

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee

Tuesday, June 4, 2013

MINUTES

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, June 4, 2013. The meeting was hosted at the CARF offices, 1776 Tribute Road, Sacramento, California. Teleconference was not available at this meeting.

CARF Live Racing Committee members attending: John Alkire, Janet Covello, Janet Lockhart, Richard Conway (Jim Morgan), Mike Paluszak and Rick Pickering.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Raechelle Gibbons, Amelia White, Louie Brown, Ann Grottveit, Jeanne Wasserman, Cindy Olsen, Tawny Tesconi, Richard Lewis and Stuart Titus.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held September 10, 2013 in Sacramento.

Agenda Item 2 – Approval of Minutes. Ms. Lockhart moved to approve the meeting minutes as presented. Ms. Covello seconded, unanimously approved.

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program for 2013. Mr. Brown reported that last Friday was the California legislature’s “House of Origin” deadline, meaning all bills were required to pass out of the house where they were originally introduced in order to continue moving through the 2013 legislative process. The CARF-sponsored bills, which are substantive yet fairly non-controversial, continue through the process without issue and will provide useful vehicles in late session if needed. The announcement of Hollywood Park’s imminent closure is dominating discussion in the racing industry, specifically regarding the future of Southern California racing, the allocation of racing dates and the availability of adequate training facilities.

Mr. Brown reported that Internet Poker continues to be a prominent topic amongst racing interests. Senator Wright’s sports wagering bill, SB 190, was held in the Senate Appropriations Committee and is now, technically, a two-year bill. However, discussions regarding Internet poker are still taking place behind the scenes. The meeting packets include a copy of a letter sent to members of the Legislature from Horse Racing United (HRU). The intent of the letter is to let the members know that racing is aware of the conversations taking place and will expect an all-inclusive approach to licensing. HRU is a not-for-profit representing the collective interests of the Del Mar Thoroughbred Club, Fairplex Park, Oak Tree Racing Association, Thoroughbred Owners of California, California Thoroughbred Breeders Association and CARF.

Mr. Brown reported that SB 741 (Cannella), the WFA/CDFR-sponsored bill to streamline business operations for DAA's, passed out of the Senate last week. CARF is in discussions with CDFR to revert license fee funding currently generated from racing Fairs back to Fairs that conduct live or satellite wagering. CARF is working diligently to ensure that the license fee issue is resolved in a manner that will benefit Fairs conducting pari-mutuel racing activities.

Mr. Brown reported that despite CARF's diligence in working with the racing industry to consider/provide concessions and waivers for mini-satellites, the CHRFB has renewed discussions regarding eliminating the 20-mile Fair satellite radius protection. This item came up at the May CHRFB meeting during the Santa Rosa live racing license application hearing. The CHRFB has since asked each Fair with a satellite wagering facility to provide position and declare if they are willing to waive their rights to the protection provided by statute. CARF has distributed an advisory and template response letter to the membership. Mr. Brown stated that this topic is not currently a legislative issue and seems to be localized to the CHRFB. Mr. Korby stated that these discussions might provide a welcome opportunity to revisit an increase in satellite commissions.

Mr. Alkire requested that Mr. Brown relay his observations that the current California administration has been extremely organized and proactive in communicating with Fairs.

Agenda Item 4 – Report, Discussion and Action, if any, on Racing Dates. Mr. Korby reported that at the last CHRFB meeting to discuss 2014/2015 races dates, Northern California interests (representatives from Golden Gate Fields, Thoroughbred Owners of California and CARF) requested that the Northern zone allocation be postponed one month so that the parties could continue to develop a cohesive proposal.

Mr. Korby stated that at the May CARF Live Racing Committee meeting, the group adopted a calendar for 2014/2015 containing multiple scenarios for 2015. At this time, the Committee should determine whether to support the existing recommendation or alter the proposal to reflect the allocations provided to Southern California associations.

Mr. Pickering stated that Cal Expo will be submitting a letter to the CHRFB requesting that the Board defer action in allocating summer dates until the 2013 Fair meets have concluded and the results of those meets can be analyzed. Mr. Pickering stated that there seems to be interest from specific industry members in moving the Cal Expo meet back to the Labor Day slot, but that any immediate discussion to move the Fair would be extremely premature. Mr. Pickering also stated that even though he applauds the CHRFB for attempting to adopt multiple-year calendars, the need for a two-year calendar developed due to the imminent closure of Hollywood Park and that the current Southern California calendar being discussed will potentially leave a two-week gap without racing in July. He also stated that a two-week gap in the Southern California signal could drastically impair Northern California racing.

Mr. Korby stated that the CHRFB has been focusing on auxiliary stabling and vanning in Southern California and the resulting 10-day gap in July was minor in significance compared to the

monumental issues that were solved in reallocating Hollywood Park dates. However, a gap in Southern California racing, or a reallocation of those dates to Los Alamitos to run low-level Thoroughbreds would have a significant negative impact on Northern California racing.

Mr. Korby recommended that the CARF Live Racing Committee request that the CHRB defer action on summer dates on the grounds that Fairs wish to work with the racing industry to develop a long-term, stable calendar so that horsemen and fans can predict and understand the future of Northern California over the next few years. To accomplish that goal, Fairs will need more time to lay out transitional changes in 2014 and 2015. Mr. Korby stated that part of the recommendation should allow the CHRB to allocate dates to Golden Gate Fields in the spring and fall.

Mr. Morgan stated that he applauds CARF working with the industry for the greater good of all participants, but hopes that CARF as a group will be true to its mission which is to be a united voice of advocacy for its member Fairs, which should start with the basic premise that all Fair meets deserve to run at least two weeks without in-zone overlap.

Mr. Pickering moved to encourage the CHRB to defer allocation of Fairs dates during a summer block, leaving the Board latitude to allocate dates to Golden Gate Fields from Jan. 1 to June 15 and from Oct. 17 to Dec. 31, with the understanding that CARF will provide a recommendation for summer dates no later than September 2013. Mr. Morgan seconded, unanimously approved.

Agenda Item 5 – Report, Discussion and Action, if any, on Preparation and Deadlines for CHRB Racing License Application. Mr. Swartzlander reported that the Humboldt County Fair racing license is complete and will be presented at the June 20, 2013 CHRB meeting. The San Joaquin County Fair racing application is due in June and will be heard in July. The Fresno District Fair application is due in July and will be heard in August.

Agenda Item 6 – Report, Discussion and Action, if any, on Planning and Projections for 2013 Summer Fair Racing Operations. Mr. Korby reported that the meeting packet includes contract extensions for TV production services provided by Pegasus Communications and liability, property and workmen’s compensation insurance for CARF provided by Alliant Insurance Services. The Pegasus Communications extension covers a five-year time period and contains a \$350 daily increase for video patrol services (the increase is below the CPI index and includes an expense waiver for race day reduction). The Pegasus jumbo tron and maintenance contracts do not reflect an increase in cost. The Alliant Insurance extension cost will also remain the same. Both contract extensions are included in the meeting packets.

Mr. Korby reported that program covers and racing advertising creative are included in the meeting packet.

Mr. Swartzlander reported that George Hanford, longtime horse ambulance driver, will be taking a year-long leave of absence and the retired Del Mar driver will be providing services to the Fairs in 2013.

Ms. Lockhart moved to approve the Pegasus contract extension as presented. Mr. Pickering seconded, unanimously approved.

Mr. Pickering moved to approve the Alliant Insurance contract extension as presented. Ms. Covello seconded, unanimously approved.

Agenda Item 7 – Discussion and Action, if any, on Proposed Security Agreement for Reimbursement to CARF of Live Racing Expenses. Mr. Korby reported that he and Ms. Grottveit have been working since mid-2012 on a security agreement that would serve as a mechanism to carefully and deliberately structure the flow of funds between CARF and member Fairs. Mr. Korby stated that it is critical for CARF to have an agreement in place that clarifies the flow of funds from CARF to racing Fairs and assures that CARF is reimbursed for monies that are spent up front on live racing expenses. The most recent version of the MOU is contained in the meeting packet.

Ms. Grottveit stated that with funding from CDFA eliminated, CARF must protect the money it has and protect its member Fairs from the potential failure to fulfill obligations by any one member of the group.

Mr. Pickering asked if Jerry Blair had reviewed the document on behalf of DAAs. Ms. Grottveit stated that Jerry Blair did review the document and was going to provide additional comments. It has been months and those comments have not been submitted.

Mr. Pickering stated that the document does not appear complete (as an example, page two paragraph two is blank regarding the percentage that would be withheld).

Ms. Grottveit stated that if the agreement is not approved today, she would ask the group to return to their Boards and provide CARF staff with solid feedback that can be used to move the document forward at the next meeting. Mr. Korby asked managers to send any questions or concerns to himself or Ms. Grottveit for immediate answer.

Agenda Item 8 – Executive Director’s Report. No report at this time.

Respectfully submitted,
Heather Haviland