

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Wednesday, September 3, 2008

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 11:00 A.M., Wednesday, September 3, 2008. The meeting was conducted at the San Joaquin Fairgrounds, Building #3, located at 1658 S. Airport Way, Stockton, California, 95206.

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

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Louie Brown, Tawny Tesconi, Mike Treacy, Steven Chambers, Richard Lewis, David Elliott, Norbert Bartosik and Sarah Cummings. Joining by conference call: Chris Carpenter, Ken Alstott, Scott Grieve and Olivia Perez.

Agenda Item 1 – Determination of Date, Time and Location of Next Meeting. The next CARF Board & Live Racing Committee meeting is tentatively scheduled for 11:30 a.m. on Thursday, October 9, 2008 at the Big Fresno Fair.

Agenda Item 2 – Approval of Minutes from June 3, 2008. Mr. White moved to approve the meeting minutes as presented. Mr. Jacobs seconded, unanimously approved.

Agenda Item 3 – Discussion and Action, if any, on a Combined Fair Meeting in 2009 and Racing Calendar for 2009 and Beyond. Mr. Barkett reminded the group that at the June 3, 2008 meeting, Fairs voted to poll their respective Boards regarding the 2009 combined Fair race meet concept.

Fairs officially supporting the concept of a combined Fair race meet in 2009 include Vallejo, Stockton, Fresno, San Mateo and Pleasanton. Santa Rosa and Ferndale will not take action until additional details are provided. Sacramento was not involved in the initial discussion and needs to query their Board.

Mr. Alkire moved to direct Staff to move forward with potentially implementing a 2009 combined Fair race meet and providing the details required for Santa Rosa and Ferndale to develop a position. Mr. White seconded, unanimously approved.

[Race dates will be addressed as part of the Live Racing Committee Meeting.]

Agenda Item 4 – Discussion and Action, if any, on Implementation of AB 765. Mr. Korby revisited AB 765 (Evans) which allows Fairs to direct an additional 1% takeout, with approval from the CHRB, to a fund maintained by the Department of Food & Agriculture with an oversight committee to direct spending exclusively for the purpose of improving racing facilities at Fairgrounds. The takeout would be generated from racing conducted at Fairgrounds,

either by a Fair or an entity leasing a Fairgrounds. The Fairs were successful in passing the legislation, but the implementation of the additional takeout was not approved by the CHRB.

The CHRB was reluctant to approve to activate the bill due to a desire for more information on how the money will be spent and the development of a larger movement by the racing industry to support a year-round, statewide increase in handle allowing for more and greater improvements at Fairgrounds.

CARF agreed to no longer seek approval on AB 765 and work with the industry to develop larger, comprehensive year-round statewide legislation. A consensus was reached by the industry and language was flushed out, but it was too late in the session to pass the bill.

Since the industry-wide bill, authored by Gloria Negrete-McLeod, was unsuccessful, Mr. Korby feels the group should once again discuss seeking CHRB approval of AB 765.

Mr. Brown added that legislative staff worked hard on the Negrete-McLeod bill, including engaging bond council to ensure the language was absolutely correct. Unfortunately, only 2 weeks were left in session when the language was finalized. Mr. Brown feels the outlook for action in early 2009 is favorable. Ironically, the Negrete-McLeod bill brought back discussion concerning why AB 765 was not implemented. The CHRB Executive Director has suggested the Fairs should reapply for approval from the CHRB Board, whom he feels would be more favorable to the request.

Mr. Brown feels the Fairs should implement the tactic of working with F&E and CDFA to give the CHRB a better idea of what the oversight committee might look like, including a potential seat for a CHRB member. The Fairs could lose another year to 18 months of funding if action is not taken.

Mr. Barkett questioned whether reactivating AB 765 would impact the larger industry bill.

Agenda Item 5 – Discussion and Action, if any, on Equipment Replacement Fund.

Mr. Korby initiated discussions by giving a brief explanation of the intent of the Equipment Replacement Fund (ERF), which exists to place monies on account with CARF as a last reserve for a final cycle of equipment when/if no other funding is available to keep satellite wagering facilities at an operational level. Mr. White and Mr. Jacobs, as an informal committee, have reviewed the balances and discussed equitable options for maintaining the fund.

Mr. White presented a spreadsheet, made available in the meeting packet, that details facility inventory for member Fairs (as of 12/31/07), money deposited on account by each Fair and the actual percentage of facility inventory covered by the funds on deposit. The main purpose of the spreadsheet is to illustrate the funds each Fair would need to have on account to meet 25, 33, 50 and 66 percent of current inventory.

Mr. White explained that the spreadsheet shows a range of monies on deposit by each Fair as a percentage of inventory. The highest Fair in the range has 78 percent of inventory covered while the lowest Fair has 15 percent of total inventory on deposit. The variance

occurred when the fund was established as a “self-imposed tax” to create a self-perpetuating fund for electronic equipment replacement. Not all Fairs were able to make the payments, which created a wide range of monies on account. Mr. White and Mr. Jacobs recommended the group set a threshold percentage on money set in reserve and return funds to Fairs over the threshold while encouraging Fairs below the threshold to make payments to meet the established requirement.

Mr. White recommended that the group set a 33 percent threshold based on the belief that 33 percent only affects five facilities that would need to increase their contribution and the amount might encourage Del Mar and CalExpo to participate at the lower and equal value. Mr. White added the caveat that money would not be returned to a Fair that owes CARF for past debts.

Mr. Barkett asked Mr. Korby if the figures provided in the spreadsheet were endorsed by CARF staff. Mr. Korby stated that Mr. White had circulated the spreadsheet and staff had not reviewed the figures carefully, but inventory figures were taken from prior inventory reports provided by staff.

Mr. Korby voiced his concerns in arbitrarily setting a 33 percent threshold at this meeting. Mr. Korby felt that in principle, setting a low threshold moves away from a reserve that protects satellite wagering facilities from a rainy day when outside funds may no longer be available. Mr. Korby stated that he approves of setting equitable criteria, but the topic should be part of a larger discussion on how to manage the ERF with participation from F&E.

Mr. White announced that if an equitable threshold could not be established at this meeting, he would withdraw all San Joaquin Fair monies on deposit, payable within 10 days and will redeposit the funds, assuming they are available, when the group is able to vote on a new policy and procedures. For the San Joaquin Fair the decision is a cash-flow problem.

Mr. Alstott stated that the profit margin on the Victorville satellite has declined steadily and if the current trends hold, in approximately 18 months the space would be better served for hosting interim events. In addition, it would be very difficult for Victorville to add monies to the Equipment Replacement Fund to meet a 33% threshold. Mr. Grieve added that he was concerned the Santa Barbara satellite would be able to break even this year.

Mr. Barkett questioned whether the current satellite model is still working and if the Equipment Replacement Fund is still relevant. Mr. Korby said that it is the racing industry’s desire to grow the satellite wagering facility business with a new model that would rely heavily on ADW as the wagering mechanism. In addition, consultants have recommended that a 3-4% commission is the minimum percentage required for profitability.

Mr. Barkett expressed concern that Stockton’s action will cause a ripple effect in which other Fairs will pull their money. Stockton has a short-term problem and this group will not be able to provide a solution in 30 minutes.

Mr. Jacobs asked if it would be acceptable to Stockton to take a \$200,000 interest-free loan against their deposit and the CARF Board will revisit the Equipment Replacement Fund

policy and threshold in 3-6 months. Mr. White stated that until there is a resolution in threshold requirements, his Fair has a specific need for the money.

Mr. Barkett entertained a motion based on Stockton's request, and prior precedent, to direct staff to release monies placed on deposit by the San Joaquin Fair into the Equipment Replacement Fund. Mr. Jacobs seconded, unanimously approved.

Agenda Item 6 – Report, Discussion and Action, if any, on the Satellite Wagering Facility at the San Mateo County Event Center. Mr. Korby reported that the San Mateo Satellite Wagering Facility opened for business in its temporary facility, Cyprus Hall, on Aug. 20, 2008. Oak Hall will ultimately be the fully renovated and operational facility. Early delays in the renovation caused a redirection of efforts to making the overflow facility viable so that the main facility could continue its renovation to be fully operational by Breeders' Cup on Oct. 25, 2008.

The temporary facility, which opened on Aug. 20, 2008, was tested at its maximum capacity on Pacific Classic Day. The space and accommodations were sufficient for the attendance of 1,200 patrons. Handle has not been down the 30 percent initially projected, which speaks well for the future opening of the completely renovated facility.

Mr. Carpenter thanked Mr. Korby for his time and coordination in ensuring the temporary facility was up and operational for its opening.

Mr. Korby asked the Board to allow another allocation of up to \$100,000 from the capital improvement monies set aside for funding assistance to the Pleasanton racing facility and the San Mateo satellite for a modest budget overrun on San Mateo electronic equipment and furniture.

Mr. White moved to allow the allocation of an additional \$100,000 to San Mateo from monies that were previously identified as going to Pleasanton for capital improvements to the racing facility. Mr. Titus seconded, unanimously approved.

Agenda Item 7 – Executive Director's Report. Mr. Korby reported that L.A. County Fair will be hosting a forum of industry principles in conjunction with the Sept. 18, 2008 CHRB meeting in Pomona, which should include discussion regarding the general improvement of racing facilities at Fairgrounds.

Mr. Korby included in the meeting packet an e-mail from CHRB Chairman Shapiro requesting a small planning group to talk about the future of racing in California and an e-mail from Jack Liebau outlining some of his viewpoints and concerns. The initial meeting was marred by disagreements from some of the tracks and trainer's groups regarding racing surfaces.

Ms. Baldwin asked if CARF has presentation plans for the WFA Fall Managers Conference. Mr. Korby reported that CARF had spoken to WFA and that he was working with Steve Chambers and F&E on racing orientation for upcoming conferences.

Mr. Korby made the group aware that Golden Gate Fields is planning a racing dates conference for stakeholders on Friday, Sept. 12, 2008 at 10:30 a.m.

Respectfully submitted,

Heather Haviland