

**CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors
Tuesday, May 4, 2010**

MINUTES

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, May 4, 2010. The meeting was hosted by the California Authority of Racing Fairs in the CARF board room located at 1776 Tribute Road, Suite 205, Sacramento, California.

CARF Board of Director members attending: John Alkire, Norb Bartosik, Mike Paluszak, Rick Pickering and Kelly Violini. Joining by conference call: Dan Jacobs and Vince Agnifili.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Amelia White, Rick Wood, Raechelle Gibbons, Mike Treacy, Rebecca Desmond, Tawny Tesconi, Stuart Titus, Louie Brown, Dave Elliott and Richard Lewis. Joining by conference call: Tom Doutrich, Chris Carpenter and Barbara Boester-Quaid.

Agenda Item 1 – Date and Time of Next Meeting. The next CARF Board & Live Racing Committee meetings will be held Tuesday, June 1, 2010 in Sacramento, time to be determined.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Matters. Mr. Brown reported that the California state budget is expected to have a \$10 billion deficit in the next fiscal year. It is unclear how the deficit will effect CDFA and F&E since current law guarantees an automatic transfer and continuous appropriation from the General Fund to CDFA on July 1 of each year.

SB 1439 (Price), the Hollywood Park sponsored bill to eliminate the 20-mile protection around any facility that does not have a minimum of seven weeks of live racing in a calendar year, recently had language modified to guarantee “strict prohibition” for satellite wagering within 20-miles of a casino. This overcorrection, created to appease tribal interests, would make several existing satellites in violation by virtue of remaining in operation. Legislative staff is currently working with CDFA and F&E to have those organizations formally oppose SB 1439.

AB 2414 (Perez) would allow the Breeders’ Cup Championship series to be permanently hosted in California (at Santa Anita Park). The bill, if supported and signed, would use some of the California Marketing Committee monies to fund the transition.

Agenda Item 4 – Report, Discussion and Action, if any, on Formation of a CARF Funding Committee and its Initial Meeting with CDFA F&E Regarding FY 2009-10 Project and Funding Allocations. Mr. Jacobs reported that the CARF Joint Funding Committee and F&E conducted an initial meeting on Wednesday, April 28, 2010. Participants present at that meeting were Joe Barkett, Rick Pickering, Dan Jacobs, Stuart Titus, Kelly Violini, Chris Korby, Mike Treacy, Tawny Tesconi, Rebecca Desmond and Lisa Drury.

During the meeting, Mr. Treacy reviewed objectives for the committee and the items he would like to see the committee accomplish in FY 2009-2010 as well as subsequent years. For the Live Racing Fair allocation of \$600,000 in FY 2009-2010, Mr. Treacy requested that Fairs provide a one-page proposal consisting of:

1. Project Description
2. Cost Estimate
3. Substantiation of Cost

The one page requests will go before the CARF Joint Funding Committee and the committee will make an “approved” or “not approved” recommendation to F&E.

For the \$500,000 Equipment Replacement Fund allocation, Mr. Korby and staff will create a recommendation for allocations by facility and present it to the committee.

The \$400,000 Mini-Satellite allocation will be based on the same request/proposal process as the Live Racing Fair allocation (one page request containing project description, cost estimate and substantiation of cost).

The \$500,000 allocation for Pleasanton will continue to be budgeted and set aside, with the caveat that F&E retain access to that money for an emergency request. The Alameda County Fair can also request those funds at any time pending the proposal process.

Mr. Jacobs closed by stating that F&E requested that monies eventually be allocated on a competitive basis and that the Joint Finance Committee educate participants and not become another policy/disbursement committee.

Mr. Jacobs moved that the CARF Finance Committee work with Mr. Korby to create policies, voted on by the Board of Directors, to serve as guidelines for the Joint Funding Committee. Mr. Treacy voiced support for that request and asked that all Fair requests be sent directly to CARF in electronic format. Mr. Pickering seconded, unanimously approved.

Agenda Item 5 – Discussion and Action, if any, on Recommendation from the CARF Live Racing Committee Regarding FY 2010-11 Funding Allocations from CDFA Division of Fairs and Expositions. Mr. Korby reported that he placed this item on the agenda to receive clarification regarding F&E funding for CARF programs for FY 2010-2011. Mr. Treacy expressed concern in regards to CARF financials and balances for unspent monies allocated by F&E to CARF in prior years, as well as the categories which support a surplus. Internally at CDFA, a 20 percent budget reduction is being calculated for FY 2010-2011 and cuts will be spread amongst all programs. Mr. Treacy suggested that CARF forecast a 20 percent reduction (\$500,000) in all F&E allocations to CARF. Mr. Treacy would like the CARF Joint Funding Committee to provide directions on which CARF programs should be reduced.

Mr. Pickering suggested that the CARF Board consider how the organization will account for the decreases in revenue due the reduction in F&E allocations and whether CARF might need to raise fees or dues to fund the organization. Mr. Palusak asked that all material distributed to the CARF Joint Funding Committee also be sent to CARF Board members.

Agenda Item 6 – Report, Discussion and Action, if any, on Implementation of Mini-Satellite Wagering Facilities as Joint Ventures with Fairs. Mr. Korby reported that the San Mateo County Fair is close to reaching an agreement with Artichoke Joe's Casino in San Bruno. Mr. Carpenter reported that the CHRB asked for full financials from Artichoke Joe's, which came as a surprise to both parties. Monterey County Fair, Humboldt County Fair, Cal Expo and Solano County Fair are in various stages of discussion and implementation in developing mini-satellite facilities.

Agenda Item 7 – Report, Discussion and Action, if any, on Developments in MAGNA Bankruptcy Proceedings. Mr. Korby reported that the judge in the MAGNA Bankruptcy proceedings entered an order authorizing settlement to SCOTWinc., which includes all satellite wagering facilities and special funds in California. The settlement is for the full amount of the statutory distributions, less attorney's fees (approximately 8 percent of total).

Agenda Item 8 – Report, Discussion and Action, if any, on Recent Meeting with Northern California Racing Industry Stakeholders. Mr. Korby reported that racing Fairs Managers and other Northern California racing industry stakeholders met April 26-27, 2010 in Santa Rosa. The two-day meeting was coordinated by the Thoroughbred Owner's of California (TOC). Important elements of the meeting were discussions regarding the 2011 Northern California racing calendar and the implementation of mini-satellite wagering facilities. The Fair representatives at the meeting pledged to provide a first draft of the 2011 Fair component of the racing calendar by mid-June.

Agenda Item 9 – Report, Discussion and Action, if any, on Development of Operating Standards and Inspection Criteria for Satellite Wagering Facilities. Mr. Korby reported that the California Horse Racing Board (CHRB) has expressed a desire to become more involved in the inspection process, and possibly new licensing based on amenities and upgrades, for satellite wagering facilities. The meeting packet includes samples of surveys that have been conducted by CARF in prior years. It is important that the Fair satellite network be proactive in evaluating our own facilities and looking at viable upgrades or improvements.

Agenda Item 10 – Business Plan. Mr. Jacobs stated that the founding of the Joint Funding Committee had temporarily taken precedence over the business plan. Mr. Jacobs believes that the formation of the same policies that will help guide the Joint Funding Committee will also be beneficial with the formation of the business plan.

Agenda Item 11 – Financials. Mr. Jacobs reported that the CARF Agency Income Statement has been modified slightly at the request of Mr. Treacy to include year-to-date actuals. Mr. Jacobs also stated that the CARF Board has previously decided to review the P&L Statement quarterly.

Agenda Item 12 – Executive Director’s Report. Mr. Korby wanted to openly discuss issues raised by a letter from the Sonoma County Fair to the CARF Board of Directors. Mr. Jacobs reported that he had spoken at length to Ms. Tesconi regarding the letter and his understanding is that Ms. Tesconi questions whether the JPA agreement is still relevant and valid since only two founding signers of the agreement are still involved with CARF; and is CARF complying with the JPA agreement. Ms. Tesconi would like the CARF Board to review the JPA agreement before she turns it over to the Sonoma County Risk Department. Mr. Pickering suggested it would be beneficial to know exactly which questions the risk department would like answered or where Ms. Tesconi feels the problems reside, so CARF legal counsel can narrow their focus in a constructive manner.

Mr. Palusak stated that he and Mr. Agnifili, appointed by Mr. Alkire to review the bylaws, have provided discussion items to Mr. Korby to review with legal counsel. Mr. Korby is meeting with legal counsel on May 29, 2010 and will report back to the Board. Ms. Tesconi reported that she is satisfied in that direction, but would appreciate a letter in response to her letter.

Mr. Korby stated that there is a CARF policy and procedures handbook for securing contracts. Mr. Alkire requested that the document be distributed to the Board.

Mr. Jacobs requested that discussion regarding the satellite equipment funds on deposit with CARF take place during the June meeting.

Mr. Alkire requested that the Board members and staff present at the meeting between CARF representative and the Sonoma County Fair Board share their opinions regarding the meeting. The overall sentiment was that the atmosphere was adversarial, but that certain Sonoma Board members asked constructive questions. Mr. Wood stated that the Sonoma Board did not seem to have confidence in some of the answers he gave, specifically regarding insurance, because Sonoma representatives are still asking the same questions. Mr. Alkire felt that the tone some members used with the CARF executive director was unprofessional and unproductive. The Sonoma Board indicated they were considering leaving the CARF membership, but stated that they would be more likely to remain if they received funding for paddock upgrades. Ms. Tesconi shared that her Board had tasked her and Richard Lewis to develop a plan for conducting the 2011 race meet as a non-CARF member.

Mr. Jacobs asked that Ms. Tesconi acknowledge in writing that the CARF Board had covered the questions presented in her letter and was taking steps to address all of her concerns. Ms. Tesconi stated that she would respond to a written response from CARF. Mr. Pickering and Mer. Korby stated that they are willing to do whatever it takes to keep Sonoma County Fair in the CARF membership.

Mr. Alkire requested that Mr. Korby prepare a recommendation regarding additions to CARF staff to help with specific projects that are above and beyond CARF's day-to-day operations with four permanent staff members.

Agenda Item 13 – Closed Session – Pending Litigation.

Respectfully submitted,
Heather Haviland