



a California joint powers agency

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**AGENDA
CALIFORNIA AUTHORITY OF RACING FAIRS
LIVE RACING COMMITTEE MEETING
11:00 A.M., TUESDAY, DECEMBER 9, 2008
VIA TELECONFERENCE**

Notice is hereby given that a teleconference meeting of the Live Racing Committee will commence at 11:00 P.M., Tuesday, December 9, 2008. 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 from September 3.
- III. Election of Chair.
- IV. Executive Director's Report.

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CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee
Wednesday, September 3, 2008

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Wednesday, September 3, 2008. The meeting was conducted at the San Joaquin Fairgrounds, Building #3, located at 1658 S. Airport Way, Stockton, California, 95206.

Live Racing Committee Members attending: John Alkire, Joe Barkett, Norb Bartosik, Tawny Tesconi, Stuart Titus and Forrest White. Joining by conference call: Chris Carpenter and Rick Pickering.

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

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

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

Agenda Item 3 – Discussion and Action, if any, on a Combined Fair Meeting in 2009 and Racing Calendar for 2009 and Beyond. [Discussed as part of the 11:00 A.M. CARF Board of Directors Meeting, Agenda Item 3]. Mr. Barkett reminded the group that at the June 3, 2008 meeting, Fairs voted to poll their respective Boards regarding the 2009 combined Fair race meet concept.

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

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

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

Agenda Item 4 – Discussion and Action, if any, on Implementation of AB 765. [Discussed as part of the 11:00 A.M. CARF Board of Directors Meeting, Agenda Item 4]. Mr. Korby revisited AB 765 (Evans) which allows Fairs to direct an additional 1% takeout, with approval from the CHRB, to a fund maintained by the Department of Food & Agriculture with

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an oversight committee to direct spending exclusively for the purpose of improving racing facilities at Fairgrounds. The takeout would be generated from racing conducted at Fairgrounds, either by a Fair or an entity leasing a Fairgrounds. The Fairs were successful in passing the legislation, but the implementation of the additional takeout was not approved by the CHRB.

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

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

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

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

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

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

Agenda Item 5 – Discussion and Action, if any, on Racing Calendar for 2009 and Beyond. Mr. Barkett stated the group needs to address the window of Fair dates, how those dates should be allocated and the recommendation that should be presented to the CHRB regarding allocation.

Mr. Bartosik made the Committee aware of ongoing discussions between Orange County and Pomona to expand their Fair dates. This scenario has left Cal Expo Fair looking at a variety of scenarios, including potentially moving the Fair.

Mr. Barkett listed the following issues that need to be addressed before race days are allocated within the Fair block:

- How do we accommodate Ferndale and overlap?
- What is the future of the California State Fair?
- What is the future of Vallejo racing and funding?

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- What will happen to the days previously run during the San Mateo Fair?
- Was Stockton successful racing in September?
- Can Santa Rosa extend one or two weeks?
- Will there be a fall meet at Santa Rosa?
- How many days of racing will we have?
- When reducing racing do we reduce the number of days or races?
- How do we create breaks within the Fair block?
- How do we manage the horse population?

Mr. Titus stated that it would be logistically detrimental for Ferndale to run a six day meet, per discussion with various potentially affected parties. Mr. Titus will be asking for two weeks of unoverlapped racing in 2009. After a lengthy discussion, the group asked if Mr. Titus would be willing to move his Fair and race meet to June. Mr. Titus did not think that moving to June would be feasible.

The group directed staff to create a couple of calendar options allocating dates based on the key concerns determined during the meeting.

Agenda Item 6 – Discussion and Action, if any, on Legislative Matters. Mr. Brown reported that the session ended without passing a state budget. AB 2258 (F&E bill) passed the legislature, but since the Governor has opted not to sign any bills until the budget is passed, the bill is essentially stuck. The bill does have an urgency clause and will go into effect the day it is signed. SB 561 passed, allowing for more racing at Golden Gate Fields, as well as extending the calendar for a joint Fair meet and providing Fairs the opportunity to run dates beyond their traditional meets. AB 2103 extended the sunset on workers compensation for Thoroughbreds. The Fairs will need to work on a bill to extend the sunset for Emerging Breeds in early 2009.

Agenda Item 7 – Report on Closing of Bay Meadows and Expansion of Year-Round Stabling and Training at Pleasanton. Mr. Korby reported that Bay Meadows Race Course is officially closed and the last horses will vacate the property by Oct. 12, 2008. Pleasanton is currently housing horsemen that had previously maintained their barns at Bay Meadows and the execution of plans for the expansion of Pleasanton into a larger year-round training operation are under way. Mr. Korby is currently working with Northern California principles to secure monies from the Stabling and Vanning Fund to offset daily operational expenses at Pleasanton.

Agenda Item 8 – Report on NTRA Proposal for Alliance Relating to Safety and Integrity Issues. CHRB Chairman Shapiro called a meeting with California racing principles to participate in a presentation by the National Thoroughbred Racing Association (NTRA) regarding the current public perception of racing. The briefing was confidential due to the nature of the findings, which were less than stellar. The NTRA is asking member tracks to participate in an initiative to address prevalent concerns. A report of the initial poll is available for Fair Managers wishing to review the information.

Agenda Item 9 – Executive Director's Report. [Discussed as part of the 11:00 A.M. CARF Board of Directors Meeting, Agenda Item 7]. Mr. Korby reported that L.A. County Fair will be hosting a forum of industry principles in conjunction with the Sept. 18, 2008 CHRB

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meeting in Pomona, which should include discussion regarding the general improvement of racing facilities at Fairgrounds.

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

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

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

Respectfully submitted,

Heather Haviland

[Print](#)

Plan calls for Stronach Group to control Magna

by **Frank Angst**

Financially troubled Magna Entertainment Corp. has proposed a reorganization plan that will place the racetrack owner under direct control of the Stronach Group.

Currently, MI Developments Inc. is the controlling shareholder in Magna Entertainment. Magna founder and chairman Frank Stronach and his associates make up the Stronach Group.

While Stronach also is the founder and chairman of MI Developments, shareholders in that commercial real estate company have called for changes in its dealings with Magna Entertainment.

Magna reported a third quarter net loss of \$48,359,000, bringing its total 2008 losses to \$116,073,000 and its six-year losses well past \$500-million.

In a November 7 conference call with stockholders and analysts, MI Developments said it was considering options including recapitalization, restructuring, joint ventures, and sales of Magna Entertainment assets.

Citing the poor economy, Magna Entertainment has not carried out its debt reduction plan that includes the sale of Remington Park, Thistledown, and Portland Meadows. It currently is considering the sale or joint ventures in core properties such as Santa Anita Park and Gulfstream Park.

As part of the reorganization plan announcement, Magna said the maturity date of its \$40-million senior secured revolving credit facility with a Canadian bank and its \$100-million bridge loan from MI Developments used in the reconstruction of Gulfstream Park will be extended to March.

The restructuring also includes MI Developments issuing two loans to Magna Entertainment: one for \$50-million that will be used to fund Magna Entertainment's daily operations and one for \$75-million that will be used to fund Magna's license application for slot machines in Maryland and, if Laurel Park is approved, for the construction of a temporary slots facility.

"We are thrilled with this announcement," said Maryland Jockey Club President Tom Chuckas. "The full financial commitment from MI Developments will allow the Maryland Jockey Club to have the resources to pursue the [video lottery terminal] application and the strength to make Laurel Park the best possible facility for alternative gaming."

As of March 10, MI Developments owned—directly or indirectly—4,362,328 shares of Magna's Class A Subordinate Voting Stock and 58,466,056 shares of Class B Stock, convertible into shares of Class A Subordinate Voting Stock on a one-for-one basis. At that time, the average number of Class A and Class B shares was about 107-million.

If the reorganization is completed, there will be a public float of Magna Entertainment shares. MI Developments cannot invest additional funds in Magna, or enter into new transactions with Magna, without the approval of the minority MI Developments Class A shareholders. That agreement would not allow Stronach, who controls MI Developments through his Class B stock, to reinvest in Magna without approval from Class A stockholders.

Magna acknowledged certain transactions in the plan are subject to approval of MI Developments shareholders and the Ontario Superior Court of Justice. MI Developments shareholders will consider the plan at a meeting in the first quarter of 2009.

The transaction agreement anticipates, among other things, a multi-step series of proposed transactions designed to recapitalize and reposition Magna to enable it to pursue its strategy of horse racing, gaming, and entertainment on a standalone basis.

Frank Angst is a senior staff writer of Thoroughbred Times



Introducing the new hypothetical
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Letters Critical of MEC's Economic State

by Jim Freer

Date Posted: 10/20/2008 4:24:42 PM

Last Updated: 10/22/2008 9:46:49 AM

Oct 20, 2008

San Francisco-based institutional investor Farallon Capital Management and technology entrepreneur Halsey Minor are separately asking MI Developments, Inc., for a major financial shake-up of the racing conglomerate Magna Entertainment Corp. MID is the controlling shareholder of the debt-laden racetrack owner.

In a letter to MID dated Oct. 17, Farallon Capital Management said it believes MID should "end its support" of MEC, which it termed "a sinkhole." Farallon, which owns 8.5% of the Class A shares of MID, included the letter to MID's board of directors in a filing that day with the Securities and Exchange Commission. MID and MEC are both based in Aurora, Ont. MEC owns Santa Anita Park, the site of this weekend's Breeders' Cup World Championships, Gulfstream Park, and seven other U.S. Thoroughbred tracks.

Frank Stronach, the founder of MEC, is chairman of MID and MEC.

Farallon's letter said its options include "all legal tools available" as a shareholder. It said it believes there is "no justification" for MID's Oct. 15 announcement of expanding a bridge loan to MEC from \$110 million to \$125 million and extending the loan's maturity date from Oct. 31, 2008, to Dec. 1, 2008.

Also on Oct. 15, MEC announced that Bank of Montreal has extended the due date of a \$40 million senior secured revolving credit facility from Oct. 15, 2008, to Nov. 17, 2008. The loan is secured partly by certain assets of MEC and its tracks, including some at Santa Anita Park in Arcadia, Calif.

Minor, in a separate Oct. 17 letter to MID's board, offered a more direct solution. He has offered to buy the bridge loan and other inter-company loans MID has made to MEC. In his letter, Minor noted that he had previously contacted MID's board about his interest in buying loans including the full amount due under the bridge loan. He told *The Blood-Horse* that MID had not responded to his inquiries, including a request for his advisors to perform due diligence on the loans.

"It (MEC) has been a cash incinerator for MID," Minor said. "I would expect they would be thrilled to at least consider my inquiries."

Minor is the founder of CNET Networks. In 2004 *Fortune* magazine estimated his net worth at \$286 million from investments in CNET and other Internet and technology companies. He also owns several Thoroughbreds including the filly Dream Rush, who won four graded stakes as a 3-year-old in 2007. Dream Rush is pre-entered in the Sentient Flight Group Breeders' Cup Filly & Mare Sprint on Oct. 24.

Farallon officials declined to comment beyond the firm's letter and SEC filing. Officials of MID were not immediately available for comment on Oct. 20. In its letter to MID directors, Farallon said it feels that MEC is "near bankrupt," adding: "MEC has been, is, and will remain a financial sinkhole."

According to its most recent financial reports, MEC lost \$67.7 million during this year's first six months. Through June 30, MEC reported it had an accumulated deficit of \$577.8 million with a working capital deficiency of \$151.1 million, and a debt load of \$229.8 million due to mature this year.

Farallon said it "wishes to go on record" to what it considers a possible "ill-conceived transaction" of MID buying MEC. The investment firm said it is "suspect of any rationalization" that MID buying MEC and selling off assets would offer a more cost-effective route to value for MEC than a bankruptcy proceeding or another court-supervised process.

Farallon said it believes it is urgent for MID's board to end the company's support of MEC and work with management on developing "a coherent and fair reorganization plan" for MEC.

Farallon's letter concluded: "You must tell Mr. Stronach that his time for self-serving maneuvers is over. It is time for you to meet your fiduciary duties as directors. If you do not, Farallon will consider all legal tools available to it as a shareholder."

Minor on Oct. 19 told *The Blood-Horse* that he contacted Farallon's managing member, Richard Fried, on Oct. 17, after he learned of that firm's letter to MID. But Minor said he plans to keep his interest in buying MID loans separate from Farallon's dealings with that company.

Minor got the horse industry's attention earlier this year by offering to buy Hialeah Park in Hialeah, Fla., from its owner John Brunetti so he could completely renovate the historic track.

Late last month, Brunetti rejected Minor's first offer for Hialeah Park, which last held races in 2001. Neither would disclose the price Minor offered or the price Brunetti is requesting. But Brunetti said on Oct. 1 that Minor's offer was "in the same range" as the \$22 million purchase price when he bought the track in 1977.

"I would be ready to meet with John again if he can give me some economic substantiation for his asking price," Minor said.

"Maybe I'll bump into him," Minor said when asked if he expects to talk with Brunetti at the Breeders' Cup.

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2009 Budget & Estimated December 31, 2008

Net Income(Unbilled Expenses)	0	0	0	0	0	0%	0
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**California Authority of Racing Fairs
Southern Region Income Statement
2009 Budget & Estimated December 31, 2008**

	2006	2007	2008	2008	2008	2008	2009
	Year End	Year End	Year End	Annual	Budget	% Budget	Proposed
	Actual	Actual	Estimated	Budget	Variance		Budget
Program Revenue:							
Program Sales	493,939	463,076	405,368	459,000	(53,632)	88%	405,000
Other Revenue	0	0	0	0	0	0%	0
Royalties/Fees Due Host	(440,394)	(411,359)	(366,635)	(417,000)	50,365	88%	(365,000)
Total Revenue	53,545	51,718	38,733	42,000	(3,267)	92%	40,000
Expenses:							
Legal Expenses	0	0	0	2,500	2,500	0%	1,000
Meetings Expense	0	539	98	1,000	902	10%	1,000
Misc Exp.(Storage)	0	0	0	1,000	1,000	0%	500
Postage & Shipping	0	0	0	100	100	0%	100
Telephone Expense	0	0	0	500	500	0%	100
Travel Expense	0	422	0	0	0	0%	0
Total Expenses	0	961	98	5,100	5,002	2%	2,700
Operating Income (Loss)	53,545	50,757	38,636	36,900	(8,269)	105%	37,300
CARF Admin Fee	39,146	34,731	30,402	34,425	4,023	88%	30,375
Rebate							
Income (Loss)	14,398	16,026	8,234	2,475	(12,292)	333%	6,925

**California Authority of Racing Fairs
Project Management Income Statement
2009 Budget & Estimated December 31, 2008**

	2006	2007	2008	2008	2008	2008	2009
	Year End	Year End	Year End	Annual	Budget	% Budget	Proposed
	Actual	Actual	Estimated	Budget	Variance		Budget
Revenue:							
CARF Admin Fee	126,419	158,277	150,678	195,000	(44,322)	77%	215,000
Project Management	76,214	79,648	68,005	78,522	(10,517)	87%	78,666
Total Revenue	202,633	237,925	218,683	273,522	(54,839)	80%	293,666
Expenses:							
Salaries Expense	56,190	58,942	49,684	54,172	4,488	92%	56,341
Employee Benefits	6,595	7,510	6,059	8,000	1,941	76%	8,000
Payroll Taxes	3,065	3,060	2,266	3,000	734	76%	2,500
Accounting Costs	6,780	6,500	6,500	6,500	(0)	100%	6,500
Audit Services	1,870	2,350	2,256	2,350	94	96%	2,475
Automobile Expense	0	0	0	1,000	1,000	0%	1,000
Contracted Services	0	0	0	1,000	1,000	0%	0
Legal Expenses	0	0	0	0	0	0%	0
Meetings Expense	0	0	0	0	0	0%	0
Telephone Expense	1,015	647	681	1,500	819	45%	1,000
Travel Expense	144	85	0	500	500	0%	250
Misc. Storage	555	555	558	500	(58)	112%	600
Total Expenses	76,214	79,648	68,005	78,522	10,517	87%	78,666
CARF Admin Fee	126,419	158,277	150,678	195,000	44,322	77%	215,000

California Authority of Racing Fairs
Agency Income Statement
2009 Budget & Estimated December 31, 2008

	2006	2007	2008	2008	2008	2008	2009
	Year End	Year End	Year End	Annual	Budget	% Budget	Proposed
	Actual	Actual	Estimated	Budget	Variance		Budget
Revenue:							
Other Revenue	9,233	13,560	964	500	464	193%	500
Interest Income	48,441	92,352	33,124	50,000	(16,876)	66%	40,000
Member Dues	261,477	257,268	282,520	257,276	25,244	110%	282,520
CARF South Programs Admin Fee	39,146	34,731	30,402	34,425	(4,023)	88%	30,375
CARF Projects Admin Fee	126,364	158,277	150,678	195,000	(44,322)	77%	215,000
CARF Live Racing Admin Fee	132,433	155,333	125,316	143,958	(18,642)	87%	139,528
CARF @ Leased Facility Revenue		0	0	0	0	0%	0
Total Revenue	617,094	711,520	623,005	681,159	(58,154)	91%	707,923
Expenses:							
Salaries	204,210	207,576	231,854	286,912	55,058	81%	298,428
Employee Benefits	21,363	16,639	27,537	30,000	2,463	92%	30,000
Post Retirement Benefits	27,118	31,122	31,660	35,000	3,340	90%	93,193
Payroll Taxes	11,471	9,960	12,333	13,500	1,167	91%	13,500
Accounting Costs	16,965	16,270	16,337	16,250	(87)	101%	16,250
Advertising Expense	800	0	0	0	0	0%	0
Audit Services	4,815	5,875	5,640	5,875	235	96%	6,188
Automobile Expense	0	3,788	3,236	3,000	(236)	108%	4,000
Contracted Services	1,198	2,214	620	3,000	2,380	21%	3,000
Depreciation	16,682	13,195	13,729	13,000	(729)	106%	13,500
Dues & Subscriptions	30,475	29,509	14,388	31,000	16,612	46%	15,000
Insurance Expense	37,763	38,824	40,542	38,151	(2,391)	106%	41,000
Legal Expenses	6,620	5,575	1,740	10,000	8,260	17%	10,000
Legislative Expenses	49,888	56,089	55,223	60,000	4,777	92%	60,000
Meetings Expense	6,861	3,420	3,754	6,000	2,246	63%	5,000
Misc. Bank Fees	29	404	201	1,000	799	20%	1,000
Office Supplies	17,074	15,953	18,230	15,000	(3,230)	122%	18,000
Postage & Shipping	3,570	4,168	4,256	4,000	(256)	106%	5,000
Rent (Tribute Road)	35,777	35,770	35,770	35,770	0	100%	35,770
Repairs & Maintenance	370	359	0	1,000	1,000	0%	1,000
Telephone Expense	10,660	10,921	7,620	11,000	3,380	69%	11,000
Training	0	0	0	2,500	2,500	0%	2,500
Travel Expense	24,886	27,308	25,809	27,500	1,691	94%	27,500
Total Expenses	528,593	534,936	550,479	649,458	98,979	85%	710,828
Agency Income (Loss)	88,500	176,584	72,526	31,701	40,825		(2,905)
Southern Program Income (Loss)	14,398	16,026	8,234	2,475	(12,292)		6,925
Total Balance Sheet Net Income (Loss)	102,899	192,610	80,760	34,176	28,533		4,020
Restricted Reserves	0	0	0	0	0		0
CARF @ Leased Facility							

2009 Budget & Estimated December 31, 2008

CARF @ Leased Facility Net Income