



a California joint powers agency

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AGENDA
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS
&
LIVE RACING COMMITTEE
CONCURRENT MEETING
JOE BARKETT, CHAIR
5:30 P.M., TUESDAY, NOVEMBER 6, 2007

Notice is hereby given that concurrent meetings of the California Authority of Racing Fairs' Board of Directors and the Live Racing Committee will commence at 5:30 P.M. Tuesday, November 6, 2007. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

AGENDA

- I. Determination of date, time and location of next meeting
- II. Approval of Minutes
- III. Discussion and action on support for development of a satellite wagering facility operated by San Mateo Fair
- IV. Discussion and action, if any, on Recommendations for Funding Allocations from the CDFA F&E Expenditure Plan for FY 2007-08, FY 2008-09 and Beyond
- V. Discussion and action, if any, on a JPA Policy Regarding Money Owed by a Member Fair to the Joint Powers Authority
- VI. Discussion and action, if any, on allocation of racing-related expenses amongst live racing Fairs
- VII. Executive Director's Report

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October 18, 2007

Mr. Chris Carpenter, CEO
 San Mateo County Event Center
 2495 S. Delaware St.
 San Mateo, CA 94403

RE: F&E Funds for new Satellite Wagering Facility

Dear Chris:

Thanks for meeting with us on October 1 to discuss the proposed satellite wagering facility. The Division of Fairs and Expositions, CARF and the California Construction Authority are available to provide the San Mateo County Fair with assistance in accomplishing this project. To recap our discussion:

- The scope of the project is conversion of Oak Hall to a new satellite wagering facility and renovation of Cypress Hall. The preliminary project budget including hard and soft costs is estimated at approximately \$3.5 million.
- The San Mateo County Fair has committed \$230,000 to the project.
- San Mateo County has offered to loan the fair \$1 million.
- The Division of Fairs and Expositions can commit up to \$1 million in funding from the Fairs and Expositions Fund via the 07/08 Replenishment Fund program. The Replenishment Fund program provides for 0% interest funding with a 10% per year payback over a 10-year term. The San Mateo County Fairs repayment commitment would be \$100,000 per year beginning the a year after project completion.

Per the Business and Professions Code section 19605, the Department of Food and Agriculture (CDFA) will be required to authorize the San Mateo County Fair to locate a satellite wagering facility on the fairground. CDFA will need to be confident that the public funds being used for the project are resulting in public benefit: that the business plan maximizes the economic benefit to the fair, to the fair industry and to the horse racing industry. As part of the due diligence process for CDFA, the Division of Fairs and Expositions will be working closely with you to obtain the required information for CDFA review.



Chris Carpenter, CEO

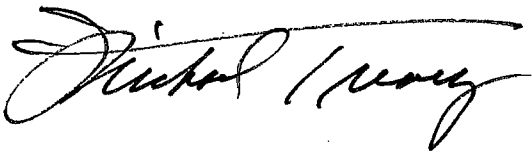
October 16, 2007

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If the San Mateo County Fair board decides that it would like to accept the Fairs and Expositions Fund component for this project financing, the Division of Fairs and Expositions can begin preparation of the funding agreement that will spell out the details of the transaction.

Please let us know how the fair would like to proceed and if you have any questions you can contact me at (916)263-2952.

Sincerely,



Michael F. Treacy

Director

MFT/klk

cc: A.G. Kawamura, Secretary, Department of Food & Agriculture
George Gomes, Undersecretary, Department of Food & Agriculture
Bruce Lim, Assistant Director, Fairs & Expositions
Lisa Drury, Asset Manager, Fairs & Expositions
✓ Christopher Korby, Executive Director, California Authority of Racing Fairs
Joe Barkett, CEO, Solano County Fair
Rick Pickering, CEO, Alameda County Fair
Dan Jacobs, CEO, Antelope Valley Fair
John Alkire, CEO, Big Fresno Fair
John Quiroz, Fairs & Expositions
Robin Espana, Fairs & Expositions

CARF FINANCIAL PLAN FOR HORSE RACING

On September 26, 2007, the CARF Board of Directors adopted the following plan for funding of track safety and maintenance, equipment replacement and capital investment:

Expenditure of existing available funds in FY 2006-2007:

Equipment Replacement Fund	\$ 500,000
Capital Investment (Alameda upgrades and San Mateo SWF)	\$ 300,000
Capital Investment (San Joaquin Design Study)	\$ 25,000

Expenditure of allocated funds in FY 2007-2008:

Equipment Replacement Fund	\$ 500,000
Track Safety and Maintenance Program	\$ 600,000
Capital Investment (Alameda upgrades and San Mateo satellite)	\$1,000,000

Minimum request for funds in 2008-2009:

Track Safety and Maintenance	\$ 600,000
Equipment Replacement	\$ 500,000
Capital Investment	<u>\$1,500,000</u>
Total:	\$2,600,000

Bay Meadows is scheduled to race through the first half of 2008 and to remain open for auxiliary stabling through the end of 2008. Thereafter, in 2009 and beyond, it is anticipated that approximately 100 days of racing will shift to Golden Gate Fields and fair race track facilities and that a great majority of these added dates will be run at fair facilities. Significant improvements at selected fair facilities will have to be undertaken immediately in order to meet this need.

CARF has been working on a plan for shifting racing and stabling, currently at Bay Meadows, to publicly owned facilities, i.e., existing fair race tracks, in a way that will best serve the needs of the racing public, fairs and the racing industry in general. In that connection, CARF has agreed to and advocates the following:

1. It is not practical or feasible to attempt to upgrade all fair racing facilities to the same or similar level of quality nor is it practical or feasible to spread all newly available racing

dates among the existing Northern California fairs. Racing Fairs are in agreement that they need to cooperate to make the most efficient use of their collective facilities and to share in the risks and rewards of that effort.

2. After considering several sites, CARF has determined that the Alameda County Fair at Pleasanton provides the most practical and feasible location to offer as the primary, although not exclusive, recipient of additional race dates made available by the closing of Bay Meadows. In order to do so, there will have to be a synthetic track and other improvements that are estimated to cost between \$15 and \$25 million, at least \$10,000,000 of which will need to be expended before the 2009 racing season.
3. CARF has determined that the San Mateo County Fair should begin immediately to provide a satellite wagering facility to replace, to the extent possible, the satellite wagering facility at Bay Meadows. CARF has also determined that future San Mateo County Fair race meet dates should be raced at a fair facility.
4. CARF has determined that other Northern California fair live racing facilities, including the facilities at Humboldt, Santa Rosa, Vallejo, Sacramento, Stockton and Fresno, should be upgraded to better meet the needs of racing requirements in the future or in the alternative should be a financial partner in the consolidation of such meets at upgraded fair facilities.
5. CARF has determined that where it is practical and feasible to do so, the facilities of the fair satellite network must be improved and that the satellites should work more cooperatively to accomplish facility and programming improvements that benefit the fan and the racing product.

To accomplish the above goals, it will be necessary to expend tens of millions of dollars. It is unlikely that any new private racing facility will be built in Northern California and with the CARF proposal no such private racing facility is necessary. CARF opposes any new private racing facility in Northern California because such development will most likely result in significant pressure to redirect resources and potential revenues away from fair facilities.

CARF recommends that \$1.3 million in funds currently committed to CARF for the 2006-2007 and 2007-2008 fiscal years be directed to the Alameda County Fair and San Mateo County Fair. In addition, beginning in fiscal year 2008-2009, CARF recommends that the Division of Fairs and Expositions provide a minimum of \$2.6 million as specified above. It is anticipated that at least \$1.8 million in capital funds will go to improvements at Alameda and San Mateo. CARF also recommends that F&E loan \$3 million from its existing loan fund to Alameda. To meet the immediate need, CARF is authorized to loan to Alameda and/or San Mateo up to \$1 million from its equipment replacement fund (this loan to be short term so as not to interfere with timely

replacement of any aging equipment). All of this is contingent on Alameda being responsible for coming up with at least \$5 million from other sources outside CARF and F&E and working cooperatively with CARF and the other racing fairs with respect to consolidation of fair meets where practical and feasible and in the best collective interests of all fairs involved in racing in Northern California. With respect to the San Mateo County Fair, such funding is contingent on the San Mateo Fair working cooperatively with CARF and the other racing fairs with respect to consolidation of fair meets where practical and feasible and in the best collective interests of all fairs involved in racing. For the San Mateo County Fair this means specifically agreeing to commit to racing at a fair facility for reasonable compensation commensurate with that available to other racing fairs that choose to race at another fair facility.

In order to be able properly to implement the early phase of the capital improvement plan CARF requests that F&E commit to annual funding for a period of at least five years and at a minimum the level of expenditures requested for FY 2008-2009. After five years, it is anticipated that CARF and F&E will reassess the progress made and any adjustments to the development plan deemed necessary. During the course of the first five year phase, CARF expects that F&E will have the right to reject the specific recommendations for expenditures of the capital investment fund if for any reason F&E determines that the expenditures are not meeting the goals established as set forth in this document. Currently, the following projects are anticipated for 2009 and beyond:

- Santa Rosa backstretch and grandstand improvements
- Vallejo backstretch, grandstand and lighting improvements for year round harness racing
- Stockton track surface improvements
- Fresno track surface improvements
- Humboldt backstretch upgrades.

CARF POLICY REGARDING PAST DUE PAYMENTS FROM MEMBER FAIRS

DRAFT-November 5, 2007

1. *Invoice sent.*

First invoice for payment sent. Payment due in 30 days.

2. *Thirty Days Past Due.*

At thirty days past due (sixty days from date of invoice), a Finance Charge of 1% (12% per annum) is added to original amount. Past Due invoice with additional 1% Finance Charge is sent to Fair.

3. *Reminder : Forty-five Days Past Due.*

If CARF does not receive payment within fifteen days of Step #2 (forty-five days past due), CARF Accounting Department calls Fair Accounting Department to remind them that payment is due and sends confirming e-mail.

4. *Sixty Days Past Due.*

At sixty days past due, a second Finance Charge of 1% (12% per annum) is added to the amount of the invoice above (Step #2) that was sent at thirty-days Past Due. This sixty-day Past Due invoice is sent via registered letter or courier, signature required for receipt, to Fair Manager and to Chairman of Fair Board. Registered letter includes a notice requesting payment of invoice with 1% added for each 30 day period invoice is past due, ~~along with an option to structure payments through a promissory note signed by the Board Chair at LAIF rates for all past due amounts. The promissory note is secured by assignment of future parimutuel distributions equal to the amount due, including accumulated Finance Charges.~~

5. In the event that the Fair refuses to cooperate or does not respond, CARF will take the action it deems appropriate to secure payment.

6. *Remedy for Continuing Late Payment or Non-payment by Fair*

In the event that the Fair establishes a continuing record of late payment or non-payment, CARF may require an agreement with the Fair that employs payment structures specific to that Fair, e.g., pre-payment, net parimutuel distribution after expenses, etc. **Definition:** Two or more incidents within five years of late payment exceeding sixty days past-due or a single incident of refusing to sign a promissory note to structure re-payment will constitute a record of late payment or non-payment.

Note – Executive Director has ability to wave 1% penalty for first 30 day late period at his/her discretion provided that payment is made before invoice is 60 days past due.

Subject by
approval by
CARF
Board.

~~CARF will not by Fair~~
~~that it~~
~~_____~~

See below for DRAFT Promissory Note drawn up by legal counsel at Kahn,
Soares and Conway.

PROMISSORY NOTE
SECURED BY ASSIGNMENT OF PARIMUTUEL COMMISSIONS
DRAFT

_____, California
_____, 2007

1. FOR VALUE RECEIVED, the _____ Fair, by _____, Board Chairperson (hereinafter referred to as "MAKER"), promises to pay in lawful money of the United States to the California Authority of Racing Fairs, a California Joint Powers Authority (hereinafter referred to as "HOLDER"), or order, at Sacramento, California, or such other location designated by HOLDER, the principal sum of \$ _____ with interest at the Local Agency Investment Fund ("LAIF") rate thereon in like lawful money of the United States no later than _____, 20____, said principal and interest to be paid in monthly installments of _____ Thousand _____ Hundred _____ Dollars (\$ _____), the first installment of _____ Thousand _____ Hundred _____ Dollars (\$ _____ .00) to be paid on _____, 20____ and monthly installments of _____ Thousand _____ Hundred _____ Dollars (\$ _____ .00) to be paid on the same day of each and every month thereafter until _____, 20____, on which date, the entire balance of unpaid principal and accrued interest shall be due and payable. It is agreed that each monthly installment, when paid, shall be credited first on interest then due and the remainder on principal, and interest shall thereon cease upon principal so credited.

2. This Promissory Note shall be secured by assignment of that portion of MAKER's future pari-mutuel commissions to HOLDER that equals the principal sum set forth in paragraph 1 above. By this assignment, MAKER expressly authorizes and instructs the California Authority of Racing Fairs, California Horse Racing Board, Northern California Off-Track Wagering Inc. or Southern California Off-Track Wagering Inc. to distribute MAKER's parimutuel commissions, up to the entirety thereof, to HOLDER, payable directly to MAKER.

3. MAKER shall have the right to prepay this note, in whole or in part, at any time, without penalty.

4. This Promissory Note Secured by Assignment of Parimutuel Commissions shall be binding upon and inure to the benefit of the heirs, successors, executors, and assigns of MAKER and HOLDER. This note may only be amended by written agreement of MAKER and HOLDER.

5. In the event of commencement of suit to enforce payment of this note, MAKER agrees to pay such additional sums as HOLDER'S reasonable attorneys' fees and costs as a court or arbitrator may adjudge reasonable. The

<u>Method Used</u>	<u>Service Provided</u>
Actual	Announcer
Actual	Travel expenses
Actual	Fitness Vet/Blood Samples
Actual	Jockey Cook
Actual	Jumbo Screen
Actual	Program Covers
Actual	Program Office Trailer
Actual	Program Phone
Actual	TCO2 Testing
Actual	TV Production/Simulcast-Pegasus
Equal, Humboldt 1/2	Winners Foundation Contribution
Handle	Federation Expenses
Handle	Simulcast Conf @DMTC
Race Days	Accounting/Audit
Race Days	Clocker/Timer
Race Days	Legal,Meeting Exp
Race Days	Marketing
Race Days	Network manager (Stacey Lapham)
Race Days	NTRA Dues
Race Days	Paymaster (Vicky Layne)
Race Days	Program Production (phone,incompass shared)
Race Days	Racing Office System (supp,phone,incompass shared)
Race Days	Recruitment (receptions, etc-not relocation fees)
Race Days	Simulcast Labor (Swartzlander) minus NCOT portion
Race Days	Stall Applications
Race Days	Supplies,Silks
Race Days	Transportation (Rocky, silks)
T/B Starters, Prior Year	Tattoo