

CALIFORNIA AUTHORITY OF RACING FAIRS
Live Racing Committee
Tuesday, February 2, 2010

MINUTES

A meeting of the California Authority of Racing Fairs Board of Directors was held at 11:00 A.M., Tuesday, February 2, 2010. The meeting was conducted at the Sacramento offices of Kahn, Soares & Conway located at 1415 L Street, Suite 400, Sacramento, CA, 95814.

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

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Tom Doutrich, Amelia White, Mike Treacy, Dave Elliott and Richard Lewis. Joining by conference call: Cindy Olsen and Kate Pharris.

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

Agenda Item 2 – Approval of Minutes. Mr. Paluszak requested clarification concerning the accuracy second page, sixth paragraph, referencing the Consolidation of Racing Dates and Replacement Revenues for Solano County Fair document as “a global answer to Fairs discontinuing live racing.” Mr. Korby clarified that the concept and framework were intended to be global solutions, but that the document being referenced was specific to Solano County Fair.

Mr. Paluszak moved to approve the meeting minutes as presented. Mr. Bartosik seconded, unanimously approved.

Agenda Item 3 – Discussion and Action, if any, on Legislative Matters. [From CARF Board Meeting]. Mr. Brown reported that the deadline to submit bill language to legislative counsel was Jan. 30, 2010. CARF submitted AB 735 (Hill), a proposed increase of takeout to increase satellite commissions, as a spot bill.

Mr. Brown reported that racing lobbyists and industry principals met recently to outline the legislative agenda for horse racing in 2010. The main topic of conversation was the legalization of Internet poker. An upcoming informational hearing before the Senate G.O. Committee will focus on Internet poker and Craig Fravel, President of Del Mar Thoroughbred Club, will testify on the behalf of the racing industry requesting compensation for tracks and satellites in the event that

Internet gaming is expanded beyond the existing ADW platform. Internet poker also brought back conversations regarding instant racing. The Tribal Gaming Association and tribal casinos are not in support of Internet poker or instant racing.

Mr. Brown expects 2010 racing legislation to include a bill to increase the cap on imported races, TOC efforts to eliminate or reduce the 20-mile radius as well as language from private tracks to retain the existing protection for race tracks and live racing Fairs, while reducing the radius protection for satellites. The TOC is currently not in support of maintaining the 20-mile radius for tracks or satellites.

Mr. Brown reported that the deadline for submitting legislation is Feb. 19, 2010 and he will have a full report of bills involving racing for the March CARF Board meeting.

Agenda Item 4 – Report on Planning and Discussion with TOC Board Committees and with California Horse Racing Alliance. Mr. Korby reported that the California Horse Racing Alliance, an organization formed by the industry to mediate racing legislation, has started meeting again with regularity. Industry principals have been hesitant to discuss the transitions facing California horse racing while Bay Meadows Land Company retains an active presence with Hollywood Park and MAGNA works its way through the bankruptcy process. Mr. Korby provided the Alliance with documentation outlining the legislative program adopted by the CARF Board in June 2009, including an increase in takeout to benefit purses, breeders, satellites and the funding of capital improvements.

Mr. Korby reported that MAGNA Entertainment Corp. has filed a reorganization plan that will implement a settlement allowing the company to retain Santa Anita, Golden Gate Fields and Gulfstream Park in Florida, while selling the remaining properties to pay unsecured creditors.

Mr. Korby stated that he met with a TOC sub-committee on Jan. 13, 2010 at Santa Anita. The sub-committee, which makes recommendations to the TOC Board, was interested in the operation of Fair satellite wagering facilities, mini-satellites and the 20-mile radius. The group had little initial knowledge of the existing satellite network and held the opinion that Fair satellites are hindering industry growth. Mr. Korby reported that overall, the meeting was positive, with members openly expressing their concerns and freely engaging in discussions. By the end of the meeting the group seemed to understand that the implementation of mini-satellites faced challenges other than the 20-mile radius and that the existing satellite network was generating \$24 million to purses annually.

Mr. Korby stated that he wishes to increase participation with horsemen's groups, specifically the TOC Northern California committee and the California Thoroughbred Trainers

(CTT), whose Board was recently reorganized and is currently conducting a nation-wide search for a new executive director.

Agenda Item 5 – Report and Update on Discussions Regarding Replacement Revenues to Fairs that Reduce or End Their Involvement in Live Racing. Mr. Korby reported that the CARF sub-committee tasked with creating the “Consolidation of Racing Dates and Replacement Revenues for Solano County Fair” agreement was still negotiating the details of the document.

Ms. Cook stated that she understood from the December meeting that the agreement needed minor modifications and would be brought back to the Live Racing Committee in February for evaluation and action. Ms. Cook stated that the San Joaquin Fair Board was very concerned regarding the status of the agreement and was unhappy that a signed agreement was not in place when the Fair agreed to accept five days of racing in 2010, specifically in light of the CHRB’s recent allocation to Ferndale. Ms. Cook expressed her concern about progress on the agreement.

Ms. Cook stated that she was under the impression that the agreement reached with Solano County Fair would apply to any Fair that decided to reduce or discontinue live racing, specifically San Joaquin County Fair. Ms. Cook pointed out that the minutes specifically state that the document was “intended to be a global answer for Fair discontinuing live racing.”

Ms. Tesconi added that language was included in the Solano County Fair agreement that specifically stated the terms of the agreement applied exclusively to the Solano County Fair.

Mr. Korby responded that in its deliberations to date the sub-committee had discussed replacement revenues with respect to Solano County Fair, noting that the CHRB had not allocated racing dates for 2010 until mid-January. Now that the racing calendar has been determined for 2010 and the CHRB has allocated one week to San Joaquin County, Mr. Korby recommended that Ms. Cook, representing Stockton, join in the sub-committee discussions and that the discussions expand to include replacement revenue for San Joaquin County Fair. Members concurred and Chairman Alkire appointed Ms. Cook to the Sub-committee.

Ms. Tesconi moved to direct staff to circulate the final draft of the Consolidation of Racing Dates and Replacement Revenues for Solano County Fair agreement to the sub-committee, including Ms. Cook, by Feb. 8, 2010 and that a Live Racing Committee meeting be called prior to Feb. 26, 2010 so that the final draft can be included in the March CARF Board meeting packet. Mr. Titus seconded, unanimously approved.

Mr. Korby added that the reduction of live racing days in 2010 will negatively affect license fees and therefore the monies available from F&E for payment of replacement revenues to Fairs which reduce or discontinue live racing.

Agenda Item 6 – Report, Discussion and Action, if any, on Planning for the 2010 Fair Racing Circuit. Mr. Korby reported that staff will continue efforts to proceed with the consolidation of purses and race meets, including providing Ms. Tesconi with the documents her Board and County Board of Supervisors have requested.

Ms. Tesconi asked if the Sonoma County Fair will need a change in legislation to enable the Fair to run more than 14 continuous race days, specifically the 15 days allocated to the Fair in 2010. Mr. Korby responded that the quickest and easiest solution would be for the Sonoma County Fair to enter into a combined race meet with CARF.

Agenda Item 7 – Report, Discussion and Action, if any, on Recent Correspondence with CHRB on Fair racing dates. Mr. Korby wanted to ensure all members were aware of the written request sent by the Executive Director of the CHRB regarding Fair race dates, which included seven specific requests for various information, documents and figures. Mr. Korby included a copy of his response in the meeting packet. The response was not acknowledged by CHRB staff, nor was the response included in the January CHRB meeting packet.

Agenda Item 8 – Report, Discussion and Action, if any, on 2009 Recruitment Program and Planning for the Recruitment Program in 2010. Mr. Korby introduced a report included in the meeting packet for the 2009 CARF Out-of-State Recruitment Program. The program achieved its most successful year to date by attracting 217 horses that made 588 starts. Average field size was significantly increased at each Fair from horses paid through the program. Mr. Swartzlander reported that a reception is scheduled in both Arizona and Oregon for 2010. Mr. Doutrich added that out-of-state recruitment will be crucial this year based on reports of the current horse population.

Agenda Item 9 – Report, Discussion and Action, if any, on Management of Emerging Breed Purses. Mr. Korby reported that in an effort to bring the Emerging Breed purse deficit to zero, staff will be looking at several options, including reducing the stakes schedule and allowing the breeds to supplement the stakes program at their discretion. Moving forward, staff would like to implement a program for earning points based on actual purses generated. The points system is utilized in other racing jurisdictions, specifically Arizona. Staff will bring a plan and blend of approaches to the Live Racing Committee for approval.

Agenda Item 10 – Executive Director’s Report. Mr. Korby reported that the California tote system provider, Scientific Games, has been purchased by the UK-based company Sportech.

Scientific Games executives have ensured staff that the change in ownership will not affect existing operations.

Respectfully submitted,
Heather Haviland