



*a California joint powers agency*

1776 Tribute Road, Suite 205  
Sacramento, CA 95815  
Office: 916.927.7223 Fax: 916.263.3341  
[www.calfairs.com](http://www.calfairs.com)

**NOTICE**  
**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**BOARD OF DIRECTORS MEETING**  
**JOHN ALKIRE, CHAIR**  
**12:30 P.M., TUESDAY, APRIL 6, 2010**  
**VIA TELECONFERENCE**

Notice is hereby given that a meeting of the California Authority of Racing Fairs Board of Directors will commence at 12:30 P.M., Tuesday, April 6, 2010. The meeting will be held at Alameda County Fair, 4501 Pleasanton Avenue, Pleasanton, CA 94566.

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

**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

**Antelope Valley Fair**  
2551 West Ave. H  
Suite 102  
Lancaster, CA 93536

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

**California State Fair**  
1600 Exposition Blvd.  
Sacramento, CA 95815

**Humboldt County Fair**  
1250 5<sup>th</sup> Street  
Ferndale, CA 95536

**Kern County Fair**  
1142 South P Street  
Bakersfield, CA 93307

**Monterey County Fair**  
2004 Fairground Road  
Monterey, CA 93940

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

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

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

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

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

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

**Shasta District Fair**  
1890 Briggs Street  
Anderson, CA 96007

**Solano County Fair**  
900 Fairgrounds Drive  
Vallejo, CA 94589

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

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

**Stanislaus County**  
900 North Broadway  
Turlock, CA 95380

**Tulare County Fair**  
215 Martin Luther King  
Tulare, CA 93274

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



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**AGENDA**  
**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**BOARD OF DIRECTORS MEETING**  
**JOHN ALKIRE, CHAIR**  
**12:30 P.M., TUESDAY, APRIL 6, 2010**  
**VIA TELECONFERENCE**

Notice is hereby given that a meeting of the California Authority of Racing Fairs' Board of Directors will commence at 12:30 P.M., Tuesday, April 6, 2010. The meeting will be held at Alameda County Fair, 4501 Pleasanton Avenue, Pleasanton, CA 94566.

**AGENDA**

- I. Date, time and location of next meeting.
- II. Approval of minutes.
- III. Report, discussion and action, if any, on legislative matters.
- IV. Report, discussion and action, if any, on funding allocations from CDFA Division of Fairs and Expositions.
- V. Report, discussion and action, if any, on agreements for Replacement Revenues paid to Fairs which reduce or discontinue conduct of live horse racing.
- VI. Report, discussion and action, if any, on implementation of Mini Satellite Wagering Facilities as joint ventures with Fairs.
- VII. Report, discussion and action, if any, on CARF member dues.
- VIII. Executive Director's Report.

**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**Board of Directors**  
**Tuesday, March 2, 2010**

**MINUTES**

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, March 2, 2010. The meeting was conducted at the Sacramento offices of the California Authority of Racing Fairs located at 1776 Tribute Road, Suite 205, Sacramento, California, 95815.

CARF Board of Director members attending: John Alkire, Norb Bartosik, Dan Jacobs, Mike Paluszak and Rick Pickering. Joining by conference call: Vince Agnifili.

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

**Agenda Item 1 – Date and Time of Next Meeting.** The next CARF Board & Live Racing Committee meetings will be held Tuesday, April 6, 2010 and a meeting of the Northern Satellite Committee will be held Monday, April 5, 2010, both at the Alameda County Fair.

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

**Agenda Item 3 – Discussion and Action, if any, on Legislative Matters.** Mr. Brown reported that 1,300 bills were introduced before the Feb. 19, 2010 deadline. Bill language must be in print for 30 days before significant action can be taken. This gives counsel time to review the bills, develop a position and begin negotiations. There were several bills introduced regarding the state furlough issue. These bills will be tracked along with racing legislation since they ultimately impact district agriculture associations. Racing legislation includes:

- AB 1857 (Cook) – This is a CARF sponsored bill to increase the cap on imported races. There are currently four active bills regarding this topic. It is unclear if the TOC supports increasing the cap. The racing industry will need to come together and identify a vehicle and position.
- AB 1922 (Portantino) – As written, this bill would establish safety and maintenance standards for all race track surfaces, dirt and synthetic. The exact intent and purpose of this bill is unclear. Mr. Brown will review the bill in detail and come back with a recommended position.

- AB 2215 (Fuentes) – Bill would create the opportunity for advanced deposit wagering day accounts at facilities throughout the state.
- SB 1072 (Calderon) – CARF sponsored bill to extend the sunset on the California Marketing Committee. This bill could be used to extend the CMC program, or as a spot bill for other issues as needed.
- SB 1439 (Price) – Bill sponsored by Hollywood Park to eliminate the 20-mile protection around any facility that does not have a minimum of seven weeks of live racing in a calendar year.

Mr. Brown recommended the CARF Board of Directors take an oppose position to SB 1439 (Price) because it creates winners and losers within our own membership. Mr. Brown feels that if the legislature is going to address the 20-mile radius, they should either amend it for all or eliminate it for all.

Mr. Pickering moved to adopt an oppose position on SB 1439 (Price). Mr. Jacobs seconded, unanimously approved.

**Agenda Item 4 – Report, Update and Action, if any, on Matters Related to Consolidation of Racing Dates and Payment of Replacement Revenues to Fairs that Reduce or Discontinue Their Involvement in Live Racing.** Mr. Korby reported that the sub-committee tasked with making recommendations to the Live Racing Committee is working on the final draft of an agreement which will ultimately serve as the basis of a contract for the consolidation of Fair race dates, the payment of replacement revenues, formulas for calculating replacement revenues and methods for indentifying and applying funding sources. Mr. Treacy confirmed in the Live Racing Committee meeting that the F&E contribution to the fund will be between \$700,000-\$800,000. Having a solid figure to base the replacement revenue formulas on will help the sub-committee complete the process and bring forward a recommendation.

**Agenda Item 5 – Report on Status of Possible Legal Action by Bay Meadows Seeking Payment of Satellite Commissions After it has Ceased Operating as a Satellite Facility.** Mr. Brown reported that Bay Meadows Land Company has moved forward with filing a lawsuit against CARF for payment of satellite commissions generated after Bay Meadows satellite had ceased operating. Bay Meadows Land Company is claiming that the formula used to calculate the commissions in question takes affect a year after the actual wagers are placed. Mr. Brown feels that ultimately a judge will have to interpret the actual intent of the law. Legal counsel will file an answer to the complaint and update the Board at the next meeting.

**Agenda Item 6 – Discussion and Action, if any, on Agency Dues.** Mr. Alkire introduced a spreadsheet in the meeting packet, prepared by staff, that outlined scenarios for a 5% and 10% reduction in member dues. Mr. Bartosik asked if the Finance Committee had a recommendation

regarding the choices that were presented. Mr. Jacobs responded that the Finance Committee would like more time review the proposal and make a recommendation.

Mr. Bartosik moved to refer to the Finance Committee, for further review and recommendation back to the CARF Board of Directors, staff's scenarios for refunding a portion of member dues. Mr. Paluszak seconded, unanimously approved.

**Agenda Item 7 – Discussion and Correspondence from Sonoma County Fair and Report on CARF Visit to Sonoma County Fair.** Mr. Alkire reported that he, Mr. Korby, Larry Swartzlander, Raechelle Gibbons, Rick Wood and Mr. Pickering met with the Sonoma County Fair Board of Directors to review the services CARF provides and specifically how the Fair benefits from CARF membership. Mr. Alkire felt the meeting was constructive and well structured.

Mr. Alkire appointed Mr. Paluszak and Mr. Agnifili to a CARF Policy Committee to review CARF bylaws and other policies as needed. Mr. Pickering volunteered to work with the committee due to his interest in developing policies for satellite monies on deposit and satellite closures.

Mr. Alkire addressed the letter sent by Ms. Tesconi to the CARF Board of Directors, dated Feb. 8, 2010, point by point. The group discussed her questions regarding annual CARF membership meetings, meeting agenda compliancy with the Brown Act, use of project funds from F&E allocations, policy for Equipment Replacement Fund deposits and the CARF dues structure.

Mr. Alkire asked Mr. Jacobs if he would be willing to work on developing a new business plan for CARF. Mr. Jacobs accepted.

**Agenda Item 8 – Presentation of Ten-Year Report on CARF Management Services, Contract Administration, Pari-Mutuel Distributions and Project Funding.** Mr. Korby presented a report, developed by staff, titled "Ten-Year Report 2000-2009 Racing Fairs," detailing a summary of services CARF provides to racing Fairs and overall monies that have flowed from CARF to member Fairs. Mr. Korby noted that over the last ten years, approximately \$90 million was distributed through CARF to its member Fairs which conduct live racing. In addition, another \$316 million in parimutuel distributions were paid through CARF to purses, license fees, satellite commissions and other statutory beneficiaries.

**Agenda Item 9 – Executive Director's Report.** Mr. Korby reported that Frank Stronach, owner of MAGNA Entertainment Corp., has announced that Santa Anita Park will retain the Pro-Ride synthetic surface that was installed in 2007. Mr. Stronach has also expressed a desire to deregulate horse racing in California.

**Agenda Item 10 – Chairman’s Report - Executive Director Evaluation.** Mr. Alkire reported that he and Mr. Jacobs met with Mr. Korby to discuss the Executive Director evaluation forms that were submitted by Board Directors.

**Agenda Item 11 – Closed Session: Pending Legislation.** The CARF Board of Directors entered into closed session at 1:45 p.m.

Respectfully submitted,  
Heather Haviland

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**Introduced by Senator Price**

February 19, 2010

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**An act to amend Section 19605.25 of the Business and Professions Code, relating to horse racing.**

**LEGISLATIVE COUNSEL'S DIGEST**

**SB 1439, as introduced, Price. Horse racing: minisatellite wagering facilities.**

Existing law authorizes the California Horse Racing Board to approve an additional 15 minisatellite wagering sites in each zone under certain conditions, including that no site is within 20 miles of a racetrack, a satellite wagering facility, or a tribal casino that has a satellite wagering facility. Existing law provides that if the proposed facility is within 20 miles of one of the above-referenced satellite facilities, then the consent of each facility within a 20-mile radius must be given before the proposed facility may be approved by the board. Existing law requires the written consent of the San Mateo County Fair be obtained prior to the approval of any minisatellite wagering site located within a 20-mile radius of its fairground.

This bill would provide that the requirement that the approval of a racetrack, satellite wagering facility, tribal casino that has a satellite wagering facility, or fair be obtained if the proposed minisatellite wagering facility is within 20 miles shall only apply to those facilities that are operated by racetracks or fairs that actually conduct 7 weeks or more of live racing in the preceding year. The bill would authorize the board, if a satellite wagering facility or tribal casino does not consent to a minisatellite wagering facility being situated within 20 miles, to conduct a one-year test at the proposed site in order to determine its impact on total parimutuel revenues and on attendance and wagering



at existing satellite wagering facilities. The bill would authorize a certain impact fee, as provided.

This bill would specify how mileages are to be measured for purposes of the above provisions.

This bill would make clarifying and other technical changes.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 19605.25 of the Business and Professions  
 2 Code is amended to read:  
 3 19605.25. (a) ~~The California Horse Racing Board~~ *board* may  
 4 approve an additional 15 minisatellite wagering sites in each zone,  
 5 if all of the following conditions are met:  
 6 (1) No site is within 20 miles of a racetrack, a satellite wagering  
 7 facility, or a tribal casino that has a satellite wagering facility. If  
 8 the proposed *minisatellite wagering* facility is within 20 miles of  
 9 one of the above-referenced ~~satellite~~ facilities, then the consent of  
 10 each *such* facility ~~within a 20-mile radius~~ *20 miles* must be given  
 11 before the proposed *minisatellite wagering* facility may be  
 12 approved by the board.  
 13 (2) An agreement in accordance with subdivision (a) of Section  
 14 19605.3 has been executed and approved by the board. In addition  
 15 to the requirements set forth in that provision, the agreement shall  
 16 specify which components of its racing program, including live,  
 17 out-of-zone, out-of-state, and out-of-country races, an association  
 18 or fair will make available to the site. The terms ~~and condition~~  
 19 *conditions* of the agreement, including all fees payable pursuant  
 20 to paragraph (3) of that provision, a portion of which may be paid  
 21 to horsemen in the form of purses, shall be subject to the approval  
 22 of the horsemen's organization responsible for negotiating purse  
 23 agreements with the association or fair.  
 24 (3) The site is approved by the board.  
 25 (4) The wagers are accepted in an area that is accessible only  
 26 to those who are at least 21 years of age.  
 27 (5) The board has approved the accommodation, equipment  
 28 used in conducting wagering at the site, communications system,  
 29 technology, and method used by the site to accept wagers and  
 30 transmit odds, results, and other data related to wagering.

1 (b) Parimutuel clerks shall be available to service the self-service  
2 tote machines at these locations, and to cash wagering vouchers  
3 on a regularly scheduled basis.

4 (c) Until January 1, 2013, if the proposed minisatellite wagering  
5 site is in the northern zone in a fair district where the fair has  
6 operated a satellite wagering facility for the previous five years,  
7 the approval of the fair must be obtained even if the proposed  
8 location is more than 20 miles from the existing satellite wagering  
9 facility operated by the fair.

10 (d) For purposes of commissions, deductions, and distribution  
11 of handle, wagers placed at minisatellite sites shall be treated as  
12 if they were placed at satellite wagering facilities authorized under  
13 Section 19605, 19605.1, or 19605.2. Section 19608.4 shall apply  
14 to minisatellite wagering facilities.

15 (e) The written consent of the San Mateo County Fair shall be  
16 obtained prior to the approval of any minisatellite wagering site  
17 located within ~~a 20-mile radius~~ 20 miles of its fairground.

18 (f) Minisatellite wagering facilities created pursuant to this  
19 section are not eligible for satellite wagering commission  
20 distributions pursuant to Section 19604.

21 (g) The board shall adopt emergency regulations to implement  
22 these new facilities on or before April 1, 2008. The board, in  
23 adopting these regulations, shall minimize the expense to both the  
24 operator of the minisatellite facility and the host racetrack.

25 (h) If there are more than 15 applications for minisatellite  
26 wagering facilities in any zone, the board shall determine which  
27 facilities will generate the largest handle, and give priority to the  
28 approval of those facilities. The board shall license a minisatellite  
29 facility for two years, and then review the operation and the size  
30 of the handle, and determine if it is in the best interest of horse  
31 racing to relicense the facility or, in the alternative, license another  
32 minisatellite facility that might generate a greater handle.

33 (i) Except as may be provided in the agreement required  
34 pursuant to paragraph (2) of subdivision (a), no association or fair  
35 shall be required to make all or part of its racing program available  
36 to a minisatellite wagering facility. Notwithstanding subdivision  
37 (e) of Section 19608.2, all costs incurred by the organization  
38 executing that agreement in excess of the amounts distributable  
39 to the organization from wagers placed at the site on that racing  
40 program, shall be borne by the minisatellite wagering facility.

1     (j) Notwithstanding subdivisions (a) and (e), the requirement  
2     that the approval of a racetrack, satellite wagering facility, tribal  
3     casino that has a satellite wagering facility, or fair be obtained if  
4     the proposed minisatellite wagering facility is within 20 miles shall  
5     only apply to those facilities that are operated by racetracks or  
6     fairs that actually conduct seven weeks or more of live racing in  
7     the preceding year. If a satellite wagering facility, or tribal casino  
8     that has a satellite wagering facility, does not consent to a  
9     minisatellite wagering facility being situated within 20 miles, the  
10    board may conduct a one-year test at the proposed site in order  
11    to determine the impact of the proposed minisatellite wagering  
12    facility on total parimutuel revenues, and on the attendance and  
13    wagering at existing satellite wagering facilities. During the  
14    one-year study, the operator of the minisatellite wagering facility  
15    and the satellite wagering facility operated by a fair or a tribal  
16    casino may enter into an agreement providing for the payment of  
17    an impact fee. If there is no agreement within that year, the board  
18    may hear testimony from both parties and impose an impact fee  
19    based on the results of the one-year test study. A decision of the  
20    board regarding a proposed site may cover the period of time  
21    during which the test is to be conducted, as well as apply to the  
22    operation of the minisatellite wagering facility if it continues to  
23    operate beyond one year.

24    (k) For purposes of this section, mileages shall be measured  
25    property line to property line by the shortest publicly accessible  
26    driving route.

## CA Authority of Racing Fairs Legislative Report –

Last 10 Days

3/12/2010

**AB 1152** (Anderson) Horse racing: advance deposit wagering: jockey retirement plan. (A-03/08/2010 [html](#) [pdf](#))  
 Status: 03/09/2010-Re-referred to Com. on RLS.  
 Current Location: 03/09/2010-S RLS.

**Digest:** *Existing law authorizes advance deposit wagering to be conducted, with the approval of the California Horse Racing Board. Existing law requires amounts distributed under certain provisions of law relating to advance deposit wagering to be proportionally reduced by an amount equal to 0.00295 multiplied by the amount handled on advanced deposit wagers originating in California for each racing meeting, not to exceed \$2,000,000.*

*This bill would exempt from that calculation amounts handled on advanced deposit wagers originating in California for harness racing meetings.*

*Existing law requires the amount deducted, as per the above calculation, to be distributed as specified, with 50% of the money to the board to establish and to administer jointly with a certain jockey organization, a defined contribution retirement plan for California licensed jockeys who retired from racing on or after January 1, 2009, and who, as of the date of retirement, had ridden in a minimum of 1,250 parimutuel races conducted in California.*

*This bill would delete that requirement relating to a minimum number of races ridden.*

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

~~Existing law regulating professional corporations provides that certain healing arts practitioners may be shareholders, officers, directors, or professional employees of a medical corporation, podiatric medical corporation, or chiropractic corporation, subject to certain limitations.~~

~~This bill would add licensed physical therapists to the list of healing arts practitioners who may be shareholders, officers, directors, or professional employees of those corporations. The bill would also make conforming changes to a related provision. The bill would state that its provisions are declaratory of existing law.~~

Vote: majority 2 3 . Appropriation: no. Fiscal committee: no-yes . State-mandated local program: no.

**Laws:** An act to amend Section 19604 of the Business and Professions Code, relating to horse racing, and declaring the urgency thereof, to take effect immediately.

**History:**

Mar. 9 Re-referred to Com. on RLS.

Mar. 8 From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Com. on B., P. & E.D.

July 8 From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Com. on B., P. & E.D.

July 6 In committee: Set, first hearing. Hearing canceled at the request of author.

June 11 Referred to Com. on B., P. & E.D.  
May 27 In Senate. Read first time. To Com. on RLS. for assignment.  
May 26 Read third time, passed, and to Senate. (Ayes 75. Noes 0. Page 1678.)  
May 19 Read second time. To third reading.  
May 18 Read second time and amended. Ordered returned to second reading.  
May 14 From committee: Amend, and do pass as amended. (Ayes 11. Noes 0.) (May 12).  
May 5 In committee: Hearing postponed by committee.  
Mar. 26 Referred to Com. on B. & P.  
Mar. 2 Read first time.  
Mar. 1 From printer. May be heard in committee March 30.  
Feb. 27 Introduced. To print.

*Organization*  
*CARF*

**AB 1764** (Portantino) **State employment: salary freeze.** (A-03/10/2010 [html](#) [pdf](#))

**Status:** 03/11/2010-Re-referred to Com. on P.E.,R. & S.S.

**Current Location:** 03/11/2010-A P.E.,R. & S.S.

**Calendar Events:** 04/07/10 9 a.m. - Room 444 ASM PUBLIC EMPLOYEES,  
RETIREMENT AND SOCIAL SECURITY

**Digest:** Existing law requires the Department of Personnel Administration to establish and adjust salary ranges for each class of position in the state civil service, subject to specified merit limits and except as specified. Existing law requires the salary range to be based on the principle that like salaries shall be paid for comparable duties and responsibilities. Existing law allows the state to enter into memoranda of understanding relating to employer-employee relations with employee organizations representing certain state employees.

This bill would, until January 1, 2013, prohibit a person employed by the state whose base salary on or after the effective date of the bill is greater than \$150,000 per year from receiving a salary increase while employed in the same position or classification. The bill would exempt from this prohibition a person whose compensation is governed by an operative memorandum of understanding, as described above, a person who has been exempted by Executive order of the Governor, as specified, and a person whose salary is set pursuant to the California Constitution. *The bill would also authorize the Controller to reject a request for disbursement of funds that violates these provisions.* The bill would make related legislative findings and declarations regarding the state budget deficit.

**Vote:** majority. **Appropriation:** no. **Fiscal committee:** yes. **State-mandated local program:** no.

**Laws:** An act to add and repeal Section 18005 of the Government Code, relating to state employment.

**History:**

Mar. 11 Re-referred to Com. on P.E.,R. & S.S.

Mar. 10 From committee chair, with author's amendments: Amend, and re-refer to Com. on P.E.,R. & S.S. Read second time and amended.  
Feb. 18 Referred to Com. on P.E.,R. & S.S.  
Feb. 10 From printer. May be heard in committee March 12.  
Feb. 9 Read first time. To print.

*Organization*  
*CARF*

**AB 1765 (Solorio) Public employment: furloughs. (A-03/11/2010 [html](#) [pdf](#))**

**Status:** 03/11/2010-From committee chair, with author's amendments: Amend, and re-refer to Com. on P.E.,R. & S.S. Read second time and amended.  
**Current Location:** 03/11/2010-A P.E.,R. & S.S.  
**Calendar Events:** 04/07/10 9 a.m. - Room 444 ASM PUBLIC EMPLOYEES, RETIREMENT AND SOCIAL SECURITY

**Digest:** Existing law states that it is the policy of the state that the workweek of the state employee shall be 40 hours, and the workday of state employees 8 hours, except that workweeks and workdays of a different number of hours may be established in order to meet the varying needs of the different state agencies. Executive Orders-Order Nos. S-16-08 and S-13-09 imposed 3 unpaid furlough days on state employees.

This bill would prohibit a state employee from being furloughed when the unemployment rate in California during the previous month reached or exceeded 8.5%, and the employee ~~works for a program that is 100% employee's position is at least 95% funded by the federal government, performs services that combat the state's recession, and works for the California Unemployment Insurance Appeals Board or the Employment Development Department.~~ *The bill would also make related findings and declarations.*

**Vote:** majority. **Appropriation:** no. **Fiscal committee:** yes. **State-mandated local program:** no.

**Laws:** An act to add Section 19851.5 to the Government Code, relating to public employment.

**History:**

Mar. 11 From committee chair, with author's amendments: Amend, and re-refer to Com. on P.E.,R. & S.S. Read second time and amended.  
Feb. 18 Referred to Com. on P.E.,R. & S.S.  
Feb. 10 From printer. May be heard in committee March 12.  
Feb. 9 Read first time. To print.

*Organization*  
*CARF*

**AB 1992 (Arambula) Horse racing: safety standards: racing surface. (I-02/17/2010 [html](#) [pdf](#))**

**Status:** 03/04/2010-Referred to Com. on G.O.  
**Current Location:** 03/04/2010-A G.O.

**Digest:** Existing law, the Horse Racing Law, generally regulates horse racing and parimutuel wagering on horse races and vests administration and enforcement of the Horse Racing Law in the California Horse Racing Board.

Existing law requires the board to establish safety standards governing the uniformity and content of the racing surface.

This bill would specify that the board shall establish those safety standards for racing surfaces whether the surface is synthetic or dirt.

**Vote:** majority. **Appropriation:** no. **Fiscal committee:** yes. **State-mandated local program:** no.

**Laws:** An act to amend Section 19481 of the Business and Professions Code, relating to horse racing.

**History:**

Mar. 4 Referred to Com. on G.O.

Feb. 18 From printer. May be heard in committee March 20.

Feb. 17 Read first time. To print.

*Organization*  
*CARF*

**AB 2197** (Coto) **Problem and pathological gambling.** (I-02/18/2010 [html](#) [pdf](#))

**Status:** 03/04/2010-Referred to Com. on G.O.

**Current Location:** 03/04/2010-A G.O.

**Digest:** Existing law establishes the Office of Problem and Pathological Gambling within the State Department of Alcohol and Drug Programs, and sets forth its duties relating to prevention and control of problem and pathological gambling, as defined.

This bill would require the prevention program developed by the office to include development of education and awareness programs that specifically target geographically diverse multicultural populations, and would permit the office to develop a grant program for education, outreach, and prevention, giving preferences to grant applications that meet prescribed conditions.

**Vote:** majority. **Appropriation:** no. **Fiscal committee:** yes. **State-mandated local program:** no.

**Laws:** An act to amend Section 4369.2 of the Welfare and Institutions Code, relating to problem gambling.

**History:**

Mar. 4 Referred to Com. on G.O.

Feb. 21 From printer. May be heard in committee March 23.

Feb. 18 Read first time. To print.

*Organization*  
*CARF*

**AB 2215** (Fuentes) Horse racing: advance deposit wagering: wagering account facilities. (I-02/18/2010 [html](#) [pdf](#))  
**Status:** 03/11/2010-Referred to Com. on G.O.  
**Current Location:** 03/11/2010-A G.O.

**Digest:** Existing law authorizes advance deposit wagering to be conducted, with the approval of the California Horse Racing Board. Existing law requires the board to develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for advance deposit wagering providers operating in California.

This bill would authorize the board to adopt rules and regulations authorizing advance deposit wagering providers to create and administer wagering accounts at facilities located within this state through which persons may deposit cash funds or vouchers, issue wagering instructions, and withdraw cash funds or vouchers, subject to the approval of racing associations or satellite wagering facilities located within 10 miles of a facility administering those accounts, and the approval of the horsemen's organization responsible for negotiating with the racing associations or satellite wagering facilities.

**Vote:** majority. **Appropriation:** no. **Fiscal committee:** yes. **State-mandated local program:** no.

**Laws:** An act to amend Section 19604 of the Business and Professions Code, relating to horse racing.

**History:**

Mar. 11 Referred to Com. on G.O.

Feb. 19 From printer. May be heard in committee March 21.

Feb. 18 Read first time. To print.

*Organization*  
*CARF*

**AB 2241** (Coto) Gambling Control Act: administration. (I-02/18/2010 [html](#) [pdf](#))  
**Status:** 03/11/2010-Referred to Com. on G.O.  
**Current Location:** 03/11/2010-A G.O.

**Digest:** The Gambling Control Act provides for the California Gambling Control Commission, consisting of 5 members appointed by the Governor, subject to confirmation by the Senate. Under existing law a majority of the commission members is a quorum and the concurring vote of 3 members of the commission is required for any official action. This bill would instead require a majority of the appointed members of the commission to



constitute a quorum and the concurring vote of a majority of those members present at a meeting of the commission shall be required for any official action of the commission.  
Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

**Laws:** An act to amend Section 19819 of the Business and Professions Code, relating to gaming.

**History:**

Mar. 11 Referred to Com. on G.O.

Feb. 21 From printer. May be heard in committee March 23.

Feb. 18 Read first time. To print.

**Organization**

*CARF*

**AB 2414 (John A. Perez) Horse racing: thoroughbred racing: Breeders' Cup: wagering deduction. (I-02/19/2010 [html](#) [pdf](#))**

**Status:** 03/11/2010-Referred to Com. on G.O.

**Current Location:** 03/11/2010-A G.O.

**Digest:** Existing law authorizes a thoroughbred association or fair, subject to approval by the California Horse Racing Board, to deduct from the parimutuel pool for any type of wager, a specified percentage for the meeting of the thoroughbred association or fair that accepts the wager.

This bill would authorize a thoroughbred association hosting Breeders' Cup races, upon filing a written notice with the board, to deduct from the parimutuel pool for any type of wager made during the days on which Breeders' Cup races are held, a specified percentage. The bill would require the written notice to include the written agreement of the thoroughbred association and the horsemen's organization. The bill would require the amount deducted to be distributed as prescribed in the Horse Racing Law.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

**Laws:** An act to add Section 19601.02 to the Business and Professions Code, relating to horse racing.

**History:**

Mar. 11 Referred to Com. on G.O.

Feb. 22 Read first time.

Feb. 21 From printer. May be heard in committee March 23.

Feb. 19 Introduced. To print.

**Organization**

*CARF*

**SB 830** (Wright) Recording crimes. (A-03/08/2010 [html](#) [pdf](#))

Status: 09/03/2009-From committee with author's amendments. Read second time.

Amended. Re-referred to Com. on RULES.

Current Location: 03/08/2010-A RLS.

**Digest:** *Existing law provides that a person is guilty of failure to disclose the origin of a recording or audiovisual work if, for commercial advantage or private financial gain, he or she advertises, sells, rents, manufactures, or possesses for those purposes, a recording or audiovisual work that does not disclose the name of the manufacturer, author, artist, performer, or producer, as specified. Failure to disclose the origin of a recording or audiovisual work is punishable by imprisonment in a county jail, imprisonment in the state prison, or a fine, or by both imprisonment and fine, as specified, depending on the number of articles of audio recordings or audiovisual works involved, and whether the offense is a first offense, or 2nd subsequent offense. Existing law defines "recording" for the purpose of these provisions to mean any tangible medium upon which information or sounds are recorded or otherwise stored, including any phonograph record, disc, tape, audio cassette, wire, film, or other medium on which information or sounds are recorded or stored, but does not include sounds accompanying a motion picture or other visual work.*

*This bill would expand the definition of "recording" for the purposes of the above provisions to expressly include, but not be limited to, a memory card, flash drive, hard-drive, or data storage device. By expanding the scope of an existing crime, this bill would mandate a state-mandated local program.*

*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.*

~~Existing law expresses the intent of the Legislature to authorize parimutuel wagering on horse races while, among other things, supporting the network of California fairs.~~

~~This bill would delete from that expression of legislative intent supporting the network of California fairs.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no-yes .

**Laws:** An act to amend Section 653w of the Penal Code, relating to intellectual property.

**History:**

Mar. 8 From committee with author's amendments. Read second time. Amended. Re-referred to Com. on RULES.

Sept. 3 From committee with author's amendments. Read second time. Amended. Re-referred to Com. on RULES.

Aug. 20 Re-referred to Com. on RULES.

July 24 From committee with author's amendments. Read second time. Amended. Re-

referred to Com. on APPR.

July 9 From committee: Do pass, but first be re-referred to Com. on APPR. with recommendation: To Consent Calendar. (Ayes 17. Noes 0.) Re-referred to Com. on APPR. (Heard in committee on July 8.)

June 18 To Com. on G.O.

May 18 Read third time. Passed. (Ayes 36. Noes 0. Page 931.) To Assembly.

May 18 In Assembly. Read first time. Held at Desk.

May 14 To Special Consent Calendar.

May 13 Read second time. To third reading.

May 12 From committee: Be placed on second reading file pursuant to Senate Rule 28.8.

May 1 Set for hearing May 11.

Apr. 28 From committee: Do pass, but first be re-referred to Com. on APPR with recommendation: To Consent Calendar. (Ayes 12. Noes 0. Page 682.) Re-referred to Com. on APPR.

Mar. 27 Set for hearing April 28.

Mar. 26 To Com. on G.O.

Mar. 20 From print. May be acted upon on or after April 19.

Mar. 19 Introduced. Read first time. To Com. on RLS. for assignment. To print.

### *Organization*

*CARF*

**SB 899** **(Denham) Horse racing: satellite wagering: out-of-country thoroughbred races.** (I-01/26/2010 [html](#) [pdf](#))

**Status:** 03/10/2010-Set for hearing April 27.

**Current Location:** 02/11/2010-S G.O.

**Calendar Events:** 04/27/10 9:30 a.m. - John L. Burton Hearing Room (4203) SEN GOVERNMENTAL ORGANIZATION

**Digest:** Existing law authorizes a thoroughbred racing association or fair to distribute the audiovisual signal and accept wagers on the results of out-of-country thoroughbred races during the calendar period the association or fair is conducting a race meeting, without the consent of the participating horsemen's organization. These imported races are subject to specified conditions, including the condition that the total number of out-of-country thoroughbred races on which wagers are allowed to be accepted statewide in any given year does not exceed the total number of out-of-country thoroughbred races on which wagers were accepted in 1998.

This bill would delete that condition that limits the total number of out-of-country thoroughbred races on which wagers are allowed to be accepted statewide in any given year.

**Vote:** majority. **Appropriation:** no. **Fiscal committee:** no. **State-mandated local program:** no.

**Laws:** An act to amend Section 19596.3 of the Business and Professions Code, relating to horse racing.

**History:**

Mar. 10 Set for hearing April 27.

Feb. 11 To Com. on G.O.

Jan. 27 From print. May be acted upon on or after February 26.

Jan. 26 Introduced. Read first time. To Com. on RLS. for assignment. To print.

**Organization**

*CARF*

**SB 1072** (Calderon) Horse racing: statewide marketing organization. (I-02/17/2010 [html](#) [pdf](#))

**Status:** 03/10/2010-Set for hearing April 27.

**Current Location:** 02/25/2010-S G.O.

**Calendar Events:** 04/27/10 9:30 a.m. - John L. Burton Hearing Room (4203) SEN  
GOVERNMENTAL ORGANIZATION

**Digest:** Existing law permits racing associations, fairs, and the organization responsible for contracting with racing associations and fairs with respect to the conduct of racing meetings, to form a private, statewide marketing organization to market and promote thoroughbred and fair horse racing, and to obtain, provide, or defray the cost of workers' compensation coverage for stable employees and jockeys of thoroughbred trainers. Existing law requires the marketing organization to annually submit to the California Horse Racing Board a statewide marketing and promotion plan and a thoroughbred trainers' workers' compensation defrayal plan for thoroughbred and fair horse racing. A specified percentage of the amount handled by each satellite wagering facility is required to be distributed to the marketing organization for the promotion of thoroughbred and fair horse racing, and for workers' compensation defrayal, as specified. Existing law repeals these provisions on January 1, 2011.

This bill would extend the operation of these provisions until January 1, 2014, when they would be repealed.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

**Laws:** An act to amend Section 19605.73 of the Business and Professions Code, relating to horse racing.

**History:**

Mar. 10 Set for hearing April 27.

Feb. 25 To Com. on G.O.

Feb. 18 From print. May be acted upon on or after March 20.

Feb. 17 Introduced. Read first time. To Com. on RLS. for assignment. To print.

**Organization**

*CARF*

**SB 1439 (Price) Horse racing: minisatellite wagering facilities. (I-02/19/2010 [html](#) [pdf](#))**

**Status:** 03/11/2010-To Com. on G.O.

**Current Location:** 03/11/2010-S G.O.

**Digest:** Existing law authorizes the California Horse Racing Board to approve an additional 15 minisatellite wagering sites in each zone under certain conditions, including that no site is within 20 miles of a racetrack, a satellite wagering facility, or a tribal casino that has a satellite wagering facility. Existing law provides that if the proposed facility is within 20 miles of one of the above-referenced satellite facilities, then the consent of each facility within a 20-mile radius must be given before the proposed facility may be approved by the board. Existing law requires the written consent of the San Mateo County Fair be obtained prior to the approval of any minisatellite wagering site located within a 20-mile radius of its fairground.

This bill would provide that the requirement that the approval of a racetrack, satellite wagering facility, tribal casino that has a satellite wagering facility, or fair be obtained if the proposed minisatellite wagering facility is within 20 miles shall only apply to those facilities that are operated by racetracks or fairs that actually conduct 7 weeks or more of live racing in the preceding year. The bill would authorize the board, if a satellite wagering facility or tribal casino does not consent to a minisatellite wagering facility being situated within 20 miles, to conduct a one-year test at the proposed site in order to determine its impact on total parimutuel revenues and on attendance and wagering at existing satellite wagering facilities. The bill would authorize a certain impact fee, as provided.

This bill would specify how mileages are to be measured for purposes of the above provisions.

This bill would make clarifying and other technical changes.

**Vote:** majority. **Appropriation:** no. **Fiscal committee:** yes. **State-mandated local program:** no.

**Laws:** An act to amend Section 19605.25 of the Business and Professions Code, relating to horse racing.

**History:**

Mar. 11 To Com. on G.O.

Feb. 20 From print. May be acted upon on or after March 22.

Feb. 19 Introduced. Read first time. To Com. on RLS. for assignment. To print.

***Organization***

*CARF*

**SB 1483 (Committee on Governmental Organization) Indian gaming. (I-03/08/2010 [html](#) [pdf](#))**

**Status:** 03/11/2010-To Com. on G.O.

**Current Location:** 03/11/2010-S G.O.

**Digest:** Existing law creates in the State Treasury the Indian Gaming Revenue Sharing Trust Fund and the Indian Gaming Special Distribution Fund for the receipt and deposit of moneys received by the state from Indian tribes pursuant to the terms of gaming compacts entered into with the state, and authorizes moneys in those funds to be used for certain purposes. Existing law defines "eligible recipient Indian tribe" by reference to certain tribal-state gaming compacts for purposes of calculating the amount of money needed to be transferred from the Indian Gaming Special Distribution Fund to the Indian Gaming Revenue Sharing Trust Fund for distribution to noncompact tribes.

This bill would modify that definition to specify that "eligible recipient Indian tribe" means a federally recognized Indian tribe that operates fewer than 350 gaming devices.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

**Laws:** An act to amend Section 12012.90 of the Government Code, relating to gaming.

**History:**

Mar. 11 To Com. on G.O.

Mar. 9 From print. May be acted upon on or after April 8.

Mar. 8 Introduced. Read first time. To Com. on RLS. for assignment. To print.

**Organization**

*CARF*

**SB 1484** (Committee on Governmental Organization) Remote caller bingo. (I-03/08/2010 [html](#) [pdf](#))

**Status:** 03/11/2010-To Com. on G.O.

**Current Location:** 03/11/2010-S G.O.

**Digest:** The California Constitution allows the Legislature, by statute, to authorize cities and counties to provide for bingo games for charitable purposes. The California Remote Caller Bingo Act permits cities and counties to allow bingo games and remote caller bingo games, as defined, to be conducted by specified organizations for charitable purposes pursuant to an ordinance that allows those games to be conducted only in accordance with specified requirements, and sets forth a model ordinance to authorize remote caller bingo. This bill would make a technical, conforming change to the model ordinance.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

**Laws:** An act to amend Section 326.3 of the Penal Code, relating to gambling.

**History:**

Mar. 11 To Com. on G.O.

Mar. 9 From print. May be acted upon on or after April 8.

Mar. 8 Introduced. Read first time. To Com. on RLS. for assignment. To print.

*Organization*  
*CARF*

**SB 1485** (Committee on Governmental Organization) Gambling Control Act: licenses. (I-03/08/2010 [html](#) [pdf](#))  
**Status:** 03/11/2010-To Com. on G.O.  
**Current Location:** 03/11/2010-S G.O.

**Digest:** The Gambling Control Act provides for the licensure of certain individuals and establishments involved in various gambling activities, and for the regulation of those activities, by the California Gambling Control Commission. Existing law requires certain persons employed in the operation of a gambling enterprise, known as key employees, to apply for and obtain a key employee license.

This bill would include surveillance managers or supervisors in the definition of "key employee" and make other technical changes to these provisions.

**Vote:** majority. **Appropriation:** no. **Fiscal committee:** yes. **State-mandated local program:** no.

**Laws:** An act to amend Section 19805 of the Business and Professions Code, relating to gambling.

**History:**

Mar. 11 To Com. on G.O.

Mar. 9 From print. May be acted upon on or after April 8.

Mar. 8 Introduced. Read first time. To Com. on RLS. for assignment. To print.

*Organization*  
*CARF*

**SB 1486** (Committee on Governmental Organization) Horse racing law intent: backstretch personnel housing; jockey riding fees. (I-03/08/2010 [html](#) [pdf](#))  
**Status:** 03/11/2010-To Com. on G.O.  
**Current Location:** 03/11/2010-S G.O.

**Digest:** (1) Existing law provides that the intent of the Horse Racing Law is to allow parimutuel wagering on horse races while, among other things, supporting the network of California fairs.

This bill would delete from that statement of intent supporting the network of California fairs.

(2) Existing law provides that the California Horse Racing Board shall adopt emergency regulations to establish standards governing the employee housing provided to backstretch personnel at licensed racetracks, as specified. No license shall be issued to a racing association to conduct a horse race meeting unless the board has inspected the housing conditions that exist on the racetrack's backstretch and determined the living conditions to

be in compliance with the standards established by the board.

This bill would delete any reference to the emergency regulations in these provisions, for which compliance was mandated by January 1, 2004, rendering the language obsolete.

(3) Existing law provides various findings of the Legislature in regards to professional jockey fees, including that the riding fee should be increased at least as much on a percentage basis as the state minimum wage, so that the average full-time jockey can earn an income sufficient to provide for the basic necessities of life. Existing law provides that minimum jockey riding fees for losing mounts and minimum amounts awarded to 2nd and 3rd place finishers be increased by a specified amount as of January 1, 2008, and by additional amounts on later dates, as specified.

This bill would delete obsolete language from those provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

**Laws:** An act to amend Sections 19401, 19481.5, and 19501 of the Business and Professions Code, relating to horse racing.

**History:**

Mar. 11 To Com. on G.O.

Mar. 9 From print. May be acted upon on or after April 8.

Mar. 8 Introduced. Read first time. To Com. on RLS. for assignment. To print.

**Organization**

*CARF*

**SJR 22** (Florez) Horses. (1-02/10/2010 [html](#) [pdf](#))

**Status:** 03/05/2010-Set for hearing March 16.

**Current Location:** 02/18/2010-S F. & A.

**Calendar Events:** 03/16/10 10 a.m. - Room 113 SEN FOOD AND AGRICULTURE

**Digest:** This measure would memorialize the Congress to support federal legislation to protect American horses from slaughter for human consumption.

Fiscal committee: no.

**Laws:** Relative to horses.

**History:**

Mar. 5 Set for hearing March 16.

Feb. 18 Re-referred to Com. on F. & A.

Feb. 10 Introduced. To Com. on RLS.

**Organization**

*CARF*



**Total Position Forms: 17**

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CALIFORNIA AUTHORITY OF RACING FAIRS  
LIVE RACING SUBCOMMITTEE  
*Consolidation of Racing Dates and Calculation of Replacement Revenues*  
DRAFT AGREEMENT

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*Matters for Sub-Committee to discuss, resolve and recommend to full Racing Committee*

1. Include or exclude language regarding “combined Fair meeting” in agreement regarding revenue replacement.
2. Determine Fairs are to be included as recipients of replacement revenues and criteria for inclusion.
3. Confirm agreement on Replacement Revenue formula, amounts and payment schedule for Solano County Fair.
4. Negotiate Revenue Replacement formula, amount and payment schedule for reduced live racing at San Joaquin County Fair.
5. Determine recommendation for percentage of Replacement Revenues that will come from Fairs who benefit from changes or additions to racing dates conducted at their Fair. (See *DRAFT Agreement Section IV: 2*)
6. Determine CARF policy regarding voting status for a Racing Fair which discontinues live racing at its Fair. Here are the options discussed previously by the Sub-committee:
  - a. Voting rights continue so long as Fair receives replacement revenue from other Racing Fairs since it continues to have a stake in matters related to live racing
  - b. Voting rights end when a Racing Fair discontinues live racing at its Fair.
7. Agreement on details of “true-up” language.
8. Other matters that Sub-Committee members may wish to bring forward.

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**I. BACKGROUND & RECITALS**

1. Maintaining safe and attractive Fair racing facilities at Northern California Fairgrounds, some of which are over sixty years old, is increasingly difficult given the declining revenues from two weeks of racing at any individual Fair.
2. Consolidation of Fair racing dates into fewer venues could serve to strengthen the Fair racing circuit and the racing industry generally in Northern California.
3. The racing industry in Northern California has expressed its desire to consolidate racing dates conducted at certain Fairs into racing meetings run at other venues.
4. Certain Northern California Fairs which conduct live horse racing may elect to reduce or discontinue live racing. If a Fair elects to do so, the Fair may require replacement revenues for those revenues lost due to changes to its racing schedule.
5. CARF and the Division of Fairs and Expositions (F&E) agree that Replacement revenues may be made available to a CARF member Racing Fair which elects to reduce or discontinue live racing ("Recipient Racing Fair") under the terms and conditions described in this agreement. Eligibility for receipt of replacement revenues will be determined by joint approval of the CARF Racing Committee, the CARF Board of Directors and the Division of Fairs and Expositions.

**II. AGREEMENTS**

1. Fairs conducting racing in Northern California may agree to operate as a combined meeting. The combined meeting may include the dates traditionally conducted at other Fairs which have elected to reduce or discontinue their conduct of live horse racing.

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2. Fair racing dates may be consolidated into a combined Fair horse racing meeting conducted at other Northern California Fair venues.
3. Fair racing dates conducted at non-Fair venues will be conducted as a combined Fair meeting managed by CARF.
4. CARF member Fairs which conduct racing in Northern California acknowledge that Fairs which conduct live horse racing are reliant on revenues that horse racing produces. Therefore, CARF member Fairs that conduct live horse racing in Northern California, along with the CDFR Division of Fairs and Expositions (F&E) agree to provide a package of Replacement Revenues which will be available for a period of up to seven years to Fairs which reduce or discontinue live racing. These Replacement revenues will be available on tiered percentages over a period of seven years as follows: 50% of commissions for two years, then 40% for two years, then 30% for two years and 20% in the final year, adjusted by the percentage of year-over-year parimutuel handle increases or declines as noted below. The 2010 Initial Replacement Payment to Solano County Fair may be supplemented by advance payment of \$40,000 from Year 7 ( 2016) Replacement Payment.
5. Fairs which receive Replacement revenues will continue to have a stake in the conduct of horse racing at Fairs and will continue to receive revenues generated from live horse racing at Fairs; therefore, they will remain a voting member of the CARF Racing Committee until the payment of replacement revenues ends.
6. A Recipient Racing Fair which receives replacement revenues under the terms of this Agreement agrees that the necessity for replacement revenues will diminish or end if it finds new continuous revenue sources (examples: real estate development, motor racing, etc.) from the use of its property heretofore used for horse racing. In the event that the Fair property is used for new or alternate continuous revenue-generating activities, the replacement revenues will be reduced by the amount of the new or alternate continuous revenues.

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7. Replacement revenues will be adjusted by a percentage amount each year based on year-over-year percentage increases or declines in commissions generated from parimutuel wagering on horse races at Northern California Fairs.
8. The Agreement may be modified by mutual written agreement of the parties. [CONSULT LEGAL COUNSEL ON PRECISE WORDING.]

**III. PROVISION OF REPLACEMENT REVENUES**

1. CARF Member Fairs which continue to conduct live horse racing in Northern California and the CDFA Division of Fairs and Expositions agree to provide a package of replacement revenues which will be available to Fairs which, under the terms of this agreement, reduce or discontinue conduct of live horse racing. The parties agree that replacement revenues will be calculated and paid as described in Section II of this Agreement and in the Addenda and Attachments to this Agreement.
2. Annual True-up: annual replacement revenues payable to any Recipient Racing Fair in any given year will be reconciled after that year's trend (increasing or decreasing over the prior year) is known. Subsequent payment adjustments may be applied in the year(s) following so as to "true-up" any payment differentials.

**IV. FUNDING SOURCES FOR REPLACEMENT REVENUES**

1. **FIRST TIER FUNDING SOURCE.** The California Department of Food and Agriculture Division of Fairs and Expositions (F&E) has indicated its approval to allocate license fees paid by racing Fairs to F&E for use in the payment of replacement revenues. In 2010 the License Fees available from this source are estimated at \$700,000. CARF projects \$300,000 in revenue from these license fees in 2010 which could be allocated for use in 2011, if

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approved by F&E. F&E agrees to allocate funds from License Fees for the purposes described herein until 2016, contingent on the continued availability of such funds. Funds from F&E will constitute the first tier source for payment of replacement revenues.

2. **SECOND TIER FUNDING SOURCE.** Commissions from Fair dates conducted at non-Fair venues, managed by CARF, will be included in any assessment for payment of Replacement revenues paid to Fairs covered under this program. Commissions from Fair dates conducted at non-Fair venues will constitute the second tier source for payment of replacement revenues.
3. **THIRD TIER FUNDING SOURCE.** In the event that funding from F&E and funding from Fair dates conducted at non-Fair venues is not sufficient to cover the cost of replacement revenues, Fairs which continue to conduct live racing agree that the balance of replacement revenue funding will be paid from commissions generated at Fair meetings conducted at Fair venues during non-traditional Fair racing dates, using 2008 as a reference year to define traditional Fair racing dates. (A 2008 CHRB calendar of racing dates is attached.) The responsibility payment of any shortfall will be assessed according to the following formula:
  - a. Eighty percent (80%) of the shortfall will be paid by that set of Fairs which expand the number of days on which they conduct racing due to incorporation of dates from a Fair that reduces or discontinues conduct of live racing. Responsibility for the 80% payment will be divided proportionally according the increase in days for any given Fair in any given year.
  - b. Ten percent (10%) of the shortfall will be paid by that set of Fairs which move their racing dates from one calendar period to another after been supported in that effort by CARF.
  - c. Ten percent (10%) of the shortfall will be paid by that set of Fairs which conducted overlapped racing dates in 2008 and were allocated non-overlapped dates in 2010 or

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beyond. Responsibility for payment of Replacement revenues will expire if a Fair returns to a schedule of overlapped racing dates.

Commissions generated at Fair meetings conducted at Fair venues during non-traditional Fair racing dates, using 2008 as a reference year will constitute the third tier source for payment of replacement revenues.

4. CARF staff will annually prepare projections showing 1) F&E funds available pursuant to Section IV Paragraph 1 (above); 2) funding required for Replacement revenues; 3) a projection showing commissions that might be realized in any given year from commissions on Fair dates conducted at non-Fair venues; and 4) any shortfall that must be made up by Fairs which continue to conduct live racing. These projections will be reviewed and approved by the CARF Racing Committee, the CARF Board of Directors and F&E and, after approval, will serve as the basis for replacement revenue funding allocations.

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**ADDENDA**

**Addendum A**

Formula for calculation of initial Solano County Fair Replacement Revenue in Year 1 of Agreement:

*In 2009, Solano County Fair conducted one-week of racing; therefore, the parties agree to multiply one week of 2009 commissions of \$559,881 by two (2) to determine the value of two weeks' commissions.  $\$559,881 \times 2 = \$1,119,762$ . Adjust \$1,119,762 for industry trends in 2010; the parties agree that a reduction of -20% in 2010 is appropriate and will apply. A 20% reduction to \$1,119,762 = \$895,810. Applying the 50% Replacement Revenue formula for Year 1 to \$895,810 yields an Initial Replacement Payment of \$447,905 to Solano County Fair.*

**[FORMULA BELOW FOR SAN JOAQUIN IS PROPOSED FOR SUB-COMMITTEE REVIEW; IT REFLECTS THE FORMULA FOR SOLANO, ABOVE. THIS FORMULA HAS NOT BEEN AGREED TO BY SUB-COMMITTEE.]**

**Addendum B**

Formula for calculation of initial San Joaquin County Fair Replacement Revenue in Year 1 of Agreement:

*San Joaquin County Fair generated \$923,111 in commissions in 2009. Since San Joaquin County Fair will be racing for one week in 2009, the basis for replacement revenues will reflect one discontinued week of racing, calculated for basis reference as 50% of 2009. Fifty percent (50%) of \$923,111 yields \$461,555. The parties agree to adjust 2009 commissions to reflect industry trends for 2010 and that a reduction of -20% in 2010 is appropriate and will apply. A 20% reduction to \$461,500 = \$369,244. Applying the 50% Replacement Revenue formula for Year 1 to \$369,244 yields an Initial Replacement Payment of \$184,622 to San Joaquin County Fair.*



**Replacement revenue proposal between  
Solano County Fair & CARF 12/18/09**

Year	%	Base	Proposed Payment	Hypothetical Decline In Racing	Comments
2010 base number adjusted for a 20% hypothetical decline (\$1,119,763 x 80%)					
2010	50%	\$ 895,810	\$ 447,905	15%	<p>As an example, when we true up racing numbers for 2010 and find the actual totals owed are based on only a 15% decline then Solano would be owed 5% back or \$27,994 for a total proposed payment of \$475,899</p> <p>or if when we true up racing numbers for 2010 and find the actual totals owed are based on a 25% decline then Solano would only be owed \$419,911</p>
2011	50%	\$ 761,439	\$ 380,719	10%	
2012	40%	\$ 685,295	\$ 274,118	5%	
2013	40%	\$ 616,765	\$ 246,706	5%	
2014	30%	\$ 616,765	\$ 185,030	0%	
2015	30%	\$ 585,927	\$ 175,778	5%	
2016	20%	\$ 556,631	\$ 111,326	5%	

DRAFT

Prepared by Tawny Tesconi for CARF Sub-Committee Dec 18, 2009

**San Joaquin County Fair 2009 Race Meet Handle & Commissions**

**Out Of State Track Week 1**

<b>Date</b>	<b>Handle</b>	<b>Commissions</b>
6/18/2009	469,808.02	7,980.98
6/19/2009	713,751.86	11,381.55
6/20/2009	677,949.82	10,980.26
6/21/2009	550,487.16	9,025.29
<b>Week 1</b>	<b>2,411,996.86</b>	<b>39,368.08</b>
<b>Average Daily Week 1</b>	<b>602,999.22</b>	<b>9,842.02</b>

**Out Of State Week 2**

<b>Date</b>	<b>Handle</b>	<b>Commissions</b>
6/24/2009	511,389.96	8,413.05
6/25/2009	621,611.88	10,390.20
6/26/2009	615,354.36	9,731.87
6/27/2009	507,898.54	8,164.77
6/28/2009	528,613.16	8,707.19
<b>Week 2</b>	<b>2,784,867.90</b>	<b>45,407.08</b>
<b>Average Daily Week 2</b>	<b>556,973.58</b>	<b>9,081.42</b>
<b>Total Weeks 1 &amp; 2</b>	<b>5,196,864.76</b>	<b>84,775.16</b>
<b>Average Weekly - 1 &amp; 2</b>	<b>2,598,432.38</b>	<b>42,387.58</b>
<b>Average Daily - 1 &amp; 2</b>	<b>577,429.42</b>	<b>9,419.46</b>

**San Joaquin County Fair 2009 Race Meet Handle & Commissions**

**All Traditional Sources (On + Off + OOS) Week 1**

<b>Date</b>	<b>Handle</b>	<b>Commissions</b>
9/3/2008	1,584,085.72	53,851.52
9/5/2008	2,034,690.36	63,837.94
9/6/2008	2,341,275.02	77,822.98
9/7/2008	2,090,690.16	73,214.55
9/8/2008	0.00	0.00
<b>Week 1</b>	<b>8,050,741.26</b>	<b>268,726.99</b>
<b>Average Daily Week 1</b>	<b>2,012,685.32</b>	<b>67,181.75</b>

**All Traditional Sources (On + Off + OOS) Week 2**

<b>Date</b>	<b>Handle</b>	<b>Commissions</b>
9/10/2008	1,135,011.76	35,941.33
9/11/2008	1,624,239.98	52,391.29
9/12/2008	1,795,526.26	55,123.39
9/13/2008	2,257,996.44	76,989.42
9/14/2008	2,028,100.76	69,657.78
9/15/2008	0.00	0.00
<b>Week 2</b>	<b>8,840,875.20</b>	<b>290,103.21</b>
<b>Average Daily Week 2</b>	<b>1,768,175.04</b>	<b>58,020.64</b>
<b>Total Weeks 1 &amp; 2</b>	<b>16,891,616.46</b>	<b>558,830.20</b>
<b>Average Weekly - 1 &amp; 2</b>	<b>8,445,808.23</b>	<b>279,415.10</b>
<b>Average Daily - 1 &amp; 2</b>	<b>1,876,846.27</b>	<b>62,092.24</b>

**San Joaquin County Fair 2009 Race Meet Handle & Commissions**

**ADW (Cal + Export) Week 1**

<b>Date</b>	<b>Handle</b>	<b>Commissions</b>
6/17/2009	112,387.05	5,733.95
6/18/2009	333,152.85	16,942.62
6/19/2009	471,617.05	23,016.56
6/20/2009	425,130.00	19,879.57
6/21/2009	453,318.95	22,868.46
6/22/2009	74,734.10	4,025.41
6/23/2009	95,136.60	3,848.74
<b>Week 1</b>	<b>1,965,476.60</b>	<b>96,315.31</b>
<b>Average Daily Week 1</b>	<b>491,369.15</b>	<b>24,078.83</b>

**ADW (Cal + Export) Week 2**

<b>Date</b>	<b>Handle</b>	<b>Commissions</b>
6/24/2009	328,468.15	14,666.39
6/25/2009	272,944.00	13,156.41
6/26/2009	389,426.00	18,501.84
6/27/2009	502,340.15	25,072.45
6/28/2009	426,565.75	21,129.75
6/29/2009	81,027.15	4,331.02
6/30/2009	84,527.75	4,547.84
<b>Week 2</b>	<b>2,085,298.95</b>	<b>101,405.70</b>
<b>Average Daily Week 2</b>	<b>417,059.79</b>	<b>20,281.14</b>
<b>Total Weeks 1 &amp; 2</b>	<b>4,050,775.55</b>	<b>197,721.01</b>
<b>Average Weekly - 1 &amp; 2</b>	<b>2,025,387.78</b>	<b>98,860.51</b>
<b>Average Daily - 1 &amp; 2</b>	<b>450,086.17</b>	<b>21,969.00</b>

**San Joaquin County Fair 2009 Race Meet Handle & Commissions**

<b>Commission Type</b>	<b>2009 Commissions</b>
<b>On Track</b>	<b>113,096.53</b>
<b>Off Track</b>	<b>360,958.51</b>
<b>Out Of State</b>	<b>84,775.16</b>
<b>ADW</b>	<b>197,721.01</b>
<b>Excess Expense Funds*</b>	<b>130,146.64</b>
<b>Non-Merged*</b>	<b>12,302.83</b>
<b>Outstanding Tickets</b>	<b>13,784.48</b>
<b>Decoder / Misc Revenue*</b>	<b>10,325.57</b>
<b>2009 Total Commissions*</b>	<b>923,110.73</b>

**\*2009 Expense Funds, Non-Merged, Decoder / Misc.  
Revenue estimated using 2008 actual numbers.  
All other stats are actual for 2009.**

**LETTER OF UNDERSTANDING**  
**BETWEEN THE DIVISION OF FAIRS AND EXPOSITIONS (F&E)**  
**AND**  
**THE CALIFORNIA AUTHORITY OF RACING FAIRS (CARF)**  
**DRAFT**

This Letter of Understanding (LOU) between the CDFA Division of Fairs and Expositions (F&E) and the California Authority of Racing Fairs (CARF) authorizes CARF to administer funds for payment to Fairs which elect to reduce or discontinue the conduct of live horse racing. The payment of said funds will be made in accordance with agreements approved by the CARF Board of Directors and agreed to by F&E, attached. F&E agrees to allocate funding from License Fees generated from parimutuel distributions at Fairs which conduct live horse racing. In 2010, the first year of this LOU, F&E agrees to allocate up to \$700,000 in funding for this purpose.

The Division of Fairs and Expositions and California Authority of Racing Fairs agree as follows.

1. Maintaining safe and attractive Fair racing facilities at Northern California Fairgrounds, some of which are over sixty years old, is increasingly difficult given the declining revenues from two weeks of racing at any individual Fair.
2. Consolidation of Fair racing dates into fewer venues could strengthen the Fair racing circuit and the racing industry generally in Northern California, thereby benefiting California Fairs and the equine sector of California's agricultural economy.
3. Certain NorCal Fairs which conduct live horse racing may elect to reduce or discontinue live racing. If a Fair does so, it may require replacement revenues for those revenues lost due to changes to its racing schedule.
4. CARF member Fairs which conduct racing in Northern California acknowledge that certain Fairs are traditionally reliant on revenues from the conduct of horse racing. Therefore, CARF member Fairs that conduct live horse racing in Northern California and the CDFA Division of Fairs and Expos agree to provide a package of replacement revenues which will be available to certain agreed-upon Fairs for a period of up to seven years as described in the attached Agreement.
5. The terms and conditions for payment of replacement revenues, described in this agreement, may be available to a CARF member Racing Fair which elects to reduce or discontinue live racing.

**LETTER OF UNDERSTANDING**  
**BETWEEN THE DIVISION OF FAIRS AND EXPOSITIONS (F&E)**  
**AND**  
**THE CALIFORNIA AUTHORITY OF RACING FAIRS (CARF)**  
**DRAFT**

6. A Fair which receives funding allocations under the terms of this Agreement agrees that the necessity for replacement revenues will diminish or end if the recipient Fair finds new continuous revenue sources (e.g. real estate development, motor racing, etc.) from the use of its property heretofore used for horse racing. In the event that the Fair property is used for new or alternate continuous revenue-generating activities, the replacement revenues will be reduced by the amount of the new or alternate continuous revenues.
7. Replacement revenues will be adjusted by a percentage amount each year based on year-over-year percentage increases or declines in commissions at Northern California Fairs.
8. In 2011 and thereafter, the CARF Board of Directors will annually provide a recommendation to F&E for the amount of funding to be allocated for Replacement Revenues. F&E will make the final determination of amounts to be allocated, if any.

**Reporting.** CARF shall provide F&E a quarterly status report for all project activity stated in this Letter of Understanding including an accounting of funds expended.

**Modifications and Amendments.** Any changes to the terms and conditions of this Letter of Understanding must be approved by a written amendment by F&E and CARF prior to the performance of said changes.

**Administrative Expenses.** The administrative expenses directly related to this Letter of Understanding shall be determined by mutual agreement between CARF and F&E and specified in Addendum "A".

**Deposit of Funds.** Funds appropriated to CARF for the purpose of carrying out the terms of this Letter of Understanding shall be retained in a restricted fund account. The disposition of unexpended funds, project savings and interest earnings on these funds shall be utilized by agreement of the Director of F&E and CARF.

The provisions outlined by the Memorandum of Understanding between F&E and CARF remain in effect until the attached Agreement expires or until changed by written agreement of the parties. This Agreement is effective as of March \_\_\_\_, 2010.

**LETTER OF UNDERSTANDING**  
**BETWEEN THE DIVISION OF FAIRS AND EXPOSITIONS (F&E)**  
**AND**  
**THE CALIFORNIA AUTHORITY OF RACING FAIRS (CARF)**  
**DRAFT**

This Letter of Understanding (LOU) between the CDFA Division of Fairs and Expositions (F&E) and the California Authority of Racing Fairs (CARF) authorizes CARF to administer funds for payment to Fairs which elect to reduce or discontinue the conduct of live horse racing.

\_\_\_\_\_  
Michael Treacy  
Director  
Division of Fairs and Expositions

\_\_\_\_\_  
Date

Accepted by:

\_\_\_\_\_  
Christopher Korby  
Executive Director  
California Authority of Racing Fairs

\_\_\_\_\_  
Date

\_\_\_\_\_  
John Alkire  
Chairman  
Board of Directors  
California Authority of Racing Fairs

\_\_\_\_\_  
Date



VI.

SATELLITE WAGERING FACILITY LEASE (SUBLEASE)

BETWEEN

\_\_\_\_\_

AND

THE \_\_\_\_\_

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## **List of Exhibits**

Exhibit "A" – Master Lease

Exhibit "B" – [Sub]Leased Premises

Exhibit "C" – Furnishings and Fixtures Provided by [Sub]Landlord

Exhibit "D" – Department of Food and Agriculture Insurance Requirements

Exhibit "E" – Common Areas

Exhibit "F" – Restricted Areas

Exhibit "G" – List of Plans and Specifications

## SATELLITE WAGERING FACILITY LEASE (OR SUBLEASE)

This Satellite Wagering Facility [Sub]Lease (the "[Sub]Lease") is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between the TWENTY-FIRST DISTRICT AGRICULTURAL ASSOCIATION, a public agency organized under Part 3 of Division 3 of the California Food and Agricultural Code ("[Sub]Tenant"), and \_\_\_\_\_, a California [corporation/partnership/limited liability corporation] ("[Sub]Landlord").

### Recitals

A. [To be used if Landlord is Tenant under Master Lease.] \_\_\_\_\_, a \_\_\_\_\_ (the "**Master Landlord**"), leased approximately \_\_\_\_\_ square feet of certain real property located at \_\_\_\_\_, \_\_\_\_\_, California, and the improvements located thereon (collectively, "**Property**") to [Sub]Landlord by that certain lease dated \_\_\_\_\_, and is the operator of a \_\_\_\_\_ located on the Property. All references to the Property in this [Sub]Lease shall be deemed to include, without limitation, the [Sub]Leased Premises (as defined below); provided, however, that references to [Sub]Landlord's \_\_\_\_\_ business on the Property shall not be construed to permit \_\_\_\_\_ operations in the [Sub]Leased Premises. [Sub]Landlord represents and warrants that a true and correct copy of the Master Lease (consisting of \_\_ pages) is attached hereto as Exhibit "A."

B. [Sub]Tenant is licensed by the California Horse Racing Board as the operator of a satellite wagering facility (used for off-track parimutuel wagering on horse racing) located on the [Sub]Tenant's \_\_\_\_\_ County fairgrounds.

C. [Sub]Tenant is authorized under Business and Professions Code Section 19605.51 to operate a satellite wagering facility on leased premises in \_\_\_\_\_ County outside of its \_\_\_\_\_ County fairgrounds.

D. [Sub]Tenant desires to [sub]lease from [Sub]Landlord and [Sub]Landlord desires to [sub]lease to [Sub]Tenant that enclosed portion of the Property located at \_\_\_\_\_, \_\_\_\_\_, California (consisting of approximately \_\_\_\_\_ square feet) shown as the shaded area on the plan of the Property attached hereto as Exhibit "B" and incorporated herein, including all furnishings, equipment and fixtures listed on Exhibit "C" attached hereto and incorporated herein for the purpose of operating a satellite wagering facility. The enclosed portion of the Property shown on Exhibit "B" and the furnishings, equipment and fixtures shown on Exhibit "C" are hereinafter collectively referred to as the "**[Sub]Leased Premises.**"

E. (*Optional*) In entering this [Sub]Lease, [Sub]Tenant is relying on the identity of [Sub]Landlord's principals (\_\_\_\_\_) and their reputation for operating first-class \_\_\_\_\_ facilities in a manner favorable to the operation of a satellite wagering facility in the [Sub]Leased Premises. [Sub]Tenant would not have entered this [Sub]Lease but for the operation of the \_\_\_\_\_ by \_\_\_\_\_.

Therefore, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

## Section 1. [Sub]Lease of Premises.

[Sub]Landlord [sub]leases to [Sub]Tenant and [Sub]Tenant hereby agrees to accept and [sub]lease from [Sub]Landlord the [Sub]Leased Premises on the terms and conditions set forth in this [Sub]Lease. [Sub]Tenant shall also have access to the roof and other exterior parts of the building in which the [Sub]Leased Premises are located (including, without limitation, access through any interior part of said building) and an irrevocable license to install, maintain and repair satellite dishes and other communications equipment as reasonably necessary for the operation of a satellite wagering facility in the [Sub]Leased Premises. [Sub]Tenant's right to install any satellite dishes and other communications equipment on or upon the roof or other exterior parts of the building is subject to the condition that [Sub]Tenant obtain the (Master) Landlord's written approval of the plans, location and method of installation of the improvements in accordance with Section 5(b) and Exhibit "C" of the (Master) Lease. [Sub]Tenant acknowledges that [Sub]Tenant has inspected the [Sub]Leased Premises, including all items of furniture, fixtures and equipment required to be provided by [Sub]Landlord, and agrees that they are in acceptable condition, fully complying with the requirements of this [Sub]Lease, except as to the possibility of latent defects that are not susceptible to detection by a careful walk-through of the [Sub]Leased Premises.

## Section 2. Use.

[Sub]Tenant agrees to use the [Sub]Leased Premises for the purpose of operating a satellite wagering facility in accordance with California Business and Professions Code Section 19605.51 and incidental, related or similar uses. [Sub]Tenant shall not use, nor permit the use of, the [Sub]Leased Premises, nor any part thereof, for any purpose other than the foregoing without obtaining [Sub]Landlord's prior written consent. [Sub]Tenant shall, at [Sub]Tenant's sole cost, comply with all reasonable requirements pertaining to the use of the [Sub]Leased Premises of any insurance organization or company necessary for the maintenance of reasonable fire and public liability insurance, covering the Property. [Sub]Tenant shall not allow any activity to be conducted on the [Sub]Leased Premises or store any material on the [Sub]Leased Premises that will increase premiums for, or violate any of the terms of, any policy of insurance maintained by or for the benefit of [Sub]Landlord or Master Landlord.

## Section 3. Term.

(a) The term of this [Sub]Lease shall commence on the Commencement Date, and, unless terminated sooner in accordance with this [Sub]Lease, end on \_\_\_\_\_ ("**Term**").

(b) The Commencement Date is the date on which both of the following conditions have been satisfied:

(1) [Sub]Tenant shall have obtained all approvals and authorizations from the following governmental agencies as necessary for [Sub]Tenant to enter into this [Sub]Lease and to operate the satellite wagering facility on the [Sub]Leased Premises: the Department of Food and Agriculture, the California Horse Racing Board, and the Department of General Services; and

(2) [Sub]Landord shall have obtained from the gaming registration unit of the Office of the California Attorney General a release of any condition that prohibits the operation of the satellite wagering facility within the [Sub]Leased Premises in relation to [Sub]Landord's \_\_\_\_\_ operations.

(c) This [Sub]Lease shall automatically terminate in the event the foregoing conditions precedent to the Commencement Date have not occurred within ninety (90) days following the date of execution of this [Sub]Lease by both parties.

#### Section 4. Rent.

(a) Rental Obligation. [Sub]Tenant shall pay to [Sub]Landord, as rental hereunder (the "**Rent**"), within sixty (60) days following the end of each calendar quarter, an amount equal to fifty percent (50%) of the sum of the following:

(1) Gross Commissions and Gross Admissions less the employment costs (including, without limitation, wages, overtime wages and benefits) actually paid by [Sub]Tenant attributable to the Admissions Employees' services at the [Sub]Leased Premises when the satellite wagering facility is open to the public and for a reasonable time before the opening and closing of business, as necessary to properly conduct the business; and

(2) Net Revenue from the Sale of Forms; and

(3) Net Revenue from the Sale of Merchandise.

(b) Tenant Improvement Fee. [Sub]Landord has completed certain tenant improvements to the [Sub]Leased Premises (which tenant improvements are included together with other improvements in the plans and specifications listed on Exhibit "G" attached hereto and incorporated herein (the "**Plans and Specifications**")) prior to the date first above written. Within ten (10) business days following the Commencement Date, [Sub]Tenant shall deliver to [Sub]Landord a list of items for [Sub]Landord's completion or correction that [Sub]Tenant deems necessary for said tenant improvements to be acceptable. If [Sub]Tenant fails to deliver said list to [Sub]Landord within said ten (10) business day period, [Sub]Tenant shall be deemed to have accepted said tenant improvements. Upon receipt of said list of items from [Sub]Tenant, [Sub]Landord shall immediately commence to complete or correct said items. [Sub]Tenant shall inspect said tenant improvements within ten (10) business days after the completion or correction of said items and, if acceptable to [Sub]Tenant, shall notify [Sub]Landord in writing of [Sub]Tenant's acceptance of said tenant improvements. Upon acceptance of said tenant improvements, [Sub]Tenant shall pay to [Sub]Landord the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the "**Tenant Improvement Fee**") as consideration for the construction of said tenant improvements and the use thereof during the Term of this [Sub]Lease and any extensions thereof. In the event this [Sub]Lease is terminated prior to \_\_\_\_\_, for any reason other than [Sub]Tenant's default, [Sub]Landord shall, within ten (10) days thereafter, refund to [Sub]Tenant a pro rata portion of such \$\_\_\_\_\_ Tenant Improvement Fee on a "straight-line" basis using a 30-day month. The [Sub]Landord's obligation to make any such refund is guaranteed by the [Sub]Landord's principals under a written guaranty of even date with this [Sub]Lease.



Example. By way of example, suppose the Commencement Date of this Lease is February 1, 1997, and that this Lease is terminated effective February 20, 1999, for any reason other than Tenant's default. The Term of the Lease is 59 months. The actual time elapsed prior to termination is 24 and 2/3 months (using a 30-day month).

The amount of the Tenant Improvement Fee to be refunded by Landord is:

\$\_\_\_\_\_ - (\$\_\_\_\_\_ \* 24.67 months/59 months) = \$\_\_\_\_\_.

(c) Place For Payment. Rent shall be paid in lawful money of the United States of America at the address designated in Section 28.

### **Section 5. Real Property Taxes.**

[Sub]Landord shall pay all real property taxes and assessments levied on the Property.

### **Section 6. Personal Property Taxes; Other Taxes, Fees and Assessments.**

[Sub]Tenant is a public agency and is exempt from the payment of personal property taxes for its personal property. In the event personal property taxes are payable for personal property owned by [Sub]Landord and used by [Sub]Tenant, [Sub]Landord shall pay such personal property taxes.

### **Section 7. Parking and Common Areas.**

(a) [Sub]Landord covenants that the Common Areas of the Property shall be available for the nonexclusive use of [Sub]Tenant during the Term of this [Sub]Lease, provided that the condemnation or other taking by any public authority, or sale in lieu of condemnation, of any of the Common Areas shall not constitute a violation of this covenant.

(b) [Sub]Landord shall, at its sole cost, be responsible for the security and maintenance of the Common Areas and shall keep or cause to be kept the Common Areas in a neat, clean, and orderly condition, properly lighted and landscaped, and shall repair any damage to the Common Areas.

(c) [Sub]Tenant and [Sub]Tenant's agents, employees, contractors, customers, licensees, and [Sub]Tenants shall have the nonexclusive right in common with [Sub]Landord, and other present and future owners, tenants, and their agents, employees, customers, licensees, and subtenants, to use the Common Areas during the Term of this [Sub]Lease for ingress and egress. [Sub]Landord shall have the right to set aside and bar access to private areas within the building of which the [Sub]Leased Premises are a part, including, but not limited to, [Sub]Landord's cashier's cages, [Sub]Landord's countroom and [Sub]Landord's offices.

(d) [Sub]Tenant, in the use of the Common Areas, shall comply with [Sub]Landlord's reasonable rules and regulations for the orderly and proper operation of the Common Areas.

(e) [Sub]Landlord shall provide trash collection as a part of the Common Area maintenance.

(f) The parking for the [Sub]Leased Premises and the Property is provided through publicly-owned parking in public parking garages and on-street parking. [Sub]Landlord shall from time to time arrange for such parking preferences, preferred rates, parking validation rights, valet parking services or other parking arrangements that [Sub]Landlord determines to be necessary and proper to attract and provide convenience to its customers. [Sub]Tenant and [Sub]Tenant's agents, employees, contractors, customers, licensees, and [Sub]Tenants shall have the nonexclusive right in common with [Sub]Landlord's agents, employees, contractors, customers, and subtenants to utilize and benefit from the parking arrangements. [Sub]Landlord may impose special restrictions on the use of parking by its employees and, if it does so, the same restrictions shall apply to [Sub]Tenant's employees. Nothing in this Agreement shall be construed to prohibit [Sub]Tenant from making separate parking arrangements for [Sub]Tenant's own customers.

#### **Section 8. Admission to [Sub]Leased Premises.**

[Sub]Tenant shall control the admission of patrons to the [Sub]Leased Premises and be responsible for the collection of admission fees, which fees shall be charged at all times when the [Sub]Leased Premises are open for satellite wagering. [Sub]Tenant shall have the right, in [Sub]Tenant's sole discretion, to refuse admission to, and/or to expel, any patron. [Sub]Tenant shall determine the initial amount of the admission fees and shall give written notice to [Sub]Landlord of the amount thereof not later than ten (10) days after the Commencement Date. Thereafter, any modification of such admission fee by [Sub]Tenant shall be subject to [Sub]Landlord's prior written approval; provided, that [Sub]Tenant may lower such admission fee without [Sub]Landlord's approval if directed to do so by the California Horse Racing Board.

#### **Section 9. Alterations.**

[Sub]Tenant shall not make, or suffer to be made, any alterations of the [Sub]Leased Premises, or any part of the [Sub]Leased Premises, without the prior written consent of [Sub]Landlord. Any additions to, or alterations of, the [Sub]Leased Premises, except movable furniture and trade fixtures (including, without limitation, any equipment and other trade fixtures relating to the transmission or reception of horseracing audio/visual signals or facilitating wagers by [Sub]Tenant's customers), shall become at once a part of the realty and belong to [Sub]Landlord. Any alterations shall be in conformance with the requirements of all applicable state and federal authorities.

#### **Section 10. Maintenance and Repair; Janitorial Services.**

(a) [Sub]Tenant shall at all times during the Term, and at [Sub]Tenant's sole cost and expense, maintain its own furnishings, equipment and fixtures (i.e., any furnishings,

equipment and fixtures present on the [Sub]Leased Premises and not listed on Exhibit "C") as necessary for the operation of the satellite wagering facility on the [Sub]Leased Premises. By occupying the [Sub]Leased Premises, [Sub]Tenant shall be deemed to have accepted the [Sub]Leased Premises as being in good and sanitary order, condition, and repair, and [Sub]Tenant agrees on the last day of the Term or on sooner termination of this [Sub]Lease to surrender the [Sub]Leased Premises in the same condition as when received, reasonable use and wear and damage by [Sub]Landlord, fire, act of God, or by the elements excepted. Notwithstanding the foregoing, and except for extraordinary damage caused by [Sub]Tenant's negligence, [Sub]Tenant shall not be required to perform any restoration of the [Sub]Leased Premises which may be necessary as a result of the removal of [Sub]Tenant's furniture or trade fixtures upon the expiration or sooner termination of this [Sub]Lease.

(b) [Sub]Landlord shall maintain, repair and replace, if necessary, the [Sub]Leased Premises (including, without limitation, the furnishings, equipment and fixtures listed on Exhibit "C") and all other portions of the Property, including, without limitation, the roof, exterior and interior walls, doors, windows, glazing, plumbing, pipes, electrical wiring, conduits, heating and air conditioning units, landscaping and sidewalks, as necessary to maintain the [Sub]Leased Premises and the Property in good and sanitary order, condition, and repair. [Sub]Landlord shall also provide janitorial services to the [Sub]Leased Premises, which services shall include, without limitation, cleaning the floors and walls of the [Sub]Leased Premises. In the event [Sub]Landlord fails to perform its maintenance, repair or janitorial obligations under this subsection, after written notice from [Sub]Tenant as provided in Section 21, [Sub]Tenant may perform the necessary maintenance or repairs or provide its own janitorial service and deduct the reasonable cost thereof from the Rent.

(c) [Sub]Tenant shall promptly notify [Sub]Landlord in writing of the need for any of the foregoing maintenance and repair for which [Sub]Landlord is responsible.

#### **Section 11. Compliance with Law.**

(a) [Sub]Tenant shall, at [Sub]Tenant's sole cost, comply with all of the requirements of all state and federal authorities (including, without limitation, the California Horse Racing Board) now in force or that may later be in force pertaining to [Sub]Tenant's use of the [Sub]Leased Premises and the operation of [Sub]Tenant's satellite wagering facility within the [Sub]Leased Premises and shall faithfully observe in said use and operation all state and federal statutes now in force or that shall later be in force. [Sub]Tenant shall not commit, or suffer to be committed, any waste upon the [Sub]Leased Premises, or any nuisance or other act or thing that disturbs [Sub]Landlord's quiet enjoyment of the Property.

(b) [Sub]Landlord shall, at [Sub]Landlord's sole cost, comply with all of the requirements of all municipal, state and federal authorities (including, without limitation, the gaming registration unit of the California Attorney General's Office) now in force or that may later be in force pertaining to the use of the Property, the operation of [Sub]Landlord's \_\_\_\_\_ on the Property and the provision of food and beverage services and security services to the [Sub]Leased Premises, and shall faithfully observe in said use and operation all municipal ordinances and state and federal statutes now in force or that shall later be in force. [Sub]Landlord shall not commit, or suffer to be committed, any waste upon the Property or any nuisance or other act or thing that disturbs [Sub]Tenant's quiet enjoyment of the [Sub]Leased

Premises.

**[NOTE: THE FOREGOING SUBSECTION (c) WAS MOVED TO SECTION 42.]**

**Section 12. [Sub]Landlord's Insurance; Waiver of Subrogation.**

(a) **(Optional)** Sublandlord shall, at Sublandlord's sole cost, cause the Master Landlord to provide the insurance required to be provided at the Landlord's expense under Section 11(B) of the Master Lease. If Landlord fails or refuses to provide that insurance, Sublandlord shall provide that insurance at Sublandlord's sole cost.

(b) [Sub]Landlord shall, at [Sub]Landlord's sole cost, maintain general public liability insurance (including, without limitation, product liability coverage) against claims for personal injury, death, or property damage occurring in or about the [Sub]Leased Premises or Property. The limitation of liability of this insurance shall be not less than Five Million Dollars (\$5,000,000) in respect to injury or death of one person and to the limit of not less than Five Million Dollars (\$5,000,000) in respect to any one accident and to the limit of not less than Five Million Dollars (\$5,000,000) with respect to property damage.

(c) [Sub]Landlord shall, at [Sub]Landlord's sole cost, maintain worker's compensation insurance for [Sub]Landlord's employees as required by law and employer's liability insurance with limits of not less than One Million Dollars (\$1,000,000).

(d) All policies of insurance shall be issued in the name of [Sub]Landlord, and, except for the worker's compensation insurance and employer's liability insurance, shall list as additional insureds [Sub]Tenant, the State of California and their respective agents, officers, servants and employees. [Sub]Landlord shall also comply with the California Department of Food and Agriculture's insurance requirements (including, without limitation, requirements concerning the naming of additional insureds under any policy), which requirements are attached hereto as Exhibit "D" and incorporated herein. In the event of any conflict between said insurance requirements and this subsection, the terms of this subsection shall control. Certificates evidencing the foregoing insurance and copies of policies shall be delivered to [Sub]Tenant within ten (10) days prior to the Commencement Date. All insurance policies shall be issued by a carrier admitted in the State of California and shall contain a provision, that a thirty (30) day prior written notice of any cancellation shall be given to [Sub]Tenant before the effective date of cancellation.

(e) [Sub]Tenant and [Sub]Landlord agree that all insurance policies shall contain a clause waiving the insurance carriers right of subrogation against the other party arising out of the occurrence of any casualty insured against. [Sub]Tenant and [Sub]Landlord hereby waive any such right of subrogation against the other party for insured casualties.

(f) Each policy of public liability insurance required to be carried by [Sub]Landlord shall provide that it will be deemed primary and non-contributing with any policy or self-insurance that may be carried by [Sub]Tenant.

**Section 13. Indemnification.**

(a) [Sub]Landlord shall, to the extent permitted by law, defend, indemnify and save harmless [Sub]Tenant, the California Authority of Racing Fairs, Northern California Off-Track Wagering, Inc., Southern California Off-Track Wagering, Inc., the State of California and their respective directors, officers, agents, employees and representatives, from and against any and all claims, costs, damages, expenses, injuries, liabilities and losses, including, without limitation, attorney's fees and litigation costs, proximately caused by [Sub]Landlord's, or [Sub]Landlord's directors', officers', agents', employees' or representatives', willful wrongdoing or [Sub]Landlord's, or [Sub]Landlord's employees', performance under this [Sub]Lease (including, without limitation, acts or omissions in connection with [Sub]Landlord's \_\_\_\_\_, food and beverage service or security service operations) or in any way relating to the condition of the [Sub]Leased Premises or Property.

(b) [Sub]Tenant shall, to the extent permitted by law, defend and indemnify [Sub]Landlord, and its directors, officers, agents, employees and representatives from and against any and all claims, costs, damages, expenses, injuries, liabilities and losses, including, without limitation, attorneys fees and litigation costs proximately caused by [Sub]Tenant's willful wrongdoing or [Sub]Tenant's sole active negligent acts or omissions in the conduct of [Sub]Tenant's satellite wagering facility operations in the [Sub]Leased Premises.

#### **Section 14. Free From Liens.**

(a) [Sub]Tenant shall keep the [Sub]Leased Premises and the Property free from any liens arising out of any work performed, material furnished, or obligation incurred by [Sub]Tenant. Notwithstanding the foregoing, [Sub]Tenant shall have the right to, in good faith, contest the validity of any lien; provided, that [Sub]Tenant shall, at [Sub]Tenant's sole expense, indemnify, defend and hold [Sub]Landlord harmless from and against any such contested lien.

(b) [Sub]Landlord shall keep the [Sub]Leased Premises and the Property free from any liens arising out of any work performed, material furnished, or obligation incurred by [Sub]Landlord. Notwithstanding the foregoing, [Sub]Landlord shall have the right to, in good faith, contest the validity of any lien; provided, that [Sub]Landlord shall, at [Sub]Landlord's sole expense, indemnify, defend and hold [Sub]Tenant harmless from and against any such contested lien.

#### **Section 15. Abandonment.**

[Sub]Tenant shall not vacate or abandon the [Sub]Leased Premises at any time during the Term; and if [Sub]Tenant shall abandon, vacate, or surrender the [Sub]Leased Premises or be dispossessed by process of law, or otherwise, any personal property belonging to [Sub]Tenant and left on the [Sub]Leased Premises longer than thirty (30) days following such abandonment, vacation or surrender shall, at the option of [Sub]Landlord, be deemed abandoned.

#### **Section 16. Advertising and Signs.**

(a) **Advertising.** [Sub]Tenant shall have the sole right to advertise [Sub]Tenant's satellite wagering facility located in the [Sub]Leased Premises; provided that [Sub]Landlord shall advertise said satellite wagering facility in conjunction with advertisements

for [Sub]Landlord's \_\_\_\_\_ operations only if such advertisements have been approved by [Sub]Tenant in writing in advance of publication. As used in this subsection, the term "advertisement" includes, without limitation, radio, television and newspaper advertisements as well as any other business promotions, whether oral or written.

(b) **On-Site Signage.** Subject to the approval of the [Sub]Landlord concerning size, color, location and style, and subject to the approval of the (Master) Landlord, as required by the (Master) Lease, [Sub]Tenant shall have the right to place on the exterior walls of the Property signs advertising [Sub]Tenant's satellite wagering operations within the [Sub]Leased Premises. Any new monument signs placed on the Property shall be subject to [Sub]Tenant's prior written approval. The name of [Sub]Tenant's satellite wagering facility shall have appropriate prominence on any such monument sign for the Property.

### **Section 17. Utilities.**

(a) Except as expressly provided below, [Sub]Landlord shall, at its sole cost, provide all utilities to the [Sub]Leased Premises at no cost to [Sub]Tenant, including, without limitation, water, sewer, gas, heat, electricity, and all other utilities used in, upon or about the [Sub]Leased Premises by [Sub]Tenant or any of [Sub]Tenant's [Sub]Tenants, contractors, licensees or concessionaires.

(b) [Sub]Tenant shall be responsible only for the following utility costs associated with [Sub]Tenant's satellite wagering operations in the [Sub]Leased Premises: telephone bills and other data transmission expenses incurred by [Sub]Tenant or [Sub]Tenant's subtenants, contractors, licensees or concessionaires.

**[NOTE: PROVISIONS REGARDING PARIMUTUEL MANAGEMENT, EMPLOYEE LABOR AND ARMORED TRANSPORT COSTS HAVE BEEN MOVED TO SECTION 24(a).]**

### **Section 18. Entry by [Sub]Landlord.**

(a) Subject to reasonable prior notice to [Sub]Tenant and any restrictions imposed by the California Horse Racing Board, [Sub]Tenant shall permit [Sub]Landlord and [Sub]Landlord's agents to enter into and upon the [Sub]Leased Premises at all reasonable times to inspect them or to maintain the building in which the [Sub]Leased Premises are situated, or to make repairs, alterations, or additions to any other portion of the building, or for posting notices of non-liability for alterations, additions, or repairs; provided, that [Sub]Landlord may enter the Restricted Area of the [Sub]Leased Premises only after business hours for the satellite wagering facility and only in the presence of a representative of [Sub]Tenant, which [Sub]Tenant shall make available as reasonably required by [Sub]Landlord. [Sub]Tenant shall permit [Sub]Landlord, at any time within thirty (30) days prior to the expiration of this [Sub]Lease, to place upon the [Sub]Leased Premises any usual or ordinary For Lease signs, and, during normal business hours, enter upon the [Sub]Leased Premises and exhibit them to prospective tenants. Any such entry by [Sub]Landlord or [Sub]Landlord's agents shall be conducted so as to minimize any adverse effect on [Sub]Tenant's satellite wagering facility operations within the [Sub]Leased Premises.

(b) [Sub]Tenant hereby grants to [Sub]Landlord a revocable nonexclusive license to use the Wagering Area of the [Sub]Leased Premises during After Business Hours only for the purpose of providing food and beverage service to [Sub]Landlord's \_\_\_\_\_ patrons. Said use of tile Wagering Area does not include the use of [Sub]Tenant's audio-visual equipment or any other equipment owned or operated by [Sub]Tenant and shall not interfere with any maintenance or other activities conducted by [Sub]Tenant during After Business Hours.

### **Section 19. Damage and Destruction.**

(a) [Sub]Landlord shall promptly make necessary repairs at [Sub]Landlord's expense upon the occurrence of a declaration by an authorized public authority that the Property or any portion thereof is unsafe or unfit for occupancy, which declaration requires repairs to the Property or any portion thereof.

No such declaration by an authorized public authority, shall in any way void this [Sub]Lease except that (i) [Sub]Tenant shall be entitled to a proportionate reduction of Rent while such repairs are being made, said proportionate reduction to be based upon the extent to which the making of such repairs shall interfere with the business carried on by [Sub]Tenant in the [Sub]Leased Premises and (ii) in the event [Sub]Landlord fails to commence such repairs promptly or to pursue such repairs diligently to completion, or fails to complete such repairs within sixty (60) days after the issuance of such declaration, [Sub]Tenant shall have the option to terminate this [Sub]Lease upon at least thirty (30) days written notice to [Sub]Landlord.

(b) In the event the Property or any portion thereof shall be partially or totally damaged or destroyed by fire or any other casualty so as to become partially or totally untenantable, which damage is insured against under any policy of insurance then covering the Property, then this [Sub]Lease shall remain in full force and effect and [Sub]Landlord shall promptly repair, or cause the (Master) Landlord to repair promptly, such damage or destruction with due diligence at [Sub]Landlord's, or (Master) Landlord's expense. In the event [Sub]Landlord or (Master) Landlord fails to commence such repairs promptly or to pursue such repairs diligently to completion, or fails to complete such repairs within sixty (60) days after the occurrence of such damage or destruction, [Sub]Tenant shall have the option to terminate this [Sub]Lease upon at least thirty (30) days written notice to [Sub]Landlord. [Sub]Tenant shall be entitled to a proportionate reduction in Rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs interferes with the business being conducted by [Sub]Tenant in the [Sub]Leased Premises. The provisions of this subsection are subject to the provisions of subsection 19(c), below.

(c) In the event the Property or any portion thereof is damaged as a result of fire or any other casualty that is not insured against, or if the Property or any portion thereof is damaged by fire or any other casualty, whether or not insured, and the damages are in excess of twenty-five percent (25%) of its then replacement cost (including foundations), [Sub]Landlord may within thirty (30) days following the date the damage occurs elect not to repair the damage and terminate this [Sub]Lease by written notice to [Sub]Tenant. If [Sub]Landlord elects to make the repairs at [Sub]Landlord's expense, and provided [Sub]Landlord uses due diligence in making the repairs, this [Sub]Lease shall continue in full force, and the Rent shall be proportionately reduced as provided in subsections 19(a) and (b), above. In the event

[Sub]Landlord fails to commence such repairs promptly or to pursue such repairs diligently to completion, or fails to complete such repairs within sixty (60) days after such damage or destruction, [Sub]Tenant shall have the option to terminate this [Sub]Lease upon at least thirty (30) days written notice to [Sub]Landlord. If either [Sub]Landlord or [Sub]Tenant elect to terminate this [Sub]Lease, all Rent shall be prorated between [Sub]Landlord and [Sub]Tenant as of the date of damage or destruction.

### **Section 20. Intentionally Omitted.**

**[NOTE: THE FOREGOING SECTION 20 WAS MODIFIED AND MOVED TO SECTION 23(a).]**

### **Section 21. Default.**

(a) Each of the following shall constitute an event of [Sub]Tenant's default ("**Event of Default**" or "**Default**") under this [Sub]Lease:

(1) [Sub]Tenant's failure to make any payment required under this [Sub]Lease within ten (10) business days after written notice of non-payment from [Sub]Landlord to [Sub]Tenant;

(2) [Sub]Tenant's failure to perform any of the covenants, conditions or provisions of this [Sub]Lease to be performed by [Sub]Tenant, other than those requiring any payment to [Sub]Landlord, when such failure continues for a period of thirty (30) days after written notice from [Sub]Landlord to [Sub]Tenant. However, if the nature of [Sub]Tenant's failure reasonably requires more than thirty (30) days for cure, [Sub]Tenant shall not be deemed to be in Default if [Sub]Tenant commences to cure within said thirty (30) day period and thereafter diligently continues said cure to completion;

(3) The vacation or abandonment of all or substantially all of the [Sub]Leased Premises by [Sub]Tenant;

(4) Any attachment or levy of execution or similar seizure of [Sub]Tenant's interest in the [Sub]Leased Premises or [Sub]Tenant's merchandise, fixtures or other property at the [Sub]Leased Premises, which attachment, levy of execution or similar seizure materially and adversely affects [Sub]Tenant's business conducted on the [Sub]Leased Premises; or

(5) The adjudication of [Sub]Tenant as a bankrupt or insolvent, or the appointment of a receiver or trustee to take possession of all or substantially all of [Sub]Tenant's assets, or any other action taken or suffered by [Sub]Tenant under any state or federal insolvency or bankruptcy act and continuation thereof for more than thirty (30) days; provided, however, that no action by the California Department of Food & Agriculture, or any subdivision or designee thereof, to assume management responsibilities for [Sub]Tenant, or to appoint new management therefor, shall constitute a Default under this [Sub]Lease.

(b) Upon the occurrence of [Sub]Tenant's Default, [Sub]Landlord shall have all rights and remedies available to [Sub]Landlord at law or in equity, including, without



limitation, the rights and remedies set forth in Sections 1951.2 and 1951.4 of the Civil Code.

(c) None of the following remedial actions, singly or in combination, shall be construed as an election by [Sub]Landlord to terminate this [Sub]Lease unless [Sub]Landlord has in fact given [Sub]Tenant written notice that this [Sub]Lease is terminated or unless a court of competent jurisdiction decrees termination of this [Sub]Lease: any act by [Sub]Landlord to maintain or preserve the [Sub]Leased Premises; any efforts by [Sub]Landlord to relet the [Sub]Leased Premises; or any re-entry, repossession, or reletting of the [Sub]Leased Premises by [Sub]Landlord. If [Sub]Landlord takes any of the previous remedial actions without terminating this [Sub]Lease, [Sub]Landlord may nevertheless at any time after taking any remedial action terminate this [Sub]Lease by thirty (30) days written notice to [Sub]Tenant.

(d) If [Sub]Landlord relets the [Sub]Leased Premises, [Sub]Landlord shall apply the revenue as follows: first, to the payment of any cost of reletting, including without limitation finder's fees and leasing commissions; and second, to the payment of Rent and other amounts due and unpaid under this [Sub]Lease. [Sub]Landlord shall hold and apply the residue, if any, to payment of future amounts payable as they become due. [Sub]Landlord's receipt of revenue from reletting during any month shall not relieve [Sub]Tenant of its obligations under this [Sub]Lease.

(e) No officer, board member, agent or employee of [Sub]Tenant or the State of California shall be personally liable to [Sub]Landlord in the event of any Default by [Sub]Tenant. In such event, [Sub]Landlord agrees not to bring suit against any such officer, board member, agent or employee.

(f) [Sub]Landlord shall not be in Default unless [Sub]Landlord fails to perform obligations required of [Sub]Landlord within thirty (30) days after written notice by [Sub]Tenant to [Sub]Landlord specifying in what respect [Sub]Landlord has failed to perform the obligation. However, if [Sub]Landlord's obligation requires more than thirty (30) days for performance, [Sub]Landlord shall not be in Default if [Sub]Landlord commences to perform within said thirty (30) day period and afterwards diligently completes it. Notwithstanding the foregoing, in the event of a Default by [Sub]Landlord which materially and adversely affects [Sub]Tenant's occupancy or use of the [Sub]Leased Premises or operation of a satellite wagering facility therein, and in addition to any other rights or remedies available to [Sub]Tenant at law or in equity, [Sub]Tenant shall be entitled to terminate this [Sub]Lease upon thirty (30) days written notice and to recover damages resulting from such Default and termination, including, without limitation, damages for [Sub]Tenant's loss of satellite wagering admissions and commissions and expenses incurred in relocating to another facility.

(g) After the occurrence of an Event of Default by either party, the non-defaulting party, in addition to, or in lieu of, exercising other remedies, may, but without any obligation to do so, cure the breach underlying the Event of Default for the account and at the expense of the party in Default; provided, that the non-defaulting party by prior notice shall first allow the party in Default a reasonable opportunity to cure, except in cases of emergency, where the non-defaulting party may proceed without prior notice to the party in Default. The party in Default shall, upon demand (by way of presentation of invoices or other written instruments evidencing payment), immediately reimburse the non-defaulting party for all costs, including costs of settlements, defense and court costs that the non-defaulting party may incur in the

course of any cure.

(h) No right or remedy conferred upon or reserved to either party in this [Sub]Lease is intended to be exclusive of any other right or remedy given now or later or existing at law or in equity or by statute. Except to the extent that either party may have otherwise agreed in writing, no waiver by that party of any violation or nonperformance by the other party of any obligations, agreements, or covenants shall be deemed to be a waiver of any subsequent violation or nonperformance of the same or any other covenant, agreement, or obligation, nor shall any forbearance by either party to exercise a remedy for any violation or nonperformance by the other party be deemed a waiver by that party of rights or remedies with respect to that violation or nonperformance.

## **Section 22. Surrender of [Sub]Lease.**

The voluntary or other surrender of this [Sub]Lease by [Sub]Tenant, or a mutual cancellation of the [Sub]Lease, shall not work a merger, and may, at the option of [Sub]Landlord, terminate all or any existing subleases or subtenancies, or may, at the option of [Sub]Landlord, operate as an assignment to [Sub]Landlord of any of the subleases or subtenancies.

## **Section 23. Assignment and Subletting; Transfer of Interests: Amendment of (Master) Lease.**

(a) [Sub]Tenant shall not, without the prior written consent of [Sub]Landlord, assign this [Sub]Lease, or any interest in this [Sub]Lease, and shall not sublet the [Sub]Leased Premises or any part thereof, or any right or privilege appurtenant thereto, or permit any person other than the agents, employees, contractors, customers and subtenants of [Sub]Tenant to occupy or use the [Sub]Leased Premises. This Section shall not apply to any assignment by operation of law or to any action by the California Department of Food & Agriculture, or any subdivision or designee thereof, to assume management responsibilities for [Sub]Tenant or to appoint new management therefor.

(b) [Sub]Landlord shall not (a) sell, assign or sublet its interest in the Property or its \_\_\_\_\_ business conducted therein, or (b) permit the sale or other assignment of any controlling interest in the stock of [Sub]Landlord, or (c) amend the Master Lease (collectively or individually, a "**Transaction**") if the Transaction will invalidate any permit under which [Sub]Tenant conducts its business. [Sub]Landlord shall promptly give [Sub]Tenant written notice of each Transaction (whether or not such Transaction may invalidate any permit under which [Sub]Tenant conducts its business) not less than thirty (30) days before the effectiveness of such Transaction. If the Transaction is a sale, assignment or subletting, such notice shall specifically identify the proposed purchaser, assignee or sublessee and provide all pertinent data requested by [Sub]Tenant as reasonably necessary for [Sub]Tenant to determine the credit, character, quality of business operation, merchandising reputation, experience and business standing of the proposed purchaser, assignee or sublessee. If the Transaction is an amendment to the Master Lease, such notice shall set forth the terms of such proposed amendment. Notwithstanding the foregoing or Section 41 of this [Sub]Lease, in the event [Sub]Tenant determines in its sole discretion, within sixty (60) days after receipt of written notice of any such Transaction that the Transaction is likely to have a material and

adverse affect on [Sub]Tenant's business in the [Sub]Leased Premises, [Sub]Tenant may terminate this [Sub]Lease upon giving thirty (30) days written notice of such termination to [Sub]Landlord and shall be entitled to pro rated reimbursement of the Tenant Improvement Fee as provided in Section 4(b).

#### **Section 24. Operations.**

(a) Subject to the provisions of Sections 19 and 31, [Sub]Tenant shall continuously during the entire [Sub]Lease Term conduct [Sub]Tenant's satellite wagering operations in the [Sub]Leased Premises and shall keep the [Sub]Leased Premises open for business and cause [Sub]Tenant's satellite wagering operations to be conducted during customary business hours for similar businesses; provided, however, that this provision shall not apply if the [Sub]Leased Premises should be closed and the satellite wagering operations of [Sub]Tenant temporarily discontinued on account of strikes, lockouts, or similar causes beyond the reasonable control of [Sub]Tenant. [Sub]Tenant shall keep the [Sub]Leased Premises adequately staffed with sufficient personnel to care for the patronage and to conduct the satellite wagering operations in accordance with sound business practices. Except as otherwise expressly provided in this [Sub]Lease, [Sub]Tenant shall be responsible for the costs of [Sub]Tenant's satellite wagering operations in the [Sub]Leased Premises, including [Sub]Tenant's parimutuel management, employee labor and armored transport costs.

(b) Subject to the provisions of Sections 19 and 31, [Sub]Landlord shall continuously during the entire [Sub]Lease Term conduct [Sub]Landlord's \_\_\_\_\_ business in portions of the Property other than the [Sub]Leased Premises and shall keep the \_\_\_\_\_ open for business and cause [Sub]Landlord's \_\_\_\_\_ business to be conducted during customary business hours for similar businesses; provided, however, that this provision shall not apply if the Property should be closed or the \_\_\_\_\_ business of [Sub]Landlord temporarily discontinued for thirty (30) days or less on account of strikes, lockouts, or similar causes beyond the reasonable control of [Sub]Landlord. In the event the Property is so closed or [Sub]Landlord's \_\_\_\_\_ business is so discontinued temporarily, [Sub]Landlord shall provide such personnel as necessary to ensure (i) [Sub]Tenant's continued access to the [Sub]Leased Premises, and (ii) the performance of [Sub]Landlord's other obligations under this [Sub]Lease. [Sub]Landlord shall keep the \_\_\_\_\_ adequately staffed with sufficient personnel to care for the patronage and to conduct the \_\_\_\_\_ business in accordance with sound business practices. [Sub]Landlord shall be responsible for the costs of [Sub]Landlord's \_\_\_\_\_ operations.

(c) [Sub]Tenant's satellite wagering facility operations on the [Sub]Leased Premises and [Sub]Landlord's \_\_\_\_\_ operations on the Property shall be conducted separately. Further, neither the [Sub]Tenant nor [Sub]Landlord will allow any person, individual, employee or agent to facilitate or place bets on behalf of other individuals from the satellite wagering facility on gaming operations in the card club nor from the card club on satellite wagering within the satellite wagering facility. No "runners" shall be employed or allowed for the purpose of taking wagers from customers in the [Sub]Landlord's \_\_\_\_\_ facility and placing such wagers on races broadcasted in [Sub]Tenant's satellite wagering facility. No "runners" shall be employed or allowed for the purpose of taking wagers from customers in the [Sub]Tenant's satellite wagering facility and placing such wagers or bets in or on games being conducted in [Sub]Landlord's \_\_\_\_\_ facility. Further, notice of this rule

shall be posted in the [Sub]Landlord's Property used for the \_\_\_\_\_ facility and in the [Sub]Tenant's [Sub]Leased Premises, and all employees shall be given notice of this provision. Violation of this provision may subject the [Sub]Landlord and [Sub]Tenant to loss of their licenses to conduct business.

### **Section 25. Intentionally Omitted.**

### **Section 26. Licenses.**

(a) [Sub]Tenant represents and warrants as of the date of this [Sub]Lease that [Sub]Tenant holds a license issued by the California Horse Racing Board for the conduct of satellite wagering on horse racing in the [Sub]Leased Premises. [Sub]Tenant shall maintain said license in full force and effect during the Term of this [Sub]Lease. In the event said license is terminated or not renewed for any reason other than [Sub]Tenant's willful violation of the regulations of the California Horse Racing Board or [Sub]Tenant's failure to apply for renewal as needed, [Sub]Tenant may, at [Sub]Tenant's option, terminate this [Sub]Lease upon thirty (30) days' written notice to [Sub]Landlord. [Sub]Tenant currently operates a satellite wagering facility on its \_\_\_\_\_ County fairgrounds. [Sub]Tenant shall not open any additional off-fairgrounds satellite wagering facilities in \_\_\_\_\_ County prior to the earlier of \_\_\_\_\_, 20\_\_, or the termination of this [Sub]Lease. After \_\_\_\_\_, 20\_\_, or the earlier termination of this [Sub]Lease, [Sub]Tenant may, at its option, open other off-fairgrounds satellite wagering facilities in \_\_\_\_\_ County.

(b) [Sub]Landlord represents and warrants that it has obtained all necessary permits and licenses, and that all of its employees and contractors have obtained all necessary permits and licenses, to operate the Property and the \_\_\_\_\_ and food and beverage businesses located on the Property and to provide security services to the Property. [Sub]Landlord shall maintain, or cause to be maintained, all such permits and licenses in full force and effect during the Term of this [Sub]Lease.

### **Section 27. Holding Over.**

Any holding over after the expiration of the Term shall be construed to be a tenancy from month-to-month, cancelable upon thirty (30) days' written notice, and upon terms and conditions as existing during the last year of the Term.

### **Section 28. Notices.**

All notices and other communications under this [Sub]Lease shall be in writing. Notices shall be delivered using one of the methods set forth in (a) or (b), below. Notices shall be deemed to have been duly given (a) on the date of delivery, if delivered personally to the party to whom notice is given, or if made by telecopy (with verification sheet attached) directed to the party to whom notice is to be given at the telecopy number listed below, or (b) on receipt, if mailed to the party to whom notice is to be given by registered or certified mail, return receipt requested, postage prepaid and properly addressed as follows:

If intended for [Sub]Landlord:

By Personal Delivery:

\_\_\_\_\_  
(Title)  
-or-

\_\_\_\_\_  
(Title)  
(Landlord)  
(Address)  
\_\_\_\_\_, California \_\_\_\_\_

By Mail:

\_\_\_\_\_  
(Address)  
\_\_\_\_\_, California \_\_\_\_\_

By Telecopy:

\_\_\_\_\_  
Attention: \_\_\_\_\_  
( ) \_\_\_\_-\_\_\_\_

If intended for [Sub]Tenant:

By Personal Delivery  
Or Mail:

General Manager  
\_\_\_\_\_  
(Address)  
\_\_\_\_\_, California \_\_\_\_\_

By Telecopy:

General Manager  
\_\_\_\_\_  
( ) \_\_\_\_-\_\_\_\_

A party may change its person designated to receive notice, its telecopy number, or its address from time to time by giving notice to the other party in accordance with the procedures set forth in this Section.

**Section 29. Successors in Interest.**

The covenants in this [Sub]Lease shall apply to and bind the heirs, successors, executors, administrators, and assigns of all the parties to this [Sub]Lease. Nothing in this Section shall be deemed to permit any assignment or subletting in violation of Section 23.

**Section 30. Food and Beverage Service.**

(a) [Sub]Landlord shall provide food and beverage service to [Sub]Tenant's patrons on the [Sub]Leased Premises.

(b) The food service to be provided by [Sub]Landlord shall comply with all applicable municipal, state and federal laws, ordinances, rules and regulations.

(c) [Sub]Landlord shall provide food and beverage service and products of a quality at least equal to the quality available at any similar locations in \_\_\_\_\_ County, recognizing and acknowledging that [Sub]Tenant intends to operate a public facility with the highest possible standards and reputation.

(d) [Sub]Landlord has provided [Sub]Tenant with a copy of [Sub]Landlord's existing food and beverage menu and price list, which is deemed approved. [Sub]Tenant has familiarized itself with tile quality, quantity, nature and brands of the food and beverages now being served by [Sub]Landlord, which are deemed approved. Proposed changes in the nature, quality, quantity, price and brands of all food and beverages to be provided by [Sub]Landlord shall be subject to the prior written approval of [Sub]Tenant and the California Horse Racing Board. Approval of prices may not be withheld in any event if the prices proposed by [Sub]Landlord are no higher than prices generally charged at comparable facilities in \_\_\_\_\_ County for comparable products.

(e) [Sub]Landlord shall operate and conduct its food and beverage service operations in a manner that will permit all patrons of [Sub]Tenant's satellite wagering facility to be promptly and satisfactorily served. All products sold by [Sub]Landlord shall be of high quality and shall conform to the requirements of all applicable municipal, state and federal laws, statutes, ordinances and regulations. No adulterated or misbranded products shall be stored, displayed or sold by [Sub]Landlord. All foods and beverages acquired by [Sub]Landlord shall be stored and handled at all times consistent with the highest standards of sanitation, preservation and purity.

(f) [Sub]Landlord shall procure and maintain, at [Sub]Landlord's sole cost, all licenses and permits required for the provision of food and beverage services to the [Sub]Leased Premises.

(g) All persons engaged in operating [Sub]Landlord's food and beverage service shall be the sole and exclusive employees of [Sub]Landlord or [Sub]Landlord's contractor, as applicable, and shall be paid by [Sub]Landlord or [Sub]Landlord's contractor. [Sub]Landlord shall pay or cause to be paid all applicable social security, unemployment, worker's compensation or other employment taxes or contributions or insurance and shall comply or cause its contractor to comply with all municipal, state and federal laws and regulations relating to employment generally, minimum wages, social security, unemployment insurance and worker's compensation.

(h) All persons engaged in operating [Sub]Landlord's food and beverage service shall have reasonable unimpeded access to the Wagering Area of the [Sub]Leased Premises in connection with such food and beverage service operations; provided, that said food and beverage service operations shall not materially interfere with [Sub]Tenant's operation of its satellite wagering facility in the [Sub]Leased Premises.

(h) All persons engaged in operating [Sub]Landlord's food and beverage service shall have reasonable unimpeded access to the Wagering Area of the [Sub]Leased Premises in connection with such food and beverage service operations; provided, that said food and beverage service operations shall not materially interfere with [Sub]Tenant's operation of its satellite wagering facility in the [Sub]Leased Premises.

(i) [Sub]Landlord shall cause all persons engaged in food and beverage service operations to comply with the rules and regulations promulgated by [Sub]Tenant, the California Horse Racing Board, the City of Fresno, the California Alcoholic Beverage Control and other applicable governmental authorities in connection with such food and beverage service.

(j) [Sub]Tenant may, at its option, enter into sponsorship agreements with respect to food or beverages to be served by [Sub]Landlord on the [Sub]Leased Premises. Any fees paid by any such sponsor shall belong exclusively to [Sub]Tenant.

(k) The relationship between [Sub]Landlord and [Sub]Tenant under this [Sub]Lease is strictly a [Sub]Landlord-[Sub]Tenant relationship. Nothing in this [Sub]Lease shall create a partnership, joint venture, trust or other fiduciary relationship between [Sub]Landlord and [Sub]Tenant.

(l) [Sub]Tenant currently operates a satellite wagering facility on its \_\_\_\_\_ County fairgrounds and is under contract with a concessionaire to provide food and beverage service to that facility. The parties hereto acknowledge the possibility that said concessionaire may attempt to claim that it is entitled, under the terms of its contract, to provide food and beverage service to the [Sub]Leased Premises. In the event such a claim is made by said concessionaire, [Sub]Tenant may, at [Sub]Tenant's option, terminate this [Sub]Lease upon giving thirty (30) days written notice to [Sub]Landlord within ninety (90) days after [Sub]Tenant's receipt of such claim, and [Sub]Tenant shall be entitled to pro-rated reimbursement of the Tenant Improvement Fee as provided in Section 4(b). This Subsection 30(1) constitutes only an acknowledgement of a claim that may be asserted by said concessionaire and does not constitute an admission by [Sub]Tenant that such claim, if asserted, would be a valid claim. The provisions of this Subsection 30(1) shall expire on \_\_\_\_\_.

### **Section 31. Force Majeure.**

If either party shall be delayed or prevented from the performance of any act required under this [Sub]Lease by reason of any cause without fault or beyond the control of such party, including, without limitation, acts of God or governmental agencies (excluding actions taken to enforce regulations governing [Sub]Landlord's \_\_\_\_\_, food and beverage service or security operations), strikes, lockouts, labor troubles or inability to procure materials, performance of such act shall be excused for the period of the delay and the period for the performance of such act shall be extended for a period equivalent to the period of the delay. The party asserting such delay shall give notice of such delay to the other party hereto within thirty (30) days after the date such delay commences. The extension of the period for performance of any such act shall commence to run from the time of the commencement of the cause of such delay; provided, however, that if the notifying party fails to give written notice to the other party of such delay exceeds ninety (90) days, the party which was to receive the benefit of the delayed performance shall be entitled to terminate this [Sub]Lease upon giving ten (10) days written notice of such termination.

### **Section 32. Captions.**

The various headings and section numbers in this [Sub]Lease and the grouping of the provisions of this [Sub]Lease into separate sections and paragraphs are for the purpose of convenience only and shall not be considered a part of this [Sub]Lease.

### **Section 33. Time.**

Time is of the essence in this [Sub]Lease.

### **Section 34. Intentionally Omitted.**

### **Section 35. Condemnation.**

If any part of the Property is condemned or otherwise taken under the power of eminent domain or conveyed in lieu of condemnation, and the condemnation or taking materially and adversely affects [Sub]Tenant's occupancy or use of the [Sub]Leased Premises or [Sub]Tenant's business conducted therein, each party shall, at such party's option, have the right to terminate this [Sub]Lease by giving thirty (30) days written notice of termination to the other party within six (6) months following the date of such condemnation or taking. Any award that may be paid in connection with any condemnation or taking shall be divided between [Sub]Landlord and [Sub]Tenant according to their respective interests under this [Sub]Lease.

### **Section 36. No Oral Agreements.**

This [Sub]Lease includes in full each agreement of every kind between the parties concerning the [Sub]Leased Premises, and all preliminary negotiations and agreements of any kind or nature are merged in this [Sub]Lease, and there are no oral agreements or implied covenants made in connection with this [Sub]Lease.

### **Section 37. Security Services.**

[Sub]Landlord shall, at its sole cost, provide for the security of the [Sub]Leased Premises (including, without limitation, the admissions area) and all monies located within the [Sub]Leased Premises. [Sub]Landlord shall use its own employees or contract with a reputable security company reasonably acceptable to [Sub]Tenant to provide twenty-four (24) hour security services to the [Sub]Leased Premises. Said security services shall be provided in accordance with the guidelines and regulations of the California Horse Racing Board and the reasonable requirements of [Sub]Tenant. All security personnel, as well as [Sub]Landlord's security plan for the [Sub]Leased Premises, are subject to [Sub]Tenant's prior written approval. Except for embezzlement or gross negligence by [Sub]Tenant's employees, [Sub]Landlord shall be solely responsible for the theft of any monies stolen from the [Sub]Leased Premises and shall reimburse [Sub]Tenant for any monies so stolen. In the event [Sub]Tenant reasonably determines that the security services provided by [Sub]Landlord are not in compliance with the guidelines or regulations of the California Horse Racing Board or are otherwise inadequate, [Sub]Tenant may provide its own security services for the [Sub]Leased Premises and deduct from the Rent the reasonable cost of such security service; provided, that [Sub]Tenant shall first give [Sub]Landlord written notice of such determination. [Sub]Landlord shall have thirty (30) days following receipt of such written notice to cure any such inadequacies unless [Sub]Tenant



reasonably determines that the circumstances require the immediate provision of security services by [Sub]Tenant.

### **Section 38. Compliance with Building Codes.**

[Sub]Landlord warrants that, upon possession of the [Sub]Leased Premises by [Sub]Tenant, the Property shall be in compliance with all applicable fire and safety codes and all other applicable laws and regulations, including, without limitation, the Americans with Disabilities Act. [Sub]Landlord shall provide certified copies of occupancy and fire inspection certificates for the Property upon request therefor by [Sub]Tenant or the California Horse Racing Board.

### **Section 39. Extension Option.**

(a) Section 39 of the (Master) Lease gives [Sub]Landlord the right to extend the (Master) Lease for up to three (3) additional terms of five (5) years each. If [Sub]Landlord exercises any right to extend the term of the (Master) Lease and this [Sub]Lease has not previously been terminated, then [Sub]Tenant shall have the option to extend the term of this [Sub]Lease for the same period as the extended term of the (Master) Lease and all terms and conditions of this [Sub]Lease shall remain in full force and effect during any extended term (except that rent shall be subject to negotiation as set forth below). The [Sub]Landlord shall give written notice to the [Sub]Tenant of [Sub]Landlord's election to extend the term of the (Master) Lease concurrently with the delivery of the [Sub]Landlord's extension notice to the (Master) Landlord under Section 39 of the (Master) Lease. [Sub]Tenant's option is to extend the term on all the provisions contained in this [Sub]Lease (except that rent shall be subject to negotiation as set forth below) for a time corresponding to the extension of the (Master) Lease ("Extended Term") following expiration of the initial term. To exercise the option the [Sub]Tenant must give written notice of exercise of the option ("Option Notice") to [Sub]Landlord at least one hundred eighty (180) days but not more than one year before the expiration of the term. The parties shall have ninety (90) days after the [Sub]Landlord receives the Option Notice in which to agree on the rent during the Extended Term. If the parties agree on the rent for the Extended Term during that period, they shall immediately execute an amendment to this [Sub]Lease stating the monthly rent.

(b) If the parties are unable to agree on the monthly rent for the Extended Term within said ninety (90) day period, [Sub]Tenant shall have the option of extending the term of this [Sub]Lease on all of the provisions contained in this [Sub]Lease (including Rent) for the Extended Term by giving written notice ("Second Option Notice") of such election to [Sub]Landlord not later than ten (10) days after the expiration of said ninety (90) day period. In the event [Sub]Tenant does not give the Second Option Notice, the Option Notice shall be of no effect and this [Sub]Lease shall expire at the end of the term.

(c) Neither party to this [Sub]Lease shall have the right to have a court or other third party set the monthly rent. If the [Sub]Tenant is in default on the date of giving the Option Notice, the Option Notice shall be totally ineffective, or if the [Sub]Tenant is in default on the date the Extended Term is to commence, the Extended Term shall not commence and this [Sub]Lease shall expire at the end of the initial term.

#### **Section 40. Governing Law.**

This lease shall be governed by and construed in accordance with the laws of the State of California.

#### **Section 41. Consents and Approvals.**

Unless otherwise expressly stated in this [Sub]Lease, any provision of this [Sub]Lease which requires the consent or approval of either party shall be deemed to contain the additional requirement that such consent or approval not be unreasonably withheld, conditioned or delayed.

#### **Section 42. (Master) Lease; Recognition Agreement. (To be used with Sublease)**

(a) [Sub]Landlord represents and warrants that it has delivered a true and correct copy of the (Master) Lease to [Sub]Tenant and [Sub]Tenant acknowledges that [Sub]Tenant has informed itself of the contents thereof. [Sub]Tenant acknowledges and agrees that its rights under this [Sub]Lease are subject to the (Master) Lease and [Sub]Tenant agrees that it will not use the [Sub]Leased Premises, or permit them to be used, in violation of the (Master) Lease, and will take no actions with respect to the [Sub]Leased Premises that require the consent of the (Master) [Sub]Landlord under the (Master) Lease without first obtaining that consent. [Sub]Landlord represents and warrants that this [Sub]Lease does not violate any provision of the (Master) Lease, and that no provisions of this [Sub]Lease are in conflict with any of the provisions of the (Master) Lease. [Sub]Landlord represents and warrants that [Sub]Landlord has delivered to [Sub]Tenant a recognition agreement validly signed by the (Master) Landlord, which agreement consents to (i) the execution and delivery of this [Sub]Lease, (ii) the improvements constructed by [Sub]Landlord pursuant to the Plans and Specifications, and (iii) the installation of satellite wagering fixtures and equipment proposed to be installed by [Sub]Tenant.

(b) If the (Master) Lease terminates and [Sub]Tenant elects to terminate this [Sub]Lease by reason of the discontinuance of a \_\_\_\_\_ business on the Property, the parties shall be released from all liabilities and obligations under this [Sub]Lease; except that, if the (Master) Lease terminates as a result of [Sub]Landlord's being in default of its obligations under thereunder, [Sub]Landlord shall be liable to [Sub]Tenant for all damages [Sub]Tenant has suffered as a result of the termination.

(c) If [Sub]Landlord is given the right under the (Master) Lease to terminate the (Master) Lease (e.g., in case of destruction), [Sub]Tenant shall have the right, in its sole discretion, to determine whether it wishes to have the (Master) Lease terminated. If [Sub]Tenant elects to have the (Master) Lease terminated, [Sub]Tenant shall terminate this [Sub]Lease and [Sub]Landlord shall in turn terminate the (Master) Lease.

(d) As long as [Sub]Tenant is not in default of any provision of this [Sub]Lease, [Sub]Landlord shall be obligated to perform all its obligations under the (Master) Lease, and during the Term of this [Sub]Lease [Sub]Tenant shall have quiet enjoyment of the

[Sub]Leased Premises.

### **Section 43. Definitions.**

**"Admissions Employee"** means the individual(s) employed by [Sub]Tenant to provide on-site administration of the [Sub]Leased Premises on [Sub]Tenant's behalf, including, without limitation, the greeting and seating of patrons, collection of admission fees, and sales of merchandise and forms. Except as approved by [Sub]Landlord or as necessary to fulfill [Sub]Tenant's obligations under Section 24(a), [Sub]Tenant shall not schedule more than one Admissions Employee to be on duty at the [Sub]Leased Premises at any given time. [Sub]Tenant shall be the sole employer of the Admissions Employee(s) and responsible for all employment matters relating to the Admissions Employee(s).

**"After Business Hours"** means the period beginning one (1) hour after the last post time for simulcast racing on any given day and extending to three (3) hours prior to the first post time on the next day on which simulcast racing is presented at [Sub]Tenant's satellite wagering facility on the [Sub]Leased Premises.

**"Common Areas"** means all areas and facilities outside the [Sub]Leased Premises and on the Property that are depicted as the shaded areas on Exhibit "E," attached hereto and incorporated herein. Common Areas include, without limitation, pedestrian walkways and patios, corridors to and from the exterior entrances for [Sub]Landlord's \_\_\_\_\_ facility and the entrance to the [Sub]Leased Premises, landscaped areas, sidewalks, service corridors, restrooms, stairways, decorative walls, throughways and loading areas.

**"Default"** is defined in Section 21.

**"Event of Default"** is defined in Section 21.

**"Extension"** is defined in Section 39.

**"Gross Admissions"** means the gross admission fees collected by [Sub]Tenant from patrons entering the [Sub]Leased Premises.

**"Gross Commissions"** means the gross commissions collected by [Sub]Tenant from satellite wagering on the [Sub]Leased Premises.

**"Gross Sales"** means the gross revenue collected by [Sub]Tenant from sales of forms and merchandise on the [Sub]Leased Premises.

**"Master Landlord"** is defined in Recital A.

**"Master Lease"** is defined in Recital A.

**"Net Revenues from the Sale of Forms"** means the gross sales receipts from forms sold on the [Sub]Leased Premises less the [Sub]Tenant's costs of goods sold.

**"Net Revenue from the Sale of Merchandise"** means the gross sales receipts

from goods sold on the [Sub]Leased Premises less the [Sub]Tenant's cost of goods sold.

"**Plans and Specifications**" is defined in Section 4(b).

"**Property**" is defined in Recital A.

"**Rent**" is defined in Section 4(a).

"**Restricted Area**" means the enclosed area of the [Sub]Leased Premises which is used, among other things, for the collection and storage of [Sub]Tenant's cash receipts, and which is depicted on Exhibit "F," attached hereto and incorporated herein.

"[Sub]Landlord" is defined in the preamble.

"[Sub]Lease" is defined in the preamble.

"[Sub]Leased Premises" is defined in Recital D.

"[Sub]Tenant" is defined in the preamble.

"**Tenant Improvement Fee**" is defined in Section 4(b).

"**Term**" is defined in Section 3.

"**Transaction**" is defined in Section 23(b).

"**Wagering Area**" means all areas of the [Sub]Leased Premises (other than the Restricted Area) where parimutuel wagering is conducted within the enclosure.

**Section 44. Memorandum of [Sub]Lease.**

Concurrently with the execution and delivery of this [Sub]Lease, [Sub]Landlord and [Sub]Tenant shall execute and record in the official records of \_\_\_\_\_ County a memorandum of this [Sub]Lease

**Section 45. Corporate Resolutions.**

Upon execution and delivery of this [Sub]Lease, [Sub]Landlord shall also deliver to [Sub]Tenant a certificate of the secretary of [Sub]Landlord attesting to the authority of [Sub]Landlord's officers to execute this [Sub]Lease on behalf of [Sub]Landlord.

The parties have executed this [Sub]Lease on the day and year first above written.

“[Sub]Landlord”

“[Sub]Tenant”

\_\_\_\_\_

\_\_\_\_\_

a California (corporation)

a public agency

By: \_\_\_\_\_  
\_\_\_\_\_, (Title)

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_, (Title)

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**Corporation Seal:**

carf191

**EXHIBIT "A"**  
**(Master) Lease**

**EXHIBIT "B"**  
**[Sub]Leased Premises**

**EXHIBIT "C"**  
**Furnishings and Fixtures Provided by [Sub]Landlord**



**EXHIBIT "D"**  
**Insurance Requirements**

## DEPARTMENT OF FOOD AND AGRICULTURE

## INSURANCE STATEMENT



The contractor/renter shall provide an original evidence of authorized insurance for the term of the agreement protecting legal liability of the State of California, District Agricultural Associations, County Fairs, or Citrus Fairs, their officers, agents, servants, and employees, from occurrences as to commercial general liability insurance and other liability coverage as required. This may be provided by:

- I. Insurance Certificate - The contractor/renter providing the fair with a signed original certificate of insurance (the ACORD form is acceptable), lawfully transacted, which sets forth the following:
  - a. List as the Additional Insured: "That the State of California, the District Agricultural Association, County or Citrus Fair, their agents, officers, servants, and employees are made additional insureds, but only insofar as the operations under this contract are concerned."
  - b. Event Dates: The dates of inception and expiration of the insurance. For individual events, please list the specific dates on the insurance certificate. Be sure to include set-up and take down dates.
  - c. Coverage: Commercial general liability in not less than the following amounts per occurrence:
    - \$1,000,000 for contracts deemed hazardous by the State of California;
    - \$2,000,000 for amusement device contracts (including carnival, bungee cord jumping, Orbitrons and simulators);
    - \$500,000 for other contracts for which liability insurance is required by the State of California.
    - Other liability coverage as required (i.e., automobiles, aircraft, professional).
  - d. Cancellation Notice: A statement by the insurance company that it will not cancel said policy or policies without giving 30 days prior written notice to the named certificate holder.
  - e. Certificate Holder:
    - For Individual Events Only - List fair along with an address as the certificate holder.
    - For Master Insurance Certificates Only - List the Division of Fairs & Expositions, 1010 Hurley Way, Suite 200, Sacramento, CA 95825, Contracts Office.
  - f. Company: The company providing coverage must be acceptable to the California Department of Insurance.
- OR
- II. Special Events Liability Insurance - The contractor/renter purchasing special events liability insurance through the fairgrounds, when applicable.
- OR
- III. Master Certificate - A master certificate of insurance which the contractor/renter has submitted to the State of California, Division of Fairs and Expositions, and which has been approved and is on file at the Division.
- OR
- IV. Self-Insurance - In lieu of maintaining the insurance above, contractor/renter may be self-insured and will provide evidence of self-insurance upon request.

The contractor/renter agrees that the commercial general liability (and automobiles, aircraft and professional, if applicable) insurance herein provided for shall be in effect at all times during the term of this contract. In the event said insurance coverage expires at any time prior to or during the term of this contract, contractor/renter agrees to provide the fair, prior to said expiration date, a new certificate of insurance evidencing insurance coverage as provided for herein for not less than the remainder of the term of the contract, or for a period of not less than one (1) year. New certificates of insurance are subject to approval, and contractor agrees that no work or services shall be performed prior to the giving of such approval. In the event the contractor/renter fails to keep in effect at all times the required insurance coverage, the fair may, in addition to any other remedies it may have, terminate this contract upon the occurrence of such event.

Participant Waivers - For hazardous participant events, the contractor/renter agrees to obtain a properly executed Release and Waiver of Liability Agreement (CFSA Form "RELEASE/LIB") from each participant prior to his/her participation in the event(s) sponsored by contractor/renter. Hazardous participant events include but are not limited to all athletic team events; all equestrian related events; race car, motorcycle or disqualification derby type events; and stunt bike, skateboard or roller blade events. Contact California Fairs Service Authority at (916) 921-2215 for further information.

**EXHIBIT "E"**  
**Common Areas**

**EXHIBIT "F"**  
**Restricted Areas**

**EXHIBIT "G"**

**List of Plans and Specifications**

The "Plans and Specifications" (as that term is used in the [Sub]Lease between \_\_\_\_\_ and the \_\_\_\_\_ are the below-listed plans and specifications prepared by the following companies (as applicable):

- **(Acronym of (Name and Address of Contractor) Contractor)**

**Plans and Specifications**

1. Sheet Title:  
Sheet Number:  
Prepared By:  
Date:  
Revisions:  
File Name:  
Job Number:

**EXHIBIT "G"**

**List of Plans and Specifications**

The "Plans and Specifications" (as that term is used in the [Sub]Lease between \_\_\_\_\_ and the \_\_\_\_\_ are the below-listed plans and specifications prepared by the following companies (as applicable):

- **(Acronym of (Name and Address of Contractor) Contractor)**

**Plans and Specifications**

1. Sheet Title:  
Sheet Number:  
Prepared By:  
Date:  
Revisions:  
File Name:  
Job Number:

**MEMORANDUM OF UNDERSTANDING**  
**BETWEEN \_\_\_\_\_**  
**AND \_\_\_\_\_**

**VI.**

This MEMORANDUM OF UNDERSTANDING (hereinafter referred to as "MOU") is effective on the first day of \_\_\_\_\_, 20\_\_, by and between the \_\_\_\_\_, and the \_\_\_\_\_, collectively referred to hereafter as "Parties" or "\_\_\_\_\_."

**RECITALS**

WHEREAS, \_\_\_\_\_ and \_\_\_\_\_, as separate legal entities, carry on various activities throughout the year in accordance with the laws, bylaws, and procedures governing each.

WHEREAS, \_\_\_\_\_ and \_\_\_\_\_ desire to enter into a lease agreement (sub-lease agreement) for the operation of a satellite wagering facility.

WHEREAS, \_\_\_\_\_ and \_\_\_\_\_ intend to share revenues and expenses for the operation of the satellite wagering facility and for \_\_\_\_\_ compensation.

NOW THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Agreement for Services. \_\_\_\_\_ (Fair) agrees to provide a Fair employee to operate the Satellite Wagering Facility. Said employee's compensation is a shared expense as set forth in paragraph 2 below. Said employee shall be an employee of the Fair and shall receive payment directly from the Fair. The duties and obligations of this employee are outlined in **Attachment A**, which is attached hereto and incorporated herein by this reference and Fair agrees to provide such services pursuant to the terms and conditions set forth herein.

The Fair shall have the authority to hire, fire and manage the activities of the above employee as provided in paragraph 24 of the Lease agreement (or sublease agreement) attached hereto and incorporated herein as **Exhibit 1**. The Fair shall, at Fair's cost, maintain worker's compensation insurance for said employee as required by law and \*employer's liability insurance with limits of not less than One Million Dollars (\$1,000,000).

2. Fees and Expenses. Rent for the Satellite Wagering Facility premises is set forth in Section 4 of Exhibit 1. No other revenues of \_\_\_\_\_ other than those identified in Section 4 of the Lease agreement are subject to this agreement.

3. Separation of Entities. The \_\_\_\_\_ and the \_\_\_\_\_ acknowledge and agree that they are separate legal entities, each with their own statutory requirements, bylaws or operating agreements. The \_\_\_\_\_ and \_\_\_\_\_ further acknowledge and agree that there is a duty on the part of each party not to commingle funds between the two entities.

4. Term. This MOU shall be controlled by Exhibit 1, paragraph 3. This MOU shall commence on \_\_\_\_\_, and terminate on \_\_\_\_\_, unless terminated earlier by either party, pursuant to the provisions of paragraph 5 below.

5. Termination. Termination rights are controlled by the Parties' compliance with Exhibit 1, specifically section 21, but not to the exclusion of any other section of Exhibit 1.

Termination of this MOU by either party is only acceptable if it is made in the following manner: In writing, delivered to the notice addresses provided herein in paragraph 9, to be received on or before the termination dates noted above, unless such date falls on a weekend or holiday, in which case termination of the MOU shall be acceptable if written notice is received by the next business day.

6. Indemnification. Each party hereto agrees to indemnify, defend and hold the other harmless against any and all losses, costs, damages, attorney's fees and other expenses which either may sustain or incur as a consequence of the other's acts or omissions as stated in section 13 of Exhibit 1.

7. Insurance Coverage. a) \_\_\_\_\_ shall maintain, at Fair's sole expense, the appropriate insurance coverage for the purpose of defending and indemnifying \_\_\_\_\_ and its officers, directors, employees, contractors and representatives from liability which may arise from the acts or omissions of Fair. \_\_\_\_\_ shall be named as an additional insured on each such insurance policy and Fair shall provide \_\_\_\_\_ with proof, in a manner satisfactory to \_\_\_\_\_, that the obligations of this paragraph have been met.

b) \_\_\_\_\_ shall maintain, at \_\_\_\_\_ sole expense, the appropriate insurance coverage for the purpose of defending and indemnifying Fair and its officers, directors, employees, contractors and representatives from liability which may arise from the acts or omissions of \_\_\_\_\_. Fair shall be named as an additional insured on each such insurance policy and \_\_\_\_\_ shall provide Fair with proof, in a manner satisfactory to Fair, that the obligations of this paragraph have been met.

8. No Partnership/Liability. The parties hereto acknowledge and agree that the relationship between \_\_\_\_\_ and \_\_\_\_\_ is one of principal and independent contractor and tenant and landlord. Nothing contained in this MOU shall create or be construed as creating a partnership, joint venture, employment relationship or any other relationship except as set forth between the parties. The parties specifically acknowledge and agree that \_\_\_\_\_ is not a partner with \_\_\_\_\_, whether general or limited, and no activities of \_\_\_\_\_ or \_\_\_\_\_ or statements made by \_\_\_\_\_ or \_\_\_\_\_ shall be interpreted by any of the parties hereto as establishing any type of relationship other than that of principal and independent contractor.

9. Notices. All notices and other communications shall be rendered as set forth in section 28 of Exhibit 1.



10. Amendments. No change, amendment or modification of this MOU shall be valid unless in writing and signed by the parties hereto.

11. Assignment. This MOU may not be assigned or transferred by either party to any third party without the prior written consent of the other party.

12. Attorney's Fees and Venue. If an action at law or in equity is necessary to enforce or interpret the terms of this MOU, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs in addition to any other reasonable relief to which it may be entitled. With respect to any suit, action or proceeding arising out of or related to this MOU, or the documentation related hereto, the parties hereby submit to the jurisdiction and venue of the appropriate court in the County of Sacramento, State of California for any proceeding arising hereunder.

13. Severability. If any provision of this MOU is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way.

14. Binding on Successors. This MOU shall be binding on and inure to the benefit of the respective heirs, personal representatives, successors and assigns of the parties hereto.

15. Governing Law. This MOU shall be construed and governed pursuant to the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this MOU effective on the day and in the year set forth above.

DATE: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

DATE: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

**ATTACHMENT A**

**EMPLOYEE DUTIES AND OBLIGATIONS**

The \_\_\_\_\_ shall .....

2010 MEMBER DUES											
Dec 1, 2008-Nov 30, 2009 Handle											
2009 CARF MEMBER FAIRS TOTAL HANDLE											
Location	Off-Track S/W Handle	On-Track Handle	Out-of-State Handle	Off Track Handle	ADW Handle	Total Handle	2009 handle	Actual	2010 Dues	5% Redistribution	10% Redistribution
							% of Total	2009 Dues			
Eureka	1,604,830					1,604,830	0.307%	3,367	0	0	0
Anderson	2,144,212					2,144,212	0.410%	3,367	3,367	168	337
Tulare	3,396,496					3,396,496	0.649%	3,367	3,367	168	337
Ferndale	173,374	765,661	1,247,109	1,212,630	1,430,099	4,828,873	0.922%	3,367	3,367	168	337
Santa Maria	5,323,397					5,323,397	1.017%	7,856	7,856	393	786
Santa Barbara	5,662,564					5,662,564	1.082%	7,856	0	0	0
Shalimar (Indio)	6,883,647					6,883,647	1.315%	7,856	7,856	393	786
Monterey	8,249,768					8,249,768	1.576%	7,856	7,856	393	786
Turlock	8,413,030					8,413,030	1.607%	7,856	7,856	393	786
Bakersfield	8,485,098					8,485,098	1.621%	7,856	7,856	393	786
Victorville	9,159,173					9,159,173	1.750%	7,856	7,856	393	786
Lake Perris	15,948,208					15,948,208	3.046%	16,834	16,834	842	1,683
Lancaster	16,085,180					16,085,180	3.072%	7,856	16,834	842	1,683
Ventura	28,074,342					28,074,342	5.363%	21,042	21,042	1,052	2,104
Vallejo	17,881,644	988,623	3,569,484	5,770,841	2,150,319	30,360,911	5.799%	21,042	21,042	1,052	2,104
San Bernardino	31,203,205					31,203,205	5.960%	21,042	21,042	1,052	2,104
Fresno	11,403,230	3,330,997	5,793,375	10,476,616	4,074,850	35,079,069	6.701%	16,834	21,042	1,052	2,104
Stockton	20,324,284	1,673,003	5,196,865	10,021,748	4,050,776	41,266,676	7.882%	21,042	21,042	1,052	2,104
Santa Rosa	12,209,007	3,761,855	8,326,193	12,539,588	5,027,465	41,864,109	7.997%	21,042	21,042	1,052	2,104
Sacramento	28,614,064	2,787,250	5,563,234	13,235,109	5,263,598	55,463,255	10.594%	25,252	25,252	1,263	2,525
Pleasanton	41,459,921	6,251,700	10,169,316	15,520,927	6,579,985	79,981,848	15.278%	25,252	25,252	1,263	2,525
San Mateo	84,048,612	0	0	0	0	84,048,612	16.054%	16,834	25,252	1,263	2,525
<b>Totals</b>	<b>366,747,284</b>	<b>19,559,090</b>	<b>39,865,577</b>	<b>68,777,459</b>	<b>28,577,091</b>	<b>523,526,501</b>	<b>100%</b>	<b>282,532</b>	<b>292,913</b>	<b>14,646</b>	<b>29,291</b>

**CALIFORNIA AUTHORITY OF RACING FAIRS  
BALANCE SHEET  
March 31, 2010**

<b>ASSETS</b>		
	<b>CURRENT YTD</b>	<b>PRIOR YTD</b>
	<b>3/31/10</b>	<b>3/31/09</b>
<b>Current Assets</b>		
CASH - LAIF & INVESTMENTS	4,365,634	2,948,615
CASH - OPERATING	565,610	2,189,125
MARKETABLE SECURITIES	4,105,677	4,163,818
A/R - DUES	64,477	16,041
A/R - PROGRAMS	112,772	192,659
A/R - RACING FAIRS	336,485	440,129
A/R - F&E SUPPLEMENTAL PURSE/OTHER A/R	2,014,379	1,402,360
LOAN RECEIVABLE	0	0
PREPAIDS/DEPOSITS	53,377	38,340
<b>Total Current Assets</b>	<b>11,618,411</b>	<b>11,391,087</b>
<b>Fixed Assets</b>		
AUTOMOBILE	4,592	10,906
FURNITURE & EQUIPMENT	2,299	3,259
COMPUTER HARDWARE/SOFTWARE	8,741	9,621
TRACK EQUIPMENT	89,100	89,100
<b>Total Fixed Assets (Net of Depr.)</b>	<b>104,732</b>	<b>112,886</b>
<b>TOTAL ASSETS</b>	<b>11,723,143</b>	<b>11,503,973</b>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Current Liabilities</b>		
A/P & WITHHOLDINGS	653,465	491,489
A/P - PROGRAM ROYALTIES TO HOST	73,362	90,629
RACING DISTRIBUTIONS	(111,255)	(210,326)
PURSES	1,369,990	1,725,712
TRACK SAFETY/MAINT.	822,195	763,499
INFOTEXT UPGRADE	158,411	156,521
MISC PROJECT FUNDS	0	0
LOU-1 - TIMING/TRACK SURFACE/AREA ENHANC	0	0
LOU-2 - SPECIAL EVENT CENTERS	0	0
LOU-3 - SATELLITE SURVEY/TURF STUDY	0	0
EQUIPMENT REPLACEMENT FUND	1,387,469	1,177,328
LOU-5 - SYMPOSIUM	3,805	4,248
FACILITY IMPROVEMENTS & UPGRADES	512,370	751,342
CAPITAL IMPROVEMENT FUND	3,154,822	1,637,373
<b>Total Current Liabilities</b>	<b>8,024,634</b>	<b>6,587,814</b>
<b>Non-Current Liabilities</b>		
CHRIMS FUNDS	89,313	88,248
CHANGE FUND	1,014,000	1,014,000
FAIRS - EQUIP REPLACEMENT FUNDS	1,987,541	2,107,900
<b>Total Non-Current Liabilities</b>	<b>3,090,853</b>	<b>3,210,148</b>
<b>TOTAL LIABILITIES</b>	<b>11,115,488</b>	<b>9,797,962</b>
<b>Net Assets</b>		
FUND EQUITY	625,330	1,730,990
F&E Net Assets	14,850	14,850
CARF@GG	0	0
RETIREMENT CONTINGENCY	0	0
NET INCOME/LOSS	(32,525)	(39,830)
<b>Total Net Assets</b>	<b>607,655</b>	<b>1,706,010</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>11,723,143</b>	<b>11,503,973</b>



**California Authority of Racing Fairs  
Southern Region Income Statement  
March 31, 2010**

	<b>2008</b>	<b>2009</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>Year End</b>	<b>Year End</b>	<b>Jan-Mar</b>	<b>Jan-Mar</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
<b>Program Revenue:</b>							
Program Sales	397,688	342,738	92,112	46,406	350,000	(303,594)	13%
Other Revenue	0	0	0	0	0	0	0%
Royalties/Fees Due Host	(358,703)	(311,141)	(82,837)	(41,286)	(318,500)	277,214	13%
<b>Total Revenue</b>	<b>38,985</b>	<b>31,596</b>	<b>9,275</b>	<b>5,120</b>	<b>31,500</b>	<b>(26,380)</b>	<b>16%</b>
<b>Expenses:</b>							
Legal Expenses	0	0	0	0	0	0	0%
Meetings Expense	98	0	0	0	0	0	0%
Misc Exp.(Storage)	0	0	0	0	0	0	0%
Office Supplies	0	0	0	0	0	0	0%
Paper Expense	0	0	0	0	0	0	0%
Postage & Shipping	0	0	0	0	0	0	0%
Telephone Expense	0	0	0	0	0	0	0%
Travel Expense	0	0	0	0	0	0	0%
<b>Total Expenses</b>	<b>98</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
Operating Income (Loss)	38,887	31,596	9,275	5,120	31,500	(26,380)	16%
CARF Admin Fee	29,295	25,351	6,908	0	26,250	26,250	0%
Rebate							
<b>Income (Loss)</b>	<b>9,592</b>	<b>6,245</b>	<b>2,367</b>	<b>5,120</b>	<b>5,250</b>	<b>(130)</b>	<b>98%</b>

**California Authority of Racing Fairs  
Project Management Income Statement  
March 31, 2010**

	<b>2008</b>	<b>2009</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>Year End</b>	<b>Year End</b>	<b>Jan-Mar</b>	<b>Jan-Mar</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
<b>Revenue:</b>							
CARF Admin Fee	175,639	66,063	9,543	0	195,000	(195,000)	0%
Project Management	67,608	79,199	18,190	18,466	77,191	(58,725)	24%
<b>Total Revenue</b>	<b>243,247</b>	<b>145,262</b>	<b>27,733</b>	<b>18,466</b>	<b>272,191</b>	<b>(253,725)</b>	<b>7%</b>
<b>Expenses:</b>							
Salaries Expense	49,043	58,723	13,416	14,310	56,341	42,031	25%
Employee Benefits	6,150	7,287	2,056	2,133	8,000	5,867	27%
Payroll Taxes	2,204	2,832	909	754	3,000	2,246	25%
Accounting Costs	6,500	6,500	1,625	1,083	8,000	6,917	14%
Audit Services	2,475	2,550	0	0	0	0	0%
Automobile Expense	0	0	0	0	0	0	0%
Contracted Services	0	0	0	0	0	0	0%
Telephone Expense	678	708	185	116	1,000	884	12%
Travel Expense	0	42	0	68	250	182	27%
Misc. Storage	558	558	0	0	600	600	0%
<b>Total Expenses</b>	<b>67,608</b>	<b>79,199</b>	<b>18,190</b>	<b>18,466</b>	<b>77,191</b>	<b>58,725</b>	<b>24%</b>
<b>CARF Admin Fee</b>	<b>175,639</b>	<b>66,063</b>	<b>9,543</b>	<b>0</b>	<b>195,000</b>	<b>195,000</b>	<b>0%</b>

**California Authority of Racing Fairs  
Live Racing Income Statement  
March 31, 2010**

	<b>2008</b>	<b>2009</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>Year End</b>	<b>Year End</b>	<b>Jan-Mar</b>	<b>Jan-Mar</b>	<b>Annual</b>	<b>Budget</b>	<b>2010</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Budget</b>
<b>Revenues:</b>							
Change Funct	46,470	17,065	4,865	0	20,000	(20,000)	0%
Racing Fairs	80,538	73,834	8,178	7,100	94,723	(87,623)	7%
Supplemental	22,000	22,000	0	0	22,000	(22,000)	0%
NCOTWINC	29,000	29,000	0	0	29,000	(29,000)	0%
Racing Fairs	1,074,554	1,052,031	109,044	94,625	1,262,971	(1,168,346)	7%
Advertising	5,010	4,100	0	0	4,000	(4,000)	0%
<b>Total</b>	<b>1,257,573</b>	<b>1,198,030</b>	<b>122,087</b>	<b>101,725</b>	<b>1,432,694</b>	<b>(1,330,969)</b>	<b>7%</b>
<b>Expenses:</b>							
Salaries	201,995	230,562	47,160	57,779	227,483	169,704	25%
Employee B	40,160	45,203	11,427	11,801	46,000	34,200	26%
Payroll Tax	10,824	11,877	3,433	3,469	13,500	10,031	26%
Accounting	42,250	52,250	10,562	7,042	48,000	40,958	15%
Audit Servic	16,088	16,575	0	0	16,088	16,088	0%
Automobile	742	1,182	0	0	5,100	5,100	0%
Depreciator	0	0	0	0	0	0	0%
Dues & Sub	13,596	12,286	2,993	2,527	17,000	14,473	15%
Insurance E	0	0	0	0	0	0	0%
Legal Expen	2,101	0	0	0	10,000	10,000	0%
Meetings Ex	1,803	1,111	142	109	5,000	4,891	2%
Misc. Exp (I	0	58	0	0	0	0	0%
Telephone E	1,773	3,363	837	710	3,000	2,290	24%
Travel Expe	55,224	45,184	3,150	394	45,000	44,606	1%
<b>Sub-Totals</b>	<b>386,555</b>	<b>419,651</b>	<b>79,704</b>	<b>83,830</b>	<b>436,171</b>	<b>352,341</b>	<b>19%</b>
<b>Racing Support Services:</b>							
Announcer	26,000	26,596	0	0	36,800	36,800	0%
Condition B	27,509	22,491	0	222	30,500	30,278	1%
Courier Serv	0	0	0	0	0	0	0%
Racing Oper	103,242	79,601	3,273	3,899	105,000	101,101	4%
TC02 Testin	60,010	54,880	0	0	72,000	72,000	0%
Marketing	3,225	1,783	456	39	20,000	19,961	0%
Network Ma	3,105	3,321	710	264	6,000	5,736	4%
Paymaster	10,825	20,298	848	1,380	11,500	10,121	12%
Program Pro	191,389	178,814	2,114	1,635	205,000	203,365	1%
Racing Offic	55,840	53,156	2,417	222	68,000	67,778	0%
Recruitment	17,970	22,721	15,569	0	15,000	15,000	0%
Jumbo Scree	137,700	125,000	0	0	181,000	181,000	0%
Supplies	15,478	19,158	1,811	166	20,000	19,834	1%
Tattooing	17,057	20,469	2,140	2,969	19,000	16,031	16%
Timing/Cloc	21,851	22,430	0	0	30,000	30,000	0%
Transportati	2,900	3,465	0	0	5,000	5,000	0%
TV Producti	27,582	20,288	0	0	35,000	35,000	0%
<b>Sub-Totals</b>	<b>721,684</b>	<b>674,471</b>	<b>29,340</b>	<b>10,795</b>	<b>859,800</b>	<b>849,005</b>	<b>1%</b>
<b>Total Exper</b>	<b>1,108,239</b>	<b>1,094,122</b>	<b>109,044</b>	<b>94,625</b>	<b>1,295,971</b>	<b>1,201,346</b>	<b>7%</b>
<b>CARF Adm</b>	<b>149,334</b>	<b>103,908</b>	<b>13,043</b>	<b>7,100</b>	<b>136,723</b>	<b>129,623</b>	<b>5%</b>



**California Authority of Racing Fairs**

**CARF @ Leased Facility**

**March 31, 2010**

	<b>2008</b>	<b>2009</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>Year End</b>	<b>Year End</b>	<b>Jan-Mar</b>	<b>Jan-Mar</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
<b>Revenues:</b>							
Commissions - CARF@GG	0	2,859,642	0	0	0	0	0%
Non Wagering Revenue - CARF@GG	0	0	0	0	0	0	0%
<b>Total</b>	<b>0</b>	<b>2,859,642</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>Expenses:</b>							
PRA - Labor (Sal,Bene,Tax)	0	96,106	0	0	0	0	0%
PRA - COGS	0	0	0	0	0	0	0%
PRA - Financial Dept. Allocation	0	0	0	0	0	0	0%
PRA - Direct Invoices	0	2,998,791	0	0	0	0	0%
CARF Direct Invoices	0	18,531	0	0	0	0	0%
CARF Billback Allocation	0	57,383	0	0	0	0	0%
<b>Sub-Totals</b>	<b>0</b>	<b>3,170,811</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>CARF @ Leased Facility Net Income</b>	<b>0</b>	<b>(311,170)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>