

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee

Tuesday, June 2, 2009

Minutes

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 12:30 P.M., Tuesday, June 2, 2009. The meeting was conducted at the CARF Conference Room located at 1776 Tribute Road, Suite 205, Sacramento, California, 95815.

Live Racing Committee Members attending: John Alkire, Chris Carpenter, Debbie Cook, Mike Paluszak and Stuart Titus. Joining by conference call: Tawny Tesconi.

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland, Tom Doutrich, Margot Wilson and Mike Treacy. Joining by conference call: Kate Phariss and Jeanne Wasserman.

Agenda Item 1 – Confirmation of September 1, 2009 for Next Meeting, Location to be Determined. The next CARF Board & Live Racing Committee meeting is scheduled for Tuesday, September 1, 2009, location to be determined.

Agenda Item 2 – Approval of Minutes. Mr. Titus moved to approve the meeting minutes with a minor grammatical error on page three. Ms. Cook seconded, unanimously approved.

Agenda Item 3 – Discussion and Action, if any, on Legislative Matters. Mr. Brown reported that AB 1499 (Evans) and AB 734 (Hill) have passed the State Assembly and are waiting for action in the State Senate. AB 1499 (Evans) provides workmen's compensation coverage to Emerging Breed horsemen and AB 734 (Hill) would increase satellite commissions.

Mr. Brown reported that the focus at the Capitol is on California's \$25 billion deficit. Several ideas to generate revenue have been circulating including the sale of five California Fairgrounds. Senate pro tems are pushing all policy committees to conduct hearings regarding the reorganization and consolidation of government. Specific topics affecting Fairs will include the elimination of the California Department of Food and Agriculture, the functionality of Fairs and the elimination of various agricultural programs.

Mr. Treacy reported that F&E, WFA and affiliated JPA entities have scheduled weekly meetings to brainstorm ways to preserve the basic function of Fairs while accomplishing some of the Governor's Office and Legislature's budget goals.

Mr. Korby introduced documents in the meeting packet regarding CARF legislative positions in follow-up to SB 16XX and a memorandum of understanding regarding revenue shortfalls at SCOTWInc. Mr. Korby asked the CARF Board to endorse the objectives contained in the document titled "Legislative Program: Follow Up to SB 16XX, Background, Descriptions and Objectives." Significant positions in the document include restructuring pari-mutuel distributions (including ADW) by increasing conventional and exotic takeout 3% to benefit

Horsemen, satellites and create a capital improvement fund for tracks that intend to continue racing long term.

Current ideas being circulated in the racing industry could potentially exclude Fairs from new revenue streams. The Fairs need to be ready to offer a better solution that will benefit all parties.

Ms. Violini moved that the CARF Board adopt the positions outlined in the document titled "Legislative Program: Follow Up to SB 16XX, Background, Descriptions and Objectives," giving staff the foundation to move forward in SB 16XX clean-up negotiations. Mr. Jacobs seconded, unanimously approved.

Agenda Item 4 – Discussion and Action, if any, on Agency Disbursements of Racing Revenues to Fairs and Reimbursements of Racing Expenses by Fairs. Mr. Korby explained that for Live Racing Fairs, CARF is the conduit for distributing revenues generated as well as paying a large portion of operational expenses. At the end of the racing season, shared racing expenses (i.e. racing office equipment, signal distribution, staffing, etc.) are split amongst the racing Fairs via a pre-established formula and each Fair is invoiced for its share of the actual expenses.

This system has the potential for creating a cash flow problem for CARF if a Fair has received most of its racing commissions but fails to pay the invoice for actual expenses.

Staff has provided a 2009 projection for racing expenses and the Finance Committee recommends that CARF hold a dollar figure equal to 85% of the estimated expenses for each Fair from racing commissions until the season-end invoice is paid in full. The withholding will occur at the end of the Fair meet.

Mr. Titus stated that an 85% withholding would create a financial hardship for Humboldt County Fair, especially since commissions generated from ADW are typically paid late.

Mr. Jacobs moved that CARF withhold monies equal to 65% of a Fair's projected expenses from racing commissions until such time that the Fair pays the CARF invoice for actual racing expenses on a one-year trial basis. The withholding will be re-evaluated for 2010. Ms. Violini seconded, unanimously approved.

Agenda Item 5 – Update, Discussion and Action, if any, on Service Contracts Related to the Conduct of Racing. Mr. Korby introduced a working draft of the 2009 Race Meet Agreement with the Thoroughbred Owner's of California (TOC), a copy of which is included in the meeting packet. Based on concerns brought about by the MAGNA bankruptcy, TOC is asking for additional Paymaster procedures to further protect purse funds for Horsemen. CARF Staff is working with the TOC to establish procedures that are most efficient for Fair racing.

Mr. Swartzlander reported that all service contracts are complete and there is no new business to report.

Agenda Item 6 – Discussion and Action, if any, on CARF Contracting with NCOTWInc. for Payroll Services on Behalf of Member Fairs. Mr. Korby reported that the NCOTWInc. Board of Directors took the position that they will not enter into contract for mutual department payroll services with Stockton, Vallejo or Ferndale. NCOTWInc. will enter into contract with CARF on behalf of those Fairs.

Mr. Korby stated, with direction from the Live Racing Committee and guaranteed financial protection, CARF will oversee contractual obligations between Fairs and NCOTWInc.

No action was taken.

Agenda Item 7 – Discussion and Action, if any, on Racing Dates. Mr. Korby stated that the Live Racing Committee has previously agreed it will develop a recommendation regarding Fair Circuit race dates from mid-June to mid-October for presentation to the rest of the racing industry. A large part of this planning relies on California State Fair's intent to potentially shift their Fair dates to early summer.

Mr. Paluszak reported that a representative from the Solano County Fair of Board of Supervisors and Solano County Fair met with the TOC to discuss horse racing issues both globally and as they pertain to racing at Vallejo. Mr. Paluszak felt it was a very productive meeting.

Mr. Korby stated that he felt the TOC has become more receptive to the concept of compensating a racing venue that is attempting to transition out of racing.

Agenda Item 8 – Update, Discussion and Action, if any, on Alameda-Solano-CARF Agreement for Race Dates. Mr. Korby reported that the parties are very close to drafting a final contract. A version of the agreement is included in the meeting packet, but there have been very recent revisions to that document.

Agenda Item 9 – Executive Director's Report. Mr. Korby reported that Mr. Pickering is still recuperating from his health concerns, but is feeling much better and hopes to be back full-time soon.

Mr. Korby reported that Ms. Violini has been elected Representative for the Northern California Satellite Wagering Facilities on the CARF Board of Directors. This leaves a vacant At-Large position on the Board.

Respectfully submitted,

Heather Haviland