

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee

Tuesday, December 11, 2012

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, December 11, 2012. The teleconference originated at the CARF offices, 1776 Tribute Road, Sacramento, California.

CARF Live Racing Committee members attending by conference call: John Alkire, Norb Bartosik (David Elliott), Janet Covello (Tom Sawyer), Rick Pickering, Tawny Tesconi and Stuart Titus.

Staff and Guests attending by conference call: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Raechelle Gibbons, Cynthia Bryant, Tom Sawyer, Cindy Olsen, Nate Dechoretz, Dave Elliott and Richard Lewis.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held February 5, 2013 in Sacramento.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Legislation for 2012 and Beyond. Agenda item deferred to the CARF Board of Directors Meeting at 12:30 p.m.

Agenda Item 4 – Report, Discussion and Action, if any, on Pari-Mutuel Distributions and Proposed DRAFT Security Agreement. Mr. Korby reported that at the November 13, 2012 CARF Live Racing Committee meeting, staff introduced a draft formal security agreement in an effort to develop a mechanism that would more carefully and deliberately structure the flow of funds between CARF and member Fairs. The security agreement, as proposed, is a contract that includes a promissory note, as a further mechanism, to collectively protect CARF and member Fairs for those monies that move back and forth during live racing.

The item was placed on the November agenda to introduce the draft agreement, solicit input and make the group aware of the direction CARF is moving in adopting written policy to protect the agency and its member Fairs. During that meeting, Mr. Bartosik moved that the California State Fair, San Joaquin Fair and Big Fresno Fair join together in asking legal counsel (Jerry Blair) to review the document to ensure it represents the best interest of the DAAs. Mr. Sawyer seconded the motion and it passed with six “yes” votes and one “abstain” vote.

Since the November meeting, Jerry Blair has reviewed the agreement and has been in contact with Ann Grottveit (CARF legal counsel) and revisions to the document are ongoing. Mr. Korby

stated that CARF staff welcomes any input or suggestions that will ensure the agreement is balanced and fair, but at the same time utilitarian. Mr. Lewis stated that Sonoma County counsel is reviewing the document and one of the questions that arose is what the recourse will be if a party declines to sign the agreement. Mr. Korby stated that the consequences of a party not signing the document would be a matter of policy for the CARF Board of Directors to determine. Mr. Korby added that the question of a party refusing to sign the document is premature in that the goal of CARF staff is to develop a final agreement that collectively protects all parties, therefore providing a written policy that all parties are comfortable signing. Mr. Korby urged any Fair that has issue with an element of the agreement to bring that issue forward so that it can be appropriately addressed. Mr. Korby asked Mr. Lewis to have Sonoma County counsel speak with CARF counsel so that they could discuss the matter more efficiently, attorney-to-attorney.

Mr. Bartosik reported that he has spoken to Mr. Blair and as the agreement stands, it is easy to support as a CARF Board member, but difficult to sign as a Fair Manager. The document simply needs to be modified from its current form into a more balanced two-sided agreement. Mr. Bartosik stated that he would send his initial recommendations to Mr. Blair who could then pass them on to Ms. Grottveit. Mr. Korby stressed that he would like to keep the momentum of the agreement moving forward.

Mr. Korby reported that in addition to the draft security agreement, the materials for this agenda item also contain a spreadsheet detailing the current pari-mutuel distributions CARF has made to live racing fairs. The latest distribution was wired Monday, December 3, 2012. Mr. Korby asked if anyone had any questions regarding the distributions. No questions were asked.

Agenda Item 5 – Report on Status of Consolidated Purse Account. Mr. Korby reported that CARF staff is still in its initial years of managing the consolidated purse program, the effects of which allow Fairs to conduct their operations in the racing office and maintain the racing program with continuity and efficiency that were not previously possible. Mr. Korby asked Mr. Swartzlander to report on the current status of the consolidated purse program.

Mr. Swartzlander asked attendees to reference the spreadsheet included in the meeting packet titled “2012 Consolidated Fair Purse Report.” Mr. Swartzlander reported that going into the 2012 Fair Circuit, it was projected that Fairs would be \$321,983 overpaid. At the last tally, Fairs are currently \$252,327 overpaid (factoring in a \$71,683 Thoroughbred carryover from 2011), which is \$69,655 less than projected. These figures do not include 6% NCOTWinc. money, which will further decrease the actual overpayment.

Mr. Swartzlander stated that the goal of CARF is to have a self-sufficient purse program in 2013. As a first step, the bottom portion of the spreadsheet illustrates purse savings that could be realized by reducing key race days.

Ms. Covello asked if 2012 purse overpayments would be covered by the consolidated purse fund. Mr. Swartzlander said that issue would be determined when the final purse reconciliation is established, hopefully prior to February 15, 2013.

Mr. Pickering stated that a portion of the overpayment could be attributed to a lack of horses in Northern California. Mr. Swartzlander added that he and Mr. Doutrich have plans to focus recruiting efforts on select trainers that chose not to race on the Fairs in 2012 or left the circuit early.

Mr. Elliott joined the call and pointed out that some of the purse projections for individual Fairs had major discrepancies when compared to actuals. Mr. Elliott questioned why CARF staff recommended an aggressive purse structure when significant overpayments were projected for Pleasanton and Santa Rosa. Mr. Korby responded that the purse structure and stakes schedule were presented to, and adopted by, the Live Racing Committee prior to the 2012 circuit. Mr. Korby reminded Mr. Elliott that he was present at those meetings.

Mr. Lewis stated that the spreadsheet shows \$139,846 in overpayments at Santa Rosa on Wednesday and it appears on a commissions report from CARF that Santa Rosa is being billed for the same amount. Mr. Lewis asked if he was correct in reading that CARF was billing Santa Rosa for their Wednesday overpayments. Mr. Korby stated that Mr. Lewis was incorrect and that the \$139,846 was not billed, but has not been distributed to Santa Rosa. Mr. Korby stated that the money is being held. Mr. Lewis asked if money is being held from all Fairs. Mr. Korby stated that some money is being held from all Fairs in varying amounts. Mr. Lewis asked why more was being held from Santa Rosa. Mr. Korby stated that substantial overpayments were incurred due to Santa Rosa's policy to race on Wednesdays, when the recommendation from CARF staff was not to do so. Mr. Korby stated that the Live Racing Committee will review the consolidated purse account and determine how the additional overpayments should be handled.

Mr. Lewis asked if there was an agreement that stated that the tracks with overpayments would be billed when there is a consolidated purses fund and that fund is managed by CARF employees. Mr. Korby stated again that there was no billing and the money has not been distributed. Mr. Pickering asked Mr. Lewis if Santa Rosa was billed for \$139,846. Mr. Lewis said Santa Rosa was not billed, but that the money is being withheld from commissions due Santa Rosa. Mr. Korby stated again that Santa Rosa was not billed and the money is being held at CARF pending review by the Live Racing Committee. Mr. Korby stated that money is being held from each Fair.

Mr. Lewis stated that he does not understand why disproportionate amounts are being held from each Fair and he does not remember seeing anything in writing that established the circumstances in which money would be held at CARF. Mr. Korby stated that there was extensive e-mail correspondence with Santa Rosa prior to June regarding the schedule at Santa Rosa and the impact racing on Wednesdays would have on the consolidated purse account managed by CARF. Mr. Korby stated that the consolidated purse account is a collective liability to each racing Fair and Santa Rosa's management alone decided to race on days that CARF recommend they not run, even after CARF staff detailed the impact racing those days would have on the consolidated purse

account. Mr. Korby stated that it is up to the Fairs impacted by Santa Rosa's decision to decide what the policy should be with respect to that money. If the Fairs impacted by Santa Rosa's decision to race on Wednesdays, even though they themselves sacrificed running Wednesdays, decide to collectively bear the responsibility for Santa Rosa's overpayment on Wednesdays through the purse account managed by CARF, then that will be the decision of the group and become CARF policy. Mr. Lewis stated that he would call Mr. Korby or Ms. Gibbons to get a better explanation of the commission sheet being discussed.

Mr. Elliott asked why commissions corresponding to overpayments were not being held from Pleasanton, Stockton or Fresno. Mr. Korby responded that Santa Rosa was the only Fair that chose to run on Wednesdays despite the CARF staff warnings that running Wednesdays would generate overpayments and keep the consolidated purse account from accumulating purse revenue derived during simulcast-only days.

Mr. Bartosik recommended that CARF staff create an opportunity for Fairs with overpayments, or Fairs interested in the consolidated purse account process, to further review the spreadsheet that was presented and to start talking about the overpayment issue.

Agenda Item 6 – Report on Planning for 2013 Racing Meetings. Mr. Korby stated that purse projections, purse structures, stakes schedules and horse recruitment will continue to be important topics moving forward into 2013. Another important component will be determining actual race dates and CARF staff would appreciate Fairs providing their best proposal.

Mr. Swartzlander reported that the Pegasus Communications (TV production) contract is up for renewal and he expects the current contract and services provided to be extended.

Ms. Tesconi joined the conference call. Ms. Tesconi stated that in 2013 Santa Rosa is looking to run a 13-day meet by starting on a Friday. More importantly, Santa Rosa is considering not using CARF services for the 2013 meet. Mr. Pickering asked Ms. Tesconi if she had a timeframe in which to make that decision. Ms. Tesconi stated that her racing committee meets again on January 10. Mr. Korby stated that he hoped CARF staff would have a chance to sit down and talk to Santa Rosa representatives before they make a permanent decision, as the management of a race meet is a complicated endeavor. Ms. Tesconi stated that she understands it's complicated, but that Santa Rosa has a lot of expertise to draw from.

Mr. Sawyer stated that he plans to propose to his Board of Directors that Stockton run two three-day weeks (Friday through Sunday) with entertainment to complement racing.

Mr. Korby stated that he would like to work more closely with Fairs to determine subsidiary revenues derived from racing operations in order to provide a more complete picture of racing revenue.

Agenda Item 7 – Executive Director’s Report. Mr. Korby reported that the Maryland Thoroughbred race tracks are working together with horsemen’s associations to establish a 10-year calendar that will provide stability to the breeding and racing industry in that state. It would be valuable for Northern California to implement a multi-year calendar.

Mr. Korby reported that the implementation of the Banker’s Casino mini-satellite wagering facility in Salinas is moving forward. In addition, Golden Gate Fields and TOC are having very promising discussions with a restaurant in San Francisco interested in becoming a mini-satellite. There have also been discussions regarding options to make the Bakersfield satellite more profitable, which could include moving the satellite to an off-fairgrounds location.

Respectfully submitted,
Heather Haviland