

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors
Tuesday, June 2, 2009

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 11:00 A.M., Tuesday, June 2, 2009. The meeting was conducted at the CARF Board Room, 1776 Tribute Road, Suite 205, Sacramento, California, 95815.

Board Directors attending: John Alkire. Joining by conference call: Vince Agnifili, Dan Jacobs and Kelly Violini.

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland, Tom Doutrich, Margot Wilson, Chris Carpenter, Debbie Cook, Stuart Titus, Mike Paluszak, Dave Elliott, Mike Treacy, Louie Brown and Raechelle Gibbons. Joining by conference call: Tawny Tesconi, Scott Grieve, Kate Phariss and Larry Ford.

Agenda Item 1 – Confirmation of September 1, 2009 for Next Meeting, Location to be Determined. The next CARF Board & Live Racing Committee meeting is scheduled for Tuesday, September 1, 2009, location to be determined.

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

Agenda Item 3 – Discussion and Action, if any, on Legislative Matters. Mr. Brown reported that AB 1499 (Evans) and AB 734 (Hill) have passed the State Assembly and are waiting for action in the State Senate. AB 1499 (Evans) provides workmen's compensation coverage to Emerging Breed horsemen and AB 734 (Hill) would increase satellite commissions.

Mr. Brown reported that the focus at the Capitol is on California's \$25 billion deficit. Several ideas to generate revenue have been circulating including the sale of five California Fairgrounds. Senate pro tems are pushing all policy committees to conduct hearings regarding the reorganization and consolidation of government. Specific topics affecting Fairs will include the elimination of the California Department of Food and Agriculture, the functionality of Fairs and the elimination of various agricultural programs.

Mr. Treacy reported that F&E, WFA and affiliated JPA entities have scheduled weekly meetings to brainstorm ways to preserve the basic function of Fairs while accomplishing some of the Governor's Office and Legislature's budget goals.

Mr. Korby introduced documents in the meeting packet regarding CARF legislative positions in follow-up to SB 16XX and a memorandum of understanding regarding revenue shortfalls at SCOTWInc. Mr. Korby asked the CARF Board to endorse the objectives contained in the document titled "Legislative Program: Follow Up to SB 16XX, Background, Descriptions and Objectives." Significant positions in the document include restructuring pari-mutuel distributions (including ADW) by increasing conventional and exotic takeout 3% to benefit

Horsemen, satellites and create a capital improvement fund for tracks that intend to continue racing long term.

Current ideas being circulated in the racing industry could potentially exclude Fairs from new revenue streams. The Fairs need to be ready to offer a better solution that will benefit all parties.

Ms. Violini moved that the CARF Board adopt the positions outlined in the document titled "Legislative Program: Follow Up to SB 16XX, Background, Descriptions and Objectives," giving staff the foundation to move forward in SB 16XX clean-up negotiations. Mr. Jacobs seconded, unanimously approved.

Agenda Item 4 – Discussion and Action, if any, on Agency Disbursement of Racing Revenue to Fairs and Reimbursement of Racing Expenses by Fairs. Mr. Korby explained that for Live Racing Fairs, CARF is the conduit for distributing revenues generated as well as paying a large portion of operational expenses. At the end of the racing season, shared racing expenses (i.e. racing office equipment, signal distribution, staffing, etc.) are split amongst the racing Fairs via a pre-established formula and each Fair is invoiced for its share of the actual expenses.

This system has the potential for creating a cash flow problem for CARF if a Fair has received most of its racing commissions but fails to pay the invoice for actual expenses.

Staff has provided a 2009 projection for racing expenses and the Finance Committee recommends that CARF hold a dollar figure equal to 85% of the estimated expenses for each Fair from racing commissions until the season-end invoice is paid in full. The withholding will occur at the end of the Fair meet.

Mr. Titus stated that an 85% withholding would create a financial hardship for Humboldt County Fair, especially since commissions generated from ADW are typically paid late.

Mr. Jacobs moved that CARF withhold monies equal to 65% of a Fair's projected expenses from racing commissions until such time that the Fair pays the CARF invoice for actual racing expenses on a one-year trial basis. The withholding will be re-evaluated for 2010. Ms. Violini seconded, unanimously approved.

Agenda Item 5 – Discussion and Action, if any, on Harness Racing. Mr. Korby reported that the California Harness Horsemen's Association (CHHA) sent CARF a letter dated May 26, 2009 stating the association would like to initiate discussions regarding possible Harness racing opportunities and potential operators at CARF facilities other than Sacramento.

Mr. Alkire reported that he received a formal letter from Ben Kenney, President of CHHA Board of Directors, regarding racing dates, operator lease partnerships, purses, etc. Mr. Alkire forwarded the letter to Mr. Bartosik.

Mr. Elliott stated that on behalf of Mr. Bartosik and himself, Cal Expo appreciates the members of CARF sharing communication distributed from CHHA. Mr. Elliott reported that

Mr. Bartosik asked him to state, “that he would hope that this Board would move, and approve, that no CARF facility discuss operation of any Harness racing dates until at such time that Cal Expo is out of the Harness racing industry or during those periods when Cal Expo is not operating Harness meets.”

Mr. Elliott also expressed his opinion that three or four elected members of the CHHA Board are pushing for the move away from Cal Expo and they do not represent the desires of the rank and file Harness horsemen. Mr. Elliott stated that it would also take a change in legislation to allow Harness racing at another Fair.

Mr. Elliott stated that if Cal Expo were to leave the racing business, it would gladly help any Fair or other entity in establishing a successful Harness meet.

Ms. Cook reported that she had been in conversation with Jim Perez, Executive Director of CHHA, regarding the possibility of stabling Harness horses at Stockton during the Cal Expo Thoroughbred race meet.

No action was taken by the CARF Board at this time.

Agenda Item 6 – Report on Sacramento Harness Association Location Fee Settlement. Mr. Korby reported that CARF had distributed checks to member satellite wagering facilities per an agreement with Sacramento Harness Association to pay 75% of monies due to satellites in Harness commissions. The total payment was approximately \$150,000.

Agenda Item 7 – Discussion and Action, if any, on F&E Expenditure Plan. Mr. Treacy reported that the F&E Expenditure Plan locks in the same funding amounts in the same categories for CARF as in 2008-2009. Mr. Alkire and Mr. Korby expressed appreciation on behalf of the CARF Board for the work put into the plan and the CARF allocations.

Mr. Agnifili moved to support the 2009-2010 F&E Expenditure Plan. Ms. Violini seconded, unanimously approved.

Agenda Item 8 – Financials. Mr. Korby reported that CARF Financials were provided in the meeting packet. Mr. Jacobs directed staff to work with National Orange Show on the outstanding debt owed to CARF. Mr. Jacobs would like to see a resolution in writing between the two organizations.

Agenda Item 9 – Executive Director’s Report. Mr. Korby reported that Mr. Pickering is still recuperating from his health concerns, but is feeling much better and hopes to be back full-time soon.

Mr. Korby reported that profit and loss statements for each member satellite wagering facility are available at the meeting and will be distributed in electronic form.

Respectfully submitted,

Heather Haviland