

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee Tuesday, September 11, 2012

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, September 11, 2012. The meeting was hosted at the California Authority of Racing Fairs Board Room, 1776 Tribute Road, Sacramento, California, 95815.

CARF Live Racing Committee members attending: John Alkire, Norb Bartosik, Tawny Tesconi, Stuart Titus. Joining by conference call: Janet Covello, Mike Paluszak and Rick Pickering.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Dave Elliott, Chris Carpenter, Jim Morgan, Chris Borovansky, Richard Lewis, Dave Mogni and Raechelle Gibbons. Joining by conference call: Kate Phariss, Louie Brown and Cindy Olsen.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held October 11, 2012 in Fresno.

Agenda Item 2 – Approval of Minutes. Mr. Bartosik moved to approve the meeting minutes as presented. Mr. Titus seconded, unanimously approved.

Agenda Item 3 – Report, Discussion and Action, if any, on Legislation for 2012 and Beyond. Mr. Brown reported that the 2011/2012 legislative session adjourned August 31, 2012 and the next session will begin December 3, 2012. 2012 was a relatively quiet year as it pertains to racing legislation, mainly due to the energy and resources placed on the Internet poker bills. Neither bill ever really seemed ready to move, but the industry did what they could to come together and be prepared in case the opportunity did present itself.

CARF sponsored two bills this session, SB 1227 (Negrete McLeod) and SB 1418 (Berryhill). SB 1418, a technical cleanup bill regarding eliminating date restrictions, was signed by the Governor and will become law on Jan. 1, 2013. SB 1227, which would have provided license fee relief to racing Fairs, was held in Assembly Appropriations Committee at the end of session.

SB 1390 (Wright), the sports wagering bill, was also held in the Assembly Appropriations Committee. SB 1463 (Wright), regarding Internet poker, was held in the Senate G.O. Committee. Mr. Brown reported that there is a slim chance that if a special session is called, Internet poker could be resurrected due to its revenue generating potential.

Mr. Korby reported that a group of principals from the racing industry (including CARF, Del Mar, Santa Anita Park, Golden Gate Fields, Oak Tree, CTBA and TOC), has formed a group called

Horse Racing United for the purpose of supporting and implementing Internet poker legislation. This group is tracking Internet poker legislation and is prepared to implement legislation should it be approved and signed by the Governor. Included in the meeting packet is a document prepared by Mr. Korby entitled "*Proposed Model for Distribution of Internet Poker Revenues to California Horse Racing Interests*" which is one of two proposals that Horse Racing United is considering as a method to distribute revenue. Also included in the meeting packet is the proposal presented by Del Mar Thoroughbred Club. The major difference between the two models is that the CARF proposal includes a distribution for satellite wagering facilities.

Mr. Korby noted that until Tribal casino interests are in agreement regarding Internet poker, there is a lesser possibility that the bill will successfully navigate the legislative process.

Agenda Item 4 – Report, Discussion and Action, if any, on Racing Dates for 2012 and Beyond. Mr. Korby circulated a calendar that was submitted to the California Horse Racing Board (CHRB) Friday afternoon titled, "2013 Proposed California Racing Calendar (Hosted Day) – GGF/CARF/TOC 9-6-2012." The calendar was submitted to the CHRB with the notation that the stakeholders may not all be in agreement regarding two weeks in August. The calendar shows weekly blocks of hosted days, not specific live racing days.

Mr. Korby briefed the Committee on the proposed calendar, walking the discussion through the racing dates in chronological order. The first block of dates shows Golden Gate Fields running December 26, 2012 through June 18, 2013.

The next block of dates addresses summer Fair dates. The calendar shows the Alameda County Fair hosting June 19 through July 9, 2013. The California State Fair will commence July 10-23, 2013 and the Sonoma County Fair block of dates includes July 24 through August 13, 2013.

This particular calendar shows August 14-25, 2013 as being a period during which Humboldt County Fair and Golden Gate Fields would run concurrently. Golden Gate Fields continues through September 17, 2013 with the San Joaquin County Fair commencing September 18-October 1, 2013 and the Big Fresno Fair commencing October 2-15, 2013. Golden Gate Fields rounds out the racing calendar with a fall/winter block of dates to include October 16 through December 25, 2013.

Mr. Pickering stated that the Alameda County Fair is willing to live within the block of dates, but because July 4th falls on a Thursday, the Fair will most likely lose another Wednesday of racing, taking the meet from 13 days to 12 days.

Mr. Bartosik stated that the proposed block of dates is acceptable to the California State Fair principals, but that the Fair racing will most likely start on Friday, July 12, 2013.

Ms. Tesconi indicated that the Sonoma County Fair was in agreement with the block of dates allocated to Santa Rosa.

Mr. Titus stated that the Humboldt County Fair was in agreement with the dates allocated to the Fair, but would like to make a proposal that addresses the Golden Gate Fields overlap. To present the caveat, Mr. Titus introduced Mr. Morgan to speak on behalf of Ferndale.

Mr. Morgan stated as follows. In 2010, when Ferndale was able to race unopposed, the Fair made money on its racing product, but other racing interests and funds lost money since the Ferndale signal doesn't perform as well off-track as Golden Gate Fields. In 2011, Ferndale ran overlapped without compensation and the Fair lost money at a rate that made operations unsustainable. In 2012, Chairman Brackpool intervened and created a compromise in which Ferndale was overlapped, but shared in some host fees and received an allocation from Golden Gate Fields plus some compensation from Del Mar/TOC. This created a scenario in which Ferndale was overlapped, yet was able to remain operationally viable.

Mr. Morgan asked that CARF work with Ferndale to preclude a further encroachment on Humboldt County Fair dates, meaning that Ferndale wishes to retain the exclusive hosting status for Wednesdays and Thursdays and would like CARF to adopt language that will prevent Golden Gate Fields from assuming presumptive entitlement to Fair dates thereby cutting Fairs off from host fees and other revenue sharing.

Mr. Morgan requested that the CARF Live Racing Committee consider recommending a policy to the CARF Board of Directors stating that to the extent a non-CARF entity wishes to run concurrently with a CARF meet, the affected Fair ought to participate in the increased revenue generated during the period of overlap from the host fees and any additional revenue that is generated to the horse racing industry. This is the kind of formula that was negotiated to assist the Humboldt County Fair in 2012. Mr. Morgan proposed that this is the type of language that could help all racing Fairs when Golden Gate Fields decides to encroach on more Fair dates.

Mr. Elliott asked for a nuts-and-bolts working example of Mr. Morgan's statement. Mr. Morgan provided the 2012 Humboldt County Fair as an example. In 2012, Ferndale received approximately \$96,000 in host fees for both Wednesdays and Thursdays, as well as \$50,000 directly from Golden Gate Fields and a percentage of net revenues (commissions generated and purses generated) from the first week of wagers in the Southern zone on Golden Gate Fields from Del Mar and TOC (approximately \$104,000).

Mr. Korby recommended that the Humboldt County Fair put the Southern California subsidy from TOC back into purses.

Mr. Elliott asked Mr. Morgan to frame the figures he just provided into his statement. Mr. Morgan reviewed the figures again and detailed Ferndale's 2012 successful sponsorship efforts.

Mr. Elliott stated that several Fairs have statute in legislation pertaining to splits during overlap.

Mr. Korby stated, for historical reference, that Humboldt has traditionally been overlapped by a racing association in the North. Prior to Golden Gate Fields, Humboldt was overlapped by Bay Meadows operating the San Mateo County Fair meet.

Mr. Bartosik asked if Humboldt County Fair has had any discussions regarding 2013 with Commissioner Brackpool or Joe Morris. Mr. Morgan and Mr. Titus stated that they have not.

Mr. Swartzlander and Mr. Korby reminded Mr. Titus that he participated in a racing dates conference call of stakeholders in August at which 2013 racing dates were discussed with Joe Morris from Golden Gate Fields in attendance.

Mr. Bartosik recommended that Humboldt County Fair frame a motion for the Live Racing Committee to vote upon as a referral to the CARF Board of Directors.

Mr. Morgan moved that the CARF Live Racing Committee consider recommending a policy to the CARF Board of Directors stating that to the extent a non-CARF entity wishes to run concurrently with a CARF meet, the affected Fair ought to participate in the increased revenue generated during the period of overlap from the host fees and any additional revenue that is generated to the horse racing industry.

Mr. Bartosik seconded for discussion.

Mr. Korby stated that he was obliged to point out again that there is already a statutory revenue-sharing provision in the law. Mr. Morgan stated that the Fair is looking to sustain operations, not fatten coffers. Mr. Morgan stated that as a matter of policy he would like CARF to take the position that they do not want any member Fair hurt by a decision of the Stronach Group to extend overlap or encroach on Fair racing.

Mr. Bartosik called for the question. Unanimously approved to refer the matter to the CARF Board.

Ms. Covello and Mr. Sawyer stated that they are comfortable with the San Joaquin County Fair block of dates.

Mr. Alkire stated that the block of dates for the Big Fresno Fair is acceptable.

Mr. Pickering moved to support the block of dates as outlined in the calendar titled "2013 Proposed California Racing Calendar (Hosted Day) – GGF/CARF/TOC 9-6-2012." Mr. Bartosik seconded, unanimously approved.

Agenda Item 5 – Review, Discussion and Action, if any, on Proposed Agreement with Jockey’s Guild. Mr. Korby introduced a letter from the Jockey’s Guild requesting a three-year agreement with CARF with the amount that each track contributes comprised of an amount paid per

race day and an amount paid by starter depending on the classification of the racetrack. Fairs would be recognized as tracks in the lowest contributing tier group.

There is a handout in the packet that shows projected figures based on both starters and race days.

Mr. Lewis asked Mr. Korby whether the agreement included payments to the Jockeys Guild for emerging breed races. Mr. Korby stated that he would talk to the Jockeys Guild for clarification on that matter.

Mr. Korby stated that our relationship with the Jockey's Guild is important and he recommended that the Committee take action to formalize the agreement.

Mr. Pickering moved to approve the agreement in concept (basic structure and rates) with discussion regarding emerging breed starts. Mr. Bartosik seconded, unanimously approved.

Agenda Item 6 – Report, Discussion and Action, if any, on Exchange Wagering. Mr. Korby stated that no report or action is required for this item at this time.

Agenda Item 7 – Recap of 2012 Summer Racing to Date. Mr. Pickering reported that he was very pleased with the Alameda County Fair meet. Attendance was up 18 percent and on-track handle was only down one percent with less overall races. For the first time in 37 years a jockey, Jorge Herrera, tragically lost his life during the races.

Mr. Elliott reported that the Cal Expo meet went well, but that the Fair's position between Pleasanton and Santa Rosa makes it challenging to fill races, even with the higher purse structure. Mr. Elliott reported that handle was down one percent and ADW handle was up significantly due to a deal Cal Expo struck with TVG to expand coverage. The guaranteed late pick 4 pools were a success and the pool guarantee was surpassed each time.

Ms. Tesconi stated that the Sonoma County Fair meet was a success. Handle figures were positive and management made a push to expand the racing seminars and ontrack promotions such as Ladies Hat Day. The newly renovated Showcase Café created a clubhouse environment and gave patrons a comfortable place to go after live racing was done.

Mr. Titus reported that the Humboldt County Fair meet went very well. Nor Cal handle was up 76 percent and overall handle was up 27 percent. Mr. Titus reported that Mr. Doutrich did an excellent job managing a small horse population and offering competitive card. Sponsorship revenue was increased substantially and the most notable improvement of the meet was the widening of the Clubhouse turn which created safer and more competitive racing.

Mr. Sawyer shared samples of collateral the San Joaquin County Fair is using to promote racing as well as photographs of large murals that have been painted throughout the Fairgrounds.

The San Joaquin County Fair has also doubled sponsorship efforts and is creating a clubhouse area in the racing grandstand. Mr. Sawyer discussed an exciting new partnership between the Fair and NASCAR.

Agenda Item 8 – Executive Director’s Report. Mr. Korby reported that an error has been identified in CHRIMS handle reports from TVG which affected the latter part of the Humboldt County Fair. Those handle reports are in the process of being corrected.

Respectfully submitted,
Heather Haviland