

CALIFORNIA AUTHORITY OF RACING FAIRS
Live Racing Committee
Tuesday, April 1, 2014

MINUTES

A meeting of the California Authority of Racing Fairs (CARF) Live Racing Committee was held at 11:00 A.M., Tuesday, April 1, 2014. The meeting was hosted at the CARF offices, 1776 Tribute Road, Sacramento, California.

CARF Live Racing Committee members attending: John Alkire, Richard Conway, Brian May, Mike Paluszak and Rick Pickering.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Raechelle Gibbons, Ann Grottveit, Chris Carpenter, John Quiroz, Caroline Titus and Richard Lewis.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held Tuesday, May 6, 2014 in Sacramento. Mr. Korby reported that the start time for the May CARF Board of Directors meeting will be moved to 1:00 p.m. to accommodate the recent longer length of the Live Racing Committee meetings.

Agenda Item 2 – Public Comment. None.

Agenda Item 3 – Approval of Minutes. Mr. Pickering moved to approve the meeting minutes as presented. Mr. May seconded, unanimously approved.

Agenda Item 4 – Report, Discussion and Action, if any, on CARF 2014 Legislative Program. Mr. Korby reported that AB 1301 (Hall), a bill that will allow a non-profit association to run at a Fair in the Northern zone, and SB 777 (Hernandez), a bill to extend and/or reinstate the additional takeout provided for worker’s compensation, were both signed into law by the governor. Mr. Brown will provide a full report at the CARF Board of Director’s meeting.

Agenda Item 5 – Report, Discussion and Action, if any, on Memorandum of Understanding Regarding Reimbursement of Racing Expenses Paid by CARF on Behalf of Member Fairs. Mr. Korby reported that during the March Live Racing Committee meeting, CARF staff requested that the San Joaquin County Fair and Humboldt County Fair sign a memorandum of understanding, similar to the document signed by the San Joaquin County Fair in 2013, which would give the agency assurance that monies extended on behalf of the Fairs to conduct racing will be reimbursed in the

event that the revenues generated from racing do not cover expenses. After discussing the matter at length, the Live Racing Committee voted unanimously to require all CARF-member racing Fairs to sign a memorandum of understanding (MOU) pledging payment of monies owed CARF for advancing funds to pay costs associated with running a race meet.

Mr. Korby stated that the Big Fresno has signed and returned the MOU to CARF. The San Joaquin County Fair has pledged to return a signed MOU as soon as the new Fair Manager presents the document to his Board of Directors. CARF staff is seeking assurance that the Humboldt County Fair will sign the MOU and return it to CARF in a timely manner.

Mr. Conway stated that Humboldt County Fair has every intention of signing the MOU but is waiting for an explanation of increases in 2013 CARF expenses and a proposal of 2014 CARF expenses. Mr. Korby responded that CARF staff will prepare a pro forma for Humboldt County Fair. Mr. Conway stated that his finance committee still has questions about some of the 2013 racing expenses. Mr. Conway stated that Mr. Korby informed him that expenses would increase again in 2014 due to the three-year transition plan necessitated by the elimination of CDFFA funds. Mr. Conway said that his finance committee needs to know what those increases will be to better understand the full implications signing the MOU.

Mr. Korby stated that CARF expenses to Fairs will increase as part of a plan and budget approved by the CARF Live Racing Committee in May 2012 that created a three-year funding transition for those programs benefiting Fairs that were previously funded through CDFFA/F&E, such as the CARF Race Track Safety and Maintenance Program. Mr. Pickering offered additional background information regarding CARF's past role in securing funding for members through F&E and the management of those funds. Mr. Pickering explained that since F&E funding has been eliminated, expenses paid thru CARF by member Fairs seem to be increasing substantially on paper, but what is really occurring is a transition of expenses coming back to individual Fairs through CARF now that CDFFA funds are no longer available. Mr. Pickering stated that the situation is similar to the policy increases Fairs are seeing when buying property insurance through CFSA.

Mr. Swartzlander requested that Mr. Conway send him Humboldt County Fair's racing expenses so he could look for and avoid duplicate expenses. Mr. Swartzlander stated that he completed a similar review for San Joaquin County Fair and Alameda County Fair with success. Mr. Alkire stated that CARF staff will have a pro forma to Humboldt County Fair within a week.

Mr. Korby stated that in order to protect the CARF consolidated purse program, keep racing at the highest quality possible and run within responsible financial parameters, CARF staff is recommending that Humboldt County Fair adopt a three-day per week racing schedule resulting in six days of racing. Mr. Conway stated that the Humboldt County Fair Board of Director's is seriously considering dropping the first Wednesday and running a 7-day meet and might be open to a 6-day meet, but discussion are ongoing. Mr. Korby stated that Humboldt County Fair should weigh into its

decision that the CARF recommendation is for 6 days and that racing outside of that recommendation will not be supported by the CARF Consolidated Purse Fund.

Mr. Alkire recommended that Mr. Conway approach the community about supporting a seventh day of racing if he and the Humboldt County Fair Board feel confident that it will be essential to making the fair successful. Mr. Alkire stated that CARF is not dictating how many days of racing a fair can run, but that CARF staff and the Live Racing Committee do have a responsibility to decide how many days can be supported by the CARF Consolidated Purse Program for the health of the entire circuit.

Mr. Pickering moved to require all live racing fairs to sign a memorandum of understanding (MOU) pledging payment of monies owed CARF for advancing funds to pay costs associated with running a race meet. Mr. May seconded, unanimously approved. Mr. Pickering stated the Cal Expo intends to sign the MOU by the next CARF meeting, but may have a timing issue due to the cancellation of Cal Expo's April Board of Director's meeting.

Agenda Item 6 – Discussion and Action, if any, on Planning for 2014 Fair Racing Circuit.

Mr. Swartzlander reported that the 2014 Fair racing schedule is close to being finalized and that due to Del Mar's schedule, the California State Fair will race seven days starting on Friday, July 10. Mr. Swartzlander reported that all contracts are current with the exception of Disher Accountancy.

Agenda Item 7 – Report, Discussion and Action, if any, on Horsemen's Agreements and Purse Schedules. Mr. Korby reported that an overview of the purse schedule that will be proposed to the Thoroughbred Owners of California (TOC) has been circulated and the emerging breed agreements have been signed.

Mr. Swartzlander circulated the proposed 2014 stakes and purse schedules. Mr. Swartzlander reported that the CARF consolidated purse fund overpaid \$111,000 in 2013. In an attempt to avoid an overpayment situation in 2014, CARF staff is proposing the following changes to the purse schedule: reduced overnight purses by \$120,000, utilize \$150,000 contribution from Oak Tree Racing Association on conditioned allowances races at Pleasanton to attract stakes caliber horses and add \$80,000 from the California Thoroughbred Breeders' Association (CTBA) to the existing stakes schedule. Mr. Korby reported that he believes this proposal strikes a balance of offering an attractive racing program to horsemen while managing financial risk.

Mr. Pickering requested the total purses paid by CARF member Fairs in 2013. Mr. Swartzlander replied that \$4.14 million was paid out in purses. Mr. Pickering noted that the resulting overpayment in 2013 represented roughly 2% of the purses paid.

Mr. May asked why the proposed schedule moved a stakes race from Stockton to Fresno when Stockton experienced a significant underpayment in 2013. Mr. Swartzlander explained that the

benefit of the consolidated purse fund is that a Fair by itself can lose large amounts of money with one bad day of purse generation. In the case of an underpayment, the money does not belong to the Fair and horsemen's organizations will push for a retro distribution. Mr. Doutrich explained that the stakes race was moved to Fresno because trainers weren't sending their stakes level horses to Stockton and Fresno has a better chance of attracting runner from Los Angeles. Mr. Doutrich stated that he planned to write more allowances races for Stockton which he projected would better benefit the overall program as well as commissions.

Agenda Item 8 – Discussion and Action, if any, on Specific Racing Days per Week at Fairs in 2014. No further discussion.

Agenda Item 9 – Report, Discussion and Action, if any, on CARF Consolidated Purse Account. Mr. Korby requested that the Live Racing Committee adopt a resolution that the CARF Consolidated Purse Program for 2014 includes six days of racing at the Humboldt County Fair. Mr. Pickering asked if Humboldt County Fair would be responsible for purses paid on dates run outside of the six day recommendation. Mr. Korby stated that it would be too difficult to determine the exact financial impact since the horse population would be spread over additional dates and there would be a loss of simulcast-only racing revenue, so if Humboldt County Fair decides not to accept the CARF recommendation, they should take responsibility for the entire purse program.

Mr. Pickering moved to accept the recommendation from staff that Humboldt County Fair race six days in order to remain a participant in the CARF Consolidated Purse Program, but directed staff to meet with Mr. Conway to determine if a seventh day of racing could meet parameters deemed acceptable to sufficiently manage the risk of the program. If a seventh day is deemed acceptable, Mr. Alkire will confirm the new staff recommendation. Mr. Conway seconded, unanimously approved.

Agenda Item 10 – Report, Discussion and Action, if any, on Racing Days for 2014, 2015 and Beyond. Mr. Korby reported that the California Horse Racing Board (CHRB) granted three weeks of racing to California State Fair in 2015.

Agenda Item 11 – Report and Discussion of Recruitment Program and Recruitment Report. Mr. Korby reported that the final draft of the 2013 CARF Recruitment Program Report is included in the meeting packets. Mr. Korby stated that the report format is new this year because the program changed in scope and now includes elements of recruitment, retention in the form of a trainers' incentive program and recognition in the form of the CARF VIP Horsemen Program.

Agenda Item 12 – Executive Director's Report. Mr. Korby reported that trainer Steve Asmussen was the target of a four-month probe by a female investigator working undercover for the People for the Ethical Treatment of Animals (PETA). The woman, hired as a hot walker in

Asmussen's barns, secretly videotaped more than seven hours at Asmussen's barns at Churchill Downs and at Saratoga Race Course. Mr. Korby stated the importance of communicating to the public the amount of care that horses receive on the backside and that people who violate the rules will not be tolerated.

Mr. Korby reported that SCOTW, Inc. has undergone a restructuring and as part of that process George Haines has been named General Manager of the organization.

Respectfully submitted,
Heather Haviland