

Northern California



Off-Track Wagering, Inc.

May 24, 2018

Mr. Rick Pickering, CEO California State Fair
California State Fair
1600 Exposition Blvd.
Sacramento, CA 95815

Dear Mr. Pickering,

On March 9, 2018, Northern California Off Track Wagering Incorporated (NCOTWINC), received a letter from Pacific Racing Association d/b/a/ Golden Gate Fields (PRA), notifying NCOTWINC that PRA terminated the host agreement between the parties upon close of business of their current race meet on June 12, 2018. While there is still the possibility that PRA will rescind the termination notice, NCOTWINC must also prepare for PRA's potential departure from the agreement. As a result of the PRA notice, NCOTWINC is providing you with a ninety-day notice of termination pursuant to Section 18 (c) of the current Standard Form Guest Agreement To Provide An Audio Visual Signal And Administration Of Pari-Mutuel Satellite Wagering entered into April 24, 2008, by NCOTWINC and the California State Fair. This notice will terminate the current agreement as of August 22, 2018. Should PRA rescind its termination notice, NCOTWINC will inform you so that we can begin discussions on entering into a new agreement.

Sincerely,

A handwritten signature in cursive script that reads "Bryan Wayte".

Bryan Wayte, General Manager NCOTWINC

CC: Rick Baedeker
Elizabeth Morey
Larry Swartzlander



a California joint powers agency

1776 Tribute Road, Suite 205
Sacramento, CA 95815
Office: 916.263.3349 Fax: 916.263.3341
www.calfairs.com

May 14, 2018

Dear Secretary Ross,

In January 2018, the Pacific Racing Association, operating the Golden Gate Fields racetrack in Berkeley, utilized California Business and Professions Code Sections 19607.2 and 19607.3 to opt-out of participating in a pooled fund of shared expenses in Northern California, called the Stabling & Vanning Fund. This decision ended year-round race horse stabling at the Alameda County Fair and saved Pacific Racing Association \$1.4 million.

Fairs, believing we have adequate on-site stalls to house the Northern California race horse population, requested to utilize the same code (19607.3) to opt-out of the Stabling & Vanning Fund, thereby decreasing stabling expenses and ensuring the future viability of Fair racing.

On March 22, the CHRB's Special Committee on Northern California Racing held a public meeting to discuss the Stabling & Vanning Fund and the projected availability of stalls for off-site stabling and training during the 2018 Fair Circuit. Approximately 50 trainers expressed a desire for Golden Gate to remain open and rejected the Fair plan to rely solely on stalls at Fair locations in Pleasanton, Sacramento and Fresno for auxiliary stabling.

After this meeting, the CHRB's Special Committee on Northern California Racing called for a subsequent private meeting with representatives of Golden Gate Fields, Fairs and horsemen on March 29, with the stated goal of bringing all parties to agreement. Committee members present made it clear that the CHRB is authorized under California Business Code 19535 to settle disputes over stabling issues and if stakeholders did not reach agreement they would act accordingly to resolve the issue.

Under pressure from the Board and horsemen, we have agreed to this "compromise" for 2018, notwithstanding the fact it will cost Fairs nearly \$900,000. Fairs do not wish to displace horsemen from Golden Gate Fields. However, we also cannot afford business as usual practices and continue to subsidize off track stabling for trainers and owners who do not run at our meets.

To add to the financial pressures on the Fairs, TSG has given notice they will opt out of the Northern California Off Track Wagering Inc. (NCOTWINC) effective June 12, 2018 which is the end of their spring meet at Golden Gate Fields (GGF). NCOTWINC is an organization which oversees simulcast operations in Northern California. Their primary duties are overseeing staff at satellite wagering facilities and distributing the signal. There is a similar organization in the south called Southern California off-track Wagering Inc.(SCOTWINC).

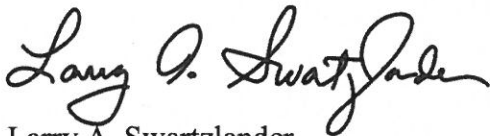
The ultimate impact of this decision, is the Fairs will now be expected to fully support an organization which has historically been funded on a 25% Fairs and 75% GGF formula. Their withdrawal also creates other concerns in regards to past liabilities, which total nearly \$13 million. All efforts to negotiate a restructuring of NCOTWINC to reduce future operating expenses have been rejected by the Stronach Group. It is now painfully obvious that the ultimate goal of the Stronach Group is to solely control the distribution of the signal in Northern California and to take control of all satellite facilities.

As you and I have discussed, racing in Northern California is under siege. The Stronach Group (TSG), which owns Golden Gate Fields and Santa Anita Park, is attempting to implement a model of complete domination that has served them well in Florida and Maryland. TSG doesn't want Fairs, industry legislative bodies or groups that represent horsemen to stand in their way. Fairs are the first stakeholder they are openly attacking.

The 2019 allocation of racing dates and stabling challenges will start again in October of this year. The future of NCOTWINC is in jeopardy. Unfortunately, the CHRB Board has stated they have no jurisdiction until the GGF summer license is heard in July. The CARF Board of Directors requests your assistance in helping bring some order and civility back to the discussion of racing in Northern California.

The State of California, through the Fairs, have a huge stake in the future of this industry in the North. Without your intervention, we are concerned that the Stronach Group will move forward with their model of racing which does not include the fairs.

Please contact me should you have any questions regarding this matter and thank you for your continued support of California Fair Racing.



Larry A. Swartzlander
Executive Director, CARF