

CALIFORNIA AUTHORITY OF RACING FAIRS**Live Racing Committee****Tuesday, November 13, 2012****MINUTES**

A teleconference meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, November 13, 2012. The teleconference originated at the CARF offices, 1776 Tribute Road, Sacramento, California.

CARF Live Racing Committee members attending by conference call: John Alkire, Norb Bartosik, Janet Covello, Mike Paluszak, Rick Pickering, Tawny Tesconi and Stuart Titus.

Staff and Guests attending by conference call: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Raechelle Gibbons, Ann Grottveit, Louie Brown, Tom Sawyer, Nanette Martin, Chris Flaherty, Cindy Olsen, Dave Mogni, 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. Bartosik moved to approve the meeting minutes as presented. Mr. Paluszak 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.

Mr. Korby requested that the Live Racing Committee support and recommend the following legislative efforts to the CARF Board of Directors for the 2013 legislative session:

- 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. Elliott asked if the increase in the distribution to CMC from .35 to .45 would come from purses and commissions. Mr. Korby confirmed that it would, but reminded the group that SB 1072 had lowered the distribution to CMC and that the proposed increase would put the fund generation closer to where it was three years ago. Mr. Korby stated that he was open to extending the sunset without increasing the distribution.

Mr. Elliott asked if Mr. Korby would amend the proposed restructuring of the CHRIMS representation to include night racing representatives. Mr. Korby stated that those discussions should begin within the night racing industry.

Mr. Elliott asked if a block of dates secured for Fairs through legislation would prevent Golden Gate Fields from being allocated racing dates within that block. Mr. Korby responded that he envisioned dates within that block could be raced as Fair dates anywhere in California.

Mr. Pickering moved approval to proceed with Staff's recommendation 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 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.

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.

Agenda Item 5 – Report, Discussion and Action, if any, on Pari-Mutuel Distributions and DRAFT Security Agreement. Before proceeding with the agenda item, Mr. Korby introduced Ann Grottveit, legal counsel, who was instrumental in helping to develop the proposed agreement.

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 Committee's support to move forward in developing a formal agreement.

Ms. Tesconi stated that she was under the impression that CARF already had a policy in place of not releasing commissions until monies due to CARF had been collected. Mr. Korby confirmed that the agency does not release commissions until expenses have been collected, but feels that an unwritten policy is not sufficient.

Mr. Bartosik recommended that the DAAs go in together collectively to have Jerry Blair review the agreement and split the bill. Mr. Bartosik feels it is very important to have another set of eyes review the document from a legal perspective before he feels comfortable formally adopting the agreement as CARF policy. Mr. Pickering added that lack of a written policy was an issue many years ago in an incident with Humboldt County Fair. Mr. Elliott asked if the timing of paying outstanding funds in the form of commissions to Fairs could be included in the agreement.

Mr. Korby and Ms. G. agreed that having legal counsel on behalf of Fairs review the agreement and provide input to ensure all interests are protected was an excellent idea.

Mr. Bartosik moved that the California State Fair, San Joaquin Fair and Big Fresno Fair join together in asking legal counsel (Jerry Blair) to review the document and ensure it represents the best interest of the DAAs. Mr. Sawyer seconded. YES VOTE: John Alkire, Norb Bartosik, Mike Paluszak, Tawny Tesconi, Tom Sawyer and Stuart Titus. ABSTAIN: Rick Pickering.

Mr. Alkire asked Mr. Bartosik to take the lead in contacting Jerry Blair.

Mr. Tesconi asked Mr. Korby what the anticipated timeline was for adopting this policy. Mr. Korby stated that CARF staff was aiming to have this policy in place prior to the 2013 racing meets.

Agenda Item 6 – Report, Discussion and Action, if any, on Planning for 2013 Summer Racing Meetings. Mr. Korby reported that this item was placed on the agenda for open discussion.

Mr. Swartzlander reported that the Pegasus Communications contract is up for review.

Mr. Elliott asked if staff could provide a purse reconciliation and initial recommendation for 2013 in time for the December meeting.

Agenda Item 7 – Executive Director’s Report. Mr. Korby reported that Mark Verge is no longer the acting CEO at Santa Anita Park. George Haines, long-time senior executive at Santa Anita, will assume management duties.

Respectfully submitted,
Heather Haviland