



a California joint powers agency

1776 Tribute Road, Suite 205
Sacramento, CA 95815
Office: 916.927.7223 Fax: 916.263.3341
www.calairs.com

**MEETING NOTICE
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS MEETING
JOHN ALKIRE, CHAIR
5:00 P.M., WEDNESDAY, NOVEMBER 4, 2009
VIA TELECONFERENCE**

Notice is hereby given that a teleconference meeting of the California Authority of Racing Fairs' Board of Directors will commence at 5:00 P.M., Wednesday, November 4, 2009. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

The Public and members of the California Authority of Racing Fairs Board of Directors may participate from the following locations on the following page.

**CARF Board of Directors Meeting
Toll Free Dial In Number: (800) 791-2345
Participant Code: 83711 #**



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CALIFORNIA AUTHORITY OF RACING FAIRS Teleconference Meeting Locations

Alameda County Fair
4501 Pleasanton Avenue
Pleasanton, CA 94566

National Orange Show
689 South E Street
San Bernardino, CA 92408

Solano County Fair
900 Fairgrounds Drive
Vallejo, CA 94589

Antelope Valley Fair
155 East Ave. I – 2551 Ave. H
Lancaster, CA 93535

Redwood Acres Fair
3750 Harris Street
Eureka, CA 95503

Sonoma County Fair
1350 Bennett Valley Road
Santa Rosa, CA 95404

The Big Fresno Fair
1121 S. Chance Avenue
Fresno, CA 93702

Riverside National Date Festival
46-350 Arabia Street
Indio, CA 92201

Southern CA Fair
18700 Lake Perris Dr.
Perris, CA 92570

California State Fair
1600 Exposition Blvd.
Sacramento, CA 95815

San Bernardino Co. Fair
14800 Seventh Street
Victorville, CA 92395

Stanislaus County
900 North Broadway
Turlock, CA 95380

Earl Warren Showgrounds
3400 Calle Real

Santa Barbara, CA 93105

San Joaquin Fair
1658 S. Airport Way
Stockton, CA 95206

Tulare County Fair
215 Martin Luther King
Tulare, CA 93274

Humboldt County Fair
1250 5th Street
Ferndale, CA 95536

San Mateo County Fair
2495 South Delaware Street
San Mateo, CA 94403-1027

Ventura County Fair
10 West Harbor Blvd
Ventura, CA 93001-2706.

Kern County Fair
1142 South P Street
Bakersfield, CA 93307

Santa Barbara Co. Fair
937 Thornburg Street
Santa Maria, CA 93458

Monterey County Fair
2004 Fairground Road
Monterey, CA 93940

Shasta District Fair
1890 Briggs Street
Anderson, CA 96007

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a California joint powers agency

1776 Tribute Road, Suite 205
Sacramento, CA 95815
Office: 916.927.7223 Fax: 916.263.3341
www.calfairs.com

**AGENDA
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS MEETING
JOHN ALKIRE, CHAIR
5:00 P.M., WEDNESDAY NOVEMBER 4, 2009
VIA TELECONFERENCE**

Notice is hereby given that a meeting of the California Authority of Racing Fairs' Board of Directors will commence at 5:00 P.M., Wednesday November 4, 2009. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815. Directors may participate by teleconference.

AGENDA

- I. Date and time of next meeting.
- II. Approval of minutes.
- III. Discussion and action, if any, regarding closure of Satellite Wagering Facility at Earl Warren Showgrounds and request for payment of Equipment Replacement Fund deposit.
- IV. Discussion and action, if any, regarding current or prospective legislation.
 - SB517
 - AB246
 - AB1575
 - CARF Legislative Program
- V. Executive Director's Report.
 - Magna bankruptcy legal fees
 - Mini-SWF update
 - Other

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CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors
Tuesday, October 6, 2009

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, October 6, 2009. The meeting was conducted at the Big Fresno Fair Administration Office, 1121 Chance Ave., Fresno, CA, 93702.

Live Racing Committee members attending: John Alkire. Joining by conference call: Vince Agnilfini, Norb Bartosik, Dan Jacobs, Mike Paluszak, Rick Pickering and Kelly Violini.

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland and Tom Doutrich. Joining by conference call: Louie Brown, Crystal Jack, Debbie Cook, Tawny Tesconi Margot Wilson and Dave Elliott.

Agenda Item 1 – Date and Time of Next Meeting. The next CARF Board & Live Racing Committee meeting will be scheduled in conjunction with the CFA Fall Management Conference (Nov. 4-6, 2009) in Sacramento, date and time to be determined.

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

Agenda Item 3 – Discussion and Action, if any, Regarding Payment of Satellite Location Fees from Trust Accounts Set Up for that Purpose at NCOTWInc. and SCOTWInc. Mr. Korby reported that he moved forward with the CARF Board’s direction to create protected accounts at NCOTWInc. and SCOTWInc. for the purpose of depositing and distributing satellite location fees to ensure uninterrupted distribution of fees in the event that a racing association ceases to operate or declares bankruptcy.

Mr. Korby sent a letter to Santa Anita and to SCOTWInc. notifying them that Santa Anita’s simulcast contract will not be renewed until trust accounts are created for the purpose of protecting satellite location fees. NCOTWInc. and Golden Gate Fields have been more cooperative in efforts to establish a process to secure a means to hold potential payments. Mr. Korby will keep the Board notified as this item progresses.

Agenda Item 4 – Discussion and Action, if any, Regarding Current or Prospective Legislation. Mr. Brown reported that the legislative session ended Sept. 11, 2009. The racing industry bill that would allow changes to keep NCOTWInc. and SCOTWInc. solvent is sitting on the Senate floor. The bill was caught on the Senate floor due to partisan politics by Republicans to refuse to pass bills with urgency clauses at the end of session.

AB 734 (Hill) dealing with satellite commissions is sitting in the Senate G.O. Committee. Mr. Brown expects there will be extensive discussion within the racing industry regarding satellite commissions and reducing the 20-mile radius for mini-satellites in the next session.

Agenda Item 5 – Executive Director’s Report. Mr. Korby reported that he and Mr. Treacy sent letters to the San Mateo County Event Center requesting clarification on their intent to support a potential satellite wagering facility at Cow Palace as a condition of funding from both F&E and CARF to create the San Mateo satellite wagering facility. Mr. Korby received a response that will be included in the November meeting packet.

Mr. Alkire notified the group that Scott Grieve sent a letter to the CARF Board alerting the group that Earl Warren Showgrounds intends to close the satellite wagering facility located on their Fairgrounds and would like to request reimbursement of the funds they have on deposit with CARF. Mr. Pickering requested a five year history of expenditures made at the Santa Barbara satellite from the CARF Equipment Replacement Fund.

Respectfully submitted,

Heather Haviland



PO Box 3250 ♦ 3400 Calle Real ♦ Santa Barbara ♦ CA ♦ 93130-3250

October 16, 2009

Kirk Breed, Executive Director
 California Horse Racing Board
 1010 Hurley Way
 Suite 300
 Sacramento, CA 95825

Dear Mr. Breed,

The Board of Directors of the 19th District Agricultural Association voted in August to terminate its Satellite Wagering operation on September 30, 2009. At that time all affected parties were notified via letter that the final day of operation would be September 28th, 2009..

In a subsequent 19th DAA Board of Directors Meeting (held September 17, 2009) the Board, at the urging of some Satellite Wagering patrons, agreed to keep the facility open for an additional thirty days. The patrons were given this amount of time to formulate a plan that would be an acceptable business alternative to closing the facility.

On October 15 during its regularly scheduled monthly meeting, the Board considered possible scenarios submitted by the public to keep the satellite facility open. The Board felt that none of the proposals presented represented feasible alternatives to closure of the facility. It was moved, seconded and approved that the Satellite Wagering Facility be closed with the last day of public operation being November 8, 2009.



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The District has been in preliminary discussions with local business establishments concerning the possibility of locating a Mini- Satellite within the District. The District will continue to investigate this possibility.

Respectfully yours,


Scott Greve,
19th District Agricultural Association

CC Mike Treacy, Division of Fairs and Expositions
Jackie Wagner, CHRB
Tom Varella, SCOTWINC Inc.
John Alkire, CARF
Chris Korby, CARF



PO Box 3006 ♦ 3400 Calle Real ♦ Santa Barbara ♦ CA ♦ 93130-3006

Fax

To: Chris Korby **From:** Scott Grieve

Fax: 916-263-3341 **Pages:** 5 (including cover)

Phone: 916-263-3340 **Date:** 8/27/2009

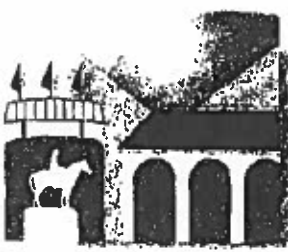
Re: 19th DAA Satellite Wagering **CC:**

Urgent For Review Please Comment Please Reply Please Recycle



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Earl Warren Showgrounds

PO Box 3250 ♦ 3400 Callo Real ♦ Santa Barbara ♦ CA ♦ 93130-3250

August 27, 2009

Chris Korby, Executive Director
CARF
1776 Tribune Road, Suite 105
Sacramento, CA 95815

Dear Mr. Korby,

As stated in the enclosed letter addressed to Kirk Breed of the CHRB, the 19th District Agricultural Association Board of Directors has voted to close its satellite wagering operation as of September 30, 2009. In keeping with this decision the 19th DAA would like to resign from CARF effective the same day.

The closing of any business entity by its very nature is a complicated endeavor. Bill Connelly the current Satellite Manager will stay on past the closing date to facilitate the efficient management of the details. This will include working with CARF, SCOTWINC, CHRB and the Division of Fairs and Expositions to complete the closing.

An Equipment Replacement Fund Statement prepared on August 29, 2008 listed the Santa Barbara facility with money on account totaling \$107,924. Since the 19th DAA is closing its satellite wagering operation and withdrawing from CARF, the District would like to withdraw its Equipment Replacement Funds at the same time.

Please notify me of the steps necessary to receive these funds and define any operational issues that must be resolved before closure of the facility.

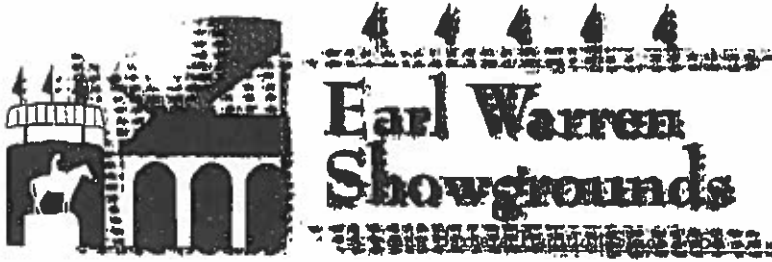
Sincerely,

Scott Grieve
19th District Agricultural Association

Cc Mike Treacy



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PO Box 3250 ♦ 3400 Calle Real ♦ Santa Barbara ♦ CA ♦ 93130-3250

August 27, 2009

Kirk Breed, Executive Director
California Horse Racing Board
1010 Hurley Way
Suite 300
Sacramento, CA 95825

Dear Mr. Breed,

During the past six years, the satellite wagering facility of the Earl Warren Showgrounds (The 19th District Agricultural Association) has experienced steady and dramatic declines in its overall revenue. This decline in revenue is linked with an overall decline in profitability, which forced the 19th DAA Board and staff to closely examine the Satellite Wagering business and determine its long term viability.

The major reasons for decline in attendance and revenue appear to be the following:

- **Increased Competition for the Gaming Dollar** – When satellite wagering was first established at the Earl Warren Showgrounds there was little in the way of competition in the area. The Ventura County Fairgrounds (40 miles east) and the Santa Maria Fairgrounds (60 miles to the Northwest) have satellite wagering facilities that have acted to limited the local customer base. In addition, the Chumash Indian Casino (26 miles to Northwest) which opened in 2003 offers a resort destination with a variety of gaming activities and entertainment.



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August 27, 2009

- **On-line Wagering** – With the advent of Advanced Deposit Wagering and other forms of on-line wagering, many former customers can view and wager on races from the comfort of their own homes. For these customers there is little incentive to attend the satellite wagering facility. With the continued growth in the use, acceptance and understanding of computers and the Internet, the current demographic of the satellite wagering customers appears to center on males, over 60 year old with few computer skills and no incentive to develop them.
- **Old Satellite Wagering Facility** – The current facility used for Satellite Wagering at the Earl Warren Showgrounds is in excess of 40 years old, was adapted for this use instead of designed for it and is antiquated in comparison to the newer facilities of Ventura and Antelope Valley. The facility lacks the style and ambience that would in and of itself attract customers. The capital investment required to improve the facility cannot be justified by the return on that investment.
- **Older Man's Sport** – Horse racing in general has become an older man's sport. The largest demographic segment of customers (over 75%) at the Earl Warren Facility is males, over 60 years in age. There are no trends for the increase of younger customers or for that matter an increase in any demographic segment.

When faced with these impediments to a steady, dependable revenue stream the District Board of Directors explored methods of expense reduction to drive profit. Elimination of Admission Clerks and Program Sellers for night racing, the ultimate elimination of night racing, the elimination of janitorial jobs, the elimination of staff jobs, and the reduction in the cost of security have all been implemented and resulted in a 15% cost reduction.

At the beginning of 2009 the Board of Directors of the 19th DAA voted to eliminate night racing and evaluate the overall viability of the satellite facility at the end of June 2009. During the ensuing six months Magna Entertainment Corp., owner of Santa Anita Park and Golden Gate Fields filed for bankruptcy, a local wild fire forced closure of the facility for two days, Hollywood Park and Golden Gate field suspended Wednesday racing because there were insufficient entries to complete an eight race card and the general economic recession all conspired to force downward pressure on gaming revenues. Despite the 15% expense reduction that was achieved in the first half of 2009, revenues have fallen at a still faster rate putting the Satellite Wagering operation in a deficit situation.

● Page 3

August 27, 2009

Therefore, after two years of closely monitoring the satellite wagering operation and researching alternative business models, the Board of Directors could find no viable solutions or reasons for optimism concerning the current state and long term direction of horse racing. The Board of Directors of the 19th District Agricultural Association met on August 20th for its regularly scheduled monthly meeting and unanimously voted (7-0 vote with two absentees) to close its Satellite Wagering operation effective September 30, 2009 with the last day open to the public being Sunday September 27, 2009.

This decision is not one that was taken lightly but rather taken only after intense scrutiny and careful consideration. In the final analysis, in this time of recession and economic hardship the 19th District simply cannot afford to subsidize its satellite wagering operation. All assets and capital must be employed in efforts to produce operating revenue

Sincerely,



Scott Grieve, CEO
19th District Agricultural Association

Cc Edgar Sands
Chip Wulbrandt
Mike Treacy, Division of Fair and Expositions
Chris Korby, CARF
Tom Varella, SCOTWINC
Kathy Howard

CALIFORNIA HORSE RACING BOARD
1010 HURLEY WAY, SUITE 300
SACRAMENTO, CA 95825
(916) 263-6000
FAX (916) 263-6042



October 23, 2009

Scott Grieve
19th District Agricultural Association
3400 Calle Real
Santa Barbara, CA 93130-3006

Dear Mr. Grieve:

SUBJECT: CLOSURE OF SATELLITE WAGERING FACILITY AT THE EARL WARREN SHOWGROUNDS

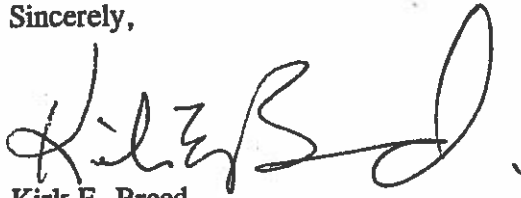
The California Horse Racing Board (CHRB) acknowledges receipt of your October 16, 2009 lettering wherein you state the Board of Directors of the 19th District Agricultural Association (District) has decided to close the satellite wagering facility at the Earl Warren Showgrounds, effective November 18, 2009.

Your letter also indicates the District was investigating the possibility of opening a minisatellite wagering facility within the district. Business and Professions Code (B&P Code) section 19695.25 does not preclude the District from submitting to the CHRB an application for license to operate minisatellite wagering facility. However, the B&P Code section 19605.25 does not afford minisatellite wagering facilities the 20 mile protection attributed to a fair satellite wagering facility. If the District closes its satellite wagering facility and opens a minisatellite wagering facility, the facility will be in competition with all other applicants, and subject to the provisions of the enabling statute.

In addition, once the District's satellite wagering facility is closed, the provisions of the Business and Professions Code, pertaining to Horse Racing Law, would no longer apply to the facility.

For your reference attached is a copy of B&P Code Section section 19605.25, a copy of CHRB Rule 2066, Application for License to Operate a Minisatellite Wagering Facility, as well as the application for license to operate a minisatellite wagering facility.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirk E. Breed". The signature is fluid and cursive, with a large loop at the end.

Kirk E. Breed
Executive Director

Tom Varella, SCOTWINC
Jacqueline Wagner, Policy and Regulations Manager



*Southern California
Off-Track Wagering, Inc.*



October 22, 2009

Mr. Kirk Breed
Executive Director
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Mr. Breed:

This is in response to the letter from Scott Grieve of the Earl Warren Showgrounds and your memo regarding the announced closure of the Santa Barbara satellite wagering facility at the conclusion of racing on November 8. The majority of the partners on the SCOTWINC Board and I agree with your memo that by receiving approval to close that the Fair will have waived it's rights as a satellite and that the Industry would not need the consent of the Fair should we find a suitable location for a mini-satellite within a 20-mile radius in Santa Barbara.

Sincerely,

Thomas M. Varela
General Manager

Cc: SCOTWINC Board
NCOTWINC Board

BILL NUMBER: SB 517 CHAPTERED
BILL TEXT

CHAPTER 636
FILED WITH SECRETARY OF STATE OCTOBER 23, 2009
APPROVED BY GOVERNOR OCTOBER 23, 2009
PASSED THE SENATE OCTOBER 14, 2009
PASSED THE ASSEMBLY SEPTEMBER 8, 2009
AMENDED IN ASSEMBLY SEPTEMBER 3, 2009
AMENDED IN ASSEMBLY AUGUST 31, 2009
AMENDED IN SENATE MAY 18, 2009
AMENDED IN SENATE MAY 11, 2009
AMENDED IN SENATE MAY 4, 2009

INTRODUCED BY Senator Florez

FEBRUARY 26, 2009

An act to amend Section 19601.01 of the Business and Professions Code, relating to horse racing, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 517, Florez. Horse racing: thoroughbred associations or fairs: wager deductions.

Existing law authorizes a thoroughbred association or fair, at the joint request of the association or fair and the horsemen's organization and subject to approval by the California Horse Racing Board, to deduct from the parimutuel pool, for any type of wager, an amount of 10% to 25%, inclusive, of the total amount handled for the meeting of the thoroughbred association or fair that accepts the wager.

This bill would instead authorize the deduction of an amount in that range upon the filing of a specified written notice with, and approval by, the board specifying the percentage to be deducted and would provide that the percentage is to remain in effect until the filing of a subsequent notice with, and approval by, the board, unless otherwise specified in the notice. The bill would authorize certain distributions as prescribed in the Horse Racing Law to be modified or redirected upon the filing with, and approval by, the board of a written notice, as specified. The bill would require a notice to modify or redirect a distribution to be accompanied by a certain report of receipts and expenditures, and would require the filing of a report accounting for all receipts and expenditures in any of the affected funds with the board and certain legislative committees within one year of initial approval of a percentage deduction notice and annually thereafter if approval is extended by the board. The bill would require the consent of affected organizations and entities for a distribution modification or redirection and for an extension of a distribution modification or redirection, as provided.

This bill would declare that it is to take effect immediately as an urgency statute.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 19601.01 of the Business and Professions Code is amended to read:

19601.01. (a) Notwithstanding any other provision of law, a thoroughbred association or fair, upon the filing of a written notice with, and approval by, the board specifying the percentage to be deducted, may deduct from the total amount handled in the parimutuel pool for any type of wager an amount of not less than 10 percent nor more than 25 percent. The written notice shall include the written agreement of the thoroughbred association or fair and the horsemen's organization for the meeting of the thoroughbred association or fair accepting the wager. The established percentage to be deducted shall remain in effect until the filing of a subsequent notice with, and approval by, the board, unless otherwise specified in the notice. The amount deducted shall be distributed as prescribed in this chapter. However, any such distribution, except for amounts payable for the support of the board and the equine drug testing program pursuant to subdivision (a) of Section 19616.51, may be modified or redirected upon the filing with, and approval by, the board of a written notice that is authorized and signed by the organization representing each entity affected by the modification or redirection, including, but not limited to, horsemen's organizations, racing associations, and fairs. If the proposed distribution modification or redirection increases or would increase the financial burden of any other organization or entity, the consent of that organization or entity shall also be obtained. This organization or entity consent provision for a distribution modification or redirection applies even if the percentage deduction is not increased pursuant to this subdivision.

(b) A notice filed with the board to modify or redirect a distribution pursuant to subdivision (a) shall be accompanied by a report detailing all receipts and expenditures over the two prior fiscal years of the funds and accounts proposed to be affected by the notice.

(c) Initial approval of a distribution modification or redirection pursuant to this section shall be limited to a one-year period. An approval may be extended in subsequent years contingent upon annual receipt of the report described in subdivision (e) and a determination by the board that the extension is in the economic interest of thoroughbred racing. However, in order for an initial approval of a distribution modification or redirection to be extended beyond the first year, the consent of each organization and entity that gave its consent to that initial distribution modification or redirection shall also be obtained for the extension. In the absence of the consent of all of these organizations and entities, the board shall not approve the extension.

(d) A thoroughbred association or fair whose written notice for a percentage deduction pursuant to subdivision (a) has been approved by the board shall provide subsequent quarterly reports of receipts and expenditures of the affected funds if requested by the board.

(e) A thoroughbred association or fair whose written notice for a percentage deduction pursuant to subdivision (a) has been approved by the board shall file a report with the board and the respective fiscal committees and Committees on Governmental Organization of the Senate and the Assembly accounting for all receipts and expenditures in any of the affected funds. This report shall be filed within one year of initial board approval and annually thereafter if the approval is extended by the board.

SEC. 2. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to allow greater flexibility to direct funds generated by

wagering deductions to areas with the greatest economic benefit for the horse racing industry and to ensure the economic future and stability of the horse racing industry, it is necessary that this act take effect immediately.

BILL NUMBER: AB 246 CHAPTERED
BILL TEXT

CHAPTER 226
FILED WITH SECRETARY OF STATE OCTOBER 11, 2009
APPROVED BY GOVERNOR OCTOBER 11, 2009
PASSED THE SENATE AUGUST 27, 2009
PASSED THE ASSEMBLY SEPTEMBER 11, 2009
AMENDED IN SENATE JUNE 26, 2009
AMENDED IN SENATE JUNE 17, 2009
AMENDED IN ASSEMBLY MARCH 25, 2009

INTRODUCED BY Assembly Member Price

FEBRUARY 10, 2009

An act to add Sections 19597.5 and 19601.3 to the Business and Professions Code, relating to horse racing, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 246, Price. Horse racing: deductions and distributions: trust funds: harness and quarter horse racing.

Existing law, the Horse Racing Law, generally regulates horse racing and parimutuel wagering on horse races. Existing law requires various deductions and distributions to be made from parimutuel pools, as specified.

This bill would require a person licensed to conduct a horse racing meeting to hold in trust the distributions required to be made pursuant to the Horse Racing Law until the funds are paid to the various distributees. The bill would provide that these required deductions, except for those that enure to the benefit of the racing association, are trust funds and shall not be used by the racing association for any purpose other than for payment to those distributees as directed by the Horse Racing Law. The bill would provide that these funds are not the property of the racing association and are to be held in a separate depository account until they are actually distributed as provided for in the Horse Racing Law. By codifying requirements on licensees under the Horse Racing Law, the violation of which would be a crime, the bill would impose a state-mandated local program.

This bill would authorize a quarter horse and harness racing association, subject to approval by the California Horse Racing Board, to deduct from the total amount handled in the parimutuel pool for any type of wager up to 2% more of the total amount handled than was authorized on May 1, 2009, and would require any amount deducted under this authority to be distributed as specified.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as an urgency statute.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. (a) The Legislature finds and declares that it has long been established in California that the racing association and its parimutuel operation is actually only holding the stakes. The funds wagered are not the property of the racing association. The racing association merely holds the funds wagered until the results of the race are known, then the association pays the winning wagers, and holds funds for others pursuant to the California Horse Racing Law. It has always been known that the funds due the various distributees are not the property of the racing association. The racing association is merely acting as a trustee until the funds are paid to those as provided for in statute.

(b) It is therefore the intent of the Legislature that the purpose of this act is not to change California law, but merely to codify this trustee relationship.

SEC. 2. Section 19597.5 is added to the Business and Professions Code, to read:

19597.5. A person licensed under this chapter to conduct a horse racing meeting shall hold in trust the distributions required to be made pursuant to this chapter until the funds are paid to the various distributees. These required deductions, except for those that enure to the benefit of the racing association, are trust funds and shall not be used by the racing association for any purpose other than for payment to those distributees as directed by this chapter. These funds are not the property of the racing association, but are merely held in trust for the benefit of the statutory distributees until the funds are distributed to them in accordance with this chapter. These funds shall be held in a separate depository account until they are actually distributed as provided for in this chapter.

SEC. 3. Section 19601.3 is added to the Business and Professions Code, to read:

19601.3. (a) Notwithstanding any other provision of law, a quarter horse racing association, subject to approval by the board, may deduct from the total amount handled in the parimutuel pool for any type of wager up to 2 percent more of the total amount handled than was authorized on May 1, 2009. Funds deducted pursuant to this additional authority shall be distributed as follows:

(1) All of the funds, up to 1 percent on the first fifty thousand dollars (\$50,000) per day handled, to eligible satellite wagering facilities that are in compliance with Article 9.2 (commencing with Section 19605), based on the wagers they accept, and provided further that they accept all available signals from the quarter horse racing association.

(2) The remainder of the funds shall be distributed with 50 percent going to the quarter horse horsemen's organization for purses and the other 50 percent being retained by the racing association.

(b) Notwithstanding any other provision of law, a harness racing association, subject to approval by the board, may deduct from the total amount handled in the parimutuel pool for any type of wager up to 2 percent more of the total amount handled than was authorized on May 1, 2009. Funds deducted pursuant to this additional authority shall be distributed as follows:

(1) All of the funds, up to 1 percent on the first fifty thousand dollars (\$50,000) per day handled, to eligible satellite wagering facilities that are in compliance with Article 9.2 (commencing with Section 19605), based on the wagers they accept, and provided further that they accept all available signals from the harness racing association.

(2) The remainder of the funds shall be distributed with 50

percent going to the harness horsemen's organization for purses and the other 50 percent being retained by the racing association.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 5. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to protect the public's funds placed as wagers on horse racing and to ensure the economic stability and survival of, and the protection and preservation of jobs in, the harness and quarter horse racing industries at the earliest possible time, it is necessary that this act take effect immediately.

PASSED THE SENATE OCTOBER 14, 2009
PASSED THE ASSEMBLY OCTOBER 26, 2009
AMENDED IN SENATE SEPTEMBER 4, 2009
AMENDED IN SENATE AUGUST 31, 2009

INTRODUCED BY Committee on Governmental Organization (Coto (Chair),
Anderson, Chesbro, Cook, De Leon, Evans, Galgiani, Hall, Hill,
Jeffries, Lieu, Mendoza, Nestande, V. Manual Perez, Portantino,
Silva, Torres, Torrico, and Tran)

MARCH 23, 2009

An act to amend Sections 19510, 19513, 19605.7, 19605.71, 19605.9,
and 19606.3 of the Business and Professions Code, relating to horse
racing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1575, Committee on Governmental Organization. Horse racing.

Existing law, the Horse Racing Law, provides for the operation of
live horse racing in this state and for wagering thereon, and for the
operation of satellite wagering facilities, subject to regulation
and oversight by the California Horse Racing Board, as specified.
Existing law provides that every steward and racing official shall be
licensed and subject to both written and oral examinations, as
specified. "Racing official" is defined to include official
veterinarians. In general, a person who participates in a horse race
without proper licensure is guilty of a misdemeanor.

This bill would include outriders in the definition of racing
officials thus requiring them to be licensed and examined, as
specified. The bill would also provide that oral examinations for
stewards shall be conducted by a panel of not less than 3 members of
the board, while oral examinations for official veterinarians shall
be conducted by a panel of not less than one member of the board, the
equine medical director, and the executive director of the board. By
expanding the scope of an existing crime, this bill would impose a
state-mandated local program.

Existing law requires that the total percentage deducted from
wagers at satellite wagering facilities in the northern zone, and in
the central and southern zones, be the same as deductions for wagers
at the racetrack where the racing meeting is being conducted, and
amounts deducted are to be distributed as specified. Existing law
provides that, for thoroughbred meetings, 2.5% of the amount handled
by the satellite wagering facility on conventional and exotic wagers,
or the amount of actual operating expenses, as determined by the
board, whichever is less, shall be distributed to a specified
organization formed to operate the audiovisual signal system.

This bill would instead require, for thoroughbred meetings from
January 1, 2010, until December 31, 2013, an amount no less than in
existing law, nor more than 4% of the amount handled by the satellite
wagering facility on conventional and exotic wagers, to be
distributed to that specified organization with the mutual consent of
the racing association, horsemen's organization, and the board, as
specified. The bill would require the distribution to revert on
January 1, 2014, to that in existing law.

Existing provisions of law continuously appropriate certain
satellite wagering moneys from wagering on thoroughbred racing at the

22nd District Agricultural Association for supplementing purses at fair meetings in Los Angeles and Orange Counties, as specified.

This bill would instead provide for the payment of that money to an unspecified racing fair in the County of Los Angeles for supplementing purses, as specified.

Existing law requires, on July 1, 2009, and each July 1 thereafter, the transfer of \$32,000,000 from the General Fund to be paid into the State Treasury to the credit of the separate account of the Fair and Exposition Fund created for satellite wagering revenues, and to continuously appropriate those moneys for allocation for the financial support of the network of California fairs. Existing law requires the first \$1,100,000 of all funds for distribution as purses generated at satellite wagering facilities statewide from wagering on thoroughbred horse racing to be deposited in a special account in the Fair and Exposition Fund and continuously appropriated to the Department of Food and Agriculture for supplementing purses at fair meetings to achieve certain specified purposes.

This bill would instead authorize the Secretary of Food and Agriculture to allocate up to \$1,100,000 of those General Fund moneys to supplement purses at fair meetings to achieve those specified purposes. The bill would require the secretary to make these allocations part of the annual expenditure plan the secretary is required to submit to the Joint Committee on Fairs Allocation and Classification. Because this bill would authorize the expenditure of money from the continuously appropriated Fair and Exposition Fund for a new purpose, the bill would make an appropriation.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Appropriation: yes.

CALIFORNIA AUTHORITY OF RACING FAIRS
LEGISLATIVE PROGRAM: FOLLOW UP TO SB16XX
BACKGROUND DESCRIPTION OBJECTIVES
MAY 2009

BACKGROUND

California horse racing is in crisis. Its longer-term survival may be in doubt. Tribal gaming has emerged as a powerful new competitor that did not even exist twenty years ago. Racing facilities, most of which were built in the 1930's, are aging and in urgent need of upgrades or replacement. The economic model that underpins ownership of most Thoroughbred tracks in California is under strain: real estate on which privately-owned, commercial race tracks sit has appreciated to valuations that no longer justify horse racing as the highest and best use of the asset. Corporate owners, accountable to their shareholders, are compelled to consider development of their property for uses other than racing. The cost of horse ownership continues to rise, making it more difficult for horse owners to buy, train and run their horses. Other states have allowed casino revenues to be directed into racing purses, making it more difficult for California tracks to compete in attracting horses to run in our state. Advanced Deposit Wagering (on-line parimutuel wagering), was thought to be a mechanism for generating new business; instead it has shifted business from racing's traditional wagering sources and actually decreased net revenues to important industry programs. Magna Entertainment Corporation, the largest race track operator and owner in North America and owner of Santa Anita and Golden Gate Fields in California, filed Chapter 11 bankruptcy in March 2009. Santa Anita is scheduled to be auctioned under supervision of a bankruptcy court in September 2009.

In spite of the challenges facing racing, it is still a \$3-billion industry in California. Racing employs approximately 30,000 Californians, keeps 54,000 acres green and committed to California agriculture and provides entertainment and recreation to millions of Californians every year. Racing continues to be an important attraction and revenue source to Fairs through live racing and satellite wagering. There are sound public policy reasons to keep horse racing healthy; however, its fundamental model needs re-structuring. Racing needs a bold and dramatic stimulus to break out of its slow decline. We propose a plan to accomplish the following objectives that will keep horse racing healthy and viable.

OBJECTIVES

- Re-price our product in line with other major league sports through an increase in overall parimutuel take-out.
- Increase purses to keep horse owners and trainers racing in California and to attract them to our state.
- Increase parimutuel distributions to California breeders and to Cal-bred race horses so as to strengthen the agricultural sector of California horse racing and help assure a future for California's race horse breeding industry.
- Build and upgrade facilities for the future: create and enable a mechanism for public sector financing of racing facility infrastructure improvements and/or acquisitions
- Create a revenue stream for public sector financing of racing facility infrastructure improvements or acquisitions.
- Increase parimutuel distributions to the statewide satellite network to keep it financially viable and to protect the jobs that it supports.
- Restore balance to distribution of parimutuel revenues through reform of ADW distributions. Align ADW distributions more closely with traditional handle distributions. Restore sufficient funding to critical funds (e.g., NC/SCOTWInc Operating Funds; Stabling & Vanning Funds) presently suffering shortfalls because of shift in handle to ADW.

LEGISLATIVE ACTION PLAN

ADJUST PARIMUTUEL DISTRIBUTIONS FOR THOROUGHBRED RACING DURING DAYTIME

- Increase parimutuel take-out statewide by 3.25%
- Direct 1.25% of the increased takeout to purses
- Direct .25% of the increased takeout to California breeders and Cal-breds
- Direct .50% of increased takeout to satellite location fees
- Direct 1.00% of increased takeout to Acquisition and Capital Improvement Fund to finance acquisitions or improvements of racing facilities and satellites
- Direct .25% of increased takeout to California Horse Racing Board budget
- Restructure ADW distributions so as to align them more closely with traditional handle distributions and thereby restore sufficient funding to critical programs, specifically the Stabling and Vanning Funds (North & South) and NOTWInc/SCOTWInc Operating Funds

ADJUST PARIMUTUEL DISTRIBUTIONS FOR QUARTER HORSE AND HARNESS RACING AT NIGHT

- Increase parimutuel take-out statewide by 3.25%
- Direct 1.25% of the increased takeout to purses
- Direct .25% of the increased takeout to California breeders and Cal-breds
- Direct 1.00% of increased takeout to satellite location fees
- Direct .50% of increased takeout to Capital Improvement Fund to finance racing facility improvements, acquisitions or improvements to satellite locations
- Direct .25% of increased takeout to California Horse Racing Board budget

PACIFIC RACING ASSOCIATION - GOLDEN GATES FIELDS

	TOTAL	PERCENTAGE	STATEWIDE LEGAL \$86,597.94
SHASTA DISTRICT FAIR - ANDERSON	\$6,327.26	0.11%	93.79
KERN COUNTY FAIR - BAKERSFIELD	\$21,384.94	0.37%	316.98
BAY MEADOWS	\$106,171.25	1.82%	1,573.71
CAL EXPO HARNESS	\$479.13	0.01%	7.10
EUREKA REDWOOD ACRES	\$5,300.68	0.09%	78.57
FRESNO FAIR	\$15,219.25	0.26%	225.59
FRESNO FAIR - FRESNO CLUB ONE	\$5,811.74	0.10%	86.14
MONTEREY COUNTY FAIR	\$20,614.79	0.35%	305.56
ALAMEDA COUNTY FAIR ASSN - PLEASANTON	\$73,286.56	1.25%	1,086.28
CA EXPOSITION & STATE FAIR - SACRAMENTO	\$61,102.30	1.05%	905.68
SANTA CLARA COUNTY FAIR - SAN JOSE	\$70,015.65	1.20%	1,037.80
SAN MATEO COUNTY	\$91,526.34	1.57%	1,356.79
SONOMA COUNTY FAIR - SANTA ROSA	\$28,173.15	0.48%	417.59
SAN JOAQUIN COUNTY FAIR - STOCKTON	\$37,766.32	0.65%	559.79
TULARE 24TH DIST FAIR	\$6,300.22	0.11%	93.38
STANISLAUS COUNTY FAIR - TURLOCK	\$15,632.29	0.27%	231.71
SOLANO COUNTY FAIR - VALLEJO	\$30,841.42	0.53%	457.14
Cal. Marketing Committee	\$58,086.90	0.99%	860.99
Cal. Thoroughbred Business League	\$51,804.06	0.89%	767.86
California Authority of Racing Fairs	\$32,602.50	0.56%	483.25
Northern California Off Track Wagering, Inc.	\$2,261,318.27	38.71%	33,518.10
GRAND TOTAL CLAIMS FOR NORTH	\$2,999,775.02	51.35%	44,463.78
GRAND TOTAL CLAIMS FOR SOUTH	\$2,842,605.30		
GRAND TOTAL CLAIMS FOR CALIFORNIA	\$5,842,380.32		

SOUTH CLAIMS

	TOTAL	Percentage	STATE WIDE LEGAL \$86,597.94
SOUTH			
BARONA	36,971.56	0.63%	\$548.01
CABAZON	38,303.32	0.66%	\$567.75
HOLLYWOOD PARK	351,084.15	6.01%	\$5,203.90
PERRIS-HEMET 46 DISTRICT	34,927.27	0.60%	\$517.71
LANCASTER-ANTELOPE VALLEY	31,721.95	0.54%	\$470.19
LOS ALAMITOS	474,989.18	8.13%	\$7,040.47
OAK TREE RACING ASSOCIATION	3,405.27	0.06%	\$50.47
POMONA-L A COUNTY FAIR	90,478.12	1.55%	\$1,341.10
SAN BERNARDINO-NAT ORANGE SHOW	85,431.21	1.12%	\$969.85
SANTA BARBARA-EARL WARREN	12,991.94	0.22%	\$192.57
SANTA MARIA-SANTA BARBARA FAIR	13,529.00	0.23%	\$200.53
SHALIMAR-NATIONAL DATE FESTIVAL	18,704.84	0.32%	\$277.25
DEL MAR THOROUGHBRED CLUB	4,864.67	0.08%	\$72.11
DEL MAR-22ND DAA (Surfside Race Place)	156,688.44	2.68%	\$2,321.75
VENTURA	58,626.20	1.00%	\$868.98
VICTORVILLE-SAN BERNARDINO FAIR	21,208.49	0.36%	\$314.29
VIEJAS	0.00		
LOS ALAMITOS QUARTERS			
California Thoroughbred Business League	188,751.75	3.15%	\$2,723.64
California Marketing Committee	70,713.26	1.21%	\$1,048.14
SO CALIF OFF TRACK WAGERING INC			
	1,152,297.00	19.72%	\$17,079.78
CA RACE TRACK PENSION			
CTT BACKSTRETCH	unliquidated		
GRAND TOTAL CLAIMS FOR SOUTH			
	2,842,605.30	48.65%	\$42,134.16
GRAND TOTAL CLAIMS FOR NORTH			
	2,999,775.02		
GRAND TOTAL CLAIMS FOR CALIFORNIA			
	5,842,380.32		



SEP 29 2009

September 24, 2009

Mr. Mike Treacy
Director
Division of Fairs and Expositions
1010 Hurley Way, Suite 200
Sacramento, CA 95825

Dear Mike:

I am in receipt of your letter dated September 22, 2009, and have shared this letter with the San Mateo County Exposition and Fair Association Board of Directors. It is not apparent to us why you need our concurrence not to oppose a satellite wagering facility at the Cow Palace. Chris Korby has also requested a letter from me to the same effect.

Please be advised that until September 23, 2009 there had been no formal action by the SMCEFA Board of Directors regarding their position on the addition of a satellite wagering facility at the Cow Palace. Further, we are not aware of any documents that evidence a prior indication of any position by the SMCEFA Board of Directors regarding this issue either as part of the financing package for the Jockey Club, or otherwise.

At the SMCEFA Board of Directors meeting on September 23, 2009, the board took the position that it would oppose a satellite wagering facility within a 20 mile radius, given the debt service we are obligated to pay for the Jockey Club.

We would appreciate it if you would kindly direct my attention to any documents which evidence the "agreement" you mention. If this was as critical a point in the financing agreements as you indicate, then we are sure you would have required them to be put in writing along with all other critical points of our agreement. Our review of these documents do not reveal any such "stipulation". Additionally, we spoke to many individuals from our team who attended all meetings structuring the financial agreement with CFSA, CARF and F & E, and there is no recollection to any verbal agreement to not oppose a satellite wagering facility at the Cow Palace by and for the SMCEFA.

Mike, there seems to be more to this request. Please tell us what you have in mind, exactly what you are planning, so that we can reasonably consider the impact and effect it will have on our ability to repay our loans to F & E and CARF. When you ask for an agreement to not oppose in a vacuum, we simply cannot respond.

Sincerely,

A handwritten signature in black ink, appearing to read "C.A. Carpenter". The signature is fluid and cursive, with a prominent loop at the end.

Chris A. Carpenter
General Manager

Cc: Christopher Korby, Executive Director, California Authority of Racing Fairs
SMCEFA Board of Directors
Jockey Club File