

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors
Tuesday, April 7, 2009

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, April 7, 2009. The meeting was conducted at the Sacramento office of Kahn, Soares & Conway, 1415 L Street, Suite 400, Sacramento, California, 95814.

Board Directors attending: John Alkire, Norb Bartosik and Rick Pickering. Joining by conference call: Vince Agnifili, Dan Jacobs and Kelly Baldwin.

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Chris Carpenter, Debbie Cook, Stuart Titus, Mike Treacy, Mike Paluszak, Louie Brown and Dan White. Joining by conference call: Tawny Tesconi.

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

Agenda Item 2 – Confirmation of May 5, 2009 for the Next Meeting in Sacramento. The next CARF Board & Live Racing Committee meeting is scheduled for Tuesday, May 5, 2009, in Sacramento.

Agenda Item 3 – Discussion and Action, if any, on CalPERS Resolution. Mr. Korby recommended, on advice from CFSA, that the CARF Board adopt the CalPERS Resolution for Employer Pick-Up as presented in the meeting packet. The adoption of the resolution is a formality to CARF's contract with CalPERS and will not produce any additional costs.

Mr. Bartosik moved to adopt the resolution as presented. Mr. Pickering seconded, unanimously approved.

Agenda Item 4 – Presentation by Representatives of the Alliance of California Race Tracks. Richard Shapiro, Executive Director of the California Horse Racing Alliance (CHRA), addressed the group and reviewed the background behind the formation of the CHRA. Mr. Shapiro specifically addressed the need for the racing industry to provide a united voice at the Capitol. Mr. Shapiro apologized for the manner in which CARF was invited to participate in the CHRA and subsequently uninvited. Mr. Shapiro formally asked CARF to join CHRA and requested that CARF representatives be present at the next meeting.

Mr. Alkire recommended that CARF participate in the California Horse Racing Alliance meeting on Friday and report back to the group.

Agenda Item 5 – Report, Discussion and Action, if any, on Legislative Matters. Mr. Brown reviewed bills being tracked on behalf of CARF. AB 136 (Silva) allows Harness racing to be conducted at one or more racetracks or Fairs in the Northern zone.

AB 246 (Price) would require a licensed race meet to hold distributions in trust, not to be used for any other purpose than payment to distributees as directed by Horse Racing Law. This bill will help protect satellites during any future bankruptcies by racing associations.

AB 1499 (Evans) would provide workmen's compensation coverage, from a deduction in Emerging Breed exotic wagers, to Emerging Breed horsemen. This is the same bill that was in effect in 2008 which was scheduled to sunset in 2009.

AB 734 (Hill) is a CARF sponsored bill that would increase takeout 1% to raise satellite commissions from 2% to 3%. Thoroughbred interests are expected to oppose the bill. Los Alamitos has committed to officially support the bill. Support letters have been gathered from Fairs, Fair Associations, Fair Partners and any parties potentially affected such as labor. Mr. Brown and Mr. Korby thanked CARF member Fairs for their letters of support. Virtually all members responded.

Fairs are emphatically encouraged to come to Sacramento on the hearing date for AB 734. A strong presence at the Capitol in support of the bill will make a huge impact.

AB 763 (Chesbro) would give Humboldt County Fair the ability to accept wagers on additional out-of-state races and derive additional revenue from those wagers. Mr. Titus requested a letter of support from CARF.

Mr. Bartosik moved to request the CFA expenditure plan reflect last year's allocation (\$2.6 million) with consideration for additional monies support new satellite development. Mr. Alkire, Mr. Agnifili, Ms. Baldwin, Mr. Bartosik, Mr. Jacobs approved. Mr. Pickering abstained.

Mr. Bartosik moved to support AB 763 with the condition that Humboldt County Fair pay outstanding monies due to CARF and NCOTWInc. CARF will provide Mr. Titus with an invoice and appropriate paper trail. Mr. Agnifili seconded, unanimously approved.

Agenda Item 6 – Update on Prospective New Satellite Facilities. Mr. Carpenter reported that he received a second letter from Rod Blonien, representing Lucky Chance Casino, to install a mini-satellite in the card club. This letter provided more detail regarding how the Lucky Chance mini-satellite "beta test" would cease operation after six months if SMCEC was impacted or an agreement would be reached to compensate SMCEC for decreases in attendance and handle.

After deliberating on the matter, the San Mateo County Event Center Board voted once again not to allow Lucky Chance Casino to install a mini-satellite. The Board still felt that the addition of the mini-satellite would cannibalize San Mateo's current clientele. The Board is also concerned with allowing the satellite enough time to establish itself in the market before introducing what could be significant competition. The Board also wishes to accelerate debt repayment for costs incurred in building the facility.

Mr. Korby reported that he commissioned Gordon Gong to develop initial renderings and plans for three categories of mini-satellites. These renderings will give Fairs the ability to

provide potential partners with a visual representation of what a mini-satellite could look like in their place of business.

Mr. Alkire reported that Kelly Baldwin and several Board members from the Monterey County Fair made a trip to Fresno to see the mini-satellite operation located in Club One Casino. Dan White gave the group a tour of the facility and the Board members seemed excited to develop something similar in the Monterey area. Ms. Baldwin reiterated that her Board members were very impressed with Club One and she is in communication with Bankers Casino in Salinas with regards to a potential partnership.

Mr. Pickering suggested that a boilerplate template for a Satellite Wagering Facility Profit and Loss Statement (P&L) be established by CARF. CARF should also consider developing a procedure for closing a satellite and establish a position on the investments put into developing the satellite with dedicated racing funds. Mr. Alkire, Mr. Jacobs and Ms. Baldwin will form an informal subcommittee to help establish protocol.

Agenda Item 7 – Financials. Financials were included in the meeting packet. Mr. Jacobs reported that the National Orange Show made a substantial payment to past due accounts at CARF.

Agenda Item 8 – Webcast. Mr. Korby reported that the cost of implementing a monthly webcast for CARF meetings, based on costs incurred by the CHRB, would be \$30,000 annually. The cost of the current conference calls is \$1,200 annually. Staff has purchased a new Polycom teleconferencing phone which should increase the clarity of the calls for members participating via phone.

Agenda Item 9 – Report on CARF Satellite Conference at Lancaster March 31, 2009. Mr. Korby reported that there was representation from every Southern California location with many Fair Managers participating. Rick English, representing Los Alamitos, and Dave Elliott, representing CalExpo Harness, addressed the group and made solid progress on developing protocol and standardization for night reimbursements.

Mr. Alkire thanked Mr. Jacobs for hosting the meeting. Mr. Alkire also thanked Mr. Bartosik for Dave Elliott's participation and complimented the quality of his presentation.

Agenda Item 10 – Executive Director's Report. Mr. Korby reported that Mr. Wood will make a presentation at the next meeting in regards to GASB 45, the requirement to calculate and establish a reserve for the exposure of post-retirement benefits.

Mr. Bartosik stated that the Cal Expo Board has directed staff to start the RFQ process following the proposal submitted by the NBA. An additional step has been added to pre-meet with potential developers.

Respectfully submitted,

Heather Haviland