



*a California joint powers agency*

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Sacramento, CA 95815  
Office: 916.927.7223 Fax: 916.263.3341  
[www.calfairs.com](http://www.calfairs.com)

**NOTICE  
CALIFORNIA AUTHORITY OF RACING FAIRS  
BOARD OF DIRECTORS MEETING  
JOE BARKETT, CHAIR  
6:00 P.M., TUESDAY, NOVEMBER 11, 2008  
VIA TELECONFERENCE**

Notice is hereby given that a teleconference meeting of the California Authority of Racing Fairs' Board of Directors will commence at 6:00 P.M., Tuesday, November 11, 2008. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

The Public and members of the California Authority of Racing Fairs Board of Directors may participate from the following locations:

Alameda County Fair  
4501 Pleasanton Ave.  
Pleasanton, CA 94566

Humboldt County Fair  
1250 5<sup>th</sup> Street  
Ferndale, CA 95536

Solano County Fair  
900 Fairgrounds Drive  
Vallejo, CA 94589

Antelope Valley Fair  
2551 W. Avenue H  
Lancaster, CA 93536

Monterey County Fair  
2004 Fairground Road  
Monterey, CA 93940

The Big Fresno Fair  
1121 S. Chance Avenue  
Fresno, CA 93702

San Joaquin Fair  
1658 S. Airport Way  
Stockton, CA 95206

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**AGENDA  
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**AGENDA**

- I. Determination of Date, Time, and Location of Next Meeting.
- II. Election of Board Officers.
- III. Report and Discussion Regarding 2008 and 2009 Legislative Session.
- IV. Discussion and action, if any, on a Combined Fair Race Meeting and Consolidation of Fair Racing Dates.
- V. Executive Director's Report.

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**CARF BOARD MEETING**  
**NOVEMBER 11, 1008**  
***ELECTION OF OFFICERS***

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Joe Barkett, who has ably served as CARF Board Chairman for several terms, will be stepping down from that position when he leaves the Solano County Fair to take on new duties at the Cow Palace.

This matter is on the Agenda so that the Board can take action to elect a new Chair.

We wish Mr. Barkett all the best in his new position.

Christopher Korby  
Executive Director

**CARF BOARD OF DIRECTORS  
LEGISLATIVE MATTERS**

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- Legislation providing for additional parimutuel take-out in Northern California to fund improvements to racing facilities at Fairgrounds
- Legislation providing for an increase in commissions to Satellite Wagering Facilities
- Other

**COMBINED FAIR HORSE RACING MEETING**  
*Considerations for Initial Implementation*

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***Objective***

Pursuant to the authorization in Ag Code Section 4058 and B&P Code Sections 19549.1 ff, CARF member Racing Fairs will implement a combined Fair racing meeting commencing with the summer Fair racing circuit in 2009. The considerations below developed from strategic planning meetings held by that group.

***Considerations for Proposed Implementation***

- A combined Fair racing meeting will be conducted at multiple Fair venues in the summer of 2009, based on the 2009 racing dates calendar approved by the California Horse Racing Board.
- CARF-member Racing Fairs will agree together to seek allocation of a block of summer dates that is dedicated to racing by and for the benefit of Fairs.
- CARF-member Racing Fairs agree that it is in their mutual interest to protect and defend Northern California Fair racing dates for Northern member Fairs.
- Each Fair wishing to participate in the combined Fair racing meeting will do so voluntarily and independently.
- Initially, each participating Fair will submit a license application to the CHRB as it has traditionally, noting that the application is for a two-week portion of a combined Fair meet.
- CARF will function as the entity authorized in Ag Code Section 4058, and apply for the license to conduct the meeting. (See Legislative Counsel opinion, attached.)
- CARF member Racing Fairs who choose not to participate in a combined meet will continue to enjoy benefits of CARF services and contracts.
- Each Fair will continue to receive normal parimutuel distributions through, as in prior years, when running in its traditional dates.

- Those Fairs participating will form a league to manage the combined meeting. Participating Fairs will maintain a charter representation in the league. In the event that racing dates are consolidated from one Fair into another, participating Fairs will retain a “grandfathered” representation in the league for a pre-determined length of time agreed to by a majority of participating Fairs.
- Once the group has formally decided to pursue this approach, CARF will begin working with CHRB on the formalities of licensure.
- CARF will manage the combined Fair racing meeting in a manner determined by a majority of those Fairs that elect to participate. CARF will manage the combined meeting as described in Ag Code Section 4058.
- In order to attract and retain qualified and experienced personnel, Racing Fairs agree that a single consolidated payroll for racing-related employees is a desirable objective. Certain classification and seniority matters may require clarification as part of the consolidation process; however, union agreements are already negotiated under the umbrella of the Federation and the Federation can be helpful working through these clarifications.
- The league may determine that some form of revenue-sharing is in the best interest of its members.

**COMBINED FAIR HORSE RACING MEETING**  
*Consolidation of Racing Dates*

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***Consolidation of Dates By and Amongst Fairs***

- CARF-member Racing Fairs acknowledge that racing revenues are important for the financial viability of each Fair that conducts live horse racing. Members agree that it is in their mutual interest to protect and defend the right of a member Fair to consolidate its dates with another Fair through CARF and to receive financial remuneration if it elects to do so.
- CARF-member Racing Fairs agree that consolidation of Fair racing dates will take place through CARF.
- If a Fair elects to join in the combined Fair meet and decides to consolidate its dates with another Fair or Fairs, CARF will act as holding company or guarantor for the financial distributions agreed to between or amongst the Fairs that are party to a consolidation agreement.
- Consolidated dates will be conducted as part of the combined Fair meet with financial distributions managed by CARF.
- Fairs who are parties to consolidation of dates will each enter into an agreement with CARF to guarantee and secure the terms of their consolidation agreement.
  - ***EXAMPLE: Solano County Fair elects to consolidate one week of racing dates with Alameda County Fair. Solano enters into an agreement with CARF for consolidation of one week as part of a combined Fair meet run at Alameda under terms and conditions agreed upon between Solano and Alameda. Separately, Alameda enters into a parallel and corresponding agreement with CARF describing the terms and conditions, including financial, under which it agrees to the conduct of one additional week of a combined Fair meet at its fairgrounds. The terms and conditions of the Alameda/CARF agreement must be sufficient for CARF to meet its obligations under the Solano/CARF agreement.***

**COMBINED FAIR HORSE RACING MEETING**  
*Benefits*

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- Strengthens Fairs' influence and control over a block of summer racing dates in Northern California.
- Allows Fairs to determine if, when and where Fair racing dates will be conducted during the summer block of dates. Allows flexibility and latitude as the racing landscape in California continues to evolve.
- "Insurance policy" to preserve a racing presence for Fairs that may be challenged during the 2009 license application process. Gives Fairs the flexibility to combine their traditional dates with other Fairs.
- Allows for a platform on which to begin revenue-sharing, should participating Fairs elect to pursue that concept.
- Strengthens negotiating leverage in negotiations with horsemen, in management of purses and in formulating summer stakes program.
- Strengthens consistent management of racing program. Allows employment of the most capable available racing personnel.
- Allows Fairs to negotiate more consistent labor agreements applicable to entire meeting.
- A meeting lasting longer than two weeks will allow significant carry-overs to develop in the Pick Six bet, a very popular wager.
- Strengthens and protects Fair racing in a time of transition and uncertainty.



**PROPOSAL**

**RE-STRUCTURING  
THE  
NORTHERN CALIFORNIA FAIRS  
SUMMER RACING PROGRAM  
IN 2009**

**CHRISTOPHER KORBY  
EXECUTIVE DIRECTOR  
CALIFORNIA AUTHORITY OF RACING FAIRS**

**SEPTEMBER 2009**

**RE-STRUCTURED NORTHERN CALIFORNIA FAIR RACING PROGRAM  
PROPOSED FOR 2009**

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***Program Goals***

- Strengthen Northern California Summer racing through a re-structured racing program which combines and consolidates 2009 Fair racing dates into a calendar featuring: 1) fewer racing dates; 2) more Turf racing; 3) better racing opportunities for all classifications of Thoroughbreds; and 4) carefully managed program for emerging breeds.
- Attract/retain owners, trainers and horses for NorCal racing June-October.
- Increase field size through 1) better management of runner inventory; 2) carefully structured purse/stakes schedule; and 3) reduced number of racing days (no Mondays; fewer dates in September).
- Distribute a competitive simulcast program to California, interstate and international markets.

***Program Objectives***

- Create a core racing program of combined Fair dates in the middle of the summer circuit, featuring Turf and higher-quality Thoroughbreds.
- Retain the better Northern California Thoroughbreds, including grass horses, in the region through the summer. Objective: Better horses running in bigger fields.
- Create opportunities in Northern California for SoCal Thoroughbreds (grass and dirt) seeking summer racing outside their normal home region.
- Manage the inventory of mid- to lower classifications of Thoroughbreds to keep a pool of runners available for better fields at Fairs outside Bay Area.
- Offer expanded program for two-year-olds involving minimal transports.
- Judiciously manage Supplemental Purses to accomplish Goals and Objectives above.

***Calendar Sequence of Fair Racing Dates***

- **Pleasanton:** three weeks; consolidating 1<sup>st</sup> week of Vallejo. No Mondays.
- **Santa Rosa:** three weeks; consolidating 2<sup>nd</sup> week of Vallejo. No Mondays.
- **Humboldt and CARF@GGF concurrent:** two weeks. Humboldt runs five days per week, featuring emerging breeds and lesser classifications of NorCal Thoroughbreds. Up to \$100,000 more supplemental purse money to Humboldt. A CARF-managed meet at GGF features grass races and better Thoroughbreds. No Mondays.
- **Cal Expo:** two weeks including Labor Day. No Mondays, except holiday.
- **Stockton:** racing for three, 3-day week-ends (Friday; Saturday; Sunday). Simulcast Host on Monday (optional); Tuesday (optional); Wednesday; Thursday. Captures Nor Cal simulcast and ADW revenue for three weeks.
- **Fresno:** two weeks including Columbus Day Holiday.

## **Benefits**

- An upgraded racing program in the heart of the summer will attract grass and dirt runners looking for advantage outside Del Mar / Southern Cal circuit in July/August.
- Attracting and retaining better horses from June through August will add to the pool of horses for better races at Pleasanton, Santa Rosa and Cal Expo. This will make available more and better runners for Stakes Races during the summer circuit. It will also allow less overall reliance on the mid- to lower classifications of Thoroughbreds, thereby reserving that pool of horses for Fairs outside the Bay Area.
- Two-year-old program helps California breeding and California racing.

## **SOME SPECIFICS**

- **Summer Program for Two-year-olds**

Bolster summer program for two-year-olds, with races scheduled so as to minimize transportation and moves. GGF currently has a large inventory of two-year-olds and is experiencing a tremendous demand for two-year-old races.

- **Consolidate Vallejo Dates at Pleasanton and Santa Rosa; Compensate Solano County Fair**

This program envisions that Vallejo racing dates would be consolidated with Pleasanton and Santa Rosa, one week each, as part of a combined, summer-long Fair meeting. Racing attendance at Vallejo has fallen and the Fair now runs one week. This consolidation would strengthen the summer Fair racing program and allow Vallejo a continuing financial benefit from the two weeks run in this calendar slot.

We are proposing that this consolidation arrangement would include an arrangement for payment to Solano County Fair of certain percentages of the revenues generated from simulcast and ADW handle during the two weeks which were previously run at Vallejo. Under this proposal, these weeks would run as a third week at Pleasanton and the first week at Santa Rosa. We propose that this payment be calculated from simulcast and ADW handle for the following reasons: 1) Simulcast and ADW contracts are already managed by CAREF, a third party, for all Northern racing Fairs; 2) the revenues and operating expenses are already audited, transparent and known to all parties; 3) the parties avoid time-consuming negotiations over on-track revenues and expenses, which are managed differently at each Fair due to variations in local circumstances and traditions. Payments to Solano County Fair would be structured so as to afford financial support for its Fair operations over several years. Payments would decline over the longer term.

- **Humboldt County Fair Will Race Concurrently with a Fair Meeting at Golden Gate Fields; CARF Manages both Racing Programs; Humboldt Compensated, Receives Additional Supplemental Purse Allocation**

Traditionally, mid-August Fair dates have been conducted concurrently at Humboldt and at San Mateo (Bay Meadows). In 2008, Humboldt handled \$3.5 million and San Mateo handled \$28.3 million in ten days of racing at each Fair. We are proposing that in 2009, as part of a multi-year transition plan, these Fair dates continue to run concurrently in this calendar slot. These two weeks would become part of a combined Fair meeting, with a restructured management approach: CARF manages the racing program for both Fairs. The intent of this proposal is 1) to preserve ten Fair racing days in top-flight urban market; 2) continue to generate significant revenues to purses and all other beneficiaries; and 3) offer five weeks of summer Turf racing in Northern California.

To that end, we are proposing that Fair dates be run concurrently at both GGF and Humboldt with CARF managing the racing program for both. CARF management will ensure that racing programs are complementary, not competitive. CARF at GGF will offer racing oriented toward 1) the higher classifications of Thoroughbreds; 2) grass races; and 3) two-year-olds. Humboldt's program will focus on emerging breeds and selected classifications of Thoroughbreds. As part of this proposal, CARF will allocate up to \$100,000 in Supplemental Purse funds to Humboldt, an amount sufficient to raise purses to 100% parity with regional Thoroughbred purses. In addition, CARF will supplement the existing .75% license fee transfer (approx \$80,000) to Humboldt, by an amount that will ensure total payment of not less than \$150,000 to Humboldt. This additional payment will come from commissions generated by CARF@GGF.

Commissions generated from CARF@GGF will be used to accelerate payment of debt service on the Satellite Wagering Facility at San Mateo Fair. Accelerated payment of the loans which financed this construction will recycle financing resources more quickly, making funds available sooner for other racing facility improvement projects. This will benefit all racing interests in Northern California.

Golden Gate Fields is amenable to this arrangement. Successful implementation will depend on a satisfactory arrangement between GGF and CARF. In such an arrangement, we envision the following specific acknowledgements:

- The arrangement is temporary;
- GGF has no interest in these dates on a longer-term basis without the consent of CARF;
- The financial arrangements are satisfactory;
- The rest of the racing calendar is satisfactory.

Re-iterating, we propose this as a temporary arrangement as part of a multi-year transition plan.

## BENEFITS TO FAIRS

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- *ALL RACING FAIRS*

This program strengthens racing during the summer in Northern California by creating structured and carefully managed racing opportunities that Fairs have not been able to offer in preceding years. This program will take advantage of having one Racing Secretary managing racing throughout the circuit and will best utilize the facilities available to us. Through this program, Fairs can offer five weeks of Turf racing and racing for better Thoroughbreds that will elevate the quality of summer racing in our region. Judicious use of the Supplemental Purse Fund will allow us to target specific classifications of horses with incentives that help achieve the Goals and Objectives of the program, while preserving the safety net and support for those Fairs that need it. The simulcast program offered to our satellite network will remain high-quality throughout the summer. This program will ensure maximum generation of purses, commissions and other associated distributions.

- *PLEASANTON*

Adoption of this program will consolidate three weeks of racing at high-quality Fair facility in a major urban market. Program management will focus on mid- to upper classifications of Thoroughbreds to keep better horses in Northern California and attract better horses from other regions, thereby strengthening summer racing circuit.

- *VALLEJO*

Solano County Fair continues to receive financial benefit from racing in the mid-July calendar slot. Vallejo no longer has the expense and challenge of operating two weeks of racing with declining attendance and handle during a one-week Fair.

- *SANTA ROSA*

Santa Rosa extends use of its Turf Course with three weeks of racing. Consolidates racing at a quality Fair facility. Program management will focus on Turf horses and mid- to upper classifications of Thoroughbreds to keep better horses in Northern California and attract horses, specifically grass runners, from other regions, thereby strengthening summer racing circuit. Adoption of this program would allow a longer Fair (perhaps an additional week-end) or other attraction operated in conjunction with additional week of racing

- *SAN MATEO*

San Mateo receives a financial payment from CARF @ GGF to accelerate payment of debt service on satellite wagering facility. Fair racing continues with a total of five weeks of Turf racing and the advantage of 1400 Thoroughbreds stabled at GGF. This component maintains a strong core to summer Fair racing program.

- **HUMBOLDT**

Humboldt can conduct racing with the confidence that it will have a strong, attractive program for Thoroughbreds and emerging breeds, supported by an increase in supplemental purses of up to \$100,000, making up to \$300,000 available in total. Humboldt could offer 100% parity with regional Thoroughbred purses. Humboldt gains also additional revenue and retains two weeks of racing, thereby continuing the tradition of racing and the two-weekend tourist attraction so important to Ferndale's local economy.

- **CAL EXPO**

CARF will manage the preceding racing meets in a manner that assures a pool of available horses to conduct an attractive racing program at Cal Expo. Attracting and retaining better Thoroughbreds in Northern California will enhance the quality of available runners for Cal Expo's stakes program.

- **STOCKTON**

Three, three-day week-ends of racing at Stockton in September is an important pilot of what may become the calendar of the future. Nine days of racing over three weeks, supplemented by simulcast and ADW revenues, look like the formula for a successful meeting.

- **FRESNO**

Fresno Fair will race in 2009 with no overlapping dates for the first time in recent memory. We recommend retaining an allocation of \$100,000 in Supplemental Purse Funds as a safety net until we establish predictable revenue levels generated by running solo.

### **Conclusion**

This program will strengthen Fair racing in Northern California by offering a structured schedule, carefully planned and managed so as to feature more Turf racing and better racing opportunities for all classifications of Thoroughbreds. It will offer a carefully managed program for emerging breeds. This program will maximize generation of purses, commissions and associated parimutuel revenues by making use of available facilities in the markets that best support Fair racing. It elevates the quality of summer racing. The simulcast program offered to our satellite network will remain high-quality throughout the summer. The program acknowledges the need for fewer racing dates and, by reducing dates, sets forth a prescription for bigger fields. By so doing, it strengthens Fair racing.

## JUNE OPTION

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In a modification to the proposed 2009 calendar, which presently shows a Spring and Fall block of dates to be run at Pleasanton, we propose that the Spring portion (mid-March to mid-April) be run in June as a forward extension of a combined Fair meeting. This extension would then transition into the traditional Pleasanton Fair dates, commencing in late June. In 2009, we propose that these dates be run at GGF, as Fair dates, with the racing program jointly managed by CARF. If these dates are run as Fair dates, we can apply the preferred parimutuel distributions allowed Fairs. This scenario would take advantage of the Turf course and the 1400 horses stabled at GGF.

# 2009 NORTHERN CALIFORNIA CALENDAR (As Agreed to by TOC, CTT, CARF AND GGF)

IV.

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
28	29	30	31		26	27
5						

GGF Fall-Winter	81
GGF Spring	75
<b>Total GGF</b>	<b>156</b>

Summer Fairs	55
Vallejo @ Location TBD	5
<b>Ferndale Concurrent</b>	<b>9</b>
Fairs at Golden Gate Fields	29
<b>Total Fairs</b>	<b>98</b>

January						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
20						

February						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
17						

March						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				
20						

April						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		
22						

May						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						
23						

June						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				
10						

July						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	
15						

August						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					
9						

September						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		
15						

October						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
13						

November						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					
17						

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					
8						

Stockton	9
Pleasanton	15

Santa Rosa	10
Ferndale	9

Sacramento	11
Fresno	10



**CHRB ADW COMMITTEE  
OPENING REMARKS  
OCTOBER 27, 2008**

**CHRISTOPHER KORBY, EXECUTIVE DIRECTOR  
CALIFORNIA AUTHORITY OF RACING FAIRS**

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Thank you for the opportunity to join in this discussion.

The ADW model is not working for California. The current ADW model has disturbed a long-standing equilibrium of parimutuel distributions, a balance which underpinned the economic vitality of racing for many years.

Until the advent of ADW, parimutuel distributions flowed to various interests in proportions that generally reflected the relative contribution or importance of those interests to the long-term vitality of California racing. Horsemen received purse distributions for competing; associations received commissions for providing the venue; the state received license fees in returning for granting and regulating the franchise to conduct racing. The schedule of distributions reflected a political and economic equilibrium of interests.

The Internet burst on the scene in the late '90's and on-line gambling began to establish itself as a reality. It appeared that this represented a new business opportunity for the racing industry that could promise additive, incremental growth. The California racing industry first agreed to and then supported a legislative package developed by ODS, the predecessor to TVG. This legislation created Advance Deposit Wagering as the racing industry effort to take parimutuel wagering on-line. As an off-set to the cost of developing the new technology and as an incentive to do, the legislative allowed for a disproportionate percentage of new ADW handle to flow to the ADW providers. Keep in mind that the opportunity was represented and understood to offer additive, incremental growth to California parimutuel revenues.

Since parimutuel distributions are basically zero-sum in nature, this disproportionate percentage carved out for ADW providers meant significant reductions, even elimination, of distributions to other traditional beneficiaries. The distributions that were reduced or eliminated included those to state license fees, to the Stabling and Vanning Funds and to simulcast expense distributions.

Over time the reality of ADW's impact on parimutuel handle and the consequent distributions has been quite different from that represented at its inception. Rather than being incrementally additive to our business, ADW handle has proven to be cannibalistic to an extent not envisioned initially. The cannibalistic migration of handle from traditional tote sources to ADW, and the consequent shift in parimutuel distributions, has thrown the racing industry's traditional economic balance into disequilibrium. Revenue flows to a number of important beneficiaries, including license fees to the state of California, Stabling & Vanning Funds and simulcast expense funds, have begun to experience serious shortfalls. At the same time, revenues to ADW providers have grown.

As I noted at the outset, our ADW model is not working. The premise that ADW handle would be incrementally additive, thereby justifying a disproportionately high distribution to fund its development, has proven incorrect. Instead, handle has migrated from traditional tote handle to ADW, precipitating an unsustainable and unjustified windfall for ADW providers and creating significant shortfalls and hardships for important sectors of the racing industry.

The time has come to restore balance to California's parimutuel model. I believe that a model more akin to that which governs our totalisator contracts would be a good starting point.

I offer the foregoing as background to our discussion today because I believe that discussions regarding exclusivity or non-exclusivity, while important, address only a peripheral symptom of the fundamental problem, not the problem itself. The fundamental problem is that the California racing industry has allowed one class of vendors, ADW providers, to unduly enrich themselves at the expense of important sectors of our industry. We are living with a classic case of the tail wagging the dog.

With respect to the issue under discussion today, exclusivity vs. non-exclusivity, we favor non-exclusive agreements. From the inception of ADW, CARF was the only racing entity in the state that has sought non-exclusive contracts with all licensed ADW providers. Although our agreement with TVG suffered as a result, we believe that we have benefited overall by this approach. At the same time, we would not wish to force our outlook or philosophy on a fellow track that believed it could reach a superior business arrangement through an exclusive agreement. While we remain skeptical that any exclusive agreements

are better than our "open market" approach, we don't believe that the Board should try to regulate best practices.

In short, we strongly favor non-exclusive agreements while not supporting regulations that require it.

In conclusion, we believe that the ADW model needs fundamental reform, a matter which our industry should address in the legislature. Our industry has allowed a class of vendors to exert a disproportionate level of influence on an important policy issue. The California racing industry needs to correct this political and economic imbalance.

Thank you for the opportunity to address this important matter.

CALIFORNIA HORSE RACING BOARD  
1010 HURLEY WAY, SUITE 300  
SACRAMENTO, CA 95825  
(916) 263-6000  
FAX (916) 263-6042

V.



## Advance Deposit Wagering Ad Hoc Committee Meeting

of the California Horse Racing Board will be held on Monday, October 27, 2008, commencing at 10:00 a.m., in the Executive Conference Room at the Hollywood Park Race Track, 1050 S. Prairie Avenue, Inglewood, California.

### Agenda

1. Opening remarks from Commissioner Israel.
2. Statements from California racing industry representatives on whether the CHRB could or should prohibit exclusivity in ADW. (Please limit comments to five minutes or less.)

#### RACING ASSOCIATIONS

- MEC (Santa Anita and Golden Gate Fields)
- Oak Tree Racing Association
- Del Mar Thoroughbred Club
- Hollywood Park
- California Authority of Racing Fairs (CARF)
- Fairplex Park
- Cal Expo

#### HORSEMEN'S ORGANIZATIONS

- Thoroughbred Owners of California (TOC)
- California Thoroughbred Trainers (CTT)

#### ADW Providers

- TVG
- TrackNet (XpressBet and TwinSpires)
- Youbet.com

#### OTHER PERSPECTIVES

- Jockeys' Guild
- Pari-Mutuel Employees Guild
- CHRIMS

3. Discussion: Topics to include ramifications of any non-exclusivity rule and how it could affect future licensing decisions, whether non-exclusivity in broadcasting should be considered, and how companies providing programming are going to be fairly compensated for their services.
4. Going forward: Set a schedule with deadlines directed toward pursuing a consensus of what, if any, action is needed from the CHRB. Consideration of forming a smaller working group tasked with delivering to the CHRB a recommended course of action (regulatory action, legislative action, or no action) by a date certain that will facilitate a conclusion in time for re-licensing.

Additional information regarding this meeting may be obtained from Mike Marten at the CHRB Office at Los Alamitos Race Course, 4961 E. Katella Avenue, Los Alamitos, CA, 90720; telephone (714) 820-2748; cell (714) 240-1870; fax (714) 821-6232.

#### **ADW AD HOC COMMITTEE**

California Horse Racing Board Commissioner David Israel, Committee Chairman  
Craig Fravel, Vice President, Del Mar Thoroughbred Club  
Jack Liebau, President, Hollywood Park  
Ron Charles, President, Santa Anita and Golden Gate Fields  
James Henwood, President, Fairplex  
Norb Bartosik, Chief Executive Officer, Cal Expo  
Sherwood Chillingworth, Executive Vice President, Oak Tree Racing Association  
Chris Korby, Executive Director, California Authority of Racing Fairs  
Drew Couto, President, Thoroughbred Owners of California  
David Nathanson, President, TVG  
Scott Daruty, Chief Executive Officer, TrackNet Media (XpressBet and TwinSpires)  
Michael Brodsky, President, YouBet.com  
James Correll, Secretary-Treasurer, Pari-Mutuel Employees Guild (SEIU)  
Ed Halpren, Executive Director, California Thoroughbred Trainers  
Darrell Haire, Western Regional Business Manager, Jockeys' Guild  
Barry Broad, Legislative Advocate, Jockeys' Guild  
Mark Thurman, Executive Director, CHRIMS  
Kirk Breed, Executive Director, California Horse Racing Board

**Equine Advisory Task Force**  
***Seated Committee***

	<b>Name</b>	<b>Representing</b>
1	<b>Mike Boitano</b>	Agricultural Commissioner Association (Amador)
2	<b>Sandy Arledge</b>	Quarter Horse Show and Breeding
3	<b>Dr. Jerry Black</b>	Equine Health
4	<b>Don Burt</b>	Horse Show Industry
5	<b>Bob Fox</b>	CA Thoroughbred Breeders Association
6	<b>Vince Genco</b>	Import/Export
7	<b>Ruth Gerson</b>	Recreational Industry
8	<b>Chris Korby</b>	Fair Racing
9	<b>Scoop Vessels</b>	General Horse Industry
10	<b>Johnny Zamrzla</b>	Rodeo
11	<b>Ross Jenkins</b>	Cattleman's Representative
12	<b>Dr. Greg Ferraro</b>	Thoroughbred Breeding and Racing

## MEETING OF THE EQUINE ADVISORY TASK FORCE

**Location:** CA Department of Food and Agriculture  
1220 'N' Street, Room 333  
Sacramento, CA 95814

**Contact:** Joshua Eddy, Executive Director  
**Office:** (916) 654-0462

### TASK FORCE MEETING OF NOVEMBER 10, 2008 AGENDA ITEMS

#### CONFERENCE CALL INFORMATION

Dial-in Number: 1-877-917-6908

Passcode: 29843

- | <u>Approx.<br/>Time</u> | <u>Item<br/>No.</u> |  |
|-------------------------|---------------------|--|
| 9:00 a.m.               | (1)                 | CALL TO ORDER  |
|                         | (2)                 | ROLL CALL  |
|                         | (3)                 | TASK FORCE OVERVIEW <ul style="list-style-type: none"> <li>▪ Introduction/Duties/Areas of Focus</li> <li>▪ Meeting Schedule</li> <li>▪ Election of Chair/ Task Force Terms</li> </ul>  |
| 9:30 a.m.               | (4)                 | COMMITTEE BUSINESS <ul style="list-style-type: none"> <li>Update/Discussion on Equine Statistics               <ul style="list-style-type: none"> <li>▪ Kelly Krug, Director of Marketing Services, CDFA</li> </ul> </li> <li>Update/Discussion on Williamson Act               <ul style="list-style-type: none"> <li>▪ Linda Berg Gándara, Chief Counsel, CDFA</li> </ul> </li> <li>Update/Discussion on Equine Health Issues               <ul style="list-style-type: none"> <li>▪ Dr. Katie Flynn, Animal Health, CDFA</li> </ul> </li> </ul> |
| 11:00 a.m.              | (5)                 | GENERAL DISCUSSION AND TASK FORCE ACTIONS  |
| 11:30 a.m.              | (6)                 | CLOSING COMMENTS AND ADJOURNMENT   |

CALIFORNIA STATE BOARD OF FOOD AND AGRICULTURE  
EQUINE ADVISORY TASK FORCE

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SUGGESTIONS ON INITIAL POLICY ASSESSMENT AND REVIEW

*Prospective Tasks*

*DRAFT*

- Review of **current policies**, including review of equine policies adopted by Departments of Agriculture in other jurisdictions.
- Selected review of policies in other countries.
- Review of California **agricultural equine programs and public research or training institutions** (e.g., UC Davis, others).
- Review of federal-level equine agricultural policy, if any.
- **Land use** issues.
- Research, review and analysis of **economic impact of equine industry** and attendant activities: jobs; real estate and facility investment; breeding and sales; exports; local, county and state tax revenues; provision of foodstuffs; veterinary care; pharmaceuticals, etc
- Review and census of **California industries and businesses related to or reliant on equines**.
- **Equine health issues**: veterinary care; disease prevention, monitoring and treatment; pharmaceuticals; equine research.
- **Census** of California equine population.
- **Classifications and definitions**
  - **Working equines**: herding; expeditionary/pack animals; law enforcement; etc
  - **Entertainment**: motion picture industry; rodeo; draft, etc
  - **Competition**: race horses; cutting horses
  - **Recreational**: saddle horses; pleasure riding
  - **Other**
- Define benefits to the people and state of California in developing a more comprehensive policy regarding equines and their place in California's agricultural economy.



**California Authority of Racing Fairs**  
**Agency Income Statement**  
**October 31, 2008**

	<b>2006</b>	<b>2007</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>
	<b>Year End</b>	<b>Year End</b>	<b>YTD</b>	<b>YTD</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
<b>Revenue:</b>							
Other Revenue	9,233	13,560	145	964	500	464	193%
Interest Income	48,441	92,352	51,091	33,124	50,000	(16,876)	66%
Member Dues	261,477	257,268	257,268	282,520	257,276	25,244	110%
CARF South Programs Admin Fee	39,146	34,731	26,981	22,628	34,425	(11,797)	66%
CARF Projects Admin Fee	126,364	158,277	90,612	150,678	195,000	(44,322)	77%
CARF Live Racing Admin Fee	132,433	155,333	118,801	118,579	143,958	(25,379)	82%
<b>Total Revenue</b>	<b>617,094</b>	<b>711,520</b>	<b>544,898</b>	<b>608,493</b>	<b>681,159</b>	<b>(72,666)</b>	<b>89%</b>
<b>Expenses:</b>							
Salaries	204,210	207,576	167,674	184,269	286,912	102,643	64%
Employee Benefits	21,363	16,639	13,039	23,018	30,000	6,982	77%
Post Retirement Benefits	27,118	31,122	26,277	26,327	35,000	8,673	75%
Payroll Taxes	11,471	9,960	8,178	10,443	13,500	3,057	77%
Accounting Costs	16,965	16,270	13,557	12,275	16,250	3,975	76%
Advertising Expense	800	0	0	0	0	0	0%
Audit Services	4,815	5,875	5,875	5,640	5,875	235	96%
Automobile Expense	0	3,788	3,363	3,229	3,000	(229)	108%
Contracted Services	1,198	2,214	2,119	590	3,000	2,410	20%
Depreciation	16,682	13,195	11,137	11,264	13,000	1,736	87%
Dues & Subscriptions	30,475	29,509	29,434	14,298	31,000	16,702	46%
Insurance Expense	37,763	38,824	32,052	34,245	38,151	3,906	90%
Legal Expenses	6,620	5,575	5,575	1,740	10,000	8,260	17%
Legislative Expenses	49,888	56,089	47,243	46,023	60,000	13,977	77%
Meetings Expense	6,861	3,420	2,861	3,209	6,000	2,791	53%
Misc. Bank Fees	29	404	84	194	1,000	806	19%
Office Supplies	17,074	15,953	12,858	16,539	15,000	(1,539)	110%
Postage & Shipping	3,570	4,168	3,565	3,737	4,000	263	93%
Rent (Tribute Road)	35,777	35,770	29,808	29,808	35,770	5,962	83%
Repairs & Maintenance	370	359	359	0	1,000	1,000	0%
Telephone Expense	10,660	10,921	9,256	6,892	11,000	4,108	63%
Training	0	0	0	0	2,500	2,500	0%
Travel Expense	24,886	27,308	24,446	19,761	27,500	7,739	72%
<b>Total Expenses</b>	<b>528,593</b>	<b>534,936</b>	<b>448,760</b>	<b>453,500</b>	<b>649,458</b>	<b>195,958</b>	<b>70%</b>
<b>Agency Income (Loss)</b>	<b>88,500</b>	<b>176,584</b>	<b>96,138</b>	<b>154,992</b>	<b>31,701</b>	<b>123,291</b>	
<b>Southern Program Income (Loss)</b>	<b>14,398</b>	<b>16,026</b>	<b>17,127</b>	<b>7,133</b>	<b>2,475</b>	<b>4,658</b>	
<b>Total Balance Sheet Net Income (Loss)</b>	<b>102,899</b>	<b>192,610</b>	<b>113,266</b>	<b>162,126</b>	<b>34,176</b>	<b>127,950</b>	

**California Authority of Racing Fairs  
Southern Region Income Statement  
October 31, 2008**

	2006	2007	2007	2008	2008	2008	2008
	Year End	Year End	YTD	YTD	Annual	Budget	% Budget
	Actual	Actual	Actual	Actual	Budget	Variance	
<b>Program Revenue:</b>							
Program Sales	493,939	463,076	396,270	302,813	459,000	(156,187)	66%
Other Revenue	0	0	0	0	0	0	0%
Royalties/Fees Due Host	(440,394)	(411,359)	(351,200)	(272,954)	(417,000)	144,046	65%
<b>Total Revenue</b>	<b>53,545</b>	<b>51,718</b>	<b>45,069</b>	<b>29,859</b>	<b>42,000</b>	<b>(12,141)</b>	<b>71%</b>
<b>Expenses:</b>							
Salaries	0	0		0	0	0	0%
Employee Benefits	0	0		0	0	0	0%
Payroll Taxes	0	0		0	0	0	0%
Automobile Expense	0	0		0	0	0	0%
Contracted Services	0	0		0	0	0	0%
Delivery Costs	0	0		0	0	0	0%
Depreciation	0	0		0	0	0	0%
Dues & Subscriptions	0	0		0	0	0	0%
Insurance Expense	0	0		0	0	0	0%
Legal Expenses	0	0	0	0	2,500	2,500	0%
Meetings Expense	0	539	539	98	1,000	902	10%
Misc Exp.(Storage)	0	0	0	0	1,000	1,000	0%
Office Supplies	0	0	0	0	0	0	0%
Paper Expense	0	0	0	0	0	0	0%
Postage & Shipping	0	0	0	0	100	100	0%
Printing Supplies	0	0	0	0	0	0	0%
Rent & Utility Expenses	0	0	0	0	0	0	0%
Repairs & Maintenance	0	0	0	0	0	0	0%
Telephone Expense	0	0	0	0	500	500	0%
Travel Expense	0	422	422	0	0	0	0%
<b>Total Expenses</b>	<b>0</b>	<b>961</b>	<b>961</b>	<b>98</b>	<b>5,100</b>	<b>5,002</b>	<b>2%</b>
<b>Operating Income (Loss)</b>	<b>53,545</b>	<b>50,757</b>	<b>44,108</b>	<b>29,761</b>	<b>36,900</b>	<b>(7,139)</b>	<b>81%</b>
CARF Admin Fee	39,146	34,731	26,981	22,628	34,425	11,797	66%
Rebate							
<b>Income (Loss)</b>	<b>14,398</b>	<b>16,026</b>	<b>17,127</b>	<b>7,133</b>	<b>2,475</b>	<b>4,658</b>	<b>288%</b>

**California Authority of Racing Fairs  
Project Management Income Statement  
October 31, 2008**

	<b>2006</b>	<b>2007</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>
	<b>Year End</b>	<b>Year End</b>	<b>YTD</b>	<b>YTD</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
<b>Revenue:</b>							
CARF Admin Fee	126,419	158,277	90,613	150,678	195,000	(44,322)	77%
Project Management	76,158	79,648	62,257	46,965	78,522	(31,557)	60%
<b>Total Revenue</b>	<b>202,578</b>	<b>237,925</b>	<b>152,870</b>	<b>197,643</b>	<b>273,522</b>	<b>(75,879)</b>	<b>72%</b>
<b>Expenses:</b>							
Salaries Expense	56,190	58,942	44,556	32,401	54,172	21,771	60%
Employee Benefits	6,595	7,510	6,232	4,682	8,000	3,318	59%
Payroll Taxes	3,065	3,060	2,530	1,631	3,000	1,369	54%
Accounting Costs	6,780	6,500	5,417	4,875	6,500	1,625	75%
Audit Services	1,870	2,350	2,350	2,256	2,350	94	96%
Automobile Expense	0	0	0	0	1,000	1,000	0%
Contracted Services	0	0	0	0	1,000	1,000	0%
Telephone Expense	1,015	647	534	562	1,500	938	37%
Travel Expense	144	85	85	0	500	500	0%
Misc. Storage	555	555	555	558	500	(58)	112%
<b>Total Expenses</b>	<b>76,214</b>	<b>79,648</b>	<b>62,257</b>	<b>46,965</b>	<b>78,522</b>	<b>31,557</b>	<b>60%</b>
<b>CARF Admin Fee</b>	<b>126,364</b>	<b>158,277</b>	<b>90,612</b>	<b>150,678</b>	<b>195,000</b>	<b>44,322</b>	<b>77%</b>

