

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors Meeting

Tuesday, February 5, 2013

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, February 5, 2013. The meeting was hosted at the CARF offices, 1776 Tribute Road, Sacramento, California.

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

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Raechelle Gibbons, Anne Grottveit, Louie Brown, Randy Magee, Tom Sawyer, Tawny Tesconi, Dave Elliott, Allen Aldrich and Richard Lewis. Joining by conference by: Jim Morgan and Cindy Olsen.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held March 5, 2013 in Sacramento.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program. Mr. Brown stated that there isn't a lot to report from the legislature at this time, but that with 39 brand new members at the Capitol, legislative staff is in the process of meeting and greeting. Mr. Brown stated that with the new members are new rules. Due to change in the term limit law, newly elected members have the opportunity to serve in one house for 12 years. This gives new members the ability to take their time learning the process and issues without concerns about upcoming elections. Legislative staff is currently experiencing this shift as new members show a desire to take it slow and keep their bill files low. Mr. Brown stated that this is an excellent opportunity for CARF members to educate the new class about racing from a Fair business perspective.

Mr. Brown reported that the bill introduction deadline is Friday, February 22, 2013 and that legislative staff will provide a comprehensive report regarding CARF sponsored bills at the next meeting. Mr. Brown reported that Senator Wright will once again attempt to move an Internet poker bill forward with split Tribal interests.

Mr. Pickering asked to confirm that WFA will be introducing a governance reform bill for DAAs. Mr. Brown confirmed that they are and that the bill will be co-authored by Senators Calderon and Rubio.

Mr. Brown added that the Governor presented his budget in January and there has been no change for CDFA.

Mr. Borovansky asked if there has been discussion regarding increasing takeout for satellite wagering facilities. Mr. Brown stated that increased takeout for satellites is always on the list of discussion topics when a bill comes together that needs Fair support, but that introducing a bill does not seem feasible due to the racing industry's continual pressure to discuss lowering takeout. Mr. Korby reported that he would like to introduce a plan to the industry that would completely restructure takeout based on a tiered model. Mr. Borovansky stated that satellites are in trouble and he feels his facility may only be viable for another year.

Agenda Item 4 – Report, Discussion and Action, if any, on Sonoma County Fair Use of CARF Management Services for 2013. Mr. Korby reported that the CARF Live Racing Committee approved a motion by 4-3-0 to release 50 percent (\$56,000) of the commissions being held from Sonoma County Fair for the purse overpayments incurred while running three Wednesdays in 2012 contrary to CARF's recommendation. Additionally, Santa Rosa will continue to participate fully in CARF live racing management services for the 2013 season with a joint commitment between CARF, Sonoma County Fair and all live racing Fairs to reduce CARF expenses by at least 10 percent. Due to existing CARF contracts some reductions may occur in 2013, but others might not be feasible until 2014.

Ms. Tesconi asked to confirm that the proposed 10 percent decrease in CARF expenses would apply to the 2013 meet. Mr. Pickering stated that if it was possible, the cuts would occur in 2013 but that he didn't want to commit to that figure as only an 8 or 9 percent reduction might be possible in 2013 due to existing contractual obligations. Mr. Pickering also stated that he did not want CARF staff push through a 10 percent reduction in 2013 and compromise the safety of the racing surfaces.

Mr. Korby stated that no CARF Board action is required at this time.

Mr. Alkire thanked Mr. Pickering for his motion in the prior meeting and his efforts to bring a balanced compromise to the issue at hand.

Agenda Item 5 – Report, Discussion and Action, if any, on CARF Policies Regarding Security Agreement for Monies Owed the Agency by Member Fairs. Mr. Korby reported that he and Ms. Grottveit have been working since mid-2012 on a security agreement that would serve as a mechanism to carefully and deliberately structure the flow of funds between CARF and member Fairs. Ms. Grottveit has been in contact with Jerry Blair who is reviewing the agreement on behalf of DAAs.

Mr. Korby stated staff would like to explore a new direction that would allow CARF Board approved policy to govern these financial transactions in lieu of a signed agreement. Mr. Korby will be working with the Finance Committee to bring policy language to the next meeting.

Agenda Item 6 – Report, Discussion and Action, if any, on Overpayments from CARF Consolidated Purse Account in 2012. Mr. Korby reported that this item was placed on the agenda in the event that the item, which carried over from the CARF Live Racing Committee, would require further Board action. Mr. Korby stated that the item was resolved by the Live Racing Committee and that no further Board action is required at this time.

Mr. Pickering asked Ms. Tesconi if additional CARF Board action would strengthen the recommendation that she takes back to her Board. Ms. Tesconi stated that she didn't feel it would make a difference.

Agenda Item 7 – Discussion and Action, if any, on Financial Reports on Purses and Pari-Mutuel Commissions at Racing Fairs in 2012. Mr. Korby stated that these reports were included in the meeting packet as informational material for the CARF Board. Mr. Korby stated that staff is available to answer questions should any exist. There were no questions at this time.

Agenda Item 8 – Financials. Mr. Korby reported that current financials are included in the meeting packet and that Ms. Gibbons was available to answer questions. There were no questions at this time.

Agenda Item 9 – Executive Director's Report. Mr. Korby reported that the former CHRB Chairman Keith Brackpool submitted his resignation to buy an equity position in The Stronach Group and head West Coast operations.

Mr. Korby reported that Los Alamitos Racecourse is announcing plans to expand their racing surface.

Mr. Korby reported that Friday night he attended an opening event hosted by Banker's Casino to introduce the new mini-satellite wagering facility. Mr. Korby stated that the event was well received and supported by the community. A use permit is up before the Salinas City Council today and if all goes well, we can expect an official opening in March.

Mr. Elliott asked if Mr. Brackpool can go before the California Horse Racing Board of behalf of Stronach Group tracks. Mr. Brown stated that Mr. Brackpool cannot lobby the CHRB for one year from his resignation date and that technically he should not be able to give testimony before the Board.

Mr. Pickering asked if dialog is still ongoing regarding location fees received by F&E from Fair racing. Mr. Korby stated that those conversations are continuing.

Respectfully submitted,

Heather Haviland