

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Monday, October 6, 2008

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:00 P.M., Monday, October 6, 2008. The teleconference meeting was conducted at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

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

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Rick Wood, Debbie Cook, Tawny Tesconi, Chris Carpenter, Norb Bartosik, Richard Lewis, Kate Phariss and Margot Wilson. Joining by conference call: Linda Jenkins, Scott Grieve and Tom "Bomber" Doutrich.

Agenda Item I – Determination of Date, Time, and Location of Next Meeting. The next CARF Board & Live Racing Committee meetings are tentatively scheduled for 6:00 p.m. on Tuesday, November 11, 2008 in Sacramento.

Agenda Item II – Discussion and action, if any, on Racing Dates for 2009 and Beyond. [Discussion of this Agenda item pended to take place during the Live Racing Committee meeting.]

Agenda Item III – Report and Discussion Regarding 2008 and 2009 Legislative Session. Mr. Korby reported on the passage of AB 2258 (Evans) which clarified language in the Business & Professions Code, Section 19616.51, which more precisely describes the \$40 million guarantee as it pertains to license fees in 2008; this bill made it a simpler and clearer task for the CHRB to collect those monies from racing associations. AB 2258 was an urgency bill which went into effect immediately. The CHRB has actually taken this in a broader context and is now considering asking for license fees from prior years; that concept is currently under discussion. The group discussed the impact of this bill on Racing Fairs. The consensus was that AB 2258 was good for Fairs, generally, and there was a need to get the license fees up to the level that they once were. Mr. Korby noted that he was informed that the CHRB was preparing invoices to go out soon. Mr. Pickering made a motion to direct Mr. Korby to coordinate with F&E and WFA regarding a collective position of recommendation to the CHRB. Mr. White seconded, unanimously approved.

Mr. Korby submitted two items for Board consideration as part of the CARF legislative program for 2009. The first item was with regards to location fee commissions that are paid to satellites. A number of fair satellites are struggling financially due to variety of impacts on their business including declining horseracing attendance and handle, the impact of tribal casinos, the state of the economy and rising expenses, to such an extent that they are considering whether or not they should stay in business. Mr. Korby recommended that the Board support legislation that would increase

the commission paid to satellites; it would mean an immediate injection of new revenue into the business model. If this is not done, the risk is that some of the smaller satellites will be forced to close their operation. Mr. Korby suggested raising the commission to 3%. The group discussed the development of business models for mini-satellites. Mr. Pickering made a motion to direct Mr. Korby to draft legislative language, working with Mr. Louie Brown and Mr. George Soares, regarding an increase in take-out for satellites, and bring that back to the Board for approval as to how they will move forward. Mr. Jacobs seconded, unanimously approved.

The second item Mr. Korby offered for consideration by the Board is the reactivation of legislation that came forward late in the session last year, which allowed for an additional take-out from exotic wagers to be used for capital improvements at Fair race tracks. Mr. Korby recommended that this be considered for Northern California only and that the additional take-out be dedicated for infrastructure improvements at Fair racing facilities. The additional take-out would supersede or supplant the existing 1% that applies only to Fairs. This would apply to all exotic wagers, year-round, anywhere in Northern California. Mr. Korby suggested that decision-making control remain in Northern California for monies generated in Northern California a Fair JPA, because, for the purposes of public bonding, it's necessary that the money flow through a public entity. There are advantages to both in either declaring a specific entity in statue, as was done before, or be more generic and just specify that it be a public entity. Mr. Pickering made the motion for CARF to pursue legislation for an increase in Northern California exotic take-out designated for the purpose of funding facility improvements at Fair-owned racing facilities. Mr. White seconded, unanimously approved.

Agenda Item IV – Executive Director's Report. Mr. Korby introduced Rick Wood from CFSA to give an update on financial reports that are going to Fairs & Expositions. Mr. Wood reported that he met with F&E – Bruce Lim and Mike Treacy – a couple of months ago, following up on their request for information on CARF financial statements. A historical analysis, going all the way back to 2000, was done showing all monies received into the CARF fund and where that money had been expended. Mr. Wood reported that he spent a considerable amount of time with Mr. Lim, going through the records and after all was said and done Mr. Lim responded that he was satisfied with what he had seen and that F&E liked the format it was presented in. Mr. Jacobs asked Mr. Wood if there was a way to add another column titled "Year-to-Date" in the financial report in order to compare year-to-date with the previous year. Mr. Wood responded that it would be very easy to do. Mr. Jacobs requested that "Finance" be placed as an agenda item every month. Mr. Barkett responded that he didn't have a problem with that and that it was pretty standard for boards to have some sort of financial reporting every month. Mr. Wood responded that it would be simple to provide financial statements on a monthly basis with the caveat that some of the information is not received except on a quarterly basis, some examples being investment figures and racing numbers that don't show up until after the race dates.

Mr. Pickering thanked Mr. Wood, Mr. Jacobs, Mr. Alkire and others who participated in a series of meetings in the last year with F&E staff to review expenditures over the past years. Mr. Pickering continued by saying the new Expenditure Plan that has been put forward definitely includes funding for Racing Fairs, satellite wagering and

CARF at necessary levels and that speaks volumes to F&E's level of comfort with CARF. Mr. Barkett agreed that the Finance Committee has done a lot of work this year and very good work too.

Mr. Korby informed the Board regarding an orientation for CARF members and other Fairs who wish to learn more about horse racing. A presentation will be given at the upcoming WFA conference and Mr. Korby would like to see that become an ongoing continuing education program and hoped that Ms. Baldwin would dedicate some of her time and energy to working with CARF Staff on that. On that note, Ms. Baldwin said she spoke with Ann at Senator Vincent's office and they would be sending her the PowerPoint presentation later in the week. Mr. Korby said he looked forward to seeing that presentation.

Norb Bartosik, Chris Carpenter and Kate Phariss joined the meeting at 12:50 P.M.

Mr. Korby provided an up-date regarding an email he sent to the Board and Live Racing Fair members. Mr. Korby was honored to be asked to sit on a CDFA Equine Advisory Task Force which has been put together in response to testimony presented to the State Board of Food & Agriculture in August 2007. That Board has decided that the equine agricultural sector is significant enough that they wanted to put a task force together to give them some recommendations on if, and if so, how that part of California's agricultural economy be brought into the fold, so to speak, with CDFA. Mr. Korby said that he would keep the Board posted on how that transpires. The first meeting of the Equine Advisory Task Force is scheduled for November 10th.

At approximately 12:55 p.m., a five minute intermission was taken by the Board.

After a brief intermission, the Board meeting resumed. Mr. Jacobs made a request for the Board, on the next Agenda, to discuss if and when the next Satellite Conference was taking place. Mr. Jacobs also requested another item placed on the next Agenda regarding Board elections to confirm the schedule for elections and make sure that by-laws are followed. Mr. Korby and Mr. Barkett assured Mr. Jacobs that that issue would be on the Agenda.

Mr. Jacobs commented that, for anyone who saw Dave Elliott's letter, he himself was disappointed in the tone of that letter. Not being directly involved in the racing dates as his facility doesn't have live racing, Mr. Jacobs had nothing to say, no arguments either way on the subject, but he felt that it was strange for CalExpo, which has not been a member of CARF for several years, to say how CARF needs to be prudent. Mr. Jacobs continued by saying that people and organizations should not complain from the side lines; they have to be a member. Because so many agendas are going on and different points of view that are self-serving, Mr. Jacobs recommended that CARF discussions about racing dates consider how they affect satellites.

In light of all the race dates, Mr. White asked Mr. Jacobs what was happening with his fair and the Pomona Fair expansion. Mr. Jacobs responded that they are planning to go to their Board this month with two options.

At 12:59 p.m. the meeting segued into a concurrent meeting of the Live Racing Committee.

Respectfully submitted,

Margot Wilson