

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors
Tuesday, December 7, 2010

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, December 7, 2010. The meeting was hosted at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California.

CARF Board Directors attending: John Alkire, Norb Bartosik, Dan Jacobs, Mike Paluszak and Kelly Violini. Joining by conference call: Vince Agnifili.

Staff and Guests attending: Christopher Korby, Rick Wood, Heather Haviland, Amelia White, Raechelle Gibbons, Rebecca Desmond, Louie Brown, Tawny Tesconi, Tony Withington and Richard Lewis. Joining by conference call: Janet Covello.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Board & Live Racing Committee meetings will be scheduled for February 1, 2011 in Sacramento.

Agenda Item 2 – Approval of Minutes. Mr. Bartosik noted that the reference to L.A. County Fair in the Executive Director's Report should be changed to Orange County Fair. Mr. Bartosik moved to approve the meeting minutes as amended. Mr. Paluszak seconded, unanimously approved.

Agenda Item 3 – Report on Strategic Planning. Mr. Korby reported that a strategic planning meeting was conducted Nov. 17-18, moderated by George Soares, to discuss the organization, its function and where the agency fits into the fair and racing industries. The following action items resulted from the meeting:

- Provide various racing date calendar scenarios with financial projections for 2012 and beyond to be reviewed during the February Live Racing Committee meeting.
- CARF staff will provide an overview of agency activities, current time/resources spent on each activity and whether the resources spent should increase or decrease in each area. Strengthen relationships and educate CARF members and 60+ Fair Managers in California about the economic impact of racing/satellite Fairs receiving revenue from racing and how non-racing Fairs would be impacted if those revenues ceased.
- Ensure funding contracts are in place with F&E by Dec. 31, 2010. Ms. Desmond has received those contracts from CARF and will be making modifications and

returning the contracts to CARF. The project is on schedule to meet its deadline.

- Strengthen direct connections with CHRB members and key legislators.
- Pursue a legislative program for 2011 that includes amending language to AB 765, revising the satellite supervisor requirements implemented by the CHRB and increasing satellite commissions.

Ms. Tesconi added that George Soares tasked the Fair Managers to send Mr. Korby thoughts on how satellite operations should be managed or evolve by Dec. 15, 2010.

Agenda Item 4 – Report on By-Laws Update. Mr. Korby reported that the by-laws working group met during the WFA Managers Conference. No reportable action has been taken regarding the by-laws, but the working group will renew its efforts in 2011.

Agenda Item 5 – Report, Discussion and Action, if any, on 2011 Agency Budget. Mr. Korby presented the 2011 CARF agency budget provided in the meeting packet. The budget is offered in the same format as the 2010 CARF agency income statement which allows for easy year-to-year comparison. It is important to note that the live racing expense component of the budget was reduced 13.86 percent.

Ms. Gibbons provided a detailed review of the agency income statement, southern region income statement, project management income statement, live racing income statement and proposed 2011 member dues.

Ms. Tesconi requested a detailed breakdown of the support and services provided as part of the CARF administration fee on projects and the distribution of staff salary.

Accounting staff will work with Ms. Desmond to familiarize her with the financials and make any adjustments in documentation that she deems helpful.

Mr. Jacobs moved to accept the budget as written with the stipulation that the dues structure be reviewed by the Controllers' Committee, which will make a recommendation to the Finance Committee, before the budget is implemented. Mr. Paluszak seconded, unanimously approved.

Agenda Item 6 – Discussion and Action, if any, on Legislative Program for 2011 and Beyond. Mr. Brown reported that the 2011/12 legislative session began with the swearing in of the new legislature on Dec. 6, 2010. Immediately after the legislature was sworn in, the Governor declared a fiscal emergency and presented the new legislature with \$9 billion in cuts in an attempt to create a balanced budget. As of now, the CDFR money in the General Fund remains intact.

Two bills were introduced that are of interest to racing fairs. SB 1 (Kehoe) authorizes the sale of the Del Mar Fairgrounds to the city of Del Mar, but does not rule out a public bidding process. Language in the bill does not require the new owner to continue the San Diego County Fair or horse racing. There are prominent thoroughbred owners looking to provide financial backing to the city of Del Mar, but the TOC does not currently support the bill since the continuation of horse racing is not assured.

SB 40 (Correa) would legalize and regulate online gaming, specifically Internet poker. This bill is currently being opposed by some California tribal casinos.

Mr. Korby reported that the 2011/12 legislative session will include modifying/amending AB 765 language (allows 1% increase in take-out for racing conducted at Fairs), modifying/amending language B&P Section 19522 (requiring satellite supervisors at Fair satellite facilities) and renewing efforts to receive an increase in satellite commissions.

Agenda Item 7 – Report, Discussion and Action, if any, on Replacement Revenues for Solano and San Joaquin County Fairs. Mr. Korby reported that the CARF Live Racing Sub-Committee met and presented the Live Racing Committee with a recommendation that CARF cover the 2011 request for replacement revenues from the Solano and San Joaquin County Fairs in the amount of \$569,000 from unspent project and program revenues being held at CARF. This recommendation would allocate \$414,000 to the Solano County Fair and \$155,000 to the San Joaquin County Fair, plus a 7.5 percent CARF administration fee.

The Live Racing Committee voted unanimously to accept the recommendation from the CARF Sub-Committee.

Mr. Jacobs moved to accept the recommendation adopted by the Live Racing Committee to allocate \$414,000 to the Solano County Fair and \$155,000 to the San Joaquin County Fair (\$569,000 in total plus a 7.5% administration fee) from unspent project revenue for the purpose of revenue replacement. Mr. Bartosik seconded, unanimously approved.

Agenda Item 8 – Report, Discussion and Action, if any, on MAGNA Entertainment Corp. Bankruptcy Settlement. Mr. Korby reported that the latest settlement figures give CARF member satellites the full settlement owed, \$749,000, less the legal costs associated with settlement which were \$95,880 (12.8%). The remaining \$653,120 is ready for distribution. Mr. Korby, after consulting with the Finance Committee, recommends that the Board consider an allocation to CARF for administrative fees associated with the efforts in negotiating the bankruptcy.

Mr. Jacobs thanked Mr. Korby for securing the full amount owed to satellites, but stated he felt the distribution to satellites was already hindered by the attorney fees. Mr. Agnifili stated that he has been reporting to his board for several months that the fair would receive the full settlement minus approximately 10% in fees, which is consistent with the information that has been reported to the CARF Board during the last several meetings.

Mr. Alkire thanked executive staff for undertaking the tremendous work load generated by the negotiations and recommended the Board consider a small allocation to the agency.

It was the pleasure of the group not to take action on this item.

Agenda Item 9 – Report, Discussion and Action, if any, on Funding Contract Negotiations Between CDFA Division of Fairs and Expositions and California Authority of Racing Fairs. Mr. Korby reported that draft language for use contract preparation has been submitted to F&E. Ms. Desmond stated that the biggest issue moving forward is the procedure for the advancement of funds. F&E has not been officially instructed to recall any funds residing at CARF at this time.

Agenda Item 10 – Executive Director’s Report. Mr. Korby reported that Santa Anita Park has reopened their main track with a natural dirt surface. The surface change, combined with the legislative increase in purses that will go into effect Dec. 26, should improve the California simulcast product and increase business.

Mr. Korby reported that he has been distributing news items regarding the potential transfer of the 22nd DAA fairgrounds to the city of Del Mar. Mr. Korby will continue to keep the group informed as this matter progresses.

One of the agenda items for the CHRB meeting this month will be determining the future of the Oak Tree Racing Association meet that has traditionally been run at Santa Anita. Santa Anita is requesting to race those dates on behalf of MI Developments.

The California Marketing Committee is working to provide a portable kiosk, manned by a pari-mutuel guild employee, which would be located in public areas such as airports or shopping malls. This kiosk might be beneficial to fairs for incorporating into their fair vendor halls or interim events.

Respectfully submitted,
Heather Haviland