

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors &
Live Racing Committee
Wednesday, March 7, 2007

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors and Live Racing Committee was held at 11:00 A.M., Wednesday, March 7, 2007. The meeting was conducted at the Kahn, Soares & Conway Sacramento office located at 1415 L Street, Suite 400, Sacramento, California, 95814.

Board of Director members attending: Joe Barkett, John Alkire, Corey Oakley, Rick Pickering, Stuart Titus and Forrest White. Joining by conference call: Dan Jacobs.

Live Racing Committee members attending: Joe Barkett, John Alkire, Corey Oakley, Rick Pickering, Stuart Titus and Forrest White. Joining by conference call: Chris Carpenter.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Louie Brown, Bruce Lim, Rick Wood, Kevin Wong.

Agenda Item 1, Call to Order/Establish Date for Next Meeting. At 11:05 A.M., with a quorum present, Chairman Barkett called the meeting to order. Ms. Haviland served as secretary and recorded the proceedings. With the demands of Fair season fast approaching, Mr. Korby suggested the group establish meeting dates in advance for the next three months (first Tuesday of April, May and June). The group unanimously agreed to this suggestion.

Agenda Item 2, Adoption of Audit Report. Mr. Korby introduced Kevin Wong from Gilbert & Associates and Rick Wood from California Fair Service Authority (CFSA), to address the 2005 Audit Report. Mr. Wong began with the Independent Auditor's Report, noting the qualified opinion of the ADW deposits are that there is no assurance that all outside reporting sources are correct. To achieve an unqualified opinion, which is the ultimate goal, there would need to be an outside audit of the ADW companies.

Under the Management's Discussion and Analysis section, the Balance Sheet, Income Statement and Statement of Cash Flows were summarized. Addressing internal controls under the Management Letter, Mr. Wong noted a liability concern regarding outstanding checks older than 90 days in the paymaster system. Mr. Wood stated that since this report was made, CARF has worked diligently with the Thoroughbred Owner's of California (TOC) to remedy this issue. Mr. Brown stated that the current legal language is not clear regarding outstanding paymaster checks.

Mr. Oakley expressed concern regarding the timeliness of reviewing the 2005 audit in 2007. Mr. Wood recommended providing a preliminary draft audit report in January (versus May). Staff will make a concerted effort to complete the 2006 audit at an earlier date.

Upon motion by Mr. White and second by Mr. Pickering, the Board unanimously accepted the 2005 JPA Audit Report and Management Letter as presented. At this time, Mr. Wood and Mr. Wong left the meeting.

Agenda Item 3, Adoption of Minutes. The combined meeting minutes should be amended to show both Board of Director and Live Racing Committee attendees. Also, under Agenda Item 6, remove motion and second, no action needed. Mr. Pickering moved approval of minutes as amended, Mr. Titus seconded, unanimously approved.

Agenda Item 4, Racing Dates. Mr. Korby provided an update on the status of a Northern California Race Dates Planning Group meeting scheduled after the Dixon election. The working dates for the meeting have changed to May 7 and May 8, 2007, at the Villagio in Napa. Mr. Oakley recommended staff peruse a brief meeting with MAGNA prior to May 7, 2007. No action needed.

Mr. Pickering reported on a meeting with representatives of the Bay Meadows Land Company regarding additional racing at Alameda County Fair. Mr. Pickering also reported on a meeting with representatives of the TOC and their interest in forming a not-for-profit association similar to the Del Mar model to conduct racing in Northern California.

Agenda Item 5, Legislative Issues. Mr. Brown distributed an updated bill report. Mr. Brown reported that roughly 3,000 bills were introduced this session. The bills pertaining highly to CARF are AB 765 (Evans), SB 379 (Denham), AB 649 (Ma), AB 813 (Portantino) and AB 1286 (Richardson).

AB 765 (Evans) would provide that 1% of handle would be used to construct or acquire improvements at Fair racetracks or satellite facilities. SB 379 (Denham) addresses jockey mount fees. AB 813 (Portantino) is believed to be a spot bill for ADW. AB 1286 (Richardson) is the satellite bill that would add a satellite wagering facility to Alameda County Fair and Los Angeles County Fair.

Mr. Brown provided a quick bio on Senator Portantino who is a freshman and comes from a local government background. He is member of the GO Committee and has a great Chief-of-Staff in Trent Hager who has extensive experience in the business.

Agenda Item 6, Finance Committee. Mr. Jacobs reported on the Finance Committee meeting held Friday, March 2, 2007. The Finance Committee drafted four motions for the Board's consideration, several of which relate to matters included under **Agenda Item 7-F&E Expenditure Plan Funding Allocation Recommendations** and **Item 8-Strategic Planning**. The actions on these agenda items are recorded here.

(1) The Finance Committee recommended that the CARF Board adopt a resolution that all CDFA/F&E Expenditure Plan allocations for support of live racing and satellite wagering facilities continue to be allocated through CARF. Mr. White supported motion as presented, seconded by Mr. Jacobs. Unanimously approved.

(2) The Finance Committee recommended that the CARF Board adopt a new model for allocating Expenditure Plan funds based on three sets of criteria: 1) Allocations based on CARF dues structure (tiered according to pari-mutuel handle); 2) Allocations based on strategic planning; and 3) Allocations based on performance. This model of criteria would be implemented over a period of three years, beginning with the FY2007-2008 Expenditure Plan. The Board discussed adopting the model with the strategic planning and performance criteria combined in the formula as follows:

<u>Criteria</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Dues Based	50%	40%	25%
Strategic/Performance	50%	60%	75%

Mr. White supported motion as revised, seconded by Mr. Barkett. Unanimously approved.

(3) The Finance Committee recommended that the CARF Board adopt a resolution that both CARF member Fairs and non-member Fairs will continue to pay the same Administrative Fees annually established by the CARF Board on project funds flowing through CARF. Non-member Fair's annual allocations will also be reduced by an amount equal to what each non-member Fair would have paid in annual dues. Mr. Oakley supported motion as revised, seconded by Mr. Alkire. Unanimously approved.

(4) The Finance Committee recommended that the CARF Board adopt a Strategic Plan by October 31, 2007. Mr. Pickering motioned that the CARF Board adopt a Strategic Plan by Sept. 30, 2007, Mr. Jacobs seconded, unanimously approved.

While the Strategic Plan is in preparation, the Finance Committee recommended that the Board immediately allocate strategic funding to the installation of a Turf Course at Alameda County Fair. Mr. Jacobs made a motion that CARF support a new surface at the Alameda County Fair in Pleasanton, seconded by Mr. White. Approved by Mr. Barkett, Mr. Alkire and Mr. Pickering, opposed by Mr. Oakley.

Agenda Item 7-F&E Expenditure Plan Funding Allocation. See Item 6 above.

Agenda Item 8, Strategic Planning. See Item 6 above.

Agenda Item 9, Racetrack Development in Dixon. Mr. Korby presented a draft resolution, prepared by staff on behalf of the group, to oppose the Dixon Downs project. Mr. Barkett made suggestions regarding minor changes in language and placement of key concepts. Mr. Oakley expressed an interest in making a stronger statement concerning the concept of third-party run publicly owned facilities. A motion was made by Mr. Oakley to approve the resolution with suggested language revisions, second by Mr. White, unanimously approved.

Agenda Item 10, Recruitment Budget. Mr. Korby recommended the Committee continue funding the Out-of-State Recruitment at prior budget levels. Mr. White supported motion as presented, seconded by Mr. Pickering. Unanimously approved.

Agenda Item 11, Summer Stabling Program and Stall Applications. Mr. Korby recommended that the Fairs produce one stall application to cover Golden Gate Fields stabling and proceed with other Fair stall applications as in previous years. Mr. White supported motion as presented, seconded by Mr. Oakley. Unanimously approved.

Agenda Item 12, Supplemental Purses for 2007. Mr. Titus requested, on behalf of his Board, consideration to additional supplemental purse funds for Humboldt County Fair which might become available due to the experimentation at San Joaquin Fair, Solano County Fair and Sonoma County Fair. Mr. Titus requested an additional \$40,000 from the supplemental purse fund.

Mr. Korby explained that due to the diminished carryover from 2006 -- assuming Stockton did not receive supplement purse funds, Ferndale and Fresno received the same supplemental purse support as in 2006, purses remained on parity with Bay Meadows/Golden Gate Fields and performance purses remained the same -- the projected 2007 supplemental purse fund would be approximately \$30,000 overpaid.

In light of this information, Mr. Titus requested that the Ferndale receive the same funding level as they were allocated in 2006.

Mr. White motioned that the Thoroughbred performance purse be reduced to \$130 and the Emerging Breed performance purse be reduced to \$75, while maintaining purse parity with Bay Meadows/Golden Gate Fields and the Fair's receiving the same proportionate supplemental allocation as in 2006. Mr. Oakley seconded the motion, unanimously approved.

Mr. Titus left the meeting.

Agenda Item 13, Report on Discussions with TOC. Mr. Korby reported that meetings and conversations with TOC have been especially positive and productive.

TOC was surprised to learn that there is not opposition to increased racing in Pleasanton and all parties have been working to provide a satisfactory solution to the stabling issues at Golden Gate Fields while they install their synthetic surface.

Agenda Item 14, Condition Book Schedule. Mr. Korby requested that a draft of each Fair's condition book be presented to TOC for review 10 days prior to the Fair's racing application due date. No action needed.

Agenda Item 15, Executive Directors Report. Mr. Korby reminded the group that CARF will be holding its Satellite Conference on March 25, 26 and 27 at the Sonoma County Fairgrounds in Santa Rosa.

At 3:35 P.M. with no further business before the board, the Chairman adjourned the meeting.

Respectfully submitted,

Meeting Secretary