



a California joint powers agency

1776 Tribute Road, Suite 205
Sacramento, CA 95815
Office: 916.927.7223 Fax: 916.263.3341
www.calfairs.com

AGENDA
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS
JOE BARKETT, CHAIR
5:30 P.M., TUESDAY, NOVEMBER 6, 2007

Notice is hereby given that concurrent meetings of the California Authority of Racing Fairs' Board of Directors and the Live Racing Committee will commence at 5:30 P.M. Tuesday, November 6, 2007. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

AGENDA

- I. Determination of date, time and location of next meeting
- II. Approval of Minutes
- III. Discussion and action on support for development of a satellite wagering facility operated by San Mateo Fair
- IV. Discussion and action, if any, on Recommendations for Funding Allocations from the CDFA F&E Expenditure Plan for FY 2007-08, FY 2008-09 and Beyond
- V. Discussion and action, if any, on a JPA Policy Regarding Money Owed by a Member Fair to the Joint Powers Authority
- VI. Executive Director's Report

###



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

October 18, 2007

Mr. Chris Carpenter, CEO
San Mateo County Event Center
2495 S. Delaware St.
San Mateo, CA 94403

RE: F&E Funds for new Satellite Wagering Facility

Dear Chris:

Thanks for meeting with us on October 1 to discuss the proposed satellite wagering facility. The Division of Fairs and Expositions, CARF and the California Construction Authority are available to provide the San Mateo County Fair with assistance in accomplishing this project. To recap our discussion:

- The scope of the project is conversion of Oak Hall to a new satellite wagering facility and renovation of Cypress Hall. The preliminary project budget including hard and soft costs is estimated at approximately \$3.5 million.
- The San Mateo County Fair has committed \$230,000 to the project.
- San Mateo County has offered to loan the fair \$1 million.
- The Division of Fairs and Expositions can commit up to \$1 million in funding from the Fairs and Expositions Fund via the 07/08 Replenishment Fund program. The Replenishment Fund program provides for 0% interest funding with a 10% per year payback over a 10-year term. The San Mateo County Fairs repayment commitment would be \$100,000 per year beginning the year after project completion.

Per the Business and Professions Code section 19605, the Department of Food and Agriculture (CDFA) will be required to authorize the San Mateo County Fair to locate a satellite wagering facility on the fairground. CDFA will need to be confident that the public funds being used for the project are resulting in public benefit: that the business plan maximizes the economic benefit to the fair, to the fair industry and to the horse racing industry. As part of the due diligence process for CDFA, the Division of Fairs and Expositions will be working closely with you to obtain the required information for CDFA review.

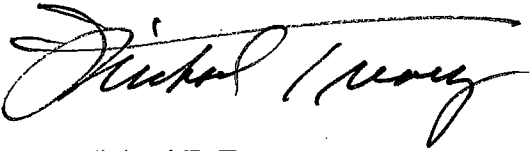


Chris Carpenter, CEO
October 16, 2007
Page 2

If the San Mateo County Fair board decides that it would like to accept the Fairs and Expositions Fund component for this project financing, the Division of Fairs and Expositions can begin preparation of the funding agreement that will spell out the details of the transaction.

Please let us know how the fair would like to proceed and if you have any questions you can contact me at (916)263-2952.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Treacy", with a stylized flourish at the end.

Michael F. Treacy
Director

MFT/klk

cc: A.G. Kawamura, Secretary, Department of Food & Agriculture
George Gomes, Undersecretary, Department of Food & Agriculture
Bruce Lim, Assistant Director, Fairs & Expositions
Lisa Drury, Asset Manager, Fairs & Expositions
✓ Christopher Korby, Executive Director, California Authority of Racing Fairs
Joe Barkett, CEO, Solano County Fair
Rick Pickering, CEO, Alameda County Fair
Dan Jacobs, CEO, Antelope Valley Fair
John Alkire, CEO, Big Fresno Fair
John Quiroz, Fairs & Expositions
Robin Espana, Fairs & Expositions

CARF FINANCIAL PLAN FOR HORSE RACING

On September 26, 2007, the CARF Board of Directors adopted the following plan for funding of track safety and maintenance, equipment replacement and capital investment:

Expenditure of existing available funds in FY 2006-2007:

Equipment Replacement Fund	\$ 500,000
Capital Investment (Alameda upgrades and San Mateo SWF)	\$ 300,000
Capital Investment (San Joaquin Design Study)	\$ 25,000

Expenditure of allocated funds in FY 2007-2008:

Equipment Replacement Fund	\$ 500,000
Track Safety and Maintenance Program	\$ 600,000
Capital Investment (Alameda upgrades and San Mateo satellite)	\$1,000,000

Minimum request for funds in 2008-2009:

Track Safety and Maintenance	\$ 600,000
Equipment Replacement	\$ 500,000
Capital Investment	<u>\$1,500,000</u>
Total:	\$2,600,000

Bay Meadows is scheduled to race through the first half of 2008 and to remain open for auxiliary stabling through the end of 2008. Thereafter, in 2009 and beyond, it is anticipated that approximately 100 days of racing will shift to Golden Gate Fields and fair race track facilities and that a great majority of these added dates will be run at fair facilities. Significant improvements at selected fair facilities will have to be undertaken immediately in order to meet this need.

CARF has been working on a plan for shifting racing and stabling, currently at Bay Meadows, to publicly owned facilities, i.e., existing fair race tracks, in a way that will best serve the needs of the racing public, fairs and the racing industry in general. In that connection, CARF has agreed to and advocates the following:

1. It is not practical or feasible to attempt to upgrade all fair racing facilities to the same or similar level of quality nor is it practical or feasible to spread all newly available racing

dates among the existing Northern California fairs. Racing Fairs are in agreement that they need to cooperate to make the most efficient use of their collective facilities and to share in the risks and rewards of that effort.

2. After considering several sites, CARF has determined that the Alameda County Fair at Pleasanton provides the most practical and feasible location to offer as the primary, although not exclusive, recipient of additional race dates made available by the closing of Bay Meadows. In order to do so, there will have to be a synthetic track and other improvements that are estimated to cost between \$15 and \$25 million, at least \$10,000,000 of which will need to be expended before the 2009 racing season.
3. CARF has determined that the San Mateo County Fair should begin immediately to provide a satellite wagering facility to replace, to the extent possible, the satellite wagering facility at Bay Meadows. CARF has also determined that future San Mateo County Fair race meet dates should be raced at a fair facility.
4. CARF has determined that other Northern California fair live racing facilities, including the facilities at Humboldt, Santa Rosa, Vallejo, Sacramento, Stockton and Fresno, should be upgraded to better meet the needs of racing requirements in the future or in the alternative should be a financial partner in the consolidation of such meets at upgraded fair facilities.
5. CARF has determined that where it is practical and feasible to do so, the facilities of the fair satellite network must be improved and that the satellites should work more cooperatively to accomplish facility and programming improvements that benefit the fan and the racing product.

To accomplish the above goals, it will be necessary to expend tens of millions of dollars. It is unlikely that any new private racing facility will be built in Northern California and with the CARF proposal no such private racing facility is necessary. CARF opposes any new private racing facility in Northern California because such development will most likely result in significant pressure to redirect resources and potential revenues away from fair facilities.

CARF recommends that \$1.3 million in funds currently committed to CARF for the 2006-2007 and 2007-2008 fiscal years be directed to the Alameda County Fair and San Mateo County Fair. In addition, beginning in fiscal year 2008-2009, CARF recommends that the Division of Fairs and Expositions provide a minimum of \$2.6 million as specified above. It is anticipated that at least \$1.8 million in capital funds will go to improvements at Alameda and San Mateo. CARF also recommends that F&E loan \$3 million from its existing loan fund to Alameda. To meet the immediate need, CARF is authorized to loan to Alameda and/or San Mateo up to \$1 million from its equipment replacement fund (this loan to be short term so as not to interfere with timely

replacement of any aging equipment). All of this is contingent on Alameda being responsible for coming up with at least \$5 million from other sources outside CARF and F&E and working cooperatively with CARF and the other racing fairs with respect to consolidation of fair meets where practical and feasible and in the best collective interests of all fairs involved in racing in Northern California. With respect to the San Mateo County Fair, such funding is contingent on the San Mateo Fair working cooperatively with CARF and the other racing fairs with respect to consolidation of fair meets where practical and feasible and in the best collective interests of all fairs involved in racing. For the San Mateo County Fair this means specifically agreeing to commit to racing at a fair facility for reasonable compensation commensurate with that available to other racing fairs that choose to race at another fair facility.

In order to be able properly to implement the early phase of the capital improvement plan CARF requests that F&E commit to annual funding for a period of at least five years and at a minimum the level of expenditures requested for FY 2008-2009. After five years, it is anticipated that CARF and F&E will reassess the progress made and any adjustments to the development plan deemed necessary. During the course of the first five year phase, CARF expects that F&E will have the right to reject the specific recommendations for expenditures of the capital investment fund if for any reason F&E determines that the expenditures are not meeting the goals established as set forth in this document. Currently, the following projects are anticipated for 2009 and beyond:

- Santa Rosa backstretch and grandstand improvements
- Vallejo backstretch, grandstand and lighting improvements for year round harness racing
- Stockton track surface improvements
- Fresno track surface improvements
- Humboldt backstretch upgrades.



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE
A. G. Kawamura, Secretary



Director, Michael F. Treacy
Division of Fairs and Expositions
1010 Hurley Way, Ste. 200
Sacramento, CA 95825
www.cdfa.ca.gov/fe

Christopher Korby, Executive Director
1776 Tribute Road, Suite 150
Sacramento, CA 95815
www.calfairs.com

November 2, 2007

Mr. Jack Olsen, Chairman
San Mateo County Fair and Event Center
2495 South Delaware Street
San Mateo, CA 94403

Dear Jack,

This letter memorializes the agreement reached during discussions on October 30, 2007, between the California Authority of Racing Fairs (CARF), the California Department of Food and Agriculture Division of Fairs and Expositions (F&E) and the San Mateo Event Center (SMEC) regarding development of a Satellite Wagering Facility (SWF) on the San Mateo Fairgrounds, *subject to approval by SMEC Board of Directors*

The parties agree that Oak and Cypress Halls on the Fairgrounds will be converted to a SWF at a projected cost of \$3.5 million. In collaboration with the SMEC, CARF, California Construction Authority (CCA) and F&E will undertake the facility design, manage conversion construction, furnish technical equipment and provide training for Fair personnel who will operate the facility (see attached *Prospectus*). CARF and F&E will furnish funding through a package of loans and grants which will total \$2.65 million (see Attachment A). SMEC and/or San Mateo County agree that they will furnish the remaining development funding, estimated at \$850,000.

Planning, design and construction will proceed on a schedule that anticipates a completed satellite facility ready for operation in September 2008. SMEC agrees that it will apply for the license to operate and, when the license is obtained, operate the facility directly without reliance on any third party.

CARF and F&E agree to endorse San Mateo's license application to the California Horse Racing Board and assist in the licensure process.

Preliminary Draft

San Mateo Satellite Wagering Facility

Page 2

CARF and CDFA F&E also pledge their full assistance and support to ensure that San Mateo County Fair racing dates in 2008 are conducted for the full and customary benefit of the San Mateo County Fair. In the event that Bay Meadows race track does not renew its agreement with the Fair for the conduct of horse racing, CARF and F&E will assist the San Mateo in securing another horse racing venue at which to conduct its meeting.

We look forward to working with the San Mateo Event Center on this important project.

Sincerely,

Mike Treacy, Director
Department of Food & Agriculture
Division of Fairs and Expositions

Christopher Korby
Executive Director
California Authority of
Racing Fairs

Attachments:

Preliminary Draft

ATTACHMENT A

California Authority of Racing Fairs (CARF) and California Department of Food and Agriculture Division of Fairs and Expositions (F&E) agree to furnish the following funding for development of a Satellite Wagering Facility at the San Mateo County Fairgrounds. Budget for this project is estimated at \$3.5 million.

Development Grant from CARF	\$ 650,000
Interest-free loan from CARF	750,000
Interest-free loan from F&E	1,000,000
Interest-bearing loan (LAIF) from F&E	<u>250,000</u>
Subtotal CARF and F&E	<u>\$2,650,000</u>
San Mateo Event Center and/or San Mateo County	<u>850,000</u>
TOTAL	<u>\$3,500,000</u>

DETAIL

Development Grant from CARF

Source: Expenditure Plan allocations to CARF in FY 2006-07 and FY 2007-08

Interest-free loan from CARF

Loan for 10 years, no interest, initial one year grace period (2008), 10% paid back annually to CARF starting Year 2 (2009).

Source: Expenditure Plan allocation to CARF FY 2008-09

Interest-free loan from F&E

Loan for 10 years, no interest, initial one year grace period, 10% paid back annually starting Year 2 (2009).

Source: Expenditure Plan Replenishment Fund FY 2008-09.

Interest-bearing loan (at LAIF interest rate) from F&E

Loan for 10 years. Fixed interest rate of 5.24% (based on September 2007 Local Agency Investment Fund quarterly interest rate) paid back annually, beginning 2009.

Source: Expenditure Plan Investment Reserve Fund FY 2008-09.

Initial _____
F&E

Initial _____
CARF

Preliminary Draft



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary



Director, Michael F. Treacy
Division of Fairs and Expositions
1010 Hurley Way, Ste. 200
Sacramento, CA 95825
www.cdffa.ca.gov/fe

Christopher Korby, Executive Director
1776 Tribute Road, Suite 150
Sacramento, CA 95815
www.calfairs.com

November 2, 2007

Mr. Jack Olsen, Chairman
San Mateo County Fair and Event Center
2495 South Delaware Street
San Mateo, CA 94403

Dear Jack,

This letter memorializes the agreement reached during discussions on October 30, 2007, between the California Authority of Racing Fairs (CARF), the California Department of Food and Agriculture Division of Fairs and Expositions (F&E) and the San Mateo Event Center (SMEC) regarding development of a Satellite Wagering Facility (SWF) on the San Mateo Fairgrounds.

The parties agree that Oak and Cypress Halls on the Fairgrounds will be converted to a SWF at a projected cost of \$3.5 million. In collaboration with the SMEC, CARF, California Construction Authority (CCA) and F&E will undertake the facility design, manage conversion construction, furnish technical equipment and provide training for Fair personnel who will operate the facility (see attached *Prospectus*). CARF and F&E will furnish funding through a package of loans and grants which will total \$2.65 million (see Attachment A). SMEC and/or San Mateo County agree that they will furnish the remaining development funding, estimated at \$850,000.

Planning, design and construction will proceed on a schedule that anticipates a completed satellite facility ready for operation in September 2008. SMEC agrees that it will apply for the license to operate and, when the license is obtained, operate the facility directly without reliance on any third party.

CARF and F&E agree to endorse San Mateo's license application to the California Horse Racing Board and assist in the licensure process.

Preliminary Draft

CARF and CDFA F&E also pledge their full assistance and support to ensure that San Mateo County Fair racing dates in 2008 are conducted for the full and customary benefit of the San Mateo County Fair. In the event that Bay Meadows race track does not renew its agreement with the Fair for the conduct of horse racing, CARF and F&E will assist the San Mateo in securing another horse racing venue at which to conduct its meeting.

We look forward to working with the San Mateo Event Center on this important project.

Sincerely,

Mike Treacy, Director
Department of Food & Agriculture
Division of Fairs and Expositions

Christopher Korby
Executive Director
California Authority of
Racing Fairs

Attachments:

Preliminary Draft

ATTACHMENT A

California Authority of Racing Fairs (CARF) and California Department of Food and Agriculture Division of Fairs and Expositions (F&E) agree to furnish the following funding for development of a Satellite Wagering Facility at the San Mateo County Fairgrounds. Budget for this project is estimated at \$3.5 million.

Development Grant from CARF	\$ 650,000
Interest-free loan from CARF	750,000
Interest-free loan from F&E	1,000,000
Interest-bearing loan (LAIF) from F&E	<u>250,000</u>
Subtotal CARF and F&E	<u>\$2,650,000</u>
San Mateo Event Center and/or San Mateo County	<u>850,000</u>
TOTAL	<u>\$3,500,000</u>

DETAIL

Development Grant from CARF

Source: Expenditure Plan allocations to CARF in FY 2006-07 and FY 2007-08

Interest-free loan from CARF

Loan for 10 years, no interest, initial one year grace period (2008), 10% paid back annually to CARF starting Year 2 (2009).

Source: Expenditure Plan allocation to CARF FY 2008-09

Interest-free loan from F&E

Loan for 10 years, no interest, initial one year grace period, 10% paid back annually starting Year 2 (2009).

Source: Expenditure Plan Replenishment Fund FY 2008-09.

Interest-bearing loan (at LAIF interest rate) from F&E

Loan for 10 years. Fixed interest rate of 5.24% (based on September 2007 Local Agency Investment Fund quarterly interest rate) paid back annually, beginning 2009.

Source: Expenditure Plan Investment Reserve Fund FY 2008-09.

Initial _____
F&E

Initial _____
CARF

Preliminary Draft

Christopher Korby

From: "Bruce Lim" <BLim@cdfa.ca.gov>
To: <korby@calfairs.net>; "Michael Treacy" <MTreacy@cdfa.ca.gov>
Cc: "Lisa Drury" <LDrury@cdfa.ca.gov>; <lbrown@kscsacramento.com>
Sent: November 02, 2007 4:12 PM
Attach: DRAFT-LOU-CARF-CDFA F&E-San Mateo Fair re SWF-dual ltrhd-071102 Rev#1.doc
Subject: Re: DRAFT: LOU-CARF, CDFA to San Mateo Fair

Like, Chris did a great job on the letter. Attached is Chris' letter with my edits for your review. Chris and Louie, feel free to further edit if necessary. Let me know if you have any questions.

Bruce

>> On 11/2/2007 at 2:27 PM, "Christopher Korby" <korby@calfairs.net> wrote:

- Here's a DRAFT of a letter to San Mateo memorializing the arrangements we discussed on Tuesday. I envision that this letter would go out with the funding detail attached, along with the Prospectus.
-
- Louie has reviewed this; it comports with his recollection.
-
- Take a look at terms for the two F&E loans to make sure that they're characterized as you wish. I did not hear a full description of the terms you had in mind for the \$250K interest-bearing loan, so I left blank spaces in the repayment terms. Fill in with the terms you want to specify.
-
- Let me know what you think.
-
- Best regards,
- Chris

11/05/2007



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

October 31, 2007

Mr. Chris Korby, Executive Director
California Authority of Racing Fairs
1776 Tribute Rd., Suite 205
Sacramento, CA 95815

RE: CARF Financial Plan for Horse Racing 2007/08 – 2008/09

Dear Chris:

I would like to thank you and your board members for meeting with me on October 11 to present California Authority of Racing Fairs' (CARF) proposal for the future of the programs it administers with Fair and Exposition Fund resources. The Division of Fairs and Expositions (F&E) is in support of the CARF proposal conceptually and I look forward to working out the details of the multi-year plan with you and your board. The following is a recap of some of the concepts we discussed.

- Project priorities:
F&E's philosophy is to identify the most critical projects that will sustain the fair industry and to fund those projects as the top priority.
- Unexpended past-year funds:
All Fair and Exposition Funds being held in accounts by CARF need to be on the table for consideration; therefore it is important that CARF provide an accurate accounting of any unexpended past year funds.
- Equipment Replacement Fund:
CARF will be examining this program with the goal of strategically retooling the program to reflect trends and actuarials and will be preparing a plan and budget.
- Program/Project reporting:
F&E is proposing CARF monthly reporting including project/program budget summary and expenditures. This will help F&E to budget for future program funding and budget augmentations when needed. One element of the reporting/tracking process will be to implement a procedure for F&E activation



approval for project funding for the Capital Investment projects similar to the process in place for California Construction Authority (CCA) administered projects.

The following is a summary of the modifications to the CARF proposal that we discussed:

2006/07 Funding: \$2.1 million

Capital Investment:

Redirect unexpended funds to Capital Investment:	
Alameda upgrades and San Mateo SWF	\$ 300,000
Redirect unexpended funds to Capital Investment:	
San Joaquin design study	<u>\$ 25,000</u>
	\$ 325,000

Original Budget:

Live Racing Facility	\$ 675,000
Equipment Replacement Fund	\$ 500,000
Track Safety and Maintenance Program	\$ 600,000
Upgrades and Development	<u>\$ 325,000</u>
Parimutual Facility	\$2,100,000

2007/08 Funding: \$2.0 million*

Capital Investment: Alameda upgrades and San Mateo SWF	\$1,000,000
Equipment Replacement Fund	\$ tbd
Track Safety and Maintenance Program	<u>\$ tbd</u>
	\$2,000,000*

*Please note that the CARE funding proposed in the 07/08 F&E Expenditure Plan is \$2.0 million

2008/09 Funding: \$2.0 million

Capital Investment: Alameda upgrades and San Mateo SWF
 Equipment Replacement Fund
 Track Safety and Maintenance Program

\$1,000,000** 1,500,000
 \$ tbd 500,000
 \$ tbd 600,000
 \$2,000,000 2,600,000

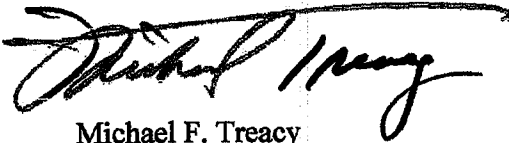
** The 08/09 CARF administered Capital Investment program is to be funded from the F&E 08/09 Replenishment Fund. The Replenishment Fund program provides for 0% interest loans with a percentage yearly principal payback over a maximum 10-year term. The fair's repayment

Mr. Chris Korby, Executive Director
October 31, 2007
Page 3 of 3

commitment would begin a year after project completion. Payback will be directed to a separate sinking fund account for pari-mutuel and horse racing projects.

F&E is updating the existing Letters of Understanding with CARF so it is timely to come to consensus on the commitments for the future, new procedures and processes for inclusion in agreements.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael F. Treacy", written over a horizontal line.

Michael F. Treacy
Director

MFT/klk

cc: Bruce Lim, Assistant Director, Fairs & Expositions
Lisa Drury, Asset Manager, Fairs & Expositions
Joe Barkett, CEO, Solano County Fair
Rick Pickering, CEO, Alameda County Fair
Dan Jacobs, CEO, Antelope Valley Fair
John Alkire, CEO, Big Fresno Fair

Christopher Korby

From: "Rick Pickering" <Rick@AlamedaCountyFair.com>
To: "Christopher Korby" <korby@calfairs.net>
Cc: <lbrown@kscsacramento.com>
Sent: October 31, 2007 5:08 PM
Subject: FW: 07-08 Expenditure Plan & Beyond

Simple FYI... I believe that Mike's letter is a good start, but recognize that there is much more work to be done...

-----Original Message-----

From: Rick Pickering
 Sent: Wednesday, October 31, 2007 6:07 PM
 To: 'Michael Treacy'
 Subject: RE: 07-08 Expenditure Plan & Beyond

Mike:

Thanks for sending me an email copy of the letter that went out to CARF today. Your letter gives those of us who have to regularly stand in front of the Horse Racing Board, TOC, etc., a stronger leg to stand on for 07/08 & 08/09.

I'm personally proud that racing leadership has turned a corner over the past two years and has become focused on strategic investments that will pay dividends into the future for the California Fair industry. I remain confident that current CARF leadership both can & will provide any level of detail that F&E is looking for. Strategically moving our accounting operations to CFSA further enhanced this ability.

Open communication, even if there are disagreements, is key to the future of our Fairs. I appreciate that you have made significant enhancements at the Division in this regard over the past few years.

Again thank you & your team for the follow up.

Rick

-----Original Message-----

From: Michael Treacy [mailto:MTreacy@cdfa.ca.gov]
 Sent: Wednesday, October 31, 2007 5:43 PM
 To: Rick Pickering; rebeccad@sisqfair.com; tawny@sonomacountyfair.com
 Cc: Joebarkett@aol.com; dan@avfair.com; korby@calfairs.net; Bruce Lim; stephenc@fairsnet.org; jalkire@fresnofair.com
 Subject: Re: 07-08 Expenditure Plan & Beyond

Sorry for the delay in responding. I will get it out tomorrow. Mike

>>> "Rick Pickering" <Rick@AlamedaCountyFair.com> 10/29/2007 3:50 PM >>>

Tawny & Rebecca:

- We just received and read the officially proposed 07/08 Expenditure Plan. While it is an 07/08 plan, it outlines the basis for a funding strategy for 2008-2018.

Attached are key excerpts from this document. Page 27, under 2009-2011, 2nd paragraph reads... "Racing and Satellite Wagering Support funding with the exception of race track preparation, funding is redirected to the infrastructure sinking fund. Racing fairs will continue to be eligible for funding through the new project proposal and competitive application process."

Page 27, 2012-2018, fourth point, reads, "Racing and Satellite Wagering Support funding entirely redirected to the infrastructure sinking fund."

I believe that there is much good in the 07/08 plan. However, given that we are at a pivotal time in California's horse racing history, a time in which the horse racing industry is looking for Fairs to step up, the power brokers in racing can be expected to spin the 2009-2018 plan as yet another reason why they should not have to pay License Fees into the future.

We should anticipate that CHRB and the private tracks will not see an advantage to a sinking fund, even if that fund could possibly be used to invest and enhance Fair racing and Satellite Wagering facilities. We should also anticipate that CDFA &/or F&E will be called to make an official presentation to the California Horse Racing Board. The CDFA Board may also seek clarification on this since we just testified to them on the fundamental tie of horse racing to Fairs, & asked them to build an even stronger bridge...

The question is being asked, "Did the CFA Board Members know how severely the 2009-2018 strategy might impact satellite wagering and horse racing Fairs?" When Stephen & I spoke last Thursday, he clearly believed that there was no significant impact to racing funding in the 07/08 Expenditure Plan. However, we now have to address a public document which has an 07/08 Plan with racing funding, but puts forth an 2009-2018 strategy with significant impacts to racing.

It is respectfully suggested that all parties collectively strategize further on this as soon as possible. It would seem counter productive to have such discussions in front of the Joint Committee on Fairs Allocation and Classifications. Consequently, I recommend that we get together sooner than later.

I don't desire to be the messenger that gets shot because of the message. What I do hope to accomplish is to put forward key questions (& help frame the answers) before the sharpshooters start firing at all of us...

11/06/2007

-----Original Message-----

From: adminscanner [mailto:adminscanner]

Sent: Monday, October 29, 2007 12:33 PM

To: Rick Pickering

Subject:

This E-mail includes attached file(s) sent from "Savin BW" (2575).

Scan Date: 10.29.2007 14:33:30 (-0500)

Queries to: adminscanner

Christopher Korby

From: "Michael Treacy" <MTreacy@cdfa.ca.gov>
To: <Rick@AlamedaCountyFair.com>; <rebeccad@sisqfair.com>;
 <tawny@sonomacountyfair.com>
Cc: <Joebarkett@aol.com>; <dan@avfair.com>; <korby@calfairs.net>; "Bruce Lim"
 <BLim@cdfa.ca.gov>; "Lisa Drury" <LDrury@cdfa.ca.gov>;
 <stephenc@fairsnet.org>; <jalkire@fresnofair.com>
Sent: November 01, 2007 5:27 PM
Subject: Re: 07-08 Expenditure Plan & Beyond

The problems cited in e-mails from Rick and John can be addressed primarily as a matter of timing. The Expenditure Plan was produced in the spring has just been authorized for release late last week. The thinking regarding the \$2 million to live racing and satellite wagering fairs has been in flux since we began urging CARF to establish and clarify priorities in how and where to spend those monies in the future as opposed to the loose, unspecified distribution system of those funds used in the past. We have been strictly opposed to that was of doing business and have been quite vocal and clear in expressing that viewpoint. However, over the past two months CARF's Board and Finance Committee have been meeting with us and reviewing possible scenarios to identify priority racing and satellite projects and to develop a process of requesting funds each year on a "top priority" basis. We feel we can find a method to work together through future discussion to potentially keep those funds dedicated to racing and satellite purposes and are actively continuing to work with fair racing and satellite entities to achieve that objective. While the Expenditure Plan has established long term goals created over the past two years of the Future Vision process, the programs designed need to be fluid and dynamic to take advantage of changing market conditions and financial opportunities. We will make every effort to remain open minded to any allocations that make prudent financial sense while also remaining true to the principles established in the new Expenditure Plan for all California fairs.

With regard to the CHRB and possible attacks from adverse racing interests, I firmly believe that the Expenditure Plan offers a great opportunity to potentially provide significantly increased funding opportunities for racing and satellite fairs rather than previous funding programs which were severely limited in scope and impact. If the opportunity presents itself, it would be a great chance to tell our story of how we all are actively and progressively making plans to insure the viability of continued and expanded racing programs at California fairs. Mike

>>> "Rick Pickering" <Rick@AlamedaCountyFair.com> 10/29/2007 3:50 PM >>>
 Tawny & Rebecca:

We just received and read the officially proposed 07/08 Expenditure Plan. While it is an 07/08 plan, it outlines the basis for a funding strategy for 2008-2018.

Attached are key excerpts from this document. Page 27, under 2009-2011, 2nd paragraph reads... "Racing and Satellite Wagering Support funding with the exception of race track preparation, funding is redirected to the infrastructure sinking fund. Racing fairs will continue to be eligible for funding through the new project proposal and competitive

11/06/2007

application process."

Page 27, 2012-2018, fourth point, reads, "Racing and Satellite Wagering Support funding entirely redirected to the infrastructure sinking fund."

I believe that there is much good in the 07/08 plan. However, given that we are at a pivotal time in California's horse racing history, a time in which the horse racing industry is looking for Fairs to step up, the power brokers in racing can be expected to spin the 2009-2018 plan as yet another reason why they should not have to pay License Fees into the future.

We should anticipate that CHRB and the private tracks will not see an advantage to a sinking fund, even if that fund could possibly be used to invest and enhance Fair racing and Satellite Wagering facilities. We should also anticipate that CDFA &/or F&E will be called to make an official presentation to the California Horse Racing Board. The CDFA Board may also seek clarification on this since we just testified to them on the fundamental tie of horse racing to Fairs, & asked them to build an even stronger bridge...

The question is being asked, "Did the CFA Board Members know how severely the 2009-2018 strategy might impact satellite wagering and horse racing Fairs?" When Stephen & I spoke last Thursday, he clearly believed that there was no significant impact to racing funding in the 07/08 Expenditure Plan. However, we now have to address a public document which has an 07/08 Plan with racing funding, but puts forth an 2009-2018 strategy with significant impacts to racing.

It is respectfully suggested that all parties collectively strategize further on this as soon as possible. It would seem counter productive to have such discussions in front of the Joint Committee on Fairs Allocation and Classifications. Consequently, I recommend that we get together sooner than later.

I don't desire to be the messenger that gets shot because of the message. What I do hope to accomplish is to put forward key questions (& help frame the answers) before the sharpshooters start firing at all of us...

-----Original Message-----

From: adminscanner [mailto:adminscanner]
Sent: Monday, October 29, 2007 12:33 PM
To: Rick Pickering
Subject:

This E-mail includes attached file(s) sent from "Savin BW" (2575).

11/06/2007

Scan Date: 10.29.2007 14:33:30 (-0500)
Queries to: adminscanner

Racetrack Safety Maintenance Brakout of Fair Refunds 2007

CARF	Consultant	Fair	Labor	Amend	Equip Rent	Total Billed	Maint	Transp	Supv/	Amendments	total
		Refund				CARF			Misc	Other	
Fairs											
San Joaquin											
2001		34338					962	9950			45250
2002		30461					5610	9179			45250
2003		30745					6504	8001			45250
2004		24050	37676	22150		59826	11800	9400			45250
2005		24132	40646	12790		53436	11490	9628			45250
2006		25501.07	41867	23900		65791	13190	6558			45250
2007		23052	43388	27687		71076	13870	8328			45250
Alameda											
2001		45250						0			45250
2002		44480						770			45250
2003		44769						481			45250
2004		43320					800	1130			45250
2005		43034					800	1415			45250
2006		42269					800	2181			45250
2007		30452					11173	3625			45250
Solano											
2001		34338					962	9950			45250
2002		30461					5610	9179			45250
2003		30745					6504	8001			45250
2004		5862	65000	19750		84750	16075	10191		13122	45250
2005		2830	37362	21100	3436	61898	11490	9628		21302	45250
2006		10550	42563	23500	8067	74130	13190	6558		26751	45250
2007		-1878		24930			13870	8328			45250
Sonoma											
2001		25838					962	9950	8500		45250
2002		22141					5610	9179	8320		45250
2003		22105					6504	8001	8640		45250
2004		10023	31175	22250		53425	16075	10191	8960		45250
2005		1631	32576	5500		38076	11490	9628	11310	11191	45250
2006		15641	33106	21000		54106	13191	6558	9860		45250
2007		14118	38685	25400		64085	13870	8328	8934		45250
Humboldt											
2001		16819					481	9950			27250
2002		15266					2805	9179			27250
2003		15997					3252	8001			27250
2004		0	10200	7800		18000	6748	10191		10311	27250
2005		11877	10250	8250		18500	5745	9628			27250
2006		14097	11250	9113		20363	6595	6558			27250
2007		11987	8610	8500		17110	6935	8328			27250
Sacramento											
2001		22409					962	9950	11929		45250
2002		21715					5610	9179	8746		45250
2003		23455					6504	8001	7290		45250
2004		0					16075	10191	9520	39432	45250

Racetrack Safety Maintenance Brakout of Fair Refunds 2007

2005		24132					11490	9628			45250
2006		0					13190	6558			45250
2007		0					13870	8328			45250
Fresno											
2001		24338					962	9950	10000		45250
2002		18792					6359	9179	10920		45250
2003		19945					6504	8001	10800	1650	46900
2004		7783	28500	19200		47700	16075	10191	11200		45250
2005		3052	33500	21500		55000	11490	9628	19430		45250
2006		6781	42500	22500		65000	13190	6558	19720		45250
2007		-4816					13870	8328	17868	10000	45250
Pomona											
2001		40250					2500	2500			45250
2002		40250					2500	2500			45250
2003		31849					10401	3000			45250
2004		36950	37500	49500		87000	5000	3300			45250
2005		35129	42000	53857		95857	5000	5120			45250
2006		30073	45000	57000		102000	10964	4213			45250
2007		10268					28675	6307			45250
Total Fairs											
Reimbursement	89877										

Division of Fairs & Expositions
Fair & Exposition Fund (191) and Satellite Wagering Account (192)
2007/2008 Revenue and Expenditure Plan

	Actual 2005/2006	(a) Budgeted 2006/2007	Projected 2006/2007	(b) Proposed 2007/2008	(b - a) Variance
Beginning Balance					
Fairs and Expositions (F&E)	\$1,836,496	\$486,826	\$1,174,688	\$484,066	(\$2,760)
Revenues					
License Fees					
On Track - Live Racing (B&P 19620.1(a))	10,117,045	9,400,000	9,218,947	9,200,000	(200,000)
1.0% Live Racing Fair Handle (B&P 19614(a))	1,228,820	1,250,000	1,216,552	1,250,000	0
Off-Track - Satellite Wagering (B&P 19606.1 & 19620.1(a))	25,619,205	25,885,000	26,161,162	26,068,000	183,000
SMIF Interest Revenue	224,855	105,000	319,301	300,000	195,000
Total Revenues	<u>37,189,925</u>	<u>36,640,000</u>	<u>36,915,962</u>	<u>36,818,000</u>	<u>178,000</u>
Fund Transfers & Other Receipts					
Transfers in					
Project Cost Savings	2,054,000	1,200,000	1,166,000	2,500,000	1,300,000
Transfers to Other Funds					
Retired DAA Employee Benefits	(246,000)	(246,000)	(246,000)	(246,000)	0
Total Available Resources	<u>\$40,834,421</u>	<u>\$38,080,826</u>	<u>\$39,010,650</u>	<u>\$39,556,066</u>	<u>\$1,475,240</u>
Expenditures					
Administrative Oversight					
California Horse Racing Board Support (CHRB)	8,948,288	8,685,000	8,969,000	9,287,000	602,000
CDFA Support - Fairs & Expositions (F&E) ¹	3,101,150	2,942,000	3,100,004	3,108,140	246,140
Pro Rata Assessment	217,253	578,032	578,032	0	(578,032)
CDFA Support - Audit Program ¹	1,020,000	1,017,000	1,017,000	1,125,000	108,000
Total Administrative Oversight	<u>13,286,691</u>	<u>13,222,032</u>	<u>13,760,116</u>	<u>13,500,140</u>	<u>378,108</u>
Local Assistance					
Operational Support					
Bond Debt Service	2,486,647	2,570,000	2,451,369	2,600,000	30,000
California Construction Authority (CCA)	1,755,000	1,455,000	1,453,400	1,455,000	0
Property Insurance	450,000	450,000	450,000	750,000	300,000
	<u>4,691,647</u>	<u>4,475,000</u>	<u>4,354,769</u>	<u>4,805,000</u>	<u>330,000</u>
General Fair Programs & Funding					
Local (Base) Allocations	9,356,000	9,766,000	9,356,000	9,001,000	(765,000)
Cal-Expo Pro Rata Reimbursement	265,000	265,000	265,000	265,000	0
Contingencies and Special Projects	182,909	370,000	228,732	395,000	25,000
Flex Capital (Optional) ²	3,105,000	2,800,000	2,800,000	2,085,000	(705,000)
Rural Healthcare Equity Program	53,687	30,000	65,000	65,000	35,000
Unemployment Insurance (Optional) ²	950,000	950,000	950,000	950,000	0
	<u>13,912,596</u>	<u>14,181,000</u>	<u>13,664,732</u>	<u>12,771,000</u>	<u>(1,410,000)</u>
Health & Safety					
Accessibility Upgrades Fund ²	1,084,000	1,085,000	1,085,000	0	(1,085,000)
Health Department Program	160,000	165,000	165,000	100,000	(65,000)
Livestock Quality Assurance	0	50,000	0	0	(50,000)
Urgent Needs Fund (Optional) ²	100,000	150,000	150,000	0	(150,000)
	<u>1,344,000</u>	<u>1,450,000</u>	<u>1,400,000</u>	<u>100,000</u>	<u>(1,350,000)</u>
Infrastructure					
Asset Management (Optional) ²	100,000	100,000	100,000	0	(100,000)
Phase I Planning - New Funding Model	0	0	0	300,000	300,000
Revenue Generating (Optional) ²	600,000	400,000	400,000	0	(400,000)
	<u>700,000</u>	<u>500,000</u>	<u>500,000</u>	<u>300,000</u>	<u>(200,000)</u>
Training & Education					
Agricultural Education	28,000	0	0	0	0
Professional Development & Compliance	268,000	635,000	310,000	485,000	(150,000)
	<u>292,000</u>	<u>635,000</u>	<u>310,000</u>	<u>485,000</u>	<u>(150,000)</u>
Racing & Satellite Wagering Support					
Race Track Preparation	600,000	600,000	600,000	600,000	0
Supplemental Purses	1,369,187	1,400,000	1,338,502	1,400,000	0
Wagering Facility Improvements	1,900,000	1,500,000	1,500,000	1,400,000	(100,000)
	<u>3,869,187</u>	<u>3,500,000</u>	<u>3,438,502</u>	<u>3,400,000</u>	<u>(100,000)</u>
Abatements & Accrual Adjustments ³	<u>(126,558)</u>	<u>0</u>	<u>698,592</u>	<u>(30,000)</u>	<u>(30,000)</u>
Infrastructure Sinking Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,100,000</u>	<u>4,100,000</u>
Total Local Assistance	<u>24,682,872</u>	<u>24,741,000</u>	<u>24,366,595</u>	<u>25,931,000</u>	<u>1,190,000</u>
Total Current Year Expenditures	<u>37,969,563</u>	<u>37,963,032</u>	<u>38,116,711</u>	<u>39,531,140</u>	<u>1,568,108</u>
Total Prior Year Expenditures	<u>1,690,170</u>	<u>0</u>	<u>409,873</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$39,659,733</u>	<u>\$37,963,032</u>	<u>\$38,526,584</u>	<u>\$39,531,140</u>	<u>\$1,568,108</u>
Ending Balance	<u>\$1,174,688</u>	<u>\$117,794</u>	<u>\$484,066</u>	<u>\$24,926</u>	<u>(\$92,868)</u>

¹ Variance due to budget adjustments related to negotiated labor contracts for personnel salaries and benefits.

² Programs identified as "(Optional)" are those in which fairs have the option to request funding through submission of a program application.

³ Reflects expense reimbursements received, including fair loan payments, and prior year accrual adjustments.

⁴ Represents Total Expenditures variance only.

**Division of Fairs & Expositions
Fair & Exposition Fund (191)
2007/2008 Revenue and Expenditure Plan**

	Actual 2005/2006	Budgeted 2006/2007	Projected 2006/2007	Proposed 2007/2008
Beginning Balance				
Fairs and Expositions (F&E)	\$1,541,496	\$259,785	\$639,118	\$7,681
Prior Year Adjustments	0	0	0	0
	<u>1,541,496</u>	<u>259,785</u>	<u>639,118</u>	<u>7,681</u>
Revenues				
License Fees				
On Track - Live Racing (B&P 19620 1(a))	10,117,045	9,400,000	9,218,947	9,200,000
1.0% Live Racing Fair Handle (B&P 19614(a))	1,228,820	1,250,000	1,216,552	1,250,000
Off-Track - Satellite Wagering (B&P 19620.1(b))	13,046,000	13,485,000	13,668,000	13,668,000
SMIF Interest Revenue	73,829	45,000	111,469	100,000
Total Revenues	<u>24,465,694</u>	<u>24,180,000</u>	<u>24,214,968</u>	<u>24,218,000</u>
Fund Transfers & Other Receipts				
Transfers in				
Project Cost Savings	2,054,000	1,200,000	1,165,000	2,500,000
Transfers to Other Funds				
Retired DAA Employee Benefits	(246,000)	(246,000)	(246,000)	(246,000)
Total Available Resources	<u>\$27,815,190</u>	<u>\$25,393,785</u>	<u>\$25,974,086</u>	<u>\$26,479,681</u>
Expenditures				
Administrative Oversight				
California Horse Racing Board Support (CHRB)	8,948,288	8,685,000	8,969,000	9,287,000
CDFA Support - Fairs and Expositions (F&E) ¹	2,494,586	2,508,000	2,711,929	2,712,140
Pro Rata Assessment	217,253	323,691	323,691	0
CDFA Support - Audit Program ¹	1,020,000	1,017,000	1,017,000	1,125,000
Total Administrative Oversight	<u>12,680,127</u>	<u>12,533,691</u>	<u>13,021,620</u>	<u>13,124,140</u>
Local Assistance				
General Fair Programs & Funding				
Local (Base) Allocations	9,356,000	9,766,000	9,356,000	9,001,000
Cal-Expo Pro Rata Reimbursement	265,000	265,000	265,000	265,000
Contingencies and Special Projects	182,909	370,000	228,732	395,000
Flex Capital (Optional) ²	1,800,000	800,000	800,000	965,000
Rural Healthcare Equity Program	53,687	30,000	65,000	65,000
Unemployment Insurance (Optional) ²	950,000	950,000	950,000	950,000
	<u>12,607,596</u>	<u>12,181,000</u>	<u>11,664,732</u>	<u>11,641,000</u>
Training & Education				
Agricultural Education	26,000	0	0	0
Professional Development & Compliance	266,000	635,000	310,000	485,000
	<u>292,000</u>	<u>635,000</u>	<u>310,000</u>	<u>485,000</u>
Abatements & Accrual Adjustments ³	(141,117)	0	697,291	(30,000)
Infrastructure Sinking Fund	0	0	0	1,250,000
Total Local Assistance	<u>12,758,479</u>	<u>12,816,000</u>	<u>12,672,023</u>	<u>13,346,000</u>
Total Current Year Expenditures	<u>25,438,606</u>	<u>25,349,691</u>	<u>25,693,643</u>	<u>26,470,140</u>
Total Prior Year Expenditures	<u>1,537,466</u>	<u>0</u>	<u>272,762</u>	<u>0</u>
Total Expenditures	<u>\$26,976,072</u>	<u>\$25,349,691</u>	<u>\$25,966,404</u>	<u>\$26,470,140</u>
Ending Balance	<u>\$839,118</u>	<u>\$44,094</u>	<u>\$7,681</u>	<u>\$9,541</u>

¹ 2007-2008 increases due to negotiated labor contracts for personnel salaries and benefits.

² Programs identified as "(Optional)" are those in which fairs have the option to request funding through submission of a program application.

³ Reflects expense reimbursements received, including fair loan payments, and prior year accrual adjustments.

Division of Fairs & Expositions
Fair and Exposition Fund (191) and Satellite Wagering Account (192)
2007/2008 Revenue and Expenditure Plan
New Funding Strategy and Programs Descriptions

The revised funding strategy is designed to generate ample working capital during the next ten years and beyond to address deferred maintenance and urgently needed capital infrastructure projects at California's aging fairgrounds. At the heart of the funding strategy are an infrastructure sinking fund and a replenishment model, which leverages the sinking fund resources to create a perpetual fund source for fairs.

Wikipedia.org defines a sinking fund as a method by which an organization sets aside money over time to retire its indebtedness. In this case, the Division of Fairs and Expositions (F&E) is implementing a variation of the sinking fund method by setting aside future money over time to address fair infrastructure needs rather than indebtedness.

Annual funding resources from racing will be consolidated and strategically allocated between fixed costs (e.g., bond debt service, local base allocations, state operations support, and existing contractual obligations) and the new infrastructure sinking fund. In an effort to continually grow the existing resources within the Fair and Exposition Fund, replenishment through repayment on loans and matching funds from the fairs and local business partners will be a key element of the new funding strategy. Leveraging existing funds through external financing and grant opportunities will also be an objective.

During 2007/2008, all sinking fund resources will be withheld for one year before they are eligible for distribution. Withholding the funds for a year will achieve two objectives. First, the delay in funding allocations will give the F&E the opportunity to focus on program and policy development. This planning phase will also include project scoping and budgeting, preliminary plans, construction documents and bidding. Secondly, withholding funding allocations will give F&E two years to build a respectable reserve by combining the funds with 2008/2009 sinking fund resources, which will have a beneficial impact on fair infrastructure in its first year of implementation.

Annual contributions will be made to the infrastructure sinking fund from license fee revenue receipts. Those monies will be available for distribution at the end of each fiscal year to the following new programs:

- ✦ ***Investment Reserve Fund (Loan Program)*** – provides loans for major capital improvements at all fairs. Competitive financing terms and rates will be available. The Division will also explore external financing opportunities for fairs from state resources as well as from private lending institutions that will complement the Investment Reserve Fund. This effort will be aimed at assisting the largest fairs with their extensive infrastructure needs.
- ✦ ***Replenishment Fund (Investment Capital)*** – F&E will serve as a “venture capitalist” by providing working capital for special projects at fairs with a demonstrated history

of success. The program contains a replenishment feature. Timing of repayment, however, will be based on project performance.

- ✦ **Infrastructure Matching Fund (Grant Program)** – focuses on repairs and maintenance needs at all fairs and requires matching funds from the fair. The program contains no repayment feature. Each fair will receive one allocation over a three-year funding cycle, then the funding cycle repeats itself indefinitely provided adequate funds are available. By spreading distribution over a three-year funding cycle, each fair will have the opportunity to receive a relatively large allocation to make improvements and address deferred maintenance projects.

Past years' infrastructure programs, which individually addressed accessibility upgrades, revenue generating projects, emergency projects, deferred maintenance, etc. have been consolidated and will now be addressed via one, or a combination, of the above programs.

Fairs will be required to submit project proposals through a competitive application process to access program resources. Funding and financing opportunities will be awarded based on the merit of the proposals and the applicant's capacity to incur debt, when applicable.

The following chart summarizes the anticipated sinking fund totals for the years 2008 through 2018 and the respective allocations among the three new infrastructure programs each year.

	Annual Sinking Fund Total*	Investment Reserve Fund	Replenishment Fund	Infrastructure Matching Fund
	100%	40%	30%	30%
2008	\$4,100,000	\$1,640,000	\$1,230,000	\$1,230,000
2009-2011	8,500,000	3,400,000	2,550,000	2,550,000
2012-2018	12,250,000	4,900,000	3,675,000	3,675,000

** The annual sinking fund total is projected to be available each year for the time periods indicated. However, the amounts are subject to change pending actual cash receipts.*

The increase in sinking resources in 2009 and beyond are based on a number of anticipated events and assumptions that are subject to change given future revenue trends, the outcome of legislative measures impacting fair funding, and future input from the fair industry regarding program priorities. These anticipated events and assumptions are noted below:

2009-2011

- ✦ The Fair and Exposition Fund is made whole via current legislative efforts.
- ✦ Property insurance premiums beyond the Division of Fairs and Expositions' annual \$450,000 contribution are fully funded by individual fairs.

- ⬇ Program cuts are made in a variety of areas where alternative revenue sources may be available (e.g. local contributions, grants, greater shift to user-fee based business model, etc.).
- ⬇ Racing and satellite wagering support funding with the exception of race track preparation, funding is redirected to the infrastructure sinking fund. Racing fairs will continue to be eligible for funding through the new project proposal and competitive application process.

2012-2018

- ⬇ Bond debt service of \$2.6 million is retired in 2011.
- ⬇ Property insurance premiums are fully funded by individual fairs.
- ⬇ Additional program cuts in a variety of areas.
- ⬇ Racing and Satellite Wagering Support funding entirely redirected to the infrastructure sinking fund.

Below is a summary of projected working capital accumulated for California fairs during the years 2008 through 2018.

2008	\$ 4.1 million
2009 through 2011	25.5 million
2012 through 2018	<u>85.8 million</u>
Total Capital Accumulated in Sinking Fund in 11 Years	<u>\$115.4 million</u>
Replenishment in 11 Years	\$39.5 million
Total Capital Available to Fairs From Sinking Fund Plus Replenishment in 11 Years	<u>\$154.9 million</u>

Please refer to pages 28 through 29 for the detailed financial projections for each of the three new programs.

Division of Fairs and Exposition New Fair Funding Programs For 2008 and Beyond

Investment Reserve Fund (Loan Program)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total	
Beg balance	\$0	\$1,840,000	\$105,600	\$100,072	\$96,323	\$114,044	\$40,382	\$40,321	\$75,630	\$16,363	\$46,985		
Sinking Fund Contribution	1,640,000	3,400,000	3,400,000	3,400,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	\$46,140,000	Total Sinking Fund
P&I Payments By Fairs	0	0	490,248	692,248	1,313,868	1,921,776	2,598,324	3,333,696	4,137,708	5,029,968	6,000,660	25,718,496	Total Loan Pmts by Fairs
Distributions to Fairs	0	(5,000,000)	(3,900,000)	(4,300,000)	(6,200,000)	(6,900,000)	(7,500,000)	(8,200,000)	(9,100,000)	(9,900,000)	(10,900,000)	(71,900,000)	Total Payout to Fairs
Interest Earnings	0	65,600	4,224	4,003	3,853	4,562	1,615	1,613	3,025	655	1,879	91,029	
Ending Balance	\$1,640,000	\$105,600	\$100,072	\$96,323	\$114,044	\$40,382	\$40,321	\$75,630	\$16,363	\$46,985	\$49,525		

Assumptions: (1) Loan terms for fairs: 15 year terms @ 5.5% APR
 (2) Loans executed in July each year
 (3) F&E interest earnings rate = 4.0% APR

Replenishment Fund (Investment Capital)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total	
Beg balance	\$0	\$1,230,000	\$29,200	\$80,368	\$13,583	\$19,126	\$24,891	\$60,887	\$58,322	\$55,655	\$102,881		
Sinking Fund Contribution	1,230,000	2,550,000	2,550,000	2,550,000	3,675,000	3,675,000	3,675,000	3,675,000	3,675,000	3,675,000	3,675,000	\$34,605,000	Total Sinking Fund
Replenishment	0	0	0	380,000	630,000	930,000	1,360,000	1,820,000	2,320,000	2,870,000	3,470,000	13,780,000	Total Replenishment
Distributions to Fairs	0	(3,800,000)	(2,500,000)	(3,000,000)	(4,300,000)	(4,600,000)	(5,000,000)	(5,500,000)	(6,000,000)	(6,500,000)	(7,200,000)	(48,400,000)	Total Payout to Fairs
Interest Earnings	0	49,200	1,168	3,215	543	765	996	2,435	2,333	2,226	4,115	66,997	
Ending Balance	\$1,230,000	\$29,200	\$80,368	\$13,583	\$19,126	\$24,891	\$60,887	\$58,322	\$55,655	\$102,881	\$51,997		

Assumptions: (1) Distributions made in July each year.
 (2) F&E interest earnings rate = 4.0% APR
 (3) Replenishment = 10% return of all previous investments each year until investment is fully recouped. Replenishment begins two years after distribution of capital

Sinking Fund Allocation Schedule

	Sinking Fund Total *	Investment Reserve (Loan)	Replenishment (Investment Capital)	Infrastructure Matching (Grants)
	100%	40%	30%	30%
2008	\$4,100,000	\$1,640,000	\$1,230,000	\$1,230,000
2009-2011	8,500,000	3,400,000	2,550,000	2,550,000
2012-2018	12,250,000	4,900,000	3,675,000	3,675,000

* Annual sinking amounts are subject to change pending actual cash receipts

Division of Fairs and Exposition **New Fair Funding Programs For 2008 and Beyond**

Infrastructure Matching Fund (Grant Program)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total	
Beg balance	\$0	\$1,230,000	\$29,200	\$80,368	\$33,583	\$109,926	\$89,323	\$67,896	\$45,612	\$22,436	\$98,334		
Sinking Fund Contribution	1,230,000	2,550,000	2,550,000	2,550,000	3,675,000	3,675,000	3,675,000	3,675,000	3,675,000	3,675,000	3,675,000	\$34,605,000	Total Sinking Fund
Distributions to Fairs	0	(3,800,000)	(2,500,000)	(2,600,000)	(3,600,000)	(3,700,000)	(3,700,000)	(3,700,000)	(3,700,000)	(3,600,000)	(3,700,000)	(34,600,000)	Total Payout to Fairs
Interest Earnings	0	49,200	1,168	3,215	1,343	4,397	3,573	2,716	1,824	897	3,933	72,267	
Ending Balance	\$1,230,000	\$29,200	\$80,368	\$33,583	\$109,926	\$89,323	\$67,896	\$45,612	\$22,436	\$98,334	\$77,267		

- Notes:
- (1) Distributions to all 77 active fairs will be made over a three-year cycle (i.e., each fair receives an allocation once every three years). The cycle will then repeat itself indefinitely.
 - (2) See below for projected payout schedule by fair classification size. Two three-year cycles are shown for the period 2009 through 2014.
 - (3) Actual payouts are subject to change as a result of revenue trends.
 - (4) Year of payment will be subject to compliance with application requirements and merit of project proposal.

Sinking Fund Allocation Schedule

	Sinking Fund Total *	Investment Reserve (Loan)	Replenishment (Investment Capital)	Infrastructure Matching (Grants)
	100%	40%	30%	30%
2008	\$4,100,000	\$1,640,000	\$1,230,000	\$1,230,000
2009-2011	8,500,000	3,400,000	2,550,000	2,550,000
2012-2018	12,250,000	4,900,000	3,675,000	3,675,000

* Annual sinking amounts are subject to change pending actual cash receipts

Estimated Allocations to Fairs (First 3-Year Phase) **

(One payment per fair to be distributed between 2009-2011)

Class Size	Amount	Class Size	Amount
I	\$197,000	IV	\$81,000
I (No Property)	38,000	V	55,000
II	155,000	VI	19,000
III	118,000	VII	13,000

** Amounts subject to change pending actual cash receipts

Estimated Allocations to Fairs (Second 3-Year Phase) **

(One payment per fair to be distributed between 2012-2014)

Class Size	Amount	Class Size	Amount
I	\$203,000	IV	\$131,000
I (No Property)	38,000	V	126,000
II	165,000	VI	58,000
III	156,000	VII	41,000

** Amounts subject to change pending actual cash receipts

2003Humboldt

Announcer - 50%	1,575.00
Autotote	379.92
Clocking/Timing - Melody Truitt	3,214.86
DMTC Simulcast Reception	56.76
Equibase	167.61
Federation	315.31
Frontier	695.34
Jockey Physicals	202.03
Marketing	14.29
Network Management Expenses	366.84
Network Manager - Stacey Lapham	4,235.99
Paymaster - Vicky Layne	6,252.14
Paymaster Expenses	2,538.56
Pegasus Communications Actuals	3,925.00
Program Covers	401.91
Program Manager/Racing Intern Personnel	3,265.41
Program Production	3,784.98
Racing Office System	7,269.73
Recruitment	322.84
Simulcast Exp, Accounting,Personnel,Direct Travel minus NCOT Reimb	11,182.05
Supplies-Best Weigh Scale Co.	131.43
Tattooing/Horse Identifier	1,069.30
Transportation	1,400.00
Winners Foundation	343.73
CARF Admin Fee	4,091.87
Total Invoices for 2003	<u><u>57,202.90</u></u>

<u>2004</u>	<u>Humboldt</u>
Accounting/Audit	7,099.36
Announcer	1,805.00
Best Pad (Weight Pads)	65.20
Breed lunch at Stockton,Condition Book	13.95
Clocker/Timer	3,900.00
Equibase	109.55
Federal Express	66.71
Federation	295.24
Frontier (program, racing lines)	2,631.88
Jockey Physicals	190.01
Kimberley Krausch - Stewards Assistant	428.17
Marketing - 50% WFA Sponsorship	23.38
Network Management Expenses	439.52
Network Management Salary/Benefits	4,422.30
Paymaster Expenses	942.89
Paymaster Salary/Benefits	6,796.83
Pegasus Communication.- Jumbo Video Screen	10,200.00
Pegasus Communications	3,925.00
Program Manager (Robert Latzo)	4,895.45
Program Production	5,063.29
Racing Office System	5,540.37
Recruitment	1,047.35
Simulcast Exp-Personnel,Direct Travel minus NCOT Reim	9,682.68
Stewart & Stevenson (portable generator)	2,456.18
Supplies	821.64
Tattooing	694.78
Transportation (dish/ambulance,jockey trunk)	2,613.80
Winners Foundation Donation	400.00
CARF Admin Fee on all contracts	5,723.41
Total Invoices for 2004	<u><u>82,293.94</u></u>

<u>2005</u>	<u>Humboldt</u>
Accounting/Audit	8,400.01
Announcer - Circuit Billing	1,625.00
Announcer Expense Travel	1,617.00
Clocker/Timing - Circuit Billing	3,844.62
DMTC Simulcast Conf	233.25
EG Power Systems Generators	1,540.00
Equibase	250.00
Federation	353.39
Incompass - Services	2,950.00
Jockey Physicals	184.23
Letter of Credit	236.51
Marketing	579.87
Morning Line	500.00
Network Manager -Stacey Lapham,Sal,Ben,Tax	8,679.58
Network management Expenses	410.21
Paymaster -Vicky Layne Salary,Benefits,Taxes	7,872.63
Paymaster Expenses	609.42
Pegasus Communications	3,625.00
Phone Invoices	437.72
Program Production	885.20
Racing Intern	888.46
Racing Office System, Phones(Frontier)	5,265.54
Recruitment	1,733.65
Robert Forgone-legal	28.83
Scientific Games	923.08
Simulcast Exp,Personnel, Direct Travel minus NCOT Reimb	10,931.71
Supplies	1,685.39
Tattooing/Horse ID	1,000.35
TC02 Testing	1,340.00
Transport small dish,trunks,colors	450.00
Winners Foundation	457.14
CARF Admin Fee on contracts	5,215.34
Total Invoices 2005	74,753.13

<u>2006</u>	<u>Humboldt</u>
Accounting/Audit Contract	8,650.01
Announcer - Frank Mirahmadi	2,000.00
Chaplaincy	1,000.00
Clocking/Timing - Melody Truitt	3,400.46
DMTC Simulcast Reception	53.11
EG Power System Generators	1,650.00
Equibase	250.00
Federation	624.68
Fitness Vet/Blood Samples - Dr. Don Dooley	1,100.00
Jockey Physicals	68.64
Marketing	369.25
Mid Turn Camera per CHRB Rule	1,795.83
MOC Insurance Accident & Health	6,096.15
Morning Line Maker - Frank Mirahmadi	750.00
Network Management	422.70
Network Manager - Stacey Lapham	9,090.97
Paymaster - Vicky Layne	8,208.58
Paymaster Expenses	1,214.99
Pegasus Communications, TV Production/Simulcast	4,848.08
Program Production Incompass Actuals	4,441.35
Racing Office Phones, Frontier	3,151.13
Racing Office System, Incompass	2,309.70
Recruitment	1,762.46
Simulcast - Lodging at Humboldt Larry, Stacey, Heather, Vicky	7,532.79
Simulcast Exp.-Personnel, Per Diem Travel minus NCOT Reimb	9,039.86
Simulcast Year End.. NTRA Dues, Legal w/Canada	5,603.59
Steward's Aide - Kimberley Krauss	500.00
Supplies	1,536.95
Tattooing/Horse Identifier	1,118.95
TC02 Testing - Karen Dooley	2,000.00
TC02 Testing UCDavis	3,023.80
Winners Foundation	450.00
CARF Admin Fee on contracts	6,597.59
	<u>100,661.63</u>

	Humboldt		Humboldt		Humboldt		Humboldt	
	2003		2004		2005		2006	
								** Per Larry 10,775 Mid Turn Camera invoice from Pegasus split All LRF except SM
						Mid Turn Camera per CHRB Rule	1,795.83	
								** 2005, 2006 Stacey took over Program Production from Robert Latzo
Network Manager- Salary Bene.Tax	4,235.99	Network Manager- Salary Bene.Tax	4,422.30	Network Manager- Salary Bene.Tax	8,679.58	Network Manager- Salary Bene.Tax	9,090.97	
Program Manager Racing Intern	3,265.41	Program Manager (Robert Latzo)	4,895.45					
								** Look at total... 2003, 2004 purchase of computers for racing office
Racing Office System	7,269.73	Racing Office System	5,540.37			Racing Office System, Incompass	3,151.13	
Frontier	695.34	Frontier	2,631.88	Racing Office System & Frontier	5,703.26	Racing Office Phones, Frontier	2,309.70	** Transision of Incompass system
	7,965.07		8,172.25		5,703.26		5,460.83	
Lodging - Larry \$1122.00.Heather \$293		Lodging - Larry \$1265, Heather \$828, Stacey \$1265		Lodging - Larry \$1478, Heather \$1617, Stacey \$1141, Vicky \$400		Lodging - Larry \$1850, Stacey \$1850, Heather \$1974, Vicky \$1761		** Lodging varied on people NTRA due \$28,125 & Legal 9,232 (calculated by % share based on racing days)
	1,508.92		3,356.91		4,637.21	Simuleast Year End.. NTRA Dues, Legal w Canada	7,532.79 5,603.59	

	<u>Humboldt</u>		<u>Humboldt</u>		<u>Humboldt</u>		<u>Humboldt</u>
	<u>2003</u>		<u>2004</u>		<u>2005</u>		<u>2006</u>
** Included in Simulcast Exp		Accounting/Audit	7,099.36	Accounting/Audit	8,400.01	Accounting/Audit Contract	8,650.01
Announcer	1,575.00	Announcer	1,805.00	Announcer	1,625.00	Announcer - Frank Mirahmadi	2,000.00
				Bill Downes Travel Expenses	1,617.00		
						Chaplaincy	1,000.00
Clocking/Timing - Melody Truitt	3,214.86	Clocking/Timing - Melody Truitt	3,900.00	Clocking/Timing - Melody Truitt	3,844.62	Clocking/Timing - Melody Truitt	3,400.46
DMTC Simulcast Reception	56.76			DMTC Simulcast Reception	233.25	DMTC Simulcast Reception	53.11
Equibase	167.61	Equibase	109.55	Equibase	250.00	Equibase	250.00
Federation	315.31	Federation	295.24	Federation	353.39	Federation	624.68
		Generators - Stewart & Stevenson	2,456.18	Generators - EG Power Systems	1,540.00	Generators - EG Power System	1,650.00
						Fitness Vet/Blood Samples -Dooley	1,100.00
Jockey Physicals	202.03	Jockey Physicals	190.01	Jockey Physicals	184.23	Jockey Physicals	68.64
				Letter of Credit	236.51		
Marketing	14.29	Marketing - WFA Sponsorship	23.38	Marketing	579.87	Marketing	369.25
						Mid Turn Camera per CHRB Rule	1,795.83
						MOC Insurance Accident & Health	6,096.15
				Morning Line Maker	500.00	Morning Line Maker	750.00
Network Management Expenses	366.84	Network Management Expenses	439.52	Network management Expenses	410.21	Network Management Expenses	422.70
Network Manager- Salary/Bene,Tax	4,235.99	Network Manager- Salary/Bene,Tax	4,422.30	Network Manager- Salary/Bene,Tax	8,679.58	Network Manager- Salary/Bene,Tax	9,090.97
Paymaster Expenses	2,538.56	Paymaster Expenses	942.89	Paymaster Expenses	609.42	Paymaster Expenses	1,214.99
Paymaster -Salary,Bene,Tax	6,252.14	Paymaster -Salary,Bene,Tax	6,796.83	Paymaster -Salary,Bene,Tax	7,872.63	Paymaster -Salary,Bene,Tax	8,208.58
		Pegasus - Jumbo Video Screen	10,200.00				
Pegasus Communications	3,925.00	Pegasus Communications	3,925.00	Pegasus Communications	3,625.00	Pegasus Communications	4,848.08
Program Covers	401.91						
Program Manager/Racing Intern	3,265.41	Program Manager (Robert Latzo)	4,895.45				
Program Production - Incompass	3,784.98	Program Production - Incompass	5,063.29	Program Production - Incompass	3,835.20	Program Production - Incompass	4,441.35
				Racing Intern	888.46		
Racing Office System	7,269.73	Racing Office System	5,540.37			Racing Office System, Incompass	3,151.13
Frontier	695.34	Frontier	2,631.88	Racing Office System & Frontier	5,703.26	Racing Office Phones, Frontier	2,309.70
Recruitment	322.84	Recruitment	1,047.35	Recruitment	1,733.65	Recruitment	1,762.46
Simulcast Exp, Accounting,Personnel,Direct Travel minus NCOT Reimb	9,673.13	Simulcast Exp,Personnel, Direct Travel minus NCOT Reimb	6,325.77	Simulcast Exp,Personnel, Direct Travel minus NCOT Reimb	6,294.50	Simulcast Exp.-Personnel,Per Diem Travel minus NCOT Reimb	9,039.86
Lodging - Larry,Heather	1,508.92	Lodging - Larry, Heather, Stacey	3,356.91	Lodging - Larry, Heather, Stacey, Vicky	4,637.21	Lodging - Larry, Stacey, Heather, Vicky	7,532.79
						Simulcast Year End.. NTRA Dues, Legal w/Canada	5,603.59
		Stewards Assistant	428.17			Stewards Assistant	500.00
Supplies-Best Weigh Scale Co.	131.43	Supplies	967.50	Supplies	1,714.22	Supplies	1,536.95
Tattooing/Horse Identifier	1,069.30	Tattooing	694.78	Tattooing/Horse ID	1,000.35	Tattooing/Horse Identifier	1,118.95
				TC02 Testing	1,340.00	TC02 Testing - Karen Dooley	2,000.00
						TC02 Testing UCDavis	3,023.80
Transportation	1,779.92	Transportation	2,613.80	Transportation	1,373.08		
Winners Foundation	343.73	Winners Foundation Donation	400.00	Winners Foundation	457.14	Winners Foundation	450.00
CARF Admin Fee on all contracts	4,091.87	CARF Admin Fee on all contracts	5,723.41	CARF Admin Fee on contracts	5,215.34	CARF Admin Fee on contracts	6,597.59
Total Invoices for 2003	57,202.90	Total Invoices for 2004	82,293.94	Total Invoices 2005	74,753.13	Total Invoices 2006	100,661.63

Christopher Korby

From: "Christopher Korby" <korby@calfair.net>
To: "Stewart Titus" <humcofair@frontiernet.net>
Cc: "John Alkire" <jalkire@fresnofair.com>; "Dan Jacobs" <jacobs@avfair.com>;
 "Rick Pickering" <rick@alamedacountyfair.com>
Sent: August 07, 2007 8:16 AM
Attach: Humboldt 2003-2006 billback report & comparison sheet-RG-070804.xls
Subject: Humboldt Expenses

Stuart,

I'm responding to your questions below regarding Humboldt expenses.

1. **Mid-turn camera.** As of 2006, this camera is required by the CHRB. Last year we paid Pegasus a one-time flat fee of \$10,000 for installation of the new cameras at all the Racing Fairs, then divided that one-time expense amongst the Fairs where it was installed. In order to keep costs down, we specified that these cameras be remotely controlled so there is no cost for an operator. After that initial charge, there are no further charges for the camera, its recurring installation or maintenance during the term of CARF's contract with Pegasus. The Racing Board required that the camera be installed--whether or not the Stewards have used it has been up to them. FYI, last week, I did speak with Ingrid Fermin and Tom Ward, long-time Steward at Ferndale, asking whether the camera requirement could be waived. Tom Ward said that the Stewards would like the camera installed. You may recall that Chairman Shapiro raised some specific questions regarding Humboldt TV camera coverage during your license application hearing.
2. **Network management.** The Network Manager position now includes the Program Manager duties. We combined the Program Manager and the Network Manager positions into one, Network Manager, and assigned the duties to Stacey Lapham. Note that the Program Manager expenses no longer appear.
3. **Travel Meals Lodging (TML).** These expenses relate directly to the actual costs incurred by employees during the time they must stay at Humboldt. In years past some employees, such as Anna Hamilton, former Paymaster, used a personal trailer for lodging, thereby reducing overall TML costs. These costs will vary year-to-year. You could help reduce these expenses by following the lead of Pleasanton, Vallejo and Fresno: these Fairs make arrangements with local hotels for reduced rates or negotiate outright sponsorship deals in which the Fair receives the use of blocks of hotel rooms during Fair-time. CARF employees stay in these rooms at reduced cost or no cost. Note that this year I am assigning Heather Haviland to other duties and she will not be staying at Humboldt. This will reduce TML expenses accordingly.
4. **NTRA & Legal w/Canada.** The CARF Board and the Racing Fairs voted to continue NTRA membership and to divide the costs between the JPA, on behalf of the Satellites, and the Racing Fairs. The Racing Fairs portion, \$28,125, was then divided amongst that group. Humboldt's portion of this expense is \$4,219. The Canadian legal expenses involved negotiation and settlement of a tax claim brought by the Canadian Revenue Board (Canadian IRS) stemming from the bankruptcy of Hasting Park, which had numerous reciprocal simulcast agreements with California tracks. The California tracks joined together and hired a legal firm in Toronto to represent our interests. Humboldt's portion of this expense is \$1,348.

There are other cost elements that have appeared recently, adding to overall expenses. For example: TCO2 testing (\$1100 + 2000 + 3023 = \$6,123); catastrophic insurance for jockeys (\$6,096.95);

11/01/2007

Chaplaincy (\$1,000). For Humboldt, these three items alone add up to \$13,219 in 2006. These services/expenses were all reviewed and discussed at the Racing Fairs' meetings.

I'm attaching spreadsheets showing comparisons and analysis.

We're showing moneys due from Humboldt of \$43,846.14 for 2006 and \$16,160.11 from 2005. Please let me know when we can expect payment.

Christopher Korby
Executive Director
California Authority of Racing Fairs
916-263-3348

cc: CARF Finance Committee

In a previous e-mail you wrote:

I look forward to discussing budget matters with you and the Live Racing Committee. Overall, I'm interested to learn why Humboldt's expenses, as they relate to services provided by CARF have increased by 76% since 2003. Among other things, I'm curious why we were billed in 2006 for an additional mid-turn camera we neither needed, nor used. My curiosity extends to the cost for network management, which has increased by 115% over that same period. Racing Office and Simulcast expenses have been inconsistent over the past three years. I know that gas prices have been extremely troublesome for everyone over that past few years; however, I'm curious as to why Lodging expenses for Humboldt have increased 400% since 2003. Finally, as with each of the previous matters, I do not recall any discussion, at any meeting of CARF, where "Legal w/ Canada" expenses were discussed. That was for 2006 only and totaled \$5,603.59. I admit that I may have forgotten the discussion, or perhaps I had to leave the meeting early. In either case, I am not aware of any notation of such discussions in the meeting minutes.

11/01/2007

Humboldt – Expenses Analysis 2003-06

Cameras

In 2006 Mid Turn Cameras from Pegasus Communications were installed per CHRB Rule. The total of \$10,775 was split between all Live Racing Fairs (with the exception of San Mateo) and Humboldt County Fair was billed \$1,795.83. This charge was not incurred in 2003, 2004 and 2005.

Network Manager/Program Manager

In 2003 the Network Manager and the Program Manager/Racing Intern were paid \$4,235.99 and \$3,265.41 respectively - a total between the two positions of \$7,501.40; at that time the Network Manager and the Program Manager were, in fact, two separate positions. In 2004, the Network Manager and the Program Manager (Robert Latzo), were paid \$4,422.30 and \$4,895.45 respectively - a total between the two positions of \$9,317.65. In 2005, Stacey Lapham took over Program Production from Robert Latzo and a salary of \$8,679.58 was paid to her. In 2006, continuing in her position as Network Manager/Program Manager, Stacey Lapham was paid a salary of \$9,090.97.

Racing Office System – Phones, Computers and Transition of InCompass System

In 2003 and 2004 computers for the Racing Office were purchased and costs were incurred with the transition to the new racing software with InCompass System. In 2003 the cost for those computers and the cost with Incompass service were \$7,269.73 in addition to the phone service from Frontier (\$695.34) for a total of \$7,965.07. In 2004 the cost for those computers and Incompass service was \$5,540.37 in addition to the phone service from Frontier (\$2,631.88) for a total of \$8,172.25. In 2005 the amount for Incompass System and phone service with Frontier totaled \$5,703.26. No computers were purchase in 2005. In 2006, Incompass service incurred was \$3,151.13; the total that year including phone service from Frontier (\$2,309.70) was \$5,460.83.

Lodging

In 2003 the Paymaster at that time had her own trailer. Consequently, we did not invoice the fair for her lodging. Larry Swartzlander, in the amount of \$1,122, and Heather Haviland, in the amount of \$293.00, incurred the only lodging expenses for 2003. In 2004 lodging expenses were incurred by Larry Swartzlander, in the amount of \$1,478; Heather Haviland, in the amount of \$1,617.00; Stacey Lapham in the amount of \$1,141.00; and Vicki Layne (the new Paymaster) in the amount of \$400.00. In 2005 lodging expenses were incurred by Larry Swartzlander, in the amount of \$1,850.00; Heather Haviland, in the amount of \$1,974.00; Stacey Lapham, in the amount of \$1,850.00; and Vicki Layne, in the amount of \$1,761.00.

To summarize, lodging varied during the years of 2003, 2004, 2005 and 2006 due to the fact that in 2003 only two people were incurring lodging charges even though three people were working and during 2004, 2005 and 2006 four staff members required lodging.

Simulcast Year End

In 2006 NTRA dues in the amount of \$28,125.00 and legal fees with Canada Revenue Agency in the amount of \$9,232.00 were paid. Humboldt was billed \$5,603.59 as calculated by a percentage share based upon racing days. This expense was not incurred in 2003, 2004 and 2005.

CARF POLICY REGARDING PAST DUE PAYMENTS FROM MEMBER FAIRS

DRAFT-November 5, 2007

1. *Invoice sent.*

First invoice for payment sent. Payment due in 30 days.

2. *Thirty Days Past Due.*

At thirty days past due (sixty days from date of invoice), a Finance Charge of 1% (12% per annum) is added to original amount. Past Due invoice with additional 1% Finance Charge is sent to Fair.

3. *Reminder : Forty-five Days Past Due.*

If CARF does not receive payment within fifteen days of Step #2 (forty-five days past due), CARF Accounting Department calls Fair Accounting Department to remind them that payment is due and sends confirming e-mail.

4. *Sixty Days Past Due.*

At sixty days past due, a second Finance Charge of 1% (12% per annum) is added to the amount of the invoice above (Step #2) that was sent at thirty-days Past Due. This sixty-day Past Due invoice is sent via registered letter or courier, signature required for receipt, to Fair Manager and to Chairman of Fair Board. Registered letter includes a notice requesting payment of invoice with 1% added for each 30 day period invoice is past due, ~~along with an option to structure payments through a promissory note signed by the Board Chair at LAIF rates for all past due amounts. The promissory note is secured by assignment of future parimutuel distributions equal to the amount due, including accumulated Finance Charges.~~

5. In the event that the Fair refuses to cooperate or does not respond, CARF will take the action it deems appropriate to secure payment.

6. *Remedy for Continuing Late Payment or Non-payment by Fair*

In the event that the Fair establishes a continuing record of late payment or non-payment, CARF may require an agreement with the Fair that employs payment structures specific to that Fair, e.g., pre-payment, net parimutuel distribution after expenses, etc. **Definition:** Two or more incidents within five years of late payment exceeding sixty days past-due or a single incident of refusing to sign a promissory note to structure re-payment will constitute a record of late payment or non-payment.

Note – Executive Director has ability to wave 1% penalty for first 30 day late period at his/her discretion provided that payment is made before invoice is 60 days past due.

See below for DRAFT Promissory Note drawn up by legal counsel at Kahn,
Soares and Conway.

PROMISSORY NOTE
SECURED BY ASSIGNMENT OF PARIMUTUEL COMMISSIONS
DRAFT

_____, California
_____, 2007

1. FOR VALUE RECEIVED, the _____ Fair, by _____, Board Chairperson (hereinafter referred to as "MAKER"), promises to pay in lawful money of the United States to the California Authority of Racing Fairs, a California Joint Powers Authority (hereinafter referred to as "HOLDER"), or order, at Sacramento, California, or such other location designated by HOLDER, the principal sum of \$_____ with interest at the Local Agency Investment Fund ("LAIF") rate thereon in like lawful money of the United States no later than _____, 20____, said principal and interest to be paid in monthly installments of _____ Thousand _____ Hundred _____ Dollars (\$_____), the first installment of _____ Thousand _____ Hundred _____ Dollars (\$_____.00) to be paid on _____, 20____ and monthly installments of _____ Thousand _____ Hundred _____ Dollars (\$_____.00) to be paid on the same day of each and every month thereafter until _____, 20____, on which date, the entire balance of unpaid principal and accrued interest shall be due and payable. It is agreed that each monthly installment, when paid, shall be credited first on interest then due and the remainder on principal, and interest shall thereon cease upon principal so credited.

2. This Promissory Note shall be secured by assignment of that portion of MAKER's future pari-mutuel commissions to HOLDER that equals the principal sum set forth in paragraph 1 above. By this assignment, MAKER expressly authorizes and instructs the California Authority of Racing Fairs, California Horse Racing Board, Northern California Off-Track Wagering Inc. or Southern California Off-Track Wagering Inc. to distribute MAKER's parimutuel commissions, up to the entirety thereof, to HOLDER, payable directly to MAKER.

3. MAKER shall have the right to prepay this note, in whole or in part, at any time, without penalty.

4. This Promissory Note Secured by Assignment of Parimutuel Commissions shall be binding upon and inure to the benefit of the heirs, successors, executors, and assigns of MAKER and HOLDER. This note may only be amended by written agreement of MAKER and HOLDER.

5. In the event of commencement of suit to enforce payment of this note, MAKER agrees to pay such additional sums as HOLDER'S reasonable attorneys' fees and costs as a court or arbitrator may adjudge reasonable. The

jurisdiction and venue for any such action shall be in the Sacramento County Courts, State of California.

6. MAKER specifically agrees that execution, or satisfaction and payment of this Promissory Note Secured by Assignment of Parimutuel Commissions does not waive any other claims which HOLDER may have against MAKER or in any way limit HOLDER'S right to pursue such claims against MAKER.

IN WITNESS WHEREOF, MAKER has executed this Promissory Note Secured by Assignment of Parimutuel Commissions at _____, California, effective as of the date first set forth above.

Date: _____, 2007

_____ Fair, Board Chair,
("MAKER")

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 2007, before me, _____, a Notary Public in and for said State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

(Seal)

1010 Hurley Way, Suite 300
Sacramento, CA 95825
(916) 263-6000
Fax (916) 263-6042

CALIFORNIA HORSE RACING BOARD

Los Alamitos Race Course
4961 E. Katella Avenue
Los Alamitos, CA 90720

Contact: Mike Marten
(714) 820-2748
Cell: (714) 240-1870
Fax (714) 821-6232

CHRB NEWS RELEASE

NOVEMBER 6, 2007

INGRID FERMIN SUBMITS RESIGNATION

SACRAMENTO, CA – Ingrid Fermin, executive director of the California Horse Racing Board, has submitted her resignation effective January 7, 2008, which will be the date of her third-year anniversary as chief executive for the State agency that regulates horse racing.

After reviewing Fermin's job performance, the racing commissioners gave her high marks and expressed confidence in her ability to continue leading the CHRB. However, they did require that she relocate her office to CHRB headquarters in Sacramento. Fermin resides in Del Mar and works primarily out of an office located at the Del Mar Race Track. She commutes regularly to Sacramento and elsewhere as needed.

"I initially committed myself to this position for a period of three to five years," Fermin wrote in her October 24 letter of resignation mailed to CHRB Chairman Richard B. Shapiro and the other six racing commissioners. "It was agreed that I would maintain a field office in Southern California while being present in Sacramento as needed. In order to comply with the Board's current wishes, that the executive director be based in Sacramento, it would be necessary for me to relocate. I'm sure that each of you will understand when I indicate that I am unwilling to do that.

"Please be assured that I intend to remain active during my remaining months as the executive director and I am committed to assisting in a smooth transition to the next appointee."

Chairman Shapiro accepted with regret the letter of resignation, while acknowledging Fermin's accomplishments and contributions during her nearly three years as chief executive.

"In recent years the CHRB has taken monumental steps forward to increase transparency and protect the integrity of horse racing in California," said the chairman. "We instituted new training programs for stewards and investigators, adopted new rules for enforcement and consistency of penalties, sponsored legislation that will permit the faster and fairer adjudication of cases, increased surveillance in our stable areas, and instituted new testing procedures, most significantly out-of-competition testing. The Board also transferred all primary testing to the Ken Maddy Laboratory at UC Davis. And we hired highly qualified professional staff at nearly all key positions.

"Ingrid has played an integral role in all of these accomplishments, and it has been a pleasure to work with her over the last three years. I both regret and understand her decision not to relocate to Sacramento. I hope she will stay involved in horse racing in California."

Other Board members voiced similar appreciation for Fermin's work with the Board.

Vice Chairman John Harris: "I have much enjoyed working with Ingrid during her tenure as executive director. She has brought professionalism and dedication to the job. I am sorry that she is not able to relocate to our home offices in Sacramento. I wish her well in all future endeavors."

Commissioner Marie Moretti: "I wish to personally thank Ingrid for her years of service and her dedication to the horse-racing industry. She has made a very positive difference. She has earned my respect for her steadfast nature and professional integrity."

Commissioner Jessie Choper: "Ingrid Fermin's overall knowledge of horse racing and her specific knowledge of the California industry are exceptionally valuable and will be hard to duplicate."

Commissioner John Andreini: "Ingrid is a very, very competent person. She certainly knows the industry inside and out. It is unfortunate that she could not run the office from Sacramento. I thank her for her many years of excellent work as a steward and most recently as executive director."

Commissioner Jerry Moss: "Her fortitude and dedication were commendable during a period of great change in our industry. As a former steward, she also brought practical knowledge, which helped us in many important areas."

Speaking for the CHRB staff, Richard Bon Smith, assistant executive director, said, "We are sad to see Ingrid go. She has provided the kind of courageous, steadfast leadership that an organization needs to survive in tough times. For myself, I'm honored to have served under her and to have received the industry knowledge and insights that she has been able to impart in the year I have been with the Board."

Chairman Shapiro will be appointing a selection committee of the Board to screen candidates for the position of executive director.