

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee
Tuesday, December 8, 2009

Minutes

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, December 8, 2009. The meeting was conducted at the CARF Conference Room, 1776 Tribute Road, Sacramento, CA, 95815.

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

Staff and Guests attending: Chris Korby, Heather Haviland, Tom Doutrich, Amelia White, Cindy Olsen, Dave Mogni, Mike Treacy and Dave Elliott. Joining by conference call: Larry Swartzlander, Kelly Violini and Robert Hartman.

Agenda Item 1 – Date and Time of Next Meeting. The next CARF Board & Live Racing Committee meeting will be held Tuesday, February 2, 2010 in Sacramento, location and time to be determined.

Agenda Item 2 – Approval of Minutes. Mr. Pickering moved to approve the meeting minutes with a revision on page three (California State Fair referred to as Sacramento County Fair). Mr. Paluszak seconded as amended, unanimously approved.

Agenda Item 3 – Preliminary Report on Out-of-State Recruitment. Mr. Korby reported that the CARF Out-of-State Recruitment Program achieved its most successful year to date by attracting 217 horses that made 588 starts on the Fair Circuit. The chart provided in the meeting packet shows how each Fair's average field-size was positively affected by the program.

Mr. Swartzlander reported that he recently stopped by Turf Paradise to coordinate the 2010 event and had also been in contact with the Oregon HPBA. Mr. Korby added that he felt the California Marketing Committee (CMC) was significantly cutting the 2010 budget, but that funding for the recruitment program would continue.

Agenda Item 4 – Update on MAGNA Golden Gate Fields Auction. Mr. Korby reported that Golden Gate Fields is slated for auction in early February as part of the MAGNA bankruptcy. Representatives from MAGNA have indicated there are no credible buyers seriously interested in the property. CARF will continue to track the process and report to the group.

Mr. Bartosik stated that he was aware of a developer that was very interested in purchasing the Golden Gate Fields property with the intent of ultimately developing the acreage.

Agenda Item 5 – Discussion and Action, if any, on Provisions of Replacement Revenues for Solano County Fair as it Ends Conduct of Live Racing. Mr. Korby reported that the CARF Live Racing Committee has undertaken the task of developing a transition plan for Fairs that intend to reduce or end their involvement in live racing. A sub-committee, made up of Norb Bartosik, Mike Paluszak and Tawny Tesconi, has met twice and developed the initial document provided in the meeting packet titled “Consolidation of Racing Dates and Replacement Revenues for Solano County Fair,” which offers specifics on how replacement revenues at the Solano County Fair will be provided.

A great deal of time was spent establishing Solano County Fair’s documentable loss of revenue by reviewing a three-year history of pari-mutuel distributions (commissions), thereby developing a formula to provide a percentage of compensation over a seven year period.

Mr. Paluszak asked for two revisions to the current document. First, Mr. Paluszak would like the 5th bullet point on the first page to clarify between “ongoing replacement revenue” and occasional revenue consistent with past use (i.e. concerts in the Grandstand). Mr. Paluszak asked that the word “sustainable” be added to the language. Second, Mr. Paluszak asked that the group define the year to be considered the benchmark for “non-traditional race dates,” preferably 2008.

Mr. Titus asked for clarification on page two, last bullet point, regarding Ferndale’s responsibility for paying the balance of replacement revenues due to the Solano County Fair, should a balance remain after payment is applied from 1% license fees and replacement revenues generated by non-traditional Fair dates. Mr. Bartosik clarified that should a gap occur, live racing Fairs would be responsible for covering the deficit on a pro-rata basis, which would put Ferndale in the position of be responsible for significantly less than the other Fairs. The group is sensitive to Ferndale’s financial position and tried to come to a resolution that would have the least possible negative effect on Ferndale.

Ms. Cook asked why the San Joaquin County Fair was not included in the replacement revenue document. Mr. Korby responded that the sub-committee was tasked with the Solano County Fair issue at the time the document was drafted. The sub-committee will look at each case individually and determine if unique revenue sources might be available. It is feasible that replacement revenue options could exist for one Fair that would not be practical or available at another. That being said, the “Consolidation of Racing Dates and Replacement Revenues for Solano County Fair” document was intended to be a global answer to Fairs discontinuing live racing. The committee will address the San Joaquin County Fair next.

Mr. Alkire asked that the sub-committee meet again to define net commissions, address the obligations of a Fair that leaves the CARF membership and other concerns expressed by Ms. Tesconi. The sub-committee agreed to make adjustments to the document and bring it back to the Live Racing Committee for approval.

Agenda Item 6 – Report on Negotiations with Thoroughbred Owner’s of California (TOC) on Consolidation of Fair Purses for 2009 and 2010. Mr. Korby reported that the TOC Staff expressed their Board’s support of consolidating Fair purses. However, CARF received differing reports on the TOC Board’s resolution regarding the Cal Expo underpayment. Mr. Korby has asked the TOC to provide a written request for clarification.

Kirk Breed has requested a letter signed by authorized representatives of TOC, Cal Expo and CARF stating an agreement was in place for Cal Expo’s 2008-2009 underpayment/purse structure prior to the running of the 2009 race meet. Steve Schwartz, new President of TOC, is in receipt of a simple statement to that effect for his signature.

Agenda Item 7 – Report on CHRB Audit of 2008 and 2009 Purse Overpayments and Underpayments at Fairs. Mr. Korby reported that he, Larry Swartzlander and Raechelle Gibbons spent several hours with Bon Smith, assistant Executive Director of the CHRB, to explain CARF’s organizational structure and discuss Fair overpayments and underpayments. CARF complied with every request made by Mr. Smith, submitting each figure he asked for. Initial talks were positive, but the CHRB staff has since requested that their accounting personnel meet with Ms. Gibbons to review several paymaster reports.

Mr. Pickering requested Mr. Korby send a letter to Mr. Alkire and Kirk Breed documenting the conversations with Bon Smith to ensure the CHRB is aware of CARF’s compliance.

Mr. Pickering also asked if Bill Anton had filed litigation regarding the Cal Expo underpayment. Mr. Korby responded that a complaint had been filed with the CHRB which led to the audit, but formal litigation has not been filed.

Agenda Item 8 – Discussion and Action, if any, on Consolidation of Purses at Fairs for 2009 and 2010. Mr. Korby placed this item on the agenda in the event action was required following the TOC Board meeting. The TOC is supportive of the purse consolidation concept and no action is required at this time.

Agenda Item 9 – Discussion and Action, if any, on Combined Fair Meetings for 2010 and Beyond. Mr. Korby gave a brief overview of the combined meet and purse concept for the benefit of the guests from the Humboldt County Fair Board of Directors.

Ms. Tesconi stated that she would not be able to agree to the combined meet concept until Mr. Korby provided liability language for her risk team to review. Mr. Korby stated that the language would be forthcoming, but wanted to clarify that Ms. Tesconi was philosophically in support of the concept. Ms. Tesconi responded that she was.

Mr. Titus stated that the Humboldt County Fair would like to maintain the opportunity to offer purses at parity with other Fairs in 2010.

Agenda Item 10 – Discussion and Action, if any, on Racing Dates for 2010 and Beyond.

Mr. Korby introduced two calendars included in the meeting packet which were presented to the CHRB Board in November. The CARF group needs to determine a position regarding the week ending in Labor Day.

Mr. Titus added that the CHRB also asked that overlap at Humboldt County Fair be addressed. Mr. Pickering clarified that the CHRB Board asked industry principals to come to a consensus on a calendar in Northern California, which they can then recommend to the Board.

Mr. Alkire expressed concern that Mr. Titus had communicated to CHRB Commissioners that he felt pressure to vote in favor of the calendar that was previously approved by the CARF Board. Mr. Alkire reiterated that at the time of the vote Mr. Titus did not express concern or open dialog regarding overlap, nor did he vote “no” or abstain from voting. As Chairman of the CARF Board, Mr. Alkire expressed his serious concern about CARF members voting one way at a CARF meeting and then working against the same position that they voted for. Mr. Titus replied that his mistake was in not voting “no.”

Robert Hartman joined the conference call, by invitation, to discuss the position of Golden Gate Fields (GGF) in relation to Fair planning. Mr. Hartman expressed his desire to transition more racing to Pleasanton and a willingness to support a multi-year calendar with the disclaimer that GGF and horsemen’s organizations could be under different management a year from now. Mr. Hartman asked to meet with a smaller group to talk about the possibility of a potential financial contribution from Golden Gate Fields to the Fairs during the transition phase.

The CARF Live Racing Fairs Sub-Committee will meet Thursday, December 10 and principals will meet with Robert Hartman Friday, December 11. The Live Racing Committee will meet via conference call Monday, December 14 to discuss resolutions and take action.

Agenda Item 11 – Executive Director’s Report [given during CARF Board Meeting]. Mr. Korby reported that Bay Meadows Land Company has initiated legal proceedings to secure payment of ADW location fees applicable to Bay Meadows for the calendar year following the

facility's closure. The CARF Board might consider a counterclaim. Mr. Bartosik asked that the item be placed on a future agenda for discussion and action.

Mr. Korby reported on a legal matter stemming from an incident in which a horse was injured during pre-race testing at the San Joaquin County Fair. CHRB attempted to direct payment from CARF for related medical and layup expenses. Mr. Korby declined to pay and the CHRB has since determined they do not have authority to pursue the claim. A prominent attorney in the racing industry has since established representation for the trainer. Ms. Cook reported that CFSA has taken over the claim on behalf of Stockton and has engaged legal counsel from Kahn, Soares & Conway, LLP. At the moment there is no active claim on the matter.

Respectfully submitted,
Heather Haviland