

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Wednesday, January 9, 2008

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 2:00 P.M., Wednesday, January 9, 2008. The meeting was conducted at the WFA Convention, Town and Country Resort and Convention Center, 500 Hotel Circle North, San Diego, California 92108.

Board of Director Members attending: John Alkire, Kelly Baldwin, Joe Barkett, Dan Jacobs, Rick Pickering and Forrest White.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Rick Wood, Louie Brown, Chris Carpenter, Tawny Tesconi, Janet Eastlick, Randy McGee, Jeanne Wasserman, Mike Treacy, Larry Jacobsen, Vince Agnifili, Barbara Boester-Quaid, Beth Medeiros, Rebecca Desmond, Scott Grieve, Linda Jenkins, Jack Olsen, Sarah Cummings, Jeff Hines, Courtney Boyles, Mannie Hinojos and Portor Goltz.

Agenda Item 1 – Determination of Date for Next Meeting. The next CARF Board & Live Racing Committee meeting is scheduled for Tuesday, Feb. 5, 2008 in Sacramento, time and location to be determined.

Agenda Item 2 – Approval of Minutes from Dec. 4, 2007 Meeting. Mr. Pickering moved to approve the meeting minutes as presented. Mr. Jacobs seconded, unanimously approved.

Agenda Item 3 – Discussion and Action, if any, on 2008 Agency Budget. Mr. Jacobs announced that the CARF Finance Committee met several times since the Dec. 4, 2008 Board and Live Racing Committee Meeting to produce the 2008 Agency Budget as presented. Mr. White requested clarification on the reduction of the line item for administrative employee benefits. Mr. Wood explained that the administrative assistant employee benefit line item covers health and dental for the CARF Administrative Assistant, a position which was provided by a temporary staffing agency in 2007.

Mr. Barkett brought to the group's attention that membership dues remained unchanged in 2008. Mr. Jacobs reported the Finance Committee has been working with CFSA and Mr. Treacy to provide consistent monthly financials for the CARF Board and LRC Meetings. Mr. Treacy expressed concern that F&E's fiscal accounting calendar creates a need for the financial template to be solidified as quickly as possible.

Upon motion by Mr. Jacobs and a second by Mr. White, the Board unanimously accepted the 2008 JPA Agency Budget as presented by the CARF Finance Committee.

Agenda Item 4 – Discussion and Action, if any, on 2008 Legislative Program and Referenda. Mr. Brown reported in yesterday's annual State of the State Address, Governor Schwarzenegger announced California still faces a projected \$14 billion budget gap in FY 2008-

2009 that requires across-the-board-cuts (estimated to be 10 percent). In December, the Governor announced that he will declare a fiscal emergency to address the current year budget shortfall.

Crucial to the state budget is the revenue provided by the Tribal Gaming Compacts. That makes this especially bad timing for the Bay Meadows Land Company and UNITE HERE's movement to qualify the Pechanga, Agua Caliente, Morango and Sycuan gaming compacts for a Feb. 5, 2008 referenda. The Governor's Office and the Fairs are looking for a "YES" vote on propositions 94, 95, 96 and 97. Mr. Brown ensured that CARF is working with campaign consultants to provide whatever strategic approach the consultants deemed best. So far, the Governor, teachers and public safety have been featured heavily in "VOTE YES" television ads. The tribes have committed \$50 million for their campaign.

Mr. Brown stated that the final ADW agreement that passed gives Fairs a commitment from the Governor's Office, the Speaker's Office and from the Chairman of the Senate Governmental Organization Committee to make the Fair funding a top priority for 2008 and that no other racing legislation be dealt with until Fair funding is resolved. However, if propositions 94, 95, 96 and 97 pass with simple majority "NO" votes, the tribes might freeze all racing legislation at the Capitol and place the industry in a very bad position. Between the budget crisis and the referenda, the movement of racing legislation is uncertain.

Mr. Pickering asked that Mr. Brown discuss the expansion of satellite wagering supported in AB 241 (Price) which grants the expansion of satellites to 15 "mini-satellite wagering facilities" in each zone with 20 mile protection for existing satellites. "Mini-satellite site" is defined as a location where satellite wagering may be conducted, with the approval of the CHRB, provided the wagering occurs in an area that is restricted to those who are 21 years of age or older. In Northern California the language states that the satellite can fall within the Fair's district. A five year protection was established for the Fair to develop or enter into contract with another establishment if operated by the Fair or with the Fair's consent. After the five year time period, the operation of the mini-satellite would be considered open market to any entity authorized by the CHRB.

Mr. Korby encouraged any Fair with an interest in partnering with a sports bar, card club, or other entity in their zone to contact CARF to discuss how to proceed. Mr. Korby also encouraged Fair Managers to contact Mr. Alkire and visit Club One in Fresno, which is a satellite wagering facility partnership between the Big Fresno Fair and a prominent Fresno card club.

Mr. White asked Mr. Treacy if the Division of Fair and Expositions (F&E) had a position on placing a card club with an existing license within a Fair satellite wagering facility. Mr. Treacy was not aware of a position and stated he would look into that matter and report back to the Board.

Agenda Item 5 – Discussion and Action, if any, on CDFA F&E Expenditure Plan for Fiscal Year 2008-2009 and Beyond. Mr. Korby reported that this item has been on the agenda for several months as an opportunity to update the Board as to ongoing discussions with F&E, as well as give members an open forum to discuss the expenditure plan. Mr. Korby and Mr. Treacy

met last week and came to agreement that the Division and CARF need to work much more closely together. At this point, Mr. Treacy asked to move discussions to the next agenda item.

Agenda Item 6 – Remarks by CDFA Divisions of Fairs and Expositions Director Mike Treacy. Mr. Treacy reported that the CARF bylaws allow for a seat on the CARF Board of Directors from the Division of Fairs and Expositions (F&E). The seat is ex-officio, which is a non-voting board seat. Mr. Treacy plans to fill the seat, with Mr. Lim to serve in his stead.

Mr. Treacy outlined three areas he would like to address with the CARF Board. 1) The Fair funding fix (separate from current ADW legislation); 2) Ability to recapture shortfalls from prior years to make the fund “whole”; and 3) conduct a “Summit of Fair Racing” to give member and non-member Fairs as an opportunity to openly address concerns and fixes.

Mr. Treacy wants to see CARF take an aggressive lead in fixing the funding issue, with support from WFA. Mr. Treacy also wants to see CARF take an aggressive lead in recapturing shortfall monies, especially with the eventual demise of tracks that owe funds.

Mr. Treacy and the Division of Fairs and Expositions feel the time is right to conduct a Summit of Fair Racing for all Fair racing entities, both CARF members and non-members (ideally the last week of February or the first week in March). In light of the eventual demise of Hollywood Park and Bay Meadows Race Course, it is an opportune time to bring together all Fair entities. The hope is that the Summit will help crystallize a plan of how Fair racing needs to move forward, what need to be the priorities, what monies are needed, where those monies might come from and how we position Fairs strategically. The F&E Fund needs to be spent in the wisest possible manner, especially in light of the California budget crisis.

Mr. Korby stated that this concept is something the CARF Board has discussed internally and is eager to develop. Ms. Tesconi suggested a third-party neutral facilitator to guide the discussion and collect the information in a manner that can be relayed back to Fairs. Mr. Korby replied that CARF has utilized George Soares in a similar capacity with exceptional results.

Mr. White recommended that each entity try to come to the summit with a 10-year vision that has been agreed upon at the local level. Mr. Treacy recommended that specific requests/agenda items be distributed with the invitation to participate. Mr. Korby suggested the talking points be discussed and updated at the Feb. 5, 2008 CARF Board and Live Racing Committee meeting.

Mr. Brown noted that there may be certain issues regarding any role CARF may play in seeking collections of unpaid license fees.

Mr. Barkett expressed that at some point this Summit of Fair Racing will move into a “Phase II” to include all member Fairs, especially those Fairs that only have a satellite wagering facility.

Ms. Desmond requested that the CARF Board choose a member to sit on the CFA Board. She requested the selection item be added to the Feb. 5, 2008 agenda.

Agenda Item 7 – Executive Director’s Report. Mr. Korby brought the group up to date on the challenges Santa Anita Park has been facing with its new synthetic surface (Cushion Track). A byproduct of re-engineering the surface to handle extreme heat resulted in major drainage problems, which in turn forced cancellation of racing on several days. Until the surface can be corrected, Santa Anita may be forced to cancel additional days if the track is exposed to excessive rain.

Mr. Korby brought to the group’s attention that an erroneous e-mail was distributed to some Fair satellites regarding night racing. Night racing in California will soon be reduced to four nights a week which may effect current full-time night staff. Tom Varela, General Manager at SCOTWinc., will be distributing an update calendar for night racing.

Respectfully submitted,

Heather Haviland, Meeting Secretary