

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors Meeting

Tuesday, June 4, 2013

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, June 4, 2013. The meeting was hosted at the CARF offices, 1776 Tribute Road, Sacramento, California.

CARF Board Directors attending: John Alkire, Dan Jacobs, Mike Paluszak and Rick Pickering. Joining by conference call: Chris Borovansky and Kelly Violini.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Raechelle Gibbons, Anne Grottveit, Janet Lockhart, Cindy Olsen, Richard Conway, Jim Morgan, Jeanne Wasserman, Tawny Tesconi, Stuart Titus and Richard Lewis.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next Board of Directors meeting will be held September 10, 2013 in Sacramento.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program for 2013. Mr. Brown reported that last Friday was the California legislature’s “House of Origin” deadline, meaning all bills were required to pass out of the house they were originally introduced in order to continue moving through the 2013 legislative process. The CARF-sponsored bills, which are substantive yet fairly non-controversial, continue through the process without issue and will provide useful vehicles in late session if needed. The announcement of Hollywood Park’s imminent closure is dominating discussion in the racing industry, specifically regarding the future of Southern California racing, the allocation of racing dates and the availability of adequate training facilities.

Mr. Brown reported that Internet Poker continues to be a prominent topic amongst racing interests. Senator Wright’s sports wagering bill, SB 190, was held in the Senate Appropriations Committee and is now, technically, a two-year bill. However, discussions regarding Internet poker are still taking place behind the scenes. The meeting packets include a copy of a letter sent to members of the Legislature from Horse Racing United (HRU). The intent of the letter is to let the members know that racing is aware of the conversations taking place and will expect an all-inclusive approach to licensing. HRU is a not-for-profit representing the collective interests of the Del Mar Thoroughbred Club, Fairplex Park, Oak Tree Racing Association, Thoroughbred Owners of California, California Thoroughbred Breeders Association and CARF.

Mr. Brown reported that SB 741 (Cannella), the WFA/CDFR-sponsored bill to streamline business operations for DAA's, passed out of the Senate last week. CARF is in discussions with CDFR to revert license fee funding currently generated from racing Fairs back to Fairs that conduct live or satellite wagering. CARF is working diligently to ensure that the license fee issue is resolved in a manner that will benefit Fairs conducting pari-mutuel racing activities.

Mr. Brown reported that despite CARF's diligence in working with the racing industry to consider/provide concessions and waivers for mini-satellites, the CHRB has renewed discussions regarding eliminating the 20-mile Fair satellite radius protection. This item came up at the May CHRB meeting during the Santa Rosa live racing license application hearing. The CHRB has since asked each Fair with a satellite wagering facility to provide a position and declare if they are willing to waive their rights to the protection provided by statute. CARF has distributed an advisory and template response letter to the membership. Mr. Brown stated that this topic is not currently a legislative issue and seems to be localized to the CHRB. Mr. Korby stated that these discussions might provide a welcome opportunity to revisit an increase in satellite commissions.

Agenda Item 4 – Executive Session (Pending Litigation). Mr. Alkire stated that pursuant to section 54954.5 of the California Government Code, the CARF Board of Directors will enter into "executive" or "closed session" for counsel to update members on the status of the separation agreement with Sonoma County Fair.

The CARF Board entered closed session.

After returning, Mr. Alkire reported that no decisions had been made during closed session.

Agenda Item 5 – Discussion and Action, if any, on Request from Sonoma County Fair for Paymaster Services. Mr. Alkire reported that the meeting packets contain a letter from Tawny Tesconi, Fair Manager at the Sonoma County Fair, dated May 2, 2013 requesting services of the CARF Paymaster of Purses for the Santa Rosa self-run meet. The packets also include a response letter from Christopher Korby dated May 8, 2013 and a second letter from Tawny Tesconi dated May 14, 2013.

Mr. Alkire asked Ms. Tesconi if she wished to address the group.

Ms. Tesconi stated that as her staff began to prepare contracts and service agreements for the 2013 race meet, it became apparent there was an interest by the industry in providing one paymaster for the summer fair circuit. Ms. Tesconi clarified that the request was for the services of the paymaster as an employee, not use of CARF's horsemen accounts, banking accounts or Incompass accounts. Ms. Tesconi stated that the continuity provided by a common person in the paymaster function would be for the good of the horsemen and could offset some of the costs associated with Santa Rosa leaving CARF.

Mr. Pickering asked specifically which sector of the industry expressed interest in a common paymaster for the summer circuit.

Ms. Tesconi stated that while looking for a paymaster, other California paymasters stated that horsemen would prefer a consistent point of contact throughout the summer. Ms. Tesconi stated that after she distributed her letter of request, TOC and trainers stated that they support the concept.

Mr. Alkire called for the motion. Hearing no motion, Mr. Alkire called again for a motion. The agenda item and issue were terminated for lack of a motion.

Agenda Item 6 – Report, Discussion and Action, if any, on Planning and Projections for 2013 Summer Fair Racing Operations. Mr. Korby reported that the meeting packet includes contract extensions for TV production services provided by Pegasus Communications and liability, property and workmen’s compensation insurance for CARF provided by Alliant Insurance Services.

Mr. Korby reported that the packets also contain program covers and racing advertising creative.

Mr. Korby stated that action was taken on this item by the CARF Live Racing Committee and that this report is informational.

Agenda Item 7 – Discussion and Action, if any, on Proposed Security Agreement for Reimbursement to CARF of Live Racing Expenses. Mr. Korby reported that he and Ms. Grottveit have been working since mid-2012 on a security agreement that would serve as a mechanism to carefully and deliberately structure the flow of funds between CARF and member Fairs. Mr. Korby stated that it is critical for CARF to have an agreement in place that clarifies the flow of funds from CARF to racing Fairs and assures that CARF is reimbursed for monies that are spent up front on live racing expenses. The most recent version of the MOU is contained in the meeting packet.

Mr. Korby stated that this item was discussed at length during the CARF Live Racing Committee meeting. Consensus at the Committee meeting was that the document was close to a final draft, but that action should be deferred until Fair Managers could share the agreement with their Boards and provide CARF staff with solid feedback that could be used to move the document forward at the September meetings.

Agenda Item 8 – Report on Inquiry from CHRB Pari-Mutuel Committee Regarding California Satellite Wagering Facilities. Mr. Korby reported that the issue of the 20-mile radius protection for Fair satellites came up at the May CHRB meeting during the Santa Rosa live racing license application. As a result of that meeting, by now each Fair has probably have received a request from the California Horse Racing Board for information to be discussed at the next Parimutuel Operations Committee meeting on June 19. Mr. Korby stated that this is a good opportunity for Fairs which operate satellite wagering to weigh in on important matters affecting satellite operations.

Mr. Korby has drafted suggestions for a response letter that would help communicate some of the issues facing Fairs satellite operators. These are especially relevant if the 20-mile radius matter is

discussed. A template letter has been circulated and CARF staff will circulate more information as needed.

Mr. Korby stated that CARF's recommendation is that Fairs take the basic position that we believe in maintaining the current law requiring the consent of existing satellites within a 20-mile radius, although we would be willing to discuss proposals for neighboring satellite facilities on a case-by-case basis, reserving the right under California statute to withhold our consent. We believe the 20-mile radius is in the law for a number of reasons: 1) our Fair has a major investment in the satellite facility; 2) we have employees who rely on the jobs we provide; and 3) satellite wagering is a revenue source for our Fair that we are obliged to protect. If existing satellites are having a hard time making ends meet with the present business model, we don't think it makes a lot of sense to add more satellites in the same markets unless you change the business model for satellite wagering.

Mr. Jacobs asked if it was possible to craft a group response from CARF of behalf of all member satellites. Mr. Korby responded that Commissioner Israel originally requested that a representative from each Fair appear in person and to explain their Fair's position. That request was mediated to allow each Fair to respond in writing. Mr. Jacobs reiterated that he feels it is important for CARF Fairs to maintain a united front.

Agenda Item 9 – Financials. Mr. Korby stated that financials are included in the meeting packets.

Agenda Item 9 – Executive Director's Report. No report.

Respectfully submitted,
Heather Haviland