

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee
Thursday, August 24, 2009

Minutes

A teleconference meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:30 A.M., Thursday, August 24, 2009. The meeting was conducted at the CARF Conference Room located at 1776 Tribute Road, Suite 205, Sacramento, California, 95815.

Live Racing Committee Members joining by conference call: John Alkire, Norb Bartosik, Chris Carpenter, Debbie Cook, Mike Paluszak, Rick Pickering, Tawny Tesconi and Stuart Titus.

Staff and Guests attending: Margot Wilson. Joining by conference call: Chris Korby, Louie Brown and Dave Elliott.

Agenda Item 1 – Discussion and Action, if any, on Racing Dates 2010 and Beyond.

John Alkire brought three documents to the Group's attention, noted as Drafts "A", "B" and "C", which Mr. Korby drew up pursuant to the Group's request during the August 6th meeting. Mr. Korby stated that he put into those drafts most of the scenarios that he heard discussed during their last meeting as well as other discussions. Mr. Korby noted that none of the drafts are exclusive of the others; he only wanted to represent most of the different scenarios the Group talked about. Beginning with the very significant change made at the last meeting by Cal Expo of moving the Cal Expo dates into July and because so many things flow from that change Mr. Korby suggested that this discussion resume from that point. Mr. Bartosik reiterated where Cal Expo would like to be which is, they would like to move into the middle of July and follow Pleasanton and be right after the Pleasanton dates start. That being said, Mr. Bartosik stated that he realizes that this might 'upset the apple cart' however the State Fair is going to run three weeks, so if they have to overlap Sonoma on fair dates that will be different from race dates; Cal Expo will follow the race dates schedule and make that work. Mr. Bartosik commented that he saw that it would be ten days on all three scenarios and they didn't want it to be cut any less than that to make that work and for the Group to understand that this is just for one year trying to make the shift work. Mr. Bartosik asked the Group if anyone had any objections in Cal Expo being where they would like to go. Mr. Korby commented that, in referring to the last meeting, he didn't hear anyone objecting to that prospect but he did hear a couple of people say that those dates should be run as part of a combined Fair meet if Cal Expo drops into that new slot. Mr. Bartosik commented that he did not understand the logic for that as Cal Expo has always run a "stand-alone" meet; they are willing to go into the date schedule that CARF puts forward and stand by those but why are we talking about a combined Fair meet since they're only talking about ten days. If Cal Expo gets an expanded period of time, they would be happy to talk about that. Mr. Korby responded by saying that it keeps that block of dates as part of a single combined meet through the course of the summer – it doesn't have to mean anything more than that at this point. Mr. Bartosik asked what that meant for Cal Expo; they were part of the block of dates this year and they weren't part of the combined meet. Mr. Korby said the difference is it opens the door for flexibility; it doesn't have to mean any financial difference; it would allow the Fair to combine purses and share revenues, if that is what the Group wanted to do. Mr. Bartosik said that Cal Expo would be willing to talk about anything the members wanted to talk about as

long as everyone's participating and it doesn't take away from anything that Cal Expo is doing or has done on its own; he's all for a combined meeting program but there's got to be lots of talking to make it work. If there's a benefit in it for Cal Expo and a benefit in it for the membership as well, Cal Expo's all for it; if there's no benefit other than to say it's part of the date schedule, Cal Expo is happy to do that, but Mr. Bartosik needs to know everything that that means. Mr. Titus said that regarding the two proposals that have Cal Expo in the middle of July, each of those schedules also suggest an additional five days going to Santa Rosa that would overlap with Humboldt's first week and, as Mr. Titus stated last meeting, that's very problematic for them. Mr. Pickering asked Mr. Titus to clarify which Draft he saw the additional five days going to Santa Rosa; Mr. Titus said Drafts "B" and "C" and continued by saying that all three of the calendars suggest eight days of racing at Humboldt with the second Thursday being dark and they would like to reserve the right of at least considering nine days next year in the event they are in the position of bringing back that opening day. Mr. Korby said that it could be easily modified. Ms. Cook noted that Stockton is down for six days but that is not 'etched in stone' as far as her Board is concerned, or her for that matter. Mr. Pickering inquired as to when that decision was going to be made. Ms. Cook responded by saying she has a board meeting on September 9 and two days after that they have strategic planning meeting and that is where she suspects the decision making will take place; Ms. Cook doesn't know if that will be an agenda item, because that is not the intent of that meeting exactly, but she hasn't spoken with Becky Bailey-Findley who's facilitating their strategic planning. The decision about a one week versus two weeks fair is pending as well. In speaking with her new board president, Stockton is not 100% against five days but it hasn't been brought up to the board to be discussed yet. Ms. Cook continued by saying the Fair will mirror the racing as was promised to the CHRB when they heard their license in June. Mr. Korby stated that the desire from the perspective of the racing industry is the CR Group come with something as soon as possible.

Mr. Paluszak asked the Group that in each of these unseen parts at GGF/Pleasanton and CARF at Pleasanton, is that a new part of the equation – have some of those dates previously been run at GGF proposed to be run at Pleasanton? Mr. Korby responded by saying that's a possibility; as a result of San Mateo's action GGF is telling CARF that it may not be available for their use next year. This is the first time GGF has been running in the summer and this is consistent with the long-term direction that the Industry desires that the Fairs move more dates to Pleasanton. One of the reasons that hasn't happened yet is everyone is desirous of having a turf course there and we haven't had the money to do that, as of yet. But if GGF is not available in this time slot next year, then Pleasanton and/or Santa Rosa would be alternatives. Mr. Pickering said that 2009 is the first time in eleven seasons that there has been racing at GGF in the summertime and much of that was because of Bay Meadows closing down and now that we're providing a CARF meet at GGF, the wrinkle is the way and the tone that San Mateo Fair took on the mini-satellites discussion. Magna is apparently telling GGF that they may not be willing to run a CARF meet next summer (those blocks of time that fall between Santa Rosa and Fresno) there to benefit the Fairs; Mr. Korby concurred. Mr. Korby continued that as the planning continues and he's had very preliminary discussions with GGF about the calendar, Robert Hartman said don't count on GGF with CARF for that slot. Mr. Korby mentioned that he heard the TOC (Tom Bachman) is talking about an Oak Tree type meet in Northern California, which he is proposing might drop into one of these summer slots – probably at GGF, perhaps Santa Rosa, but he wasn't real clear about it; when that discussion has come up Mr. Korby has reminded Mr. Bachman that CARF would not support anything that moved Fresno.

The Group discussed the 2009 summer schedule, things that have happened, and comments on the CARF meeting at GGF. By-and-large, the summer meets have been satisfactory, given the overall trends nationally with pari-mutuel wagering down very significantly, we in Northern California at the Fairs have done better than that. We've been blessed by a good horse population of available runners so that's meant a pretty good pool of available runners to draw from and it's been reflected in the field sizes.

Mr. Pickering directed the discussion back to racing dates. The three main components are as follows: Stockton, who needs to determine if they are going to be one week or two week fair, regardless of the number of days for the fair, how many days of racing are they going to want to run; Cal Expo would like to move into Vallejo's slot (Mr. Bartosik said all of this hinges on racing dates and their board will not take any action until their next board meeting, October 8 and 9, during their retreat.); and whether GGF will allow a meet to take place there to benefit the Fairs in 2010 and, by its nature, whether that includes Pleasanton and/or Santa Rosa including both the August and the September dates. Mr. Pickering asked if GGF would not try to capture those race dates as their race dates in the summer; Mr. Korby responded by saying that that's not ruled out, however, the more likely prospect would be that the horsemen would step up with some new entity and make a play for those dates that way. Mr. Pickering offered that if the Fairs don't come forward with a legitimate fall-back plan to run those dates on the Fair circuit without GGF it makes it easier for them to make a play for those dates.

Mr. Titus pointed out that two of the scenarios show Stockton being reduced to one week of racing and all of the scenarios don't include Vallejo so the Group needs to discuss how Stockton and Vallejo are going to be compensated. Mr. Titus continued by saying we've talked about fair dates without racing moving to either the first week, which would have been Cal Expo racing dates, or the second week ending on Labor Day; both of those are acceptable to him just so they don't overlap a neighboring fair but he still has a big concern with respect to compensation as Stockton does as well. Ms. Cook agreed and said that she would like to get a copy of the contract between Vallejo and Pleasanton so that she has something that would give her board a good example of what is possible and the kinds of issues that come up in negotiating a contract like that. Mr. Pickering and Mr. Paluszak consented to the request and Mr. Korby agreed to forward her a copy of that contract. Mr. Bartosik asked Mr. Paluszak if he had considered what compensation he was looking at and where that compensation would come from. Mr. Paluszak responded that as the numbers with respect for the one week run at Pleasanton are now just beginning to 'shake out' it would be a little premature to say on this year what we would be looking at in terms of where it would come from – that would largely depend on what the proposed calendar will look like and where those two weeks of racing end up, whether one goes to Pleasanton or Santa Rosa or whatever. Mr. Paluszak continued by saying that this is all the more reason to keep that block of dates among the Fairs and that all of the Fairs need to participate in that combined meet; that gives us a lot more flexibility to discuss those people who are departing or, as in Stockton's case, being shortened, as part of the equation of how that compensation will work. (Ms. Tesconi joins the meeting at 12:00 p.m.) Mr. Korby agreed that it also makes it easier to move the locations around as we're proposing to do with Cal Expo.

Mr. Pickering proposed a motion to protect the summer block of dates to be run at Fairs beginning Wednesday, June 16, through Sunday, October 17. Mr. Elliott posed the question of whether or not we should lock ourselves into June 16 because the week of June 9th may be in play for Stockton at some point. The Group briefly discussed that possibility. Mr. Korby felt that if we were going to be seen as responsible in how we're handling the dates that we've established, mid-June through mid-October, and we don't have answers for those dates yet, then asking for more is not the direction to take. Mr. Korby continued by saying that giving up any week in June will be a big deal for GGF and the TOC because they regard the June dates as absolutely premium dates, largely because of the weather; those organizations are comfortable with the overall blocking of the calendar from mid-June through mid-October as Fair dates and would be uncomfortable if the Fairs tried to go a week earlier. The Fairs have come so far in establishing this period of time in the calendar that we should do everything we can to present a calendar to the other interests in Northern California and to the Horse Racing Board that makes the best use of those dates we can. Mr. Elliott asked if there was a huge issue with the 2010 calendar ending on October 11 versus October 17, whereas the Fresno meet would essentially begin September 29. Mr. Alkire said that in looking at that shift, Fresno would have to look at the extended dates of LA County; if that overlaps Fresno with LA County that could pose a problem as they have a lot of concessionaires that go to Fresno from there. There are also the possibilities of other logistical issues from other non-racing fairs – Bakersfield, as an example.

Mr. Alkire restated the motion as put forth earlier by Mr. Pickering, to protect the summer block of dates to be run at Fairs beginning Wednesday, June 16, through Sunday, October 17, and called for a vote. Mr. Paluszak seconded. Approved by Mr. Alkire, Mr. Bartosik, Mr. Carpenter, Ms. Cook, Mr. Paluszak, Mr. Pickering, and Ms. Tesconi. Mr. Titus abstained, motion approved.

Mr. Korby spoke to Ms. Tesconi regarding the subject of dates by saying when he put the three drafts together he was trying to incorporate into different drafts the various scenarios he heard discussed so none of the drafts are mutually exclusive, they are all pieces that can be moved around the calendars as the Group sees fit. One of those scenarios that Mr. Korby wanted to point out was the possibility of a CARF operated meet at Santa Rosa in September but there was no action or recommendation taken on that today; it was just there as part of the overall discussion.

Agenda Item 2 – Discussion and action, if any, on Legislative Matters. Mr. Korby began the discussion by noting a couple of issues that had arisen since the Legislature has come back into session. San Mateo's action in opposing the application by GGF of two satellites in San Francisco has provoked a lot of emotional response from the racing industry and there was a strong momentum developing to run language in this last part of the session that would try to reduce the twenty mile protective radius around existing satellites. Calmer heads have prevailed and most people in the industry have recognized that this is an issue that we all have to sit down and take a little closer look at and see whether there is some solution that presents itself. Mr. Korby wanted the Group to know that there was a very strong response to the position San Mateo took but it looked like it was going to include some legislation that came forward in the last part of the session but he thinks that is probably not going to happen. However, that doesn't mean that the issue is going to go away. The Group is going to have to sit down (in our Group) and determine which direction we'd like to go and what, if anything, would make us willing to

talk about reducing or eliminating that twenty mile radius. One of the things Mr. Korby has thrown out in the course of conversations starting at the Alliance level is that we reactivate the discussion at CARF's desire to increase satellite conditions by an increase in take-out. Now that the decision has arisen with respect to the protective zone around satellites we may have some negotiating leverage to come back and look at that in satellite conditions again.

Mr. Brown agreed with Mr. Korby's assessment of the issue. It's been put on the back burner now because everyone realizes that running legislation at this time of the year on such a significant issue doesn't make any sense; but, something will happen the first part of next year so we need to be clear on what our position is going to be as 'CARF' and then move forward with that. If we know where the Alliance is then that gives us a place to work from.

Mr. Korby introduced the second legislative item, which he feels would be a good candidate for a successful effort in the Legislature; it's some language that would assist in solving the financial problems for NCOTWInc. Both NCOTWInc. and SCOTWInc. have experienced a shortfall in revenues against their operating expenses because the horsemen have refused to pay any more than their 2.5% distribution for expenses. And, as with so many of these special funds that are part of the distributions from traditional wagers, as handles moved from traditional wagering to ADW, the handle has declined which has meant that the overall contribution to those funds has also gone down. So, what has happened with GGF and Bay Meadows while they operated simulcasting over the last two or three years, is that they've gradually experienced a greater and greater shortfall as more handle moved away from traditional handle into ADW and with the horsemen refusing to contribute any more than their 2.5% that shortfall has gotten larger and larger. It's been covered by GGF and Bay Meadows up-to-a-point but it has now gotten to a point where they can no longer do that. The situation has been further complicated by the Magna bankruptcy. So, what those at NCOTWInc. have proposed is that the law be amended to allow up to 4% distributed to the NCOTWInc. simulcast expense fund; part of that will make up the shortfall and part of it will remain in place on an ongoing basis. That increase will probably have a three year sunset so that everybody will be assured that it is not a permanent increase in the distributions, it's temporary to take care of this specific situation; the details are still being worked out. This does not affect CARF; CARF is fine with NCOTWInc. CARF does have an interest though in NCOTWInc. continuing to be solvent so we need to be supportive of this bill. This bill has the support of GGF, the TOC, and, as of this morning, the support of the Alliance, and we need to be on board with this one. This is the only piece of significant legislation we should take a position on right now. Mr. Elliott requested clarification of the additional percentage that Magna and horsemen were willing to pay which Mr. Korby provided. With no further discussion, Mr. Korby requested the Group act formally to support this bill. Mr. Bartosik so moved. Mr. Pickering seconded, motion unanimously approved.

Agenda Item 3 – Executive Director's Report. Mr. Korby reported that things are looking good for the start at Cal Expo; there is a good purse program there and we're looking forward to a good meet with the next one on the calendar. Mr. Carpenter asked if the issue of the twenty mile radius legislation that has come up and CARF's position on that will be discussed at the next CARF Board meeting. Mr. Korby agreed that item will be discussed as it was a very timely and important issue. Mr. Brown said that it was pretty much the agreement on the call this morning that there will be no legislation this year; Mr. Carpenter concurred. Mr. Korby

responded by saying, rest assured, that issue will come back early in the session and we want to have a well developed position early on it so we can negotiate whatever we need to negotiate with the rest of the industry on; it would be very much in everyone's interest if we go to the legislature in an accord and all together, having agreed to something in advance.

The Group briefly discussed the date and venue of the next CARF Board of Directors meeting and the possibility of a concurrent Live Racing Committee meeting. Mr. Korby stated that the primary issue for the Live Racing Group is stakes and he didn't know if there was going to be much more resolution on any of these topics between now and next Tuesday, September 1. The Group's decision was not to conduct another Live Racing Committee meeting at that time.

At 12:30 p.m., with no further business before the committee, the teleconference meeting was adjourned.

Respectfully submitted,

Margot Wilson