



September 20, 2010

Governor Arnold Schwarzenegger
Governor's Office
State Capitol, First Floor
Sacramento, CA 95814

On September 17, 2010 the 32nd District Agricultural Association Board of Directors met to receive and discuss what seems to be critical information related to the sale of the Orange County Fairgrounds. The Board of Directors' legal counsel presented a report, whose executive summary is attached, which raised many important questions pertaining to property ownership. The issues primarily center on title holding, necessary steps to complete a sale and disposal of the proceeds should a sale be completed.

The Board of Directors pose these issues as inquiries rather than statements of fact and are seeking clarification on the rights and responsibilities of the 32nd DAA Board of Directors should there be a successful bidder as a result of the Department of General Services' Request for Proposals II currently in the solicitation of bids phase.

In addition, the Board of Directors have expressed a desire to revisit the revenue sharing model submitted to your office in August 2010 and reevaluate it within a context of any new information your office might provide related to the questions raised in this correspondence.

Our goal is to ensure that the residents of Orange County clearly understand the process by which DGS has embarked and the steps needed to complete a sale, including title transfer and (perhaps the most important issue) of the disbursement of proceeds from the sale. We are seeking your counsel and guidance in providing that information.

Thank you for considering our request. If possible, we would like to receive this information prior to our next regularly scheduled Board meeting on September 30, 2010. If the information is provided earlier than that date, we may well schedule a special Board meeting to share the information with the public as there are many, including elected public officials, officials from the City of Costa Mesa and several members of the media and public who have expressed the desire to become more educated on this topic.

Respectfully Submitted,

Kristina Dodge
32nd DAA Board Chair

CC: 32nd DAA Board of Directors

Executive Summary of Legal Issues Presented at the OC Fair & Event Center Board of Directors Meeting September 17, 2010

This will summarize certain issues raised in connection with the Request for Proposals, II dated August 24, 2010 (the "**RFP**") issued by the State of California Department of General Services ("**DGS**") with respect to the proposed sale of the Orange County Fairgrounds in Costa Mesa (the "**Property**"). For further details, reference is made to the memorandum submitted by legal counsel to the Board of Directors at the meeting referenced above.

Background

The RFP and its enabling legislation (Section 3884.2 of the California Food and Agricultural Code) appear to contemplate that the State can sell the Property through a new entity called the 32a District Agricultural Association (the "**Disposition District**"). However, in 1949, the Property was conveyed to the 32nd District Agricultural Association (the "**32nd DAA**") and, as confirmed by a title report and a reference in the RFP itself, title to the Property still resides in the 32nd DAA. It is also interesting to note that in 1949 no general state funds appear to have been used for the 32nd DAA to purchase the Property from the federal government, with half of such funds coming from the 32nd DAA and the remaining from a state account dedicated to funding county fairs which was funded out of race track revenues.

Approvals Required of the 32nd DAA if the Property is Sold Pursuant to the RFP

Any buyer of the Property pursuant to the RFP (and/or its institutional lenders or partners) will almost certainly require title insurance confirming title in the buyer. In order for that to happen, the title company will most likely require that the 32nd DAA convey the Property by deed, either directly to the buyer or through the Disposition District. Unfortunately, the enabling legislation for the RFP does not appear to provide any guidance as to how such conveyance is to be carried out. This ambiguity is compounded in that the statute governing the 32nd DAA (Section 4051(b) of the California Food and Agricultural Code) provides that the real property owned by the 32nd DAA cannot be conveyed without the approval of both the DGS *and* the Department of Food and Agriculture. Moreover, even if somehow the title insurer can be convinced to overlook the foregoing ambiguity, there would still be some concern that the conveyance might be overturned as a matter of law and the sales proceeds returned to the buyer.

Distribution of Proceeds from the Sale of the Property

Even if the formalities of the conveyance described above can be resolved, there is still a question of whether the proceeds of the sale of the Property pursuant to the RFP can be paid into the general state coffers to ease the current state fiscal emergency as contemplated by the RFP and its enabling legislation. Since the Property is owned by the 32nd DAA, the existing statutes governing the 32nd DAA require that the proceeds of a sale of the fairgrounds be used only to improve or acquire property for fairgrounds use. The RFP and its enabling legislation does not address this apparent inconsistency.