

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee
Tuesday, February 7, 2012

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, February 7, 2012. The meeting was hosted at the California Authority of Racing Fairs Board Room, 1776 Tribute Road, Sacramento, California, 95815.

CARF Live Racing Committee members attending: John Alkire, Rick Pickering and Tom Sawyer. Joining by conference call: Mike Paluszak, Tawny Tesconi and Stuart Titus.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Amelia White, Raechelle Gibbons, Rebecca Desmond, Richard Lewis, Tom Doutrich, Kate Phariss and Louie Brown.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held March 6, 2012 in Sacramento.

Agenda Item 2 – Approval of Minutes. Mr. Sawyer moved to approve the meeting minutes as presented. Ms. Tesconi seconded, unanimously approved.

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program 2012 and Beyond. Mr. Brown reported that the deadline for bill introduction is February 24, 2012. Caucuses are meeting today and tomorrow to develop policy priorities for the 2012 session.

Currently, CARF is seeking authors for two bills. Assembly Member Henry Perea (Fresno) is considering authoring the bill to create flexibility for Fairs by extending the calendar dates in which a combined Fair meet can occur. Ideally the bill would completely eliminate calendar restrictions. Mr. Brown thanked Mr. Alkire for contacting Mr. Perea on CARF's behalf.

Senator Gloria Negrete McLeod is considering carrying the bill that would provide license fee relief for racing fairs as long as CARF is flexible in potentially solving the issue as part of a larger funding strategy, if that option becomes available.

Discussions regarding Internet poker are expected to continue throughout the session. It is anticipated that the Chairman of the Senate G.O. Committee will be introducing a bill on deadline day and the racing industry will not receive copies of the language before the bill's introduction. The language will most likely include a concession for unlimited licensees and may be limited to poker or open to all online gaming. The current strategy is for the racing industry to come together to present a set of parameters for inclusion in the language, with the top priority being to limit the number of licenses that are created. Since licenses are expected to cost anywhere between \$10-50 million, plus

the cost of developing and marketing a site, the industry may choose to decline the option to run a site and will seek mitigation. To prepare for the eventualities, the racing industry has put out RFP's to companies expressing interest in providing administration and technology while partnering with California horse racing. Any new dollar is an important dollar to the state of California and the legislature is expected to be very active on this issue.

Assemblywoman Fiona Ma is working on a California fair funding and governance structure bill which aims to find a stable funding source for the Fair network and a new governance and oversight structure.

Mr. Korby reported that the meeting packet includes a brochure developed by the coalition of horse racing interests that is calling itself "Horse Racing United." The brochure demonstrates the industry's desire to be harmonized and actively involved as Internet poker legislation progresses. Mr. Korby stated that participants of Horse Racing United, himself included, met in Los Angeles yesterday for a presentation by Cantor Gaming. Cantor Gaming, a branch of the global financial service company Cantor Fitzgerald, has established a large presence in Las Vegas through the operation of sports books in premier Las Vegas casinos and the manufacturing and distribution of a mobile gaming system licensed by the Nevada Gaming Commission. They are very interested in entering the California market.

Mr. Korby added, as an update to Mr. Browns report on the CARF bill extending the fair racing calendar, that representatives from Golden Gate Fields and the Stronach Group have indicated that they will not oppose the bill.

Agenda Item 4 - Report, Discussion and Action, if any, on CHRB Notice and Prospective Actions Regarding Exchange Wagering. Mr. Korby reported that the California Horse Racing Board (CHRB) is considering developing regulations for exchange wagering (exchange wagering, which is a popular form of betting in the United Kingdom, allows customers to post odds and accept wagers on whether a horse will win or lose a race). Industry sectors have begun thinking about official positions and how the protocols, regulation and implementation of exchange wagering will affect their business.

Mr. Korby expressed concerns regarding the concept of exchange wagering and the potential long-term impact of offering wagering that is not pari-mutuel and does not have a historical precedent in the United States. An Ad Hoc Committee of the CHRB will meet with industry leaders and will make a recommendation to the full board.

Mr. Korby is not recommending an oppose position at this point, but is recommending approaching negotiations with caution and ensuring that regulations include protection for the Fair satellite network.

Mr. Alkire expressed concerns regarding the global impact of betting on a horse to finish last could have on the integrity of the sport.

Agenda Item 5 – Report on Status of Horsemen’s Agreement and 2012 Purses. Mr. Korby reported that the meeting packets include two letters from the Thoroughbred Owners of California (TOC). The first letter focuses on ongoing efforts to improve horsemen’s relations at Fairs. The second letter demonstrates TOC’s continuing support of CARF’s Consolidated Administration of Purses (CAP) program. CARF staff is currently developing a three-year plan for a racing program and purses that will be presented to the Live Racing Committee at a future meeting.

Mr. Korby went on to note that with the lack of supplemental purse funding, the careful management of purses has become even more critical. Furthermore scheduling the number of race days and strategically utilizing simulcast-only days has become a crucial decision-point in managing purse underpayments and overpayments. It has been demonstrated at Golden Gate Fields and Southern California tracks that the California horse population can no longer support running five days per week, with the exception of Del Mar.

CARF staff is making a strong recommendation that Fairs start planning now to implement racing schedules that feature four-day weeks and utilize Wednesdays as simulcast-only days (with schedule modifications for major holidays).

All CARF projections moving forward will be based on four-day weeks.

Mr. Swartzlander reported that the TOC and CTT agreements should be finalized prior to the Pleasanton CHRB application deadline. Issues regarding the emerging breed applications revolve around a lack of supplemental money and a need to lower purse levels at Ferndale to better reflect purse generation.

Mr. Doutrich circulated a draft stakes schedule. The stakes schedule is similar to 2011 with the exception of moving a stake race from Fresno to Stockton and condition adjustments to stake races that did not perform to expectations last year. Racing four-day weeks will allow Fairs to offer an exceptional overnight purse structure. Last year we were able to increase the top end and this year we will be able to offer similar gains to the bottom level horses.

Mr. Alkire stated that CARF staff made it clear in 2011 that they were recommending Fairs not run on Wednesdays. Several Fairs accepted that recommendation and which helped create the financial scenario that is now allowing the Fair circuit to offer higher purses. In 2012, Mr. Alkire would like to see some financial responsibility fall to Fairs that choose to run Wednesdays.

Mr. Alkire asked each Live Racing Committee representative to share the schedule they intend to run in 2012.

Mr. Pickering stated that the Alameda County Fair will run four-day weeks the first and second week of the meet and will potentially run five days the third week to accommodate the Fourth of July holiday. Mr. Pickering shared that the Fair’s strategy last year was to keep Senior Days

on Thursdays for the second straight year and on Wednesdays to focus on Dollar Days and concession/carnival promotions to engage the teen demographic and bolster attendance.

Ms. Phariss, speaking informally on behalf of Mr. Bartosik and Mr. Elliott, said that Cal Expo has had discussion about racing Thursdays through Sundays, but that an official decision has yet to be made. Mr. Korby asked that Ms. Phariss communicate CARF's recommendation to Mr. Bartosik and Mr. Elliott.

Ms. Tesconi stated that the Sonoma County Fair intends to race five days per week. Fair management intends to run concurrently with Del Mar and feels that the turf course increases the number of available runners. Ms. Tesconi stated that it costs the Fair \$24,000 a day to be open for training without racing. Mr. Alkire asked if Ms. Tesconi would be opposed to picking up the costs of the purses offered at Santa Rosa on Wednesdays (the overall impact in 2011 is estimated at \$160,000). Ms. Tesconi stated that she would not be opposed to that concept, but that she would not be able to make a commitment either way until she and her Board of Directors could evaluate the financial impact. Mr. Lewis added that the Live Racing Committee needs to consider the impact not running on Wednesdays would have on Del Mar and the fact that Del Mar and Saratoga are premier simulcast signals. Mr. Lewis stated that Santa Rosa would need to carefully consider the type of races that are run on Wednesdays and the cost of maintaining the barn area/track on three consecutive dark days per week.

Mr. Alkire asked CARF staff to share with Ms. Tesconi the 2011 financial impact of Santa Rosa running on Wednesdays.

Mr. Titus stated that his Board of Directors has not considered the number of days Ferndale will be running and that he will need more information on what the financial impact might be. Mr. Korby asked Mr. Titus to share CARF's recommendation with his Board of Directors.

Mr. Sawyer stated that the San Joaquin County Fair will be running four-day weeks.

Mr. Alkire stated that the Big Fresno Fair will be running four-day weeks.

Agenda Item 6 – Discussion and Action, if any, on Planning for the 2012 Fair Racing Circuit.

Mr. Swartzlander reported that he is currently negotiating a three-year contract for program printing and distribution.

Agenda Item 7 – Report on New CHRB Racing License Application and 2012 Racing License Application Timeline. Mr. Swartzlander reported that the CHRB has adopted a new license application. The current application is provided in the meeting packet. Mr. Swartzlander and Alameda County Fair staff have worked through the new license and Mr. Swartzlander is available for any questions that Fairs might have and he will be contacting each Fair on an individual basis.

Mr. Pickering warned the group that all attachment letters in the application have changed.

Agenda Item 8 – Report, Discussion and Action, if any, on Racing Four Days Per Week in 2012. Mr. Alkire noted that this item was covered with Agenda Item 5 and that CARF staff will be circulating information regarding the potential financial impact of racing on Wednesdays.

Agenda Item 9 – Report, Discussion and Action, if any, on 2011 Recruitment Program and Planning for Recruitment in 2012. Mr. Korby reported that the 2011 CARF Recruitment Program report is included in the meeting packet. This has been a very successful program for Fairs and other tracks have begun implementing similar programs. Golden Gate Fields has expressed a desire to collaborate with CARF in 2012 and there is potential funding reimbursement available from the California Marketing Committee (CMC).

Mr. Swartzlander and Mr. Doutrich will be travelling to Portland Meadows in mid-March. In 2012, Portland will be running concurrently with Ferndale and the later Fairs, making a recruitment trip even more critical. Recruitment in Arizona is planned for mid-April.

Agenda Item 10 – Report, Discussion and Action, if any, on Emerging Breeds Summer Racing Program. Covered under Agenda Item 5.

Agenda Item 11 – Report, Discussion and Action, if any, on Safety Training for Racetrack Employees. Mr. Korby reported that CARF will continue to offer orientation for Zero Tolerance Substance Abuse Training and will be adding Safety Training this year.

Mr. Swartzlander reported that he will be coordinating training prior to Pleasanton and that all key supervisors are encouraged to attend and that all pertinent supervisors will be expected to sign statements acknowledging the training and the intent to pass the training along to employees under their supervision.

Agenda Item 12 – Executive Director’s Report. Mr. Korby reported that the University of California announced that it has chosen the Richmond Field Station as its preferred site for the proposed consolidation of the biosciences programs of the Lawrence Berkley National Laboratory. The decision ensures that Golden Gate Fields will remain the anchor track in Northern California for the immediate future.

Mr. Korby reported that the CHRB recently released its Annual Report. The introductory letter from Chairman Keith Brackpool included several complimentary comments regarding Fairs.

Mr. Korby reported the Stabling and Vanning Fund and other racing funds have experienced shortfalls due to the declines in handle. There will be industry discussion and reviews to restructure these funds.

Respectfully submitted,
Heather Haviland