

CALIFORNIA AUTHORITY OF RACING FAIRS**Board of Directors****Tuesday, November 13, 2012****MINUTES**

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, November 13, 2012. The teleconference originated at the CARF offices, 1776 Tribute Road, Sacramento, California.

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

Staff and Guests attending by conference call: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Raechelle Gibbons, Ann Grottveit, Louie Brown, Tawny Tesconi, Tom Sawyer, Nanette Martin, Chris Flaherty, Janet Covello, Cindy Olsen, Dave Mogni, Jim Morgan, Stuart Titus, Nate Dechoretz, John Quiroz, Dave Elliott and Richard Lewis.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held December 11, 2012 in Sacramento.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Legislation for 2012 and Beyond. Mr. Brown reported that as a result of the recent election, the new legislature is scheduled to be sworn in December 3, 2012 and the Democrats have captured supermajority control in both the Assembly and Senate. If Democrats are unified, a supermajority would give the party strong control of the executive and legislative branches as well as the ability to override vetoes, confirm gubernatorial appointees, bypass legislative rules and put constitutional reforms before voters without Republican input and/or votes. This is the first time since 1933 that both houses have had a supermajority. Democrats' supermajority status will be one paper only for most of 2013 because a spate of expected vacancies and special elections will whittle their ranks to below the two-thirds threshold in the Assembly.

Mr. Korby presented a proposed legislative program for the 2013 legislation session which was approved for Board action during the 11:00 a.m. Live Racing Committee meeting:

- Extend the sunset on the California Marketing Committee (CMC) through January 1, 2019 with a prospective increase in distribution to CMC from .35 to .45.
- Restructure representation on the California Horse Racing Information Management Systems (CHRIMS), require audited pari-mutuel handle reports and use CHRIMS

funding from California handle solely for expenditures on CHRIMS activities in California.

- Amend Breeders' Cup marketing language to allow CMC to allocate SB 1072 purse distributions to Breeders' Cup purses as well as marketing Breeders' Cup.
- Secure a specific block of dates in the racing calendar (i.e. June 1 through October 15) as Fair dates to be run by Fairs or as a combined Fair meeting. Pari-mutuel distributions TBD.
- Discuss and formulate strategies for license fees, Internet poker and sports wagering as needed.

Mr. Korby proposed CARF Board authorization to proceed with the legislative items presented in the meeting packet as framework for navigating the 2013 legislative session.

Mr. Borovansky stated that Fairs are struggling to make the existing model of satellite operations viable and asked if staff has considered an increase in satellite takeout. Mr. Korby responded that fallout from the takeout increases in SB 1072 have made discussions regarding takeout increases difficult within the industry, but that in the current legislative landscape, Internet poker and sports wagering offer better opportunities for providing relief to satellites. Mr. Brown stated that the 2% model is entirely outdated and that correcting that model is always part of the discussion when any horse racing legislation is being considered. Mr. Borovansky stated that having a new group of elected legislators provides an opportunity to provide education regarding the struggles facing Fair satellites and possibly generating new interest in the topic. Mr. Korby stated that staff will ensure the satellite takeout model is incorporated into CARF talking points and educational materials.

Mr. Borovansky moved approval to give Staff authority to proceed with the legislative framework titled "California Authority of Racing Fairs Proposed Legislative Program 2013" as presented. Mr. Bartosik seconded, unanimously approved.

Agenda Item 4 – Report, Discussion and Action, if any, on Racing Dates for 2013 and Beyond. Mr. Korby reported that the only outstanding item in regards to the 2013 racing calendar is the financial details involving the dates that have been allocated concurrently to Humboldt County Fair and Golden Gate Fields. Mr. Korby stated that representatives of Humboldt County Fair reported on the latest developments from their perspective at the 11:00 a.m. Live Racing Committee meeting and asked them to do so again for the benefit of the CARF Board.

Mr. Titus reported that Mr. Morgan is in trial and unable to participate in today's conference call. Discussions between Jim Morgan and Joe Morris are ongoing, day-to-day, as both have time. Many of the variables that were under negotiation have changed in character, if not in content. Mr. Titus requested that the CARF Board table this item until the CHRB meeting Thursday, at which time he anticipates the parties will have reached a resolution.

Mr. Korby stated that the CARF Board would not be able to consider the item until the December meeting. Mr. Titus stated that he understood.

Mr. Borovansky asked Mr. Titus precisely what has changed in the character of the negotiations. Mr. Titus responded that Mr. Morgan is representing Humboldt in this matter and that the variables are literally changing day by day, if not hour by hour. Mr. Titus stated that negotiations are ongoing and he does not have any details to share today, but that the emphasis is in creating a situation that will allow Humboldt to generate sufficient purse money for the 2013 meet.

Mr. Morgan joined the call. He reported that he was not calling from a publically noticed location and stated that he would continue to participate, or terminate his call, at the Board's pleasure. Mr. Morgan stated that he has an appointment with Mr. Morris this afternoon and that the two parties have made progress in seeking to resolve the issue, including concessions being made on both sides of the table.

Mr. Pickering asked to confirm that Humboldt County Fair is not seeking CARF Board action until the December 2012 meeting. Mr. Pickering asked to reiterate the comment he made during the Live Racing Committee meeting that when he voted in favor of the motion in September, he was not supporting an open ended checkbook on behalf of Ferndale with CARF support, as some industry members have suggested Humboldt is representing. Furthermore, Humboldt County Fair legal staff should not be sending e-mails stating that CARF Live Racing Committee members are not supporting the Fair when Humboldt County Fair representatives cannot establish a clear position on whether, or what, they want the CARF Board to vote on.

Mr. Morgan stated that he has never suggested an open ended checkbook for Ferndale, just the opportunity to be considered in the revenue generating process when Golden Gate Fields, or any other non-CARF meet, wishes to concurrently occupy dates traditionally allocated to Ferndale, or any other CARF meet. Mr. Morgan stated that he would be willing to clarify that message to any industry member that isn't fully aware of the situation.

Mr. Morgan stated Humboldt will not seek a vote at this meeting and that, due to the location of his call, he will terminate his participation at the conclusion of this agenda item. Mr. Borovansky asked to clarify that Humboldt would not be seeking CARF support of a joint proposal, should one be reached, between Humboldt and Golden Gate Fields at Thursday's CHRB meeting. Mr. Morgan stated that he hoped CARF would support the dates allocated to Humboldt and remain neutral regarding the financial arrangements proposed by either Humboldt or Golden Gate Fields.

Mr. Korby asked the CARF Board to authorize him, if asked by CHRB Directors, to declare CARF's position as neutral at the California Horse Racing Board meeting on Thursday, November 15, 2012. Ms. Violini moved Mr. Korby's request as presented. Mr. Jacobs seconded for discussion. Mr. Pickering stated that he was not comfortable having CARF commit to a neutral, or any other, position on an unseen proposal. Mr. Pickering feels that Mr. Korby should be authorized to confirm, if asked, that this item was withdrawn from the CARF Board agenda at the request of Humboldt County Fair.

Mr. Bartosik recommended that Ms. Violini and Mr. Jacobs withdraw their motion and seconded due to the resulting discussion. Mr. Bartosik suggested that the Board depend on Mr. Korby judgment and authorize him to use his discretion when speaking to the industry regarding matters involving the agreement between Humboldt County Fair and Golden Gate Fields as the matter unfolds. Ms. Violini asked if Mr. Korby was comfortable with Mr. Bartosik's suggestion. Mr. Korby stated that he would be comfortable with that direction. Ms. Violini withdrew her motion. Mr. Jacobs withdrew his second.

Mr. Pickering stated that he appreciated Humboldt County Fair's decision to withdraw the item and not pressure CARF Board of Directors to take a position on a proposal that is still fluid in nature.

Mr. Bartosik moved to authorize Mr. Korby to use his best discretion in communicating CARF's position regarding any agreement or proposal reached by Humboldt County Fair and Golden Gate Fields regarding revenue sharing between the two parties during concurrently allocated dates. Mr. Pickering seconded, unanimously approved.

Mr. Sawyer stated that he has been asked by the San Joaquin County Fair Board of Directors to request June dates for the 2013 and 2014 race meets in Stockton. Mr. Korby responded that the 2013 dates have already been allocated by the California Horse Racing Board, but that 2014 is an open issue. Mr. Sawyer thanked the Board for its consideration. Mr. Pickering added that though he was sympathetic to Stockton's situation, he didn't feel CARF would receive any traction in requesting June dates for 2013 from the rest of the racing industry.

* Minutes from the Live Racing Committee meeting pertaining to this topic are included after Agenda Item 8 - Executive Director's Report.

Agenda Item 5 – Report, Discussion and Action, if any, on Pari-Mutuel Distributions and DRAFT Security Agreement. Mr. Korby reported that the meeting packets include a draft *Security Agreement and Assignment of Pari-Mutuel Commissions between CARF and Fair Associations* and a draft *Promissory Note*. Mr. Korby stated that by drafting a formal security agreement, the goal of CARF staff was to develop a mechanism that would more carefully and deliberately structure the flow of funds back and forth between CARF and member Fairs. This flow of funds is most significant with respect to racing Fairs and involves the distribution of commission monies that come through CARF, the payment of expenses that are paid by CARF when underwriting key racing operations and the money that is reimbursed back to CARF to pay for those expenses incurred while conducting racing and related activities on behalf of member Fairs.

The security agreement, as proposed, is a contract that includes a promissory note, as a further mechanism, that would protect CARF and protect member Fairs collectively for those monies that move back and forth between racing Fairs and CARF.

This item was placed on the agenda to put the draft agreement out for discussion and to make the group aware of the direction CARF is moving to protect the agency and Fairs. Mr. Korby emphasized that this document is a draft and that staff is open to any feedback regarding language and/or intent, but that staff would like the Board's support to move forward in developing a formal agreement. At the 11:00 a.m. Live Racing Committee meeting, Mr. Bartosik moved that the California State Fair, San Joaquin Fair and Big Fresno Fair join together in asking legal counsel (Deputy Attorney General Jerry Blair) to review the document and ensure it represents the best interest of the DAAs. The motion was adopted by the Live Racing Committee, with Mr. Pickering abstaining. Mr. Bartosik suggested tabling Board action until such time as the DAA's have had the document reviewed by legal counsel.

Agenda Item 6 – Report, Discussion and Action, if any, on Purposed Changes to SCOTWinc. Guest Agreements with Satellite Facilities. Mr. Korby reported that the latest draft of the SCOTWinc. Agreement with satellites, titled *Guest Agreement to Provide Audiovisual Signal and Pari-Mutuel Services to Satellite Wagering Facilities* is included in the meeting packet. Mr. Korby made significant changes to the draft and sent the revised document back to SCOTWinc. At this time, SCOTWinc. has not responded to the latest changes.

Agenda Item 7 – Financials. Mr. Korby reported that financials are included in the meeting packet and that Ms. Gibbons is available to answer questions.

Mr. Alkire asked Mr. Jacobs is he had any questions or comments. He did not.

Agenda Item 8 – Executive Director's Report. Mr. Korby reported that Mark Verge is no longer the acting CEO at Santa Anita Park. George Haines, long-term executive at Santa Anita will assume management duties.

Mr. Sawyer requested that an agenda item for purse payment status be included for the December Live Racing Committee and Board of Directors meetings.

[Live Racing Committee Meeting Minutes – November 13, 2012 at 11:00 a.m. – Agenda Item 4]

Agenda Item 4 – Report, Discussion and Action, if any, on Racing Dates for 2013 and Beyond. Mr. Korby reported that the only outstanding item in regards to the 2013 racing calendar is the financial details involving the dates that have been allocated concurrently to Humboldt County Fair and Golden Gate Fields. Mr. Korby asked representatives of Humboldt County Fair to report on the latest developments from their perspective.

Mr. Titus reported that Mr. Morgan is in trial and unable to participate in today's conference call. Discussions between Jim Morgan and Joe Morris are ongoing, day-to-day, as both have time. Mr. Titus reported that an agreement was reached yesterday and that he expects a joint statement will be issued today and Chairman Brackpool will be updated as to the status of negotiations. (continued...)

Dave Elliott questioned if monies generated by SB 763 in 2012 are commissions or purse money and if those monies are paid out by Humboldt County Fair in the form of purses. Mr. Titus responded that the money comes to them in the form of commissions and is not paid out in purses. Dave Elliott asked if the \$50,000 from Golden Gate Fields and \$104,000 from TOC and DMTC are given to Humboldt as commissions. Mr. Titus confirmed that they are received as commissions.

Mr. Mogni stated that the CARF Board of Directors has yet to take action on the Live Racing Committee's recommendation regarding a general motion for policy stating that to the extent a non-CARF entity wishes to run concurrently with a CARF meet, the affected Fair ought to participate in the increased revenue generated during the period of overlap from the host fees and any additional revenue that is generated to the horse racing industry.

Mr. Titus stated that in light of recent negotiations, Humboldt is withdrawing its request for CARF Board support until Humboldt County Fair has a firm proposal to offer.

Mr. Pickering stated that when he voted in favor of the motion in September, he was not supporting an open ended checkbook on behalf of Ferndale with CARF support. Furthermore, Humboldt County Fair legal staff should not be sending e-mails stating that CARF Live Racing Committee members are not supporting the Fair when Humboldt County Fair representatives cannot establish a clear position on whether, or what, they want the CARF Board to vote on. Mr. Pickering stated he would like to discuss the matter further at the Board level.

Respectfully submitted,
Heather Haviland