

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors
Tuesday, April 5, 2011

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, April 5, 2011. The meeting was hosted at the California Authority of Racing Fairs Board Room, 1776 Tribute Road, Sacramento, California, 95815.

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

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Louie Brown, Rick Wood, Raechelle Gibbons, Stuart Titus, Tawny Tesconi, Rebecca Desmond, Troy West, Lisa Drury, Dave Cultrera, Christina Elliott, Tom Sawyer and Richard Lewis. Joining by conference call: Janet Covello, Dave Elliott, Kate Phariss and Cindy Olsen.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Board of Directors meeting will be scheduled for May 3, 2011 in Sacramento.

Agenda Item 2 – Approval of Minutes. Ms. Violini moved to approve the minutes as presented, with Janet Covello listed as present via conference call. Mr. Paluszak seconded, unanimously approved.

Agenda Item 3 – Report, Discussion and Action, on Disbursement Plan for Funds from CDFA Division of Fairs & Expositions for CARF Programs. Mr. Korby reported that staff recommends the Board take action to adopt a set of motions, provided in the meeting packet titled “Recommended Motions – Funding Disbursements from F&E to CARF Member Fairs.” The motions support and endorse both the allocation of funds as described in the March 28, 2011 letter from CDFA F&E to CARF based on March CARF Board action and a two-tier disbursement process that transfers those funds from F&E to Fairs in a timely and organized manner.

The basic structure of the two-tier funding disbursement starts with “stage one,” in which F&E secures a signed funding agreement with each Fair and releases an initial payment equal to the CARF administration fees associated with each Fair’s allocation. The Fair will then remit those administration fees to CARF. In “stage two” the Fair will submit a project application to the CARF Board for approval. After receiving Board approval for a project and

confirmation that CARF is in receipt of the administrative fees, F&E will release the balance of funding to each Fair.

The exceptions to the two-tier disbursement model are the CARF Track Safety and Maintenance Program funding and the Satellite Development Program funding. For the Track Safety and Maintenance Program, F&E will release equal funding to several "Trustee Fairs" for remittance back to CARF to manage the program on behalf of all live racing Fairs. For the Satellite Development Program, F&E will release the funds to the Big Fresno Fair and/or Cal Expo, who will act as a Trustee Fair and disperse funding as needed in various markets.

Mr. Korby described each of the motions in the document "Recommended Motions – Funding Disbursements from F&E to CARF Member Fairs."

Mr. Jacobs confirmed that the CARF Finance Committee was in full support of the motions as presented.

Mr. Pickering moved to approve all of the motions as presented by Mr. Korby and as described in the most current version of the document titled "Recommended Motions – Funding Disbursements from F&E to CARF Member Fairs." Mr. Jacobs seconded for discussion.

Tom Sawyer, San Joaquin County Fair Board Director, presented a letter from the Stockton Board of Directors, outlining Stockton's intent to improve the racing facilities and to continue building the racing program. Mr. Sawyer requested that the CARF Board reconsider the allocations for the capital improvement projects approved in March and reallocate the funds in a manner that reflects Stockton's commitment to racing.

Mr. Titus requested that the Board reconsider the allocations adopted in March and asked to present the points he had shared with the Live Racing Committee. Mr. Titus stated that the method and process used to determine the allocations did not follow allocation protocol used in prior years. The allocations were based on an inappropriate and arbitrary use of the "California Fairs At-Risk" list developed by CFA. The list was based on dated financials (2009) that no longer apply to the Fair. Based on these reasons, Mr. Titus would like the Board of Directors to reconsider the allocations.

Mr. Bartosik asked Mr. Pickering to amend his motion to vote on the motions, presented by Mr. Korby and outlined in the most current version of the document titled "Recommended Motions – Funding Disbursements from F&E to CARF Member Fairs," one motion at a time. Mr. Pickering accepted. Mr. Jacobs seconded. Unanimously approved.

MOTIONS

- **Disbursement of Funds for Capital Improvement Projects at Fair Satellite Facilities**
The CARF Board approves and recommends implementation of the two-stage disbursement plan described in the letter sent from F&E on March 28, 2011, according to the funding allocation schedule adopted by the CARF Board on March 1, 2011. This action includes a recommendation that any Fair receiving funding from this program may be allowed to remit the Capital Improvement funds to CARF to be used in that Fair's Equipment Replacement Program account. Funds remitted to CARF will be used pursuant to existing CARF Equipment Replacement Program as described in the *Equipment Replacement Fund Report* issued May 2010. Project applications for use of these funds are due no later than April 22, 2011 and subject to approval by CARF and F&E.

Ms. Violini moved to approve the motion as recommended. Mr. Pickering seconded, unanimously approved.

- **Disbursement of Funds for Capital Improvement Projects at San Mateo County Fair Satellite Facility**
The CARF Board approves and recommends implementation of the two-stage disbursement plan described in the letter sent from F&E on March 28, 2011. In the same action, the CARF Board recommends that the satellite Capital Improvements' funding for San Mateo County Fair include the following conditions: 1) the SMCF signs a declaration that its 20-mile consent radius for other satellite facilities will apply only within the County of San Mateo; 2) SMCF gives its advance written consent to implementation of a satellite facility at the Cow Palace; 3) SMCF agrees that the funding allocation will be used exclusively to pay down debt on the satellite facility loans from CARF *and* F&E. In the event that SMCF does not agree to these conditions, the CARF Board recommends that this allocation be disbursed according to a pro-rata formula, based on pari-mutuel handle, to other CARF member Fairs. The Board authorizes the Executive Director to work with F&E and San Mateo County Fair on the details of this debt repayment.

Mr. Bartosik moved to approve the motion as recommended with the caveat that F&E's loan be considered for repayment. Mr. Jacobs seconded, unanimously approved.

- **Disbursement of Funds for Capital Improvement Projects at Fair Racing Facilities**

The CARF Board approves and recommends implementation of the two-stage disbursement plan described in the letter sent from F&E on March 28, 2011, according to the funding schedule adopted by the CARF Board on March 1, 2011. Project applications for use of these funds are due no later than April 22, 2011 and subject to approval by CARF and F&E.

Mr. Bartosik moved to approve the motion as recommended. Ms. Violini seconded. Mr. Titus requested the Board consider amending the allocation plan to allocate \$200,000 each to Humboldt County Fair, San Joaquin County Fair and Solano County Fair and allocate \$375,000 each to Alameda County Fair, Cal Expo, Sonoma County Fair and Fresno District Fair. Motion not amended. Original motion stands. YES VOTE: Vince Agnifili, John Alkire, Norb Bartosik, Dan Jacobs, Mike Paluszak, Rick Pickering and Kelly Violini. Unanimously approved.

- **Disbursement of Funds for Equipment Replacement Program**

The CARF Board approves and recommends implementation of the two-stage disbursement plan described in the letter sent from F&E on March 28, 2011. Program funding of \$1,000,000 will be disbursed according to the funding allocation schedule adopted by the CARF Board on March 1, 2011.

Mr. Bartosik moved to approve the motion as recommended. Mr. Paluszak seconded, unanimously approved.

- **Disbursement of Funds for Equipment Replacement Program**

The CARF Board motion recommends that each Fair remit its allocation for the Equipment Replacement Program to CARF for continuing management of the Program. Each Fair's allocation is intended for use at that Fair and will be held in an account similar to the ERF deposits presently on account for each Fair participating in the ERF. Funds remitted to CARF will be used pursuant to existing CARF Equipment Replacement Program as described in the *Equipment Replacement Fund Report* issued May 2010. The CARF Board motion includes a condition that if a Fair discontinues satellite wagering before this funding allocation is used, that Fair's remaining allocation will be divided amongst remaining ERF accounts on a pro-rata basis. This condition is intended to keep the new ERF deposit from becoming an incentive for a Fair to discontinue satellite wagering.

Mr. Bartosik moved to approve the motion as recommended. Mr. Paluszak seconded, unanimously approved.

- **Disbursement of Equipment Replacement Program Funds Allocated for San Mateo County Fair**

The CARF Board approves and recommends implementation of the two-stage disbursement plan described in the letter sent from F&E on March 28, 2011, for Equipment Replacement Program funds to San Mateo County Fair. In the same action, the CARF Board recommends that the Equipment Replacement Program funding for San Mateo County Fair will include the following conditions: 1) the SMCF signs a declaration that its 20-mile consent radius for other satellite facilities will apply only within the County of San Mateo; 2) SMCF gives its advance written consent to implementation of a satellite facility at the Cow Palace; 3) SMCF agrees that the funding allocation will be used exclusively to pay down debt on the satellite facility loans from CARF *and* F&E. In the event that SMCF does not agree to these conditions, the CARF Board recommends that this allocation be disbursed according to a pro-rata formula, based on pari-mutuel handle, to other CARF member Fairs. The Board authorizes the Executive Director to work with F&E and San Mateo County Fair on the details of this debt repayment within the guidelines of this Board motion.

Mr. Paluszak moved to approve the motion as recommended with the caveat that F&E's loan also be considered for repayment. Mr. Bartosik seconded, unanimously approved.

- **Disbursement of Funding for Racetrack Safety and Maintenance Program**

The CARF Board approves and recommends implementation of the disbursement plan described in the letter sent from F&E on March 28, 2011. CARF Board recommends that program funding of \$800,000 will be disbursed to those Fairs conducting live racing in 2011 and which not on the "at-risk" Fairs list. Specifically, the CARF Board formally endorses and recommends that F&E disburse Track Safety and Maintenance Program funds through four Fairs: Alameda; Cal Expo; Fresno; and Sonoma in equal amounts of \$200,000. These funds are to be used exclusively for the CARF Track Safety and Maintenance Program for Fairs which conduct live racing. [NOTE: The four Fairs listed above are not on the "at-risk" Fair list; the remaining NorCal racing Fairs are on that list.]

Mr. Bartosik moved to approve the motion as recommended. Mr. Paluszak seconded, unanimously approved.

- **Disbursement of Funding for Racetrack Safety and Maintenance Program**

The CARF Board moves that the Fairs entrusted with managing the Track Safety and Maintenance Program funds (Alameda; Cal Expo; Fresno; and Sonoma) remit those Program funds to CARF for use in continuing the Program on behalf of all Fairs which conduct live racing within 30 days for to ensure continuation of the Program. [NOTE: The four Fairs listed above are not on the “at-risk” Fair list; the remaining NorCal racing Fairs are on that list.]

Mr. Bartosik moved to approve the motion as recommended. Mr. Paluszak seconded, unanimously approved.

- **Satellite Development Program**

The CARF Board approves and recommends implementation of the disbursement plan described in the letter sent from F&E on March 28, 2011. Program funding of \$550,000 will be disbursed to the Fresno District Fair and used for the CARF Satellite Development Program, which is hereby approved for implementation. The CARF Board recommends that these funds be used exclusively for development of new satellite facilities to generate revenues for the benefit of Fairs.

Companion Motion

Disbursement of Funding for Satellite Development Program

The CARF Board moves that the Fair entrusted with managing the CARF Satellite Development Program funds (Fresno District Fair) remit those Program funds to CARF in increments as needed to implement the program. *The CARF Board further recommends that interest on these funds accrue to and be held for the benefit of the Program.*

Mr. Paluszak moved to approve the motion as recommended with the amendment that any interest accrued remain in the account. Mr. Bartosik seconded, unanimously approved.

Mr. Pickering encouraged representatives from Ferndale or Stockton to contact him regarding his vote on the “Disbursement of Funds for Capital Improvement Projects at Fair Racing Facilities,” since he was not able to attend the meeting in person.

Mr. Korby reported that a joint teleconference call of the Northern and Southern Satellite Wagering Committees had been conducted Wednesday, March 16 and all participating members were provided the introductory plan, allocation spreadsheet and rough timeline for project applications.

Agenda Item 4 – Report, Discussion and Action, if any, on Legislative Program for 2011 and Beyond. Mr. Brown reported that the CARF sponsored bill, AB 270, carried by Assembly Member Henry Perea containing language that would eliminate the satellite supervisor position in the event that a public hearing has been conducted and the outcome of that hearing determined that the position is economically unfeasible for the Fair, has passed out of the Senate G.O. Committee.

The racing industry is very interested in Internet poker and the gaming industry is divided in its support of SB 40 (Correa) and SB 45 (Wright). Mr. Brown recommended that Fairs be proactive in establishing a position and making sure that the horse racing industry is involved in the revenue determining process, especially when discussions concerning California hubs begin.

Mr. Brown feels that Fair funding can still be part of a budget solution in September.

Mr. Korby reported that he had reviewed the agricultural code and found that by creating a new category/classification of Fair, DAA's could potentially move away from the unenviable position of functioning as a state agency. Creating a new category, structured in a manner similar to citrus fruit fairs, would allow DAA's to re-organize in a structure that would allow them to operate as local public agencies or non-profits. Mr. Korby has drafted a proposal that he has shared with Mr. Alkire and Mr. Brown's office is reviewing the details. Mr. Alkire requested that Mr. Korby circulate the proposal to the CARF Board.

Agenda Item 5 – Report, Discussion and Action, if any, on Restructuring of Fairs and Fair Funding. No discussion or action taken.

Agenda Item 6 – California Authority of Racing Fairs Ten-Year Report 2000-2009 Satellite Wagering at Fairs. Mr. Korby reported that staff has just released a ten-year report that details CARF management services, pari-mutuel distributions and project funding at California Fair satellite wagering facilities from 2000-2009. This report is also available electronically at www.calfairs.net.

Agenda Item 7 – Financials. Mr. Korby reported that financials are included in the meeting packet.

Mr. Jacobs requested that a review of the CARF dues structure be placed on the May agenda.

Agenda Item 8 – Executive Director's Report. Mr. Korby reported that MI Developments shareholders approved a deal that will give the Frank Stronach family trust

control of the remaining MAGNA racetracks in exchange for \$20 million and control over specific branches of MI Developments. This eliminates MI Developments involvement in racing and gives Frank Stronach complete control over Santa Anita Park, Golden Gate Fields, Pimlico Race Course, Laurel Park, Gulfstream Park and XpressBet ADW.

Respectfully submitted,
Heather Haviland