

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors
Tuesday, May 6, 2008

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 3:00 P.M., Tuesday, May 6, 2008. The meeting was conducted at the Kahn, Soares & Conway Conference Room located at 1415 L Street, Suite 400, Sacramento, California, 95814.

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

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland and Margot Wilson and Tawny Tesconi.

Agenda Item 1 – Determination of Date, Time and Location of Next Meeting. The next CARF Board & Live Racing Committee meetings are tentatively scheduled for Tuesday, June 3, 2008 in Sacramento and Wednesday, September 3, 2008 in Stockton.

Agenda Item 2 – Approval of Minutes April 1, 2008. Mr. White moved to approve the meeting minutes as presented. Mr. Pickering seconded, unanimously approved.

Agenda Item 3 – Discussion and Action, Regarding CDFA F&E FY 2008-09 Expenditure Plan. Mr. Korby thanked F&E for their support of horse racing. Ms. Baldwin suggested CARF implement grass root marketing to educate Class I and II Fairs regarding horse racing and funding. Mr. White moved to endorse and support the CDFA F&E 2008-09 Expenditure Plan. Mr. Pickering seconded, unanimously approved.

Agenda Item 4 – Update on Equipment Replacement Fund. Mr. Korby introduced documentation regarding the original economic model and history of the Equipment Replacement Fund. The documents in the packet include the Proposed Satellite Wagering Equipment Replacement Fund Economic Model adopted by the CARF Board December 1990, a 1992 memo from Norm Towne requiring any Fairs receiving division funding for AV equipment to place money on deposit with CARF and a letter from Sharon Jensen outlining the creation of a sinking fund.

Mr. Korby introduced current facility inventories and a projected budget through 2014 based on an extensive database developed to calculate the inventory, depreciation and useful life of existing equipment. A very limited budget from F&E is being utilized to service and replace more than \$4.7 million in existing equipment. The projected equipment replacement schedule allows for all 18 satellites to receive significant replacement equipment in the 2008-2014 timeframe.

Agenda Item 5 – Discussion and Action, if any, Regarding CARF By-Law Language Describing Eligibility to Serve on Board of Directors. Mr. Korby reported that CalExpo was

interested in modifying the bylaws to broaden the requirements regarding eligibility to serve on the CARF Board of Directors.

Mr. Barkett moved to recommend to the membership that the bylaws be modified to allow a Fair to designate a director or staff person to represent the Fair's interest on the CARF Board and act as their voting representative, with the understanding that the designated spokesperson be empowered to act as CEO of the organization. Written confirmation of a spokesperson's appointment by their Board of Directors is a prerequisite of sitting on the CARF Board. The call to vote for the bylaw change will be sent to the CARF membership via mail ballot, as allowed by the existing CARF bylaws. Mr. White seconded, unanimously approved.

Agenda Item 6 – Report, Discussion and Action on Sacramento Harness Associations' Unpaid Commissions to Fair Satellite Wagering Facilities. Mr. Korby reported that a copy of the demand letter is provided in the meeting packet. The demand letter was served to Sacramento Harness Association and is currently two weeks overdue. CARF legal counsel will apply to the CHRB to direct payment from Sacramento Harness funds being held by NCOTWinc and SCOTWinc, according to the CARF schedule of unpaid funds, either to CARF or directly to Fairs.

Agenda Item 7 – Discussion and Action, if any, on Legislative Matters. [From May 6, 2008 Live Racing Committee Meeting]. Mr. Korby reported that he had been in conversations with MAGNA/Golden Gate Fields in regards to revisions in legislation that would provide assistance in transitioning Northern California racing. Topics for consideration include: 1) remove the 14-day cap on Fair meets; 2) Extend the calendar window for combined Fair meetings to June 1 through October 31; 3) Raise the 22-week cap on Northern California Thoroughbred racing; and 4) Revise payment to the Humboldt County Fair from simulcast revenues to any Fair running simultaneously (not just San Mateo).

Mr. Brown reported that AB 2258 (Evans) is scheduled to move out of the Assembly tomorrow, which should keep it from being delayed by deadlines in the Senate. Language in the bill was amended to clarify the \$40 million guarantee from "all monies to the state" to "license fees paid to the state" starting January 1, 2009. The CHRB supports the bill in its current form which would presumably allow the organization to operate without budget constraints or the prioritization of the funds. The racing associations will most likely oppose the bill in its current form as it would allow the CHRB to collect shortfalls.

AB 3073 (Committee on Governmental Organization) is a bill that would allow Fairs to conduction racing meets without concurrent general Fair activities. This spot bill might be used as a vehicle for a potentially larger financial package to assists with Fair racing improvements.

SB 1570 (Vincent) is an Alameda County Fair bill to encourage the Governor to include satellite wagering facilities generating license fees into all future compact negotiations.

AB 1635 (Negrete McLeod) is a Fairplex sponsored bill to increase the cap on out-of-state imported races to 35 races per day. At this time there is not opposition to the bill.

Agenda Item 8 – Executive Director’s Report. Mr. Korby reported that there is a momentum building regarding the perceived need to expand satellite wagering rapidly in the model of the “mini” satellite wagering facility. CHRB Commissioner Moss, in working with parties interested in the “mini” satellite concept, is under the impression that a 4% commission is needed to successfully operate satellite wagering facilities. The item will be on the agenda for the next CHRB meeting and it is CARF’s position that existing Fair satellite wagering facilities also receive the increase if it is proposed in legislation.

Respectfully submitted,

Heather Haviland, Meeting Secretary