

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors
Tuesday, May 5, 2009

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, May 5, 2009. The meeting was conducted at the CARF Board Room, 1776 Tribute Road, Suite 205, Sacramento, California, 95815.

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

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland, Tom Doutrich, Margot Wilson, Chris Carpenter, Debbie Cook, Stuart Titus and Rick Wood. Joining by conference call: Tawny Tesconi, Scott Grieve, Mike Paluszak and Louie Brown.

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, June 2, 2009, location to be determined.

Agenda Item 3 – Adoption of Resolution Approving CARF's Pre-Funding of Other Post Employee Benefits through CalPers and the Delegation of Authority to Request Disbursements. Mr. Wood reported on GASB 45, the requirement to calculate and establish a reserve for the exposure of post-retirement benefits. This is the first year CARF will be required to come into compliance with GASB 45 due to the size of the organization. CARF has within its net assets enough money to completely pre-fund the outstanding liability of approximately \$721,000.

Mr. Pickering moved to designate CalPers as the third-party trustee to administer the funds. Mr. Bartosik seconded, unanimously approved.

Agenda Item 4 – Adoption of Resolution Authorizing CARF to Fully Fund the Outstanding GASB 45 Liability as of June 30, 2009. Mr. Pickering moved to fully fund the outstanding GASB 45 liability of approximately \$721,000 as of June 30, 2009. Mr. Bartosik seconded, unanimously approved.

Agenda Item 5 – Discussion and Action, if any, on Public Agency Financing of Infrastructure Improvements to Racing Facilities or for Acquisition of Racing Venues. Mr. Korby introduced draft legislation, included in the meeting packet, regarding a potential increase in takeout to provide a revenue stream to secure bonds for capital improvements at Fair racing facilities or the acquisition of racing venues. The bankruptcy of MAGNA has provided a unique opportunity in California. The Board granted direction to move forward with the concept.

Agenda Item 6 – Discussion and Action, if any, on Interim, Temporary or Permanent Closure of Existing Satellite Wagering Facilities or Opening New Satellite Wagering Facilities. Mr. Korby reported that the Redwood Acres Fair Board made a determination to reduce their satellite wagering facility's operating schedule by one day in an attempt to keep the facility open and make it viable.

Mr. Carpenter reported that the San Mateo County Event Center was able to develop a plan to accommodate both the Maker Faire and the satellite wagering facility for the time period that the Maker Faire is on grounds. There had been previous discussion of closing a portion of the satellite facility's overflow space. This issue was resolved to the satisfaction of all interested parties.

Agenda Item 7 – Discussion and Action, if any, on Legislative Matters or Statewide Initiatives. Mr. Brown reported that AB 1499 (Evans), the bill providing workmen's compensation coverage to Emerging Breed horsemen, passed out of the Senate G.O. Committee on Consent and is now being fast tracked. This is the same bill that was in effect in 2008 which was scheduled to sunset in 2009.

AB 734 (Hill), the CARF sponsored bill to increase takeout 1% to raise satellite commissions from 2% to 3%, was also passed out of the Senate G.O. Committee on Consent. The movement of the bill was contingent on complying with the Committee's request to make the bill less controversial by using the language from 2007's AB 765 (Evans) with the addition that an increase in handle could also be used for operational costs for satellites, thereby creating a spot bill for use as a vehicle for future negotiations.

AB 763 (Chesbro), which would give Humboldt County Fair the ability to accept wagers on additional out-of-state races and derive additional revenue from those wagers, is moving forward.

Mr. Alkire and Mr. Brown were made aware that the night industry has interest in gutting and amending a bill to increase takeout by 1.5 to 2% with the possible intent of dedicating 1% of that increase to satellites.

Mr. Korby addressed a Memorandum of Understanding (MOU), drafted by the Thoroughbred Owners of California (TOC), between the TOC, California Thoroughbred Breeder's Association (CTBA), Bay Meadows Racing Association, Pacific Racing Association, Hollywood Park, Los Angeles Turf Club, Del Mar, and Oak Tree Racing Association regarding previously incurred and recurring shortfalls at SCOTWInc. and NCOTWInc. The document basically acknowledges that the horsemen's associations, as well as racing associations, are responsible for the shortfalls. For the Fairs and NCOTWInc., there is not a shortfall.

The first part of the MOU takes care of the immediate financial concerns of the two organizations by redirecting ADW distributions. The second part of the MOU creates a solution for avoiding future shortfalls by increasing takeout by 3% for purse supplements, capital improvements and commissions to racing associations. This MOU does not include Fairs as a beneficiary and all California racing associations other than Fairs would receive significant increases in purses, capital improvements and commissions. Mr. Korby recommended the Fairs

develop a position that any solution should benefit organizations who have made a commitment to stay in racing, including live racing Fairs and Fair satellite wagering facilities should be included. Another option would be for Fairs to increase takeout in a similar manner with control over language and distributions.

Agenda Item 8 – Discussion and Action, if any, on Application to the California Horse Racing Board (CHRB) 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. Mr. Korby requested consent from the Board to work with the CHRB and individual member Fairs required by regulations that may not be necessary for operations, such as a night staff person.

Ms. Baldwin moved to direct Staff to obtain a waiver from the CHRB Board from specific regulations affecting the financial solvency of Fair satellite wagering facilities. Mr. Pickering seconded, unanimously approved.

Agenda Item 9 – Executive Director’s Report. Mr. Korby reported that he has been in touch with the legal firm that is handling the auctions of the MAGNA properties to express interest into the facilities up to the point that there would be a monetary commitment. This will keep CARF up to date on the process as the liquidation moves forward.

Respectfully submitted,

Heather Haviland