

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors
& Live Racing Committee
Tuesday, November 6, 2007

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors and Live Racing Committee was held at 5:30 P.M., Tuesday, November 6, 2007. The meeting was conducted at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California, 95815.

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

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

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Jeff Hines, Sarah Cummings, Vince Agnifili and Ken Alstott.

Agenda Item 1 – Determination of Date for Next Meeting. The next CARF Board & Live Racing Committee meeting is set for December 4, 2007, time to be determined, in Sacramento.

Agenda Item 2 – Approval of Minutes from June 5, 2007 & Sept. 26, 2007 Meetings. Mr. Pickering moved to approve the meeting minutes as presented. Mr. White seconded, unanimously approved.

Agenda Item 3 – Discussion and Action, if any, on Support for Development of a Satellite Wagering Facility Operated by the San Mateo Fair. Mr. Korby reported several meetings have taken place with Mr. Carpenter, the representatives from the San Mateo Event Center, San Mateo County Counsel and the San Mateo County Deputy Manager concerning a satellite wagering facility operated by the San Mateo Fair.

Mr. Korby circulated a draft letter, sent on dual CARF and CDFR letterhead, memorializing an offer from CARF and CDFR to the San Mateo Event Center for development of a satellite wagering facility. The letter, along with the accompanying Prospectus, offers a financial package, design assistance and construction management for a satellite facility on the San Mateo Fairgrounds, operated by SMEC personnel. Mr. Korby stated that he had committed to this package on behalf of CARF, but wanted the CARF Board to review and approve the offer before presenting it to the San Mateo Fair. The offer outlines a plan that envisions a Fair satellite facility ready for operation in September 2008.

The financial package presents the following: Development Grant from CARF of \$650,000 funded from the Expenditure Plan Allocations to CARF FY 2005-2006 & FY 2006-2007, Interest-Free Loan from CARF of \$750,000 funded from the Expenditure Plan Allocation to CARF FY 2008-2009, Interest Free Loan from F&E of \$1 million funded from the

Replenishment Fund FY 2008-2009, Interest Bearing Loan from F&E of \$250,000 funded from the Expenditure Plan Investment Reserve Fund FY 2008-2009 and \$850,000 funded by the San Mateo Event Center and/or San Mateo County.

Mr. Carpenter requested clarification that Oak Hall will be the primary Satellite Wagering Facility and Cypress Hall will be modified for overflow on the Triple Crown and Breeder's Cup race days. Cypress Hall will continue to be rented for year-round interim events. Mr. Korby stated that further design analysis is needed to determine building requirements.

Mr. Barkett recommended, on advice from Mr. Pickering, that the first sentence of the letter be modified to the effect of, "This letter memorializes the agreement, subject to formal approval by the San Mateo Event Center, reached between the California Authority of Racing Fairs (CARF), the California Department of Food and Agriculture Division of Fairs and Expositions (F&E) and the San Mateo Events Center (SMEC) regarding development of a Satellite Wagering Facility (SWF) on the San Mateo Fairgrounds." Mr. Korby recommended that the word "agreement" be changed to "offer."

Mr. Carpenter feels that his Board will approve the agreement as presented at their Nov. 14, 2007 meeting.

Mr. Barkett requested acknowledgment of the significance of CARF's commitment to dedicate \$750,000 of the capital monies CARF will be requesting from F&E in FY 2008-2009 to the San Mateo Event Center. This action demonstrates the high priority CARF has placed on supporting the San Mateo Satellite Wagering Facility, to the extent that other CARF Fairs will not have significant monies available for improvements to their facilities during the first few years of this project.

Mr. White stated that Fairs made the commitment because the health of Northern California Racing depends on replacing the Bay Meadows Satellite Wagering Facility with a proper venue.

Mr. Pickering clarified that the \$750,000 loan from FY 2008-2009 is not financed by the Equipment Replacement Fund. CARF is requesting that F&E continue to deposit \$500,000 toward the replacement of Satellite Wagering Facility equipment.

Ms. Tesconi asked for clarification that the \$750,000 interest-free loan from CARF was contingent on F&E granting those funds in FY 2008-2009 (based on a dual signature in the draft agreement letter). Ms. Tesconi also requested that the San Mateo Event Center Board provide some sort of commitment to repay the loan in an expedient manner, not to exceed 10 years. Mr. Pickering suggested the existing loan document at F&E be utilized (with the signatures of CARF, F&E and SMEC) with the additional verbiage that the SMEC be encouraged to come under the \$3.5 million budget and costs incurred above and beyond the projected \$3.5 million be the responsibility of SMEC. Mr. Pickering requested language for breach of contract that would allow CARF to recoup the loan from future satellite wagering revenue.

Mr. Pickering moved that the a) the CARF Board approve the offer outlined in the Draft Agreement Letter to the San Mateo Fair Board with the change in language to the first sentence

of the agreement, and b) Staff and Legal Counsel follow up with the appropriate loan documents. Mr. White seconded, unanimously approved.

Agenda Item 4 – Discussion and Action, if any, on Recommendations for Funding Allocations from the CDFA F&E Expenditure Plan for FY 2007-2008, FY 2008-2009 and Beyond. Mr. Korby reported that the F&E expenditure plan continues to be discussed and negotiated. Mr. Korby requested that this agenda item become an open forum for the Board to discuss the matter.

Ms. Tesconi updated the group that in the F&E CEO Forum a request was made by Fair Managers and CEOs to have more input into the FY 2008-2009 Expenditure Plan and in future planning. An Ad-Hoc Committee was formed which includes representatives from each of the Class 1-7 Fairs. Mr. Pickering, Mr. White, Mr. Barkett and Ms. Tesconi, representing CARF as well as their individual Fair Classifications, will be serving on the Committee.

This group will have more input in content into the Area Meetings. The formation of this group provided a clear message that Fairs and Fair Managers seek more participation into the Expenditure Planning process. Mr. Barkett reported that the group expressed significant support of Joint Power Authorities (JPA) amongst the group.

Agenda Item 5 – Discussion and Action, if any, on JPA Policy Regarding Money Owed by a Member Fair to the Joint Powers Authority. Mr. Jacobs reported that the Finance Committee compiled a list of ideas and a draft policy, which are included in the meeting packet, to begin discussion at the Board level regarding a potential policy for money owed to the JPA.

Mr. Barkett voiced concerns that the language may have created an automatic option to convert an amount owed by a Fair into a loan. Mr. Barkett strongly feels that the decision to convert money owed should be made by the Board on a case by case basis. Mr. Jacobs stated that the intent of the language was to fulfill Mr. Barkett's concern. The Board agreed that a conversion to a loan should be triggered by a request from the delinquent Fair and the burden should fall on the aforementioned Fair to convince the Board that circumstances lend themselves to converting the overdue amount to a loan. The policy will be adjusted to create a clear process for a Fair to pay an owed amount, with interest accruing until an agreement is reached without offering a loan option.

Mr. White requested timeline clarification for the billing cycle. Mr. Jacobs explained that finance charges would not begin until 60 days after the mailing date of the issued invoice. In addition, the Executive Director has the ability to waive the accrual of interest charged for the first 30 days of the late period, leaving a total possible grace period of 90 days.

Mr. Titus stated that he is forced to vote against the aforementioned policy until CARF is able to invoice for Live Racing Expenses and distribute Live Racing Revenue in a timely manner. Mr. Jacobs asked Mr. Titus for a worst case scenario for Humboldt County Fair regarding late invoices and revenue, in order for the Finance Committee to understand how the policy might not be practical for each Fair. Mr. Titus stated invoicing and the receipt of revenue from CARF has improved, but the policy is still too stringent and a Fair should not be tied to a policy until CARF can guarantee a timeframe for sending invoices and distributing revenue. Mr.

Titus pointed out that a Live Racing Fair should not be charged interest on an invoice until all racing revenue has been received by the Fair.

Dan Jacobs motioned to approve the concept without the language referring to a promissory note. Approved by John Alkire, Joe Barkett, Dan Jacobs, Rick Pickering, Tawny Tesconi and Forrest White. Opposed by Mr. Titus.

Agenda Item 6 – Discussion and Action, if any, on Allocation of Racing-Related Expenses Amongst Live Racing Fairs. Mr. Korby referred to a handout distributed in the meeting packet showing Live Racing Fair expenses and their individual methods of distribution. Mr. Titus expressed concern that costs from CARF have increased steadily over the years. Mr. Titus requested that the Committee review the methodology of distributing expenses by explaining that Humboldt County Fair incurs the same expenses as other Live Racing Fairs while running half the number of races. It would be advantageous to small Live Racing Fairs to distribute expenses by the number of races run each day. Mr. Barkett requested that Mr. Titus provide a synopsis of expenses he felt Humboldt County Fair should either not incur or should be allocated by number of races prior to the next meeting.

Agenda Item 7 – Executive Director’s Report. Mr. Jacobs requested the most up to date balance sheet and financials be included in the meeting packet.

Mr. Korby reported that Ingrid Fermin, Executive Director of the California Horse Racing Board, has resigned effective January 2008.

Mr. Agnifili requested more communication concerning meeting dates and the development of a satellite wagering procedures manual. Ms. Tesconi brought up the mentoring program that WFA is establishing and possibly applying a similar concept to CARF.

Respectfully submitted,

Heather Haviland, Meeting Secretary