

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee

Tuesday, March 6, 2012

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, March 6, 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, Rick Pickering and Tawny Tesconi. Joining by conference call: Janet Covello, Mike Paluszak and Stuart Titus.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Tom Doutrich, Amelia White, Rebecca Desmond, Richard Lewis and Dave Elliott. Joining by conference call: Kate Phariss, Chris Carpenter, Cindy Olsen and John Burger.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held Tuesday, April 3, 2012 in Sacramento.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program 2012 and Beyond. Item deferred to CARF Board of Director’s Meeting at 12:00 P.M.

Agenda Item 4 – Report on CMC Report to CHRB. Item deferred to CARF Board of Director’s Meeting at 12:00 P.M.

Agenda Item 5 – Report, Discussion, and Action, on Status of Horsemen’s Agreements and 2012 Purses. Mr. Swartzlander reported on the status of the 2012 Horsemen’s Agreements. The Quarter Horse and Mule agreements are awaiting signature. The Arabian Racing Association of California (ARAC) officers are meeting today to discuss the agreement. The Thoroughbred Owners of California (TOC) and California Thoroughbred Trainers (CTT) agreement discussions are ongoing and moving forward smoothly. Mr. Swartzlander expects that all agreements will be signed prior to the CHRB hearing for Pleasanton’s racing license.

Mr. Korby reported that components of the TOC agreement including a cover letter, proposed consolidated purse schedule, proposed 2012 stakes schedule, proposed 2012 stakes schedule compared to 2011 and 2012 Thoroughbred purse projections. A copy of these items are included in the meeting packet.

Mr. Swartzlander reported that the proposal includes increasing the total purses paid for overnight races for all Fairs (except Ferndale) by \$241,000 and increasing Stakes races by \$40,000.

In these agreements, CARF reserves the right to reduce purses based on actual purse generation throughout the course of the summer meets in order to protect CARF and racing Fairs. CARF will reduce the starter bonus for Thoroughbreds and Emerging Breeders to \$50 and the Out-of-State Recruitment Program will be expanded to include Golden Gate Fields. CARF, with input from NCOTWinc. staff, has used a 3% decline in California handle and a 6% decline in out-of-state handle to calculate purse projections.

Mr. Doutrich reported that in 2010 CARF staff began brainstorming ways to enable the Fairs not only to survive a future without supplemental purse funding, but to actually improve the overall racing program. At the time, staff felt that Fairs could strengthen their overall position by focusing on three factors; 1) Strategically improving the Stakes Schedule, 2) Increasing overnight purses from the bottom up, and 3) Pushing purses for allowance races to record levels.

In 2011, the Fair racing program focused on strengthening the stakes schedule. This improvement, coupled with careful management of the consolidated purse program, put Fairs in an excellent position to increase overnight purses in 2012 by \$241,000. The proposed 2012 program will offer horsemen that run on Fairs a better stakes schedule and a higher purse structure than Golden Gate Fields.

Mr. Doutrich stated that he sent Mr. Elliott a revised purse schedule to address some of the concerns Cal Expo expressed about maintaining the "gap" in purses that provides the facility necessary leverage to attract horses from the Bay Area to the Sacramento valley for a 9-day meet. Mr. Elliott stated that he would review the revised purse schedule with Mr. Bartosik and respond to Mr. Doutrich and Mr. Swartzlander.

Mr. Korby stated that the program presented in the meeting packet builds on the successes of 2011, including the selected reduction of racing dates and offering a balanced purse program and strong stakes schedule. The proposed 2012 program is solvent, ensures that risk is carefully managed and is attractive enough to entice horsemen to bring horses to Northern California.

Ms. Tesconi and Mr. Lewis joined the meeting.

There was discussion about language in the TOC contract that would require Fairs to run certain specified stakes races with four entries.

Mr. Doutrich stated that CARF should work with the TOC to develop language that is realistic and offers some protection to Fairs. On the positive side, \$75,000 stakes races will give Fairs a chance to keep precocious 2-years olds in the Northern California system (instead of losing them to Del Mar). Those races also encourage the breeding and purchasing of young horses, which will pay dividends every year as those horses age through the system.

Mr. Titus thanked Mr. Doutrich and Mr. Swartzlander for the time and effort they put into developing the proposed 2012 program. Mr. Titus asked why the out-of-state horses running at Ferndale receive a smaller payment than those running at other Fairs. Mr. Swartzlander responded that the current payment schedule has been in place for 3 years and reflects the trend of Oregon horses shipping to Ferndale, running twice and then leaving the Northern California system. With the current recruitment payouts, those horses are still rewarded, but not at the level of horses that would stay in the system and run again in California at Stockton or Fresno.

Mr. Titus stated that Humboldt County Fair would like to retain the option to run Wednesdays. Mr. Korby stated that this agenda item and related actions pertains to the purse program and that four-day weeks will be discussed in a later agenda item.

Mr. Pickering moved to approve the stakes schedule and purse program as presented by staff, subject to finalizing overnight purse adjustments with Cal Expo and negotiating TOC language regarding the minimum number of runners required to run a guaranteed stakes races. Mr. Bartosik seconded, unanimously approved.

Agenda Item 6 – Report, Discussion and Action, if any, on Planning for the 2012 Fair Racing Circuit. Mr. Korby reported that this item was placed on the agenda for open discussion regarding items pertaining to planning logistics and services that CARF conducts on behalf of member Fairs.

Ms. Tesconi stated that since project funds are no longer flowing from F&E to CARF, there is an assumption that Fairs will be on the hook for expenses related to Race Track Safety and Maintenance. Ms. Tesconi requested that Fairs be provided with an accounting of that program so that the Live Racing Committee can determine what is left in the account and what the financial burden might be to Fairs in the future. Mr. Korby responded that staff will work to develop a plan that will create a financial transition over the next couple of years.

Mr. Swartzlander reported that he has assumed Stacey Lapham's responsibilities for telecommunications at Fairs during live racing. He will be contacting each Fair directly to determine a telecommunications contact for each Fair and to review current needs. Ms. Haviland will be assuming responsibility for the daily program.

Mr. Swartzlander reported that he has obtained a verbal commitment for a 3-year contract for program printing and delivery at the 2011 price.

Mr. Bartosik gave Mr. Korby a list of modified services performed by CARF showing certain services performed by Cal Expo. Mr. Bartosik stated that he encourages each Fair to do the same.

Agenda Item 7 – Report on Status of CHRB Racing License Applications and 2012 Racing License Application Timeline. Mr. Swartzlander reported that the Pleasanton CHRB license

application is complete and is due to the CHRB March 17, 2012. Cal Expo and Santa Rosa are pending.

Agenda Item 8 – Report, Discussion and Action, if any, on Racing Four Days Per Week at Fairs in 2012. Mr. Korby reiterated CARF's position recommending that Fairs race four days a week for their 2012 meetings, with an exception for those weeks around major holidays. Specifically, CARF is recommending that Fairs not run on Wednesdays.

Mr. Korby stated that the diminishing horse population in Northern California makes it more and more difficult to offer an attractive and competitive racing product when running more than four days a week. A diminished racing product is especially harmful to out-of-state players and outlets that have access to other racing signals, especially those on the East Coast which traditionally have full fields and competitive races on the weekends. Running more than four days a week increases the risk of purse overpayments in the CARF Consolidated Purse Account. The liability of such a purse overpayment falls to the Fairs and often necessitates purse reductions, which cost Fairs money from commissions and lessens the attractiveness of the Fairs racing program.

Mr. Korby stated that consolidation into four-day weeks makes those four remaining days better. Fields size and handle will be stronger. Wednesday as simulcast-only days add to purses and commissions without the expenses and liabilities of conducting live racing. Moreover, Fairs that ran fewer days in 2011 showed increases. Based on staff projections, racing four day weeks in 2012 will set Fairs on a course to keep the Consolidated Purse Account solvent for the next three years.

Mr. Elliott asked Mr. Doutrich how many Thoroughbred races he is planning on running each day. Mr. Doutrich responded that 8/2 on weekdays and 9/3 on weekends would be the maximum if the horse populations will support it.

Mr. Korby stated that CARF needs to know now if a Fair intends to race more than four days a week.

Ms. Tesconi stated that Santa Rosa plans to run five-day weeks and that Del Mar is sending a letter of support requesting that Santa Rosa run concurrently when Del Mar is the Southern California signal. Ms. Tesconi stated that at Santa Rosa, some Thursdays generated bigger overpayments than Wednesdays. Ms. Tesconi stated that she and her Board need to know what formula will be used to determine the overpayment a Fairs might be responsible for if a decision is made to run on Wednesdays.

Ms. Tesconi stated some of the attributes that are unique to Santa Rosa (large live attendance, cooler evenings, turf racing, etc.) would lend the Fair management to prefer running fewer races per day versus fewer days per week.

Mr. Doutrich explained that sometimes you see higher overpayments on a Thursday because there are some categories of horses that are expensive and light, but those horses have to run to

support the entire population. Those races will be run on a Thursday to keep the weekend as strong as possible. It's easy to say that we will cut type of races that generate overpayments, but the reality is that to support the entire horse population we need to take advantage of simulcast-only days and build up the remaining Fridays-Sundays. Stretching a thin horse population over more days, by running fewer races each day, generates a product that looks weak to both bettors and horsemen.

Mr. Bartosik asked what Del Mar is willing to offer Santa Rosa to run concurrently with them. Mr. Bartosik also stated that a Fair should not be penalized for making a decision to accommodate nuances that are unique to a specific Fair.

Mr. Alkire stated that there will not be penalties given to Fairs for making a decision to run. That being said, the collective needs to be kept whole. If the group agrees to a consolidated purse structure that allows the group to offer a strong purse program, that program needs to be kept whole. If a Fair makes decisions that are outside of the parameters of the program, the Fair can make a business decision to run and incur a cost of doing business for that decision.

Mr. Pickering encouraged Ms. Tesconi to frame the situation to her Fair Board as that CARF is offering Santa Rosa a purse "supplement" of \$180,000 and not a "penalty" of Wednesday overpayments. Before the Consolidated Purse Program, Santa Rosa would be liable for the entire purse overpayment generated during the Fair (estimated as \$180,000 for 2012). In that situation, Santa Rosa would have to reduce their purse program by \$180,000 to try to balance the purse account.

Mr. Titus stated that Humboldt County Fair would like to keep their second Wednesday open as an option depending on the horse population.

Mr. Pickering moved that CARF adopt the position that all live racing Fairs race 4 day weeks for their 2012 meetings, except on those weeks around major holidays. No second, motion fails.

Mr. Bartosik recommended Fairs that have concerns can come back to the Committee with a business plan of what they are willing to do.

Mr. Korby closed by stating that CARF staff has worked diligently to come up with a completely impartial purse program that is the strongest possible program the Fairs can offer and a program that is sustainable for multiple years.

Agenda Item 9 – Report, Discussion and Action, if any, on 2011 CARF Recruitment Program and Planning for Recruitment in 2012. Mr. Swartzlander reported that he and Mr. Doutrich will be visiting Oregon this weekend. Mr. Korby reported that David Jerkins from Golden Gate Fields and Richard Scheidt from TOC will be joining CARF's recruiting efforts in Arizona.

Agenda Item 10 – Executive Director's Report. Mr. Korby reported that CARF will begin building what staff is calling a Horsemen's VIP program to create consistency between Fairs and

welcome horsemen to our facilities. Mr. Pickering asked that any evaluations conducted by CARF be discussed with Fair Managers in a timely manner.

Respectfully submitted,
Heather Haviland