

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Tuesday, February 5, 2008

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 11:00 A.M., Tuesday, February 5, 2008. The meeting was conducted at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California, 95815.

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

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Rick Wood, Raechelle Gibbons, Louie Brown, Tawny Tesconi, Mike Treacy, Dan White, Kate Pharris and Steve DeMarta. Joining by conference call: Chris Carpenter.

Meeting Business Not Included on the Agenda. Mr. Korby introduced Mr. Wood and asked him to provide an overview on a presentation that was given by Madison Investments on Monday, Feb. 4, 2008 to the CFSA Board of Directors. Mr. Wood circulated copies of Madison Investment Advisor's financial performance report and stated that in May 2007, CFSA on behalf of CARF, took outside investments that had been divided amongst Smith Barney and Madison Investment, with Smith Barney acting as custodian, and consolidated them in order to maximize investment income. Madison Investments now acts as CARF's sole outside investment provider with Charles Schwab providing custodial services. This new relationship has saved between \$10,000-\$12,000 in investment fees with Charles Schwab charging an annual fee of 23 basis points and \$15 per trade (compared to an annual fee of 40 basis points with Smith Barney).

Mr. Wood reported that CARF's investments have received an annualized return of approximately 7 percent, compared to LAIF's annualized return of 4.9-5.2 percent. The margin of difference can be explained by the longer duration of the outside investments compared to LAIF (2-5 year compared to a maximum of 18 months with LAIF). Mr. Wood noted that all of CARF's outside investment holding are rated at least grade AA for corporate holdings and approximately 65 percent of total holding are in government treasuries which are rated grade AAA. The outside holdings represent about 40 percent of CARF's total investments, with the other 60 percent residing with LAIF. Mr. Wood concluded that the forecast suggests interest rates will drop further still and that the 4th quarter of 2007 produced the single highest return in CARF's 14 years with CFSA.

Mr. Korby asked Ms. Gibbons to briefly address the status of the CHRB notice for payment on the Jockey's Health and Welfare Fund. Ms. Gibbons reported that she had e-mailed each live racing Fair to help clarify the CHRB's mistake. CHRB was not aware of CARF's role is distributing those funds and the fact that the funds were already on deposit with CARF. The CHRB apologized for the miscommunication. If any of the Fair's financial staff have questions, Ms. Gibbons urged them to contact her.

Mr. Carpenter asked to provide an update on the San Mateo Events Center Satellite Wagering Facility. Mr. Carpenter reported that design for the facility is moving forward and thanked Mr. Korby and Mr. Pike for their time and assistance with the project. Total funding for the project is currently projected at \$4.6 million. There was a San Mateo County Board of Supervisors meeting earlier this morning, and that group unanimously approved an extra loan amount of \$900,000 from the county and the formation of a JPA between San Mateo's Event Center and CCA (California Construction Authority). According to conversations Mr. Carpenter has had with representatives from Bay Meadows Land Company, the satellite wagering facility may need to be open and operational on Aug. 18, 2008. A more realistic date for opening is somewhere between Sept. 1 to Sept. 31, 2008. Ideally, Bay Meadows Land Company will operate as a satellite wagering facility into September to facilitate the gap.

Mr. Barkett asked if Mr. Carpenter was more comfortable with Bay Meadows Land Company's commitment to run the San Mateo County Fair race meet in 2008. Mr. Carpenter stated that both parties have agreed on a contract and he is comfortable that the contract will be signed. Mr. Korby stated that Bay Meadows is publishing the San Mateo County Fair as part of their credentials package.

Mr. Treacy inquired as to the terms of the \$900,000 county loan in terms of both length and interest rate. Mr. Carpenter stated that he has not seen the loan documents, but his understanding is that the loan has a duration of 5 years and a sub-prime interest rate of 4-5 percent according to LAIF.

Mr. Pickering emphasized the importance of making sure that a gap does not exist between the closure of Bay Meadows operating as a satellite wagering facility and the opening of the new facility at San Mateo.

Agenda Item 1 – Approval of Minutes from Jan. 9, 2008 Meeting. Mr. Pickering moved to approve the meeting minutes as presented. Mr. White seconded, unanimously approved.

Agenda Item 2 – Report, Discussion and Action, if any, on Current Legislative Issues, Referenda and Election Matters. Mr. Brown reported that the bill introduction deadline is February 22, 2008 and that most members and staff are back in their districts campaigning for presidential candidates, initiatives and referendums. Mr. Brown expects that propositions 94, 95, 96 and 97 will pass with a "YES" vote.

The CARF spot bill language for the \$40 million guarantee, AB 2258 should be back from review with legislative counsel soon. As soon as that language is received, there will be a follow up meeting with Assembly Member Evans. Other lobbyists involved with the issue have reviewed the language and everyone seems to be on board. Mr. Brown does expect resistance from the TOC.

Agenda Item 3 – Report and Update on Current Projects. Mr. Korby, Mr. Pickering and Mr. McGee met with the Thoroughbred Owners of California (TOC) Board of Directors to discuss potential upgrades to the Alameda County Fair backstretch and racing surface in order to accommodate additional horses for training and potential racing dates once Bay Meadows closes.

It is estimated that a \$3-4 million upgrade would need to be made just to accommodate an additional 200-300 horses for training. The TOC Board response to the Pleasanton presentation was very positive.

Mr. Barkett asked Mr. Pickering how long Pleasanton would need to make the upgrades necessary to run an extended race meet from the day upgrades started to the day Pleasanton would be race ready. Mr. Pickering replied that the answer would depend on the extent of CHRB requirements. Pleasanton sees the upgrades as a multi-phase process: Phase I would include upgrades to the backstretch to ensure that the Northern California horse population have adequate stabling and training, Phase II would include a synthetic surface/and or turf track installation and Phase III would involve upgrades and improvements to the Grandstand.

Mr. Barkett stated that he felt CARF should have a clear position on how much racing the Fairs would like to see run at Pleasanton once Bay Meadows is no longer in operation. CARF should be concerned that a precedence could be set in the placement of racing dates in 2009 that might not be optimal for Fairs. A total of 8-12 weeks will be open to be absorbed by Fairs and we should be ready with a clear position of where and how we can accommodate those days.

The TOC would like to see a synthetic surface installed prior to the closure of Bay Meadows but that window of opportunity has closed and, in light of the synthetic surface issues at Santa Anita, it might be best to see how the synthetic surfaces operate in high heat environments and how the surface impacts soft tissue injuries.

Mr. Pickering added, on a very positive note, that Pleasanton might have a very feasible method of answering the storm water drainage problem by installing a leach line to existing orchards.

Mr. Korby added that CARF has had a conceptual calendar in place for several months and the group might want to revisit that planning. Mr. Korby also stated that he is working on a concept to restructure the stabling and vanning fund with a multi-year contract to create a new funding source.

Agenda Item 4 – Report, Discussion and Action, if any, on CDFA F&E Funding.

Mr. Treacy reported on a questions asked by Mr. White at the January 9, 2008 CARF Board meeting on whether F&E has a position on cards clubs operating in Fair satellite wagering facilities. Mr. Treacy stated that since the Governor does not have a position, F&E does not have a position. Mr. White thanked Mr. Treacy for the follow-up.

Mr. Korby did not have anything to report on this item at this time. Mr. Treacy reminded the group that there is an all Fair meeting set for May 9, 2008.

Agenda Item 5 – Update on Conference Planning. A “Live Racing Summit” has been set for March 5, 2008 in Sacramento to begin discussion on strategic planning for the future of horse racing, the role Fairs will play and the role F&E will play in that plan. George Soares will facilitate and managers from all Fairs at which live racing is conducted have been invited.

Agenda Item 6 – Executive Director’s Report. Mr. Korby reported that he has been in discussions with Robert Hartman at Golden Gate Fields who is supportive of a CARF block of dates run from mid-June to early October with exact dates and locations to be determined.

Mr. Korby reported that Hollywood Park will most likely return to a Wednesday through Sunday racing schedule.

CHRB developing regulations for the “mini-satellite” concept brought about by the passing of AB 241 (Price). Mr. Korby will circulate that language as soon as it becomes available.

Mr. White expressed concern that CARF take a position in regards to the night signal now that harness racing is making a move to run solo on Monday nights. Mr. White and Mr. Jacobs volunteered to poll the individual sites to determine exactly who is taking the night signal and how there facility is performing. Mr. Korby offered staff help to facilitate the polling.

Respectfully submitted,

Heather Haviland, Meeting Secretary