickering, Mr. White, Mr. Carpenter, Mr. Alkire, Mr. Titus and Mr. Barkett voted yes. Mr. Barkett commented that this was not the unanimous result they wanted. Mr. Pickering asked the two fairs that had voted no if there was an alternate motion they would like to present. Both Mr. Bartosik and Ms. Tesconi declined with Mr. Bartosik stating that the Committee voted for what they didn't want and he couldn't support voting for something they didn't want anyway. Mr. Bartosik explained that CalExpo only wants what is in the best interest of racing and Mr. Bartosik felt that wasn't being approached in the best way.

Mr. Barkett asked Mr. Titus if there anything that Humboldt could do to make the situation better, that it was Mr. Barkett's understanding that unless Golden Gate Fields is in the mix, it would be bad as far as Humboldt is concerned. Mr. Barkett then asked Mr. Titus if he trusted the group to work something out in 2010, would he trust them to work something out in 2009. Mr. Titus responded by emphatically saying no. The group discussed a number of scenarios, including changing Humboldt County Fair dates in 2009 to June and working with Redwood Acres in switching fair dates with them. If Humboldt could race in June, just before Pleasanton, and overlap with Golden Gate, that be a stronger time for Humboldt because they would then be the first Fair meet of the season and they would have first crack at the horses.

Mr. Barkett looked to Mr. Bartosik and Ms. Tesconi to see if there was any way to go into Wednesday's meeting more unified than the vote reflected. Mr. Bartosik suggested giving them the reason CalExpo voted in opposition - that CalExpo was not opposed to the overall concept but they just want the dates to start in 2009 rather than 2010. Mr. Pickering requested that the Live Racing Committee minutes reflect CalExpo's position so that when they present it at Wednesday's meeting, the group would not be speaking on behalf of CalExpo or Santa Rosa at Wednesday's meeting, but that the minutes say that.

Mr. Barkett pointed out that one of the issues that hasn't really been worked out yet is whether this was going to be a deal just between Vallejo and Pleasanton or whether it's going to be part of the whole package, since there are so many fairs now having an interest in some of these things. In fairness to Pleasanton, the fairs may want to have this be part of some bigger package. Mr. Barkett asked if it would be better for him to tell his board that this was an agreement with all of the Racing Fairs in Northern California, that everybody is part of this in some way and this was a deal that was worked out with everybody in mind so that if the fair board changes dramatically at Pleasanton or if Mr. Pickering goes somewhere else, this was a collective agreement. Mr. Pickering agreed, assuming Santa Rosa would be negotiating with Vallejo to help for one week and Pleasanton was asked to step up for one week. Mr. Pickering supported, with his key board members the concept that Mr. Barkett has put forth to the group about a minimum guarantee of some sort over five years and in years six, seven and eight it would decline slightly scaled down to zero so that they would have revenue stability; supported the concept that we tie it to off-track generation and even if there were greater off-track generation, that Vallejo would participate up to 20% of any growth, should there be growth.

Mr. Barkett speculated that one of the questions that they will asked during Wednesday's meeting is if the group was still supporting the concept of a collective 14 or 15 week Fair race meet including Golden Gate Fields. Mr. Bartosik said that he felt that concept will be challenged.

Mr. Titus asked if an item, for discussion only, appearing on the October 15th CHRB Agenda, was a surprise. The response from the group was if the item was for discussion only the CHRB was not going to make a decision regarding a date allocation during that meeting.

Mr. Korby announced that he heard there may be a Dates Committee meeting in Arcadia on the 14th of October, prior to the CHRB Board meeting on October 15.

Mr. Bartosik leaves the meeting at 2:59 pm.

At 3:01 pm, with no further business before the committee, the meeting was adjourned.

Respectfully submitted,

Margot Wilson