



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

AGENDA
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS MEETING
JOHN ALKIRE, CHAIR
12:30 P.M., TUESDAY, NOVEMBER 13, 2012

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, November 13, 2012. The meeting will be held Via Teleconference.

AGENDA

- I. Date, time and location of next meeting:
- II. Approval of minutes.
- III. Report, discussion and action, if any, on Legislation for 2013 and beyond.
- IV. Report, discussion and action, if any, on Racing Dates for 2013 and beyond.
- V. Report, discussion and action, if any, on Parimutuel distributions and DRAFT Security Agreement.
- VI. Report, discussion and action, if any, on proposed changes to SCOTWInc. Guest Agreements with Satellite Facilities.
- VII. Financials
- VIII. Executive Director's Report



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

NOTICE
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS MEETING
JOHN ALKIRE, CHAIR
12:30 P.M., TUESDAY, NOVEMBER 13, 2012
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, November 13, 2012. The meeting will be held Via Teleconference.

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

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

Alameda County Fair
4501 Pleasanton Avenue
Pleasanton, CA 94566

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

Solano County Fair
900 Fairgrounds Drive
Vallejo, CA 94589

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

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

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

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

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

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

California State Fair
1600 Exposition Blvd.
Sacramento, CA 95815

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

Stanislaus County
900 North Broadway
Turlock, CA 95380

Humboldt County Fair
1250 5th Street
Ferndale, CA 95536

Shasta District Fair
1890 Briggs Street
Anderson, CA 96007

Tulare County Fair
215 Martin Luther King
Tulare, CA 93274

Kern County Fair
1142 South P Street
Bakersfield, CA 93307

Monterey County Fair
2004 Fairground Road
Monterey, CA 93940

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

CALIFORNIA AUTHORITY OF RACING FAIRS**Board of Directors****Tuesday, October 11, 2012****MINUTES**

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, October 11, 2012. The meeting was hosted at the Big Fresno Fair, 1121 S. Chance Avenue, Fresno, California, 93747.

CARF Board Members joining: John Alkire, Chris Borovansky, Mike Paluszak and Rick Pickering. Joining by conference call: Kelly Violini

Staff and Guests joining: Christopher Korby, Larry Swartzlander, Louie Brown, Stuart Titus, Barbara Boester-Quaid and Tom Sawyer. Joining by conference call: Cindy Olsen, Jim Morgan, Raechelle Gibbons, Jaime Alderman, Kevin Wong, Janet Covello and Amelia White.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held November 13, 2012 via teleconference.

Agenda Item 2 – Approval of Minutes. Mr. Borovansky moved to approve the meeting minutes as presented. Mr. Paluszak second, unanimously approved.

Agenda Item 3 – Report, Discussion and Action, if any, on Racing Dates for 2013 and Beyond. Mr. Alkire requested permission to table Agenda Item 3 until the November meeting to allow Humboldt County Fair representatives sufficient time to receive and review the pertinent materials prepared by Mr. Korby. Mr. Alkire also asked that Agenda Item 6 be presented next to accommodate Gilbert & Associates staff. Mr. Paluszak moved to approve the request. Mr. Pickering seconded, unanimously approved.

Agenda Item 4 – Report, Discussion and Action, if any, on Legislation for 2012 and Beyond. Mr. Brown reported that the Legislature is currently on break and the new session will begin December 3, 2012. When the new session begins, approximately half of the Legislature will be brand new. Legislative staff has begun the 2013 planning process with Mr. Korby and will have preliminary recommendations for the CARF 2013 legislative program to present at the next meeting.

Agenda Item 5- Report, Discussion and Action, on Proposed Changes to SCOTWInc. Guest Agreements with Satellite Facilities. Mr. Korby reported that there have been losses in the money room at two Fair satellites, Monterey and Lake Perris. Neither incident had anything to do with Fair or Satellite operations. Subsequently, SCOTWInc. Board members proposed an entirely restructured agreement between SCOTWInc. and guest Fair satellites in Southern California.

Both the proposed and existing agreements are included in the meeting packets. Mr. Korby stated that this is an important contract and it is crucial to keep Fair interests protected. Mr. Korby is working with legal counsel and will keep the Southern interests informed as negotiations proceed.

Agenda Item 6 – Presentation of and Action, if any, on 2011 Audit Report. Ms. Alderman presented the results of the CARF audit for year ended December 31, 2011. The majority of the audit work was completed in May/June 2012. Ms. Alderman reviewed the CARF financial statements and recapped highlights from the management discussion and analysis letter.

Ms. Alderman reported that CARF management was cooperative and well-prepared throughout the audit process. As in prior years, control deficiencies exist in two areas (resulting in a qualified opinion): a lack of sufficient audit evidence to guarantee the revenue from Advance Deposit Wagering (ADW) providers and a lack of checks/balances regarding paymaster duties, specifically segregation of duties, which would provide stronger internal control during live racing. Ms. Alderman acknowledges that due to the nature of the operations, a complete segregation of duties (i.e. hiring an assistant paymaster) is not practical.

Mr. Pickering asked Ms. Alderman to elaborate on concerns regarding the paymaster. Ms. Alderman stated that she has spent time with the paymaster and believes she is extremely organized and has good accounting processes in place. Gilbert & Associates has conducted random samples of the paymaster accounts with satisfactory result. That being said, the lack of segregation of duties does create the possibility for the paymaster to misappropriate assets.

The only other significant changes from previous audits were the variances caused by the lack of F&E funding and the economic outlook for 2012 that projects deficit spending.

Ms. Alderman went on to discuss the financials in detail as presented in the Financial Statements with Independent Auditor's Report provided in the meeting packet.

Mr. Pickering asked if CARF's vacation balances and usage. Ms. Alderman confirmed that they had and stated that there were no irregularities.

Mr. Pickering moved to accept the 2011 CARF Audit Report as presented. Mr. Paluszak seconded, unanimously approved.

Agenda Item 7 – Financials. Mr. Alkire stated that financials are included in the meeting packet.

Agenda Item 8-Executive Director's Report. Mr. Korby reported that he has been working with legal counsel to put together an agreement that protects CARF when large expenditures are made during live racing to cover expenses on behalf of Fairs. The agreement will be brought before the Board of Directors for discussion.

Respectfully submitted,
Heather Haviland

**STAFF RECOMMENDATION TO CARF BOARD
REGARDING HUMBOLDT COUNTY FAIR RACING**

Staff recommends that the California Authority of Racing Fairs Board of Directors recommend the following options to Humboldt County Fair regarding its horse racing dates and development of satellite wagering.

- **OPTION:** Apply to the California Horse Racing Board for non-overlapped racing dates in June
- **OPTION:** Apply to the California Horse Racing Board for non-overlapped dates in September
- **OPTION:** Accept offer from Golden Gate Fields, Del Mar Thoroughbred Club and Thoroughbred Owners for subsidies to Humboldt County Fair and to its purses for August racing dates in 2013. See attached DRAFT for summary of 2012 subsidies and racing industry subsidies proposed for 2013.
- **RECOMMENDATION:** Establish mini-satellite in Humboldt County to generate new revenues to Fair. There have already been promising discussions with Cher' Ai Heights tribal casino in Trinidad.
- **OPTION:** Work with staff to draft legislation regarding Humboldt racing dates, if desired, then come back to CARF Board to request support.

HUMBOLDT SUMMARY FOR 2012 AND POSSIBILITIES FOR 2013 AGREEMENT

2012 SUMMARY

HUMBOLDT RAN August 15-26 - Dates configuration over two weeks:

SOLO: Wed (Host); dark Thurs (Host); OVERLAPPED Fri Sat Sun (GGF Host)

SOLO: Wed (Host); dark Thurs (Host); OVERLAPPED Fri Sat Sun (GGF Host)

2012 SUBSIDIES TO FAIR

- SB763 .75% (statutory)..... \$ 46,000
- GGF \$ 50,000
- SoCal (TOC& DMTC) ... \$104,000

2012 SUBSIDIES TO FAIR \$200,000

2012 SUBSIDIES TO PURSES..... \$0.00

TOTAL 2012 Subsidies Overall to Humboldt racing.....\$200,000

UNDER DISCUSSION FOR 2013 ONLY

HUMBOLDT RUNS August 14-25 - Dates configuration over two weeks:

Wed. Humboldt SOLO (GGF Host); dark Thurs; OVERLAPPED Fri Sat Sun (GGF Host)

Wed. Humboldt SOLO (GGF Host); dark Thurs; OVERLAPPED Fri Sat Sun (GGF Host)

(Humboldt SOLO on Wednesdays will generate purses and on-track commissions to HCF.)

SUBSIDIES TO HUMBOLDT FROM NORTHERN CALIFORNIA

- Statutory per AB 763 .75% (est.).....\$75,000 (estimate correlates to schedule)
- GGF Sponsorship~~\$25,000~~ 50,000

- SUBTOTAL to Fair..... ~~\$100,000~~ \$125,000

PROSPECTIVE REVENUES FROM ADD'L IMPORTED RACES

- AB 763: 8 additional imports (est.).....~~\$2430,000~~ [\$12 \$15K each commissions & purses]

PROSPECTIVE SUBSIDIES TO HUMBOLDT FROM SOUTHERN CALIFORNIA

- TOC & DMTC (tentative/estimated)\$52,000
[Estimate based on percentage of SoCal handle on HCF races; will be directed to Humboldt proportionally between, commissions & purses.]

TOTAL 2013 PROSPECTIVE SUBSIDIES TO HUMBOLDT RACING PROGRAM ~~\$176,000~~ \$207,000

- Note: proposed SoCal TOC & DMTC subsidy of \$52K is **50%** of 2012 subsidy of **\$104K**
- Note on HCF purses generated 2012: Wed 8/15 & Wed 8/22 (Humboldt solo) generated \$33K & \$38K in purses respectively. Total: \$71K.
- GGF will coordinate Condition Books with Humboldt Racing Office and emphasize Turf racing during dates overlapping with HCF in August.
- All parties encourage Humboldt to develop mini-satellite for new revenue.
- Will require written agreement of Humboldt, GGF, CARF, TOC and DMTC.
- **The parties may also wish to discuss prospective legislative remedies for future.**

DRAFT- Estimates and projections prepared by NOTWInc [Bryan Wayte].

~~Oct 15, 2012 0253P~~ Oct 18, 2012 at CHRB meeting – based on CK notes re: most recent offers from GGF

Satellite Location Fees Generated At Fair Satellite Facilities During Golden Gate Fields And The Humboldt County Fair From 1/1/2011 through 12/31/2011

Location	Golden Gate 2011	Humboldt 2011
Anderson	21,370.51	148.04
Bakersfield	74,546.48	697.86
Ferndale	1,578.09	64.87
Fresno	64,247.44	709.87
Fresno Club One	42,258.67	447.03
Monterey	92,219.78	1,252.14
Pleasanton	450,073.33	4,019.66
Sacramento	292,505.60	2,970.22
San Jose	407,920.23	3,779.46
San Mateo County	870,162.53	7,853.34
Santa Rosa	128,689.21	1,780.39
Stockton	190,686.31	1,869.55
Tulare	40,184.72	335.99
Turlock	96,317.01	936.40
Vallejo	188,279.14	1,926.06
Total	2,961,039.05	28,790.88

California Authority of Racing Fairs

CARF Cumulative Funding Disbursements to Humboldt County Fair 2000-2009

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>TOTALS</u>
Infotext Funds											\$0
LOU1 Area Enhancements	\$136,518										\$136,518
Backstretch Improvements											
Showers - backstretch		\$13,938									\$13,938
Backstretch Restrooms			\$213,649								\$213,649
Restroom - CCA project				\$1,338							\$1,338
RV Lot gravel					\$13,016						\$13,016
Horse Stalls,Paint					\$15,030						\$15,030
Grandstand Restroom						\$80,000					\$80,000
Jockey Quarters								\$489,375			\$489,375
Racetrack Maintenance		\$27,250	\$27,250	\$27,250	\$27,250	\$27,250	\$27,250	\$27,250	\$27,250	\$27,250	\$245,250
Total Funding	\$136,518	\$41,188	\$240,899	\$28,588	\$55,296	\$107,250	\$27,250	\$516,625	\$27,250	\$27,250	\$1,208,115

**HUMBOLDT COUNTY FAIR FUNDING
 ALLOCATED THROUGH PROGRAMS ADMINISTERED BY
 CALIFORNIA AUTHORITY OF RACING FAIRS**

IV.

2000-2009

	Disbursed	License Fee Generated	.75% License paid to HCF from concurrent Fair race meet
2000		\$32,070	\$93,629
Supplemental Purses	\$164,522		
Paddock; Winner's Circle; Grandstand	\$136,518		
2001		\$32,985	\$97,496
Supplemental Purses	\$171,988		
Track Safety and Maintenance	\$44,000		
Capital Improvement (Backstretch) - Showers	\$13,938		
2002		\$32,663	\$99,899
Supplemental Purses	\$169,475		
Track Safety and Maintenance	\$44,000		
Capital Improvement (Backstretch) - Restrooms	\$213,649		
2003		\$26,769	\$92,140
Supplemental Purses	\$179,850		
Track Safety and Maintenance	\$44,000		
Capital Improvement (Backstretch) - Restroom	\$1,338		
2004		\$27,869	\$89,770
Supplemental Purses	\$208,234		
Track Safety and Maintenance	\$44,000		
Capital Improvement (Backstretch) - RV Lot; Horse Stalls	\$28,046		
2005		\$28,337	\$91,563
Supplemental Purses	\$218,133		
Track Safety and Maintenance	\$44,000		
Capital Improvement (Backstretch) - Grandstand Restroom	\$80,000		
2006		\$25,392	\$86,706
Supplemental Purses	\$257,695		
Track Safety and Maintenance	\$44,000		
2007		\$27,162	\$86,759
Supplemental Purses	\$239,813		
Track Safety and Maintenance	\$44,000		
Capital Improvement (Backstretch) - Jockey Quarters	\$489,375		
2008		\$24,068	\$77,538
Supplemental Purses	\$240,937		
Track Safety and Maintenance	\$44,000		
2009		\$26,192	\$61,254
Supplemental Purses	\$259,758		
Track Safety and Maintenance	\$44,000		
TOTALS	\$3,469,273	\$283,506	\$876,754

CUMULATIVE CARF FUNDING & SUBSIDIES TO HUMBOLDT 2000-2009

\$4,629,533

Net License Fees Generated (negative due to .75% subsidy)

(\$593,248)

**Humboldt County Fair
Correspondence regarding 2013 Racing Dates**

NORTHERN CALIFORNIA

From: Morgan4law [mailto:morgan4law@aol.com]
Sent: Monday, October 08, 2012 6:16 PM
To: Morris, Joe; Morris, Joe
Subject: Fwd: CHRB Board Agenda Item

Joe:

I hope your time back home is going well. I have reviewed the minutes from the 9/20/12 CHRB and wholeheartedly agree with the incite reflected in the comments attributed to you on page 56. I couldn't have stated it better myself. Meanwhile, I have made several attempts to engage you in dialog about formulating a mutulally agreeable plan for 2012. Thus far I have not enticed you into any form of a response. It is my understanding that GGF is requesting 12 additional days this year 4 of which are Wednesday/Thursdays during the Humboldt meet. We continue to staunchly oppose any intrusion onto the Wed/Thur as they are our only shot at host commissions and racing without overlap. Further, with Portland to our north and GGF to our south we need to persuade some horses to come to our meet immediately after Santa Rosa. We continue to make progress toward sustainability and take pride that we doubled our cash in kind sponsorships and were the only fair with increased ontrack handle. We can sustain in 2013 by reducing the lump sum contribution for not sharing host fees for our first weekend by 1/3rd to \$33,333.33. We think this is a reasonable step down approach. It is also a sustainable amount for a long term solution should your principals desire one.

Regardless of your position, please respond.

Expectantly,

Jim

-----Original Message-----

From: Stuart Titus <humcofair@frontiernet.net>
To: Morgan4law <morgan4law@aol.com>
Sent: Mon, Oct 8, 2012 5:36 pm
Subject: Fwd: CHRB Board Agenda Item

Sent from my iPhone

Begin forwarded message:

From: "Wagner, Jacqueline" <JackieW@chr.ca.gov>
Date: October 8, 2012 1:19:59 PM PDT
To: Christopher Korby <korby@calfairs.net>, Joe Morris <joe.morris@goldengatefields.com>,

Stuart Titus <humcofair@frontiernet.net>

Subject: CHRB Board Agenda Item

Good afternoon Gentlemen:

The Board at its last meeting asked that CARF, Humboldt and GGF continue to meet and come up with a plan to address the overlap and host fee revenues issues associated with the 2013 Humboldt race meeting.

This is to advise you that the item will be on the October 18th agenda.

If you have any information that you would like included in the Board's package, we would need to receive it by COB on Wednesday, October 10th. If no info for the package, your presentation may be made from the floor.

Please let me know if you will be sending any info for the package.

Regards,
Jacqueline Wagner

SOUTHERN CALIFORNIA

From: Josh Rubinstein
Sent: Tuesday, October 09, 2012 1:10 PM
To: Morgan4law
Cc: Joe Morris (Joe.Morris@stronachgroup.com)
Subject: RE: CHRB Board Agenda Item and Humboldt

Jim,

I am in receipt of your proposal. The CHRB has request that we combine Humboldt's offer with that of Del Mar / GGF / TOC's thoughts on the situation in '13 and beyond. We'll work with Chris Korby to put this document together and will share with all upon completion.

Regards,

Josh

Josh Rubinstein

Senior Vice President, Development

Del Mar Thoroughbred Club

t: 858.794.1154 f: 858.794.1007

www.delmarracing.com

From: Morgan4law [morgan4law@aol.com]
Sent: Monday, October 08, 2012 6:41 PM
To: Josh Rubinstein
Subject: CHRB Board Agenda Item and Humboldt

Dear Josh:

You've received my prior mailings so this will be short and sweet. We fully recognize and appreciate your agreement to allow Humboldt the benefit of 75% of the revenue generated from Southern California wagers on GGF during our first weekend last year. Due to our doubling of our cash in kind sponsorships during 2012 and being the only fair with increase on track handle we are in a position to request a reduction by 1/3rd to 50% of the same revenue for the first week and weekend for 2013. If we are successful in retaining exclusive rights to racing in Northern California on Wednesday and Thursday of our first week then that would be for Friday through Sunday of our first week. If we are unsuccessful that would be Wednesday through Sunday of our first week. Our hope and expectation is that TOC will follow along with your position. We further believe that such an arrangement can be a formula that could be applied to future years as well. We recognize we benefited from an unexpected increase in handle at Del Mar. We have strived to comply with the expectations set forth by Chairman Brackpool. This year sustained us financially and we can make due with the 1/3rd reduction outlined above. Your ongoing consideration and support is greatly appreciated. Insofar as the CHRB wishes us to respond by Wednesday, the courtesy of our position shall be anxiously awaited.

Respectfully,

James R. Morgan
Special Counsel Humboldt County Fair
(925) 947 0200

From: "Wagner, Jacqueline" <JackieW@chr.ca.gov>
Date: October 8, 2012 1:19:59 PM PDT
To: Christopher Korby <korby@calfairs.net>, Joe Morris <joe.morris@goldengatefields.com>, Stuart Titus <humcofair@frontiernet.net>
Subject: CHRB Board Agenda Item

Good afternoon Gentlemen:

The Board at its last meeting asked that CARF, Humboldt and GGF continue to meet and come up with a plan to address the overlap and host fee revenues issues associated with the 2013 Humboldt race meeting.

This is to advise you that the item will be on the October 18th agenda.

IV.

If you have any information that you would like included in the Board's package, we would need to receive it by COB on Wednesday, October 10th. If no info for the package, your presentation may be made from the floor.

Please let me know if you will be sending any info for the package.

Regards,
Jacqueline Wagner

DRAFT
10/01/12

**SECURITY AGREEMENT AND ASSIGNMENT OF PARIMUTUEL COMMISSIONS
BETWEEN CALIFORNIA AUTHORITY OF RACING FAIRS
AND _____ FAIR ASSOCIATION**

This SECURITY AGREEMENT (hereinafter referred to as "Agreement") is made as of the first day of _____, 2013, by and between the California Authority of Racing Fairs ("CARF") and the _____ Fair Association ("Fair"), collectively referred to hereafter as "Parties."

RECITALS

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

WHEREAS, by way of the Amended and Restated Joint Exercise of Powers Agreement ("JPA") executed July 7, 1989, CARF provides necessary services to Member Fairs, by contract or otherwise which may include, but are not limited to; centralized government affairs representation, reports and analysis of the fair and horse racing industry, administration of joint services of CARF including planning, budgeting implementation and fund accounting. These programs include but are not limited to the joint purchase of supplies, materials, services and equipment in the support of the simulcast wagering facilities and programs, racing operations of the Member Fairs and other related activities; and

WHEREAS, in addition to the above services, CARF underwrites racing expenses for Member Fairs that conduct live racing at their facilities ("racing expenses") and from time to time will loan money to Member Fairs for capital projects and other matters that benefit racing operations for the Member Fairs ("loan"); and

WHEREAS, CARF receives payment from Member Fairs by way of payment of member dues ("dues") as well as payment of printing costs for the official program business operated by CARF in southern California ("payments"); and

WHEREAS, pursuant to the JPA, CARF distributes pari-mutuel commissions to Member Fairs; and

WHEREAS, CARF and Fair desire to enter into a memorandum of understanding setting forth a security agreement between Fair and CARF to secure funds owed to CARF by Fair for racing expenses, loans, dues, and payments pursuant to the JPA.

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. Security Agreement and Assignment of Parimutuel Commissions. As security for the Fair's performance of each and all of its obligations under that certain Secured Promissory Note between the Fair as MAKER and CARF as HOLDER ("Promissory Note"), the Fair hereby grants and assigns to CARF a security interest in the following: At the election of CARF, all pari-mutuel commissions (including satellite wagering revenues and live racing revenues), payable to Fair by CARF, licensed California racing associations, Northern California Off-Track Wagering Inc., Southern California Off-Track Wagering Inc., the California Horse Racing Board, or any other distributor of California pari-mutuel commissions shall be paid to CARF and used to repay any funds owed to CARF by Fair for racing expenses, loans, dues and/or payments and pursuant to the Promissory Note referred to herein.

2. Representations and Covenants. Fair represents and covenants to CARF as follows:

a. The execution and delivery of this Agreement by or on behalf of Fair has been duly authorized by all necessary action of the governing body of Fair, and Fair has obtained such other approvals and consents as are necessary to consummate this Agreement, and

b. Fair shall execute a Promissory Note, a copy of which is attached hereto and incorporated herein as Exhibit "A";

c. Fair will promptly and duly execute and deliver to CARF such documents, instruments and assurances and take such further action as CARF may from time to time reasonably request in order to carry out the intent and purpose of this Agreement and to establish and protect the rights and remedies created or intended to be created in favor of CARF

3. Default. Each of the following shall constitute a default by the Fair hereunder:

a. The occurrence of any default by the Fair under this Agreement, the Promissory Note, or any agreement, document or instrument related to the Promissory Note or this Agreement;

b. If CARF finds any warranty, representation or other statement made or furnished by the Fair hereunder to be untrue or false;

c. The Fair fails to punctually perform and otherwise fulfill or comply with any of its covenants, duties, obligations and responsibilities under this Agreement;

d. The Fair in any other manner breaches or defaults on any of its obligations in this Agreement.

4. Rights and Remedies. On the occurrence of any default hereunder, CARF shall be entitled to :

a. Take or keep possession of the Collateral and protect the same as identified in paragraph 1.

b. Declare any or all amounts owing under the Promissory Note, this Agreement to be immediately due and payable;

c. Exercise any and all other rights and remedies available at law or equity or otherwise to CARF under this Agreement or the Promissory Note.

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

5. Term. This Security Agreement shall commence on _____, and shall continue pursuant to the terms of the JPA and any Promissory Note executed between the parties. .

6. Indemnification. The Fair shall indemnify, defend, save and hold harmless CARF and its officers, directors, employees, agents and each of them, in their individual and Association capacities, from any and all expenses (including attorney fees and costs) arising out of or in any manner connected to this Agreement.

7. Notices. All notices and other communications shall be rendered as follows:

Fair

CARF

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

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

10. Attorney's Fees and Venue. If an action at law or in equity is necessary to enforce or interpret the terms of this Agreement, 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 Agreement, 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.

11. Severability. If any provision of this Agreement 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.

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

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

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

DATE: _____

CALIFORNIA AUTHORITY OF RACING
FAIRS

By: _____

DATE: _____

_____ FAIR ASSOCIATION

By: _____

ATTACHMENT A
PROMISSORY NOTE

PROMISSORY NOTE
SECURED BY ASSIGNMENT OF PARIMUTUEL COMMISSIONS

_____, California
_____, 2012

1. FOR VALUE RECEIVED, the _____ County Fair, by _____, General Manager (hereinafter referred to as "MAKER"), promises to pay in lawful money of the United States to the California Authority of Racing Fairs, a California Joint Powers Authority (hereinafter referred to as "HOLDER"), or order, at Sacramento, California, or such other location designated by HOLDER, the principal sum of - \$_____ with interest at the Local Agency Investment Fund ("LAIF") rate thereon in like lawful money of the United States no later than _____, 20__, said principal and interest to be paid in monthly installments of _____ Thousand _____ Hundred _____ Dollars (\$_____), the first installment of _____ Thousand _____ Hundred _____ Dollars (\$_____.00) to be paid on _____, 20__ and monthly installments of _____ Thousand _____ Hundred _____ Dollars (\$_____.00) to be paid on the same day of each and every month thereafter until _____, 20__, on which date, the entire balance of unpaid principal and accrued interest shall be due and payable. It is agreed that each monthly installment, when paid, shall be credited first on interest then due and the remainder on principal, and interest shall thereon cease upon principal so credited.

2. This Promissory Note shall be secured by assignment of that portion of MAKER's future pari-mutuel commissions to HOLDER that equals the principal sum set forth in paragraph 1 above. By this assignment, MAKER expressly authorizes and instructs the California Authority of Racing Fairs, licensed California racing associations, Northern California Off-Track Wagering Inc. (NCOTWInc.) or Southern California Off-Track Wagering Inc. (SCOTWInc.) or the California Horse Racing Board (CHRB) or any other distributor of California parimutuel commissions to distribute MAKER's base allocations of pari-mutuel commissions, up to the entirety thereof, to HOLDER, payable directly to MAKER.

3. MAKER shall have the right to prepay this note, in whole or in part, at any time, without penalty.

4. In the event of default in the payment of any monthly installment, or Maker's failure to perform when due any obligation, covenant or agreement of this Promissory Note or the Security Agreement which secures Maker's performance under this Promissory Note, Holder may accelerate this Promissory Note and demand immediate

payment of all unpaid principal, accrued interest and other amounts to be paid by Maker hereunder.

5. This Promissory Note Secured by Assignment of Parimutuel Commissions shall be binding upon and inure to the benefit of the heirs, successors, executors, and assigns of MAKER and HOLDER. This note may only be amended by written agreement of MAKER and HOLDER.

6. In the event of commencement of suit to enforce payment of this note, or if proceedings are had in bankruptcy (including proceedings for relief from stay), receivership, reorganization or other judicial proceedings for the establishment or collection of any amount to be paid hereunder, MAKER agrees to pay such additional sums as HOLDER'S reasonable attorneys' fees and costs as a court or arbitrator may adjudge reasonable. The jurisdiction and venue for any such action shall be in the Sacramento County Courts, State of California. The amounts due Holder hereunder shall have equal priority with, and be secured by, the Security Agreement and Assignment of Parimutuel Commissions securing this Promissory Note and all such amounts shall bear interest from the date of expenditure at the rate accruing on the principal balance of this Promissory Note.

This Promissory Note shall be governed and construed in accordance with the laws of the State of California.

7. If any provision of this Promissory Note is invalid by operation of any law or interpretation placed thereon by any court having jurisdiction, this Promissory Note shall be construed as not containing such provision and all other provisions of this Promissory Note which are otherwise lawful shall remain in full force and effect, and to this end the provisions of this Promissory Note are declared to be severable. However, this Promissory Note and the documentation related hereto are by this reference subject to the limitation that in no event shall interest or any other amount paid or agreed to be paid to holder for the use, forbearance or detention of money to be advanced hereunder exceed the highest lawful rate permissible under applicable usury laws. If fulfillment of any provision hereof shall be deemed by a court of competent jurisdiction and final jurisdiction to violate any applicable usury restriction, then ipso facto, the interest rate shall be reduced to the limit of such validity and any amount received in excess of such limit shall be applied to reduce the unpaid principal balance hereof and not to the payment of interest.

8. MAKER specifically agrees that execution, or satisfaction and payment of this Promissory Note Secured by Assignment of Parimutuel Commissions does not waive

any other claims which HOLDER may have against MAKER or in any way limit HOLDER'S right to pursue such claims against MAKER.

9. Any notices or other communication required or permitted under this Agreement shall be in writing, and shall be (a) personally delivered, or sent by certified or registered United States mail, postage prepaid, return receipt requested, to the address of the party set forth in this paragraph; or (b) telecopied to the Fax number of the party set forth below. Such notice or communication shall be deemed given when delivered in person, when the telecopy is received or in the case of the mailed notice, at the time of deposit in the United States mail to the addresses shown below:

To HOLDER: _____

Fax# _____

With a copy to:

To MAKER: _____

Fax# _____

With a copy to:

IN WITNESS WHEREOF, MAKER has executed this Promissory Note Secured by Assignment of Parimutuel Commissions at _____, California, effective as of the date first set forth above.

Date: _____, 200_ _____
_____, General Manager,
("MAKER")
_____ Fair

DRAFT

**CALIFORNIA AUTHORITY OF RACING FAIRS
PROPOSED LEGISLATIVE PROGRAM 2013**

California Marketing Committee (CMC) - B&P Section 19642 ff.

- Extend sunset on CMC through January 1, 2019.
- [*Prospective: Increase distribution to .35 / .4%*]

CHRIMS - B&P Section 19605.73

- Require audited parimutuel handle reports from CHRIMS, including ADW handle.
- Re-structure representation on CHRIMS board to include two Thoroughbred association members (North & South) two TOC members (North & South); two Fair satellite members (North & South); one night industry member; total seven.
- Use CHRIMS' funding from California parimutuel handle solely for expenditures on CHRIMS activities in California.
- Options to be discussed.

Support for Breeders' Cup in California - B&P Section 19605.74

- Amend Breeders Cup marketing language to allow CMC to allocate SB 1072 purse distributions (2%/3% additional from exotics) for marketing Breeders Cup OR FOR PURSES on Breeders' Cup races. (Requested by management of Breeders' Cup.)

Racing Dates - B&P Sections... various

- Summer dates June 1 through October 15 are designated as Fair dates run by Fairs or as combined Fair meeting.
- Parimutuel distributions TBD.

License Fees

- Options to be discussed.

Internet Poker

- Options to be discussed.

Sports Wagering

- Options to be discussed.



Gilbert Associates, Inc.
CPAs and Advisors

October 22, 2012

Mr. Christopher Korby
Executive Director
California Authority of Racing Fairs
1776 Tribute Road, Suite 205
Sacramento, California 95815

Dear Mr. Korby,

As you are aware, we have performed the financial audits of the California Authority of Racing Fairs (CARF) for the last several years. Our opinion on the financial statements has been qualified due to our inability to apply auditing procedures or place reliance on an independent evaluation of the underlying internal controls and financial information supporting the financial activities of the advanced deposit wagering (ADW) activities. Without any assurance about the internal controls and supporting financial information of the ADW contractors, we have been unable to assess whether the ADW amounts remitted to CARF are accurate. Accordingly, we have had to qualify our opinion with respect to the ADW racing activity.

We recommend that CARF consider requiring all ADW contractors to annually provide CARF a report on their internal controls (referred to as an SSAE 16 Type 2 report) specific to their processing of California satellite wagering. This would provide CARF's management with additional assurance that these companies operate with sound internal controls and that the amounts received from them are accurate.

Yours very truly,

GILBERT ASSOCIATES, INC.
CPAs and Advisors

Kevin S. Wong, CPA
Shareholder

[FORM OF GUEST AGREEMENT]

**AGREEMENT TO PROVIDE AUDIOVISUAL SIGNAL AND
PARIMUTUEL SERVICES TO A SATELLITE WAGERING FACILITY**

GUEST

(_____ Site)

This Agreement is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”), at Inglewood, California, by and between SOUTHERN CALIFORNIA OFF-TRACK WAGERING INCORPORATED, a California corporation (“Operator”), and _____

(“Guest”) [a licensed satellite wagering facility located in the Central or Southern region of California as defined in California horse racing law?]-

RECITALS

- A. Certain racing associations (collectively referred to herein as “Licensees”) are licensed by the California Horse Racing Board (“Board”) to conduct horse racing meets in accordance with the applicable provisions of the California Horse Racing Law, Sections 19400 *et seq.* of the California Business and Professions Code (the “B&P Code”).
- B. Article 9.2 of Chapter 4 of the B&P Code permits the operation of satellite wagering facilities at which parimutuel wagering is offered.
- C. Operator is an organization established under the provisions of B&P Code Section 19608.2 to establish and operate a simulcast wagering system in California and, in connection therewith, Operator (i) manages the audiovisual signal system by which the racing programs from certain Licensees are transmitted to, among other places, various satellite wagering facilities, and (ii) at satellite wagering facilities, provides decoders, totalisator equipment, telecommunications services and mutuel department labor to facilitates wagers on the transmitted races.
- D. In fulfilling Operator’s purposes under the California Horse Racing Law, Operator has entered into agreements with one or more Licensees (each, a “Host”; the agreements that Operator from time to time

Comment [CK1]: CK Suggestions DRAFT Oct 7 7:55AM Oct 8 10:35 OCT 16 6:45AM OCT 16 0715 PM

Comment [CK2]: CK INITIAL NOTES
1.New definitions of HOST
2.Need draft of HOST agreement now that it’s proposed to have separate HOST and GUEST agreements with SCOTWInc.
3. ADD “Most favored” language, including third-party service agreements.
4. Location Fees to be paid from Trust Account. (Per arrangement initially requested by CARF following Magna BK and non-payment of satellite commissions.)
5. SCOTWInc manager, service depot & offices in Southern California.
6.DISCUSION: What is different about SCOTWInc agreement for to mini-satellites or tribal satellites?
7.Review NorCal agreements

Comment [CK3]: Discuss: Should language recognize that SCOTWInc is operating in Central and Southern regions?

has in effect with each Host is referred to herein as a “Host Agreement”), pursuant to which Operator is authorized to transmit to various satellite wagering facilities, audiovisual signals of races offered for parimutuel wagering by the various Hosts for the purpose of facilitating parimutuel satellite wagering thereon.

- E. Pursuant to the terms of the California Horse Racing Law and this Agreement, Guest would like to serve as a satellite wagering facility for, and accept parimutuel wagers on, races offered by one or more Host tracks. Guest (i) is an entity which is authorized by the California Horse Racing Law to accept parimutuel wagering on races conducted by a Host and on races conducted at other racetracks on which Host offers parimutuel wagering during its own racing meet, (ii) has the right to use a location (or locations) suitable for satellite parimutuel wagering and is otherwise eligible to serve as a satellite wagering facility under the provisions of the California Horse Racing Law (and the Rules and Regulations promulgated by the Board thereunder), and (iii) when acting as a satellite wagering facility, is thereby subject to ~~an integrated scheme of supervision~~applicable statutes and regulations as enforced by the Board and its Executive Director.

NOW, THEREFORE, in consideration of the Recitals set forth above and the mutual covenants of the parties hereinafter set forth, and in order to satisfy the requirements of the California Horse Racing Law, the parties hereto hereby agree as follows:

1. Term of Agreement: Subject to early termination, as provided below, this Agreement shall commence on the Effective Date first set forth above and shall continue for one (1) year following said Effective Date (the “Initial Term”), and shall thereafter be automatically extended for additional one (1) year periods of time (each, an “Extension Period”), unless either party has delivered notice of non-renewal to the other party at least ninety (90) days prior to the end of the Initial Term or then applicable Extension Period, as the case may be. Notwithstanding the foregoing, however, no Extension Period shall commence or otherwise be in effect unless (i) Guest’s authority/license to conduct a satellite wagering facility on the Guest’s premises is in effect at the beginning of the applicable Extension Period, *and* (ii) Guest’s authority/license to

conduct a satellite wagering facility at its premises is not scheduled to expire prior to the end of the applicable Extension Period.

Notwithstanding the foregoing provisions, this Agreement shall automatically terminate upon the *earliest to occur* of the following:

- (a) Upon repeal or modification of any section of the California Horse Racing Law, the effect of which is to make it illegal to conduct satellite parimutuel wagering as contemplated by this Agreement or to change or modify the method or amount of distributions to Guest as a percentage of parimutuel handle from wagering; or
- (b) A written decision of the Board terminating the eligibility of Operator to perform the services contemplated by this Agreement; or
- (c) Upon the Board's revocation (or non-renewal) of Guest's authority/license to conduct a satellite wagering facility at the Guest's premises; or
- (d) If Guest breaches the terms of Section 13 of this Agreement (there being no opportunity to cure a breach of said Section 13); or
- (e) If Guest fails to comply with any other term of this Agreement or any provision of applicable California Horse Racing Law and fails to cure such non-compliance within ten (10) days following Guest's receipt of written notice of such non-compliance, then Operator shall have the right to terminate this Agreement and thereby discontinue the transmittal of the audiovisual signals of the races and the satellite wagering thereon herein contemplated; or
- (f) Upon ninety (90) days' written notice by either party.

Comment [CK4]: Need further clarification / explanation / discussion on this clause.

Comment [CK5]: IMPORTANT: Section 13 language should be revised to include provisions in B&P Code 19604 which allows ADW wagering at satellite facilities.

Upon any such termination of this Agreement, no party shall thereafter have any further rights, duties or obligations hereunder, except that (i) the parties shall not be relieved from any obligation or liability that occurred prior to such termination, (ii) Operator shall be given a

reasonable amount of time to remove all of its equipment from Guest's facility, and (iii) the obligations contained in this Agreement concerning the accounting for and payment of monies pursuant to this Agreement shall survive the termination of this Agreement, and such accountings and payments shall be made in good faith by the parties in a timely manner and in all events not to exceed thirty (30) days after termination of this Agreement unless such time is extended in writing by the parties.

2. Obligations of Guest: During the term of this Agreement, Guest shall conduct satellite wagering activities at its facility in conformance with California Horse Racing Law and this Agreement. At all times when Operator is managing and administering parimutuel satellite wagering at Guest's facility pursuant to this Agreement, Guest shall provide, at its sole cost and expense, the following:

- (a) Simulcast Facility: A clean, safe, and habitable simulcast wagering site suitable for public attendance and the operation of simulcast wagering. Such facility and the simulcast wagering operations conducted thereat shall conform in all respects to the rules and regulations of the California Horse Racing Law and the Board.
- (b) Maintenance: Cleaning, janitorial and security services to ensure that Guest's facility is at all times maintained in a clean, neat, operable and safe condition for patrons engaging in parimutuel satellite wagering, as well as a safe and clean work place for employees of Operator performing services on Guest's premises for a mutually agreed upon period of time each day.
- (c) Furnishings: Appropriate furniture, furnishings and equipment for Guest's facility, for use by Operator and Operator's employees (including supervisory, administrative and parimutuel wagering personnel employed by Operator) while performing service functions, and for use by wagering patrons and patrons of food and drink concessionaires on Guest's premises;
- (d) Utilities: Electrical power, cable, outlets and voltage regulation for the proper,

normal operation of the simulcast wagering system equipment, including without limitation a dedicated circuit for parimutuel wagering terminals. Guest shall also provide such heating and cooling systems and other utilities, including natural gas, telephone, water, lighting, sewer, garbage collection and disposal services, as are necessary to maintain a proper simulcast wagering facility. The cost of such utilities shall be the sole responsibility of Guest, with the exception of data lines and telephone circuits for parimutuel wagering which shall be arranged and paid for by Operator.

- (e) Parking: Adequate parking (lighted at night) for anticipated patrons at Guest's facility with or without charge, and for Operator's employees and its service providers, without charge.
- (f) Mutuel Department Requirements: Sufficient, secure space for totalizator equipment, office space for mutuel supervisors, storage space, area including appropriate cabinetry designed to protect both Operator's equipment and Operator's employees from injury and unlawful conduct, and space and appropriate cabinetry for self service parimutuel terminals. Exclusive use by Operator of mutuel department space and the immediately adjacent area in which totalizator and communications equipment are located at Guest's facility (to preserve the security of such equipment, to protect the receipt and transmission of wagering and racing data and to safeguard money wagered by and paid out to bettors). It is understood that the number, type and location of parimutuel wagering windows will be determined for each racing meet by Operator, based upon anticipated satellite parimutuel wagering handle at Guest's facility on racing meets included in the audiovisual signal menu furnished by Operator. Exclusive use by Operator of a safe and of a room with a security alarm system approved by Operator for handling and holding of a change fund and parimutuel wagering

funds; provided, however, that Guest's obligation to furnish such facilities shall not impose any responsibility on Guest for loss of any money placed in such safe or room by Operator, absent negligence by Guest. Any changes to the initially approved mutuel department at Guest's facility will be permitted if approved in advance in writing by Operator.

- (g) Security: Pursuant to the Rules and Regulations of the Board, adequate security for the protection of the simulcast wagering facility, public attendees, and Operator's employees, vendors and equipment from unlawful and improper acts.
- (h) Physical Protection: Physical protection at all times of the simulcast wagering system components present in Guest's facility from harm by any cause whatsoever, including but not limited to trespass, damage, or interference by other persons, vandalism or water damage. Such protection shall be afforded on a reasonable efforts basis and shall, among other things, provide such protection from the elements and shall include fire extinguishing methods as are reasonably required to protect same.
- (i) Access: Adequate access to all areas of Guest's facility required by Operator, its employees and other service providers, necessary to render the services contemplated by this Agreement, or appropriate for use of patrons engaged in parimutuel satellite wagering at Guest's facility, and comfortable, clean and adequate facilities and amenities in such patron areas, it being understood that access to such patron areas shall remain under control of Guest and that Guest may impose reasonable admission charges on patrons utilizing such areas and may sell and serve food and beverages and sell merchandise to patrons in such patron areas. Notwithstanding anything to the contrary contained herein, such access for Operator, its employees and other service providers shall be rendered without charge.

- (j) Receiving and Display Equipment: Guest shall acquire, maintain and provide adequate and appropriate equipment to receive and display to the public the audiovisual signals transmitted by Operator. Guest shall make its best effort to display all audiovisual signals furnished by Operator; in any event, Guest shall at all times give preference of display to California racing signals. In addition, Guest shall use its best efforts to display, if reasonable and practical, publicly televised sports events for public viewing.
- (k) Gates and Admissions: Guest shall control public admissions to its simulcast wagering facility. Guest shall furnish accurate records of daily attendance and admission records to Operator or its agent. Upon request, Guest shall annually furnish Operator a pricing list setting forth the amounts to be charged to the public for attendance and parking and shall advise Operator of any price changes.
- (l) Food and Beverage and Merchandise Sales: Guest shall maintain and establish reasonable food and beverage service at its simulcast wagering facility. Guest may engage in direct sale of merchandise on its premises at all hours when Guest's facility is open to the public. Access to and control of areas for food and beverage sales and for direct sale of merchandise by Guest and all revenues from such areas and activities shall be retained by Guest.

3. Obligations of Operator: During the term of this Agreement, Operator shall manage and administer parimutuel satellite wagering at Guest's facility in accordance with the terms and conditions of this Agreement. At all times when Operator is managing and administering parimutuel satellite wagering at Guest's facility pursuant to this Agreement, Operator shall only be responsible for and shall only provide the following, at its sole cost and expense:

- (a) Audiovisual Transmission: ~~A~~Audiovisual signals of such quality as are consistent with the requirements of the Board and Industry standards. Such audiovisual signals shall include video coverage of each race being transmitted,

the audio call of the race by the track announcer, video presentation of the order of finish and parimutuel payoffs, pre-race odds and probables, plus such additional pre and post race coverage as is reasonably necessary to make the signals informative. Operator shall furnish suitable and fully functional decoders as may be necessary to decode encrypted audiovisual signals. Where multiple signals are received simultaneously by Guest, Operator shall ~~recommend~~determine a suitable protocol for reception and display of the multiple audiovisual signals to minimize conflicting use of Guest's facility in an effort to maximize display of California racing and to permit adequate and clear reception of simultaneous audiovisual signals by Guest.

- (b) Wagering Information: Scratches, changes, overweights and similar racing information which a Host furnishes to wagering patrons at its own facility shall be provided to patrons of Guest's facility through Operator's audiovisual program.
- (c) Parimutuel Operations: Personnel, equipment and supplies necessary and appropriate for the facilitation of parimutuel satellite wagering at Guest's facility, including decoders, totalisator equipment, telecommunications services and mutuel department labor. Guest will not have any interest in such equipment or supplies or any obligation to pay or contribute to the rental therefore. All parties acknowledge that from time to time there may be changes to the equipment furnished for parimutuel operations. Operator agrees to coordinate with Guest and notify Guest in writing with reasonable advance notice of any significant change in personnel or equipment furnished for parimutuel operations conducted at Guest facilities.
- (d) Telecommunications: Data lines and telephone circuits appropriate for the facilitation of parimutuel wagering on horse racing included in the audiovisual signals described in subparagraph (a) above.

(e) Change Fund: A change fund necessary for the operation of parimutuel satellite wagering. Operator shall arrange for, pay the costs of transmittal and transfer of the funds necessary for satellite parimutuel wagering. Guest shall cooperate fully with Operator to implement such security measures as Operator ~~deems specifies~~ in writing are necessary or appropriate to meet minimum insurance company standards in connection with the safekeeping, transmittal and transportation of all funds necessary and derived from satellite parimutuel wagering at Guest's facility (including, but not limited to, the change fund).

(f) Service depot in Southern California: Operator agrees to maintain or cause to be maintained an office and service depot in Southern California for maintenance, service and storage of totalisator equipment deployed at Guest facilities. Operator will notify Guest or Guest representative in writing sixty (60) days in advance of any changes to the office or service depot locations.

Formatted: Bullets and Numbering

(g) Operational Oversight and Management: Operator shall designate and authorize a Manager charged with the responsibility of maintaining continuing and efficient operation of parimutuel and totalisator operations at Guest facilities. Operator will notify Guest or Guest representative in writing sixty (60) days in advance of any changes in management.

(h) Licensed Personnel. Operator warrants that all personnel it employs in the conduct of activities described in this agreement will be licensed by the California Horse Racing Board.

Formatted: No underline

4. Rights of Guest Not Exclusive: Operator specifically reserves the right, when furnishing services hereunder to Guest, simultaneously to furnish audiovisual signals of the same racing events to other satellite wagering facilities (and to minisatellite wagering sites), and to manage and administer parimutuel satellite wagering at other satellite wagering facilities (and at minisatellite wagering sites) in California. Operator agrees that any audiovisual signals furnished by

Operator to any Guest shall be provided equally to all Guest facilities.

5. Control of Host Racing Program: This Agreement shall not give Guest any right to control any Host's racing program or the content of the audiovisual signal broadcast to Guest's facility by Operator or any proprietary right in such program or audiovisual signals. Each Host, in its sole discretion, may for good cause, elect to delete one or more races from a particular audiovisual signal or from Host's own racing card.
6. Parimutuel Wagering Pools: Subject to the provisions of Section 7 hereof, Guest's satellite parimutuel wagering at Guest's facility will be included in the appropriate conventional or exotic pools at the Host where the race meeting is conducted. The method used by Operator at each satellite wagering facility (including Guest's facility) to transmit wagers, odds, results and other data related to wagering shall be subject to approval by the Board.
7. Termination of Parimutuel Wagering on Particular Races; Other "No Bet" Scenarios: If parimutuel satellite wagering is for any reason terminated before the distribution of the wagering pool on any race on which satellite parimutuel wagering at Guest's facility is being conducted, the responsibility of Host and Operator for such termination shall be limited solely to reimbursement of bettors for amounts wagered. Neither Operator nor any Host shall be liable to any other party for any costs, charges or loss of proceeds, winnings or profits arising out of the inoperability of audiovisual signals and/or data lines during the term of this Agreement. Furthermore, if any parimutuel wagers that are placed at Guest's facility do not, for any reason, get transmitted to the wagering pool of the applicable Host, then the responsibility of Host and Operator for such wagers shall be limited solely to reimbursement of bettors for amounts wagered. Neither Operator nor Host shall be liable to any other party for any costs, charges or loss of proceeds, winnings or profits arising out of the failure of such wager(s) to have been transmitted to the wagering pool(s) maintained by the applicable Hosts.
8. Parties on Whom Rights are Conferred: This Agreement is entered into solely for the benefit of the parties hereto and this Agreement shall confer no rights on any person or entity who is not a

party to this Agreement, except that the Hosts shall be intended third party beneficiaries of Sections 5, 7, 10 and 11 of this Agreement. No non-party (other than the applicable Hosts, with respect to Sections 5, 7, 10 and 11 of this Agreement) shall have any right to enforce performance of any of the terms of this Agreement or to recover damages based on non-performance of any of such terms by any party.

~~9.~~ Compensation to Guest: Guest shall be entitled to all revenues from parking fees, admissions, program sales, food and beverage services and all other commercial (but non-wagering) enterprises conducted at Guest's facility. Additionally, Guest shall receive from Hosts (or from Operator on behalf of Hosts), pursuant to B&P Code Sections 19605.7, 19605.71, and 19601(b), commissions based upon the applicable percentage of handle (wagering net of canceled bets) generated at Guest's facility. Such commissions shall be distributed on a weekly basis by Thoroughbred Licensees, and a monthly basis for Quarter and Harness Licensees from a Trust Account created and maintained solely for distribution of the parimutuel commissions specified in California statute. Guest shall receive a reduced commission on races conducted for Triple Crown and Breeders' Cup events conducted outside California according to a pro-rata formula based on the agreement between California Hosts and Triple Crown and Breeders' Cup. Additionally, Guest shall receive from Hosts (or from Operator on behalf of Hosts) satellite wagering commissions from market access fees paid to Hosts by advanced deposit providers pursuant to B&P Code Section 19604(f)(4). Commission distributions shall be based upon ~~the audited~~ reports of wagering submitted to the Board ~~by the organization designated by the Board for purposes of maintaining a database of horseracing information or~~ by the accountants designated by the applicable Licensee and approved by the Board.

~~9.~~

10. Access to Guest's Facility: Representatives of Operator and of any Host whose audiovisual signal of racing is being broadcast for purpose of satellite wagering at Guest's facility, and their respective agents, employees and independent contractors, shall be permitted access to Guest's

Formatted: Bullets and Numbering

facility during normal business hours (and at other times, on reasonable prior notice to Guest) for the purpose of conducting and supervising parimutuel satellite wagering under the administration and management of Operator, as contemplated by this Agreement, and for the purposes of installing, maintaining and repairing equipment necessary for the successful conduct of such parimutuel satellite wagering.

11. Failure to Accept Signal: In the event that Guest determines to suspend its operations for all or any part of any race meeting, it shall send at least 15 days advance notice of such proposed suspension to the Board, Operator and subject Host. If such suspension has been approved by the Board or by the mutual agreement between Guest, Operator and subject Host, or if Guest's operations are suspended for reasons beyond the reasonable control of Guest or for reasons of public safety, Operator may suspend transmission of the signal to Guest during the period of such suspension.

12. Mutual Agreement to Accept Less than Entire Racing Program: Subject to the limitations, if any, of the existing display equipment, Operator will generally make available to Guest, the audiovisual signal of all components of a Host's racing program (including live, out-of-zone, out-of-state and out-of-country races). In consultation with Guest, Operator may from time to time determine that Guest may accept less than the total number of programs available.

Comment [CK6]: Explanation requested. Is this related to audiovisual displays? If tote is functional, wagering can always continue. What is meant by "may accept less than the total number of programs available"?

13. Exclusive Use By Guest of Operator's Services: During the entire term of this Agreement, Guest may not accept audiovisual signals of any Host's races from any person or entity, other than Operator, except insofar as provided in California B&P Code Section 19604, which allows Advanced Deposit Wagering at California satellite wagering facilities. It shall be a material breach of this Agreement, justifying the immediate termination of this Agreement by Operator, for Guest to accept an audiovisual signal for parimutuel purposes, of any racing program that is not transmitted to Guest from a Host.

Comment [CK7]: IMPORTANT: Suggest that language in this section be revised to include B&P Code 19604 which allows ADW wagering at satellite facilities.

Formatted: Font: Italic, Underline

Formatted: Font: Not Italic, No underline

Formatted: Font: Not Italic, No underline

~~13.~~14. "Most-favored" Agreement: Operator warrants that it will make every effort to provide a level of customer service in parimutuel operations at Guest facilities comparable to that provided at

Formatted: Not Strikethrough

Formatted: Underline

Formatted: Bullets and Numbering

Formatted: Underline

Host tracks. Operator agrees that any compensation arrangement agreed to by Operator for any Guest or satellite wagering facility or mini-satellite wagering facility in the Central and Southern regions shall be provided equally to all Guest facilities, including Operator's agreements with third-party entities providing services at Guest facilities. -

~~14.15.~~ Non-Waiver Provisions: No remedy herein provided for termination or breach of contract shall prejudice any other legal remedy of any party to this Agreement, or relieve any party alleged to have breached this Agreement of any of its obligations under this Agreement incurred prior to the effective date of such termination. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach. The failure of either party to enforce at any time any provision of this Agreement, or to require at any time, performance by the other party of any provision of this Agreement, shall in no way affect the validity of this Agreement or any part thereof, or the right of either party thereafter to enforce each and every such provision (unless barred by applicable limitation of actions statutes) or in the event of a subsequent breach of this Agreement by the other party.

~~15.16.~~ Rights and Remedies Cumulative: The rights and remedies of the parties to this Agreement provided herein are not exclusive, but shall be in addition to any other rights and remedies provided by law or under this Agreement.

~~16.17.~~ Non-Discrimination Clause: During the performance of this Agreement, no party hereto, and no subcontractor of any such party, shall unlawfully discriminate against any employee or applicant for employment because of race, religion, national origin or ancestry or physical handicap, medical condition, marital status, age (over 40) or sex. Each party and each subcontracting party shall ensure that the evaluation and treatment of its employees and applicants for employment are free of such discrimination and shall comply with the provisions of the California Fair Employment and Housing Act (Government Code Sections 19200, et. seq.). The applicable regulations of the Fair Employment and Housing Commission for implementation of Government Code Subsection 12900, set forth in Chapter 5 of Division 4 of Title II of California

Administrative Code, are incorporated in this Agreement by reference and made a part hereof as if set forth in full.

17.18. Compliance With Applicable Law, Including California Horse Racing Law:

- (a) Generally. This Agreement has been executed in the State of California. The parties agree that they will comply with any and all applicable laws, rules and regulations of the United States of America, the State of California and its agencies, including without limitation all applicable anti-discrimination, affirmative action and conflict of interest provisions.
- (b) California Horse Racing Law. Without limiting the generality of the foregoing, Operator and Guest and their respective agents and employees furnishing services and equipment pursuant to the terms of this Agreement, shall comply with all provisions of the California Horse Racing Law applicable to parimutuel satellite wagering or to furnishing a live audiovisual signal of horseracing as a basis for such satellite parimutuel wagering.
- (c) Health and Safety. Without limiting the generality of the foregoing, it is understood that the Guest will remain in compliance with all provisions of all applicable laws, rules and regulations relative to health and safety. Guest shall post evacuation plans in public areas and those areas utilized by Operator. Furthermore, since various personnel of Operator will be performing services at Guest's facility, Guest will cooperate with Operator in order to help ensure that Operator's personnel are not subjected to harmful activities, in violation of any applicable California Labor Law to which Operator is subject.
- (d) ADA. Guest shall also comply with the provisions of the Americans with Disability Act.

18.19. Modifications: It is understood that in order to conduct satellite wagering on its premises, Guest may be required by changes in equipment or governmental statutes, regulations, collective

Formatted: Bullets and Numbering

bargaining agreements of Operator, or by other similar causes beyond Operator's control, to modify its facility and/or arrange for special equipment for the conduct of satellite parimutuel wagering on Guest's premises pursuant to this Agreement. Operator shall have no obligation to furnish or pay the cost of such modifications or special equipment.

~~19-20.~~ Further Assurances Each party hereto shall perform such further acts and execute and deliver such further documents as may be reasonable necessary to carry out provisions of this Agreement.

~~20-21.~~ Disputes: Any dispute with respect to the interpretation of this Agreement, or performance required hereunder shall, at the request of Guest or Operator, be referred to Operator's Board Chairman or designee and Guest's Chief Executive Officer or Manager, who shall, in good faith, jointly attempt to resolve such dispute expeditiously. If such parties cannot resolve such dispute within seventy-two (72) hours after such request is made, or such longer time on which the parties hereto may mutually agree, they shall select a mutually acceptable and independent single mediator who shall attempt to resolve such dispute in accordance with the Commercial Mediation Rules of the American Arbitration Association then in effect. Utilization and exhaustion of the procedures set forth in this paragraph shall be a condition precedent to application to any judicial or administrative body for damages or for any other relief with respect to the matter in dispute.

~~21-22.~~ Insurance to be Provided by Operator: Operator hereby warrants that it carries, and at all times during the term of this Agreement will carry, the following insurance coverage:

- (a) Workers' Compensation Insurance for all of Operator's employees engaged in the performance of its functions under this Agreement, to the full extent required by applicable law, from an appropriate insurance company (and Operator agrees to furnish to Guest, upon written request, evidence thereof at any time or times); and
- (b) Comprehensive general liability insurance for Operator's operations under this Agreement and for the areas in which the Operator performs its functions under

this Agreement, providing coverage of at least \$1,000,000 per incident and in the aggregate, subject to industry standard deductibles, from an insurance company having an A.M. Best rating of “A” or higher. Operator shall, upon request of Mini-Satellite, furnish Mini-Satellite with a certificate of insurance evidencing such coverage.

22-23. Insurance to be Provided by Guest: Guest hereby warrants that it carries, and at all times during

Formatted: Bullets and Numbering

the term of this Agreement will carry, the following insurance coverage:

- (a) All risks of physical damage coverage on all equipment located at Guest’s facility (including the equipment provided by Operator), in an amount equal to the replacement cost of such equipment, subject to normal exclusions, from an insurance company having an A.M. Best rating of “A” or higher;
- (b) Worker’s Compensation Insurance for all of Guest’s employees, to the full extent required by applicable law, from an appropriate insurance company (and Guest agrees to furnish to Operator, upon written request, evidence thereof at any time or times);
- (c) Comprehensive general liability insurance with primary line coverage of not less than \$1,000,000 combined single limit, from an insurance company having an A.M. Best rating of “A” or higher; and
- (d) An excess line of comprehensive general liability coverage (i.e., “umbrella insurance”) in a coverage amount equal to at least \$4,000,000, from an insurance company having an A.M. Best rating of “A” or higher.

In each and all such policies, save and except the Worker’s Compensation policy, Operator shall be named an additional insured.

23.24. Indemnification for Third Party Liabilities:

Formatted: Bullets and Numbering

- (a) By Operator: Operator will assume responsibility for the defense of, and will indemnify and hold harmless Guest, and its directors, officers, owners, managers, employees, representatives and agents, from and against any losses, claims, damages, costs, suits, penalties, demands or liabilities, including reasonable legal counsel fees and costs, occasioned by or arising out of, in whole or in part, any willful or negligent act or omission of Operator or any of its agents, servants or employees, provided that reasonable written notice of such claim or suit is given to Operator by Guest and provided Operator is given full control over all negotiations and litigation in connection therewith, including selection of counsel. Operator will not be responsible for settlements made or costs incurred without its prior written consent; and
- (b) By Guest: Guest will assume responsibility for the defense of, and will indemnify and hold harmless Operator, and its directors, officers, owners, managers, employees, representatives and agents, from and against any losses, claims, damages, costs, suits, penalties, demands or liabilities, including reasonable legal counsel fees and costs, occasioned by or arising out of, in whole or in part, any of the following: (i) the performance by Operator (or its agents, servants, or employees) of Operator's duties and obligations hereunder; (ii) any act or omission (whether or not such act or omission was negligent) of Guest or any of its agents, servants, contractors or employees; (iii) any accidents occurring at Guest's facility; and/or (iv) any non-willful or non-negligent act or omission of Operator or any of its agents, servants or employees. Notwithstanding anything to the contrary contained in this Section 23(b), Guest shall have no responsibility with respect to any acts or omissions of Operator (or any of its agents, servants or employees) that are covered by the indemnification provisions set forth in Section

23(a) next above.

~~24-25.~~ Independent Contractor: Operator and Guest agree that they are not joint venturers or partners and that their status as to one another is, for the purpose of this Agreement, independent contractors and that they nor any of their contractors, subcontractors, agents or employees shall, at any time, constitute agents or employees of the other. Neither Operator nor Guest are granted any rights or authorities to assume or create any obligation of liability, express or implied, on behalf of each other or bind each other in any manner or thing whatsoever.

Formatted: Bullets and Numbering

~~25-26.~~ Attorneys' Fees. Subject to the provisions of Section 20 hereof, if any litigation, arbitration or other similar proceeding is instituted by a party in order to enforce any of the terms or conditions of this Agreement, or to otherwise adjudicate a dispute hereunder, the prevailing party in such proceeding shall be entitled to collect from the other party, the prevailing party's reasonable attorneys' fees and costs (including expert witness fees and costs) from time to time paid or incurred by the prevailing party in connection with such proceeding(s).

~~26-27.~~ No Assignment by Guest: Absent prior written consent of Operator (and the approval of the Board), the rights and obligations of Guest hereunder may not be assigned by Guest to any other person, firm or entity.

~~27-28.~~ Time of Essence: Time is of the essence of this Agreement and the performance of the provisions hereof.

~~28-29.~~ Amendments: This Agreement may only be amended in writing, executed by all of the parties hereto.

~~29-30.~~ Entire Agreement; Supremacy Clause: This Agreement contains the entire understanding between the parties hereto concerning the subject matter contained herein and supersedes all prior agreements between the applicable parties concerning the subject matter hereof. No representations, agreements, arrangements or understandings, oral or written, between or among the parties hereto relating to the subject matter of this Agreement, which are not fully expressed herein, shall have any effect; and the parties hereto affirm that there are no other such

representations, agreements, arrangements or understandings, oral or written, which may affect the terms of this Agreement or said Attachments.

~~30-31.~~ 31. **Notices:** All notices required by the provisions of this Agreement, shall be in writing and sent by United States mail, postage prepaid, certified or registered, return receipt requested, addressed as follows:

To Operator:

Southern California Off Track Wagering Incorporated
c/o Hollywood Park Racing Association
1050 South Prairie Avenue, Inglewood, CA 90301

To Guest:

Notice shall be deemed complete the second business day following mailing (in the manner described above).

~~31-32.~~ 32. **Counterparts:** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

Formatted: Bullets and Numbering

IN WITNESS WHEREOF the parties hereto have executed this Agreement, as of the Effective Date first set forth above.

OPERATOR:

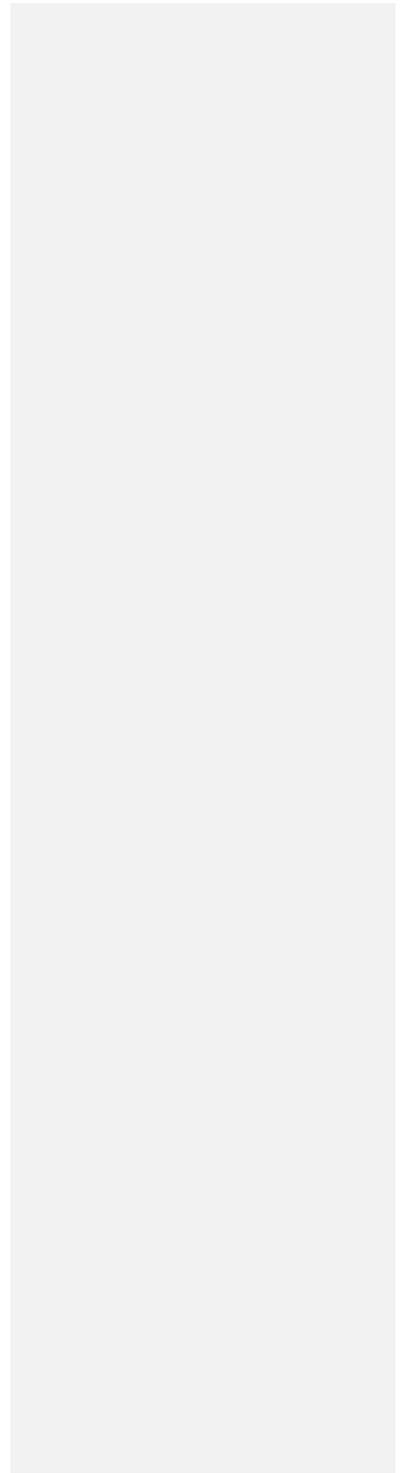
SOUTHERN CALIFORNIA OFF TRACK WAGERING INCORPORATED,
a California corporation

By: _____
F. Jack Liebau, President

GUEST:

By: _____

Its: _____



CONSENT & APPROVAL OF HORSEMEN'S ORGANIZATIONS

The foregoing Agreement to Provide Audiovisual and Parimutuel Services To a Satellite Wagering Facility between Southern California Off-Track Wagering Incorporated and _____ is hereby approved and consented to by the undersigned Horsemen's Organizations.

PACIFIC COAST QUARTER HORSE RACING
ASSOCIATION

By: _____

Its: _____

THOROUGHBRED OWNERS OF CALIFORNIA

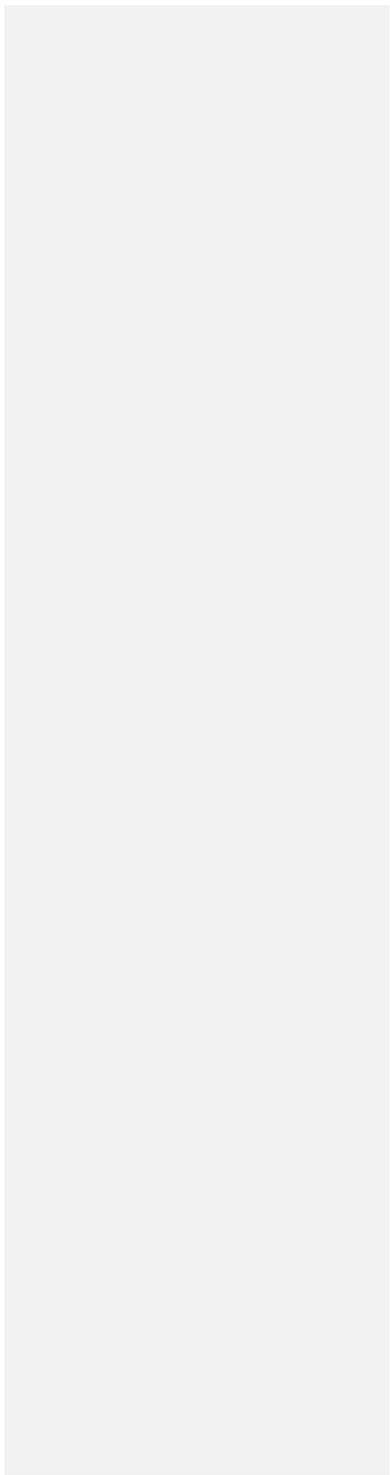
By: _____

Its: _____

HARNESS HORSEMEN'S ASSOCIATION

By: _____

Its: _____



**California Authority of Racing Fairs
Agency Income Statement
June 30, 2012**

	2010 Year End Actual	2011 Year End Actual	2011 YTD Actual	2012 YTD Actual	2012 Annual Budget	2012 Budget Variance	2012 % Budget
Revenue:							
Other Revenue	(2,326)	981	0	30	0	30	0%
Interest Income	18,003	14,756	11,079	4,990	15,000	(10,010)	33%
Member Dues	290,107	288,330	145,802	149,235	260,593	(111,358)	57%
CARF South Prog Admin Fee	21,256	18,333	9,293	10,476	21,038	(10,562)	50%
CARF Projects Admin Fee	141,872	442,753	410,503	0	0	0	0%
CARF Live Racing Admin Fee	108,854	157,607	11,387	20,506	138,201	(117,695)	15%
Total Revenue	577,767	922,760	588,064	185,237	434,832	(249,594)	43%
Expenses:							
Salaries	241,506	310,701	133,668	113,231	222,959	109,728	51%
Employee Benefits	18,890	41,866	19,545	15,849	34,900	19,051	45%
Post Retirement Benefits	33,688	35,083	17,413	17,692	35,000	17,308	51%
Payroll Taxes	12,529	14,970	8,082	4,933	11,500	6,567	43%
Accounting Costs	17,272	23,384	12,009	8,159	16,250	8,091	50%
Audit Services	6,375	8,925	6,300	5,950	6,375	425	93%
Automobile Expense	10,650	3,251	468	1,932	4,000	2,068	48%
Contracted Services	10,435	3,574	1,544	1,861	3,000	1,139	62%
Depreciation	11,985	12,634	0	6,966	11,000	4,034	63%
Dues & Subscriptions	11,952	1,819	741	1,426	2,000	574	71%
Insurance Expense	37,127	38,772	18,555	21,474	41,000	19,526	52%
Legal Expenses	21,720	8,009	7,372	13,485	12,500	(985)	108%
Legislative Expenses	53,796	56,144	28,102	28,141	55,000	26,859	51%
Meetings Expense	6,852	3,782	2,737	1,687	5,000	3,313	34%
Misc. (Ag Day Sponsor)	2,010	51	3	196	0	(196)	0%
Office Supplies	27,882	27,362	14,323	17,877	22,500	4,623	79%
Postage & Shipping	3,117	3,960	1,878	1,752	3,600	1,848	49%
Rent (Tribute Road)	38,265	35,770	17,885	17,885	35,770	17,885	50%
Repairs & Maintenance	674	328	0	0	1,000	1,000	0%
Telephone Expense	9,492	11,451	5,985	4,660	10,000	5,340	47%
Training	895	1,139	0	350	2,500	2,150	14%
Travel Expense	27,226	23,817	4,511	11,957	22,500	10,543	53%
Total Expenses	604,340	666,795	301,119	297,465	558,354	260,889	53%
Agency Income (Loss)	(26,573)	255,965	286,945	(112,228)	(123,523)	11,295	
Southern Prog Income (Loss)	8,153	4,160	1,570	5,990	2,963	(18,096)	
Total Bal Sheet Net Income (Loss)	(18,420)	260,125	288,514	(106,238)	(120,560)	(6,801)	

**California Authority of Racing Fairs
Southern Region Income Statement
June 30, 2012**

	2010	2011	2011	2012	2012	2012	2012
	Year End	Year End	YTD	YTD	Annual	Budget	% Budget
	Actual	Actual	Actual	Actual	Budget	Variance	
Program Revenue:							
Program Sales	285,716	254,468	133,944	139,686	280,500	(140,814)	50%
Other Revenue	0	0	0	0	0	0	0%
Royalties/Fees Due Host	(256,307)	(231,975)	(123,082)	(123,220)	(256,500)	133,280	48%
Total Revenue	29,409	22,493	10,863	16,466	24,000	(7,534)	69%
Expenses:							
Legal Expenses	0	0	0	0	0	0	0%
Meetings Expense	0	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%
Printing Supplies	0	0	0	0	0	0	0%
Rent & Utility Expenses	0	0	0	0	0	0	0%
Repairs & Maintenance	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%
Total Expenses	0	0	0	0	0	0	0%
Operating Income (Loss)	29,409	22,493	10,863	16,466	24,000	(7,534)	69%
CARF Admin Fee	21,256	18,333	9,293	10,476	21,038	10,562	50%
Rebate							
Income (Loss)	8,153	4,160	1,570	5,990	2,963	(18,096)	202%

**California Authority of Racing Fairs
Project Management Income Statement
June 30, 2012**

	2010 Year End Actual	2011 Year End Actual	2011 YTD Actual	2012 YTD Actual	2012 Annual Budget	2012 Budget Variance	2012 % Budget
Revenue:							
CARF Admin Fee	141,872	442,753	410,503	0	0	0	0%
Project Management	85,559	0	0	0	0	0	0%
Total Revenue	227,432	442,753	410,503	0	0	0	0%
Expenses:							
Salaries Expense	63,396	0	0	0	0	0	0%
Employee Benefits	8,538	0	0	0	0	0	0%
Payroll Taxes	3,076	0	0	0	0	0	0%
Accounting Costs	6,620	0	0	0	0	0	0%
Audit Services	2,550	0	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	754	0	0	0	0	0	0%
Travel Expense	68	0	0	0	0	0	0%
Misc. Storage	558	0	0	0	0	0	0%
Total Expenses	85,559	0	0	0	0	0	0%
CARF Admin Fee	141,872	442,753	410,503	0	0	0	0%

**California Authority of Racing Fairs
Live Racing Income Statement
June 30, 2012**

2009 = 79days 2010 = 64 days 2011=58days 2012= 61days

	2010	2011	2011	2012	2012	2012	2012
	Year End	Year End	YTD	YTD	Annual	Budget	% Budget
	Actual	Actual	Actual	Actual	Budget	Variance	
Revenues:							
Change Fund Admin Fee	14,074	5,161	0	4,241	15,000	(10,759)	28%
Racing Fairs Admin Fee	69,032	69,945	16,689	25,766	78,201	(52,435)	33%
Supplemental Purses Admin Fee	22,000	82,500	82,500	0	45,000	(45,000)	0%
NCOTWINC Reimbursement	29,000	29,000	0	0	29,000	(29,000)	0%
Racing Fairs Reimbursement	1,003,686	932,602	222,514	343,546	1,042,681	(699,135)	33%
Advertising Revenue	4,550	2,500	4,750	0	4,000	(4,000)	0%
Total	1,142,343	1,121,708	326,452	373,552	1,213,882	(840,330)	31%
Expenses:							
Salaries	255,146	275,424	101,021	136,184	295,750	159,566	46%
Employee Benefits	46,948	48,505	22,800	21,360	44,278	22,918	48%
Payroll Taxes	13,103	12,669	5,902	3,741	10,928	7,187	34%
Accounting Costs	43,035	42,255	21,130	24,385	48,750	24,365	50%
Audit Services	25,323	16,575	11,700	11,050	19,125	8,075	58%
Automobile Expense	64	0	0	40	2,000	1,960	2%
Depreciation	0	0	0	0	0	0	0%
Dues & Subscriptions, NTRA	10,109	0	0	0	1,000	1,000	0%
Insurance Expense	0	0	0	0	0	0	0%
Legal Expenses	8,734	605	0	811	5,000	4,189	16%
Meetings Expense	3,440	740	301	401	2,000	1,599	20%
Misc. Exp (Storage,Bank fee)	0	0	0	0	0	0	0%
Telephone Expense	3,924	3,051	1,225	1,552	3,500	1,948	44%
Travel Expense	29,898	34,340	7,353	6,188	35,000	28,812	18%
Sub-Totals	439,725	434,164	171,432	205,713	467,331	261,618	44%
Racing Support Services:							
Announcer	23,904	17,850	9,150	0	23,850	23,850	0%
Condition Bk/Program Cover	15,245	15,748	6,493	4,325	20,000	15,675	22%
Courier Service (Pgm Distribution)	0	0	0	0	0	0	0%
Racing Operations Support	78,325	57,834	45,988	48,866	90,000	41,134	54%
TC02 Testing	7,425	6,940	0	995	10,000	9,005	10%
Marketing	3,901	160	100	60	3,000	2,940	2%
Network Management	1,548	2,641	844	260	500	240	52%
Paymaster	8,106	6,044	2,607	2,585	7,500	4,915	34%
Program Production	179,004	171,503	27,068	19,966	205,000	185,034	10%
Racing Office System	43,739	26,406	6,839	5,556	40,000	34,444	14%
Recruitment	31,108	13,654	9,539	9,175	15,000	5,825	61%
Jumbo Screen	126,250	104,550	10,200	33,150	110,000	76,850	30%
Supplies	15,964	11,296	802	873	15,000	14,127	6%
Tattooing	17,200	18,901	7,505	4,636	20,000	15,364	23%
Timing/Clocker	22,805	0	2,334	0	0	0	0%
Transportation	2,150	1,711	500	0	3,500	3,500	0%
TV Production/Simulcast	17,088	74,701	13,663	16,888	45,000	28,113	38%
Sub-Totals	593,763	529,938	143,633	147,333	608,350	461,017	24%
Total Expenses	1,033,488	964,102	315,065	353,046	1,075,681	722,635	33%
CARF Admin Fee	108,854	157,607	11,387	20,506	138,201	117,695	15%

CALIFORNIA AUTHORITY OF RACING FAIRS

BALANCE SHEET

June 30, 2012

ASSETS

	CURRENT YTD	PRIOR YTD
	6/30/12	6/30/11
Current Assets		
CASH - LAIF & INVESTMENTS	1,286,006	229,059
CASH - OPERATING/MM	827,271	1,035,187
CASH - TRUST & TOC	948,691	1,586,110
MARKETABLE SECURITIES	2,426,016	2,428,456
A/R - DUES	20,853	78,637
A/R - PROGRAMS	33,371	37,037
A/R - RACING FAIRS	371,561	245,702
A/R - ERF/OTHER A/R	432,477	2,172,434
PREPAIDS/DEPOSITS	30,167	37,059
OPEB ASSETS	89,564	92,725
Total Current Assets	6,465,977	7,942,406
Fixed Assets		
AUTOMOBILE	70,947	37,967
FURNITURE & EQUIPMENT	566	1,646
COMPUTER HARDWARE/SOFTWARE	5,249	7,050
TRACK EQUIPMENT	150,234	259,712
Total Fixed Assets (Net of Depr.)	226,997	306,374
TOTAL ASSETS	6,692,973	8,248,781

LIABILITIES & NET ASSETS

Current Liabilities		
A/P & WITHHOLDINGS	1,228,624	847,628
A/P - PROGRAM ROYALTIES TO HOST	66,834	49,858
RACING DISTRIBUTIONS	(351,892)	(197,502)
PURSES	1,064,775	1,836,148
TRACK SAFETY/MAINT.	390,872	638,624
INFOTEXT UPGRADE	0	0
CMC HORSEMENS PROGRAMS	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	0	0
LOU-5 - SYMPOSIUM	3,805	3,805
MINI SATELLITE FUNDS	500,867	169,583
CAPITAL IMPROVEMENT FUND	75,117	0
Total Current Liabilities	2,979,004	3,348,144
Non-Current Liabilities		
CHRIMS FUNDS	92,051	91,196
CHANGE FUND	1,014,000	1,014,000
FAIRS - EQUIP REPLACEMENT FUNDS	1,594,117	2,762,452
Total Non-Current Liabilities	2,700,168	3,867,648
TOTAL LIABILITIES	5,679,171	7,215,792
Net Assets		
FUND EQUITY	969,806	709,681
F&E Net Assets	150,234	34,794
CARF@GG	0	0
RETIREMENT CONTINGENCY	0	0
NET INCOME/LOSS	(106,238)	288,514
Total Net Assets	1,013,802	1,032,989
TOTAL LIABILITIES & NET ASSETS	6,692,973	8,248,781



CALIFORNIA FAIRS SATELLITE NETWORK

PARI-MUTUEL HANDLE & DISTRIBUTIONS (LIVE & SIMULCAST)

1987-2011

Handle & Distributions Figures Do Not Include Advanced Deposit Wagering (ADW).

Detailed Distribution Report
 01/01/1987 -
 Date Range: 12/31/2011
 Race Type: All Races
 Hosts: All Hosts
 Locations: All Locations
 Tracks: All Tracks
 Report By: Location
 Location Types: California

Location	Handle	License Fee	CHRB Support Fee	F & E	City Tax	Equine	Workers Comp	Satellite Location	Expense Fund	Promotion	Chrims	Van Stable	Proxy Fees	Track	Purses	SB1072	Owners	Breeders Sires	To Out of State Tracks
Anderson	80,326,332	1,735,350	21,782	107,492	259,350	79,876	35,889	1,561,052	2,590,031	375,187	665	477,976	5	3,573,453	3,554,070	11,720	73,688	353,553	485,662
Bakersfield	332,889,862	7,195,451	80,071	286,427	1,078,953	324,000	144,536	6,521,346	11,585,888	1,898,923	3,119	1,870,351	27,400	14,786,473	14,721,231	46,641	253,305	1,432,857	1,560,638
Eureka	50,441,318	1,136,636	1,498	64,349	162,942	49,268	19,097	963,000	1,530,973	239,657	0	282,824	0	2,210,479	2,202,696	0	45,955	221,303	309,455
Ferndale	24,253,924	237,130	12,174	216,928	57,407	17,122	17,917	88,856	270,195	17,584	84	34,457	16	1,811,479	1,933,428	9,984	22,310	102,365	21,031
Fresno	538,571,201	11,525,428	119,225	1,627,752	1,750,322	468,796	207,180	8,371,971	14,577,681	2,180,333	2,722	2,092,976	19,666	27,777,158	28,296,042	71,522	464,513	2,248,679	1,919,004
Fresno Club One	57,316,755	536,659	42,092	40,307	187,477	57,332	62,799	1,139,563	2,208,314	230,978	1,612	422,308	11,622	2,887,194	2,897,736	23,633	34,404	287,018	593,630
Imperial	63,558	1,310	0	0	2	64	0	1,084	1,355	217	0	303	0	2,631	2,593	0	38	293	1,915
Lake Perris	427,495,310	8,809,745	280,714	299,350	1,392,429	427,509	349,298	8,443,556	12,964,749	2,143,619	6,266	2,969,499	32,690	20,302,762	20,177,793	126,913	325,512	2,051,114	2,747,504
Lakeport	100,835	1,281	0	33	0	101	0	1,737	2,522	347	0	608	0	4,258	4,304	0	61	462	2,680
Lancaster	449,439,696	10,276,825	287,994	284,420	1,469,915	449,030	302,550	8,907,423	14,124,713	2,793,460	6,872	3,177,612	51,612	20,600,824	20,448,357	117,243	330,302	2,070,048	2,524,441
Merced	131,242	1,623	0	41	0	131	0	2,309	3,535	462	0	808	0	5,700	5,721	0	81	611	3,377
Mobile Unit	2,578,629	81,157	0	2,675	2,952	2,518	0	50,882	73,558	19,517	0	17,032	0	92,785	90,371	0	2,414	9,890	4,888
Monterey	321,483,483	6,086,931	86,724	293,002	1,043,884	320,172	154,657	6,300,773	11,719,882	1,582,997	3,680	1,602,658	39,355	15,075,852	15,035,434	50,941	257,078	1,412,750	2,171,679
Paso Robles	790,507	16,733	0	108	176	791	0	14,170	17,078	3,045	0	4,087	0	34,178	33,705	0	535	3,652	18,335
Pleasanton	1,439,548,074	26,266,464	532,315	2,927,869	4,676,666	1,338,988	825,038	24,304,043	45,181,546	5,527,227	17,198	7,617,220	158,214	72,998,837	73,974,704	307,418	1,192,543	6,401,708	8,207,819
Pomona	1,715,548,666	38,591,766	1,259,981	4,527,320	5,612,065	1,511,154	1,220,104	25,793,425	39,541,328	6,195,668	27,963	9,659,712	215,284	93,034,165	94,470,984	518,753	1,449,127	7,788,438	8,650,237
Sacramento	1,324,635,197	23,159,271	357,089	1,862,194	2,312,092	1,212,454	704,952	20,763,303	38,722,144	4,802,672	11,743	5,873,365	71,154	71,752,423	71,419,207	183,177	900,007	7,183,355	6,833,502
San Bernardino	1,386,571,292	35,601,264	532,143	819,773	4,534,633	1,384,410	652,918	27,436,466	42,104,794	9,723,308	11,960	9,938,707	65,693	61,023,804	60,350,493	233,765	1,094,863	6,116,804	5,850,656
San Jose	1,100,491,878	18,574,360	418,399	1,063,714	3,580,078	1,097,416	650,709	21,638,622	41,552,108	5,066,391	16,574	6,029,697	207,780	52,105,055	52,182,653	242,133	849,580	4,966,150	7,703,544
San Mateo	256,109,303	837,529	908,765	217,438	840,638	256,111	472,980	5,165,625	9,929,623	954,813	33,624	2,563,299	271,320	12,819,269	12,867,715	528,458	152,083	1,360,120	3,437,649
Santa Barbara	305,518,466	8,556,013	17,756	273,058	495,865	295,272	103,208	6,028,195	8,689,892	1,980,057	0	1,925,164	1,101	13,325,353	13,090,997	0	264,746	1,315,830	1,330,918
Santa Maria	241,413,382	6,252,744	87,383	210,121	787,001	236,904	103,347	4,758,888	6,885,375	1,490,336	1,493	1,611,461	3,326	10,690,951	10,530,839	27,883	203,092	1,072,886	1,140,910
Santa Rosa	661,991,173	13,118,803	186,913	1,961,396	2,153,748	584,091	322,581	9,754,458	18,336,772	2,337,627	5,188	2,798,135	49,600	35,146,399	35,900,668	113,906	560,017	2,841,800	3,024,369
Shalimar (Indio)	296,321,883	7,984,659	107,392	162,512	967,720	295,810	134,188	5,844,043	8,452,383	2,119,676	2,263	2,214,636	1,905	12,914,178	12,730,672	54,849	243,544	1,301,389	1,276,367
Sonora	151,478	2,191	0	19	0	151	0	2,636	3,394	558	0	903	0	6,581	6,671	0	116	680	3,659
Stockton	745,344,897	14,059,003	215,688	1,347,579	2,425,929	695,804	392,985	13,406,071	24,846,497	3,124,640	7,767	3,664,931	89,256	36,579,378	36,825,755	122,654	602,297	3,270,737	4,146,346
Surfside Race Place	2,276,102,789	59,597,875	942,197	988,188	7,427,714	2,273,020	1,073,728	44,893,519	63,720,400	15,498,650	21,001	17,328,335	120,507	99,418,199	97,987,455	403,728	1,897,237	10,185,620	11,833,875
Tulare	125,718,798	2,593,228	40,135	148,980	405,778	125,313	56,532	2,447,118	4,211,680	601,268	1,348	784,119	2,193	5,593,650	5,569,079	24,303	109,921	556,833	778,061
Turlock	177,509,805	2,753,210	95,868	193,246	572,104	177,425	122,780	3,453,798	5,917,010	682,901	3,185	1,331,506	1,785	8,463,774	8,476,923	56,466	151,962	838,700	1,577,598
Vallejo	617,363,414	11,094,894	197,832	1,396,380	1,259,100	561,746	345,063	10,267,781	20,092,206	2,396,382	7,412	3,001,104	99,222	32,261,765	32,731,278	119,662	497,708	2,721,119	3,546,622
Ventura	1,040,507,473	25,678,695	522,770	739,757	3,396,556	1,039,373	529,195	20,559,521	30,709,799	6,600,249	11,347	7,522,199	46,630	47,117,735	46,548,065	205,571	848,722	4,694,887	5,577,424
Victorville	305,484,368	7,090,111	122,268	190,910	998,379	305,229	185,341	6,044,453	9,693,570	1,897,966	2,929	1,999,574	31,993	13,949,882	13,857,336	55,189	223,955	1,392,410	1,638,781
Yuba City	137,875	1,998	0	26	0	138	0	2,329	3,183	501	0	800	0	5,843	5,825	0	111	591	4,032
TOTALS	16,302,352,865	349,456,337	7,477,167	22,253,364	49,851,874	15,587,519	9,189,572	294,932,014	490,264,178	82,487,215	208,014	98,818,367	1,619,331	788,372,463	788,930,799	3,656,513	13,051,827	74,204,650	88,926,609

Racing Fair

Financial

Highlights 2011



Total Conventional & ADW Handle

\$123 million

Revenue Distributed by CARF

\$26 million

Total Commissions

\$5.8 million

Total Purses

\$7.4 million



	Total	STK	PLN	SAC	SR	FER	FNO
Revenue							
Takeout & Other Revenue	26,068,691	1,957,306	6,915,616	4,116,207	7,292,091	1,099,223	4,688,247
Commissions							
Total Commissions	5,822,216	411,663	1,563,929	898,481	1,634,977	283,209	1,029,958
Purses							
Total Purses	7,425,905	645,256	1,983,372	1,232,362	1,989,750	246,953	1,328,213
Distributions							
F&E Fund 19614d/License Fees	212,065	12,724	56,585	25,999	58,771	13,440	44,546
F&E Recapture	32,515	2,004	8,687	5,411	8,920	1,360	6,134
CHRB Support	417,922	26,430	112,245	69,231	114,130	17,403	78,482
Commingle Guest O/S	5,753,952	348,636	1,465,555	803,616	1,731,396	244,866	1,159,882
Interstate Host	818,562	71,889	231,799	134,864	225,751	20,590	133,669
Location Fee	1,435,829	118,078	380,971	247,776	403,238	59,381	226,385
Promotion	138,186	10,549	37,523	23,908	39,274	4,574	22,358
City/County	218,317	15,876	59,561	34,913	61,590	8,211	38,166
Stabling/Vanning	663,281	50,634	180,106	114,757	188,513	21,954	107,319
Equine Lab	66,158	4,811	18,049	10,580	18,664	2,488	11,566
Owners	48,404	3,555	13,140	7,770	13,454	1,926	8,560
Breeders	483,533	36,312	129,869	78,034	133,895	22,949	82,473
CHRIMS	27,637	2,110	7,504	4,782	7,855	915	4,471
Other ADW Distributions	201,488	13,481	47,104	29,628	49,411	17,355	44,509
NCOTW Simulcast Expense Fund	2,302,720	183,299	619,615	394,097	612,504	131,652	361,553