



a California joint powers agency

1776 Tribute Road, Suite 205
Sacramento, CA 95815
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www.calfairs.com

**AGENDA
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS MEETING
JOHN ALKIRE, CHAIR
12:30 P.M., TUESDAY, MAY 5, 2009
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, May 5, 2009. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815. Directors may participate by teleconference.

AGENDA

- I. Approval of Minutes.
- II. Confirmation of June 2nd for Next Meeting, Location to be Determined.
- III. Adoption of Resolution Approving CARF's Pre-Funding of Other Post Employment Benefits Through CalPERS and the Delegation of Authority to Request Disbursements.
- IV. Adoption of Resolution Authorizing CARF to Fully Fund the Outstanding GASB 45 Liability as of June 30, 2009.
- V. Discussion and Action, if any, on Public Agency Financing of Infrastructure Improvements to Racing Facilities or for Acquisition of Racing Venues.
- VI. Discussion and Action, if any, on Interim, Temporary or Permanent Closure of Existing Satellite Wagering Facilities or Opening of New Satellite Wagering Facilities.
- VII. Discussion and Action, if any, on Legislative Matters or Statewide Initiatives.
- VIII. Discussion and Action, if any, on Application to the California Horse Racing Board for Waiver of Certain Regulations Affecting Financial Solvency of Fair Satellite Wagering Operations, Including Prospective Relief from Staffing Requirements and Reclassification of Satellite Wagering Facilities.
- IX. Executive Director's Report.

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C A L I F O R N I A A U T H O R I T Y O F R A C I N G F A I R S

*****PUBLIC COMMENT*****

It is the policy of the Board of Directors of the California Authority of Racing Fairs (CARF) to encourage public participation in the meetings of the Board of Directors. At each open meeting, members of the public shall be provided with an opportunity to directly address the Board on items of interest to the public that are within the subject matter jurisdiction of CARF.

Note: The Board may take action on any matter, however listed on this Agenda, and whether or not listed on this Agenda, to the extent permitted by applicable law. Staff Reports are subject to change without prior notice. If requested, this agenda can be made available in appropriate alternative formats to person with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990 and the Federal Rules and Regulations adopted in implementation thereof. Person seeking an alternative format should contact the Board Secretary for further information. In addition, a person with a disability who requires a modification or accommodation, including auxiliary aids or services, in order to participate in a public meeting, should telephone or otherwise contact the Board Secretary as soon as possible. The Board Secretary may be reached at 1776 Tribute Road, Suite 205, Sacramento, California 95815, or by telephone at (916) 927-7223.



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**NOTICE
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS MEETING
JOHN ALKIRE, CHAIR
12:30 P.M., TUESDAY, MAY 5, 2009
VIA TELECONFERENCE**

Notice is hereby given that a teleconference meeting of the California Authority of Racing Fairs' Board of Directors will commence at 12:30 P.M., Tuesday, May 5, 2009. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

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 Ave.
Pleasanton, CA 94566

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

Monterey County Fair
2004 Fairground Road
Monterey, CA 93940

Antelope Valley Fair
2551 W. Avenue H
Lancaster, CA 93536

California State Fair
1600 Exposition Blvd.
Sacramento, CA 95815

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

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C A L I F O R N I A A U T H O R I T Y O F R A C I N G F A I R S

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors
Tuesday, April 7, 2009

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, April 7, 2009. The meeting was conducted at the Sacramento office of Kahn, Soares & Conway, 1415 L Street, Suite 400, Sacramento, California, 95814.

Board Directors attending: John Alkire, Norb Bartosik and Rick Pickering. Joining by conference call: Vince Agnifili, Dan Jacobs and Kelly Baldwin.

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Chris Carpenter, Debbie Cook, Stuart Titus, Mike Treacy, Mike Paluszak, Louie Brown and Dan White. Joining by conference call: Tawny Tesconi.

Agenda Item 1 – Approval of Minutes. Mr. Bartosik moved to approve the meeting minutes as presented. Mr. Pickering seconded, unanimously approved.

Agenda Item 2 – Confirmation of May 5, 2009 for the Next Meeting in Sacramento. The next CARF Board & Live Racing Committee meeting is scheduled for Tuesday, May 5, 2009, in Sacramento.

Agenda Item 3 – Discussion and Action, if any, on CalPERS Resolution. Mr. Korby recommended, on advice from CFSA, that the CARF Board adopt the CalPERS Resolution for Employer Pick-Up as presented in the meeting packet. The adoption of the resolution is a formality to CARF's contract with CalPERS and will not produce any additional costs.

Mr. Bartosik moved to adopt the resolution as presented. Mr. Pickering seconded, unanimously approved.

Agenda Item 4 – Presentation by Representatives of the Alliance of California Race Tracks. Richard Shapiro, Executive Director of the California Horse Racing Alliance (CHRA), addressed the group and reviewed the background behind the formation of the CHRA. Mr. Shapiro specifically addressed the need for the racing industry to provide a united voice at the Capitol. Mr. Shapiro apologized for the manner in which CARF was invited to participate in the CHRA and subsequently uninvited. Mr. Shapiro formally asked CARF to join CHRA and requested that CARF representatives be present at the next meeting.

Mr. Alkire recommended that CARF participate in the California Horse Racing Alliance meeting on Friday and report back to the group.

Agenda Item 5 – Report, Discussion and Action, if any, on Legislative Matters. Mr. Brown reviewed bills being tracked on behalf of CARF. AB 136 (Silva) allows Harness racing to be conducted at one or more racetracks or Fairs in the Northern zone.

AB 246 (Price) would require a licensed race meet to hold distributions in trust, not to be used for any other purpose than payment to distributees as directed by Horse Racing Law. This bill will help protect satellites during any future bankruptcies by racing associations.

AB 1499 (Evans) would provide workmen's compensation coverage, from a deduction in Emerging Breed exotic wagers, to Emerging Breed horsemen. This is the same bill that was in effect in 2008 which was scheduled to sunset in 2009.

AB 734 (Hill) is a CARF sponsored bill that would increase takeout 1% to raise satellite commissions from 2% to 3%. Thoroughbred interests are expected to oppose the bill. Los Alamitos has committed to officially support the bill. Support letters have been gathered from Fairs, Fair Associations, Fair Partners and any parties potentially affected such as labor. Mr. Brown and Mr. Korby thanked CARF member Fairs for their letters of support. Virtually all members responded.

Fairs are emphatically encouraged to come to Sacramento on the hearing date for AB 734. A strong presence at the Capitol in support of the bill will make a huge impact.

AB 763 (Chesbro) would give Humboldt County Fair the ability to accept wagers on additional out-of-state races and derive additional revenue from those wagers. Mr. Titus requested a letter of support from CARF.

Mr. Bartosik moved to request the CFA expenditure plan reflect last year's allocation (\$2.6 million) with consideration for additional monies support new satellite development. Mr. Alkire, Mr. Agnifili, Ms. Baldwin, Mr. Bartosik, Mr. Jacobs approved. Mr. Pickering abstained.

Mr. Bartosik moved to support AB 763 with the condition that Humboldt County Fair pay outstanding monies due to CARF and NCOTWInc. CARF will provide Mr. Titus with an invoice and appropriate paper trail. Mr. Agnifili seconded, unanimously approved.

Agenda Item 6 – Update on Prospective New Satellite Facilities. Mr. Carpenter reported that he received a second letter from Rod Blonien, representing Lucky Chance Casino, to install a mini-satellite in the card club. This letter provided more detail regarding how the Lucky Chance mini-satellite "beta test" would cease operation after six months if SMCEC was impacted or an agreement would be reached to compensate SMCEC for decreases in attendance and handle.

After deliberating on the matter, the San Mateo County Event Center Board voted once again not to allow Lucky Chance Casino to install a mini-satellite. The Board still felt that the addition of the mini-satellite would cannibalize San Mateo's current clientele. The Board is also concerned with allowing the satellite enough time to establish itself in the market before introducing what could be significant competition. The Board also wishes to accelerate debt repayment for costs incurred in building the facility.

Mr. Korby reported that he commissioned Gordon Gong to develop initial renderings and plans for three categories of mini-satellites. These renderings will give Fairs the ability to

provide potential partners with a visual representation of what a mini-satellite could look like in their place of business.

Mr. Alkire reported that Kelly Baldwin and several Board members from the Monterey County Fair made a trip to Fresno to see the mini-satellite operation located in Club One Casino. Dan White gave the group a tour of the facility and the Board members seemed excited to develop something similar in the Monterey area. Ms. Baldwin reiterated that her Board members were very impressed with Club One and she is in communication with Bankers Casino in Salinas with regards to a potential partnership.

Mr. Pickering suggested that a boilerplate template for a Satellite Wagering Facility Profit and Loss Statement (P&L) be established by CARF. CARF should also consider developing a procedure for closing a satellite and establish a position on the investments put into developing the satellite with dedicated racing funds. Mr. Alkire, Mr. Jacobs and Ms. Baldwin will form an informal subcommittee to help establish protocol.

Agenda Item 7 – Financials. Financials were included in the meeting packet. Mr. Jacobs reported that the National Orange Show made a substantial payment to past due accounts at CARF.

Agenda Item 8 – Webcast. Mr. Korby reported that the cost of implementing a monthly webcast for CARF meetings, based on costs incurred by the CHRB, would be \$30,000 annually. The cost of the current conference calls is \$1,200 annually. Staff has purchased a new Polycom teleconferencing phone which should increase the clarity of the calls for members participating via phone.

Agenda Item 9 – Report on CARF Satellite Conference at Lancaster March 31, 2009. Mr. Korby reported that there was representation from every Southern California location with many Fair Managers participating. Rick English, representing Los Alamitos, and Dave Elliott, representing CalExpo Harness, addressed the group and made solid progress on developing protocol and standardization for night reimbursements.

Mr. Alkire thanked Mr. Jacobs for hosting the meeting. Mr. Alkire also thanked Mr. Bartosik for Dave Elliott's participation and complimented the quality of his presentation.

Agenda Item 10 – Executive Director's Report. Mr. Korby reported that Mr. Wood will make a presentation at the next meeting in regards to GASB 45, the requirement to calculate and establish a reserve for the exposure of post-retirement benefits.

Mr. Bartosik stated that the Cal Expo Board has directed staff to start the RFQ process following the proposal submitted by the NBA. An additional step has been added to pre-meet with potential developers.

Respectfully submitted,

Heather Haviland

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Tuesday, December 9, 2008

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 11:30 A.M., Tuesday, December 9, 2008. The meeting was conducted at the California Authority of Racing Fairs Conference Room, 1776 Tribute Road, Suite 205, Sacramento, California, 95815.

Board Members attending: John Alkire, Norb Bartosik and Rick Pickering. Joining by conference call: Kelly Baldwin, Dan Jacobs and Stuart Titus.

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Rick Wood, Mike Treacy, Debbie Cook, Raechelle Gibbons, Kevin Wong, Dave Elliott and Dan White. Joining by conference call: Richard Lewis, Kate Phariss, Scott Grieve and Chris Workman.

Agenda Item 1 – Presentation of Audit Report by Gilbert Associates. Mr. Wong reviewed the California Authority of Racing Fairs 2007 Audit. The bulk of the audit work was done in May/June 2008. Gilbert Associates will work with CARF to accelerate the audit for 2008. Mr. Gilbert walked the group through the audit report provided to the Board of Directors.

The only control deficiencies exist with not receiving sufficient audit evidence to guarantee the revenue from Advance Deposit Wagering (ADW) generated from contracts and the segregation of paymaster duties to provide stronger internal control during live racing.

Mr. Jacobs moved to accept the 2007 CARF Audit Report as presented. Mr. Pickering seconded, unanimously approved.

Mr. Treacy requested a simplified version of the CARF financials. Mr. Pickering suggested Mr. Treacy review some of the reports used by the Finance Committee.

Agenda Item 2 – Determination of Date, Time and Location of Next Meeting. Approval of Minutes Sept. 3, 2008. The next CARF Board and Live Racing Committee meeting is scheduled for Tuesday, February 3, 2009 in Sacramento, same time and location. Mr. Pickering moved to approve the meeting minutes as presented with one grammatical correction. Ms. Baldwin seconded, unanimously approved.

Agenda Item 3 – Discussion and Action, if any, on 2009 Agency Budget. Mr. Korby reviewed the structure of the agency budget for the new Board members.

Mr. Korby reported that the 2009 budget is similar to the 2008 budget with very little change. The overall budget is so close to the previous year that there is no need to adjust member dues. Interest rates have gone down, so it is estimated that interest revenue will decrease.

There is a new line item in the expense category for the Racing Secretary position based on race dates. The post retirement benefit line item is based on the figure per employee used by CFSA. Dues and subscriptions include the NTRA dues.

Mr. Pickering moved to approve the 2009 agency budget as presented. Ms. Baldwin seconded, unanimously approved.

Agenda Item 4 – Discussion of Satellite Wagering Facilities Profitability. Mr. Korby reported that satellites are facing significant challenges by tribal gaming, transfer in handle to ADW and the current economy. These problems are magnified by increasing expenses. A couple of the small satellites are being especially tested.

Mr. Grieve stated that in the past three to four years his satellite revenue has steadily declined while expenses have increased. His Fair Board supports racing, but feels it is in a position where the operation has to cease night racing to lower costs. The Santa Barbara satellite revenue/costs are in the \$360,000 range and Mr. Grieve predicts the satellite will break even or lose approximately \$10,000 this year.

Mr. Swartzlander met with Mr. Grieve and his satellite supervisor and has several recommendations to cut costs. Mr. Grieve was adamant that there were no other feasible options to make the operation profitable. Mr. Jacobs has reviewed the recommendations for Santa Barbara and agrees that most of the savings are paper savings and not all are realistic or can be implemented at this time. Mr. Jacobs feels that CARF hasn't taken an appropriate role in securing night racing losses from Los Alamitos.

Mr. Treacy stated that we have to proceed carefully because the first facility to become unsustainable will set precedence for future facilities with economic challenges. Mr. Treacy feels CARF needs to take a leadership role in this transition.

Mr. Pickering suggested CARF create a standard chart of accounts to ensure that expenses are uniformly determined at each facility. Mr. Pickering also brought up the issue of the unpaid F&E bonds and who has ownership of the satellite equipment and improvements. A standard chart of accounts will also be valuable for future legislation increasing commissions.

Mr. Alkire reminded the group that most industries are currently experiencing challenging times and we need to think outside the box and come up with drastically new ideas. Mr. Korby asked Mr. Treacy for F&E's assistance in obtaining financial information from Fairs.

Mr. Brown added that the fundamental problem with the satellite model is that operations are controlled by statute (established around 1985) and revenues are capped, while expenses are not. The economy and art of doing business have grown beyond the legislation. The problem is that a bill taking satellite commissions from 2% to 3% is taking a percentage point away from someone else. However, cutting costs is a band-aid fix until the revenue can be addressed.

Mr. Elliott asked Mr. Grieve if he had considered contacting SCOTWInc. to look into reimbursement for daytime losses similar to the procedure for night racing. That approach could be an option though the satellite should not be expected to operate at break even.

Mr. Alkire directed staff to establish protocol for satellite viability and/or closure. Mr. Pickering volunteered to be part of a subcommittee.

Agenda Item 5 – Discussion and Action, if any, on Development of New Satellite Wagering Facilities. Mr. Korby reported Monterey is in talks with a card room in Salinas and that Santa Rosa is also in conversations with a card room. The Fair in Dixon has asked for permission to apply for a license.

The Lucky Chance Casino in Coloma, south of San Francisco, is very interested in a mini-satellite but the location is within 20 miles of the San Mateo facility and would need the Fair's approval to proceed. Mr. Korby and Mr. Carpenter have been discussing the impact and the pros and cons of potentially allowing a six-month test.

The Amador County Fair has been contacted by Jackson Rancheria Casino to place a satellite wagering facility in their casino and pass all commission revenue to the Fair. The casino sees it as an opportunity to give back to the community.

The Cow Palace is also interested in developing a satellite wagering facility. Mr. Treacy stated that finding funding for that project would be a high priority for F&E.

Agenda Item 6 – Discussion and Action, if any, on 2009 Legislation. Mr. Brown reported that legislative counsel is drafting language and looking for authors based on prior Board requests. The deadline to introduce legislation is Feb. 27, 2009. There has not been any racing legislation introduced at this point.

Agenda Item 7 – Executive Director's Report. [From Live Racing Committee meeting.] Mr. Korby reported on the state of the racing industry in California, specifically MAGNA Entertainment which operates Santa Anita and Golden Gate Fields and the imminent closure of Hollywood Park. MAGNA Entertainment is facing significant debt and their long-term future is uncertain. Fairs need to remain attentive to ongoing changes in the racing landscape and the opportunities and challenges that might be created for Fairs.

Mr. Korby reported that he received a finding from CHRB legal counsel that states monies being held by SCOTWInc. and NCOTWInc. from Sacramento Harness Association cannot be used to pay outstanding satellite commissions. CARF will continue to seek a means to secure those owed funds.

Respectfully submitted,

Heather Haviland

RESOLUTION NO. 09 – 03

Adopted by the California Authority of Racing Fairs

May 5, 2009

RESOLUTION AUTHORIZING FUNDING OF OPEB LIABILITY

WHEREAS, As a public agency, the California Authority of Racing Fairs is required to abide by the accounting statements issued by Governmental Accounting Standards Board ("GASB"); and

WHEREAS, GASB Statement 45 requires public agencies to either fund or record, on their Balance Sheets, a restricted reserve for Other Post Employment Benefits ("OPEB") for eligible retirees of the Agency; and

WHEREAS, the intention of GASB Statement 45 is to insure that an Agency shall have sufficient funds to pay retirees' earned OPEBs into retirement even if the Agency ceases to exist;

**NOW THEREFORE BE IT RESOLVED BY THE CALIFORNIA AUTHORITY
OF RACING FAIRS:**

That the outstanding GASB 45 liability of approximately Seven Hundred Twenty-one Thousand Three Hundred and Thirty-five Dollars (\$721,335.00) plus any outstanding interest will be funded in full on or before June 30, 2009.

CHAIRMAN, BOARD OF DIRECTORS

ATTEST:

SECRETARY TO THE BOARD



**Table 1B
Summary of Results
Other Contribution Alternatives**

Funding Policy			
Approach	Prefunding	Prefunding	Prefunding
Adoption timing	Prospective	Prospective	Retrospective
Interest Rate	7.75%	7.75%	7.75%
Amortization method	Level % of pay	Level dollar	Level dollar
Amortization period (in years)	10	10	1
Number of Covered Employees			
Actives (participating)	7	7	7
Retirees	5	5	5
Total Participants	12	12	12
Actuarial Present Value of Projected Benefits (APVPB)			
Actives	\$ 573,134	\$ 573,134	\$ 573,134
Retirees	436,807	436,807	436,807
Total APVPB	1,009,941	1,009,941	1,009,941
Actuarial Accrued Liability (AAL)			
Actives	284,528	284,528	284,528
Retirees	436,807	436,807	436,807
Total AAL	721,335	721,335	721,335
Actuarial Value of Assets	0	0	0
Unfunded AAL (UAAL)	721,335	721,335	721,335
Annual Required Contribution (ARC)			
Normal Cost	38,189	38,189	38,189
Amortization of UAAL	86,747	98,646	721,335
Interest to 12/31/09	9,683	10,605	58,863
Total ARC (and Annual OPEB Cost) for FYE 12/31/09 at 12/31/09	134,618	147,440	818,387
Additional payment expected toward UAAL	0	0	0
Expected Net Employer Contribution for FYE 12/31/09 at 12/31/09	134,618	147,440	818,387
Net OPEB Obligation at 01/01/09	0	0	0
Expected Net OPEB Obligation (Asset) at 12/31/09	0	0	0
Normal Cost as a percent of payroll	8.3%	8.3%	8.3%
ARC as a percent of payroll	29.4%	32.2%	178.8%
ARC per Active Ee	\$ 19,231	\$ 21,063	\$ 116,912



RESOLUTION NO. 09-02

**DELEGATION OF AUTHORITY
TO REQUEST DISBURSEMENTS**

**RESOLUTION
OF THE
BOARD OF DIRECTORS**

(GOVERNING BODY)

**OF THE
CALIFORNIA AUTHORITY OR RACING FAIRS**

(NAME OF EMPLOYER)

The **Board of Directors** delegates to the incumbents in

(GOVERNING BODY)

the positions of **Executive Director** and

(TITLE)

Board President authority to request on behalf

(TITLE)

of the Employer disbursements from the Other Post Employment Prefunding

Plan and to certify as to the purpose for which the disbursed funds will be used.

By _____

Title **President, Board of Directors**

Witness _____

Date **May 5, 2009**

CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST PROGRAM ("CERBT")

**AGREEMENT AND ELECTION
OF**

California Authority of Racing Fairs

(NAME OF EMPLOYER)

**TO PREFUND OTHER POST EMPLOYMENT
BENEFITS THROUGH CalPERS**

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) **California Authority of Racing Fairs**

(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to: CalPERS
 Constituent Relations Office
 CERBT (OPEB)
 P.O. Box 942709
 Sacramento, CA 94229-2709

Filing in person, deliver to:
 CalPERS Mailroom
 Attn: Employer Services Division
 400 Q Street
 Sacramento, CA 95814

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

C. Actuarial Valuation and Employer Contributions

(1) Employer shall provide to the Board an actuarial valuation report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB Statement No. 43, and shall be:

- (a) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;
- (b) prepared in accordance with generally accepted actuarial practice and GASB Statement Nos. 43 and 45; and,
- (c) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any actuarial valuation report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that the actuarial valuation report is not suitable for use in the Board's financial statements or if Employer fails to provide a required actuarial valuation, the Board may obtain, at Employer's expense, an actuarial valuation that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such actuarial valuation by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the actuarial valuation acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) The minimum Employer contribution will be at least \$5000 or be equal to Employer's Annual Required Contribution, whichever is less, as that term is defined in GASB Statement No. 45. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

D. Administration of Accounts, Investments, Allocation of Income

- (1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.**
- (2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).**
- (3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.**
- (4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.**
- (5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.**
- (6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.**

E. Reports and Statements

- (1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.**
- (2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.**

F. Disbursements

- (1) Employer may receive disbursements not to exceed the annual premium and other costs of post employment healthcare benefits and other post employment benefits as defined in GASB 43.**
- (2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.**

(3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.

(4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) that are received on or after the first of a month will be processed by the 15th of the following month. (For example, a disbursement request received on or between March 1st and March 31st will be processed by April 15th; and a disbursement request received on or between April 1st and April 30th will be processed by May 15th.)

(5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

(6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

H. Termination of Employer Participation in Prefunding Plan

(1) The Board may terminate Employer's participation in the Prefunding Plan if:

(a) Employer gives written notice to the Board of its election to terminate;

(b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After thirty-six (36) months have elapsed from the effective date of this Agreement or at such earlier date as may be approved by the Board in its sole discretion:

- (a) Employer may request a trustee to trustee transfer of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, then the Board shall effect the transfer within one hundred twenty (120) days. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the transfer by more than 120 days.
- (b) Employer may request a disbursement of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that all of Employer's obligations for payment of post employment health care benefits and other post employment benefits and reasonable administrative costs of the Board have been satisfied, then the Board shall effect the disbursement within one hundred twenty (120) days. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement by more than 120 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as defined in GASB 43), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party

administrator to carry out Employer's Prefunding Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

I. General Provisions

(1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

(2) Audit.

- (a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.
- (b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

- (a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:

1. **Personal delivery.** When personally delivered to the recipient. Notice is effective on delivery.
2. **First Class Mail.** When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.
3. **Certified mail.** When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.
4. **Overnight Delivery.** When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.
5. **Telex or Facsimile Transmission.** When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.
6. **E-mail transmission.** When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

- (b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.
- (c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.

- (d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

(4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

(5) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

(6) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(7) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the 5th day of the month of May in the year 2009, authorized entering into this Agreement.

Signature of the Presiding Officer: _____

Printed Name of the Presiding Officer: John Alkire

Name of Governing Body: Board of Directors

Name of Employer: California Authority of Racing Fairs

Date: May 5, 2009

BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
KENNETH W. MARZION
ACTUARIAL AND EMPLOYER SERVICES BRANCH
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS

The effective date of this Agreement is: _____

DRAFT-For Internal Use Only
Korby—January 16, 2009
Revised April 8, 2009
[decision items in brackets]

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:
Section 19605.74 is hereby added to the Business and Professions Code:

19605.74 (a) The Legislature finds and declares that the existence of high caliber thoroughbred racing in California is important to this state's agricultural economy and a source of employment for thousands of Californians. The California horse racing industry is being threatened by the potential closure of one or more thoroughbred racing venues with a consequent shortage of facilities at which thoroughbred race horses can race, stable and train. It is the intent of the Legislature to establish a fund to be utilized for the financing of capital improvements, for the acquisition of real property and for the improvement or development of infrastructure required for the racing, stabling and training of thoroughbred race horses in [Northern] California through the redistribution of the parimutuel handle on all [exotic] wagers made on thoroughbred races and emerging breed races run in the [Northern] Zone. [This section shall be known as the California Racing Infrastructure Development and Economic Stimulus Act of 2009.]

(b) Notwithstanding Section 19610, every thoroughbred association or fair that conducts a racing meet in the [Northern] Zone shall deduct an additional amount not to exceed [three] percent of the total amount handled in all parimutuel pools of [exotic] wagers on thoroughbred races or on emerging breed races to be used for the purposes set out in subdivision (a). The amount initially deducted and distributed pursuant to this section shall be [one] / [two] / [three] percent of the total amount handled in all parimutuel pools of [exotic] wagers on thoroughbred races or emerging breed races at Fairs run in the [Northern] Zone, but that allocation may be adjusted by the board, except that any adjustment by the board shall ensure funds sufficient to meet the intent of subdivisions (f)(3) and (f)(4) herein. In any event, however, the adjusted amount may not exceed [three] percent of the amount handled in all parimutuel pools of [exotic] wagers on thoroughbred races or emerging breed races run in the [Northern] zone, to finance capital improvements, to acquire real property or to develop infrastructure required for the racing, stabling and training of thoroughbred race horses in the [Northern] Zone.

(c) The funds collected pursuant to subdivision (b) from all parimutuel pools on [exotic] wagers on thoroughbred races or emerging breed races run in the [Northern] arising out of wagering activities within the inclosure of a thoroughbred association or fair conducting a race meeting, at all satellite wagering facilities within this state, and through advance deposit wagering by residents of this state, shall be distributed to the organization described in subdivision (e) to be used in accordance with subdivision (f).

(d) Any thoroughbred association or fair that authorizes a betting system located outside of this state to accept wagers on its races and to combine those wagers in the association's or fair's [exotic] wagers parimutuel pools, including, but not limited to, a

multi-jurisdictional wagering hub as to wagers made by residents other than those of this state, shall deduct the amount specified in subdivision (b) in addition to any other applicable deductions specified in law. The amount deducted pursuant to this subdivision shall be distributed to the organization described in subdivision (e) to be used in accordance with subdivision (f). This additional deduction shall not be included in the amount on which license fees are determined pursuant to Section 19602 or Section 19616.51.

(e) The organization shall be the California Authority of Racing Fairs, or its successor, a joint powers agency formed pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code. The organization shall account annually to the California Horse Racing Board with respect to the expenditure and distribution of funds received by the organization pursuant to subdivisions (c) and (d), and shall obtain an independent audit of fund generation and distribution. A copy of the completed audit shall be forwarded to the California Horse Racing Board within 45 days of its receipt by the organization.

(f) (1) The amount distributed to the organization described in subdivision (e) shall be deposited by that organization in separate accounts and such funds and any interest thereon shall be expended for the financing of such capital improvements as are deemed necessary and appropriate in the [Northern] zone by the organization described in Section 19607.2 to provide adequate stabling training and related facilities for thoroughbred horse racing in the [Northern] zone

(f) (2) Any financing plan or proposal shall be submitted to and approved by the organization described in subdivision (e) prior to any expenditure of funds, pursuant to this subsection. However, such approval may be withheld solely on the basis that funds generated pursuant to subdivision (b) are not sufficient for repayment of debt to finance the improvements determined by the joint resolution described in this subdivision.

(f) (3) Such approval by such organization may provide for the payment of such amounts to one or more joint powers agencies for the repayment of the principal of, interest on, and costs of issuance of, and as security, including any coverage factor, pledged to the payment of, bonds issued or to be issued by such joint powers agency or other debt service or expense, including repayment of any advances made or security required by any provider of credit enhancement or liquidity for those bonds or other indebtedness or expenses of maintaining that credit enhancement or liquidity, incurred for the purpose of constructing or acquiring improvements or the purchase of real property to provide adequate facilities for racing, stabling and training thoroughbred race horses at fairgrounds in the [Northern] Zone or for the purpose of refunding bonds or other indebtedness incurred for those purposes.

(f) (4) As used in this subsection (f) "coverage factor" means revenues in excess of the amount necessary to pay debt service on the bonds or other indebtedness, up to an amount sufficient to meet the needs and requirements of the credit markets, which such joint powers agency, pursuant to the resolution of indenture under which the bonds or other indebtedness are or will be issued, pledges as additional security for the payment of

that debt service or as is required to have or maintain as a condition to the issuance of additional bonds or other indebtedness.

(g) It is the intent of the Legislature in enacting this section to provide the revenues necessary for the financing by one or more joint powers agencies of the facilities and improvements described in subparagraph (f)(1) and (f)(3) of this section all of which shall be deemed to be public capital improvements within the meaning of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code. Payments described in paragraph (f)(1) of this section shall continue through whatever period of time is necessary to repay any borrowings of joint powers funding mechanism, including, but not limited to, retirement of bonded indebtedness, loan repayments, and monthly payments involving lease-purchase programs made by a joint powers agency to finance the improvements referenced in subparagraph (f)(1) of this section.

(h) The State of California does hereby pledge to the holders of any bonds or other indebtedness, and with those joint powers agencies which may enter into agreements with fairs or other third parties or authorize bonds or other indebtedness to be issued, in reliance on the allocations set forth in this section, that the State will not alter or change the structure of funding and deposits set forth in, or the pledge of funds for debt service, security, including any coverage factors, and expenses, pursuant to this section until the bonds and other indebtedness are fully paid or discharged. However nothing precludes any alteration or change, if and when, adequate provision has been made by law for the payment of debt service on the bonds and other indebtedness, and the right to so alter or change is hereby reserved. Joint powers agencies may include this pledge and undertaking of the State in the bonds or agreements evidencing other indebtedness.

(i) The approval described in (f)(3) shall provide for the disbursement to the organization described in Section 19607.2 of any funds over and above those necessary to accomplish the financing of improvements referred to subsection (f)(1) and (f)(3) including any required coverage factor and reserves. The organization described in Section 19607.2 shall thereafter annually disburse the total amount so received solely for any or all of the following purposes: the amount, if any, required to insure that stabling and vanning funds provided for in section 19607.1 of this code are sufficient to cover the expenses of vanning and stabling in the [Northern] zone; and alternatively or additionally; to pay down the principal on any bonded indebtedness incurred to provide and maintain adequate racing, stabling and training facilities, including the purchase of real property, in the Northern zone, and, additionally or alternately, to supplement thoroughbred purses paid in the Northern zone; to promote and market thoroughbred racing in the [Northern] zone, which purpose may include supplemental additions to parimutuel pools in order to promote racing events in the Northern zone.

Section 19606.1 is amended as follows:

19606.1. (a) Except as otherwise provided in Section 19606.3, all revenues distributed to the state as license fees from satellite wagering facilities shall be deposited in a separate account in the

fund and, notwithstanding Section 13340 of the Government Code, are continuously appropriated from that account to the Department of Food and Agriculture, for allocation by the Secretary of Food and Agriculture, at his or her discretion, for the purposes set forth in paragraphs (1) to (6), inclusive. The concurrence of the Director of Finance shall be required for allocations pursuant to paragraphs (1) and (2). Allocations pursuant to paragraphs (3) to (6), inclusive, shall be made with the concurrence of the Joint Committee on Fairs Allocation and Classification.

(1) For the repayment of the principal of, interest on, and costs of issuance of, and as security, including any coverage factor, pledged to the payment of, bonds issued or to be issued by a joint powers agency or other debt service or expense, including repayment of any advances made or security required by any provider of credit enhancement or liquidity for those bonds or other indebtedness or expenses of maintaining that credit enhancement or liquidity, incurred for the purpose of constructing or acquiring improvements at a fair's racetrack inclosure, a fair's race track grandstand, a fair's race track surface, a fair's race track barn and stable area, satellite wagering facilities at fairs, health and safety repair projects, or handicapped access compliance projects at fairs or for the purpose of refunding bonds or other indebtedness incurred for those purposes. As used in this paragraph, "coverage factor" means revenues in excess of the amount necessary to pay debt service on the bonds or other indebtedness, up to an amount equal to 100 percent more than the amount of that debt service, which a joint powers agency, pursuant to the resolution or indenture under which the bonds or other indebtedness are or will be issued, pledges as additional security for the payment of that debt service or is required to have or maintain as a condition to the issuance of additional bonds or other indebtedness. Notwithstanding any other provision of law, the department may also commit any funds available for allocation under Article 10 (commencing with Section 19620) to complete projects funded under this paragraph in the priority described in this paragraph.

(2) For payment to the State Race Track Leasing Commission to be pledged for the repayment of debt necessary to construct a racetrack grandstand at the 22nd District Agricultural Association fairgrounds. This payment shall be made only if the Secretary of Food and Agriculture determines, annually, that all other pledged revenues have been applied to the repayment of that debt and have been determined by the secretary to be inadequate for that purpose.

(3) For the payment of expenses incurred in establishing and operating satellite wagering facilities at fairs.

(4) For the support of an equipment and operating fund to produce and display a consolidated California signal at satellite wagering facilities and fairs.

(5) For health and safety repair projects at fairs, which includes fire and life safety improvement projects, California Code of Regulations compliance projects, and long-term deferred maintenance projects.

(6) For the development and payment of revenue generating projects, the establishment of pilot projects to restructure the current fair system, and for projects realizing a cost savings for more efficient utilization of existing fair resources.

(b) The Secretary of Food and Agriculture may not make an allocation for purposes of paragraphs (2) to (6), inclusive, of subdivision (a) until the payments required in any fiscal year pursuant to paragraph (1) of subdivision (a) have been funded.

(c) Pursuant to subdivision (a), the Joint Committee on Fairs Allocation and Classification shall review and concur, or not concur, with the secretary's determination of the allocations to be made pursuant to paragraphs (3) to (6), inclusive, of subdivision (a) in total, and the committee may not add to, or delete projects or line items from, the proposed allocations.

(d) Approval of the Joint Committee on Fairs Allocation and Classification is deemed complete when one of the following conditions is met:

(1) The annual budget act is enacted.

(2) If the secretary's recommendations are received by the Joint Committee on Fairs Allocation and Classification after the enactment of the annual budget act, the recommendations shall be deemed approved 30 days after they are received unless they are rejected by the committee.

(e) If the Joint Committee on Fairs Allocation and Classification does not concur with the secretary's recommendations, the secretary may submit another set of recommendations to the committee pursuant to this section.

(f) The payments required in any fiscal year for the purposes of paragraphs (1) to (3), inclusive, of subdivision (a) shall be made before any transfer is made pursuant to subdivision (g).

(g) Except as otherwise provided in subdivision (f), when the revenues deposited in the separate account exceed eleven million dollars (\$11,000,000) in any fiscal year, 98 percent of the amount in excess of eleven million dollars (\$11,000,000) shall be transferred to the Fair and Exposition Fund for allocation in accordance with Sections 19620.1 and 19630.

(h) All of the costs of administering the accounts created by subdivision (a) and Section 19606.3 shall be charged to the respective accounts.

Korby
January 2009

California Authority of Racing Fairs

Legislative Report - Last 10 Days

5/1/2009

AB 136 (Silva) Horse racing: imported harness or quarter horse races. (A-04/29/2009 [html](#) [pdf](#))

Status: 04/30/2009-Re-referred to Com. on APPR.

Current Location: 04/30/2009-A APPR.

Calendar Events: 05/06/09 9 a.m. - Room 4202 ASM APPROPRIATIONS

~~Digest: Existing law provides that the California Horse Racing Board shall have the authority to allocate racing weeks and provides that the maximum number of racing weeks that may be allocated for harness racing, other than at fairs, in the northern zone is 25 weeks per year. Existing law also provides that the maximum number of racing weeks that may be allocated to a fair shall be 4 weeks each year, except as provided, including that the board may allocate additional weeks of harness racing to the California Exposition and State Fair in Sacramento or its lessee, to be raced at that fair.~~

~~This bill would authorize the board to allocate 52 weeks of harness racing in the northern zone, at one or more racetracks or fairs. The bill would provide that any provision of the Horse Racing Law that pertains to harness racing at the California Exposition and State Fair in Sacramento shall also apply to harness racing which is conducted at any other racing venue in the northern zone.~~

~~Under existing law, the board *California Horse Racing Board* is authorized to permit a harness or quarter horse association conducting a race meeting to accept wagers on the results of out-of-state or out-of-country harness or quarter horse races, and certain other designated harness or quarter horse races, if specified conditions are met. One of these conditions is that, if only one breed is being raced on a given day, the racing association conducting live racing may import those races that would otherwise be simulcast by the association which is not racing, subject to the limitation that the total number of harness or quarter horse races imported in a calendar year does not exceed the number of night races imported in 1998 after 5:30 p.m.~~

~~This bill would delete that limitation regarding the total number of harness or quarter horse races imported in a calendar year.~~

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

Laws: An act to amend Section 19596.1 of the Business and Professions Code, relating to horse racing.

establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

Laws: An act to add Section 19597.5 to the Business and Professions Code, relating to horse racing.

History:

Apr. 27 Read second time. To Consent Calendar.

Apr. 23 From committee: Do pass. To Consent Calendar. (April 22).

Apr. 2 From committee: Do pass, and re-refer to Com. on APPR. with recommendation: To Consent Calendar. Re-referred. (Ayes 19. Noes 0.) (April 1).

Mar. 26 Re-referred to Com. on G.O.

Mar. 25 From committee chair, with author's amendments: Amend, and re-refer to Com. on G.O. Read second time and amended.

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

Feb. 11 From printer. May be heard in committee March 13.

Feb. 10 Read first time. To print.

Organization

CARF

AB 446 (Niello) Public employees' retirement: additional retirement service credits.

(A-04/23/2009 [html](#) [pdf](#))

Status: 04/27/2009-Re-referred to Com. on APPR.

Current Location: 04/27/2009-A APPR.

Digest: The Public Employees' Retirement Law calculates service retirement allowances, in part, based on years of credited service. Members of the Public Employees' Retirement System may receive service credit for public service not otherwise subject to credit, upon payment of specified additional contributions. Existing law authorizes specified members of that system, including employees or officers of the state, the university, a school employer, or a contracting agency and certain legislative employees, to elect to make additional contributions and receive up to 5 years of additional retirement service credit, as defined, subject to specified limitations.

This bill would require the administrators of the Public Employees' Retirement System to prepare a report on the use of the additional retirement service credits, as specified, and to file that report with the Legislature by February 1,

written and oral assessment that should be completed before the applicant is recommended for an American Indian languages eminence credential. The bill would require the commission to establish the cost of registration for the credential based on the actual cost of maintaining records of those credentials.

~~The Joint Exercise of Powers Act authorizes 2 or more public agencies, by agreement, to jointly exercise common powers and defines public agencies for this purpose.~~

~~This bill would amend the act to authorize the Tule River Tribal Council, as the governing body of the Tule River Indian Reservation of California, a federally recognized Indian tribe to enter into a joint powers agreement with the City of Porterville to create a joint powers agency, known as the Porterville Airport Area Development Authority (PAADA), for the sole purpose of developing approximately 1,200 acres of land in the vicinity of the Porterville Airport. The bill would specify the membership of the PAADA's 5 member board and require that all actions taken by PAADA be by an affirmative vote of 4 members of the board. The bill would authorize PAADA to take various actions, including jointly planning land use, incurring debt, making lease purchase arrangements, and issuing revenue bonds and certificates of participation. The bill would prohibit PAADA from authorizing or issuing bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985, unless the funded public improvements will be owned and maintained by PAADA or one or more public agency members, and the revenue streams pledged to repay the bonds derive from PAADA or one or more of its public agency members. The bill would repeal its provisions on January 1, 2039.~~

~~This bill would state the findings and declarations of the Legislature concerning the need for special legislation.~~

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

Laws: An act to amend Section 44262 of, and to add Article 14 (commencing with Section 44410) to Chapter 2 of Part 25 of Division 3 of Title 2 of, the Education Code, relating to teacher credentialing.

History:

Apr. 22 In committee: Set, first hearing. Hearing canceled at the request of author.

Apr. 13 From committee: Be re-referred to Com. on ED. Re-referred. (Ayes 9. Noes 0.) (April 13).

Apr. 2 Re-referred to Com. on RULES by unanimous consent.

Mar. 26 Re-referred to Com. on L. GOV.

Mar. 25 From committee chair, with author's amendments: Amend, and re-refer to Com. on L. GOV. Read second time and amended.

Mar. 12 Referred to Com. on L. GOV.

Status: 04/30/2009-Do pass, and re-refer to Committee on Appropriations with recommendation: To Consent Calendar.

Current Location: 04/30/2009-A CONSENT CALENDAR

Digest: Existing law authorizes a fair, a combination of fairs, or an association conducting racing at a fair, after approval from the California Horse Racing Board, to contribute 1% of the total amount handled daily in conventional and exotic pools for facilities maintenance and improvements at a fair's racetrack inclosure, for those fairs that contribute or those fairs where an association conducting racing at that fair contributes. The money raised is required to be deposited into the Inclosure Facilities Improvement Fund, which is created as a special fund in the State Treasury, and that money is required to be available upon appropriation by the Legislature in the annual Budget Act. Existing law requires the Secretary of Food and Agriculture to appoint a committee to advise on the administration of the funds, and requires the secretary to report any allocations made pursuant to these provisions of existing law, as specified. This bill would authorize the secretary to make money in the Inclosure Facilities Improvement Fund available to maintain operations at any fair satellite wagering facility regardless of whether the fair, or the association conducting racing at the fair, contributed to that fund.

~~Existing law authorizes advance deposit wagering to be conducted, with the approval of the California Horse Racing Board. Existing law specifies how the amount received as a market access fee from advance deposit wagers shall be distributed, including the distribution of specified amounts as satellite wagering commissions to each satellite wagering facility and racing association or fair in the zone in which the wager originated, as provided.~~

~~This bill would increase by 1% the percentages that are used to determine the amount to be distributed as satellite wagering commissions.~~

~~Existing law requires that the total percentage deducted from wagers at satellite wagering facilities in the northern zone, and in the central and southern zones, be the same as deductions for wagers at the racetrack where the racing meeting is being conducted and be distributed as specified.~~

~~This bill would instead require that the total percentage deducted from wagers at satellite wagering facilities in the northern zone, and in the central and southern zones, be 1% of the amount handled greater than the percentage deducted from wagers at the racetrack where wagering is being conducted, and be distributed as specified.~~

~~Existing law provides that, for thoroughbred meetings and for harness and certain other race meetings, 2% of the amount handled by the satellite wagering facility shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise.~~

~~This bill would increase that percentage to 3%.~~

~~This bill would also make various clarifying and technical changes.~~

~~Vote: majority. Appropriation: no. Fiscal committee: no/yes. State-mandated~~

Laws: An act to add Section 19596.21 to the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

History:

Apr. 27 Read second time. To third reading.

Apr. 23 From committee: Do pass. (Ayes 16. Noes 0.) (April 22).

Apr. 2 From committee: Do pass, and re-refer to Com. on APPR. Re-referred. (Ayes 19. Noes 0.) (April 1).

Mar. 23 Referred to Com. on G.O.

Feb. 27 From printer. May be heard in committee March 29.

Feb. 26 Read first time. To print.

Organization

CARF

AB 813 (Hall) **Gambling Control Act: administration.** (A-04/20/2009 [html](#) [pdf](#))

Status: 04/30/2009-Do pass as amended and be re-referred to the Committee on Appropriations.

Current Location: 04/30/2009-A APPR.

Digest: Existing law, the Gambling Control Act, provides for the licensure and regulation of various legalized gambling activities and establishments by the California Gambling Control Commission and the investigation and discipline of those activities and establishments by the Division of Gambling Control within the Department of Justice, as specified. Existing law permits the department to seize, remove, impound, photocopy, and audit any equipment, supplies, documents, papers, books, and records on the premises of a licensed gambling establishment for examination and inspection. *A willful violation of any provision of the Gambling Control Act is a crime.*

This bill would require that the examination and inspection of the equipment, supplies, documents, papers, books, and records of a gambling establishment take place during standard business hours. *The bill would require a gambling establishment to submit to the department, on January 1 and July 1 of each year, a schedule of its standard business hours, as specified. Because a willful violation of the Gambling Control Act is a crime, this bill would create a new crime and would thereby impose a state-mandated local program.*

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would extend the repeal date until January 1, 2015.

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

Laws: An act to amend Sections 24002 and 42815 of the Food and Agricultural Code, relating to the Secretary of Food and Agriculture.

History:

Apr. 30 From committee: Do pass. (Ayes 16. Noes 0.) (April 29).

Apr. 16 From committee: Do pass, and re-refer to Com. on APPR. with recommendation: To Consent Calendar. Re-referred. (Ayes 8. Noes 0.) (April 15).

Apr. 13 From committee chair, with author's amendments: Amend, and re-refer to Com. on AGRI. Read second time and amended. Re-referred to Com. on AGRI.

Mar. 26 Referred to Com. on AGRI.

Feb. 27 From printer. May be heard in committee March 29.

Feb. 26 Read first time. To print.

Organization

CARF

AB 1499 (Evans) Horse racing: workers' compensation. (1-02/27/2009 [html](#) [pdf](#))

Status: 04/23/2009-From committee: Do pass, and re-refer to Com. on APPR. with recommendation: To Consent Calendar. Re-referred. (Ayes 16. Noes 0.) (April 22).

Current Location: 04/23/2009-A APPR.

Calendar Events: 05/06/09 9 a.m. - Room 4202 ASM APPROPRIATIONS

Digest: Existing law, until January 1, 2014, authorizes a quarter horse racing association to deduct an additional 0.5% of the total amount handled in its exotic parimutuel pools and a harness racing association to deduct an additional 1% of the total amount handled in conventional parimutuel pools of harness races, under certain conditions, for workers' compensation insurance costs of trainers and owners, as specified, with any funds not expended for this purpose in the year in which they are collected to either be used for the following year's workers' compensation costs or to benefit the purse pool, as specified. If the racing association and the organization representing horsemen and horsewomen cannot agree on the manner of distribution of these funds to defray the costs of workers' compensation insurance, the matter is required to be submitted to the California Horse Racing Board for a decision.

This bill would also authorize a fair to deduct an additional 0.5% of the total

provide that oral examinations for stewards shall be conducted by a panel of not less than 3 members of the board, while oral examinations for official veterinarians shall be conducted by a panel of not less than one member of the board, the equine medical director, and the executive director of the board. By expanding the scope of an existing crime, this bill would impose a state-mandated local program.

(2) Under existing law, revenues distributed to the state as license fees from horse racing are required to be deposited in the Fair and Exposition Fund and are continuously appropriated to the Department of Food and Agriculture for various regulatory and general governmental purposes.

Because this bill would revise the amount of money deposited into, and distributed from, that fund, it would make an appropriation.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: yes.

Laws: An act to amend Sections 19510 and 19513 of the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

History:

Apr. 2 Referred to Com. on G.O.

Mar. 24 From printer. May be heard in committee April 23.

Mar. 23 Read first time. To print.

Organization

CARF

[AB 1577](#) (Committee on Governmental Organization) Gambling: licenses. (I-03/23/2009 [html](#) [pdf](#))

Status: 04/30/2009-Do pass, and re-refer to Committee on Appropriations with recommendation: To Consent Calendar.

Current Location: 04/30/2009-A CONSENT CALENDAR

Digest: The Gambling Control Act provides for the licensure of certain individuals and establishments involved in various gambling activities, and for the regulation of those activities, by the California Gambling Control Commission. Under existing law, the commission issues and regulates certain

Apr. 23 Set, first hearing. Hearing canceled at the request of author.
Mar. 27 Set for hearing April 28.
Jan. 29 To Com. on G.O.
Dec. 3 From print. May be acted upon on or after January 2.
Dec. 2 Introduced. Read first time. To Com. on RLS. for assignment. To print.

Organization
CARF

SB 126 (Cedillo) Bingo: remote caller bingo. (A-04/16/2009 [html](#) [pdf](#))
Status: 04/29/2009-To Special Consent Calendar.
Current Location: 04/29/2009-S CONSENT CALENDAR
Calendar Events: 05/07/09 78 SEN SPECIAL CONSENT CALENDAR #2

Digest: The California Constitution allows the Legislature, by statute, to authorize cities and counties to provide for bingo games for charitable purposes. Existing law permits cities and counties to allow bingo games and remote caller bingo games, as defined, to be conducted by specified organizations for charitable purposes. Existing law includes school districts among the organizations authorized to conduct bingo games, and includes charitable organizations affiliated with a school district among the organizations authorized to conduct remote caller bingo games. This bill would delete the reference to school districts in the provisions specifying the organizations that may conduct bingo games and would instead authorize charitable organizations affiliated with a school district to conduct bingo games.

Existing law requires the California Gambling Control Commission to establish reasonable criteria regulating, and to require the licensure and regulation of, specified persons, including any person who provides services or equipment designed for use in the playing of remote caller bingo games by any nonprofit organization registered to conduct those bingo games.

~~This bill would, instead, require the commission to establish criteria to regulate and license, as described above, any person who provides services or equipment designed for use in the playing of remote caller bingo games by any nonprofit organization, regardless of whether the organization is registered to conduct those bingo games delete the requirement that the commission establish criteria for the registration of the persons described above .~~

Existing law requires the commission to establish reasonable criteria for, and to require the licensure and regulation of, any person who provides card-minding devices or other equipment or services designed for use in the playing of bingo games by any nonprofit organization registered to conduct bingo games.

This bill would delete the requirement that the commission establish criteria for

facilities and satellite food service, as defined, by the State Department of Public Health. Under existing law, local health agencies are primarily responsible for enforcing this code. A violation of these provisions is punishable as a misdemeanor.

The code defines an "egg" to mean the shell egg of a domesticated chicken, turkey, duck, goose, or guinea.

This bill would revise this definition to include the shell egg of an avian species, as specified, except a balut and an egg product.

This bill would define cold water and frozen food for purposes of the code.

(2) The code exempts from its provisions premises set aside for wine tasting.

This bill would revise this exemption, as specified.

(3) The code exempts from its provisions child day care facilities, community care facilities, residential care facilities for the chronically ill, and residential care facilities for the elderly. The code requires, if and when a specific appropriation is made available, the State Department of Social Services to develop new regulations regarding food preparation provisions for child day care facilities, community care facilities, and residential care facilities for the elderly.

This bill would make technical, nonsubstantive changes to these provisions.

(4) The code defines prepackaged food as any properly labeled processed food, prepackaged to prevent direct human contact with the food product upon distribution from the manufacturer and prepared at an approved source.

This bill would revise this definition to include distribution from a food facility or other approved source.

(5) The code defines a produce stand to mean a permanent food facility that sells, offers for sale, or gives away only produce or shell eggs, or both.

This bill would exclude from this definition certain premises operated by a producer. It would also revise the definition of vermin, as specified.

This bill would additionally define a "single operating site mobile food facility" for purposes of the California Retail Food Code, and impose various requirements on these facilities. The bill would revise various standards applicable to mobile food facilities and satellite food service, with respect to water storage, contamination prevention, and construction standards.

(6) The code authorizes a local health officer or the local enforcement agency, or both, to require, after investigation and for reasonable cause, the immediate restriction or exclusion of any employee from an affected food facility.

This bill would limit the authorization to the immediate restriction or exclusion of any food employee from an affected food facility.

(7) The code prohibits food prepared in a private home from being used or offered for sale in a food facility.

This bill would also prohibit food stored in a private home from being used or offered for sale in a food facility.

(8) The code prohibits toilet rooms from being used for the storage of food,

Mar. 9 To Com. on HEALTH.

Feb. 25 From print. May be acted upon on or after March 27.

Feb. 24 Introduced. Read first time. To Com. on RLS. for assignment. To print.

Organization

CARF

SB 254 (Wiggins) Horses: sale, purchase, or transfer. (1-02/24/2009 [html](#) [pdf](#))

Status: 04/30/2009-Set for hearing May 12.

Current Location: 04/28/2009-S JUD.

Calendar Events: 05/12/09 1 p.m. - Room 112 SEN JUDICIARY

Digest: Existing law prohibits a person from receiving any form of compensation in connection with the sale or purchase of a racehorse, prospective racehorse, stallion, or broodmare, unless the purchaser and seller have agreed in writing to the payment of that compensation.

This bill instead would require any sale, purchase, or transfer of an equine, as defined, to be accompanied by a written bill of sale or acknowledgment of purchase, and a security agreement setting forth the purchase price, and signed by both the purchaser and seller or their duly authorized agents, as specified.

The bill would provide that it is unlawful for any person to act as a dual agent, as defined, unless certain conditions are met, and would make it unlawful for a person acting as an agent to receive in excess of \$500 in compensation or in other items of value, related to that transaction, other than from the agent's principal, unless certain conditions are met. The bill would allow any person injured by a violation of its provisions to recover treble damages, plus other expenses. The bill would provide that the board may suspend or revoke the license of any person who violates its provisions.

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

Laws: An act to repeal and add Section 19525 of the Business and Professions Code, relating to horse racing.

History:

Apr. 30 Set for hearing May 12.

Apr. 28 From committee: Do pass, but first be re-referred to Com. on JUD.

(Ayes 10. Noes 1. Page 680.) Re-referred to Com. on JUD.

Mar. 27 Set for hearing April 28.

Mar. 9 To Coms. on G.O. and JUD.

Feb. 25 From print. May be acted upon on or after March 27.

Feb. 24 Introduced. Read first time. To Com. on RLS. for assignment. To print.

Organization

CARF

SB 358 (Ducheny) Indian tribes: economic development. (A-04/13/2009 [html](#) [pdf](#))

Status: 04/27/2009-Placed on APPR suspense file.

Current Location: 04/20/2009-S APPR.

Digest: Existing law, the California Small Business Financial Development Corporation Law, authorizes the formation of small business financial development corporations to grant loans or loan guarantees for the purpose of stimulating small business development and imposes certain duties with respect thereto on a director designated by the Secretary of Business, Transportation and Housing. The California Small Business Expansion Fund, which is created under that law and is continuously appropriated, provides funds to be used to pay for defaulted loan guarantees and administrative costs of these corporations.

This bill would require the secretary to establish the Native American Business Revolving Loan and Guarantee Program for the purpose of providing nongaming business loans and loan guarantees to qualified Indian tribes, as defined. The bill would create the Native American Business Revolving Loan and Guarantee Program Account within the California Small Business Expansion Fund, solely for the purpose of receiving *certain* state, federal, or local government moneys, other public or private moneys, and tribal government contributions. The bill would continuously appropriate the moneys in the account to the director for the purpose of implementing and administering the program. By authorizing the expenditure of funds from a continuously appropriated account, the bill would make an appropriation. The bill would require that the program and the steps necessary to implement it and make it operative not be undertaken until the secretary has determined that funds of a sufficient amount to create a loan pool and pay program administrative costs have been received into the account. The bill would require the director to provide for the development and implementation of the application review process for the program, subject to specified requirements. The bill would specify the maximum amount of a loan or loan guarantee granted under the program and would require a tribe applying for a loan to provide matching funds in a specified amount. The bill would create the Native American Business Finance Council, consisting of 9 members, ~~who are appointed by, and serve at the pleasure of, the Governor~~³ of whom would be appointed by the Senate Committee on Rules, the Speaker of the Assembly, and the Governor, respectively, as specified, to provide policy and program guidance regarding the development and operation of the program. The bill would

and safety and major and deferred maintenance.

This bill would instead require any racing association to make that additional 1% deduction. By increasing the amount to be deposited into the Fair and Exposition Fund, which is continuously appropriated, the bill would make an appropriation.

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

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

Laws: An act to amend Section 19614 of the Business and Professions Code, relating to horse racing, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

History:

Apr. 23 Set for hearing May 12.

Apr. 22 Set, first hearing. Hearing canceled at the request of author.

Mar. 27 Set for hearing April 28.

Mar. 12 To Com. on G.O.

Feb. 27 From print. May be acted upon on or after March 28.

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

Organization

CARF

SB 662 (Yee) Horse racing: parimutuel wagering: real time monitoring. (A-04/13/2009 [html](#) [pdf](#))

Status: 04/28/2009-From committee: Do pass, but first be re-referred to Com. on APPR. (Ayes 11. Noes 0. Page 681.) Re-referred to Com. on APPR.

Current Location: 04/28/2009-S APPR.

Calendar Events: 05/11/09 11 a.m. - John L. Burton Hearing Room (4203) SEN APPROPRIATIONS

Digest: Existing law provides that the California Horse Racing Board shall have all necessary powers to carry out the purposes of the Horse Racing Law and specifies certain responsibilities of the board.

This bill would include, within those responsibilities of the board, providing real time transactional monitoring of all parimutuel wagering on California horse races and maintaining independent technology services for specified purposes.

~~Existing law authorizes advance deposit wagering to be conducted, upon the approval of the board. Existing law provides for various deductions and~~

Status: 04/28/2009-From committee: Do pass, but first be re-referred to Com. on APPR. (Ayes 11. Noes 0. Page 682.) Re-referred to Com. on APPR.

Current Location: 04/28/2009-S APPR.

Calendar Events: 05/11/09 11 a.m. - John L. Burton Hearing Room (4203) SEN APPROPRIATIONS

Digest: *Existing law, until January 1, 2011, authorizes racing associations, fairs, and other related organizations to form a private, statewide marketing organization to market and promote thoroughbred and fair horse racing, and to obtain, provide, or defray the cost of workers' compensation coverage for stable employees and jockeys of thoroughbred trainers. A specified percentage of the amount handled by each satellite wagering facility is required to be distributed to that statewide marketing organization for those purposes of promotion and defraying the cost of workers' compensation coverage. Existing law also provides that any promotion funds not expended in the year in which they are collected may be expended in the following year.*

Existing law, until January 1, 2014, provides that every thoroughbred association and fair that conducts a racing meet shall deduct a percentage of the total amount handled in exotic parimutuel pools of thoroughbred races, which shall be distributed to an organization, as specified, to defray costs of workers' compensation insurance in connection with thoroughbred horses that race in this state, as specified. Existing law provides that any funds that are not used to defray the cost of workers' compensation insurance shall either be carried forward to the subsequent year or used to reimburse racing associations for safety-related expenditures, as specified.

This bill would provide that, in the event there are at any time uncommitted surplus funds in accounts created pursuant to the above provisions of existing law, those unexpended funds may, at the request of the organization governing those funds and with the approval of the California Horse Racing Board, be reallocated to any other fund or account created pursuant to the Horse Racing Law.

~~Existing law, the Horse Racing Law, generally regulates horse racing and parimutuel wagering on horse races. Existing law requires various deductions and distributions to be made from parimutuel pools as specified.~~

~~This bill would express the Legislature's findings and declarations regarding the threat to the horse racing industry in California due to escalating costs. The bill would declare the intent of the Legislature to enact legislation to deduct an additional percentage of the total amount handled in parimutuel pools of thoroughbred horse races, to establish a joint powers agency to collect that additional money and issue bonds, and to use the money primarily for capital improvement financing.~~

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

Laws: An act to add Section 19605.10 to the Business and Professions Code, relating to horse racing.

Apr. 28 From committee: Do pass as amended, but first amend, and re-refer to Com. on APPR with recommendation: To Consent Calendar. (Ayes 12. Noes 0. Page 682.)

Mar. 27 Set for hearing April 28.

Mar. 26 To Com. on G.O.

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

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

Organization

CARF

SB 830 (Committee on Governmental Organization) Horse racing law: intent. (I-03/19/2009 [html](#) [pdf](#))

Status: 04/28/2009-From committee: Do pass, but first be re-referred to Com. on APPR with recommendation: To Consent Calendar. (Ayes 12. Noes 0. Page 682.) Re-referred to Com. on APPR.

Current Location: 04/28/2009-S APPR.

Calendar Events: 05/11/09 11 a.m. - John L. Burton Hearing Room (4203) SEN APPROPRIATIONS

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

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

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

Laws: An act to amend Section 19401 of the Business and Professions Code, relating to horse racing.

History:

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

Mar. 27 Set for hearing April 28.

Mar. 26 To Com. on G.O.

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

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

Organization

CARF

TITLE 4 CALIFORNIA HORSE RACING BOARD § 2063**2061. Duties of the Simulcast Facility Supervisor or Assistant Simulcast Facility Supervisor.**

The simulcast facility supervisor or assistant simulcast facility supervisor is responsible for the oversight of the facility to ensure compliance with the Board's laws, rules and regulations. The duties of a simulcast facility supervisor or assistant simulcast facility supervisor, in addition to any duties and responsibilities required by his/her employer, include, but are not limited to, immediately reporting to the Board or its stewards, in writing or by telephone, any violation of the Board's rules or regulations which come to their attention or of which they have knowledge. This includes referrals of matters involving misconduct of licensees to the host track stewards and ordering the exclusion or ejection of persons who are prohibited from participating in pari-mutuel wagering and from being present within any racing inclosure during a recognized race meeting. Additional duties include maintaining minutes of the conduct of each day's events at the simulcast location where assigned, supervising all phases of the facility which are directly related to the requirements of the Board's laws and regulations at the simulcast location. The supervisor does not hire or fire pari-mutuel employees nor does he/she oversee the performance of the pari-mutuel employees with regard to personnel matters. The supervisor does, however, have a responsibility to report to the Board any non-compliance with the Board's laws and regulations as they pertain to pari-mutuel matters.

NOTE: Authority cited: Sections 19420, 19440 and 19460, Business and Professions Code. Reference: Sections 19520, 19521 and 19522, Business and Professions Code.

HISTORY:

1. New rule filed 10-4-93; effective 11-3-93.
2. Amendment filed 12-6-99; effective 12-6-99.

Article 25. Interstate Simulcast Wagering**2063. Out-of-State and Interstate Wagering.**

(a) The Board shall authorize a racing association or a guest association to conduct simulcast wagering on the results of one or more races conducted by an out-of-state racing association, provided:

(1) The association intending to conduct wagering on an out-of-state race files with the Board a copy of the agreement with the out-of-state association and the written approvals required by Chapter 57, commencing with Section 3001, of Title 15 of the United States Code, and a statement setting forth the date and time it intends to commence accepting wagers on the out-of-state race(s).

(2) The Board approves the methods by which the out-of-state association intends to transmit the simulcast of its race(s) and the restrictions, if any, placed on the use of the simulcast, and the methods to be used to assure a

Breeders' Cup to Remain at Santa Anita

by Blood-Horse Staff

Date Posted: 4/29/2009 6:51:01 PM

Last Updated: 5/1/2009 12:51:19 PM



The Breeders' Cup World Championships will remain at Santa Anita Park, where they were in 2008.
Photo: Anne M. Eberhardt

Breeders' Cup said April 29 this year's two-day World Championships will remain at Santa Anita Park.

Racing in late summer and early fall at Santa Anita is held under the auspices of the Oak Tree Racing Association. But the track is owned by Magna Entertainment Corp., which filed for Chapter 11 bankruptcy protection in March.

The bankruptcy, still unresolved, led to questions about whether Santa Anita could in fact keep its commitment to be the Breeders' Cup host site this year. The event is scheduled for Nov. 6-7 at the Southern California track.

Breeders' Cup officials said the Delaware court handling the MEC bankruptcy case affirmed April 29 Oak Tree's lease with Santa Anita through the end of this year. MEC-affiliated attorneys had [earlier filed a motion](#) seeking court approval of a stipulation to honor the Oak Tree lease.

"As a result, we can now officially confirm that this year's Breeders' Cup World Championships will be held at Oak Tree at Santa Anita Park as originally planned," Breeders' Cup president and chief executive officer Greg Avioli said in a statement. "Together with our colleagues at Oak Tree and Santa Anita, we are very excited to showcase another outstanding Breeders' Cup from Southern California to our fans and horsemen around the globe.

Avioli also acknowledged Churchill Downs, the 2010 Breeders' Cup host site, was prepared to step in this year if necessary.

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GAME STARTS MAY 23

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Bid for MEC Properties Dropped by Parent

by Blood-Horse Staff

Date Posted: 4/20/2009 12:11:54 PM

Last Updated: 4/21/2009 11:31:17 AM

MEC

MAGNA ENTERTAINMENT

The parent company of Magna Entertainment Corp. won't be submitting a bid for racetracks after all.

MI Developments said April 20 it has agreed with MEC to terminate its "stalking horse" bid of \$195 million to purchase various assets, including racetracks. MEC filed for Chapter 11 bankruptcy protection in early April, at which time MID announced it would buy some of its assets.

"Although the stalking horse bid has been terminated, MID will continue to evaluate whether to bid on MEC assets during the course of the Chapter 11 sales process," the company said in a statement.

MID vice chairman and chief executive officer Dennis Mills said objections from "a number of parties in the MEC Chapter 11 process" played a role in the decision. He said MID primarily is concerned with maximizing recovery on secured loans made to MEC, which is hundreds of millions of dollars in debt.

"As the process moves forward, MID will continue to evaluate all opportunities to preserve the value of our secured loans to MEC, which may include MID bidding for certain of MEC's assets," Mills said.

MID also said the terms of the debtor-in-possession financing provided to MEC by a wholly-owned subsidiary of MID have been amended to extend the maturity from Sept. 6 to Nov. 6, 2009, to allow for a longer marketing period in connection with MEC asset sales; reduce the principal amount available from \$62.5 million to \$38.4 million, with the reduction attributable to the fact that interest on the pre-petition indebtedness owed by MEC and its subsidiaries to the MID lender will accrue during the Chapter 11 process rather than being paid currently in cash; and provide that MEC has until the week of May 4 to file a motion on the bid procedure relating to the asset sales.

Terms of the financing facility were to be heard in U.S. Bankruptcy Court in Delaware April 20, but the hearing was postponed until May 7.

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MEC 2008 Loss Highest in Company History

by Ryan Conley

Date Posted: 3/27/2009 12:30:23 PM

Last Updated: 3/28/2009 4:58:28 PM

One day after reporting Magna Entertainment Corp. would not release an annual report due to its ongoing bankruptcy proceedings, controlling shareholder MI Developments released data showing MEC posted its highest-ever annual loss in its brief history, though it's not exactly clear what the final tally is.

MID, which released its annual earnings report March 27, said at one point its horse racing subsidiary lost \$256.1 million in 2008, but that figure did not include factoring in the amount attributed to the minority ownership. Including effects of the minority interest, the annual loss was pegged at \$137.7 million by MID, which controls a 54% share of MEC.

MEC in court documents included in its initial filing for Chapter 11 bankruptcy reorganization March 5 estimated its net loss for 2008 at \$294.1 million.

In any case, MEC's 2008 loss is higher than any previously reported, bettering the \$113.8 million the company posted in 2007. MEC was officially launched in 1999, though its genesis is in other entities dating back to 1996.

It was also reported that MEC has a working capital deficiency of \$501.5 million at year-end, as well as \$453.4 million in debt — excluding loans involved in joint-venture interests, which pushes that liability load to more than \$500 million.

MID, which operates as a publicly-traded real estate subsidiary of auto-parts conglomerate Magna International, reported a consolidated loss of \$3.2 million in 2008, a swing from a \$35.5 million profit for 2007. Magna International, MI Developments, and Magna Entertainment are all chaired by multiple Eclipse Award-winning breeder and owner Frank Stronach.

MID vice chairman and chief executive officer Dennis Mills said in the earnings release the company believes MEC, despite "significant financial challenges," carries "valuable real estate that is attractive from a development and redevelopment perspective." MID is seeking to secure control of three racetracks and other assets through a \$195-million baseline bid in a pending bankruptcy court auction, and has extended \$62.5 million in debtor-in-possession financing to MEC, of which \$13.4 million has already been court-approved.

"Our participation in the MEC Chapter 11 process is intended to preserve the value of our secured loans and ultimately create value for MID shareholders," Mills said in the release. "That is why MID made available to MEC the DIP loan, and entered into an agreement with MEC to be the stalking horse bidder for certain of MEC's assets. At the same time, we are developing a plan to segregate any racing or gaming assets that we may acquire in the MEC Chapter 11 process in a separate and self-sustaining subsidiary."

If successful, MID [previously said](#) it will spin off assets it might acquire through court proceedings into a generically-named entity called RaceCo. Those assets include, in part, Golden Gate Fields, Gulfstream Park, Lone Star Park, totalizator company AmTote International, and its advance deposit wagering entity, XpressBet.com.

MID's core real estate business, which includes assets included in Magna International's vast portfolio of properties, recorded a \$132.6-million profit in 2008, a 20% increase from 2007. Total revenue increased for the sixth straight year, up 16% in 2008 to \$219.1 million.

MEC bankruptcy
filed March 6.

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CALIFORNIA AUTHORITY OF RACING FAIRS
BALANCE SHEET
March 31, 2009

ASSETS

	CURRENT YTD	PRIOR YTD
	3/31/09	3/31/08
Current Assets		
CASH - LAIF & INVESTMENTS	2,948,615	4,390,828
CASH - OPERATING	2,189,125	72,071
MARKETABLE SECURITIES	4,163,818	3,850,557
A/R - DUES	(12,086)	41,802
A/R - PRINTING	192,659	291,194
A/R - RACING FAIRS	441,635	409,913
A/R - F&E SUPPLEMENTAL PURSE/OTHER A/R	1,492,848	399,778
PREPAIDS/DEPOSITS	38,340	39,544
Total Current Assets	11,454,954	9,495,687
Fixed Assets		
AUTOMOBILE	10,906	18,368
FURNITURE & EQUIPMENT	3,259	4,013
COMPUTER HARDWARE/SOFTWARE	9,621	11,647
TRACK EQUIPMENT	89,100	147,010
Total Fixed Assets (Net of Depr.)	112,886	181,039
TOTAL ASSETS	11,567,840	9,676,726

LIABILITIES & NET ASSETS

Current Liabilities		
A/P & WITHHOLDINGS	464,329	473,546
A/P - PROGRAM ROYALTIES TO HOST	89,217	100,387
RACING DISTRIBUTIONS	(117,541)	(125,148)
PURSE FUNDS	1,725,712	1,656,946
TRACK SAFETY/MAINT.	763,499	106,915
INFOTEXT UPGRADE	156,521	151,482
MISC PROJECT FUNDS	0	598
LOU-1 - TIMING/TRACK SURFACE/AREA ENHANC	0	128,076
LOU-2 - SPECIAL EVENT CENTERS	0	981
LOU-3 - SATELLITE SURVEY/TURF STUDY	0	87,704
EQUIPMENT REPLACEMENT FUND	1,177,328	(22,471)
LOU-5 - SYMPOSIUM	4,248	8,348
FACILITY IMPROVEMENTS & UPGRADES	751,342	1,239,698
CAPITAL IMPROVEMENT FUND	1,637,373	883,231
Total Current Liabilities	6,652,027	4,690,291
Non-Current Liabilities		
CHRIMS FUNDS	88,248	85,407
CHANGE FUND	1,014,000	1,014,000
FAIRS - EQUIP REPLACEMENT FUNDS	2,107,900	2,274,557
Total Non-Current Liabilities	3,210,148	3,373,963
TOTAL LIABILITIES	9,862,175	8,064,255
Net Assets		
FUND EQUITY	1,730,655	1,542,687
F&E Net Assets	14,850	72,760
RETIREMENT CONTINGENCY	0	0
NET INCOME/LOSS	(39,840)	(2,976)
Total Net Assets	1,705,665	1,612,471
TOTAL LIABILITIES & NET ASSETS	11,567,840	9,676,726

**California Authority of Racing Fairs
Agency Income Statement
March 31, 2009**

	2007 Year End Actual	2008 Year End Actual	2008 YTD Actual	2009 YTD Actual	2009 Annual Budget	2009 Budget Variance	2009 % Budget
Revenue:							
Other Revenue	13,560	12,384	447	15	500	(485)	3%
Interest Income	92,352	96,705	25,354	3,587	40,000	(36,413)	9%
Member Dues	257,268	282,520	64,317	70,633	282,520	(211,887)	25%
CARF South Programs Admin Fee	34,731	29,295	7,473	6,908	30,375	(23,467)	23%
CARF Projects Admin Fee	158,277	175,639	4,422	9,543	215,000	(205,457)	4%
CARF Live Racing Admin Fee	155,333	149,008	24,584	12,945	139,528	(126,583)	9%
CARF @ Leased Facility Revenue	0	0	0	0	0	0	0%
Total Revenue	711,520	745,551	126,597	103,631	707,923	(604,292)	15%
Expenses:							
Salaries	207,576	245,914	54,515	56,518	298,428	241,910	19%
Employee Benefits	16,639	26,810	5,879	6,398	30,000	23,602	21%
Post Retirement Benefits	31,122	31,614	7,898	13,228	93,193	79,965	14%
Payroll Taxes	9,960	12,509	4,413	4,669	13,500	8,831	35%
Accounting Costs	16,270	16,337	4,067	4,557	16,250	11,693	28%
Audit Services	5,875	6,188	0	0	6,188	6,188	0%
Automobile Expense	3,788	3,236	2,500	10	4,000	3,990	0%
Contracted Services	2,214	659	59	256	3,000	2,744	9%
Depreciation	13,195	13,729	2,034	3,558	13,500	9,942	26%
Dues & Subscriptions	29,509	14,388	3,430	3,282	15,000	11,718	22%
Insurance Expense	38,824	40,542	10,158	9,446	41,000	31,554	23%
Legal Expenses	5,575	1,740	0	195	10,000	9,805	2%
Legislative Expenses	56,089	54,869	13,976	13,271	60,000	46,729	22%
Meetings Expense	3,420	3,758	1,989	1,459	5,000	3,541	29%
Misc. (Ag Day Sponsor)	404	204	18	2,083	1,000	(1,083)	208%
Office Supplies	15,953	19,576	5,759	6,743	18,000	11,257	37%
Postage & Shipping	4,168	4,343	960	890	5,000	4,110	18%
Rent (Tribute Road)	35,770	39,413	8,942	9,605	38,419	28,814	25%
Repairs & Maintenance	359	0	0	0	1,000	1,000	0%
Telephone Expense	10,921	8,132	1,913	1,894	11,000	9,106	17%
Training	0	0	0	0	2,500	2,500	0%
Travel Expense	27,308	23,216	3,074	7,775	27,500	19,725	28%
Total Expenses	534,936	567,174	131,585	145,839	713,478	567,639	20%
Agency Income (Loss)	176,584	178,377	(4,988)	(42,207)	(5,555)	(36,652)	
Southern Program Income (Loss)	16,026	9,592	2,013	2,367	6,925	(4,558)	
Total Balance Sheet Net Income (Loss)	192,610	187,969	(2,976)	(39,840)	1,370	(41,210)	

**California Authority of Racing Fairs
Southern Region Income Statement
March 31, 2009**

	2007	2008	2008	2009	2009	2009	2009
	Year End	Year End	YTD	YTD	Annual	Budget	% Budget
	Actual	Actual	Actual	Actual	Budget	Variance	
Program Revenue:							
Program Sales	463,076	397,688	99,636	92,112	405,000	(312,888)	23%
Other Revenue	0	0	0	0	0	0	0%
Royalties/Fees Due Host	(411,359)	(358,703)	(90,150)	(82,837)	(365,000)	282,163	23%
Total Revenue	51,718	38,985	9,486	9,275	40,000	(30,725)	23%
Expenses:							
Legal Expenses	0	0	0	0	1,000	1,000	0%
Meetings Expense	539	98	0	0	1,000	1,000	0%
Misc Exp.(Storage)	0	0	0	0	500	500	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	100	100	0%
Telephone Expense	0	0	0	0	100	100	0%
Travel Expense	422	0	0	0	0	0	0%
Total Expenses	961	98	0	0	2,700	2,700	0%
Operating Income (Loss)	50,757	38,887	9,486	9,275	37,300	(28,025)	25%
CARF Admin Fee	34,731	29,295	7,473	6,908	30,375	23,467	23%
Rebate							
Income (Loss)	16,026	9,592	2,013	2,367	6,925	(4,558)	34%

Meeting Handouts

MEMORANDUM OF UNDERSTANDING

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This Memorandum of Understanding ("Memorandum") is entered into as of this ___ day of April, 2009 by and between the undersigned racing associations, the Thoroughbred Owners of California ("TOC"), and the California Thoroughbred Breeders Association ("CTBA"), with reference to the following:

- A. As a result of previously incurred and recurring revenue shortfalls experienced by Southern California Off-Track Wagering, Inc. ("SCOTWINC") and Northern California Off-Track Wagering, Inc. ("NCOTWINC") those organizations are experiencing severe cash flow shortages in funds required to permit the continuation of off-track wagering in California as authorized by California law.
- B. Through April 20, 2009, NCOTWINC and SCOTWINC have incurred shortfalls as set forth on Exhibit A hereto and such shortfalls are expected to continue to accrue for Thoroughbred racing associations conducting race meets in California in 2009 and beyond, unless further action is undertaken.
- C. The problems created by the shortfalls have been exacerbated, and will continue to be adversely affected, by the fact that Magna Entertainment Corp ("Magna") filed a Chapter 11 bankruptcy proceeding on March 5, 2009 that limits, at this time, the ability of the Los Angeles Turf Club ("Santa Anita") and Pacific Racing Association ("Golden Gate Fields") to make contributions that would ensure the continuation of off-track wagering in California. It is estimated that as of April 19, 2009 (date of termination of Santa Anita's 2008-09 Meet) the unpaid shortfalls incurred by Golden Gate Fields and Santa Anita while conducting live racing will be \$xxx and \$xxx, respectively. As a result of the bankruptcy proceedings of Magna, it is extremely difficult, at this time, for full corrective action to be taken with respect to the shortfalls incurred by SCOTWINC and NCOTWINC while Golden Gate Fields and Santa Anita conducted live racing, with the exception of a portion of those shortfalls attributable to wages and benefits.
- D. Racing associations and TOC have had a longstanding disagreement regarding the application of California Business & Professions ("B&P") Code, Sections 19605.7 and 19605.71 as they relate to the use of purse monies for payment of operating expenses incurred in excess of statutory caps on the funding of SCOTWINC and NCOTWINC.
- E. As a result of the funds being advanced hereunder by Bay Meadows Racing Association ("Bay Meadows"), Del Mar Thoroughbred Club ("Del Mar"), Hollywood Park Racing Association ("Hollywood Park") and the Oak Tree Racing Association ("Oak Tree"), and certain loans made by the parties, including TOC, the shortfalls incurred by NCOTWINC and SCOTWINC while such racing associations conducted live racing will have been extinguished. In addition this

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e. [Possible additional loans]

To NCOTWINC

\$150,000 TOC, payable one-half on or before May 18, 2009 and one-half on June 1, 2009

The advances made pursuant to this paragraph ~~4~~ shall be referred to herein collectively as the "Loans." The distributions of the ADW Deduction shall not be changed without the parties to whom payments are to be made for Reimbursable Shortfalls and Loans agreeing that adequate security has been substituted for such repayments. Upon Bay Meadows, Del Mar, Hollywood Park, Oak Tree ~~and TOC~~ making the advances for Reimbursable Shortfalls and Loans set forth in Section ~~3~~ above, and this Section ~~4~~, the shortfalls existing by SCOTWINC and NCOTWINC as a result of their respective live meets shall be extinguished.

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5. The ADW Deduction shall upon receipt be immediately deposited weekly to segregated accounts to be held in trust by a mutually agreed upon Trustee, for the benefit of Northern Zone associations and horsemen ("NCOTWINC Trust"), and for the benefit of the combined Central and Southern Zone ("SCOTWINC Trust") associations and horsemen, respectively, based upon contributions generated in each zone.
6. Proceeds from the ADW Deduction held in the NCOTWINC Trust and the SCOTWINC Trust shall be distributed for the benefit of the zone and race meet generating the ADW Deduction with the intention of amortizing the repayment of all Loans and Reimbursable Shortfalls over a period of one year as follows:

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A. Northern Zone

- (i) \$7,000 of the ADW Deduction shall be paid to fund daily ongoing NCOTWINC shortfalls;
- (ii) Thereafter, the ADW Deduction shall be utilized to repay Loans and Reimbursable Shortfalls, with payments used first to repay in full all Loans proportionately and second, once all Loans are repaid with interest at 5% per annum, to pay Reimbursable Shortfalls proportionately to the parties who have paid the Reimbursable Shortfalls; and
- (iii) the balance thereof, if any, shall first be distributed by NCOTWINC to fund any current shortfalls in the Stabling and Vanning fund and the satellite change fund, and thereafter the balance distributed as follows: 49.25% purses, 49.25% commissions, and 1.5% toward the payment of Cal-bred maiden winner bonuses.

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B. Southern Zone

- (i) ~~\$19,000~~ of the ADW Deduction shall be paid to fund ~~daily~~ ongoing SCOTWINC shortfalls;
- (ii) ~~Thereafter~~, the ADW Deduction shall be utilized to repay Loans and Reimbursable Shortfalls, with payments used first to repay in full all Loans proportionately and second, once all Loans are repaid with interest at 5% per annum, to pay Reimbursable Shortfalls proportionately to the parties who have paid the Reimbursable Shortfalls; and
- (iii) ~~The balance thereof, if any, shall first be distributed by SCOTWINC to fund any current shortfalls in the Stabling and Vanning fund and the satellite change fund, and thereafter the balance distributed as follows: 49.25% purses, 49.25% commissions, and 1.5% toward the payment of Cal-bred maiden winner bonuses.~~

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Exhibit C hereto sets forth pro forma cash flows and amortization schedules for Loans and Reimbursable Shortfalls.

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7. Concurrently with the approval of the ADW Deduction by the CHRB, and the proposed method of distribution, the parties shall jointly sponsor and support legislation in the form of one or more bills which shall provide for the following:

A. Clean-up Legislation – SB16XX

The parties agree to support various elements of clean-up legislation pertaining to SB16XX as set forth on Exhibit C. The estimated value of such clarifications to purses and commissions from July 1, 2009 to June 30, 2010 is \$ _____ and \$ _____, respectively, based upon the projection set forth on Exhibit D.

B. Takeout – Purse Supplement, Capital Improvements and Revision of Statutory Distributions

- (i) The parties further agree ~~that, as part of the Clean-up legislation, each will support legislation permitting~~ an increase in takeout of up to ~~3%~~, upon the filing with the CHRB of a notice establishing a revised takeout level signed by the organization representing owners and affected racing associations. In that regard the parties to this memorandum agree to a minimum increase of ~~1%~~ on both conventional and exotic wagers in the event such legislation is adopted ~~(the "Takeout Increase")~~.

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- (ii) The legislation shall further provide for a method by which the realized proceeds of a Takeout Increase shall be distributed as follows:
 - (a) ~~73.2%~~ of the proceeds generated in the respective zone shall be distributed to purses at the Thoroughbred meet then being conducted in that zone(s) ~~and/or to a trust ("Capital Improvement Trust")~~, administered by ~~TOC~~, the purpose of

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which is to acquire, maintain or improve California Thoroughbred racing and training facilities.

- (b) 1.8% of the proceeds generated shall be distributed to the Thoroughbred Incentive Program administered by the CTBA for the payment of Cal-bred maiden winner bonuses.
- (c) 25% of the proceeds generated in the respective zone shall be distributed as commissions to the Thoroughbred meet then being conducted in that zone(s).

- (iii) The legislation shall establish governance standards for the Capital Improvement Trust and provide for meaningful representation of industry constituents in the decision making and capital allocation process. It shall further provide for at least 50% of voting control to the horsemen's organization responsible for the negotiation of purses agreements with Thoroughbred racing association, and agreed upon super-majority provisions to ensure adequate input from such racing associations,

- (iv) Any facilities acquired, improved or maintained shall be operated on a not-for-profit basis, the availability of which to the industry is assured for at least fifteen (15) years, and the legislation shall provide for collective bargaining representation at such facilities by collective bargaining units that have historically represented employee classifications at the nearest operating racetrack.

C. Modification of Statutory Distributions

The parties further agree to support legislation that shall contain provisions: modifying statutory distributions from the takeout across all forms of handle in order to eliminate structural deficits in various funds which result from handle shifts to or from on-track, off-track and ADW handle; providing for the consolidation and reorganization of the two entities statutorily designated to oversee off-track wagering; and providing for a reallocation of voting control within such industry controlled organizations and programs commensurate with the funding provided by each constituent interest. The objective of this effort shall be to maintain the relative economic positions of the parties as modified by this memorandum and the legislation contemplated hereby while avoiding the repetition of the funding and cash flow crises described above.

- & The parties hereby acknowledge that this Memorandum has been entered into as an interim solution to the imminent threat to continued racing in California resulting from the cash flow difficulties referenced herein above. Therefore the parties agree that, absent a written agreement executed by an authorized representative of each subscribing entity extending the terms of the

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Memorandum, this Memorandum and its substantive provisions shall expire and no longer be operative as of June 30, 2010.

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Thoroughbred Owners of California

By _____

Bay Meadows Racing Association

By _____

Pacific Racing Association

By _____

Hollywood Park Racing Association

By _____

Los Angeles Turf Club

By _____

Del Mar Thoroughbred Club

By _____

Oak Tree Racing Association

By _____

California Thoroughbred Breeders Association

By _____

Acknowledged and Accepted

SOUTHERN CALIFORNIA OFF-TRACK WAGERING, INC.

By _____

NORTHERN CALIFORNIA OFF-TRACK WAGERING, INC.

By _____