

MEETING

STATE OF CALIFORNIA

HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
)

BANQUET ROOM

HOLLYWOOD PARK CASINO

3883 W. CENTURY BOULEVARD

INGLEWOOD, CALIFORNIA

FRIDAY, APRIL 24, 2009

2:14 P.M.

Reported by:
Troy A. Ray

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

John C. Harris, Chairperson

David Israel, Vice Chairperson

John Andreini

Jesse H. Choper

Jerry Moss

STAFF

Kirk Breed, Executive Director

Richard Bon Smith, Assistant Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Mike Marten

ALSO PRESENT

Chris Korby

Richard Castro

Drew Couto

Jerry Jamgotchian

Rod Blonien

Rom Varela

Richard Englis

Craig Fravel

Bernie Thurman

Gregg Scoggins

Cliff Goodrich

APPEARANCES CONTINUED

ALSO PRESENT

Sherwood Chillingworth

Dr. Rick Arthur

Jack Liebau

Terry McWilliams

George Bradvica

Mike Nava

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INDEX

	PAGE
Action Items:	
1. Approval of the minutes of the regular meeting of March 19, 2009.	3
2. Approval of the minutes of the regular meeting of February 26, 2009.	4
3. Discussion and action by the Board on the request from the California Authority of Racing Fairs, (CARF), to designate the following allocated race dates as a combined fair horse racing meeting, pursuant to Business and Professions Code section 19549.1: San Joaquin County Fair, June 18, 2009 through June 28, 2009; Alameda County Fair, July 1, 2009 through July 19, 2009; Solano County Fair, July 22, 2009 through July 26, 2009; CARF at Golden Gate Fields, August 12, 2009 through August 23, 2009; CARF at Golden Gate Fields, September 9, 2009 through October 4, 2009 and the Big Fresno Fair, October 7, 2009 through October 18, 2009.	4
4. Discussion and action by the Board on the Application for License to Operate a Minisatellite Wagering Facility of the California Commerce Club Inc., for a period of up to but not exceeding two years.	23
5. Discussion and action by the Board regarding the 2009/2010-budget formula to be developed pursuant to Senate Bill 16 (Ashburn), Chapter 12, Statutes of 2009.	48
6. Discussion and action by the Board regarding an increase in the take-out on conventional and exotic wagers on races conducted by thoroughbred racing associations as permitted by Business and Professions Code section 19601.01 and the modification of California advance deposit wagering (ADW) distributions on thoroughbred races as permitted under Business and Professions Code section 19604(f) (5) (E).	67

INDEX

PAGE

Action Items:

7.	Discussion and action by the Board regarding the update from the Los Angeles Turf Club, Inc. Operating at Santa Anita Park and the significance of the bankruptcy filing of Magna Entertainment Corporation on its racing operations.	84
8.	Discussion and action by the Board regarding a revised allocation of race dates for the Del Mar Thoroughbred Club's (DMTC) July 22, 2009 through September 9, 2009 race meeting.	91
9.	Review and discussion by the Board regarding the financial solvency of the Northern and Southern California Stabling and Vanning Funds and possible steps that may be taken to mitigate losses, including cutting subsidies paid to Fairplex Park at Pomona and San Luis Rey Downs.	106
10.	Discussion and action by the Board regarding the feasibility of waiving CHRB Rule 1433(b), Application for License to Conduct a Horse Racing Meeting, on a case by case basis, when considering the construction of new race tracks, converting the synthetic race tracks to dirt tracks and the use of the existing dirt tracks for periods exceeding four weeks of thoroughbred racing.	107
11.	Public Comment	124
12.	Closed Session	135
	Adjournment	135
	Certificate of Reporter	136

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
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PROCEEDINGS

EXECUTIVE DIRECTOR BREED: Ladies and gentlemen
this meeting of the California Horse Racing Board will come
to order. Please take your seats.

This is the regular noticed meeting of the
California Horse Racing Board on Friday, April 24th, at
Hollywood Park Casino, 3883 West Century Boulevard,
Inglewood, California.

Present at today's meeting are John Harris,
Chairman, David Israel, Vice Chairman, Jerry Moss, Jesse
Choper, and John Andreini.

Before we go onto the business of the meeting, I
need to make a few comments.

The Board invites public comment on the matters
appearing on the meeting agenda.

The Board also invites comments from those present
today on matters not appearing on the agenda during a public
comment period, if the matter concerns horse racing in
California.

In order to ensure all individuals have an
opportunity to speak and the meeting proceeds in a timely
fashion, I will strictly enforce the three-minute time limit
rule for each speaker.

The three-minute time limit rule will be in force
during discussion of all matters stated on the agenda, as

1 well as during the public comment period.

2 This is a public comment -- there is a public
3 comment sign-in sheet for each agenda item on which the
4 Board invites comments. And they're right over on the table
5 by -- right over here where Mike Marten is.

6 Also, there is a sign-in sheet for those wishing
7 to speak during the public comment period for matters not on
8 the Board's agenda, if it concerns horse racing in
9 California.

10 Please print your name legibly on the public
11 comment sign-in sheet. When the matter is open for public
12 comment your name will be called.

13 Please come to the podium and introduce yourself
14 by stating your name and organization clearly. This is
15 necessary for the court reporter to have a clear record of
16 all who speak.

17 I might state here, also, that for the benefit of
18 people who are listening on the webcast, and I would ask
19 this of the Board also, to state your name every time you
20 speak, so that the people on the webcast know who is
21 talking.

22 We've had several complaints from radio-land about
23 this.

24 When your three minutes are up, the Chairman will
25 ask you to return to your seat so others can be heard. When

1 all the names have been called, the Chairman will ask if
2 there is anyone else who would like to speak on the matter
3 before the Board.

4 Also, the Board may ask questions of individuals
5 who speak.

6 If a speaker repeats himself or herself, the
7 Chairman will ask if the speaker has any new comments to
8 make. If there are none, the speaker will be asked to let
9 others make comments to the Board.

10 Mr. Chairman.

11 COMMISSION CHAIRPERSON HARRIS: Thank you.
12 Appreciate everyone being here today.

13 It's amazing how big of a facility this is, I
14 haven't been over here for quite a while, to this part of
15 it. I wish Hollywood Park a successful meeting coming up.

16 The first item on the agenda is approval of the
17 minutes of the regular meeting of March 19, 2009.

18 COMMISSION VICE CHAIRPERSON ISRAEL: So moved.

19 COMMISSIONER MOSS: Second.

20 COMMISSION CHAIRPERSON HARRIS: Okay, all in
21 favor?

22 (Ayes.)

23 COMMISSION CHAIRPERSON HARRIS: Okay, and we've
24 got the other meeting which was in February. Are there any
25 corrections to that one?

1 If not, so move.

2 COMMISSION VICE CHAIRPERSON ISRAEL: So moved.

3 COMMISSION CHAIRPERSON HARRIS: And second?

4 COMMISSIONER MOSS: Second.

5 COMMISSION CHAIRPERSON HARRIS: Okay, all in
6 favor?

7 (Ayes.)

8 COMMISSION CHAIRPERSON HARRIS: So, okay, the
9 first item for discussion and action is a request from the
10 California Authority of Racing Fairs to designate the
11 following allocated race dates as a combined fair horse
12 meeting, racehorse meeting, pursuant to the Business and
13 Professions Code.

14 I'm not quite sure exactly how this works. But
15 Chris Korby is here from CARF to explain the rationale.

16 EXECUTIVE DIRECTOR BREED: Mr. Chairman,
17 before -- Kirk Breed.

18 Before Chris talks, I'd like to state that what
19 the analysis reflects is that with the change in the law the
20 fairs may request a combined fair meeting in addition to or
21 in lieu of individual licenses, which is what they're asking
22 to do here.

23 And Mr. Korby can discuss his reasons and the
24 reasons for the fairs doing that.

25 In addition to this, the fairs will not only ask

1 for a combined meeting, but inclusive of those fairs will
2 also present their own license for the Board approval.

3 So Mr. Korby.

4 MR. KORBY: Thank you, Mr. Breed, and Mr.
5 Chairman, and Commissioners.

6 Chris Korby, Executive Director, California
7 Authority of Racing Fairs.

8 Mr. Breed's summary is correct. The law provides
9 that fairs may come together to conduct a combined fair
10 meeting. There is one precedent for that having been done.

11 We're asking that the Board designate certain fair
12 meets part of a combined fair meeting.

13 We believe that that gives us the mechanism this
14 year to conduct the dates that were allocated by the Board,
15 including up to six weeks of fair racing to be conducted at
16 Golden Gate Fields.

17 In our request, we've listed the fairs that we
18 would like to have included in those. It does not include
19 every fair. Participation in this is voluntary, so certain
20 fairs have elected to join in with this. There are six of
21 those that have done so.

22 Two have -- two have not yet decided to join in
23 this.

24 Amplifying further on what Mr. Breed stated in his
25 summary, since there is no specific road map for

1 implementation of this, we've worked with the staff and come
2 up with what we think is a logical, common sense, and
3 compliant solution for how we go about this, and that is to
4 have the Board designate certain dates as part of the
5 combined fair meeting.

6 And then each segment of that, that would be each
7 fair, will come to the Board with sort of, quote, normal
8 license application.

9 So all the reviews that go on for a typical
10 license application will continue to go forward and the
11 Board will have full oversight over what it is that each
12 fair is asking be done.

13 COMMISSIONER ANDREINI: Chris, can you tell me why
14 those other two fairs wouldn't join you or aren't going to
15 join you, for what reason?

16 MR. KORBY: At this point they prefer to conduct
17 their meet in the same way that they have before.

18 I should note that there are a couple of specific
19 differences for some of those fairs that have elected to
20 join in this combined meet this year.

21 I'll point out one, it being the combination of
22 Solano County Fair and Alameda County Fair.

23 Alameda County Fair will be conducting a third
24 week of racing this year that traditionally would have been
25 the first week of racing at Vallejo. So that's -- this

1 combined fair meet creates a mechanism for us within which
2 to do that.

3 It's very similar to the first instance of a
4 combined fair meet, when Solano County Fair and Sonoma
5 County Fair joined together to conduct four weeks of racing,
6 three of which were conducted at Sonoma County Fair.

7 After that was done, the Sonoma County Fair
8 decided that it did not want to continue with that type of
9 arrangement, so they have elected to conduct their meet
10 solo.

11 COMMISSIONER ANDREINI: But in the case of Cal-
12 Expo, I mean, that's the biggest venue on the fair circuit,
13 isn't it?

14 MR. KORBY: No, it's not as big as Santa Rosa or
15 Alameda. In terms of size perhaps. In terms of attendance
16 and handle, no.

17 COMMISSIONER ANDREINI: I see. Thank you.

18 COMMISSION VICE CHAIRPERSON ISRAEL: Chris, how
19 will these fairs handle it if one of the fairs is to fail an
20 inspection and thereby warrant a revocation of the license,
21 if there's only one license granted, and it's a blanket
22 license to all of the fairs?

23 So if fair X fails CHRB inspection and it should
24 have its license revoked and not be able to run the race,
25 this is obviously a hypothetical question, how will you

1 handle it in this instance?

2 MR. KORBY: I understand and it's a good question.
3 And we actually think that this mechanism is advantageous
4 for us in that it gives us flexibility now, and in the
5 future, as to where fair dates are run in Northern
6 California.

7 It may be that for one reason or another fairs may
8 wish to consolidate their dates further than they have to
9 this point.

10 So I would suggest that in that case, in that
11 hypothetical case, if that were to happen, a fair that did
12 not pass an inspection or for some reason the Board
13 determined was not allowed to conduct a meet, those dates
14 could be conducted at another fair venue.

15 COMMISSION VICE CHAIRPERSON ISRAEL: Well, what if
16 they protested and took legal action against your
17 consortium?

18 Is there a dispute resolution method involved in
19 whatever deal you guys struck?

20 MR. KORBY: When we're combining fair, specific
21 traditional fair dates, as in the case of Alameda and
22 Solano, there will be an arrangement, and we will include
23 dispute resolution.

24 For the others, presently, we will be treating
25 them much the same as they have previously.

1 One thing that we will -- that this will allow us
2 to do, that has not been -- we've not been able to do
3 before, we'll be able to carry pari-mutuel pools from one
4 meet to another, one fair meet to another.

5 So, for instance, we could have a Pick-Six
6 carryover, that we have not been able to do in the past.

7 COMMISSION VICE CHAIRPERSON ISRAEL: That's an
8 advantage, actually. That's an advantage.

9 COMMISSION CHAIRPERSON HARRIS: Is the real thrust
10 of this to better allocate dates, I presume, where you're
11 not restricted to having just two weeks at a fair, you can
12 make one fair three weeks and one --

13 MR. KORBY: That's -- for us, that's an important
14 component.

15 COMMISSION CHAIRPERSON HARRIS: But how does it
16 work as far as San Mateo County Fair, which effectively
17 doesn't have a track anymore to race at, are they going to
18 be part of this consortium and effectively run dates at
19 somebody's fair, or get paid for their dates, or how are
20 they going to work out?

21 MR. KORBY: They have joined in. What we will be
22 asking is that the Board license CARF for one segment of
23 this combined fair meet to be run in -- for those August
24 dates, in the second and third week of August.

25 COMMISSION CHAIRPERSON HARRIS: Well, who is going

1 to be the recipient of revenues from that, you know, what
2 was the -- what I'm trying to figure out is the San Mateo
3 County Fair had an income center, and I'm not sure if that
4 just goes away, or they kind of sold it to somebody, or how
5 is it actually going to work?

6 MR. KORBY: We are going to use the revenues
7 generated from this for reinvestment back into fair racing
8 or satellite facilities.

9 One of the specific uses we've discussed for those
10 monies is that it would -- some of those monies would be
11 used to help pay down the loans that San Mateo Fair took on
12 to build their satellite facility.

13 When you were talking about a revenue source for
14 San Mateo Fair, the new satellite facility, that opened in
15 August of last year, is creating a very significant revenue
16 source that's helped them replace what they earned from live
17 racing when they ran for so many years at Bay Meadows.
18 That's no longer possible because Bay Meadows is gone.

19 COMMISSION CHAIRPERSON HARRIS: Yeah, I can see
20 they'd hold onto that revenue. But mainly what I was
21 concerned about is the idea of a racing association or fair
22 effectively selling their dates, you know, as a franchise,
23 versus just putting it back into the pot, which I guess is
24 what you're doing.

25 MR. KORBY: There has been no such arrangement

1 with San Mateo dates. They have joined openly and there is
2 not a specific arrangement like you describe.

3 COMMISSION CHAIRPERSON HARRIS: Okay. Well,
4 that's good.

5 Does the Board have any questions for Mr. Korby?

6 COMMISSIONER MOSS: I'm just curious, what did San
7 Mateo -- what did they spend on that facility, do you have
8 any idea?

9 MR. KORBY: Right around five million.

10 COMMISSIONER MOSS: Do you have pictures to
11 distribute, or anything like that, it would be fun to see
12 that?

13 MR. KORBY: We'd be glad to give them to you.

14 COMMISSIONER MOSS: Yeah. Only because it's the
15 newest, and to hear that kind of investment for a satellite
16 facility is exciting. So it's something that I'm interested
17 in. So if there are pictures to be distributed the next
18 meeting, it would be great.

19 MR. KORBY: I'd be more than happy. And I think
20 the happiest part of that story is to look at the level of
21 business that's maintained in San Mateo. They're closer to
22 the level of business that was being conducted by Bay
23 Meadows, as a satellite, than I think most people expected.
24 So that's a success story.

25 COMMISSIONER MOSS: That is a success story.

1 COMMISSION CHAIRPERSON HARRIS: We've gotten some
2 comments that they are going to have to close down the
3 satellite facility they have for some fairly short period of
4 time. I'm not really clear, they close the whole thing
5 down, or just parts of it or what? Are you familiar with
6 that?

7 MR. KORBY: I am. As a matter of fact, I
8 participated in a meeting yesterday, at Golden Gate Fields,
9 at which that was discussed.

10 And I think the fair came with some very good
11 solutions and recommendations to the concern that was
12 expressed by a number of people in the industry.

13 We had a good dialogue back and forth. Some other
14 ideas were offered about how they could deal with this
15 conflicting booking.

16 And I think they are going to come back to Golden
17 Gate Fields, and the Horsemen, and CARF with a proposal that
18 will be satisfactory to everyone.

19 I would say the most notable part of that
20 resolution is that they will be open Memorial Day, which was
21 an issue.

22 COMMISSION CHAIRPERSON HARRIS: Anymore questions
23 of Chris?

24 We'll go on. We've got numerous requests from the
25 audience.

1 Richard Castro.

2 MR. KORBY: Thank you. I'll be available to the
3 Board to answer any more questions.

4 COMMISSION CHAIRPERSON HARRIS: Stick around, I'm
5 sure we'll have some.

6 MR. CASTRO: My name is Richard Castro,
7 representing SEIU, Local 280.

8 I have no problem with what they're doing. But
9 what I am concerned about, we have individual contracts with
10 individual fairs.

11 The importance of the individual contracts is
12 payroll periods end at certain times, that kick in vacation
13 pay, and things like that. We would like to see those
14 things stay in place and the individual contracts.

15 MR. KORBY: We would be glad to agree to that
16 here. And I look forward to sitting down with Richard and
17 answer any other questions they might have. And this may
18 allow us to actually streamline our payroll so that they're
19 now done by fewer entities than they have been in the past.
20 So I think that as a possible advantage, actually.

21 COMMISSION CHAIRPERSON HARRIS: A plus.

22 Drew Couto.

23 MR. COUTO: Good afternoon, Drew Couto,
24 Thoroughbred Owners of California.

25 The TOC is neither prepared to support or oppose

1 this right now. This is really the first opportunity we've
2 had to hear from Chris on this plan.

3 We do have, as Chris knows, we have a planning
4 session in the North on Monday and Tuesday, with basically
5 everybody involved at each of the tracks, the breeders, the
6 trainers, TOC.

7 We're concerned with some representations from at
8 least two of these fairs, included here, that they were
9 going to cease racing within the next few years, that what
10 we're doing is protecting dates of fairs that no longer are
11 committed to racing.

12 And those dates, instead of going back into the
13 pool and being distributed to the facilities that produce
14 the most revenue and really help the industry go, are going
15 to end up being consolidated at fairs that aren't
16 necessarily producing as much for purses, or breeders'
17 awards, or commissions, or et cetera.

18 So without supporting or opposing it, I'd like to
19 ask the Board to do nothing until the rest of the -- I
20 think, the constituent interests have a chance to talk about
21 it and explore it a little more.

22 COMMISSION VICE CHAIRPERSON ISRAEL: Are you
23 afraid that this will establish an irreversible precedent,
24 is that --

25 MR. COUTO: Yes, we are. We're worried that if a

1 fair chooses to develop its property for more lucrative
2 uses, but yet turns to the industry and says I want to
3 protect a revenue source that I no longer have the facility
4 to generate, it may not be fair to the rest of the industry.
5 And we need to look at this a little closer before we decide
6 one way or another.

7 COMMISSION VICE CHAIRPERSON ISRAEL: Thank you.

8 MR. KORBY: If I may respond, I think I can
9 appreciate what Mr. Couto is saying. I would note, though,
10 that the discussions that our organization has had on this
11 are quite different from that.

12 And we see this as a mechanism that helps adjust
13 to the future, not one that prevents us moving in the
14 direction of change. We see it as a mechanism that assists
15 us in change. Thank you.

16 COMMISSION VICE CHAIRPERSON ISRAEL: How do we
17 assure that it's not an irreversible precedent then?

18 MR. KORBY: Well, the Board still allocates dates,
19 nothing will change there.

20 COMMISSION VICE CHAIRPERSON ISRAEL: Okay.

21 COMMISSION CHAIRPERSON HARRIS: Yeah, clearly,
22 anything we do would be reversible.

23 What you're asking for is just a one-year request,
24 really.

25 MR. KORBY: That is correct. That's correct.

1 COMMISSION CHAIRPERSON HARRIS: And it might go
2 on, but it might not, but there's no precedent being set.

3 MR. KORBY: That's right, we're still subject to
4 allocation of dates by the Board.

5 COMMISSION CHAIRPERSON HARRIS: Okay, Mr.
6 Jamgotchian, would you like to comment?

7 MR. JAMGOTCHIAN: Jerry Jamgotchian. Mr. Harris,
8 members of the California Horse Racing Board, that was my
9 concern with regards to a precedent issue.

10 But once again, if they're only granted a one-year
11 license, obviously, they don't have a lot to sell after that
12 period. So I'll monitor that.

13 But my question was who monitors the reinvestment
14 of monies into facilities, satellite facilities?

15 Now, it's one thing for Mr. Korby to come up here
16 and say that we're going to reinvest our money into the
17 facility, but there's no obligation and there's no oversight
18 by the California Horse Racing Board to make sure that money
19 actually goes back into that facility.

20 Now, with the recent benefits that the racetracks
21 have received, SB 27, and the recent legislation, they've
22 made hundreds of millions of dollars, or they've gotten --
23 excuse me, they've gotten hundreds of millions of dollars
24 worth of license deferral, and they haven't invested really
25 any money in these plants.

1 So that's something I think this Board should look
2 at and we'll talk about that later.

3 But there needs to be oversight committees to make
4 sure that the money that is being refunded, or generated by
5 these facilities, that they're put back into the facilities
6 to improve the opportunity and the experience for the
7 customer. Thank you.

8 MR. KORBY: I'm glad to respond to that.
9 California Authority of Racing Fairs is a public entity.
10 I'll pledge, now, we'll report back to the Board how those
11 monies are spent.

12 COMMISSION CHAIRPERSON HARRIS: You're under CDFA
13 or --

14 MR. KORBY: No, we're a joint powers agency,
15 independent of the State.

16 COMMISSION CHAIRPERSON HARRIS: But the money
17 back, the renewal license fees, the two percent was going to
18 fairs and expositions, which as I understood there were some
19 amounts that went to racing fairs, but most of the money was
20 going to fairs throughout the State.

21 MR. KORBY: Right.

22 COMMISSION CHAIRPERSON HARRIS: So there wasn't
23 really millions of dollars coming out of license fees to
24 racing fairs, except for the money they could make while
25 they were a racing fair.

1 MR. KORBY: That's correct. There were some
2 allocations made from the Department of Food and Agriculture
3 to reinvest back into fairs and we have done that. We've
4 spent millions each year into putting back into our racing
5 facilities.

6 In fact, the satellite network in California was
7 built with those monies.

8 COMMISSIONER MOSS: But did the -- is that the
9 story, there is no oversight committee? So we're accepting
10 what you're saying in good faith. But nobody comes to see
11 when what's put back into the facility at all, really; isn't
12 that correct?

13 MR. KORBY: As I say, we will report back to the
14 Board on the monies generated and how they're spent. If you
15 wish.

16 COMMISSION CHAIRPERSON HARRIS: We'll take a look
17 at that over, you know, the last three or four years and
18 what -- you know, where the money would go. But I recall
19 seeing that at some point.

20 MR. KORBY: Well, this case is a new instance,
21 this has not happened before. But for monies that have been
22 allocated to CARF from the Department of Food and
23 Agriculture, we have record of how those monies are spent.

24 As a matter of fact, some of those monies were
25 part of the San Mateo Fair Project, they went out as loans

1 to San Mateo Fair. There were grants that were part of
2 that, as well.

3 There's a recent example of how those monies were
4 reinvested back into the racing industry.

5 COMMISSION CHAIRPERSON HARRIS: Okay. I think
6 those are the people that had a card. Did anyone else have
7 any comments on three?

8 If not, I don't know if we really have to take any
9 action on this. As I understood it, it's more of a report
10 on what they're --

11 EXECUTIVE DIRECTOR BREED: He was asking for a
12 motion.

13 MR. KORBY: If I may, Mr. Chairman, our request is
14 that the Board take the action of designating that these
15 dates be conducted as a combined fair meeting.

16 COMMISSION CHAIRPERSON HARRIS: For 2009.

17 MR. KORBY: For 2009.

18 COMMISSIONER CHOPER: What's the significance of
19 that? I don't understand, what is the significance of the
20 Board formally taking that action?

21 MR. KORBY: It --

22 COMMISSIONER CHOPER: Suppose the Board doesn't do
23 anything, what would the problem be?

24 COMMISSION VICE CHAIRPERSON ISRAEL: They'll have
25 to come up individually.

1 COMMISSION CHAIRPERSON HARRIS: I guess it
2 clarifies --

3 MR. KORBY: It's an important mechanism that deals
4 with some of the differences in the calendar this year, that
5 have not existed before.

6 And I would point specifically to the
7 Solano/Alameda combination, and those dates that those fairs
8 will be conducting at Golden Gate Fields.

9 COMMISSIONER CHOPER: This was not in the original
10 approval when we approved the dates. We approved the dates
11 for 2009 and we --

12 MR. KORBY: Yes.

13 COMMISSIONER CHOPER: We have?

14 MR. KORBY: Yes.

15 COMMISSIONER CHOPER: We have.

16 MR. KORBY: Yes.

17 EXECUTIVE DIRECTOR BREED: This wasn't included in
18 that motion?

19 MR. KORBY: No.

20 COMMISSION CHAIRPERSON HARRIS: No. No, the dates
21 are all the same. And that's why I don't quite understand
22 what this does, that were not already there, other than
23 clarifying that -- I guess there are issues as far as how
24 many days a given fair can run, and the license fees, and
25 all that. And this maybe just clarifies it.

1 COMMISSIONER CHOPER: We did, I remember there was
2 the hassle about Solano and that they objected to being
3 given only one week of racing, and it was understood that
4 the racing dates were going to be handled at Golden Gate
5 Fields.

6 I don't know, I have no objection, if no one else
7 does, to doing what you said. But I'm just wondering if
8 it's necessary, I guess, that's really what I'm asking.

9 MR. KORBY: It's a technical designation that we
10 would appreciate the Board to make.

11 COMMISSION CHAIRPERSON HARRIS: All the parties
12 that are part of the combined meet, I mean they're -- the
13 only thing I'd be concerned about is subsequently someone
14 comes in and says, well, I didn't see it that way.

15 But I mean, all the parties you've got into your
16 tent are all --

17 MR. KORBY: They're all committed.

18 COMMISSION CHAIRPERSON HARRIS: All committed.

19 MR. KORBY: Most recently, as I communicated with
20 the Board staff, Humboldt County Fair has joined.

21 COMMISSIONER CHOPER: And Sonoma and Cal-Expo
22 would have no objection to this, you say?

23 MR. KORBY: No. To the other fairs doing it, no.

24 COMMISSION CHAIRPERSON HARRIS: As far as usually
25 it gets down to money, when the revenue gets distributed to

1 all your different parties --

2 MR. KORBY: Uh-hum.

3 COMMISSION CHAIRPERSON HARRIS: -- I mean, it's
4 not going to be equal, I would guess. It's based on
5 formulas of how they do or --

6 MR. KORBY: Yes.

7 COMMISSION CHAIRPERSON HARRIS: And everyone
8 gets -- usually, that's where the rub is that somebody
9 doesn't like the formula that --

10 MR. KORBY: And as I say, with respect to those
11 two fairs that have an arrangement for combining one week
12 that had traditionally been run at one, which will now be
13 run at another, there will be a separate arrangement
14 governing that situation.

15 COMMISSION VICE CHAIRPERSON ISRAEL: Is there a
16 written agreement establishing this consortium and defining
17 everybody's participation?

18 MR. KORBY: It's been acted on in our CARF
19 committee meetings, and that's in a public meeting and it's
20 recorded in the minutes. There is not a signed document.
21 We can easily engage that.

22 COMMISSION CHAIRPERSON HARRIS: All right.

23 COMMISSIONER CHOPER: Well, if there's no
24 objection, I'd move what you're asking.

25 COMMISSION VICE CHAIRPERSON ISRAEL: But with the

1 condition that there be a signed agreement.

2 MR. KORBY: We would be fine with that.

3 COMMISSION CHAIRPERSON HARRIS: Sure. Is there a
4 second?

5 COMMISSION VICE CHAIRPERSON ISRAEL: I'll second
6 it.

7 COMMISSION CHAIRPERSON HARRIS: Okay, all in
8 favor?

9 (Ayes.)

10 COMMISSION CHAIRPERSON HARRIS: Okay. Well, good
11 luck to you.

12 MR. KORBY: Thank you.

13 COMMISSION CHAIRPERSON HARRIS: Discussion and
14 action by the Board on the application for a license to
15 operate a minisatellite wagering facility of the California
16 Commerce Club for a period up to, but not exceeding, two
17 years.

18 EXECUTIVE DIRECTOR BREED: Mr. Chairman and
19 members, I want to have Jackie present this in just a
20 second.

21 Our analysis, there is one item in our analysis
22 that we -- that I would like to ask Mr. Blonien to speak to,
23 and he represents the Commerce Club, and that is that
24 portion dealing with the exclusivity for six months. And so
25 would you go ahead?

1 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
2 Wagner, CHRB staff.

3 The application before you is from the Commerce
4 Club and they are proposing to operate a minisatellite
5 wagering facility in the City of Commerce.

6 The application that they have submitted would be
7 for a period of up to two years.

8 The Commerce Club is a card club and it is located
9 in the southern zone. This particular location is within 20
10 miles of Santa Anita Park, Hollywood Park, and Los Alamitos.

11 The Commerce Club has reached agreements with all
12 the California racing associations in terms of contracts
13 needed to carry the races there.

14 The contracts dates, as submitted in the
15 application, go from a period of six months, with an 18-
16 month option that extends for the whole 24-month period.

17 The simulcast organization engaged to operate the
18 facility is Scotwinc.

19 In addition, they are proposing to operate
20 Wednesday through Sunday, and on selected Mondays and
21 holidays. They will be opening the facility at 10:00 a.m.
22 and it will be conducted from 10:00 to 12:00 a.m. There may
23 be some 7:00 a.m. openings on some selected days.

24 The estimated number of the terminals that they're
25 proposing for the facility include five convertible teller

1 self-service machines, four dedicated self-service.

2 The seating capacity of the satellite wagering
3 site is 35.

4 The number of tables in the minisatellite wagering
5 site is proposed at nine, at this time, and they will have
6 14 television monitors which are planned.

7 The analysis, in your package, indicates missing
8 items. I'd like to report that those items are still
9 outstanding as of today, with the exception of the consent.
10 We have received the consent from all the tracks that are
11 located within 20 miles of this proposed site.

12 We do have representatives from the Commerce Club
13 that are available for your questions.

14 COMMISSION CHAIRPERSON HARRIS: Any questions on
15 this application? This is the first of the minisatellites
16 that we'll have heard and I think the concept is a good one
17 to try to expand our markets out, out into places that are
18 not normally served.

19 And even though it's obviously the center of an
20 urban community, it's quite a ways from a racetrack to go
21 wager out.

22 COMMISSIONER MOSS: Which other facilities, aside
23 from Santa Anita, have granted a -- within the 20-mile
24 radius have granted permission?

25 REGULATIONS/LEGISLATION MANAGER WAGNER: It's been

1 receive from Santa Anita, Hollywood Park, and Los Alamitos.

2 COMMISSIONER MOSS: Those are the only three in
3 that 20-mile radius?

4 REGULATIONS/LEGISLATION MANAGER WAGNER: Correct.

5 COMMISSION CHAIRPERSON HARRIS: It's interesting
6 that they're three -- all three of the ones were within 20
7 miles. But probably none of them are within, based on L.A.
8 traffic, are probably 45 minutes or so in rush hour.

9 COMMISSION VICE CHAIRPERSON ISRAEL: No, no,
10 that's right. Our freeway system's the envy of the world.

11 COMMISSION CHAIRPERSON HARRIS: Yeah, the third
12 world, maybe.

13 EXECUTIVE DIRECTOR BREED: Mr. Chairman, before
14 we -- Commissioner [sic] Blonien would you come forward
15 and -- we made a note in -- there's one item in this that I
16 just want Mr. Blonien to explain.

17 And that is that in this application there's a
18 memorandum of understanding between the Southern California
19 Offtrack Wagering, Inc., and the California Commerce Casino,
20 Inc. The ScotWinc agrees that California Commerce Casino
21 shall have the exclusive right, among card clubs in Los
22 Angeles County, to operate a minisatellite facility for the
23 six-month period.

24 I'm just wondering if there's some sort of waiver
25 or some sort of hold-harmless that the Board can be given in

1 the case of some future lawsuit on that exclusivity thing?

2 MR. BLONIEN: Well, Mr. Chairman and Members, Rod
3 Blonien on behalf of the Commerce Club.

4 I certainly am not authorized to commit them in
5 terms of any type of hold-harmless. But I think if there
6 was litigation, we would certainly be willing to sit down
7 and reconsider the exclusivity.

8 Part of the reason for the exclusivity is to make
9 certain that this thing works. And before we roll it out
10 and replicate it elsewhere, we want to be sure that we've
11 got it right, and that's the basic reason.

12 COMMISSION CHAIRPERSON HARRIS: So the Commerce
13 Club is the one that wanted exclusivity?

14 MR. BLONIEN: Yes, sir.

15 COMMISSION CHAIRPERSON HARRIS: Yeah, it would
16 probably take six months to get something else really in the
17 mill, anyway.

18 MR. BLONIEN: Yeah.

19 COMMISSION CHAIRPERSON HARRIS: Because I think
20 it's important to get this going to see what the model's
21 going to do.

22 COMMISSION VICE CHAIRPERSON ISRAEL: Once we
23 approve this, how long will it take to get it up and
24 running?

25 MR. BLONIEN: We have, I'm going to say,

1 architectural drawings, but they may have been done by a
2 draftsman.

3 But we have drawings to change the room sitting at
4 the City of Commerce, and they're going to be approved any
5 day. We've already contracted with a contractor to come in
6 and make the changes to the room.

7 Certainly within a month, hopefully within a
8 couple of weeks.

9 COMMISSION VICE CHAIRPERSON ISRAEL: And would the
10 six-month period begin the first day of operation or upon
11 approval?

12 MR. BLONIEN: The first day of operation.

13 COMMISSION CHAIRPERSON HARRIS: One concept that I
14 think works, but I'm not sure if you can do it or not, but
15 if you can you need to be trying to, is the whole idea of
16 bet riders. If people can be maybe wagering at a poker
17 table some place, but have a runner come and get their bet
18 and place it, if they want. I'm not sure if there are any
19 prohibitions from some agency on that but, hopefully, not.

20 MR. BLONIEN: We have thought about that. It's
21 not in the plan at this point. There are, you know,
22 technical issues and liability issues. And we thought we'd
23 start with this and then determine where we go.

24 COMMISSIONER MOSS: I know there's been some
25 discussion of raising the take-out from two to three

1 percent. Can you give some idea of where that is right now?

2 MR. BLONIEN: Assemblyman Jerry Hill has
3 introduced a bill, at the request of CARF, to increase the
4 take-out by one percent for all satellites, and that would
5 include the minisatellites.

6 There is opposition to the bill and I understand
7 that there will be other legislation increasing the take-out
8 to balance the account and to return to solvency, I guess,
9 both Scotwinc and Notwinc.

10 And so that, Mr. Moss, looks like it's going to be
11 an increase of over one percent. And I think there is some
12 sympathy in the industry to do something for the satellites,
13 but I think also the overriding concern is we don't want to
14 nick the bettor, you know, close to a total of two percent.

15 And so I think the Hill bill is, you know, going
16 to be difficult to accomplish with the needs of the industry
17 in terms of the Scotwinc and the Notwinc.

18 COMMISSION CHAIRPERSON HARRIS: We've got a
19 few -- anymore Board comments on this? There's some from
20 the audience, I think.

21 Jerry, do you have a comment on this?

22 MR. JAMGOTCHIAN: Yes. The first comment,
23 obviously, is talking about increased take-out. I don't
24 think that's in the best interest of horse racing in
25 California, especially in these times.

1 So, you know, anything this Board can do to
2 eliminate portions of the take-out or reduce it is certainly
3 the position that they should take.

4 With regards to this staff analysis, just a couple
5 of questions.

6 Number one, and I haven't really read the
7 application, but is there a bond requirement in this
8 application? Or a letter of credit or something that --

9 EXECUTIVE DIRECTOR BREED: No.

10 MR. JAMGOTCHIAN: Well, that would give me
11 caution, obviously. Because if there's no bond, what
12 guarantees does anybody have that the money's going to be
13 paid?

14 COMMISSION CHAIRPERSON HARRIS: The money really
15 won't be handled by Commerce Club. The money will all be
16 handled by Scotwinc. The Commerce Club is just providing
17 the facility and getting a fee for doing that.

18 MR. JAMGOTCHIAN: Okay.

19 COMMISSION CHAIRPERSON HARRIS: So they won't
20 really be in the money flow, itself.

21 MR. JAMGOTCHIAN: All right, so there won't be
22 additional hands touching the money then.

23 COMMISSION CHAIRPERSON HARRIS: Yeah.

24 MR. JAMGOTCHIAN: Okay. Additionally, that raised
25 the other question I had. Well, one of the other questions.

1 Why Scotwinc, why not -- why not Notwinc, or why not the
2 California Horse Racing Board licensing them, themselves. I
3 mean, why would the two percent, I believe that you're going
4 to charge, or whatever the percent is going to be, why would
5 that just to Scotwinc, and not Notwinc, and not the
6 California Horse Racing Board?

7 I mean, obviously, money that's generated from
8 these things should go to the State of California and not to
9 Scotwinc.

10 COMMISSION CHAIRPERSON HARRIS: I think Scotwinc
11 is really the entity that is really a not-for-profit type of
12 a thing. But they've got to pay all the pari-mutuel clerks,
13 and all the pari-mutuel costs.

14 And if they in fact were making money, which I
15 don't think they are, then that would be the time to -- all
16 that money really comes out of purses and track commissions.
17 If it was two percent versus two and a half, there would be
18 more going to purses and track commissions. But I guess two
19 and a half is what it's taking, which I think there's some
20 talk that maybe they should take more than that.

21 MR. JAMGOTCHIAN: Well, if you remember, the
22 ultimate goal of the bill was to get these locations
23 everywhere. Right? And we all know that this probably is
24 nothing more than a six-month test, with an option to renew.
25 So it's not really something that's going to stimulate a lot

1 of growth in this segment of the market.

2 But one of the concerns that I had is back in the
3 staff report they're talking about costs of the entity, and
4 that some of the entity's cost were for like the on-site
5 attendant, and the machinery.

6 And I was wondering who was going to be footing
7 those costs? Is Scotwinc going to be footing --

8 COMMISSION CHAIRPERSON HARRIS: That's why
9 Scotwinc is there.

10 MR. JAMGOTCHIAN: Okay, so they have an investment
11 that they need to put into place and the CHRB's not giving
12 them any money for this investment; is that correct?

13 COMMISSION CHAIRPERSON HARRIS: That's correct.

14 MR. JAMGOTCHIAN: Okay. With regards to the
15 racetracks signing off, I note that Santa Anita, Hollywood
16 Park, and Los Alamitos are within the 20-mile sphere. But
17 then I note that there are signatures by racetracks that are
18 not within the 20-mile sphere. Golden Gate, I believe, is
19 one of them, I thought they signed it. Los Alamitos. Some
20 of the entities that aren't in the 20 --

21 COMMISSION VICE CHAIRPERSON ISRAEL: They all
22 signed.

23 MR. JAMGOTCHIAN: Right.

24 COMMISSION CHAIRPERSON HARRIS: I think they're
25 simulcasting into their --

1 MR. JAMGOTCHIAN: Well, that would preclude,
2 really, anybody, I think, from a business perceptive. If I
3 had to run out and ask Jack, Fravel, or Harper, or anybody
4 whether I could put a facility in a bar that I own or
5 something, hypothetically, obviously, they're not going to
6 even take my phone call most of the time.

7 So I would think -- not my particular phone call,
8 but the phone call of the person. They don't take my phone
9 call, no question.

10 But in this particular case I think this is really
11 limiting in that you're going to -- you're asking potential
12 people that are interested in taking wagers throughout
13 California, whether it's a mall owner -- like if I owned a
14 mall, I'm not going to sit here and chase down 12 or 13
15 entities just to try to make a deal where it's not good
16 enough to be any more than a test.

17 COMMISSION CHAIRPERSON HARRIS: I'm not sure, but
18 maybe there's some regulatory reason. But it seems like
19 what should happen is that Scotwinc would be the agency that
20 did that. The Commerce Club, or whoever, isn't really
21 having to go to all of these people, that Scotwinc really is
22 doing that.

23 MR. JAMGOTCHIAN: So then this is just --

24 COMMISSION CHAIRPERSON HARRIS: I mean, a Scotwinc
25 person maybe can respond.

1 MR. JAMGOTCHIAN: Sure, go ahead.

2 MR. VARELA: I'm Tom Varela, Scotwinc. Yeah, what
3 we did on that memorandum of understanding, since there were
4 some construction costs associated with that on behalf of
5 Commerce, we entered into that MOU and most of those -- most
6 of the tracks that are going to party to the agreement
7 between Scotwinc and the facility signed that.

8 We will have another agreement that allows
9 Scotwinc to disseminate the signal. You know, it specifies
10 the location fee and things of that nature.

11 MR. JAMGOTCHIAN: Because, I mean, if I look at
12 this as something that could be positive, and let's say it's
13 resoundingly successful, I'm not convinced that the
14 racetracks are going to be as gracious as they are now,
15 maybe, to sign the agreement if, in fact, these locations
16 are making a lot of money.

17 So I note that right now, theoretically, that
18 they're not charging any money for their signature. But I
19 mean if things get good, hopefully they get good at these
20 entities, that handle offsite wagers, that the racetracks
21 don't try to benefit by the success of these locations.

22 COMMISSION CHAIRPERSON HARRIS: If a wager is made
23 at the Commerce Club, part of that wager will come back to
24 the racing association.

25 MR. JAMGOTCHIAN: A small amount, that's correct.

1 A small amount.

2 COMMISSION CHAIRPERSON HARRIS: Well, probably
3 about three or four percent. Five percent.

4 MR. JAMGOTCHIAN: Yeah, but that's really
5 insignificant versus the investment that they have. Plus,
6 you want these things to be all around the State.

7 So it doesn't seem like it's making it really
8 available to a lot of people that are willing to chase this.

9 COMMISSION CHAIRPERSON HARRIS: Well, what we're
10 doing though is we're trying to start a new model and see
11 how it works.

12 And it may well be that the ADW model will be a
13 better model. I mean, basically, there's ADW outlets every
14 place, in everyone's home. If they've got a computer,
15 they've got an ADW terminal. And that might be another, you
16 know, more seamless way to do it.

17 But the idea of this, I think, is to create a
18 place that is a real gathering place for people to --

19 MR. JAMGOTCHIAN: Yeah, sports bar.

20 COMMISSION CHAIRPERSON HARRIS: A different
21 atmosphere than sitting in there with your wife and kids
22 betting the races.

23 MR. JAMGOTCHIAN: And then the one last
24 thing --

25 COMMISSIONER MOSS: And you're right in the fact

1 that the problem is, as far as I see it, is we have a 20-
2 mile restriction. That's what's holding everything back,
3 you know, that's why the bill is flawed and we have one
4 application so far. Which needed three people to waive to
5 even install that facility. So it's difficult.

6 MR. JAMGOTCHIAN: And, remember, this is nothing
7 more than a test. Because if it doesn't work, it's
8 certainly not going to be continued.

9 And the last thing, just for the comfort of the
10 people listening, the bets made at the Commerce Casino,
11 obviously, are going to be protected and they're going to
12 guarantee a payoff.

13 And they can take that ticket to any track within
14 the area, right, it's the same machine?

15 COMMISSION CHAIRPERSON HARRIS: Yes.

16 MR. JAMGOTCHIAN: All right. That's all, thank
17 you.

18 COMMISSION CHAIRPERSON HARRIS: Thank you.

19 Mr. Choper?

20 COMMISSIONER CHOPER: Yeah. Mr. Blonien, you
21 know, I guess I'm a little less than clear on the six-month
22 exclusivity factor. I don't quite understand --
23 Commissioner Israel told me that Los Angeles County is a lot
24 bigger than 20 miles in radius from where this club is going
25 to be located or is located, I mean.

1 So I don't understand why they want that
2 exclusivity provision, one.

3 And two, there's something that's bothering me
4 about the potentiality of getting into problems with giving
5 someone an exclusivity provision even for six months.

6 On the one hand it seems to me that there's
7 virtually no advantage to the -- for the card club, Commerce
8 Club, and on the other hand who knows what we're buying.
9 It's sort of like a pig in a poke giving an exclusivity
10 provision.

11 MR. BLONIEN: Well, I think the exclusivity speaks
12 to card clubs. And so if somebody wanted -- in L.A. there
13 are, as I recall, six card clubs and they're all, I'm going
14 to say, within 20 miles of one another.

15 COMMISSIONER CHOPER: I see. Are a bunch of them
16 within 20 miles of the racetracks that have consented to
17 this already?

18 MR. BLONIEN: Yes.

19 COMMISSION CHAIRPERSON HARRIS: Yeah, there's a
20 bunch of them.

21 MR. BLONIEN: There's one right next door, the
22 Hollywood Park Casino, and then a few miles away is the
23 Hustler, and the Normandy.

24 COMMISSIONER CHOPER: And so they'd have to
25 consent again.

1 MR. BLONIEN: Yes.

2 COMMISSIONER CHOPER: In order to get a
3 license --

4 MR. BLONIEN: Yes.

5 COMMISSIONER CHOPER: -- the same parties that
6 have consented to this would have to consent to that.

7 MR. BLONIEN: Yes.

8 COMMISSIONER CHOPER: So I don't understand the
9 need for the protection here.

10 I could well understand Santa Anita, or Hollywood,
11 or Los Alamitos saying we just consented to one, let's give
12 it a ride for six months.

13 But if for some reason they want it, why do we
14 want to stop them from doing it?

15 MR. BLONIEN: Well, again, I think it's for a
16 finite period of time to see how this works before you put
17 it in a number of places and decide that changes should be
18 made.

19 COMMISSIONER CHOPER: Well, that's a good reason
20 for not granting another license, I guess, in the thing.

21 MR. BLONIEN: Yes.

22 COMMISSIONER CHOPER: But why bind ourselves?
23 Suppose we see some good reason -- I think the whole thing
24 is not all that significant, but I'm just curious about it.
25 It doesn't make a lot of sense to me. For some reason I

1 think there's some other reason here and I don't know what
2 it is.

3 MR. BLONIEN: I think, you know, that is the
4 reason. They want to roll it out, they want to do some
5 advertising, they want to test it and see what the market
6 will produce for this.

7 And, you know, the room that we're starting in is
8 a small room. But the Commerce Club also has a hotel that
9 is connected. There's an area outside the sports bar that
10 we have talked about moving into. And, you know, we hope to
11 see this thing grow.

12 COMMISSIONER CHOPER: Well, I'm happy that they're
13 opening it. I'm just wondering, as I said, about the
14 exclusivity.

15 COMMISSION CHAIRPERSON HARRIS: Well, I'm not wild
16 about it. But six months goes by pretty fast.

17 COMMISSIONER CHOPER: I guess it does.

18 COMMISSION CHAIRPERSON HARRIS: Is it six months
19 from now or six months from when they open it?

20 MR. BLONIEN: When they open it.

21 MR. JAMGOTCHIAN: Mr. Choper, I think I can answer
22 that question as a designated litigator against the
23 California Horse Racing Board. You're really not going to
24 be able to get anything filed within six months, anyway, and
25 get anything moving.

1 But I think that the real answer to this question
2 is I think Mr. Blonien probably kind of pushed these guys to
3 take a shot.

4 Because the way this thing's set up is a six-month
5 term and 18-month option, and I don't -- I haven't talked to
6 Rod, but I think that he's seeing if it will work, himself,
7 and he's convinced these guys to take a shot.

8 And I kind of looked at the six-month exclusive by
9 saying, wow, what a sweet deal. But, obviously, I don't
10 think that there's really anything in six months that's
11 going to happen.

12 And if anybody wanted to come, as somebody said
13 earlier, they'd take six to nine months just trying to find
14 the application. Thanks.

15 COMMISSION CHAIRPERSON HARRIS: I think I agree
16 with Jerry for once.

17 MR. JAMGOTCHIAN: You're getting smart in your old
18 age.

19 COMMISSION CHAIRPERSON HARRIS: I think I am,
20 yeah.

21 Does somebody have a motion on this?

22 MR. CASTRO: Excuse me, I have a card in.

23 COMMISSION CHAIRPERSON HARRIS: Oh, I'm sorry, Mr.
24 Castro.

25 MR. CASTRO: How could you miss my card?

1 COMMISSION CHAIRPERSON HARRIS: Richard Castro.

2 MR. CASTRO: Richard Castro, SEIU. Thank you very
3 much.

4 Mr. Harris, you made one of the most wonderful
5 comments today that I've ever heard. You talked about the
6 expenses of the mutuel clerks, all the mutuel clerks that
7 are going to have to be paid.

8 How many mutuel clerks are going to be working at
9 the Commerce Club?

10 The last time I checked, mutuel clerks had to be
11 licensed by you guys. And I'm not aware of them using any
12 of us, because we've had no meetings with them relating to
13 this.

14 They have to give us 60 days notice, that's in our
15 collective bargaining agreement, before they do something
16 like this.

17 So one, they're in violation of the contract.

18 Two, the meetings that I've had with your staff,
19 and I'm not going to name people, I understood that there
20 would be a mutuel clerk, a money room person, and a
21 supervisor every minute the place was to be open.

22 What I heard here today was a supervisor and a
23 clerk. So you tell me who's going to handle the money?

24 You're saying Scotwinc is going to bring the money
25 into the facility. It's not going to go to the clerk, the

1 clerk's not a money room person.

2 It's not going to go to the supervisor because
3 that could be you, John Harris.

4 COMMISSION CHAIRPERSON HARRIS: Well, I assume it
5 would be the same way that it is at a satellite. I mean, a
6 small satellite. I'm not sure how we do it there.

7 MR. CASTRO: Well, we have a money room person. I
8 didn't hear anybody mention a money room. I didn't hear
9 anyone mention a Local 280 money room person.

10 I sure as hell don't have an agreement. And I
11 didn't hear Jackie tell you that we gave a waiver on it and
12 we were in part of those negotiations.

13 How come the mutuel clerks are being left out
14 again? And the mutuel clerks are really getting tired of
15 the employer continually bringing up changes when they have
16 to give us 60 days notice.

17 I mean, we've been trying on another issue to
18 resolve health and welfare issues. There's been a number of
19 racing days that have been lost, historically in the
20 industry, those days have been reduced until this year, for
21 some reason.

22 COMMISSION VICE CHAIRPERSON ISRAEL: Richard, who
23 would you define as the employer in this instance, Scotwinc
24 or the Commerce Club?

25 MR. CASTRO: I would hope it would be Scotwinc.

1 But if it's Commerce, we don't have a contract with them.

2 COMMISSION VICE CHAIRPERSON ISRAEL: Okay,
3 then --

4 MR. CASTRO: And then Scotwinc needs to give us
5 requirements.

6 COMMISSION VICE CHAIRPERSON ISRAEL: Well, Tom's
7 right here. Can you answer some of these questions, Tom?

8 MR. CASTRO: Well, the first question he should
9 answer is when did he have negotiations with Local 280 to
10 resolve these issues?

11 COMMISSION VICE CHAIRPERSON ISRAEL: I get to ask
12 the questions, you get to make the speeches.

13 MR. CASTRO: Go ahead.

14 MR. VARELA: We'll be happy to sit down with
15 Richard, as Mr. Korby pointed out earlier, and resolve these
16 issues. There have been some off-the-record discussions
17 about how we could possibly staff these places.

18 Scotwinc would be the operator, it would fall
19 under our agreement.

20 COMMISSION VICE CHAIRPERSON ISRAEL: So the
21 contract's in force, then?

22 And that's a question for you, Richard, is
23 that --

24 MR. CASTRO: Okay, then if he's saying our
25 collective bargaining is in force, then what he's agreeing

1 to is a money room person in the money room, he's agreeing
2 to a clerk, and he's agreeing to an SST for every minute
3 that the facility is open. That not only goes for the
4 Commerce Club but goes for all the ones for the future.

5 COMMISSION VICE CHAIRPERSON ISRAEL: Every minute
6 they're --

7 MR. CASTRO: They're open, yes.

8 COMMISSION VICE CHAIRPERSON ISRAEL: The horse
9 racing facility, not the poker facility?

10 MR. CASTRO: No, no, the horse racing part of it.

11 COMMISSION VICE CHAIRPERSON ISRAEL: All right.

12 MR. CASTRO: Because that raises also the issue of
13 who's going to -- and you also need a tote person. Who's
14 going to repair these machines when they have a problem.

15 COMMISSION VICE CHAIRPERSON ISRAEL: Okay.

16 MR. CASTRO: I haven't heard anything mentioned
17 about a tote tech being there. I can't touch the machine as
18 a clerk, I'm not a tote tech.

19 COMMISSION VICE CHAIRPERSON ISRAEL: Tom?

20 MR. VARELA: We'll abide by the collective
21 bargaining agreement that we have with 280.

22 COMMISSION VICE CHAIRPERSON ISRAEL: So is
23 that -- Richard, don't keep walking away.

24 So he just said he'd abide, does that satisfy?
25 I'm just trying to get everybody happy here.

1 MR. CASTRO: Okay. Well, Mr. Blonien says I've
2 just sunk it. And I disagree, I haven't sunk it. I'm
3 trying to protect everybody's interests. There's a lot of
4 money here that's involved and we want to do it right.

5 When the machines fail that hurts customer
6 service. We're all in this together to please the customer.
7 Now, what about the security guard? Who's the security
8 guard going to be?

9 COMMISSION CHAIRPERSON HARRIS: The whole idea of
10 this is to create jobs. But we don't want to create a
11 mechanism that is so expensive that you don't -- it doesn't
12 operate at all, is the problem.

13 And if it gets to be that to open the doors it's
14 going to cost them several thousand a day, and they're only
15 getting two and a half percent commission, it's just not
16 going to work.

17 MR. CASTRO: Okay, let me do you a favor and end
18 on this note. I want to make sure I heard it correct. The
19 employer is agreeing to have a supervisor, a money room
20 manager, a clerk and an SST.

21 COMMISSION CHAIRPERSON HARRIS: Well, all of that
22 has got to be part of the contract, the union contract. But
23 I don't think we want to designate what -- any kind of
24 manning levels are in the contract.

25 MR. CASTRO: I thought he just came up and gave

1 you a confirmation on something. And all I'm asking you to
2 do is to regurgitate it.

3 COMMISSION VICE CHAIRPERSON ISRAEL: All he said
4 is he would abide by the contract. I don't know what the
5 terms of the contract are.

6 MR. CASTRO: Well, then the manning needs to be
7 discussed and we don't have an agreement to man the card
8 club, the Commerce Club.

9 And he's got to give us 60 days notice, anyway.

10 COMMISSION CHAIRPERSON HARRIS: Okay, well. Okay,
11 anything else on this?

12 MR. JAMGOTCHIAN: Yeah, just one last thing, is
13 just a second. The important part of this issue, and I hope
14 Mr. Harris and members of the Board, you've got to protect
15 the bettor in this instance.

16 Because if the bettors are having issues with the
17 machines, it's going to also impact the casino because these
18 guys are going to be running around the casino trying to get
19 their money.

20 And so this is a very serious issue. And although
21 your staff report says a mutuel supervisor, clerks, and a
22 self-service attendant, that doesn't address the issue on if
23 the tote machines break down. And we all know tote
24 machines, don't we.

25 COMMISSION CHAIRPERSON HARRIS: Okay, anything

1 else on this?

2 COMMISSION VICE CHAIRPERSON ISRAEL: Well, we
3 can't really vote on it without --

4 COMMISSION CHAIRPERSON HARRIS: Well, we can vote
5 on -- I think we need to vote to -- they've got some things
6 that we're waiting for in their license, but I think we can
7 approve the application pending the completion of the open
8 items.

9 COMMISSIONER MOSS: Well, obviously, one of the
10 open items has to be Mr. Castro's --

11 COMMISSION CHAIRPERSON HARRIS: The what? Well,
12 his issue is really with Scotwinc and that's not really part
13 of the application.

14 I mean, obviously, if Scotwinc can't, you know,
15 provide the services, they won't every open anyway.

16 But I hate to get delayed because we've been
17 waiting on this forever, and I think we should approve it.
18 It's not going to open tomorrow, anyway, and they've still
19 got to get all these other items into our staff.

20 COMMISSIONER ANDREINI: Yeah, I move that we
21 approve the application.

22 COMMISSIONER CHOPER: Second.

23 COMMISSION CHAIRPERSON HARRIS: Okay, all in
24 favor?

25 (Ayes.)

1 COMMISSION CHAIRPERSON HARRIS: Are there any
2 opposed?

3 Okay, we'll go ahead. Let's get a report at the
4 next meeting on what the status of it is.

5 Okay, Item five is a budget formula to be
6 developed pursuant to SB 16.

7 Are you going to give this?

8 EXECUTIVE DIRECTOR BREED: Yeah. Mr. Chairman,
9 Members, Kirk Breed.

10 The SB 16 was passed this year. It affects not
11 only next year's budget, but future budget of the California
12 Horse Racing Board, and sets forth a requirement in the
13 budget to consult with the industry and develop a formula, a
14 distribution of those funds that are required to develop
15 this budget.

16 We have done that. We have consulted with the
17 industry. On page 5-3, the industry has provided a formula
18 for us, which we agreed to. That formula then is proposed,
19 a proposed distribution of those -- or collection of those
20 funds, which is 5-7.

21 I want to add here that this is simply a proposed
22 distribution. Our agreement with the industry is to wait
23 until virtually the last minute, you know, like July 1, or
24 June 31st [sic], to determine exactly what the trends are
25 between now and then.

1 June 30th?

2 COMMISSION CHAIRPERSON HARRIS: June 30th.

3 EXECUTIVE DIRECTOR BREED: June 30th, excuse me.
4 June 30th to make sure that the trends are in, correspond
5 with what the formula predicts right now.

6 Plain and simple, the end of the budget, or say
7 the total amount of the budget is -- where is that? --
8 11833, and then the formula is set forth as based upon
9 savings that were received, that will be received in this
10 coming budget as relates to what was paid this year in
11 license fees.

12 So we put together a little recommended motion,
13 Mr. Chairman, and we recommend approval.

14 COMMISSION CHAIRPERSON HARRIS: I'm not clear if
15 this allocates the different expenses to the meets. Is the
16 whole formula based on handle or is there anything based on
17 the cost to run that meet?

18 EXECUTIVE DIRECTOR BREED: No, the formula is
19 based strictly on the savings which is on the handle, which
20 is the results of the handle, of the license fees from, in
21 essence, this year, this year that we're in right now.

22 That is reflected in next year's handle so,
23 therefore, the budget is, and the formula, is based on the
24 handle.

25 COMMISSION CHAIRPERSON HARRIS: Uh-hum. So I

1 think -- because I thought there was something in law that
2 talked about that any given association or fair had to pay
3 as much in fees as their incremental cost was to run their
4 meet, the drug testing, and stewards, and official
5 veterinarian, and some of that.

6 EXECUTIVE DIRECTOR BREED: Right. Right, there is
7 another section of the Code that deals specifically with --
8 that was not part of SB 16. Which says that if a -- if an
9 association produces license fees that are, in effect, less
10 than the amount paid for stewards and for drug testing, that
11 the association will pay the difference, reimburse the Horse
12 Racing Board in effect.

13 In light of that, especially with the night
14 industry and with the fairs, we're going to be working to
15 cut those costs, as we are with the other associations. But
16 we are definitely setting forth provisions to cut those
17 costs and make sure that there is not a difference.

18 COMMISSION CHAIRPERSON HARRIS: But if there
19 is -- I mean, cutting the costs is probably a good concept.
20 But it seems like they still are obligated to pay. Not
21 necessarily the full formula, but to pay that part of the
22 thing if we're not able to cut the costs.

23 EXECUTIVE DIRECTOR BREED: That's correct. That's
24 correct. And we have billed -- we have also billed one
25 association for the difference in last year's -- I'll say

1 last year's license fee. Underpayment, if you will.

2 COMMISSION CHAIRPERSON HARRIS: Do the
3 Commissioners have questions on this item?

4 COMMISSIONER MOSS: What costs are we trying to
5 keep down or what precise costs are we talking about?

6 EXECUTIVE DIRECTOR BREED: Well, especially with
7 the night industry we're trying to -- we're going to be
8 looking at reducing the costs for investigative services,
9 also for stewarding, and also maybe a minimal amount in drug
10 testing, although I don't think there's a whole lot there.

11 COMMISSIONER MOSS: Well, would that include,
12 let's say, the night racing that might occur at Hollywood
13 Park or --

14 EXECUTIVE DIRECTOR BREED: No.

15 COMMISSIONER MOSS: No.

16 COMMISSION CHAIRPERSON HARRIS: They're generating
17 enough revenues to pay their costs.

18 EXECUTIVE DIRECTOR BREED: Mainly, we're talking
19 about Cal-Expo harness here.

20 COMMISSIONER MOSS: Oh, I see. And not including
21 Los Al then?

22 EXECUTIVE DIRECTOR BREED: Well, Los Al is about
23 right on the -- we are going to make savings at Los Al and
24 we already have made savings at Los Al. But the difference
25 or the underpayment is not as much at Los Al as it is at

1 Cal-Expo, with the harness meet.

2 COMMISSIONER CHOPER: So I take it that everybody
3 is agreed, everyone's going to pay as agreed. They've
4 agreed to their percentage and it's an amount that you've
5 agreed to as well, in order to operate the office; right?

6 EXECUTIVE DIRECTOR BREED: For this coming fiscal
7 year. That's correct, sir.

8 COMMISSIONER CHOPER: So that sounds -- I think if
9 you got all of that, I don't see what any objection could
10 be. Maybe someone will find one.

11 COMMISSION VICE CHAIRPERSON ISRAEL: Your only
12 problem would arise if, how we handle it, if Hollywood
13 doesn't run the spring 2010 meeting, twenty-ten.

14 EXECUTIVE DIRECTOR BREED: We'd have to make
15 adjustments on that, yes.

16 COMMISSIONER CHOPER: Yes.

17 COMMISSION CHAIRPERSON HARRIS: But somebody would
18 be running somewhere.

19 COMMISSION VICE CHAIRPERSON ISRAEL: Somebody
20 would be running somewhere so, okay.

21 COMMISSIONER CHOPER: We'll jump off that bridge
22 when we come to it.

23 COMMISSION VICE CHAIRPERSON ISRAEL: It's right in
24 the middle of it.

25 COMMISSION CHAIRPERSON HARRIS: So the concept is

1 we've got a known amount of income coming in and we've got a
2 budget of where you'd feel that you'd be able to spend
3 subject to some adjustments there as well.

4 EXECUTIVE DIRECTOR BREED: And I might add that
5 the industry's been very cooperative in this whole process.
6 I mean, it was their bill but, still, they've been very
7 cooperative in the whole process.

8 COMMISSION CHAIRPERSON HARRIS: Yeah, that's good.
9 There's some comments on this from -- Jerry's got
10 one, I think. I don't know if anybody else has one?

11 MR. JAMGOTCHIAN: Yes. Mr. Chairman, I've got
12 some questions with regards to this.

13 Number one, since you're looking to the tracks to
14 reimburse the CHRB of approximately \$11 million or \$12
15 million, is there any guarantee? Or how about let's start
16 with this, are you obligating or requesting them to put up a
17 bond to guarantee payment? So what happens if they don't
18 pay?

19 EXECUTIVE DIRECTOR BREED: The tracks do put up a
20 bond. And if they don't pay, it's the same situation if
21 they don't pay now, then their license is in jeopardy, just
22 like it is right now.

23 MR. JAMGOTCHIAN: Yeah, but that's not the issue.
24 The issue is you need the money to get -- to pay your bills.
25 If the tracks don't pay can you go to a letter of credit, or

1 can you go after the bond? I mean, are they putting up
2 enough bonding money to pay the \$12 million?

3 COMMISSION CHAIRPERSON HARRIS: Well, there's so
4 many tracks, I guess, there's not one --

5 MR. JAMGOTCHIAN: Okay, then let's make it easier.
6 No, you're right. Then let me ask this, are there cross-
7 guarantees? Are all the tracks guaranteeing this \$12
8 million.

9 Because, obviously, if track A closes, then track
10 B, C, and D are going to have to pick up the pro rata share
11 of track A. So I'm sure --

12 COMMISSION VICE CHAIRPERSON ISRAEL: But in all
13 likelihood, those racing dates will go to some combination
14 of tracks A, B, C, and D, they won't go fallow.

15 MR. JAMGOTCHIAN: And if they don't go to another
16 racing agency, then what happens, you still have costs?

17 COMMISSION VICE CHAIRPERSON ISRAEL: Well, our
18 expenses are reduced considerably.

19 MR. JAMGOTCHIAN: I'm not sure that's the case.

20 COMMISSION VICE CHAIRPERSON ISRAEL: Not
21 proportionately, necessary, but considerably.

22 MR. JAMGOTCHIAN: Well, you have --

23 COMMISSION VICE CHAIRPERSON ISRAEL: Because we
24 don't have to staff those dates, we don't -- the stewards,
25 the racing personnel are contractual employees who get paid

1 on a per diem basis; right?

2 COMMISSION CHAIRPERSON HARRIS: Per diem.

3 COMMISSION VICE CHAIRPERSON ISRAEL: So that those
4 expenses won't be incurred.

5 COMMISSION CHAIRPERSON HARRIS: But I guess the
6 big picture though, which I think Jerry may have a point,
7 that we do need a system in all of our receivables, whether
8 it's a bond, or a letter of credit, or something.

9 I mean, the case in point would be the bankruptcy.

10 MR. JAMGOTCHIAN: Yeah, the current situation with
11 Santa Anita.

12 COMMISSION CHAIRPERSON HARRIS: Where the State of
13 California is holding money now in license fees from Santa
14 Anita and Golden Gate and its, you know, someplace,
15 hopefully in a good priority.

16 But a cleaner way to do it would be to have a
17 letter of credit you can draw on, or a bond, or something
18 that was more stable. I think it's a bond, but I don't
19 think it's not a really big bond.

20 EXECUTIVE DIRECTOR BREED: It's a surety bond,
21 it's a hundred thousand.

22 COMMISSION CHAIRPERSON HARRIS: A hundred, yeah.

23 MR. JAMGOTCHIAN: Well, that's not going to handle
24 \$12 million.

25 EXECUTIVE DIRECTOR BREED: But in some cases we've

1 increased that surety bond to like \$4 million. I mean, it's
2 just -- it's part of the licensing process.

3 COMMISSION CHAIRPERSON HARRIS: Yeah. Well, we
4 need to review the whole receivable process.

5 MR. JAMGOTCHIAN: Okay, that's fine, I wanted to
6 bring that up.

7 Also, if the tracks don't pay or they pay late, is
8 there going to be a nonpayment penalty or delinquent
9 penalty? Something, obviously, that every businessman in
10 the world deals with are penalties and interest charges.
11 Obviously, if Mr. Breed doesn't have money to run the
12 California Horse Racing Board, he's going to have a problem.

13 But if the racing entities don't have a penalty
14 for the lack of payment or late payment, there's no
15 motivation for them to pay.

16 Additionally, we talked about, briefly, the
17 bankrupt track operator, post-petition, pre-petition.
18 Obviously, pre-petition you're never going to get that
19 money.

20 Post-petition, there's always a dispute there with
21 regards to getting that money.

22 So whether you're owed money, whether it's pre- or
23 post-petition, the chances are you're not going to see the
24 money.

25 COMMISSION CHAIRPERSON HARRIS: Let me clarify,

1 this money that we're talking about isn't really owed
2 strictly from the tracks. It's the tracks, you know, and
3 the horsemen, really, are the ones that got the license fee
4 relief, so they're the ones that essentially got that money
5 back.

6 And this new money, to support the Board, is
7 really coming from them. So maybe the track would be the
8 entity that is officially sending in the check, but the
9 check that they're sending in represents half their money
10 and half their horsemen's account money.

11 EXECUTIVE DIRECTOR BREED: Well, Mr. Jamgotchian,
12 this particular motion is in response to a new piece of
13 legislation, as I'm sure you're aware --

14 MR. JAMGOTCHIAN: Right, SB 16.

15 EXECUTIVE DIRECTOR BREED: -- SB 16.

16 MR. JAMGOTCHIAN: Right.

17 EXECUTIVE DIRECTOR BREED: Which is projecting
18 into next year, beginning July 1, next year's budget.

19 Those arrangements that you're speaking of, those
20 financial arrangements or guarantees will have to become
21 part of the licensing application process as we go into next
22 year.

23 MR. JAMGOTCHIAN: Okay.

24 EXECUTIVE DIRECTOR BREED: And really have nothing
25 to do with this process that we're in now, which is the

1 approving of this budget formula.

2 MR. JAMGOTCHIAN: Right, okay.

3 COMMISSION CHAIRPERSON HARRIS: Yeah, I think it
4 can be done on a case-by-case basis.

5 MR. JAMGOTCHIAN: Yeah.

6 COMMISSION CHAIRPERSON HARRIS: If we felt someone
7 was pretty illiquid, that that would be a different
8 situation than if they weren't.

9 MR. JAMGOTCHIAN: Because it's critical. I think
10 that all the tracks get together and sign a cross-guarantee
11 to the California Horse Racing Board to make sure that
12 somebody, whether it's them or whoever takes their position,
13 is obligated to pay this \$12 million.

14 Because right now it doesn't seem to me that
15 there's any obligation for anybody to pay anything, if they
16 don't pay.

17 COMMISSION VICE CHAIRPERSON ISRAEL: And granting
18 a license to the subsequent license applicant for those
19 racing dates we can require the payment in exchange for the
20 grant of the license, or they don't have a business.

21 MR. JAMGOTCHIAN: Well, that's true, except if
22 they file for bankruptcy, your requirement is meaningless
23 because you're stuck in a bankruptcy court.

24 COMMISSION CHAIRPERSON HARRIS: But it could be a
25 prepayment.

1 COMMISSION VICE CHAIRPERSON ISRAEL: Yeah, I
2 mean --

3 MR. JAMGOTCHIAN: Well, that's my next question,
4 when's it going to be paid? It's totally silent as to when
5 it's going to be paid.

6 COMMISSION CHAIRPERSON HARRIS: I think what we're
7 looking at here is just a formula. But when we get into
8 each license application is when we're going to have to
9 address that.

10 MR. JAMGOTCHIAN: Okay. Additionally, on page, I
11 think it's 5.8, I just wanted to confirm this, that the
12 taxpayers in the State of California are subsidizing
13 \$32,210,623.52 of license fees that they're not getting next
14 year. Is that correct, that number?

15 EXECUTIVE DIRECTOR BREED: Approximately.

16 COMMISSION CHAIRPERSON HARRIS: Well, I don't
17 know, it depends on how you characterize what happened.

18 MR. JAMGOTCHIAN: It's an estimate, I agree.

19 COMMISSION CHAIRPERSON HARRIS: Yeah, but I don't
20 know if the taxpayers are paying that, it's just the State
21 is not getting that from racing.

22 MR. JAMGOTCHIAN: But they got it last year from
23 racing; correct?

24 COMMISSION CHAIRPERSON HARRIS: Yeah, it's
25 just like --

1 MR. JAMGOTCHIAN: So out of the \$32 million in
2 relief that the racetracks are getting from the State of
3 California taxpayers, and to me this is absolutely
4 unconscionable, but the racetracks, themselves, are getting
5 \$9,883,147 in commission relief; is that correct?

6 COMMISSION CHAIRPERSON HARRIS: That's a part of
7 that, I think.

8 MR. JAMGOTCHIAN: And so the racetracks, the
9 California racetracks are getting \$9,800,000, plus or minus,
10 a little bit more, and the taxpayers are not getting \$32
11 million. Is that correct?

12 So that's my question now is that if you're going
13 to be giving the racetracks \$9 million are you --

14 COMMISSIONER CHOPER: The taxpayers are only
15 putting up 23 million.

16 MR. JAMGOTCHIAN: It says 32.

17 COMMISSIONER CHOPER: And then I guess this is an
18 issue that you should take up with the Legislature.

19 MR. JAMGOTCHIAN: No, no, the issue is, Mr.
20 Choper, it's not the 32 million. The issue is the 9
21 million, 9,800,000.

22 COMMISSIONER CHOPER: You said 32 million.

23 COMMISSION CHAIRPERSON HARRIS: The thing is
24 there's about -- there's nine, the tracks, the horsemen are
25 another nine, and then they all are -- the CHRB operations

1 are another nine or ten, or whatever.

2 MR. JAMGOTCHIAN: I'm focusing on the \$9 million
3 right now. If you're giving the nine -- if you're giving \$9
4 million to the racetracks in relief, what is this Board
5 doing to make sure that \$9 million is invested in the sport?

6 Mr. Choper, this is really important. And I'm
7 really serious about this.

8 You're giving the racetracks \$9 million by giving
9 them this benefit. What are they doing for the industry
10 with this \$9 million?

11 Is this going to go to the bottom line of the
12 racetracks? Is this going to go to improving the
13 facilities? Is this going to go to recruiting horses? Or
14 is this going to go to make the opportunity for these guys
15 to sell their racetracks?

16 Because I asked Mike Marten to give you a handout.
17 It was a press release from Hollywood Park, dated August
18 12th, 1998, when SB 27 gave \$40 million a year in relief to
19 the racetracks. Now, it's more than that, but \$40 million.

20 Now, this is 1998. The racetracks, if you
21 multiply \$40 million times ten years, that's \$400 million
22 dollars of relief the racetracks have received since 1998.

23 Now, Mr. Hubbard stated, in 1998, "the passage of
24 SB 27 is a reflection of Sacramento's recognition of the
25 importance of the horse racing industry's economic

1 contributions to the great State of California, said R.D.
2 Hubbard, Chairman and CEO of Hollywood Park. By cutting
3 taxes almost in half, we expect the passage of the bill to
4 not only help Hollywood Park's future financial and
5 operational growth, but for it to also help revitalize
6 California's horse racing industry in general."

7 So now \$400 million later, maybe --

8 COMMISSION CHAIRPERSON HARRIS: Well it --

9 MR. JAMGOTCHIAN: Wait, wait, wait, I'm not done.

10 COMMISSION CHAIRPERSON HARRIS: Well, you're over
11 your time limit here.

12 MR. JAMGOTCHIAN: Okay, that's fine. This is my
13 last statement, Mr. Harris.

14 \$400 million has gone through the turnstiles here,
15 the racetracks have gotten this money. Where have they
16 reinvested in this sport?

17 And I think it's now time for this Board to look
18 at -- if you're going to give them another \$9 million, you
19 got to make sure that it's invested in this sport, or this
20 isn't going to be a sport.

21 Trainers are going to leave the State. Owners,
22 like me, have left the State. We're not coming back until
23 we see an investment.

24 And it's up to this Board to get an investment or
25 there's no need for this Board, or horse racing in

1 California. Thank you.

2 COMMISSION CHAIRPERSON HARRIS: I think we've got
3 to keep in mind that the original idea of license fees, when
4 going back to 1933, was because racing had a monopoly on
5 gambling, and that is long gone. And there's all the travel
6 gambling, and the lottery, and all this other stuff.

7 So now there's not a rationale to charge this
8 license fee on tracks because it doesn't really represent
9 any kind of a monopoly.

10 But the next, introduce yourself?

11 MR. ENGLIS: Yes. Richard Englis, speaking for
12 Los Alamitos.

13 And before I start my comments, I have two off the
14 mark exactly, but one is I've lost track of how long three
15 minutes is, I think, because it seems to be interminable.

16 Secondly, in terms of how often people pay their
17 license fees, the associations pay weekly.

18 But going back to the law, I just want to clear up
19 one bit of information about how the new license fee's being
20 allocated. It's not on the handle. It's being allocated in
21 the same method as last year's license fees were.

22 So people are receiving the benefit in the same
23 proportion.

24 There no longer is a section -- there will no
25 longer be a section 19612.8, covering the direct costs.

1 Everybody's benefitting in the same proportion as
2 they have in the past, and that's what all the members of
3 the industry have all agreed to.

4 So I just wanted to make sure we're all working
5 off the same page off of that. Thank you.

6 COMMISSION CHAIRPERSON HARRIS: Okay, so the
7 members of the industry have agreed to get rid of the one
8 section that dealt with --

9 MR. ENGLIS: 19612.8.

10 COMMISSION CHAIRPERSON HARRIS: It's going to take
11 a legislative fix to do that, I think.

12 MR. ENGLIS: Correct. But that was the intent of
13 how we wanted to apply the formula.

14 EXECUTIVE DIRECTOR BREED: It's still on the
15 books, though.

16 MR. ENGLIS: Correct.

17 EXECUTIVE DIRECTOR BREED: Yeah.

18 MR. ENGLIS: But that's not going to be the way
19 we're going to be allocating it.

20 EXECUTIVE DIRECTOR BREED: Right.

21 COMMISSION CHAIRPERSON HARRIS: Okay, but the case
22 we've got on point here, any additional discussion?

23 We've got a recommended motion, which is on the
24 bottom of 5.1. I want to read that.

25 EXECUTIVE DIRECTOR BREED: Yes, the motion is the

1 horse racing industry has been consulted and the Board
2 hereby approves the proposed CHRB 2009-10 operating budget
3 in the amount of \$11,833,000.

4 The amount is based upon a formula by which each
5 association or racing fair operating during 2009-10 pays a
6 percentage of the license fees that would have been
7 generated if SB 16 were not in effect.

8 COMMISSION CHAIRPERSON HARRIS: Would someone like
9 to put that -- adopt that as a motion?

10 COMMISSIONER CHOPER: So moved.

11 COMMISSION CHAIRPERSON HARRIS: Jesse Choper.

12 Is there a second?

13 COMMISSIONER ANDREINI: Second.

14 COMMISSION CHAIRPERSON HARRIS: Second, Andreini.

15 Any other discussion?

16 All in favor?

17 (Ayes.)

18 COMMISSION CHAIRPERSON HARRIS: Yes, Mr. Choper?

19 COMMISSIONER CHOPER: You know, I want to say
20 this, Mr. Jamgotchian, you have a lot of suggestions as to
21 what goes into the details of the contract. I think you
22 ought to send them to the Executive Director of the Board.

23 I don't think that the Board can review contracts,
24 you know, provision by provision on the details. We
25 delegate that responsibility to the people who make these

1 contracts, who are supposed to look after our interests.

2 And those matters ought to be taken up before we
3 get here, if you can. And I think that it would save
4 everybody -- it might well save everybody a lot of time.

5 MR. JAMGOTCHIAN: I agree with you. But it's the
6 policy of this Board that I'm asking. It's now the time for
7 this Board to stand up and not be shields for the racetrack
8 associations, and make these racetrack associations account
9 for their money, number one, and make sure they reinvest in
10 the sport.

11 If they don't reinvest in the sport, we have no
12 sport in California.

13 COMMISSIONER CHOPER: Understood.

14 MR. JAMGOTCHIAN: It's as simple as that.

15 COMMISSION CHAIRPERSON HARRIS: Okay.

16 MR. CASTRO: I don't have a card in.

17 COMMISSION CHAIRPERSON HARRIS: Go ahead, Mr.
18 Castro.

19 MR. CASTRO: I want to talk about contracts
20 because a real irritating issue hit me.

21 COMMISSION CHAIRPERSON HARRIS: If we're
22 not -- let's get on it at the end of the meeting or
23 sometime, because we've got other items we need to go
24 through here.

25 MR. CASTRO: You just discussed, with the previous

1 speaker, a contract and I think you do have -- I think you
2 do have some responsibility to deal with contracts because
3 it's in your law that you had to have a contract with us,
4 with ADW.

5 Now, I'll quit. Because we ended up filing a
6 lawsuit on it. You did not follow your own rules and
7 regulations, in my opinion.

8 COMMISSION CHAIRPERSON HARRIS: Okay, let's move
9 onto the next subject here.

10 Okay, this is Item Number 6, which I'm not sure if
11 that --

12 EXECUTIVE DIRECTOR BREED: Mr. Chairman, Item
13 Number 6 is a -- which was an item to look at the take-out
14 and the distribution of the take-out, and make adjustments
15 thereof.

16 The industry has come together, and met, and have
17 developed a motion which they have -- which has not been
18 before the -- this particular motion has not been, in its
19 entirety, before the staff for its analysis.

20 But I have met with them and concur with the
21 projected motion.

22 And I'm going to let Mr. Fravel and Bernie explain
23 what it is the industry is going to do to satisfy the
24 deficits at the Scotwinc and Notwinc, specifically.

25 COMMISSION VICE CHAIRPERSON ISRAEL: Should I

1 first read the motion so it's on the record?

2 MR. FRAVEL: Well, if you don't mind, Mr. Israel,
3 I'll give a little background on this.

4 COMMISSION VICE CHAIRPERSON ISRAEL: Okay.

5 MR. FRAVEL: We have been, for several years now,
6 running shortfalls in funding at Scotwinc and Notwinc
7 facilities due to movement in handle from traditional
8 satellite, brick and mortar locations, to advance deposit
9 wagering, as well as to, in more recent years, more
10 precipitous declines in brick and mortar wagering activity.

11 As you know, the distributions from satellite
12 facilities are fixed. Two and a half percent of that
13 funding goes to fund both Scotwinc and Notwinc, which is
14 used for pari-mutuel-related expenses, such as mutuel
15 clerks, money room personnel, tote charges, armored car
16 services, all the pari-mutuel-related operations at those
17 facilities.

18 And since the advent of ADW there has been some
19 cannibalization of handle at those facilities. And while
20 the expense side of those facilities has remained pretty
21 much static, the revenue side has declined due to that
22 cannibalization, as well as to some economic fall off.

23 In terms of Agenda Item Six, we have spent a lot
24 of time as an industry, particular thanks to Bernie Thurman,
25 and Mike Ernst, and Guy Lamothe, who have worked very hard

1 on crunching numbers.

2 And a request, although it is written in the form
3 of a take-out increase, we are not asking for any change in
4 take-out. We are asking for the creation of a new
5 distribution from advanced deposit wagering source market
6 fees that would be utilized by the industry to fund the
7 shortfalls at Scotwinc and Notwinc over the next two-year
8 period, and to cure deficiencies that have arise over the
9 last year and half or so as a result of that migration of
10 handle that I described before.

11 The actual numbers, Bernie, are on -- on Scotwinc
12 would be a distribution of?

13 MS. THURMAN: 4.12 percent in the southern zone.

14 MR. FRAVEL: For the central and southern zone.

15 And at Notwinc it would be?

16 MS. THURMAN: Four percent.

17 MR. FRAVEL: Four percent. So that's essentially
18 what we're asking for.

19 MR. FRAVEL: That would come from where, now?

20 MS. THURMAN: From wagers placed by advanced
21 deposit wagering in California. It only applies to the
22 California wagers.

23 So it's new distribution that ties -- ties revenue
24 to a new source. There is no money that normally goes to
25 the expense fund from account wagering. This would create a

1 new distribution to fund money to go to the expense fund to
2 take care of these ongoing --

3 COMMISSION CHAIRPERSON HARRIS: Would that be four
4 percent of the money bet or four percent of --

5 MR. FRAVEL: No, it's four percent of the source
6 market fees that would ordinarily go back to the industry.

7 COMMISSION CHAIRPERSON HARRIS: So it's a percent
8 of a percent, really?

9 MS. THURMAN: No, it's a percent of handle.

10 MR. FRAVEL: It's a percentage of handle.

11 COMMISSION CHAIRPERSON HARRIS: Four percent of
12 the handle would go to Scotwinc? Because how much of the
13 handle is being retained in total?

14 MS. THURMAN: In total, approximately 20 percent.

15 COMMISSION VICE CHAIRPERSON ISRAEL: So it's four
16 percent of a hundred percent, not four percent of 20
17 percent?

18 MS. THURMAN: That's right.

19 COMMISSION VICE CHAIRPERSON ISRAEL: That's what I
20 thought.

21 MS. THURMAN: That's right.

22 COMMISSION VICE CHAIRPERSON ISRAEL: So it would
23 be 20 percent of --

24 MS. THURMAN: And that would affect purses and
25 commissions, only.

1 COMMISSION CHAIRPERSON HARRIS: So purses and
2 commissions would be 20 percent less as a result of this, I
3 guess.

4 COMMISSION VICE CHAIRPERSON ISRAEL: Well, no, no,
5 because this is a very small proportion of the total handle.

6 MS. THURMAN: Correct.

7 COMMISSION VICE CHAIRPERSON ISRAEL: Don't forget,
8 if it's a hundred --

9 MS. THURMAN: We're just taking out one little
10 slice of handle.

11 COMMISSION VICE CHAIRPERSON ISRAEL: We're only
12 getting ADW part of the handle in which Californians,
13 California residents have made ADW wagers. So it's not
14 even -- it's not even a hundred percent of the ADW handle,
15 it's a portion of the ADW handle.

16 COMMISSION CHAIRPERSON HARRIS: Yeah.

17 MS. THURMAN: Of only wagers placed via ADW in
18 California.

19 COMMISSION CHAIRPERSON HARRIS: Yeah, California
20 residents --

21 COMMISSION VICE CHAIRPERSON ISRAEL: ADW bets
22 placed by California residents, on California races, are the
23 only -- and thoroughbred races.

24 MR. FRAVEL: All thoroughbred, this is
25 thoroughbred only.

1 COMMISSION VICE CHAIRPERSON ISRAEL: Not night
2 races. So that's -- those are the only wagers involved, and
3 it's four percent of those wagers. So it's probably four
4 percent of maybe six percent of the total.

5 COMMISSIONER CHOPER: So there's a give-up on the
6 part of certain --

7 MR. FRAVEL: Well, there's a give-up of --

8 COMMISSIONER CHOPER: -- segments, and they're
9 transferring it to cover these shortfalls.

10 MR. FRAVEL: That's correct. Basically, what
11 happened is when we wrote the ADW law it did not have
12 distributions to cover the traditional satellites.

13 And at that time, candidly, we didn't need them
14 and we thought we have plenty of room to maneuver.

15 But as it turned out, there was much more
16 migration of handle from one to the other and so -- and when
17 we wrote the ADW law, we did allow in those provisions the
18 ability to modify the distributions in case we got it wrong.

19 So now what we've all done is get together and
20 take a little sacrifice, and figure out a way to deal with
21 those shortfalls.

22 COMMISSIONER CHOPER: And no one who is taking the
23 sacrifice is objecting to this?

24 MR. FRAVEL: That is correct.

25 COMMISSION CHAIRPERSON HARRIS: Who is -- Scotwinc

1 will be the beneficiary. Scotwinc, are we just talking
2 about the wagering part of Scotwinc or also --

3 MR. FRAVEL: No, it's just a supplement to the two
4 and a half percent fund.

5 COMMISSION CHAIRPERSON HARRIS: This has nothing
6 to do with stabling and vanning, and all that?

7 MR. FRAVEL: There could be some money left over,
8 but we don't think so, to deal with stabling and vanning
9 issues.

10 MS. THURMAN: That vast majority is for the
11 expenses at the off-track facilities.

12 COMMISSION VICE CHAIRPERSON ISRAEL: And, John,
13 there's a sunset provision. And I'll read the motion. But
14 there's a sunset provision in two years, and in that two-
15 year period all the parties are going to reassess the
16 entirety of the mechanism of dividing up the money because
17 technology has outstripped the formula, and the formula
18 needs to be modernized to account for ADW's growth.

19 MR. FRAVEL: I think we all believe that the
20 distinctions made between on-track, off-track, and ADW
21 wagers are somewhat outmoded, and so we've all undertaken to
22 work together, hopefully sooner rather than later, to
23 modify, you know, and go to the Legislature and modify that
24 all together, so that the structural deficits no longer
25 exist.

1 COMMISSION VICE CHAIRPERSON ISRAEL: In other
2 words, a dollar's going to be a dollar, regardless of if
3 it's --

4 COMMISSIONER CHOPER: We hope it's the closest we
5 can come.

6 COMMISSION CHAIRPERSON HARRIS: Yeah. Well, I
7 think this is a good approach. I'm not sure I completely
8 understand it. Because originally part of the concept would
9 be that we just raise take-out from the fans, and I was
10 worried about charging the fans more and times when that's
11 not particularly --

12 MR. FRAVEL: And we're not asking for that portion
13 of this.

14 COMMISSION CHAIRPERSON HARRIS: Charge the owners
15 and the tracks more and they're happy to pay.

16 COMMISSIONER CHOPER: Yeah, they want to pay.

17 COMMISSION CHAIRPERSON HARRIS: Because as long as
18 the -- because I think as far as the Racing Board that's
19 better because it keeps it within the industry. I think
20 it's --

21 MR. FRAVEL: I think you've always asked us to try
22 to solve our problems and that's what we've tried to do.

23 COMMISSION CHAIRPERSON HARRIS: I think it would
24 be important for the industry, though, to explain to their
25 brethren membership what you did, and why you had to do it,

1 and why it works, and try to not get shot before you leave
2 the room.

3 MS. THURMAN: Everyone's agreed.

4 MR. FRAVEL: Almost the whole room was in there.

5 MS. THURMAN: Yeah.

6 COMMISSION CHAIRPERSON HARRIS: Well, the whole
7 room. But, see, everyone there, those are the generals.
8 But there's a lot of troops out in the field that are
9 looking for their rations all the time.

10 COMMISSION VICE CHAIRPERSON ISRAEL: All right, so
11 I'll move that effective for the two-year period commencing
12 July 1, 2009, ending June 30, 2011. The Board, pursuant to
13 section 19604(f)(5)(E), and subject to the parties whose
14 distributions are being affected filing the proscribed
15 agreement with the Board.

16 This was not written by me, it was written by a
17 lawyer.

18 That distribution of market access fees from
19 advanced deposit wagers made by California residents, while
20 thoroughbred associations conduct race meetings, be altered
21 by the creation of an additional deduction for distribution
22 based upon 4.12 percent of handle in Central and Southern
23 zones to Scotwinc Trust, and four percent of handle in the
24 Northern zone to the Notwinc Trust. Such amounts otherwise
25 would be distributable as thoroughbred purses and

1 commissions.

2 COMMISSION CHAIRPERSON HARRIS: And then the
3 thought is, I mean, that this amount of revenue will make
4 Scotwinc and Notwinc whole. I'm not sure if it makes it
5 whole, including deficit problems or --

6 MR. FRAVEL: We will cure the deficits and going
7 forward for the next two years, until we figure out a better
8 way to do this, operate at a break-even position.

9 COMMISSION CHAIRPERSON HARRIS: Because isn't
10 there also a problem with Scotwinc and Notwinc on the
11 receivables they had from the bankrupt estate, is that still
12 floating out there somewhere?

13 MR. FRAVEL: Yes. There are issues related to
14 that, but this is going to cure all the deficits.

15 COMMISSION CHAIRPERSON HARRIS: So even if you
16 didn't get that --

17 COMMISSION VICE CHAIRPERSON ISRAEL: Right, but if
18 there is some --

19 COMMISSION CHAIRPERSON HARRIS: So that would
20 be --

21 MR. FRAVEL: Let me clarify something, just so
22 there is no confusion when Mr. Scoggins gets up here on the
23 Magna situation.

24 There are other distributions that are tied up in
25 the bankruptcy that are unrelated to this expense fund, and

1 those relate to two percent location fees, some stabling and
2 vanning funds. Those are subject to a motion in bankruptcy
3 court and that's not being dealt with here.

4 So I don't want you to confuse those funds with
5 this. This is just our operating -- our ability to continue
6 to operate these facilities on a break-even basis, which is
7 how we operate them.

8 COMMISSION CHAIRPERSON HARRIS: But do you foresee
9 any operation efficiencies or --

10 MR. FRAVEL: Yeah, we're working on operational
11 efficiencies, looking at consolidation of positions,
12 eliminating unnecessary contracts, or renegotiating
13 insurance, or workman's comp.

14 And we'll also be meeting with Mr. Castro, and his
15 Board, and other unions to see if there's better ways we can
16 do things together.

17 COMMISSION VICE CHAIRPERSON ISRAEL: And what's
18 important to me is that this buys time for a complete
19 reassessment of how to distribute all these funds and how to
20 create a pool that makes more sense, is less Byzantine.

21 COMMISSION CHAIRPERSON HARRIS: Yeah.

22 COMMISSION VICE CHAIRPERSON ISRAEL: And I've said
23 this before, this is, you know -- our method of distributing
24 monies is almost as convoluted as the IRS code and it can
25 use simplification.

1 COMMISSION CHAIRPERSON HARRIS: I agree. Well, it
2 looks like a good approach.

3 We've got a motion and we need a second from
4 somebody.

5 COMMISSIONER MOSS: I'll second.

6 COMMISSION CHAIRPERSON HARRIS: Mr. Moss seconds.
7 Any other discussion?

8 Any audience comments on this? I think we may
9 have had a card in on this one. Do you have a card?

10 EXECUTIVE DIRECTOR BREED: Yeah, let's make sure.

11 COMMISSION CHAIRPERSON HARRIS: Okay, we'll give
12 you three minutes but don't --

13 MR. JAMGOTCHIAN: I just want to make sure that
14 who is taking the sacrifice here, is it the racetracks or is
15 it the wagerer, because somebody's taking --

16 COMMISSION CHAIRPERSON HARRIS: It's not the
17 wagerer for sure.

18 MR. JAMGOTCHIAN: I want to make sure. So the
19 wagerer is not taking --

20 MR. FRAVEL: This is not changing the price of
21 wagers.

22 COMMISSION VICE CHAIRPERSON ISRAEL: The take-out
23 is unchanged.

24 MR. JAMGOTCHIAN: So this is not, okay. All
25 right.

1 COMMISSION CHAIRPERSON HARRIS: The sacrifice, as
2 I understand it, is going to be from the purses and the
3 tracks.

4 MR. JAMGOTCHIAN: So the owners are taking the
5 sacrifice then?

6 COMMISSION VICE CHAIRPERSON ISRAEL: Yes, that's
7 right.

8 COMMISSION CHAIRPERSON HARRIS: Part of it.

9 COMMISSIONER CHOPER: And the tracks.

10 MR. JAMGOTCHIAN: And the tracks.

11 COMMISSION VICE CHAIRPERSON ISRAEL: The industry
12 as a whole, while it works out a better system, to support
13 this form of off-track wagering, is taking a bit of a
14 haircut.

15 COMMISSION CHAIRPERSON HARRIS: I think the idea
16 though is if you didn't do it and you had to just close down
17 all the satellites because it was, you know, basically an
18 inoperable system because you didn't have the income, you
19 would take more of a loss than you're doing by this method.

20 MR. FRAVEL: That's correct.

21 COMMISSION VICE CHAIRPERSON ISRAEL: This reduces
22 the risk of a much greater loss.

23 MR. JAMGOTCHIAN: Do we know what quantitatively
24 this is going to cost the purses, has anybody done that
25 calculation? If the purses are going to be reduced, do we

1 know what percentage or how much?

2 COMMISSION CHAIRPERSON HARRIS: It looks like it's
3 about 20 percent of the ADW part, but the ADW part is about
4 15 or 20 percent of the total.

5 MR. JAMGOTCHIAN: Can you throw a number out?

6 COMMISSION VICE CHAIRPERSON ISRAEL: Wait, wait,
7 Drew has an answer.

8 MR. COUTO: Drew Couto, Thoroughbred Owners of
9 California.

10 We're getting confused here and we're using, and I
11 think Craig has said this, we're using the ADW distributions
12 to allocate some of the benefits of the license fee relief
13 in a mechanism that we can do.

14 So we're not in effect reducing purses from their
15 current levels, we're using the benefit of the license fee
16 relief to get our own house back in order.

17 So it's a necessary because if you understand, as
18 we do, what is generated for purses and commissions in the
19 Notwinc network, we can't afford to lose -- there's a
20 substantial amount of purses generated in those, north and
21 south, in those networks north and south.

22 And this is a way of protecting that revenue
23 stream in the short-term fix, and using the benefit of the
24 license fee relief to do that.

25 And at the end -- we're not going to change purses

1 during that period. At the end of that period we're going
2 to be much better off than we are currently. So I hope that
3 answers it.

4 MR. JAMGOTCHIAN: Yeah, it does answer it. And
5 it's interesting the way it was answered. Because if
6 they're going to take money from the purses, the money that
7 they just took from the -- the money that they just took it
8 from was the estimated purse increase from the license
9 relief under SB 16.

10 Interestingly enough, the estimated purse increase
11 was \$9,883,000, which is the same as what the tracks got.

12 But out of the \$9 million, the owners are not
13 going to get the \$9 million, it's going to be \$9 million
14 less the money that was just taken away.

15 So a portion of the sacrifice that we're talking
16 about here are the owners are taking the sacrifice and the
17 track is essentially not taking their fair share and this
18 is --

19 COMMISSION CHAIRPERSON HARRIS: It's equally
20 divided.

21 MR. JAMGOTCHIAN: Well, okay, by why should the
22 owners take any sacrifice at all? They're not running the
23 racetracks.

24 COMMISSION CHAIRPERSON HARRIS: Well, it
25 gets --

1 EXECUTIVE DIRECTOR BREED: Let Drew answer.

2 MR. FRAVEL: No, no, no, can I just say, the money
3 that comes from Scotwinc and Notwinc, once the expenses are
4 paid, is divided 50/50 between purses and commissions.

5 So those that are benefitting from the operation
6 of these facilities are helping to pay for the operational
7 costs. That was the basis upon which off-track wagering was
8 when it was established.

9 And there has been some disagreement between the
10 TOC and the tracks in terms of sharing that expense. We've
11 resolved that by coming up with a mechanism to pay for that,
12 and that's what we're asking you to approve.

13 MR. JAMGOTCHIAN: But once again, as an owner in
14 this State and we're getting depleted as days go by, this is
15 another example of something that we shouldn't be paying for
16 as owners.

17 If the tracks are not going to manage their
18 business, if they're not going to increase handle, if
19 they're not going to improve their facilities, why give them
20 more money.

21 You guys are acting like a dope dealer, giving
22 these guys cash, and they're not doing anything to prove up
23 their position in this industry.

24 COMMISSION VICE CHAIRPERSON ISRAEL: If we're dope
25 dealers, we're the worst paid dope dealers in the world.

1 MR. JAMGOTCHIAN: You might be the worst paid dope
2 dealers, but you are dealing at a lot of money, Mr. Israel.

3 COMMISSION CHAIRPERSON HARRIS: Well, I think our
4 role isn't -- this is an agreement that the horsemen and the
5 tracks have made. If you don't like the horsemen's side of
6 the agreement, which is what you are, you need to act in
7 those --

8 MR. JAMGOTCHIAN: Well, I already did. I already
9 did. I've already acted, I've shipped all my horses out of
10 the State.

11 COMMISSION CHAIRPERSON HARRIS: So who are you
12 representing then?

13 MR. JAMGOTCHIAN: I have one horse. I have one
14 horse. But see the issue here, the issue here is, Mr.
15 Harris, is that you've got to think about racing. You can't
16 think about the racetracks. You're given the racetrack
17 millions of dollars, they're not investing back into this
18 sport.

19 COMMISSION CHAIRPERSON HARRIS: But this
20 particular proposal doesn't have anything to do with that.

21 COMMISSION VICE CHAIRPERSON ISRAEL: This proposal
22 helps preserve revenue streams that otherwise would dry up.

23 MR. JAMGOTCHIAN: A portion of it came from the
24 owners, that's what I'm talking about.

25 COMMISSION VICE CHAIRPERSON ISRAEL: But the

1 owners, if you've got fast enough horses, you're the
2 beneficiary of the revenue stream.

3 MR. JAMGOTCHIAN: There might not be enough --

4 COMMISSION VICE CHAIRPERSON ISRAEL: So the answer
5 is get faster horses.

6 MR. JAMGOTCHIAN: There might not be enough horses
7 here to run fast.

8 COMMISSION CHAIRPERSON HARRIS: Well, anyway,
9 we've got to move on. We've got a motion and a second?

10 COMMISSIONER MOSS: Yes.

11 COMMISSION CHAIRPERSON HARRIS: All in favor?

12 (Ayes.)

13 COMMISSION CHAIRPERSON HARRIS: Any opposed?

14 It passes.

15 Item 7 is an update from the MEC issues, for Los
16 Angeles Turf Club and -- why don't we take a break for about
17 ten minutes and we'll get revitalized here.

18 (Off the record.)

19 COMMISSION CHAIRPERSON HARRIS: Okay, the next
20 item on the agenda, that was seven, which I think by the
21 request of the parties we're going to defer. Is that right,
22 Kirk?

23 COMMISSION VICE CHAIRPERSON ISRAEL: Oh, Gregg's
24 right there.

25 EXECUTIVE DIRECTOR BREED: Yeah, we're going to

1 Santa Anita.

2 COMMISSION CHAIRPERSON HARRIS: Oh, Santa Anita, I
3 had the wrong. Pardon me, I looked at nine. Yeah, nine is
4 an update from L.A. Turf Club on the MEC bankruptcy.

5 EXECUTIVE DIRECTOR BREED: Item 7.

6 COMMISSION VICE CHAIRPERSON ISRAEL: Item 7.

7 COMMISSION CHAIRPERSON HARRIS: Yeah, right here,
8 discussion and action by the Board regarding the update from
9 the Los Angeles Turf Club. Go ahead, Gregg.

10 MR. SCOGGINS: Good afternoon, Chairman Harris,
11 everybody on the Commission.

12 COMMISSION CHAIRPERSON HARRIS: Would you
13 introduce yourself, please?

14 MR. SCOGGINS: Oh, my apologies. Gregg Scoggins
15 on behalf of MEC, L.A. Turf Club, Golden Gate Fields, and
16 XpressBet.

17 When I was in law school I had a very wise advice
18 from one of my professors, which is you need to get -- you
19 need to learn to get comfortable with confusion.

20 I'm probably one of the most comfortable men you
21 can find right now.

22 Because one of the things that I've learned about
23 this bankruptcy process is the more things stay the same
24 actually the more things change, which is a reversal on the
25 old saw.

1 What I want to do is bring you all up to date on
2 where things stand currently. We had a hearing on the 20th
3 of this month, this past Monday, at which several matters
4 were addressed.

5 We finally were able to obtain a permanent DIP
6 financing order, which gives MEC 38.4 million. You'll note
7 that that is less than the 62.5 million that was requested
8 at the time the petition was filed.

9 The difference actually reflects the amount of
10 cash that was to be paid to MID, the DIP lender, in advance.
11 It was basically the interest was being pre-paid under the
12 original DIP loan, and the court has asked them to accept
13 that money on an accrued basis.

14 So the actual cash that MEC needed and requested
15 they received in the order.

16 As you all probably know from reading the news,
17 MID withdrew its stalking horse bid. The two key aspects of
18 that was the -- well, the three key aspects of that were the
19 collection of assets that were underneath that bid.

20 The dollar amount, the lump sum dollar amount that
21 was there, and then also the opportunity for MID to match
22 any higher bid that was offered for any one or all of the
23 assets.

24 And they have agreed to withdraw that bid and they
25 are now in the process of evaluating, since basically all

1 the assets are on the table right now for consideration,
2 they're evaluating -- MIC and MID are evaluating how to
3 proceed with respect to which assets they want to put up for
4 sale and which they would want to keep back.

5 There's a hearing set for May 4th, at which time
6 the original petition or motion was to be heard on the sale
7 of the original non-MID assets, and it's understood that
8 there will be some kind of a release, or information, or
9 filing made that kind of -- that will demonstrate which of
10 the assets that will be available for purchase and which
11 will be kept back. So stay tuned.

12 COMMISSIONER CHOPER: Is there any schedule
13 for -- tentative schedule for the bidding on the specific
14 assets?

15 MR. SCOGGINS: The schedule that was originally
16 filed was back in February or March, and you may recall we
17 discussed that at the last meeting, and there was a time
18 frame whereby expressions of interest were to be filed by I
19 guess it was today.

20 And then there was going to be a bid packet, and
21 then there was an auction for the non-MID assets of around
22 July 20th and the 24th.

23 Those dates probably will be adjusted and be
24 discussed as a part of the May 4th hearing on that.

25 COMMISSIONER MOSS: Wasn't there an April 30th

1 deadline of some kind?

2 MR. SCOGGINS: Yes, I was just going to speak to
3 that. As you all know, there's been some concerns raised
4 about the extent to which the breeders -- the Oak Tree
5 relationship with Santa Anita will be allowed to continue.
6 Because there are provisions in the bankruptcy law that
7 allow buyers of assets to reject or affirm various
8 contracts. The Oak Tree lease falls within that category of
9 assets.

10 So we have reached, we, MEC, Oaktree, the
11 Breeders' Cup, several of the lenders of Santa Anita have
12 filed a request for a stipulated order by the court to allow
13 Santa Anita to wait until after the Breeders' Cup and the
14 Oak Tree meet has concluded before it makes the decision or
15 its owner makes the decision whether to accept or reject the
16 contract. And that hearing will take place on the 29th,
17 next Wednesday.

18 So we should have an answer to that question,
19 because the Breeders' Cup had asked us to be able to know
20 the answer to that question by the 30th of this month.

21 So just to run down on kind of the schedule, the
22 29th is the hearing that affects the outcome of the
23 Breeders' Cup and whether or not Santa Anita will be able to
24 forestall its decision on whether to accept or reject the
25 lease.

1 The 4th is the hearing at which the procedures for
2 putting the assets up to auction and which of those assets
3 will be placed into auction will be heard.

4 And then on May 7th you'll have two matters. One
5 is a motion that Scotwinc has filed in connection with the
6 various fees that are owed to it under the statute by Santa
7 Anita.

8 And then also, some of you have been maybe
9 following in the press, there are various issues, and
10 questions, and concerns expressed related to Maryland, and a
11 lot of the motions relative to the Maryland and the
12 Preakness issues will be addressed at that hearing.

13 COMMISSION CHAIRPERSON HARRIS: Any other
14 questions by the Board?

15 I'm not clear, or there's various California
16 creditors, which probably are going to have different
17 priorities, but are they all being represented as a class of
18 creditors by counsel or -- I'm just worried there's not
19 somebody out there, somewhere, that needs to be represented,
20 that's not.

21 MR. SCOGGINS: Right. The general process is that
22 you have secured creditors and they have their own
23 representation, and then you have the general unsecured
24 creditors. Those are people like service providers,
25 venders, you know, Scotwinc, Notwinc, where there isn't any

1 underlying security that protects the money that's owed to
2 them. And they're a general unsecured creditor.

3 In the bankruptcy process what happens is you form
4 a creditors committee, you appoint a trustee, and that
5 committee is there to represent the interests of the entire
6 unsecured creditors group.

7 If there is a creditor out there that's owed money
8 by any of the bankrupt entities that's a pre-petition
9 amount, there is a proof of claim that they need to file so
10 that it's on the record, so that the creditors committee and
11 the court is aware who that individual, that person is, how
12 much is owed.

13 And if anyone is interested in knowing that, the
14 proof of claim forms can be found on a website. It's
15 www.kccllc.net/magna. That is where people can get their
16 proof of claim forms if they haven't already filed one.

17 COMMISSION CHAIRPERSON HARRIS: Because I assume
18 that Scotwinc, and Notwinc, and some of the satellites, and
19 all those folks are already involved with doing that. All
20 right.

21 COMMISSIONER MOSS: So what do you think is going
22 to happen?

23 MR. SCOGGINS: As I was joking with somebody
24 before, I think the sun will come up tomorrow. I mean, we
25 just have to let the process play its course. It's already

1 gone through a number of twists and turns and, hopefully, it
2 will come out the way we've asked it to.

3 COMMISSION CHAIRPERSON HARRIS: I guess there
4 needs to be -- I mean, there's really no money to distribute
5 to anybody now, until some of the assets are disposed of,
6 and then that would be more when that process would start.

7 MR. SCOGGINS: Right. Generally what happens and
8 what I understand happens is that the goal is to come up
9 with a plan to how to create the sum of money that you can
10 use to pay off your secured and unsecured creditors.

11 In the meantime, you might go ahead and proceed
12 with selling certain assets to start that generation of
13 cash. And you put together a plan of how that's going to be
14 done. Everybody needs to agree to it or if they don't, they
15 file an objection to it and it goes before the court. The
16 court makes a final decision.

17 And at the entry of the plan that the court
18 finally approves, that's when payments generally start to be
19 made, particularly in the context of the unsecured
20 creditors.

21 COMMISSION CHAIRPERSON HARRIS: Any comments by
22 the audience or the Board?

23 If not, well, thank you, Gregg.

24 MR. SCOGGINS: Thank you.

25 COMMISSION CHAIRPERSON HARRIS: Okay, the next

1 item is discussion and action by the Board regarding a
2 revised allocation of race dates for the Del Mar
3 Thoroughbred Club July 22nd through September 9, 2009 race
4 meeting.

5 MR. FRAVEL: Craig Fravel, Del Mar Thoroughbred
6 Club. Joe Harper, the President of Del Mar, and Tom
7 Robbins, our Vice President of Racing.

8 I think the letter in the -- in your Board package
9 is pretty self-explanatory. We are requesting this year,
10 instead of running 43 days, as is the traditional allocation
11 of days at Del Mar, that we eliminate racing on Mondays,
12 with the exception of Labor Day weekend.

13 Our plan in doing that is to add back one race per
14 day on Wednesdays, Fridays, and Sundays, as a result of
15 which we'd be running nine races on Wednesdays, nine on
16 Fridays, and ten on Sundays.

17 And accordingly, we would be moving those races
18 that were otherwise run on Monday, which is our worst day,
19 to days which our attendance is roughly two to three times
20 that of Monday racing.

21 There's been a lot of publicity about this. We've
22 discussed it over and over again internally, and had some
23 conversations with some of you about it.

24 We are actually very excited about this
25 opportunity. We think that -- ever since I started in horse

1 racing 20 years ago, people have been saying there's too
2 much racing. We have watched very carefully, and I don't
3 even want to call them experiments, because I don't think
4 they were couched that way, but if you'll recall, Gulfstream
5 Park, in Florida, did exactly this for their most recently
6 completed meet, which was a very successful one compared to
7 last year.

8 Oak Lawn Park, two years ago, reduced their racing
9 from five days a week to four days a week, and Oak Lawn
10 continues to be highly successful thanks in part to their
11 schedule, and thanks in part to the instant racing
12 activities that they have there at Oak Lawn.

13 And we think the time has come for a little
14 thinking outside the box in trying to do something a little
15 different.

16 The focus of this is not on just saving money or
17 reallocating things, but on maximizing the quality of our
18 racing product. And we're very encouraged that by
19 eliminating one day of racing a week and moving down to a
20 five-day calendar, with the exception of Labor Day weekend,
21 it will give Tom the opportunity to space his races more
22 carefully, more productively, and at the end of the day it
23 will be better for everyone.

24 I should preface this a little bit by noting that
25 given the trends of recent years, even at Del Mar, Monday is

1 a losing proposition from a purse generation stand point.
2 We actually pay out more purses on a Monday than we generate
3 by about roughly 50, 60 thousand dollars per Monday.

4 And we believe and we've projected that the net
5 positive benefit of this action on purses is in excess of a
6 half a million dollars a year by moving races from a less
7 productive day to much more productive days.

8 And with that I think we're just prepared to
9 answer any questions you might have.

10 COMMISSIONER MOSS: The three days being
11 Wednesday --

12 MR. FRAVEL: We'd add a race on Wednesday, Friday,
13 and Sunday, Mr. Moss.

14 COMMISSIONER MOSS: Sunday, okay.

15 MR. FRAVEL: And then, you know, we've met with
16 some -- with met with TOC, we've met with the trainers'
17 organization, they can speak for themselves, but we've been
18 informed by both that they unanimously approved our request
19 to support this.

20 And we've undertaken that if we have the horse
21 inventory to run nine races on Thursdays, and we think that
22 would be productive as well, we would do that. But right
23 now our plan is not to run nine on Thursday.

24 COMMISSION VICE CHAIRPERSON ISRAEL: So the net
25 loss in races is 35?

1 MR. FRAVEL: It's 28.

2 COMMISSION VICE CHAIRPERSON ISRAEL: Twenty-eight.

3 MR. FRAVEL: Yeah.

4 COMMISSION VICE CHAIRPERSON ISRAEL: And because
5 the fields are bigger is it possible there will be a
6 negligible loss in mounts? Is that -- I mean, is there any
7 to project that?

8 MR. FRAVEL: You mean, in the number of rides
9 jockeys get?

10 COMMISSION VICE CHAIRPERSON ISRAEL: The number of
11 rides jockeys get?

12 MR. FRAVEL: Yeah, there would probably be some
13 loss of mounts.

14 COMMISSION VICE CHAIRPERSON ISRAEL: Yeah, but not
15 28 times 8, say?

16 MR. FRAVEL: We hope not.

17 COMMISSION VICE CHAIRPERSON ISRAEL: Yeah.

18 COMMISSION CHAIRPERSON HARRIS: I guess the total
19 purses generated for the meet, you know, assuming similar to
20 last year would be, as I understand it, slightly less than
21 this five-day-a-week program, but the purses per day will be
22 more.

23 MR. FRAVEL: Our current projections, with the
24 impact of SB 16XX, for purses are about a half a million in
25 the aggregate less of total purses and horsemen's awards,

1 and I include breeders awards and other payments for running
2 in a horse race, is about \$500,000 less in total than it was
3 last year.

4 COMMISSION CHAIRPERSON HARRIS: But per day it
5 would be more.

6 MR. FRAVEL: Per day, we're projecting currently
7 about \$627,000 a day total distributions to horsemen and
8 that includes purses breeders awards, owners awards, and
9 similar distributions, starter fees and the like.

10 COMMISSION VICE CHAIRPERSON ISRAEL: Six twenty a
11 day is --

12 COMMISSION CHAIRPERSON HARRIS: Six hundred and
13 twenty thousand a day that's -- so per race would be quite a
14 bit.

15 MR. FRAVEL: We'd like to do that per race, if we
16 could.

17 COMMISSION CHAIRPERSON HARRIS: Yeah. Well, I
18 mean, probably in a perfect world we'd like to have more
19 races and all of them pay a lot, but I think we're at a
20 point that we need to generate more money per race if we
21 can. And this is a way to do it.

22 I mean, just as a traditionalist I hate to see Del
23 Mar go to a five-day week because a six-day week is -- if a
24 six-day week worked anywhere, it would work at Del Mar.

25 But I personally wish you'd maybe leave a few just

1 to have some kind of a benchmark. But it looks like you've
2 got the support of the horsemen, and the trainers, and all
3 the different stakeholders and I don't think the Board
4 should stand in the way.

5 But could we get some comment from others? We've
6 got one card, or do you have any more aspects of it you'd
7 like to tell us about?

8 MR. FRAVEL: Well, when we are prepared to present
9 our license application I think there will be some other
10 things that we view as very positive in terms of special
11 promotional activities, and discounts, and some value
12 packages that we're polishing off right now.

13 I don't want to preempt our marketing department
14 and announce those specifically because they're still doing
15 some work on that. But we expect to do some very positive
16 things, from a marketing stand point, in conjunction with
17 this to try to make Wednesdays look a little more special
18 and be more special.

19 COMMISSION CHAIRPERSON HARRIS: The things that
20 you sell for the season, like a box seat, would that go down
21 proportionately or not?

22 MR. FRAVEL: The box seats would not go down, but
23 we're including some additional passes for admission, so
24 that we actually think the value delivered for a box is
25 going to be higher than it was in the past than the

1 reduction -- then in the reduction of race dates.

2 COMMISSION VICE CHAIRPERSON ISRAEL: And how will
3 the hourly workers be affected?

4 MR. FRAVEL: Well, I mean, we will be reducing
5 staffing on Mondays, and there's no two ways around that
6 one. That's an integral part of the plan of operation.

7 COMMISSION VICE CHAIRPERSON ISRAEL: Will some of
8 that be made up by the workday being a little bit longer on
9 Wednesday, Friday, and Sunday?

10 MR. FRAVEL: There might be some additional
11 overtime on certain days, it's hard to predict exactly where
12 overtime will fall.

13 COMMISSION CHAIRPERSON HARRIS: And you could
14 operate as a simulcast facility on Monday if --

15 MR. FRAVEL: Yeah, we're still working on the
16 plans for whether we actually on-track for simulcast. My
17 personal inclination is to do it because I know we have a
18 lot of people who want to watch Saratoga full card this
19 year, which we will be able to do.

20 COMMISSION CHAIRPERSON HARRIS: Yeah, I think that
21 might be an interesting thing to try.

22 Richard Castro has a comment.

23 MR. CASTRO: Richard Castro, representing SEIU
24 Local 280.

25 We would like to see you approve this application

1 and we know that we have some issues that we still need to
2 work out with them, and I'm very comfortable that we'll work
3 out the issues.

4 One thing you asked about, manning, a very good
5 question. We use, like on a Wednesday or a Thursday, 180
6 clerks. Guaranteed we won't have 180 on Monday.

7 Number two, and I'm bringing this up over and over
8 again until the industry behind me understands and I'm
9 really serious about these health and welfare days, we need
10 to sit down and resolve, as we have in the past, when the
11 employer runs less days that we reduce the qualifications
12 for health and welfare. We will work that issue out with
13 Craig Fravel.

14 We do appreciate that they were going to charge
15 the people that rented there more money, they've agreed to
16 roll it back. We sincerely appreciate that.

17 We do appreciate the working relationship that
18 we've had with Mr. Fravel. It's unfortunate that so many of
19 the meetings have had to be canceled, but we will get it
20 done, I'm comfortable with that.

21 COMMISSION CHAIRPERSON HARRIS: All right.

22 MR. FRAVEL: I don't think he's referring to
23 meetings with me. But we will continue to work with Mr.
24 Castro and his Board. I think there's some things that we
25 need to continue to work on to ease the blow, if you will,

1 and we have some, I think, positive things to work on in
2 that regard.

3 COMMISSION CHAIRPERSON HARRIS: Yeah, it sounds
4 like you -- when this first came out I sensed there was
5 going to be significant opposition from different parties,
6 but it sounds like you have done a good job of working with
7 people.

8 Mike Nava has a comment.

9 MR. NAVA: Good afternoon, Chairman and Board. My
10 name is Mike Nava and I represent Local 1877. And we agree
11 with our brother, Richard Castro, on everything that he
12 said, basically.

13 The main thing that I'd like to stress is that Del
14 Mar season will open pretty soon. We've been told that it's
15 going to break down to five days a week. And we're asking
16 that, hopefully, that doesn't happen because it's going to
17 displace a lot of our workers from the health and welfare.
18 A lot of our folks won't get their bonuses, and a lot of our
19 folks won't get to work the days that they're supposed to
20 which will be quite a bit of hardship to the families that
21 we deal with through SEIU over at Del Mar.

22 So we're asking that if any way at all that you
23 folks can make sure that it doesn't happen to have the
24 schedule in Del Mar be five days a week, instead of six days
25 a week, we want it to remain six days a week, and we really

1 appreciate if you folks can make sure that that happens.

2 Thank you very much.

3 COMMISSION CHAIRPERSON HARRIS: Okay, any other
4 comments?

5 MR. JAMGOTCHIAN: Yes, Jerry Jamgotchian. You
6 know, Mr. Chairman, Members of the Board, I'm at a loss to
7 try to figure this out.

8 If Del Mar's a nonprofit organization and if their
9 goal is to generate business, just as your goal is to
10 generate horse racing business in the State of California,
11 why would you let them out of a commitment they made to race
12 43 days?

13 I mean, they have a commitment to race. There's
14 no penalty being imposed upon them for dropping down to 37
15 days. What they're doing is not growing the business at
16 all. In fact, their reducing the opportunities to go to the
17 races at Del Mar.

18 And there are two issues that they're not even
19 talking about. The two issues are, number one, they don't
20 have enough horses to have a six-day meet and, secondly,
21 their racetrack isn't adequate.

22 So those are the issues, not to mention the turf
23 course.

24 The other thing that's interesting to me is that
25 we haven't -- we're not even talking about the future of Del

1 Mar. Their lease is up in 2009. What's going to happen in
2 2009. I'd like you to ask them, while they're sitting here,
3 what their plans are. You can put Mr. Liebau on the spot
4 about Hollywood Park, but you might ask these guys what they
5 intend to do in 2009 with regards to the lease.

6 So if you want to ask that question, great, I
7 think the industry would like to know. But more
8 importantly, how can you let them come up here and renege on
9 a commitment that they made to you, and not assess them any
10 penalty, when the real reasons why they're not racing are
11 they don't have enough horses and their tracks are
12 inadequate.

13 So if you want to ask them those questions, great,
14 it would be in the best interests of the industry. I think
15 that you should ask them that.

16 So I'd like to hear some responses and I'll finish
17 up.

18 EXECUTIVE DIRECTOR BREED: The question before the
19 Board is to -- is on a racing calendar, it's eliminating
20 those days. It's on the racing calendar, not on the
21 application. Am I correct on that?

22 MR. FRAVEL: That's correct. We filed our
23 application and that will be heard when you're prepared to
24 hear it.

25 COMMISSION CHAIRPERSON HARRIS: We'll do that.

1 But I think the issue really is if they feel they can put on
2 a better program racing five days, and they have the
3 concurrence of their horsemen --

4 MR. JAMGOTCHIAN: But they're nonprofit, John.
5 They're nonprofit. They're not there to make a profit.

6 MR. FRAVEL: Well, let me address that just
7 briefly. We report to the State Racetrack Leasing
8 Commission and the 22nd District Agricultural Association,
9 and the race meet at Del Mar is run for the benefit,
10 essentially, financially of those entities, which do put
11 their money back into horse racing in the form of capital
12 improvements at Del Mar.

13 We have met with the budget committee at the fair
14 and they have approved this unanimously, as well, and
15 encouraged us to take this action.

16 So, you know, this is management's recommendation.
17 We believe this is the right thing to do. It has been
18 established well by other racetracks, who have done similar
19 things, and we think that it will be very positive.

20 As far as next year goes, there will be racing at
21 Del Mar, whether Joe Harper, and Tom Robbins, and I are
22 there or not. And we think that Del Mar is going to be a
23 venue for horse racing for many years to come. And it's not
24 a personal issue, it's the State law requires there to be
25 racing there and that will happen.

1 MR. JAMGOTCHIAN: All I'm saying is this Board, if
2 it's going to advance horse racing in California by cutting
3 dates at one of the premiere meets, obviously sends out a
4 bad signal, number one. And number two is absolutely the
5 wrong thing to do.

6 It's not costing them any money to race at Del
7 Mar, it's a nonprofit organization.

8 COMMISSION VICE CHAIRPERSON ISRAEL: Let
9 me --

10 MR. JAMGOTCHIAN: Yes?

11 COMMISSION VICE CHAIRPERSON ISRAEL: Let me say
12 that if reducing the number of races increases the field
13 size and generates a disproportionately higher handle and
14 interest, a betting interest in each case, it could wind up
15 generating greater cash flow.

16 MR. JAMGOTCHIAN: Five days a week, but you're
17 losing a whole day of opportunities for people that travel
18 to Del Mar. It's going to also reduce the economy in the
19 area. People aren't going to come and stay a week when they
20 can only go to their horse races for five days, rather than
21 seven.

22 COMMISSION VICE CHAIRPERSON ISRAEL: Well, they
23 may go to the beach that day, they may go to Sea World. It
24 may actually have a beneficial effect of generating more
25 cash flow and money spent in other venues in San Diego.

1 MR. JAMGOTCHIAN: Or they might not come.

2 COMMISSION VICE CHAIRPERSON ISRAEL: Or they might
3 not, I guess we'll find out.

4 MR. JAMGOTCHIAN: We will.

5 COMMISSIONER CHOPER: I just wanted to say I think
6 Del Mar has been a crown jewel of California racing. You
7 folks -- not we, but you, are the ones who are responsible
8 for generating the circumstances that have produced that.
9 And I think that the Board owes you a great deal of
10 deference as to your decision as to what's going to be an
11 even more successful meet last year.

12 And so I certainly want to support your position.

13 MR. FRAVEL: Thank you.

14 MR. JAMGOTCHIAN: And one last thing, this is a
15 very bad precedent you're setting, allowing this
16 organization to basically renege on their commitment.
17 That's an important issue that this track is going to use to
18 get reduced dates. And the other tracks are going to use
19 and say, remember what Del Mar did? It's a very bad
20 precedent and you guys are glossing over what's guaranteed
21 to be a significant problem.

22 COMMISSIONER ANDREINI: That's your opinion. I
23 make a motion that we accept this revised schedule.

24 COMMISSION VICE CHAIRPERSON ISRAEL: And I'll
25 second it.

1 COMMISSION CHAIRPERSON HARRIS: Okay, anything
2 else?

3 All in favor?

4 (Ayes.)

5 MR. FRAVEL: Thank you very much.

6 COMMISSION CHAIRPERSON HARRIS: Well, good luck
7 with that new format. I hate to see things change, but I
8 think it will result in bigger days for those five days,
9 anyway.

10 COMMISSION VICE CHAIRPERSON ISRAEL: Weren't you
11 paying attention to the election in November? Changes.

12 COMMISSION CHAIRPERSON HARRIS: That's all I got
13 left is change.

14 (Laughter.)

15 COMMISSION VICE CHAIRPERSON ISRAEL: Oh, yeah,
16 that's all you got left is change. Maybe me. I'll take
17 your loose change. I'll give you my loose change for your
18 loose change.

19 COMMISSION CHAIRPERSON HARRIS: Okay, Item 9. Do
20 you want to cover this, I think it's been deferred.

21 EXECUTIVE DIRECTOR BREED: Item 9, it's my
22 understanding that Item 9, which is the discussion by the
23 Board regarding the financial solvency of the stabling and
24 vanning fund in the north, as it pertains to Fairplex Park
25 and Pomona, I understand that's been recommended to be

1 withdrawn from the -- that this item has been completed and
2 to the satisfaction of all the parties involved.

3 Am I correct in that? Any opposition to that
4 statement?

5 Okay, then Item 9 is withdrawn.

6 COMMISSION CHAIRPERSON HARRIS: Yeah, I think
7 there is still concern on the solvency, but I don't know if
8 we can really get our arms around that today.

9 Okay, Item 10 is -- why don't you cover this,
10 Kirk. I'm not sure where this originally came from.

11 EXECUTIVE DIRECTOR BREED: Okay. Item 10, to say
12 where it originally came from, Vice Chairman Israel asked me
13 the question if there are any of the rules in our rule book
14 that we could not enforce.

15 And this is one of the rules that I think, which
16 is the -- has to do with rule number 1433(b), application
17 for license to conduct a horse racing meeting on a case by
18 case basis, when considering the construction of new tracks,
19 converting synthetic tracks to dirt tracks and the use of
20 existing dirt tracks for periods exceeding four weeks of
21 thoroughbred racing.

22 Right now item -- rule number 1433(b) requires any
23 racetrack, racing over four weeks, to have a synthetic
24 surface.

25 The consensus of the staff and those individuals

1 I've talked to on the Board, is that we ought to at least
2 identify this as a -- as a potential waiver of this rule, in
3 effect, if a individual shows up and wants to build a
4 racetrack, or wants to conduct a racing meeting, that the
5 Board should make a statement that says that these will
6 be -- as far as the use of a synthetic track, it will be
7 handled on a case-by-case basis.

8 We're not recommending that we change the rule,
9 but simply identify to the -- to all the industry that this
10 would be considered on a case-by-case basis, as far as the
11 enforcement of this rule.

12 COMMISSION CHAIRPERSON HARRIS: Yeah, I think it
13 formalized what the policy has been, that someone could get
14 a waiver, which we have eight waivers. That by just
15 somebody looking at the rule book could better understand
16 our policy.

17 COMMISSIONER MOSS: I make a motion we accept the
18 feasibility of waiving CHRB Rule 1433(b).

19 COMMISSION VICE CHAIRPERSON ISRAEL: And I'll
20 second it.

21 COMMISSION CHAIRPERSON HARRIS: Any discussion on
22 this?

23 EXECUTIVE DIRECTOR BREED: Couto wants to.

24 COMMISSION CHAIRPERSON HARRIS: Oh, you've got
25 some. Drew?

1 Anybody else on 10?

2 MR. JAMGOTCHIAN: I'm on 10. With regards to the
3 comments on this, known as the Shapiro Rule 1433, I don't
4 think anybody, any racetrack organization would install a
5 synthetic track right now, if they've seen what's happened
6 since -- in the last few years.

7 I know that Turfway certainly is thinking about
8 pulling out their track, and I'm sure Del Mar would love to
9 pull their track out. And Santa Anita, I don't know when
10 they're going to pull their -- this track out.

11 But the wagering effects of these synthetic
12 racetracks has not been even considered. The handle's down
13 12 percent at Hollywood Park -- I mean, at Santa Anita,
14 obviously, because people won't bet that racetrack because
15 it's inconsistent and it changes.

16 So the effect that this is having on the industry
17 is catastrophic. Because if people aren't wagering,
18 obviously, they're not coming to the races and it's not
19 advancing our business.

20 The injury effect, obviously, is unknown. But
21 something that is known are the owners. The owners and the
22 trainers have voiced their disapproval by leaving the State.
23 And I think you need to recognize that. It's something
24 that's critically important, if you don't have horses, you
25 don't have horse races.

1 COMMISSION VICE CHAIRPERSON ISRAEL: That's true.

2 MR. JAMGOTCHIAN: The consistency of these
3 racetracks, they're manipulated, the Pick-Six factor at
4 Santa Anita is nearly repulsive.

5 I mean, I don't understand why anybody would wager
6 when the intention of Del Mar and Santa Anita is to generate
7 a Pick-Six.

8 Once again, if you're here to represent the
9 bettors, if you're here to advance the business, obviously,
10 you need to look at things, the maintenance of these
11 racetracks.

12 COMMISSION VICE CHAIRPERSON ISRAEL: Can I
13 interrupt for a second?

14 MR. JAMGOTCHIAN: Yeah, let me finish.

15 COMMISSION CHAIRPERSON HARRIS: Do you mind?

16 MR. JAMGOTCHIAN: The maintenance of these
17 racetracks is certainly another issue --

18 COMMISSION VICE CHAIRPERSON ISRAEL: Excuse me.

19 MR. JAMGOTCHIAN: Sorry?

20 COMMISSION VICE CHAIRPERSON ISRAEL: I'd
21 like -- it seems like you're agreeing with us.

22 MR. JAMGOTCHIAN: Oh, I am, absolutely. But I
23 don't know what the vote is. Weirder things have happened
24 up there. There's only two votes so far, there could be a
25 few more that go against it.

1 COMMISSION CHAIRPERSON HARRIS: Well, we're not
2 going to vote on this today as far as --

3 MR. JAMGOTCHIAN: It's a waiver, isn't it?

4 COMMISSION VICE CHAIRPERSON ISRAEL: Yeah, we just
5 motion to --

6 COMMISSION CHAIRPERSON HARRIS: It's a motion, but
7 I don't think the motion --

8 COMMISSIONER ANDREINI: It's discussion and
9 action.

10 MR. JAMGOTCHIAN: Yeah.

11 COMMISSION CHAIRPERSON HARRIS: Well, I don't
12 think the motion is to appeal 1433. I think the concept is
13 to come up with a --

14 COMMISSIONER CHOPER: Sense of the Board. Sense
15 of the Board.

16 COMMISSION CHAIRPERSON HARRIS: It's the sense of
17 the Board that there could be, if someone comes along that
18 wants to build a track, that was not part of our synthetic
19 program, the Board would look at that on a case-by-case
20 basis.

21 MR. JAMGOTCHIAN: Okay, if it's the sense of the
22 Board, let me give the Board a few more senses.

23 The \$300,000 that's in the CHRB budget is to study
24 synthetic racetracks. Isn't that correct, Mr. Breed?

25 So there's \$300,000 in the budget to study

1 synthetic racetracks. Gee, I think you would have a lot of
2 owners and trainers here looking -- that that \$300,000 would
3 be better spent in purses, than studying synthetic
4 racetracks. Which everybody, I guess, except somebody,
5 believes are -- they're just not working.

6 COMMISSION CHAIRPERSON HARRIS: What we're looking
7 at is studying racetracks in general for safety, it's not
8 any particular type of track.

9 MR. JAMGOTCHIAN: The bulk of the work is on
10 synthetic racetracks because that's what we have in
11 California.

12 COMMISSION VICE CHAIRPERSON ISRAEL: There's a
13 program going on that's being led by the University of
14 Maine, is that right, that we're participating in.

15 EXECUTIVE DIRECTOR BREED: Yes.

16 COMMISSION CHAIRPERSON HARRIS: It's a national
17 program to look at all tracks, all types of services.

18 COMMISSION VICE CHAIRPERSON ISRAEL: It's a
19 national program.

20 MR. JAMGOTCHIAN: No, but there's three -- correct
21 me, Mr. Breed, is there \$300,000 in the budget next year to
22 study racetracks?

23 EXECUTIVE DIRECTOR BREED: To study racetrack
24 surfaces.

25 MR. JAMGOTCHIAN: Right, and the bulk of that

1 study is on synthetic racetracks; correct?

2 EXECUTIVE DIRECTOR BREED: No. it's about half
3 and half.

4 MR. JAMGOTCHIAN: Okay, so excuse me, 150,000
5 would be wasted on studying synthetic racetracks.

6 COMMISSION CHAIRPERSON HARRIS: Well, we're not
7 here to hear your -- we've heard for years that you
8 don't -- yeah, we know you don't like synthetic tracks, you
9 don't like Shapiro, you don't like CHRB, there's a lot of
10 things you don't like.

11 But we're here to have a meeting and keep moving
12 along.

13 MR. JAMGOTCHIAN: Okay. Well, if you want to move
14 along in the direction you're moving, it's all yours.

15 COMMISSION CHAIRPERSON HARRIS: Okay, good.

16 But the thing about synthetic -- well, let's hear
17 some more testimony.

18 MR. CHILLINGWORTH: Sherwood Chillingworth, Oak
19 Tree Racing. I've been sitting here in the audience,
20 listening to a lot of criticism of the racetracks and what
21 we're doing.

22 I'd like to point out that every racetrack in the
23 United States, whether it's on synthetic or dirt, is down
24 this year. There's no correlation between what type of
25 surface you're running on and what type of handle you have.

1 COMMISSIONER CHOPER: Do you know what the average
2 is, roughly?

3 COMMISSION VICE CHAIRPERSON ISRAEL: I think,
4 Chilly, wasn't Santa Anita down less than the national
5 average?

6 MR. CHILLINGWORTH: They were down, I think, three
7 percent on-track, which is remarkable.

8 MR. JAMGOTCHIAN: Three percent. Down 12 percent
9 off-track.

10 MR. CHILLINGWORTH: Well, off-track, everybody's
11 off-track. Even Keeneland, which is considered the crown
12 jewel of Kentucky, is off double figures on off-track
13 wagering and out-of-state wagering.

14 So it's a generic result of what the economy is, I
15 think.

16 Secondly, I'd like to say one other thing. Our
17 industry's been criticized by the press, and everybody else,
18 for not being innovated, stuck in the mud, we don't know how
19 to market. Personally, I think we've got some of the
20 smartest guys in the business, in business, in the racing
21 business right now, and you've talked to a lot of them
22 today.

23 The fact that Del Mar has elected to be innovative
24 and tried to do something different, that everybody's been
25 demanding, is now being criticized, and I think they should

1 be commended.

2 They're taking a chance and doing something
3 different.

4 Talked to Breeders' Cup, tried two days of racing
5 back to back. They're not sure it's going to work, but at
6 least they've made the effort to do something new to advance
7 the industry.

8 And to criticize everybody for doing something
9 new, that may or may not work, you've got to give them
10 credit for having the guts to try it.

11 COMMISSION CHAIRPERSON HARRIS: Yeah, the
12 synthetic track --

13 (Applause.)

14 COMMISSION VICE CHAIRPERSON ISRAEL: Thank you.

15 COMMISSION CHAIRPERSON HARRIS: Just to go back to
16 the history, I'll admit that synthetic tracks have not
17 worked as well as we were hoping. But the statistics are in
18 their favor as far as less fatalities.

19 And it is so critical that racing not be viewed as
20 a sport that leads to unnecessary death of our participants.

21 And I think that when we originally looked at
22 synthetics, we thought that it was going to be much more of
23 a silver bullet than it turned out to be. That it's a lot
24 more complicated to maintain, there's a lot more types of
25 them, there's a lot more things that can go wrong. But in

1 total they have many advantages.

2 But I think all this does is says that we will
3 look at things on a case-by-case basis, if need be.

4 COMMISSIONER MOSS: All this means is that if
5 someone does come along with a big check, and they would
6 prefer not to have a synthetic racetrack, then we would
7 probably give them an approval.

8 COMMISSION VICE CHAIRPERSON ISRAEL: Yeah, to
9 consider it.

10 COMMISSIONER MOSS: So that's what we'd like to
11 create as a sense, so to speak.

12 COMMISSION CHAIRPERSON HARRIS: Yeah, that's it.

13 COMMISSIONER MOSS: So would everyone agree with
14 that? If not, speak up?

15 MR. FRAVEL: Mr. Harris, Craig Fravel, Del Mar.
16 I'm not going to criticize or comment upon what Mr. Moss
17 said. If the Board wants to reserve itself the right to
18 consider things on a case-by-case basis, you should have
19 that authority.

20 I did want to address one thing, and this is the
21 Pick-Six manipulation theory.

22 I've heard this theory for 20 years. It occurred
23 regularly on dirt tracks, the management dug them up, or
24 flattened them out, or did whatever it was we could do to
25 get a carryover.

1 And I guess if you consider human nature being
2 what it is, if we knew how to do it, we would do it. But I
3 think if you ask any track guy if they knew how to
4 pick -- if we were that good at picking which horse can win
5 which race, we'd be gamblers instead of track managers.

6 But when you enter into this discussion, and I'll
7 share this information with Mr. Jamgotchian -- Mr.
8 Jamgotchian, excuse me.

9 We've asked -- we spend a lot of time trying to
10 analyze these racetracks and whether we're doing a good or a
11 bad thing. And, you know, we know we're not perfect and we
12 make some mistakes sometimes and, you know, our first year
13 wasn't exactly the way we wanted it. Last year we got it
14 closer to where we wanted it. This year we're pretty sure
15 we're going to be a spot-on.

16 But I asked -- there's an organization called
17 Track Master, which is a subsidiary of Equibase.com, and
18 Equibase is the national data analysis working for the
19 entire thoroughbred industry.

20 And Track Master, as part of its handicapping
21 software, does analysis of standard deviation of the track
22 variant on every track in the country when they're coming up
23 with their speed figures.

24 And the Racing Forum does the same thing for their
25 buyers.

1 They come up with a track variant. So I sat down
2 at the end of last year and I asked In-Compass, which is
3 the -- or Track Master, which is the subsidiary of Equibase,
4 how do these synthetic tracks compare to dirt tracks, you
5 know, on a standard deviation basis on your track variants?

6 And I will tell you that -- and so what I asked
7 them, I said, well, how do we compare to Saratoga? So they
8 took Saratoga's standard deviation on a fast dirt track, so
9 they wiped out sloppy and muddy tracks.

10 And the standard deviation at Saratoga last year
11 was 7.88 on their dirt track.

12 At Del Mar, on our polytrack, the standard
13 deviation was 5.91.

14 And polytrack -- or synthetic tracks across the
15 country, all synthetic tracks around the country the
16 deviation was 8.65.

17 For all dirt tracks -- or for fast dirt tracks,
18 the standard deviation was 9.31.

19 COMMISSION CHAIRPERSON HARRIS: Can you explain
20 what standard deviation means?

21 MR. FRAVEL: Well, that's the organization of, you
22 know, the deviation around a mean. So if you take zero as
23 the mean, as faster or slower, you know, you're within that
24 percentage.

25 COMMISSION CHAIRPERSON HARRIS: So the greater it

1 is, the --

2 MR. FRAVEL: It's how tight -- so the question is
3 how tightly clustered is your track, does it vary widely
4 from day to day.

5 And the answer to the question, if you take Track
6 Master's data, and you can go to the Racing Forum and get
7 their data, and I suspect they're all pretty similar in how
8 they come up with their algorithms.

9 The point is the synthetic tracks get hammered all
10 the time because people don't like something different.
11 Let's face it, it's different.

12 COMMISSIONER CHOPER: They find another reason why
13 their horse didn't win.

14 MR. FRAVEL: Exactly. Now, I can also tell you
15 that our turf course last year, which is grass growing every
16 day, had a standard deviation of 6.45, which was higher than
17 our dirt track.

18 Now, how we manipulated our dirt track or our turf
19 track to get Pick-Six carryovers, I'm not quite sure, I'll
20 ask my turf guy when I get back.

21 But the notion that we're manipulating these
22 tracks to get carryovers is just outlandish and I just want
23 to make that point.

24 And I'll be happy to share this information with
25 you. Thank you.

1 MR. JAMGOTCHIAN: In response to that, it might be
2 true, it might not be true, but we're talking about
3 perception here. If the wager, or the person that spends
4 money, perceives that the racetrack is being manipulated,
5 obviously they're not going to bet.

6 Thanks, Craig.

7 They're not going to bet. So I'm not saying it's
8 factual, I'm saying it's a perception. If it's a perception
9 and the people don't want to wager, then they're not going
10 to wager. Why is --

11 COMMISSION CHAIRPERSON HARRIS: Okay, you've made
12 your point, but we need to keep moving on.

13 MR. JAMGOTCHIAN: Well, I'm almost done. I'm
14 almost done, I'm just responding to his questions.

15 Secondly, why is wagering down then? Obviously,
16 the economy is part of it, but it's not all of it.

17 I think if you did a survey, and maybe the CHRB
18 should do a survey, on what the customer, the people that
19 you want to develop think about synthetic racetracks. Why
20 not know what the customer wants?

21 The racetracks really don't care what the
22 customers want.

23 COMMISSIONER MOSS: I'd just like to say, while
24 Chilly was up, Santa Anita did a great job of marketing,
25 great, great job of marketing this last meet, I thought, in

1 the midst of a terrible economic climate.

2 And the free Fridays, all that kind of stuff was
3 just very well thought out, a lot of great advertising. And
4 I think they are to be congratulated for, I think, for
5 having just a slightly off track. But did a great job of
6 marketing.

7 And I'm only hoping that we can continue with that
8 at Hollywood Park this meet.

9 COMMISSION CHAIRPERSON HARRIS: Rick Arthur.

10 EQUINE MEDICAL DIRECTOR ARTHUR: Mr. Chairman, Dr.
11 Arthur, Equine Medical Director.

12 I think if you remember the history of the
13 synthetic surfaces, we had saw a rather -- about a 40
14 percent increase in fatalities in the few years before these
15 tracks were installed. We certainly were excited after the,
16 the whole industry was, after the polytrack was introduced
17 at Turfway and saw an 85 percent reduction in racing
18 fatalities.

19 And I think I'm as frustrated and as disappointed
20 as anyone as to how difficult these tracks have been. But
21 the very hard data that we have, we keep very good fatality
22 data here, in California, and if you extrapolate out, we
23 have reduced fatalities in racing by almost 40 percent.

24 And with the 38,245 starts that we have had on
25 completed meets, on synthetic surfaces, we have basically

1 saved roughly 49 horses. We've had 49 fewer fatalities on
2 synthetic surfaces than we would have if we'd kept the same
3 comparable rate with dirt.

4 That doesn't -- obviously, it's a more complicated
5 issue than that. I'm not convinced the training data is as
6 encouraging, it's probably about the same. And trainers
7 certainly are unhappy with aspects of it.

8 But in racing, I think we can document that we've
9 lost 49 fewer horses with synthetic surfaces than we would
10 have, if we would have kept the same rate on dirt.

11 I think that's a significant number. Thank you.

12 COMMISSION CHAIRPERSON HARRIS: Mr. Liebau?

13 MR. LIEBAU: You know, I've been managing one
14 track or a couple tracks since 1992. I mean, this is just
15 garbage when they talk about management manipulating the
16 track. I mean, it's just so absurd. I don't even know how
17 I would do it.

18 I mean, do you think you go through the forum and
19 say, oh, this favorite, you know, I want it to come from
20 behind, but on the next race change the track because the
21 favorite is on the front end.

22 I mean, it's just ludicrous to think that we do
23 that or we know how.

24 And I think that anybody, you know, gets up here
25 and accuses us of that, I really take affront to that,

1 because it just doesn't happen.

2 And as far as, you know, wagering being down, I
3 don't know, I look at Las Vegas. For years, Las Vegas and
4 racing thought that we were recession proof.

5 Now, somehow, Las Vegas may be in worse shape than
6 the racing is, I don't know. But it would be interesting to
7 look at the stats.

8 You know, I just don't think we have a problem
9 with anybody manipulating the track because I don't know how
10 the hell to do it. And I'm not sure that these people that
11 accuse us of doing it have any suggestions as to how we
12 would do it. It's just absurd.

13 COMMISSION CHAIRPERSON HARRIS: Is there some
14 publicity or something on that? I wasn't really aware of
15 that being an issue.

16 MR. LIEBAU: Oh, it comes up about every five
17 years and then, you know -- do I want to carryover tonight?
18 Hell, yes, I want a carryover because I've got a \$500,000
19 guarantee.

20 COMMISSION CHAIRPERSON HARRIS: Yeah.

21 MR. LIEBAU: But, you know, I don't know what to
22 go and tell my track guy to do to the track.

23 COMMISSION CHAIRPERSON HARRIS: Well, I don't know
24 if you have a carryover or not, but I know you're not smart
25 enough to figure out how to change the track.

1 (Laughter.)

2 COMMISSION CHAIRPERSON HARRIS: Smart enough to
3 figure out how to do it.

4 COMMISSION VICE CHAIRPERSON ISRAEL: I know how to
5 do it, it's just not legal.

6 COMMISSION CHAIRPERSON HARRIS: No, not really.

7 COMMISSION VICE CHAIRPERSON ISRAEL: Trip the
8 favorites.

9 COMMISSION CHAIRPERSON HARRIS: No, not by track
10 condition anyway.

11 Okay, the next item is public comment.

12 EXECUTIVE DIRECTOR BREED: We don't have any.

13 COMMISSION CHAIRPERSON HARRIS: No public --

14 MR. CASTRO: Yes, yes, I'm sorry.

15 EXECUTIVE DIRECTOR BREED: Richard has three on
16 separate subjects.

17 COMMISSION CHAIRPERSON HARRIS: Okay, we've got
18 three from Richard Castro. Why don't you go ahead and
19 start. You got tote problems, Surfside update, and Sac
20 Harness.

21 MR. CASTRO: Richard Castro, representing SEIU
22 Local 280.

23 I'd like to know who, from your staff, is assigned
24 the issue of examining the tote system before it's put into
25 operation? You must have a person that you assign the work

1 to?

2 You don't have anybody. Well, then that explains
3 why articles are coming out in the press, recently, that
4 people are making \$2.00 bets here, in the Scientific Games
5 equipment, and it's getting into the Amtote system in New
6 York and it's being recorded as a \$200 bet.

7 COMMISSION VICE CHAIRPERSON ISRAEL: Oh, they
8 explained that. That was a pilot error, it occurred -- I
9 read the explanation today. It occurred because they were
10 changing something in the system and the operator did it
11 while racing was going on, and he shouldn't have, and it
12 took him five minutes to correct it and it was corrected.

13 MR. CASTRO: Okay, I appreciate that. I haven't
14 read that, but I had heard it and I was concerned about it.

15 COMMISSION VICE CHAIRPERSON ISRAEL: Yeah, it was
16 in New York, it didn't affect any races here.

17 MR. CASTRO: I didn't say it was Scientific Games,
18 I said that the bets were made like at Golden Gate
19 Fields -- would you like to come up here -- and it went into
20 the system back there, through the Amtote system, I thought
21 I said, and it was recorded as a \$200 bet.

22 COMMISSION VICE CHAIRPERSON ISRAEL: Which I think
23 it was an OTB issue in New York.

24 MR. MC WILLIAMS: Terry McWilliams, Scientific
25 Games.

1 Commissioner Israel, you're correct, these were
2 wagers made through New York City OTB facilities --

3 COMMISSION VICE CHAIRPERSON ISRAEL: Yeah, OTB.

4 MR. MC WILLIAMS: -- on a number of other host
5 tracks, including Golden Gate Fields, Keeneland, Gulfstream
6 Park. And you're right that that's what it was, there was
7 an operator --

8 COMMISSION VICE CHAIRPERSON ISRAEL: It was a
9 programming error and it was corrected five minutes later.

10 MR. MC WILLIAMS: -- a programmer was actually on
11 a live system, doing some testing for a superfecta wager
12 that one of their clients wanted to offer, and that causes
13 this issue.

14 So they should not have been on a live system,
15 there's no question about that, and Amtote will have to deal
16 with their employees, but that's what happened.

17 COMMISSION VICE CHAIRPERSON ISRAEL: And
18 apparently there were a very few tickets were cashed, they
19 caught the error right away and --

20 MR. MC WILLIAMS: Well, no, I do think that we're
21 going to see that there's a very large liability.

22 COMMISSION VICE CHAIRPERSON ISRAEL: Oh, is there?

23 MR. MC WILLIAMS: Yes, sir.

24 COMMISSION VICE CHAIRPERSON ISRAEL: Oh, okay.

25 MR. MC WILLIAMS: I would say several millions of

1 dollars, probably. But that needs to come out yet, and
2 they're still figuring that out.

3 MR. CASTRO: I also heard it was going to be a
4 large figure, and I'll yield to what Terry says.

5 Let's go to the second card. And my concern is
6 that you're not overseeing the tote system. And what we
7 agreed with the tote company and believe me, I'll give Terry
8 all the slack in the world, they were at one time giving us
9 reports, and I'm not aware of anybody on my staff that's
10 been getting reports lately.

11 Let's go to the second card. What's the second
12 one, John?

13 COMMISSION CHAIRPERSON HARRIS: Surfside.

14 MR. CASTRO: Surfside. I'd like to have it placed
15 on the agenda. I would like you to give consideration that
16 we look at the number of people that have -- the number of
17 especially the employees that have been ill in the facility,
18 let's say in the last 90 days, or since the first of the
19 year. I just would like a general update as to what's been
20 going on regarding the testing and the people that have been
21 getting sick, if any, in Surfside.

22 COMMISSION CHAIRPERSON HARRIS: We've got somebody
23 here from Surfside.

24 MR. BRADVICA: George Bradvica, Surfside.

25 Working with Local 280, starting about two and a

1 half years ago, and with Scotwinc, we had significant
2 meetings and we agreed that we would do independent mold
3 testing at Surfside, and we have done that, and we have
4 fulfilled our obligation to do that.

5 We have come up with -- if mold testing -- there's
6 mold in the air everywhere. So it's not a matter of yes,
7 there's mold or, no, there's mold, it's a relativity factor
8 of mold.

9 And our testing at Surfside, since we've started
10 the testing, has been normal mold readings ever since we've
11 been doing this.

12 So there has been no incidences of mold since we
13 started. We did a lot of mediation work there and there has
14 been no instances of excess levels of mold through our
15 independent testing, and we continue to do independent
16 testing.

17 COMMISSION CHAIRPERSON HARRIS: Has any people had
18 days lost, employers have to post these reports of workdays
19 lost, and all that, is it people are reporting that they've
20 had lost work due to mold?

21 MR. BRADVICA: I believe Richard is probably
22 referring to his Local 280.

23 (Power outage caused short gap in audio.)

24 COMMISSION CHAIRPERSON HARRIS: There's not going
25 to be any action taken on this anyway, but this is just

1 really --

2 MR. BRADVICA: The bottom line is I have about 24
3 employees that are district employees, State employees.
4 There are additional employees from Premier Food and
5 Beverage Company, none have reportedly been ill due to any
6 issues there at Surfside, that I know of.

7 Whether there are people ill from Local 280, I
8 don't know.

9 MR. CASTRO: I've gotten a report -- that's all
10 right, you don't have to put it on the agenda, I'll hit it
11 under general business when we get there. I understand that
12 there's more than Local 280 members that have been ill, and
13 the symptoms have been pneumonia, which is similar to black
14 mold.

15 I also have not received -- let's see, I got
16 it -- day before yesterday I got some testing reports. But
17 I really haven't gotten any testing reports in the last,
18 pretty close to eight months. And they were for a while
19 coming regular and for some reason they stopped.

20 Would you like to go to the next card?

21 COMMISSION CHAIRPERSON HARRIS: The next card was
22 on Sac Harness.

23 MR. CASTRO: Sacramento Harness.

24 COMMISSION CHAIRPERSON HARRIS: Yeah.

25 MR. CASTRO: This is going to be a positive, you

1 did really good, Commissioner Harris.

2 The Sac Harness that I'm referring to is the
3 organization that filed for bankruptcy. I don't know how it
4 happened, I absolutely have no idea how it happened, but I
5 heard from our National Industry Pension Plan that they
6 received a check from that bankrupt organization.

7 So my workers, which I was looking for, for
8 pension contributions, we've been made whole.

9 And whoever's responsible for it, I don't even
10 know who to thank, but it is appreciated.

11 COMMISSIONER CHOPER: Better not tell the
12 bankruptcy court.

13 COMMISSION CHAIRPERSON HARRIS: I'm not sure if
14 they -- I don't think they did file. Have they actually
15 filed for bankruptcy?

16 EXECUTIVE DIRECTOR BREED: They didn't file, no.

17 COMMISSION CHAIRPERSON HARRIS: Oh, they're trying
18 to --

19 MR. CASTRO: I had Jim Correll on the conversation
20 with me, and the National Industry Pension Plan said that we
21 were expecting a check around 12 to 15 thousand, we got a
22 check for something like 9,800, and the pension office is
23 satisfied that the money has gotten to them.

24 What we don't have is, and which is what I need to
25 do, and I forgot to do it, I need to find out who worked how

1 many days, and how much they should be credited. Because
2 they just got a check, a lump sum check for those workers
3 and I've got to break it out. And I haven't done that yet,
4 that's my responsibility.

5 COMMISSION VICE CHAIRPERSON ISRAEL: Okay.

6 Richard, just so you know, we're responsible and you're
7 welcome.

8 MR. CASTRO: I appreciate that very much. I'll
9 even -- down on one knee.

10 COMMISSION CHAIRPERSON HARRIS: We don't want to
11 take responsibility for anything.

12 Okay, any other comments?

13 MR. JAMGOTCHIAN: Yeah, I have a card.

14 COMMISSION CHAIRPERSON HARRIS: I think you've
15 gotten your day.

16 MR. JAMGOTCHIAN: Yeah, I know, I know. I'll keep
17 this short, though.

18 Once again we're talking about wagering and the
19 perception of wagering in California. Obviously, the
20 wagering integrity is the issue that everybody looks at when
21 you want to wager in California.

22 Quick-Pick scandal, this recent scandal, even
23 though it might not be in California, it still affects
24 California bettors.

25 Something that really affects the California

1 bettors are what's going on in what seems to be betting
2 during races.

3 I don't know why this Board can't say when the
4 first horse goes in the gate the betting stops. I mean,
5 that just seems to me to be the best solution this Board can
6 do. But there's just a total lack of interest in that
7 issue. And I hope, eventually, you become interested.

8 With regards to the wagering integrity, Senator
9 Yee, on Tuesday, in front of the GO Committee's, going to
10 discuss legislation regarding independent oversight of all
11 pari-mutuel wagering in California.

12 I sure hope the CHRB supports this bill because
13 it's certainly much needed.

14 On another -- another front, wouldn't it be good
15 in the license application if a California racetrack offered
16 a horsemen's guide, like other racetracks on the east coast
17 do?

18 This was a very interesting, and very insightful,
19 and informative book that was provided by -- this was by
20 Churchill.

21 But it seems like if these racetracks are going to
22 expose what their rules are, and if the horsemen are going
23 to know, or the owners are going to know, I think it's
24 important that a horsemen's guide be a requirement in the
25 license application.

1 I'm certainly available to give this to you, Kirk,
2 if you need it.

3 Also, the last rule book that I had asked to get
4 printed out was 2006. Is there a new rule book in the
5 planning stages and when will it be available?

6 EXECUTIVE DIRECTOR BREED: Yes, there's a new rule
7 book, Mr. Jamgotchian.

8 MR. JAMGOTCHIAN: Are you done to 2009?

9 EXECUTIVE DIRECTOR BREED: Yes.

10 MR. JAMGOTCHIAN: Okay, good, I'll order one.

11 Additionally, annual report, is there a new annual
12 report, also?

13 EXECUTIVE DIRECTOR BREED: Yes, there is.

14 MR. JAMGOTCHIAN: Good, okay.

15 Thank you to Mr. Miller for the \$9,500 in the
16 legal fee reimbursement, I appreciate that.

17 And also for not reinstating Rule 1633, you
18 saved a lot of people a lot of money.

19 And my final comment is that if former CHRB
20 Executive Director Ingrid Fermin is going to be brought on
21 as a steward at Del Mar, I think I've put everybody on
22 notice, including Mr. Miller, that a writ of mandate will be
23 filed in the Superior Court.

24 And I'm hopeful that in the best interests of
25 horse racing you recognize she clearly has a conflict, and

1 that she's not the best steward you could locate. Thank
2 you.

3 MR. MARTEN: Mike Marten, of the CHRB staff. We
4 should clarify one thing. The Board does look at
5 allegations of past posting. We check all allegations and
6 we've never found any evidence of it. If the reference is
7 to -- the references in the Brad Free column, the
8 Commissioners know, from what's been sent to them, that
9 we've ordered those logs, and we do review all of them. And
10 there's never been a single instance shown, out of hundreds
11 of reviews, of actual past-posting.

12 So the public needs to know that we do take that
13 seriously.

14 COMMISSION CHAIRPERSON HARRIS: Yeah, the issue,
15 betting stops when the gate opens. Sometimes the
16 transmission of the information doesn't get to the tote
17 board. Or the ADW, TVG, or someone like that is quick. And
18 that leads to confusion.

19 But every time we've looked into it, it looks like
20 there's not a problem as far as ceasing of betting.

21 Okay, anything else?

22 Appreciate -- Jack, we're going to have a big
23 party tonight at Hollywood Park or -- huh?

24 UNIDENTIFIED MALE SPEAKER: Casey and the Sunshine
25 Band.

1 COMMISSION CHAIRPERSON HARRIS: Have you got any
2 Hollywood stars we can look at or anything?

3 EXECUTIVE DIRECTOR BREED: We're going to have an
4 executive session.

5 COMMISSION CHAIRPERSON HARRIS: Okay, we're going
6 to have an executive session after this. So thanks,
7 everybody, for coming.

8 (Thereupon the California Horse Racing
9 Board Regular Meeting resolved into
10 Closed Executive Session and the Public
11 Meeting was adjourned at 5:10 p.m.)

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CERTIFICATE OF REPORTER

I, TROY A. RAY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing Meeting of the California Horse Racing Board; that thereafter the recording was transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, or in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of May, 2009.

Troy A. Ray

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