

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee

Tuesday, May 6, 2008

Minutes

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 2:00 P.M., Tuesday, May 6, 2008. The meeting was conducted at the Kahn, Soares & Conway Conference Room located at 1415 L Street, Suite 400, Sacramento, California, 95814.

Live Racing Committee members attending: John Alkire, Joe Barkett, Chris Carpenter, Rick Pickering, Tawny Tesconi, Stuart Titus and Forrest White.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Louie Brown, Mike Treacy and Dave Elliott. Joining by conference call: Kate Phariss.

Agenda Item 1 – Determination of Date, Time and Location of Next Meetings through June 2008. The next CARF Board & Live Racing Committee meetings are tentatively scheduled for Tuesday, June 3, 2008 in Sacramento and Wednesday, September 3, 2008 in Stockton.

Agenda Item 2 – Approval of Minutes from April 1, 2008. Mr. Pickering moved to approve the meeting minutes as presented. Mr. White seconded, unanimously approved.

Agenda Item 3 – Discussion and Action, if any, on Racing Dates. Mr. Korby introduced a 2009 Draft Calendar that resulted from the April 17, 2008 meeting between Fairs, MAGNA/Golden Gate Fields and the Thoroughbred Owners of California (TOC). The calendar creates a Spring/Fall Meet at Golden Gate Fields, a Pleasanton Spring/Fall Meet to be run at Golden Gate Fields as a placeholder and a block of Fair dates to be run July 1, 2009 through October 12, 2009. The Fair block, as presented, allocates 11 days at Pleasanton, 6 days at Vallejo, 12 days at Santa Rosa, 18 days at Golden Gate Fields to benefit Fairs, 10 overlapped days at Ferndale, 12 days at CalExpo, 9 days at Stockton to be run on three weekends and 11 days at Fresno.

Participants left the meeting with the acknowledgement of a block of Fair dates and direction for the Fairs to come back with a proposal on how to best allocate those dates. This is a monumental accomplishment and opportunity for Fairs.

Ms. Tesconi expressed concern regarding the perception of running Fair dates at a private venue and stated that Santa Rosa would be interested in running more days. Mr. Korby explained that the 2009 calendar creates placeholders which provide Fairs the opportunity to complete facility improvements, make necessary changes in legislation and provide for a transition period that will ultimately result in a Fair block of dates solely run at Fair venues.

Mr. Titus distributed Humboldt County Fair's proposal to consolidate their dates to one un-overlapped week of racing in Ferndale. Mr. Titus offered a spreadsheet he had prepared to show that Ferndale would no longer need subsidized purses or commissions in this scenario. In Mr. Titus' opinion, the Humboldt County Fair will not financially survive the three-year calendar

that includes overlapping dates. Mr. Titus does not have an official position on Humboldt's proposal from the TOC or Del Mar, organizations that would be effected by the change he proposes.

Mr. Barkett asked the group if they, as CARF, are finally at the point where all 15 weeks of Fair racing can be combined into one race meet with one license where a schedule can be developed for the benefit of the whole. Mr. White expressed concern about individual Fair Boards declaring themselves autonomous. Mr. White also suggested creating a baseline model to determine a Fair's revenue percentage compared to the whole for establishing future criteria.

Mr. Barkett suggested moving to Agenda Item 8 to determine if establishing a block of dates is feasible. The concept of a block of dates only really works if all Fairs are willing to participate.

Agenda Item 4 – Discussion and Action, if any, on a Combined Fair Meeting in 2009. Mr. Barkett requested that each Fair Manager query their individual Boards to try to obtain a sense of whether Fairs are open to joining together to form a consolidated race meet that will include the entire Northern California Fair circuit.

Mr. White moved that for the May 13, 2008 meeting with California principals, the group adopt the 2009 calendar to be run July 1, 2009 through October 12, 2009. The Fair block as presented allocates 11 days at Pleasanton, 6 days at Vallejo, 12 days at Santa Rosa, 18 days at Golden Gate Fields to benefit Fairs, 10 overlapped days at Ferndale, 12 days at CalExpo, 9 days at Stockton to be run on three weekends and 11 days at Fresno. The dates allocated to Golden Gate Fields during that time period will be a temporary placeholder for 2009 only and Ferndale will receive one un-overlapped week in 2010 and beyond.

Mr. Barkett made a substitute motion to adopt the 2009 Fair block allocating 11 days at Pleasanton, 6 days at Vallejo, 12 days at Santa Rosa, 18 days at Golden Gate Fields to benefit Fairs, 10 overlapped days at Ferndale, 12 days at CalExpo, 9 days at Stockton to be run on three weekends and 11 days at Fresno. The 2009 dates will be a place holder only, with CARF to develop a different plan for 2010 and beyond that preserves Fair racing at Fair venues within the block of Fair dates while addressing the concerns of each member Fair, specifically Ferndale and San Mateo. Mr. Carpenter seconded. Mr. Alkire, Mr. Barkett, Mr. Carpenter, Mr. Pickering, Ms. Tesconi and Mr. White approved. Mr. Titus opposed.

Agenda Item 5 – Update on Contracts for Racing Services. Mr. Swartzlander reported that several service contracts have been negotiated and extended. The contract for starting gate services through United Puett Electrical Starting Gate Corporation has been extended for three years starting May 1, 2008 and concluding April 30, 2011 at a rate increase of \$75 per day to cover increases in fuel and insurance. The Pegasus Communications contract has been extended for an additional five years starting May 1, 2008 and concluding April 30, 2013 at a rate increase of \$350 per day. The contract for the jumbotron screen through Pegasus Communications has been extended for an additional five years starting May 1, 2008 and concluding April 30, 2013 at no additional cost. The contract for photo finish services provided by Plusmic Corporation USA has been extended five years starting January 1, 2008 and concluding December 31, 2012 at a rate increase of \$50 per day. The contract for the pari-

mutuel audit provided by Disher Accounting Corporation has been extended two years starting June 1, 2008 and concluding November 1, 2010 at a rate increase of \$25 per day.

Agenda Item 6 – Update on Totalisator Contract and Installations. Mr. Korby reported that the new five year totalisator contract through Scientific Games Racing, LLC is on file at CARF and available for any Fair wishing to review it. The new terms result in a slight financial gain, with the Fairs receiving new, state-of-the-art equipment.

Agenda Item 7 – Report on Union Contract for Assistant Starters. Mr. Korby made the group aware that the labor agreement for assistant starters expires July 21, 2008, Hollywood Park's closing day. Mr. Korby has been in discussions with Kenneth Walker, Director of Industrial Relations for the Federation of California Racing Associations, Inc. Mr. Walker believes that a reasonable agreement can be reached without great difficulty.

Agenda Item 8 – Discussion and Action, if any, on Provisions of Racing Services for CalExpo. Mr. Korby reported that he, Mr. Barkett and Mr. Swartzlander met with Norb Bartosik, Dave Elliott and Norm Towne to begin discussions regarding the future relationship between the California State Fair and CARF. In view of the fact that CalExpo will be running a Thoroughbred meet in 2008, the parties to that discussion agreed that there is a role that CARF should/can play in providing racing support services to CalExpo. They also agreed to continue discussions on how the relationship is structured (i.e. contractual, associate membership, full membership, etc.). That meeting concluded with the understanding that CARF would draft a bylaw language recommendation regarding eligibility of CARF Directors for the membership to view and that Mr. Bartosik and Mr. Elliott would provide a list of racing services needed.

Mr. Elliott stated that CalExpo had a very limited number of current agreements with organizations employed year-round for Harness through December 2009. Mr. Elliott expressed a willingness to participate in the remaining CARF contracts for 2009 and felt that CalExpo would be open to participating in all CARF contracts in the future at the same rate as other member Fairs (assuming Harness racing did not occur at CalExpo beyond 2009).

CARF Staff will continue discussions with CalExpo to develop a structure that is mutually beneficial to both organizations and the Fairs as a whole.

Agenda Item 9 – Report on Horse Recruitment. Mr. Korby reported that CARF has joined efforts with Golden Gate Fields in recruiting out-of-state horsemen to Northern California. By combining budgets, out-of-state horsemen will be offered a greater financial incentive.

As a result of combining budgets, a second start payment was implemented to encourage multiple starts without increasing recruitment costs to Fairs. In the new joint program, out-of-state horses will receive a \$300 Relocation Payment after their first Northern California start (commencing May 14, 2008 at Golden Gate Fields). Any subsequent Fair start (excluding Ferndale and CalExpo) will trigger an additional \$150 Relocation Payment. Out-of-State horses making their first start at the Humboldt County Fair will receive a \$150 Relocation Payment for running at Ferndale and an additional \$300 Relocation Payment for starting at Stockton or Fresno, creating an incentive for Oregon horses to remain on the Northern California Fair Circuit following Ferndale.

This program, and the additional benefits it creates, further illustrates the level of cooperation among racing entities in Northern California.

Agenda Item 10 – Discussion and Action, if any, on Implementation of AB 765. Mr. Korby reported on AB 765 (Evans), which is 2007 Fair legislation that authorizes Fairs to contribute 1% of the total amount handled daily on their races into the Inclosure Facilities Improvement Fund for the improvement of Fair racing facilities. Each of the Live Racing Fair representatives present at the meeting signed a letter requesting the California Horse Racing Board (CHRB) to authorize Fairs to increase takeout and participate in this new funding program. The letter illustrates the transition occurring in Northern California with the closure of Bay Meadows and the need to invest in Fair tracks, stable areas and related facilities to create a strong Northern California Racing Circuit.

This request will be heard at the May 20, 2008 CHRB Board Meeting in Sacramento.

Agenda Item 11 – Discussion and Action, if any, on Legislative Matters. Mr. Korby reported that he had been in conversations with MAGNA/Golden Gate Fields in regards to revisions in legislation that would provide assistance in transitioning Northern California racing. Topics for consideration include: 1) remove the 14-day cap on Fair meets; 2) Extend the calendar window for combined Fair meetings to June 1 through October 31; 3) Raise the 22-week cap on Northern California Thoroughbred racing; and 4) Revise payment to the Humboldt County Fair from simulcast revenues to any Fair running simultaneously (not just San Mateo).

[Assembly Member Noreen Evans Convened with the Group]

Mr. Brown reported that AB 2258 (Evans) is scheduled to move out of the Assembly tomorrow, which should keep it from being delayed by deadlines in the Senate. Language in the bill was amended to clarify the \$40 million guarantee from “all monies to the state” to “license fees paid to the state” starting January 1, 2009. The CHRB supports the bill in its current form which would assumedly allow the organization to operate without budget constraints or the prioritization of the funds. The racing associations will most likely oppose the bill in its current form as it would allow the CHRB to collect shortfalls.

AB 3073 (Committee on Governmental Organization) is a bill that would allow Fairs to conduct racing meets without concurrent general Fair activities. This spot bill might be used as a vehicle for a potentially larger financial package to assist with Fair racing improvements.

SB 1570 (Vincent) is an Alameda County Fair bill to encourage the Governor to include satellite wagering facilities generating license fees into all future compact negotiations.

AB 1635 (Negrete McLeod) is a Fairplex sponsored bill to increase the cap on out-of-state imported races to 35 races per day. At this time there is not opposition to the bill.

Agenda Item 12 – Executive Director’s Report. Mr. Korby did not have additional business to report.

Respectfully submitted,
Heather Haviland, Meeting Secretary