

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors Meeting
Tuesday, February 2, 2010

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.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 Board Directors attending: John Alkire, Norb Bartosik and Mike Paluszak. Joining by conference call: Vince Agnifili, Dan Jacobs and Kelly Violini.

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland, Amelia White, Tom Doutrich, Mike Treacy, Tawny Tesconi, Richard Lewis, Stuart Titus and Debbie Cook. Joining by conference call: Chris Carpenter and Louie Brown.

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

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

Agenda Item 3 – Discussion and Action, if any, on Legislative Matters. 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 Discussions with TOC Board Committees and with California Horse Racing Alliance. Mr. Korby reported that he has had a series of meetings with the California Horse Racing Alliance, an organization formed by the industry to mediate racing legislation, representing all sectors of the industry. Mr. Korby has encouraged the Alliance to explore realistic solutions to the profound issues affecting the industry including a complete restructuring of the current model. Mr. Korby feels that even though the industry is resistant to change, it might be the only answer for survival.

Mr. Korby asked for direction from the Board when negotiating with industry principals regarding the tradeoff of increasing satellite commissions in exchange for decreasing or eliminating the 20-mile radius. Ms. Tesconi, Mr. Jacobs, Mr. Agnifili and Ms. Baldwin expressed interest in that exchange. Mr. Brown clarified that any increase in handle should not be contingent on approval from the CHRB. Mr. Carpenter stated that current language circulating would decrease the satellite radius protection to ten drivable miles while keeping the track radius protection intact. Mr. Carpenter is still in discussion with Golden Gate Fields and other businesses regarding a mini-satellite in the San Francisco area. Mr. Alkire stated that the group consensus is to direct Mr. Korby to enter into initial negotiations with industry representatives to consider reducing the 20-mile radius protection in an exchange for an increase in takeout that would benefit satellite commissions.

Agenda Item 5 – Discussion and Action, if any, on Harness Racing Matters, Including the Night Racing Schedule and Implementation of AB 246, Which Would Increase Take-Out and Satellite Commissions. Mr. Jacobs expressed disappointment that CalExpo Harness has declined to implement AB 246, despite requesting Fair satellites to support the bill. Mr. Jacobs felt Fair satellites were lead to believe that CalExpo would implement the increase in late December 2009, with no communication to the contrary. Mr. Jacobs stated that he reserves the right to close his satellite for night racing if the facility continues to operate at a loss. Mr. Agnifili also expressed his disappointment in CalExpo decision not to implement AB 246.

Mr. Bartosik stated that CalExpo Harness handle is down 30% and management feels an increase takeout would have a harmful effect on business, especially with CalExpo's existing takeout rates which are currently higher than the industry average compounded with the current state of the economy. Mr. Bartosik encouraged any satellite operating during night

racing at a financial loss to contact CalExpo to request compensation. Ms. Tesconi stated that she initiated the process with CalExpo and Los Alamitos to recoup her satellite's night racing losses successfully and would be willing to share the spreadsheet she put together with any Fair manager wishing to negotiate with CalExpo.

Mr. Korby asked any Fair considering closing for night racing due to an unprofitable operation to contact Mr. Bartosik or Mr. Elliott with a plan and financials for recovering operating expenses. Closing a satellite is not beneficial to the Fair, industry or patrons if a solution to cover expenses to the satisfaction of the Fair in question exists.

Agenda Item 6 – Report on Status of Possible Legal Action by Bay Meadows Seeking Payment of Satellite Commissions After it had Ceased Operation as a Satellite Facility. Ann Grottveit, attorney with Kahn, Soares & Conway, reported on the claim against CARF seeking payment of satellite commissions by Bay Meadows Land Company after Bay Meadows satellite had ceased operating. Legal counsel's recommendation was to not respond to the claim and wait for Bay Meadows Land Company to move forward with filing a lawsuit. It is unclear what interpretation of the law the claim is based on, but clarifying the language that triggered the claim is a policy issue that the CHRB and racing industry needs to address to avoid other entities from submitting future claims.

Agenda Item 7 – Discussion and Action, if any, on Agency Dues. Mr. Alkire reported that Mr. Bartosik contacted him regarding the positive financial state of the CARF agency and potentially giving back to members during tough economic times by refunding a portion of dues.

Mr. Alkire thanked Mr. Korby for managing CARF's finances in a manner that made this consideration possible. Mr. Bartosik echoed that sentiment. Mr. Alkire requested Staff work with the Finance Committee to prepare possible refund scenarios for the March meeting.

Agenda Item 8 – Executive Director's Report. Mr. Korby reported the annual California Thoroughbred Racing Association (CTBA) Awards Dinner will be held at the Claremont Hotel in Berkeley on Monday, Feb. 22, 2010 and CARF Board members are welcome to attend.

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.

Mr. Korby reported that a proposal was made to Local 280 by tracks to reduce the staffing level of pari-mutuel clerks by 20 percent, which represents a realistic level in light of declines in business and the shift to ADW. The modifications were not ratified by Local 280.

Agenda Item 9 – Chairman’s Report on Executive Director Evaluation. Mr. Alkire reported that he had received all but one of the evaluation forms provided to Directors and requested that Mr. Jacobs join him in sharing the evaluations with Mr. Korby. Mr. Alkire thanked the Directors for taking the time to complete the evaluations.

Respectfully submitted,

Heather Haviland