

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
)

SUNSET ROOM
HOLLYWOOD PARK RACE TRACK
3883 WEST CENTURY BOULEVARD
INGLEWOOD, CALIFORNIA

TUESDAY, JUNE 22, 2010
9:36 A.M.

Reported by:
Martha L. Nelson

EHLERT BUSINESS GROUP (916) 851-5976

APPEARANCES

COMMISSIONERS

Keith Brackpool, Chairperson

David Israel, Vice Chairperson

Bo Derek

Jerry Moss

John Harris

Jesse Choper

STAFF

Kirk Breed, Executive Director

Richard Bon Smith, Assistant Executive Director

Rick Arthur, DVM, Equine Medical Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation manager

Mike Marten

ALSO PRESENT

John Andreini

Jerry Jamgotchian

John Bucalo

Craig Fravel

John Alkire

Louie Brown

Robert Hartman

APPEARANCES CONTINUED

Porter Goltz

Chris Carnegie

Sherwood Chillingworth

Tom Verala

Michael Merrigan

Stuart Titus

David Elliott

Frank Stronach

George Haines

Terry Bingham

Michael Wellman

Dennis Mills

Mace Siegel

Jack Robbins

Chris Korby

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1 PROCEEDINGS

2 EXECUTIVE DIRECTOR BREED: Ladies and gentlemen,
3 could you please take your seats. This meeting of the
4 California Horse Racing Board will come to order. Please
5 take your seats.

6 This is a regular noticed meeting of the
7 California Horse Racing Board on Thursday --

8 COMMISSION VICE CHAIRPERSON ISRAEL: Tuesday.

9 EXECUTIVE DIRECTOR BREED: -- Tuesday, June 22nd,
10 2010, in Hollywood Park Racetrack, 1050 South Prairie
11 Avenue, Inglewood, California. Present at today's meeting
12 are Keith Brackpool, chairman; David Israel, vice
13 chairman; Jesse Choper, commissioner; Bo Derek,
14 commissioner; and John Harris, commissioner.
15 Commissioner Jerry Moss is en route.

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

18 The board invites public comment on the matters
19 appearing on the meeting agenda. The board also invites
20 comments from those present today on matters appearing on
21 the agenda during the public comment period if the matter
22 concerns horse racing in California.

23 In order to ensure all individuals have an
24 opportunity to speak and the meeting proceeds in a timely
25 fashion, I will strictly enforce the three-minute time

1 limit rule for each speaker. The three-minute time limit
2 will be enforced during discussion of all matters stated
3 on the agenda as well as during the public comment period.

4 There is a public comment sign-in sheet for each
5 agenda matter on which the board invites comments. Also,
6 there is a sign-in sheet for those wishing to speak during
7 the public comment period for matters not on the board's
8 agenda if it concerns horse racing in California. Please
9 print your name legibly on the public comment sign-in
10 sheet.

11 When a matter is open for public comment, your
12 name will be called. Please come to the podium, introduce
13 yourself by saying your name and organization clearly.
14 This is necessary for the court reporter to have a clear
15 record of all who speak.

16 And I might add at this point and time that we
17 are -- this is a webcast, which is audio only; so
18 everyone, including the commissioners, please, when you
19 speak, please, state your name so the people not present
20 here who are listening on the webcast will know who is
21 speaking. When your three minutes are up, the chairman
22 will ask you to return to your seats so others can be
23 heard.

24 When all the names have been called, the chairman
25 will ask if there is anyone else who would like to speak

1 on the matter before the board.

2 Also, the board may ask questions of individuals
3 who speak.

4 If a speaker repeats himself or herself, the
5 chairman will ask if the speaker has any new comments to
6 make. If there are none, the speaker will be asked to let
7 others make comments to the board. Thank you.

8 Mr. Chairman.

9 COMMISSION CHAIRPERSON BRACKPOOL: Good morning.
10 Let me start with Item Number 1, a resolution to former
11 board member John Andreini. And I have to say, that
12 although I did not have the pleasure of serving with John,
13 he must have been one of the most popular commissioners
14 ever given the turnout here today.

15 So it is with -- it is with pleasure and now a
16 sense of deep understanding that I ask you to come forth
17 and accept this resolution from the board. And we want to
18 thank you for all of your outstanding diligent efforts
19 over the years.

20 MR. ANDREINI: I'm not going to stick around for
21 autographs, but stick around to see what Mr. Stronach has
22 to say.

23 Thank you very much.

24 COMMISSION CHAIRPERSON BRACKPOOL: All right.
25 We'll open this meeting with the first item being approval

1 of the -- well, before we do this, let me just, first of
2 all, thank Hollywood Park for the location here today. I
3 think this room is an excellent setting. It allows proper
4 seating for everybody. Very good set up. And I gather
5 there was a lot of effort and cooperation put into this,
6 so I want to thank you.

7 The second thing I will say before starting the
8 meeting is that we are providing audio of this meeting
9 over the Internet. We do plan to continue this practice
10 through the next fiscal year. I think this is a critical
11 means of allowing everyone within our industry to be able
12 to listen and have decent input.

13 We'd like to thank the California Marketing
14 Committee for loaning us the microphones and other audio
15 equipment, which has greatly reduced the cost of this
16 webcast for us. So thank you to the CMC.

17 So let's begin with Item Number 2, approval of
18 the minutes of the last meeting on May the 20th that we
19 held at Golden Gate Fields.

20 Do I have any comments or do I have anyone
21 prepared to make the motion?

22 COMMISSION VICE CHAIRPERSON ISRAEL: So moved.

23 COMMISSIONER HARRIS: Second.

24 COMMISSION CHAIRPERSON BRACKPOOL: Okay. That's
25 Commissioner Vice Chair Israel, motions the minutes, and

1 Commissioner John Harris second.

2 All in favor.

3 (Ayes.)

4 COMMISSION CHAIRPERSON BRACKPOOL: Okay. Motion
5 carried.

6 Item Number 3 is the public comment period. And
7 I have one speaker who has written a card. If anybody
8 wishes to speak on any item on this, please give a card to
9 Mike Marten sitting over there at the press table, and we
10 will do our best.

11 The speaker we have so far, Jerry Jamgotchian.

12 MR. JAMGOTCHIAN: Thank you, Mr. Chairman,
13 members of the California Horse Racing Board.

14 First off, I'd like to thank you for --

15 MR. BREED: Excuse me, Mr. --

16 MR. JAMGOTCHIAN: Sorry. Jerry Jamgotchian.

17 MR. BREED: Excuse me just a minute.

18 MR. JAMGOTCHIAN: Sure.

19 MR. BREED: I failed to announce that Bon Smith
20 is our time keeper. He's the official time keeper.

21 MR. JAMGOTCHIAN: Oh, okay.

22 COMMISSION CHAIRPERSON BRACKPOOL: I apologize,
23 Mr. Jamgotchian. Please continue.

24 MR. JAMGOTCHIAN: That's fine. Thank you.

25 First off, I'd like to thank the CHRB for

1 reinstating the audio feed. I think it's very important
2 to this industry. I appreciate that.

3 As a former owner and breeder in California, I
4 have been highly critical of the California Horse Racing
5 Board for many years.

6 Prior to shipping all of my horses out of
7 California in 2008, I owned over 150 race horses and raced
8 them exclusively in California using various northern and
9 southern California trainers. I would breed between 15
10 and 20 mares per year in California, and my monthly
11 horse-related expenditures in California alone exceeded
12 \$150,000 a month.

13 This investment in California horse racing
14 generated valuable jobs for California residents,
15 racetrack employees, vendors, trainers, back stretch
16 workers, sales companies, suppliers, and the race tracks
17 who benefited by handle, but most importantly it provided
18 me, my family, and friends a great opportunity to watch my
19 horses compete.

20 Since I left California in 2008, my horses have
21 raced in over 300 races in West Virginia, Kentucky,
22 Florida, New York, Maryland, et cetera, generated over
23 \$25 million in handle and have won nearly \$1.3 million in
24 purses.

25 Since leaving I have not bred or bought a

1 California race horse and now very infrequently even
2 attend race horses in California because the fun has been
3 sucked out of California horse racing by the actions of
4 the CHRB and its surrogates. I'm not alone in this
5 regard, and I'm sure there are many people in the audience
6 that share the same opinion.

7 People ask why I left, and a few reasons are that
8 the TOC, the CTBA, and the CHRB and other unfriendly
9 organizations, including the racetracks themselves, have
10 refused to listen to the wagering public, the horse
11 owners, trainers, and other industry partners.

12 In many cases these organizations, as well as
13 others, have been proxies for the racetracks and are
14 exclusive, conflicted, and self-serving rather than being
15 inclusive and doing what's right for California horse
16 racing. Everyone, including the horsemen and the owners,
17 want to speak with one voice, but the CHRB has done very
18 little to unify any of these groups or the industry in
19 general.

20 Two, obviously it's no longer economically
21 feasible to race in California as an owner.

22 Three, the racetrack mandate -- I notice time is
23 running quickly, so I'll try to speed up. The racetrack
24 mandate that was forced upon us by the CHRB has
25 essentially made betters refuse to wager on California

1 horse racing and owners like me to essentially not race
2 here.

3 Additionally, the inability of the CHRB to
4 require ADW providers to pay their fair share to the
5 California horsemen and racing organizations and
6 associations in addition to graciously allowing them to
7 destroy on-track attendance and handle.

8 Another one is the unequal enforcement of horse
9 racing rules against both trainers and owners by the CHRB,
10 the equine medical director, racetrack stewards, and other
11 officials who are abusing their authority.

12 MR. BREED: We need to wrap this up, Jerry. The
13 three minutes is up.

14 MR. JAMGOTCHIAN: Okay.

15 COMMISSION CHAIRPERSON BRACKPOOL: Quick finish.
16 I'll let you finish the sentence.

17 MR. JAMGOTCHIAN: You know, let me just read the
18 last paragraph.

19 For many years now I have told people that the
20 quality of California horse racing would continue to
21 rapidly decline and sought to increase the horse
22 population by reducing purses. To accomplish this, their
23 plan was to eliminate quality horse racing.

24 You're not going to let me finish. I think
25 that's discourteous, but I'll accept that as long as these

1 rules are equally enforced. But I would ask for the
2 benefit of everybody in this audience, Chairman Brackpool,
3 that you ask Mr. Stronach to come forward pursuant to Item
4 Number 15 and 16 and let's get started on trying to fix
5 California horse racing.

6 COMMISSION CHAIRPERSON BRACKPOOL: Thank you,
7 Jerry.

8 I have another speaker. John Bucalo from Barona
9 Casino Off-Track Betting.

10 John, please state your name.

11 MR. BUCALO: John Bucalo, Barona Casino off-track
12 betting manager.

13 This is in regards of the full card wagering, the
14 letter I wrote to the board. And I know you're
15 considering offering the full card wagering. Operating
16 expenses will be nil using self-service machines. If
17 we -- if it became popular enough to necessitate clerks,
18 that would be great for the game. It's additional monies
19 that will be added for operating expenses. We, the
20 satellites, need it, and there is a provision in the law
21 book of -- the California law book. It's 19604,
22 identified as item J.

23 It says, "A racing association, a fair, a
24 satellite wagering facility may accept and facilitate the
25 placement of any wager from any patron at its facility

1 that a Californian resident could make through a betting
2 system wagering hub duly offering advanced deposit
3 wagering in this state."

4 So advanced wagering takes full card wagering
5 from all the tracks. We would like to have that same
6 privilege to increase our revenues. These increased
7 revenues would also go to horsemen's purses, operating
8 expenses to the tracks. And if the tracks are afraid that
9 it will take money away from their handle because they
10 have a later post, I feel it to the contrary. I think it
11 will add monies. And there's always ATMs at every
12 racetrack where they get moneys at the tracks anyways.

13 And I appreciate the opportunity to speak, sir.
14 Thank you.

15 COMMISSION CHAIRPERSON BRACKPOOL: Thank you,
16 John.

17 Okay. That concludes public comment, there being
18 no more speakers.

19 We'll move on to Item Number 4.

20 Jackie, will you present Item Number 4, please.

21 REGULATIONS/LEGISLATION MANAGER WAGNER: Good
22 morning. Jacqueline Wagner, CHRB staff.

23 The proposed amendment to Rule 1844 would
24 increase the amount of procaine that may be present in an
25 official urine test sample from ten nanograms per

1 milliliter to 50 nanograms per milliliter.

2 The proposed amendment also adds a new
3 subsection, 1844(h), which states, "Procaine. Following
4 administration of procaine penicillin is an authorized
5 medication, there may be no more than 25 nanograms per
6 milliliter in the official blood test sample, and the
7 procaine administration must have been reported pursuant
8 to our current Rule 1842 of the veterinarian's report. In
9 addition, procaine penicillin cannot have been
10 administered after injury."

11 The proposal was discussed at the May Medication
12 and Track Safety Committee. The committee determined it
13 would recommend to the board that the proposal be ruled
14 for 45 days, 45-day notice (inaudible) staff would
15 recommend that the board be instructed to initiate the
16 45-day public comment on this proposal.

17 COMMISSION CHAIRPERSON BRACKPOOL: Okay. Can
18 I -- Rick Arthur?

19 DR. ARTHUR: Yeah, I just wanted to point out
20 there's one provision that Jackie missed, and that is --

21 COMMISSION CHAIRPERSON BRACKPOOL: Rick.

22 DR. ARTHUR: Excuse me. Dr. Arthur, equine
23 medical director, California Horse Racing Board.

24 -- and that is the horse has to be under six-hour
25 surveillance prior to the race for (h) to be effective.

1 COMMISSION CHAIRPERSON BRACKPOOL: I would like
2 Commissioner Derek to speak to this issue because she was
3 the one who chaired the committee that brought this forth.

4 COMMISSIONER DEREK: Yes. Not something I would
5 normally be -- this is Bo Derek. I would normally not be
6 in favor of raising a level of any medication, but in this
7 case, I do believe it's therapeutic and important to
8 racing.

9 COMMISSION CHAIRPERSON BRACKPOOL: Okay.
10 Commissioner Harris.

11 COMMISSIONER HARRIS: I'm going to (inaudible)
12 penicillin, which is a very old medication and I believe
13 is very much more effective than some of the newer
14 antibiotics, but the problem is though, as I understand
15 it, it does have to be administered with a small amount of
16 procaine, which would not impact the race at all, that it
17 would allow diligent use of procaine penicillin, which is
18 something that could save money and take better care of
19 the horses.

20 COMMISSION CHAIRPERSON BRACKPOOL: Okay.

21 Mike, I have no speaker cards on this particular
22 issue.

23 Do I have any other comments from any other
24 commissioners?

25 Then the staff recommendation is to direct the

1 board to initiate the 45-day comment period, and I'd be
2 happy to make that motion that we go ahead and do that.

3 Do I have a second?

4 COMMISSIONER DEREK: I'll second.

5 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
6 Derek seconds.

7 All in favor?

8 (Ayes.)

9 COMMISSION CHAIRPERSON BRACKPOOL: Thank you.

10 Item Number 5 is the hearing and action by the
11 board regarding the proposed amendment to CHRB Rule 1766,
12 Designated Races, to require a jockey or a driver to serve
13 an additional suspension day, similar to the caliber of
14 the designated races, should a suspended jockey or driver
15 participate in more than one designated race per day in
16 California.

17 This action item concludes the 45-day public
18 comment period. And I do not -- do we have any other --
19 yeah, the stewards submitted support letters here.

20 Jackie, would you just read the support letter
21 into the record?

22 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
23 Wagner, CHRB staff.

24 The first support letter received from the Board
25 of Stewards states, "Please add this Board of Stewards to

1 the list of those who support the addition of paragraph H
2 to California Horse Racing Board 1766, Designated Racing.
3 The adoption of this amendment would prevent a suspended
4 jockey from training a lucrative Saturday or Sunday or an
5 ordinary weekday when a suspension day is reimposed
6 pursuant to the designated race. This would also help
7 ensure all riders are treated equally. (Inaudible) has
8 always been a practice adhered to by this Board of
9 Stewards whether the dates are being given after a jockey
10 has dropped or lost an appeal or because of the daily need
11 to be added to the designated race day. Having this
12 practice put into (inaudible) is an idea we support
13 wholeheartedly." (Inaudible.)

14 COMMISSION CHAIRPERSON BRACKPOOL: Okay. And we
15 have a similar letter from the stewards here at
16 Hollywood Park.

17 This is an issue that we have discussed at
18 previous board meetings. We put it out for comment, and I
19 think this is a -- I personally think this is a good thing
20 for the sport. It stops any appearance of people gaining
21 the system by trading days. So I know I'm certainly in
22 favor of this.

23 But, Commissioner Israel?

24 COMMISSION VICE CHAIRPERSON ISRAEL: No, I'd just
25 like -- I'd like to move the motion.

1 COMMISSIONER CHOPER: Second.

2 COMMISSION CHAIRPERSON BRACKPOOL: Okay. So
3 Commissioner Israel moves the motion, Commissioner Choper
4 seconds the motion.

5 All in favor.

6 (Ayes.)

7 COMMISSION CHAIRPERSON BRACKPOOL: Okay. The
8 motion passes.

9 And I'd like to say that the person originally
10 behind this motion is Commissioner Rosenberg, who is not
11 here, so I'm sure it would have been an even larger vote
12 had he been here.

13 COMMISSION VICE CHAIRPERSON ISRAEL: So it would
14 be better than unanimous.

15 COMMISSION CHAIRPERSON BRACKPOOL: Exactly.

16 Thank you.

17 Before we move on to Item Number 6 and 7, we are
18 joined by Commissioner Moss, and I have to say on behalf
19 of not I think only myself, but everybody else, for those
20 of us that were here a week ago on Sunday and saw Zenyatta
21 race, I thought it was one of the most extraordinary --
22 and I just personally want to thank Jerry for continuing
23 to run this just amazingly wonderful, beautiful horse.
24 I've never seen anything like this in my life.

25 And long may it continue, Jerry.

1 COMMISSIONER MOSS: Thank you.

2 COMMISSION CHAIRPERSON BRACKPOOL: Jackie, Item 6
3 is withdrawn; is that correct?

4 REGULATIONS/LEGISLATION MANAGER WAGNER: That's
5 correct.

6 COMMISSION CHAIRPERSON BRACKPOOL: Item 6 is
7 withdrawn until the July -- it's not withdrawn, just put
8 over to the July meeting.

9 Item Number 7 is the discussion and action by the
10 board regarding the distribution of race day charity
11 proceeds of the Oak Tree Racing Association in the amount
12 of \$48,365 to eight beneficiaries.

13 REGULATIONS/LEGISLATION MANAGER WAGNER: That is
14 correct.

15 Jacqueline Wagner, CHRB staff.

16 As stated by the chairman, Oak Tree Racing
17 Association is requesting that the \$48,365 racing charity
18 fund be distributed pursuant to the attached list that
19 they have submitted. Staff notes that approximately
20 100 percent of the proceeds will be given to horse racing
21 related organizations. And we recommend that the board
22 approve the request as presented.

23 COMMISSION CHAIRPERSON BRACKPOOL: Okay. I think
24 this is pretty simple.

25 Can I have a motion?

1 COMMISSIONER DEREK: I'll move.

2 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
3 Derek moves the motion.

4 Do I have a second?

5 Commissioner Moss seconds the motion.

6 All in favor?

7 (Ayes.)

8 COMMISSION CHAIRPERSON BRACKPOOL: Motion is
9 carried unanimously.

10 All right. Item Number 8 is discussion and
11 action by the board regarding the SCOTWINC and NCOTWINC
12 issues.

13 Who do I have to speak to this issue today?

14 Mr. Fravel, who is making his way to the podium,
15 unlike Zenyatta.

16 MR. FRAVEL: Mr. Chairman, members, Craig Fravel,
17 I'm the chairman of SCOTWINC.

18 There's a report to the board under Item 8 that
19 was provided to you I think several weeks -- last week for
20 inclusion in the package. And you should have also
21 received a rather comprehensive site-by-site document that
22 includes an analysis of the various factors involved in
23 each SCOTWINC and NCOTWINC location.

24 In response to the board's request and also on a
25 (inaudible) initiative to bring some greater clarity and

1 functionality to the SCOTWINC and NCOTWINC operating
2 sites, we appointed a task force comprising of the
3 executive director of the TOC, Guy Lamothe, and the chief
4 financial officers of the various race tracks in
5 California to do a comprehensive review of our operations,
6 to identify operating efficiencies, to find -- make
7 recommendation on future improvements, and develop
8 short-term and long-term recommendations on improving the
9 SCOTWINC operating system.

10 Phase one of that process has been completed,
11 which involves basically a snapshot of where we are
12 presently as well as a variety of recommendations for
13 improving operating efficiencies as well as delivery of
14 product to the customer, which are included in the report.

15 As you can see from that report, whether or not
16 it operates at its optimum, the SCOTWINC and NCOTWINC
17 sites are incredibly important to the California
18 operation. They represent over 43 percent of the handle
19 generated and in general deliver about 13.8 percent in
20 return to the industry. So as you know, the continued
21 health and welfare of those facilities is vitally
22 important.

23 And they require, as we have noted and as the
24 board has noted, extensive continuing work not only to
25 improve their operations, but to better deliver customer

1 service, to increase the product offerings, and look for
2 ways to increase the distributions, distribution of our
3 product in places beyond the traditional ADW and
4 brick-and-mortar locations.

5 A series of those recommendations is included in
6 your packet, and we invite the board to participate in the
7 ongoing implementation of those as well as the development
8 of additional recommendations, because as I said earlier,
9 this is a -- definitely a work in progress. I would say
10 we're 20 percent of the way down the road in terms of
11 implementing more long-term improvements.

12 And one of the critical items I think that we
13 have identified is the establishment of standards and
14 operating processes that are more uniform across the
15 various facilities.

16 As you can see from the materials you've been
17 provided, some operate better than others and some operate
18 in clearly substandard fashions, but that is definitely
19 not a problem across the board. There are some very nice
20 facilities and there are some less-than-nice facilities.
21 Oddly, enough some of the not-so-nice facilities from a
22 financial standpoint actually deliver more in terms of the
23 net on the return than you might expect.

24 On the short-term basis, what we're asking from
25 the board today is a modification of the current reduction

1 from the ADW model, for it to continue to sustain the
2 SCOTWINC facilities; in other words, to balance out the
3 operating expenses versus the operating revenues that are
4 attributable to the SCOTWINC and NCOTWINC sites.

5 And the two -- the request is to reduce from the
6 current 4 percent ADW deduction to 1.75 percent in the
7 south and 2.9 percent in the north and to continue that
8 just for one year while we continue to work on the
9 implementation of the modification of this business plan.

10 If there are further questions, I'd be happy to
11 invite the members of the committee up here who have been
12 working on this and are much more in tune with the details
13 of it.

14 COMMISSION CHAIRPERSON BRACKPOOL: Well, perhaps
15 let me just start by saying that when this issue was in
16 front of us in, I believe, it was February, I think you
17 could tell that this board was not pleased with the
18 status.

19 I do want to say, having been as strong as I was
20 in my comments then, that subsequent to that I've been
21 very pleased with the response. You've all made
22 yourselves available, met with me several times, and I
23 know met with other members of the commission to bring
24 this together. I thought the report that was put together
25 was a useful report.

1 I think perhaps in conjunction with the
2 initiative that we have asked staff to come back to the
3 board on, which is the ongoing licensing criteria for a
4 lot of these facilities, you know, I think this could --
5 this could start to work in the right way.

6 And I think what is also important that people
7 recognize here is that whilst there may continue to be an
8 operating deficit in a couple of these operations, that,
9 you know, the overall handle that they -- the contribution
10 to the handle is still significant.

11 But I think we made our point, which was that we
12 wanted much greater clarity, we wanted much greater effort
13 put into resolving this. And I for one have been very
14 pleased with the response put forth by yourself and
15 others.

16 But I now open it up to comments from any other
17 commissioners.

18 MR. FRAVEL: Commissioner Harris, in advance of
19 other comments or questions, I would be remiss if I didn't
20 acknowledge the cooperation of our paramutual clerks'
21 union, Local 280, who spent a lot of time with Jack Liebow
22 and Bernie Thurman representing the balance of the
23 industry and have truly shown that they are partners in
24 this business, have worked with us to identify cost
25 savings that without which we would, you know, not have

1 been able to get to the point where we are in terms of
2 resolving, you know, both past deficits and dealing in a
3 much more efficient fashion with future deficits.

4 So I want to thank Richard Castro and Jim Correl
5 and their negotiating committee for their cooperation.

6 COMMISSION CHAIRPERSON BRACKPOOL: Thank you.
7 Commissioner Harris.

8 COMMISSIONER HARRIS: Just to clarify (inaudible)
9 basically this does not impact take out. With take out
10 they given fans (inaudible) which would be the same.

11 MR. FRAVEL: Fans would not be affected by
12 anything we're asking.

13 COMMISSIONER HARRIS: So all we're talking about
14 here, which is the distribution of monies that are there
15 already.

16 MR. FRAVEL: Right. And we're essentially asking
17 for a reduction.

18 The board last year approved a two-year deduction
19 from ADW of approximately 4.12 percent, and so we're
20 actually asking for that to be reduced to the levels that
21 I mentioned.

22 COMMISSION CHAIRPERSON BRACKPOOL: Is that your
23 comment, John?

24 COMMISSIONER HARRIS: I think so. The ADW sector
25 (inaudible) proposal?

1 MR. FRAVEL: We haven't asked them.

2 COMMISSIONER HARRIS: Seems like I can remember
3 (inaudible).

4 MR. FRAVEL: Well, the deduction comes from the
5 handle overall, so the issues related to negotiation of
6 ADW contracts and compensation is a separate market
7 negotiation. It's not coming from the ADW companies
8 directly, but it has impacted the negotiation of those
9 agreements.

10 COMMISSIONER HARRIS: (Inaudible) by charter
11 where (inaudible).

12 MR. FRAVEL: Sure. We can provide that to you.

13 COMMISSION CHAIRPERSON BRACKPOOL: There is one
14 in the annual report every year, but perhaps we could
15 update that with this coming -- Jackie, for the next
16 meeting. Let's have that as a discussion item.

17 Commissioner Choper first.

18 COMMISSIONER CHOPER: Could you briefly state
19 how, given all the deductions, you're going to balance
20 your own budget. That may be in here, but I never really
21 clearly found it.

22 MR. FRAVEL: Well, basically there's a
23 two-and-a-half percent deduction from the brick-and-mortar
24 locations, and that goes to basically paying all the
25 paramutual-related costs, which are clerks, uplink,

1 television distribution. They're really the direct costs
2 of just distributing the signal and taking wagers,
3 Totalizator fees.

4 And the way we balance the deficit, because money
5 has shifted to ADW as well as there have been declines at
6 the off-track facilities, the way that the balancing
7 occurs is by creating a deduction from the ADW revenues to
8 balance against projected revenues, against projected
9 expenses. And, you know, candidly, we've reduced expenses
10 by close to \$5 million, so, you know, that's a big
11 positive.

12 COMMISSIONER CHOPER: Did the ADW participate,
13 participate in your discussions?

14 MR. FRAVEL: No, they haven't been part of this
15 workgroup. And as I said, you know, long term --
16 longer-term means of doing ADW better and expanding the
17 distribution and finding other ways to meet questions,
18 like Mr. Bucalo was presenting earlier, are all things
19 that we need to continue to work with this board to
20 accomplish.

21 Some of those are legislative, some can be done
22 at the board level, but we'll be coming back to you with
23 much more detailed recommendations and suggestions and
24 requests for assistance on some of those.

25 COMMISSION CHAIRPERSON BRACKPOOL: Does that

1 answer your question, Jesse, or -- I don't think it does.

2 You seem to be --

3 MR. FRAVEL: I think if you read this memo
4 carefully, and we can provide you with much more detailed
5 financial information that will answer that question quite
6 clearly.

7 COMMISSIONER CHOPER: Let me ask one more
8 question.

9 How as a matter of rule does the ADW contribution
10 requirement take place?

11 MR. FRAVEL: The law was modified several years
12 ago so that we could create deductions from the ADW or
13 from other statutory sections --

14 COMMISSIONER CHOPER: That's SCOTWINC and
15 NCOTWINC could do it.

16 MR. FRAVEL: The industry could do it with the
17 agreements of the represented parties and the approval of
18 the board.

19 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
20 Israel.

21 COMMISSION VICE CHAIRPERSON ISRAEL: Do you have
22 any standards that you impose upon your member facilities
23 in order that they get your support? Because they can't
24 operate, as I understand it, without your clerks. So --

25 MR. FRAVEL: The answer to that is that there are

1 not specific standards for various operations. And I
2 think that your question is well taken, and it's a
3 personal view, and I've expressed it in some of these
4 meetings. We need to start looking at the SCOTWINC
5 facilities as franchise operations. And I think the board
6 has already started that process of coming up with
7 franchise operating standards so that you need to meet
8 certain requirements.

9 As operating organizations, SCOTWINC and NCOTWINC
10 only control the distribution signal and the acceptance of
11 wagers. We don't control the food and beverage, we don't
12 control the janitorial, we don't control the capital
13 expense budget for those facilities so that their chairs
14 are comfortable and their televisions are in good working
15 order.

16 So those are -- that process is something I think
17 the board has already started, and our recommendations
18 include the development of those standards. Our ability
19 to enforce them, candidly, is probably not as great as
20 yours is, so that's why --

21 COMMISSION VICE CHAIRPERSON ISRAEL: Well, you
22 have the -- you have the power of the purse though.

23 MR. FRAVEL: I think the law is -- and we could
24 get into a big discussion about this, but whether any of
25 the organizations have the ability to cut off individual

1 facilities is highly questionable.

2 COMMISSION VICE CHAIRPERSON ISRAEL: Well, you
3 might consider then establishing some standards that --
4 and legislation that enable you to do that so that
5 everybody operating -- you yourself said there are
6 substandard and there are above-standard locations. You
7 want a bar there that everybody has to surpass, I would
8 think.

9 COMMISSION CHAIRPERSON BRACKPOOL: I think that
10 we as a board have the ability to impose those regulations
11 and those requirements and I think that would supersede
12 anything that SCOTWINC or NCOTWINC --

13 MR. FRAVEL: I think that's one of the things
14 that we need to work together on, because I do believe you
15 guys have more ability to do that than --

16 COMMISSIONER CHOPER: I think what would be
17 particularly helpful is that if your looking around comes
18 up with some conclusions that particular off-track sites
19 are inadequate, you should report it --

20 MR. FRAVEL: That would clearly --

21 COMMISSIONER CHOPER: -- on a regular basis.

22 MR. FRAVEL: That would clearly be a part of
23 ongoing managerial responsibilities.

24 COMMISSION VICE CHAIRPERSON ISRAEL: Right. I
25 mean, you can just help us establish what kinds of

1 televisions are necessary, how many are necessary to serve
2 a certain amount of customers.

3 MR. FRAVEL: Right. And basically the point
4 we're at now is we've done the survey work to say, you
5 know, precisely what the conditions are. The next step is
6 to work not only with our group but with your staff to
7 say, okay, now we can take it from what the status is to
8 what the implementation should be on that score.

9 COMMISSION CHAIRPERSON BRACKPOOL: Well, let's do
10 this, Craig, to move this along: Kirk has just informed
11 me that the item will be ready for the July board meeting.
12 Perhaps immediately following this meeting, your working
13 group could sit down with our staff and see whether there
14 are some combined ideas that could come together.

15 But this will be a heated discussion item at the
16 July meeting, because I really get the feeling that this
17 board is very, very desirous of imposing these standards.

18 MR. FRAVEL: And we're ready to do that as soon
19 as possible.

20 COMMISSION CHAIRPERSON BRACKPOOL: Devil will be
21 in the detail.

22 Well, I have a motion here that would allow this
23 reduced deduction and the continued spirit of goodwill
24 working together. So let me read this resolution and see
25 whether the board is okay with this.

1 "Effective for a one-year period commencing
2 7/1/2010 and ending 6/30/2011, the board approves,
3 pursuant to Section 19604(f) (5) (E) and subject to the
4 parties whose distributions are being affected filing the
5 prescribed agreement with the board, that the distribution
6 of market access fees from the advanced deposit wagers
7 made by California residents on races conducted and hosted
8 by thoroughbred associations be modified to 1.75 percent
9 of advanced deposit wagers in central and southern zones
10 to SCOTWINC, and 2.9 percent of advanced deposit wagers in
11 the northern zone of NCOTWINC. Effective for a one-year
12 period commencing 7/1/2010 and ending 6/30/2011, the board
13 approves pursuant to Section 19601.01 and subject to the
14 parties whose distributions are being affected filing a
15 prescribed agreement with the board, that the distribution
16 prescribed in Section 19605.7(a) (2) (A) to the entity
17 described in Section 19608.2 be altered from 2.5 percent
18 to 2.9 percent of the handle in the northern zones on
19 races conducted and hosted by the thoroughbred association
20 in the northern zone."

21 That was really dull.

22 Before I ask for a vote on the motion, I've been
23 handed a speaker card, and I'm going to allow public
24 comment on the issue before I take that vote.

25 I have a speaker card from Jerry Jamgotchian.

1 MR. JAMGOTCHIAN: Thank you, Mr. Chairman. My
2 comments are going to be brief, but I think there's
3 something that we've discussed many, many times, and that
4 is these satellite locations have to be profitable. And
5 under their current scheme, they're not going to be
6 profitable because they don't make enough money when
7 compared to the ADW pirates. That's the issue.

8 With regards to the, as I've talked about before,
9 having standards on these satellite facilities, square
10 footage standards, television standards, seating
11 standards, square footage standards, those need to be
12 addressed, and nothing has been done with regards to that.

13 The workgroup identifies two things; gaining
14 control of the presentation of the California horse racing
15 product, and also the integrated marketing and publicity
16 efforts of the race tracks, satellites and ADW providers.

17 I've been at this microphone for years saying
18 that in 1998, the race tracks received and have received
19 over a billion dollars in license relief, and very little
20 of that money has ever been reinvested in the race tracks
21 or to accurately and properly promote this sport. This
22 money has been used to acquire race tracks and basically
23 pay shareholders. And it's the responsibility of this
24 board, and I ask this board to accept the responsibility,
25 you control the licensing of these satellites. Don't

1 license satellites that are embarrassing to horse racing
2 and the people that attend it. It's all on you.

3 Mr. Fravel and his group, they have no ability to
4 enforce it and, in fact, they even admitted today. This
5 is all in your basket, and we ask you to control the
6 satellites.

7 COMMISSION CHAIRPERSON BRACKPOOL: We need to
8 move this meeting along, Jerry.

9 At the, not the last meeting, the one before that
10 we approved this direction to staff's staff for working on
11 that. So I think you should save your comments until you
12 see -- let me finish -- until you see what the result is
13 of that work, you see what the standards are, you see what
14 the discussions are, and we'll look forward to having you
15 stand up and testify on the issue at the July board
16 meeting.

17 MR. JAMGOTCHIAN: But once again, the satellites
18 have to be profitable. If they're not profitable, there's
19 no use changing the system because the system's broken.

20 Thank you.

21 COMMISSION CHAIRPERSON BRACKPOOL: Thank you,
22 Mr. Jamgotchian.

23 Okay. If anybody accurately remembers my
24 motion --

25 COMMISSION VICE CHAIRPERSON ISRAEL: I'll second

1 it.

2 COMMISSION CHAIRPERSON BRACKPOOL: Vice Chair

3 Israel seconds the motion.

4 All in favor.

5 (Ayes.)

6 COMMISSION CHAIRPERSON BRACKPOOL: Motion carries
7 unanimously.

8 MR. FRAVEL: Thank you very much, and we look
9 forward to continuing that work and participating in that
10 effort. Thank you.

11 COMMISSION CHAIRPERSON BRACKPOOL: Thank you.

12 Okay. The next item is a discussion, Item
13 Number 9, a piece of legislation that was blocked. The
14 piece of legislation was Senate Bill 1439, Senator Price,
15 which would have changed the 20-mile radius requirement to
16 15 miles -- gasp -- and authorized the CHRB to conduct a
17 one-year test to see.

18 This has taken a considerable amount of our time
19 over the last several months. Commissioner Choper and I
20 held a hearing, legislative hearing where this was one of
21 the main focuses of the hearing. We implored the parties
22 to attempt to work this out. Unfortunately, San Mateo
23 Fair and CARF believed that it was in their better
24 interest to block this issue and not attempt to try and
25 resolve this.

1 And so I have asked, having had several
2 conference calls with the participants, I have asked
3 members to -- involved in this discussion to stand before
4 us today and explain exactly what their opposition was to
5 this.

6 So maybe I could start by asking Mr. Korby, if
7 he's here, or his chairman, if he's here, from CARF to
8 step forward.

9 Do I have him here? Mr. Korby, I see.

10 Is your chair here, Chris?

11 MR. KORBY: He is.

12 COMMISSION CHAIRPERSON BRACKPOOL: Thank you.

13 MR. KORBY: Good morning.

14 COMMISSION CHAIRPERSON BRACKPOOL: Since there's
15 multiple of you, please come forth and sit.

16 And if you'd, please, Chris, introduce who's
17 sitting at the panel table with you.

18 MR. KORBY: Chris Korby, California Authority of
19 Racing Fairs. With me is Mr. John Alkire, chairman of our
20 board of directors, and Mr. Louie Brown, who represents
21 our interests in Sacramento.

22 COMMISSION CHAIRPERSON BRACKPOOL: Well, I think
23 that the board in particular and I'm sure the audience is
24 interested to know what horse racing interests you believe
25 were successfully advanced in our difficult times by your

1 significant efforts to oppose passage of this bill to
2 increase the number of minisatellites that are available
3 to betters and to get our product in more people's hands.

4 MR. KORBY: Well, I can respond first of all by
5 saying we are in support of expansion of the satellite
6 network and expansion of the minisatellites. We felt that
7 this bill was flawed and perhaps even could hurt our
8 interests and hurt the existing satellite network when
9 it's in a very fragile condition. We just heard testimony
10 about the importance of the contribution that that
11 satellite network makes to our industry.

12 COMMISSION CHAIRPERSON BRACKPOOL: We have
13 standards on both of them. We heard testimony on both of
14 those issues. It was not one-way testimony.

15 MR. KORBY: We have standards for our facilities.
16 We're glad to work with the board on making those board
17 standards as well, if that's what the board wishes to do.
18 In fact, we furnished our inspection criteria to the board
19 staff already as a contribution to that effort.

20 COMMISSION CHAIRPERSON BRACKPOOL: Well, plainly
21 this board doesn't believe those standards are adequate,
22 otherwise we wouldn't have voted to have new standards and
23 direct staff to come back with new standards. So let's
24 not pretend that's not an open wound between us, because
25 it is.

1 MR. KORBY: I didn't know that I had -- that's
2 the first I've heard that the board has reviewed the
3 criteria that we submitted. If they're inadequate, we're
4 glad to sit down and work with the board as to precisely
5 how they are.

6 COMMISSION CHAIRPERSON BRACKPOOL: Okay. Perhaps
7 your chair would enlighten us with what parts of the
8 legislation were so painful to CARF that it had to spend
9 exhaustive time and resources opposing this bill.

10 MR. ALKIRE: Yes, John Alkire, chairman of CARF,
11 CEO of the Fresno Fair.

12 The reason that CARF opposed SB 1439, it created
13 inequalities amongst fairs, tribes, and tracks. Motivated
14 by primarily by the NADHOC (phonetic) desire to get back
15 at San Mateo Fair for its opposition to two Golden Gate
16 minisatellite wagering facility concepts for
17 San Francisco.

18 There was no business plan or economic criteria
19 for the implementation behind this bill. Satellite
20 wagering facilities, as mentioned before, are struggling
21 now. We've lost two in the last year. SB 1439 allows
22 further cannibalization that will have harmful impact on
23 existing satellites in our opinion, sir.

24 Expansion can take place, and it's taken place
25 within existing statute. And I would like to add that

1 we're here today to work together with you. We want to
2 pull together and move forward and do it in a way that is
3 agreeable with both parties. We're not here to fight you,
4 sir.

5 COMMISSION CHAIRPERSON BRACKPOOL: Vice Chair
6 Israel.

7 COMMISSION VICE CHAIRPERSON ISRAEL: Let me ask
8 you kind of a hypothetical question.

9 If Los Angeles County or Kern County decided that
10 they didn't want Fresno County to have a fair and
11 interfered in your ability to have a fair by running some
12 legislation that gave them that right, what would you do?

13 MR. ALKIRE: I would oppose that effort.

14 COMMISSION VICE CHAIRPERSON ISRAEL: Okay. So
15 why is it okay for San Mateo County to determine what
16 businesses can operate in San Francisco County? What's
17 the difference?

18 This isn't somebody trying to operate a business
19 in San Mateo County, this is a separate county with its
20 own interests and its own population that needs to be
21 served. And if they have those facilities, it can benefit
22 the whole of horse racing by generating revenue, by
23 increasing interest in the sport.

24 Golden Gate Fields isn't about to ask to operate
25 a facility that it thinks is bad for the business in

1 general.

2 So explain to me your intellectual rationale for
3 all this.

4 MR. ALKIRE: Well, it's my understanding that
5 Golden Gate and San Mateo Fair went together with an
6 agreement that allows them to go into San Francisco.

7 COMMISSION CHAIRPERSON BRACKPOOL: Well, we'll
8 have Golden Gate speak to that in a moment.

9 If that was the case though, then I'm even more
10 shocked that you spent all of this time and effort
11 opposing this legislation, because if San Mateo and
12 Golden Gate have had a Cumbaya session, then, again, who
13 are you protecting? Because nobody else opposed this
14 bill.

15 We sat in Arcadia for hours, Commissioner Choper
16 and myself, and the message was loud and clear that the
17 governor of California had made a public statement that he
18 wanted to be supportive of a significant piece of
19 legislation this year that would promote horse racing.
20 Our mandate, as shown up there in the mission statement,
21 includes the promotion of horse racing.

22 We had this debate. We implored your executive
23 director and the people from San Mateo County to sit down
24 with everybody else and try and work this out. Everybody
25 ran off to Sacramento and said no, no, no, no, no. Again,

1 the only message the legislature heard was that once again
2 we have warring factions. And we had warring factions
3 over an issue that you now sit here and tell me was
4 resolved.

5 So if it's resolved and there's peace amongst
6 previous adversaries, then please, please enlighten me and
7 the board as to why you continued your opposition efforts,
8 because I'm mystified.

9 MR. KORBY: Mr. Chairman --

10 COMMISSION CHAIRPERSON BRACKPOOL: I was
11 addressing the question to your chairman, Mr. Korby.

12 MR. ALKIRE: I was going to defer to Mr. Korby
13 because I was not included in those meetings. I'm sorry.

14 COMMISSION CHAIRPERSON BRACKPOOL: You were not
15 included in which meetings?

16 MR. ALKIRE: The meetings in Sacramento.

17 COMMISSION CHAIRPERSON BRACKPOOL: But I'm not
18 concerned at the moment about the meetings in Sacramento.
19 You just made a statement as chairman of CARF that
20 Golden Gate Fields and San Mateo made book on an issue and
21 have resolved the issue.

22 MR. ALKIRE: Yes, sir, that was my understanding.

23 COMMISSION CHAIRPERSON BRACKPOOL: Then how, if
24 that is your understanding, could you authorize your
25 executive director to continue to expend CARF funds

1 lobbying against a bill where you've just testified that
2 you believed the issue had been resolved?

3 MR. ALKIRE: That still didn't negate the fact
4 that San Mateo Fair is trying to pay off their
5 indebtedness for this new facility. And we wanted to make
6 sure that, you know, that that was ensured, of taking care
7 of those financial obligations as well.

8 COMMISSION CHAIRPERSON BRACKPOOL: Well, you were
9 prepared -- you were prepared to hold the rest of
10 California racing hostage to allow San Mateo on its own
11 version of how it runs its business to expedite its debt
12 payoff.

13 MR. ALKIRE: They're a member of CARF, and we
14 were trying to stand beside them, yes.

15 COMMISSION VICE CHAIRPERSON ISRAEL: Are you
16 seeing any marketing surveys that indicate that an
17 expansion into San Francisco would adversely impact
18 San Mateo's take in any particularly profound way?

19 MR. ALKIRE: I haven't seen any studies like
20 that.

21 COMMISSION VICE CHAIRPERSON ISRAEL: So it's just
22 a hunch then.

23 MR. KORBAY: Mr. Israel, may I respond to that?

24 I think you raised a critically important point
25 here that we would like to make about this bill. There

1 was no plan associated with this bill. There are no
2 economic criteria that were part of it, there's no plan
3 for an orderly expansion of satellite wagering or
4 minisatellites --

5 COMMISSION VICE CHAIRPERSON ISRAEL: Let me
6 interrupt you.

7 First of all, that's not true. The expansion of
8 minisatellites into the various zones is designated by
9 law, and a number -- the number is -- there's a maximum
10 number of minisatellite facilities that can be built in
11 any given zone, if I'm not mistaken.

12 MR. KORBY: Yes, that's correct.

13 COMMISSION VICE CHAIRPERSON ISRAEL: I think it's
14 15 in each of the three zones; is that right?

15 MR. KORBY: Yes.

16 COMMISSION VICE CHAIRPERSON ISRAEL: So there are
17 criteria. So what you just said is not true.

18 MR. KORBY: There are not any -- there are no
19 economic criteria. There were no economic criteria for
20 determining impact, there were no economic criteria for
21 determining where would be good locations for satellite
22 wagering facilities --

23 COMMISSION VICE CHAIRPERSON ISRAEL: The point
24 that just mystifies me is why one county can hold another
25 county hostage. San Francisco County wants to participate

1 in this business. San Francisco City wants to participate
2 in this business. What the hell business is it of
3 San Mateo's whether San Francisco does something?

4 COMMISSION CHAIRPERSON BRACKPOOL: In addition to
5 that, there are currently no economic standards for
6 maintaining an existing facility. So I think you've just
7 given the board an idea of something else that's going to
8 be added to the ongoing licensing criteria.

9 MR. KORBY: I think we would be in favor of both
10 of those. We advocate a plan. As a matter of fact, I'd
11 like to tell the board that since the events in the
12 legislature, we have reached out to other industry
13 groups --

14 COMMISSION CHAIRPERSON BRACKPOOL: Who have you
15 reached out to?

16 MR. KORBY: Thoroughbred Owners of California.

17 COMMISSION CHAIRPERSON BRACKPOOL: That's a
18 group. Who else?

19 MR. KORBY: We talked -- we met yesterday at
20 Del Mar with representatives from Del Mar and TOC. We've
21 had conversations with representatives from Magna.

22 COMMISSION CHAIRPERSON BRACKPOOL: Right.

23 MR. KORBY: We're --

24 COMMISSION CHAIRPERSON BRACKPOOL: With the aim
25 of?

1 MR. KORBY: With the aim of coming up with
2 legislative language that would replace what we consider
3 the flawed language in 1439 with a bill that would allow
4 for expansion of satellite wagering in California in an
5 orderly business-like fashion.

6 COMMISSIONER MOSS: What do you consider orderly?

7 MR. KORBY: I'm sorry?

8 COMMISSIONER MOSS: What do you consider orderly?
9 Do you have any province over the Gardena Card Club? Does
10 that belong to CARF at all?

11 MR. KORBY: No.

12 COMMISSIONER MOSS: So they opened. Did you have
13 anything to do about that?

14 MR. KORBY: No.

15 COMMISSIONER MOSS: So why can't other people
16 open and have a business? Why does this state of
17 monopoly, this --

18 MR. KORBY: We would encourage expansion of the
19 satellite network. We encourage expansion of the
20 satellite network in a way that benefits racing and
21 doesn't injure the existing facilities.

22 COMMISSION CHAIRPERSON BRACKPOOL: Do you have,
23 prepared to give it to us now, a proposal as to what
24 language is acceptable to CARF to promote, because I,
25 frankly, can't take you at face value. So when you sit

1 there and say that CARF is in favor of expansion of the
2 minisatellite system --

3 MR. KORBY: We do have language.

4 COMMISSION CHAIRPERSON BRACKPOOL: You do have
5 language.

6 MR. KORBY: Yes.

7 COMMISSION CHAIRPERSON BRACKPOOL: And in the
8 simplest possible terms, because most of us, certainly
9 speaking for myself, are very simple people, what is it in
10 your language that differs from the existing language that
11 you believed was so critical that you had to not only
12 expend a great deal of funds, but expend, in my view, a
13 great deal of racing's goodwill in Sacramento, which is
14 why I personally am so angry about your actions.

15 MR. KORBY: We have a five-point framework that
16 if the board would permit, I would be glad to read.

17 COMMISSION CHAIRPERSON BRACKPOOL: I don't want
18 to you read it, I just need you to simply explain what it
19 is you believe needed to be changed.

20 MR. KORBY: We believe the language in
21 legislation should require a business plan for
22 implementation of expansion of the satellite wagering
23 network not later -- to be completed not later than
24 January 31st, 2011.

25 COMMISSION VICE CHAIRPERSON ISRAEL: Is this for

1 the entire state?

2 MR. KORBY: Yes.

3 COMMISSION VICE CHAIRPERSON ISRAEL: That's
4 absurd.

5 COMMISSIONER HARRIS: (Inaudible) -- bring this
6 up before (inaudible) increase handle at satellites, but
7 it seems like you didn't have that hat on at all when you
8 basically were just only concerned about the impacts on
9 San Mateo County Fair, which is not even a racing fair.

10 MR. KORBY: Exactly.

11 COMMISSIONER HARRIS: It seemed like it's just
12 outportioned to the needs of your constituency.

13 MR. KORBY: Our board has representatives from
14 both satellite fairs and live racing fairs, and our board
15 was in support of our position on this bill.

16 COMMISSION CHAIRPERSON BRACKPOOL: Right.

17 Commissioner Choper.

18 COMMISSIONER CHOPER: I just -- maybe get all the
19 five points out.

20 MR. KORBY: Thank you, sir.

21 COMMISSIONER CHOPER: Maybe that will cover some
22 of the objection.

23 MR. KORBY: We ask that there be a business plan
24 required, statewide business plan required for expansion
25 of satellite wagering.

1 COMMISSIONER HARRIS: To be drawn and approved by
2 whom?

3 MR. KORBY: We're suggesting that it -- there are
4 three entities within which this could happen: NCOTWINC,
5 SCOTWINC, or CMC.

6 COMMISSION CHAIRPERSON BRACKPOOL: So they would
7 draw up the plan. Who would approve the plan under your
8 proposed legislation?

9 MR. KORBY: Tracks, horsemen and fairs. We would
10 welcome the board getting involved --

11 COMMISSION CHAIRPERSON BRACKPOOL: But you would
12 have veto right over it; CARF would have a continuing veto
13 right over whether it felt the business plan was adequate.

14 MR. KORBY: We're not asking for that, we're
15 asking for a collaborative effort --

16 COMMISSION CHAIRPERSON BRACKPOOL: I understand,
17 but in your proposal, would you maintain the right to have
18 had a veto?

19 MR. KORBY: No, that's not -- no --

20 COMMISSION CHAIRPERSON BRACKPOOL: (inaudible)
21 submission of a business plan, doesn't matter what it says
22 because nobody has a veto right over it.

23 MR. KORBY: We look for an empirical,
24 business-like analysis of where the underserved markets
25 are, which areas of the state could support satellite

1 wagering where they are not presently present.

2 COMMISSION CHAIRPERSON BRACKPOOL: What was the
3 second point?

4 COMMISSION VICE CHAIRPERSON ISRAEL: Are you
5 willing to pay for that?

6 MR. KORBY: We'll contribute to it.

7 COMMISSION CHAIRPERSON BRACKPOOL: Let's go
8 through the five points.

9 The first point is a business plan to be drafted
10 by a group of people and approved by nobody.

11 The second point is?

12 MR. KORBY: Define the market area by population,
13 population density, or other demographic metric. Apply
14 mileage radius based on that demographic metric.

15 COMMISSION CHAIRPERSON BRACKPOOL: And the third?
16 That's the third? The fourth?

17 MR. KORBY: The third? No, the third is that we
18 will voluntarily eliminate a district-wide protection for
19 fairs in northern California on January 1st, 2011.

20 COMMISSIONER CHOPER: Would you repeat that? I
21 didn't get it, please.

22 MR. KORBY: Eliminate district-wide protection
23 for fairs in northern California effective January 1st,
24 2011.

25 COMMISSIONER CHOPER: I'm sorry, I don't fully

1 understand.

2 COMMISSION VICE CHAIRPERSON ISRAEL: What does
3 "district wide" mean?

4 MR. KORBY: Louie, would you like to explain
5 that?

6 MR. BROWN: Mr. Chairman, members of the board,
7 Louie Brown on behalf of the California Authority of
8 Racing Fairs.

9 In current law, the minisatellite law that was
10 passed, AB 241, there was an agreement that the fairs in
11 northern California would have essentially more than the
12 20-mile radius and they would have a protection in their
13 district until 2013. A district ag association's district
14 as outlined --

15 COMMISSION VICE CHAIRPERSON ISRAEL: Agriculture
16 district.

17 MR. BROWN: Correct.

18 -- outlined in statute, for the most part other
19 counties.

20 COMMISSIONER CHOPER: And you propose that
21 expires in six months.

22 MR. BROWN: Yes.

23 COMMISSIONER CHOPER: January the 1st, '11.

24 MR. BROWN: Two years ahead of current statute.

25 COMMISSIONER HARRIS: But that wasn't really an

1 issue in this bill anyway.

2 COMMISSIONER CHOPER: So we would accelerate the
3 sunset.

4 MR. KORBY: Our fourth point, create an
5 arbitration process for a racetrack or fair and propose a
6 minisatellite that cannot reach agreement. And we would
7 like to see that be an impartial third-party arbitration
8 process.

9 Our fifth point is that we would, as an industry,
10 establish streamlined procedures for review of requests
11 for minisatellite approval and license applications.

12 COMMISSION CHAIRPERSON BRACKPOOL: So you have
13 distributed -- you have distributed this five-point plan
14 widely, correct?

15 MR. KORBY: Not widely.

16 COMMISSION CHAIRPERSON BRACKPOOL: I was going to
17 say, because nobody on this dais has received one. Has
18 anybody else in the industry received this industry-wide
19 proposal?

20 MR. KORBY: Yes. When you characterize that as
21 an industry-wide proposal, we have had a series of
22 conversations --

23 COMMISSION CHAIRPERSON BRACKPOOL: Let me give it
24 to you very simple.

25 Who has received this five-point proposal?

1 MR. KORBY: Thoroughbred Owners of California,
2 Del Mar Thoroughbred Club.

3 COMMISSION CHAIRPERSON BRACKPOOL: Okay. And
4 when did they receive this?

5 MR. KORBY: We've had these discussions in the
6 past week.

7 COMMISSION CHAIRPERSON BRACKPOOL: The past week;
8 after the bill was defeated.

9 MR. KORBY: Correct.

10 COMMISSION CHAIRPERSON BRACKPOOL: So during the
11 time the bill was being negotiated, zero effort was put
12 forth for a counter-proposal.

13 MR. KORBY: No, that is not true. We met with
14 industry representatives several times in person and by
15 conference call attempting to work out our differences in
16 the language of this bill.

17 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
18 Choper.

19 COMMISSIONER CHOPER: Yeah, Chris, going forward,
20 right, I want to make a suggestion, then ask you a couple
21 of questions.

22 MR. KORBY: Okay.

23 COMMISSIONER CHOPER: The suggestion would be
24 that you include mediation with arbitration. I think
25 under the circumstances that might be a much better

1 process.

2 And the second is, would you tell us just where
3 the situation stands with San Francisco outlets,
4 San Francisco satellites.

5 COMMISSION CHAIRPERSON BRACKPOOL: Well,
6 actually, to answer that question, either you've stated or
7 your chairman has stated an agreement has been reached
8 between San Mateo and Golden Gate; so could I ask Robert
9 Hartman of Golden Gate to answer Commissioner Choper's
10 question?

11 COMMISSIONER CHOPER: Where are we? I mean this
12 is a simple question.

13 MR. HARTMAN: Robert Hartman, Golden Gate Fields.

14 In May I reached out to the San Mateo County Fair
15 to put a lot of the past angst behind us, and in the
16 spirit of cooperation come up with an agreement where we
17 could work together rather than working separately on
18 these things.

19 And what we agreed to, and this document was
20 signed by Chris Carpenter of the San Mateo County Fair as
21 well as myself, was to let San Mateo County open up
22 minisatellites in their county and allow Golden Gate
23 Fields to open up satellites in the county in
24 San Francisco. I thought that was a very fair
25 arrangement. The document said that we would support each

1 other in these efforts, we wouldn't do anything, even if
2 the minisatellite was within 20 miles of Golden Gate
3 Fields but located in San Mateo County, we wouldn't do
4 anything to oppose their efforts; similarly, they wouldn't
5 do anything to oppose our efforts on the minisatellite in
6 San Francisco.

7 COMMISSION CHAIRPERSON BRACKPOOL: And what is
8 the status of that agreement?

9 MR. HARTMAN: It's been executed, and now we can
10 both go forward in those respective counties.

11 COMMISSION CHAIRPERSON BRACKPOOL: So again, let
12 me just see if I can explain this.

13 So San Mateo's issues with San Francisco have
14 been resolved, and yet CARF went to battle, charged forth
15 on its horse to defend the honor of somebody who had
16 already run off with somebody else. What am I missing
17 here?

18 MR. GOLTZ: My name is Porter Goltz. I'm the
19 attorney for the San Mateo County Events Center and the
20 county.

21 What you're missing, Mr. Chairman, through the
22 ridicule and the badgering of all of these people who are
23 trying to explain to you is that San Mateo County relying
24 on a statutory scheme that was in existence that included
25 a 25-mile radius, that San Mateo County did not write, but

1 that \$6 million and established a satellite wagering
2 facility based on a statutory scheme that provided some
3 protection. That was the reason.

4 COMMISSION CHAIRPERSON BRACKPOOL: You didn't
5 begin to address the question. And I have to say that to
6 paraphrase a previous president, the ten most scary words
7 that I hear at the moment in this room are "We're from
8 San Mateo and we're here to help you."

9 So the question that I asked of Robert Hartman
10 was given that his response was that we had -- he had made
11 a deal with you, you could now open multiple
12 minisatellites in San Mateo --

13 MR. GOLTZ: (Inaudible).

14 COMMISSION CHAIRPERSON BRACKPOOL: Excuse me,
15 excuse me.

16 That he could open -- that you could open mini
17 multiple -- multiple minisatellites in San Mateo, and in
18 return, he could open multiple minisatellites in
19 San Francisco.

20 Just very simply, the chairman of CARF said that
21 was the case. Robert Hartman has confirmed that's the
22 case. Yes or no, is it the case as far as San Mateo is
23 concerned?

24 MR. GOLTZ: Yes.

25 COMMISSION CHAIRPERSON BRACKPOOL: Right.

1 Therefore -- Commissioner Choper.

2 COMMISSIONER CHOPER: No, no, go ahead.

3 COMMISSION CHAIRPERSON BRACKPOOL: Therefore,
4 please explain and enlighten me with why you continue to
5 oppose the bill given that the only people that you have
6 been fighting with on this issue have been San Francisco
7 and you've both now agreed a truce.

8 MR. GOLTZ: The reasons, as I have stated, the
9 County of San Mateo, the San Mateo County Fairground, the
10 Jockey Club borrowed close to \$6 million of state money to
11 build a satellite wagering facility. And to the extent
12 that we believe that other minisatellites could
13 cannibalize our patrons, we are firm in our position that
14 the protected zone that was part of the statutory scheme
15 when we borrowed that money should remain the same. If
16 there was a good reason to have it before, there's no
17 reason to change it. And San Mateo County is on the
18 agenda today with a minisatellite.

19 We are actively trying, and our application will
20 be before you shortly, trying to open another
21 minisatellite in northern California.

22 COMMISSION VICE CHAIRPERSON ISRAEL: Won't that
23 cannibalize you?

24 MR. GOLTZ: We believe that the strategic
25 placement of this one will not.

1 COMMISSION VICE CHAIRPERSON ISRAEL: In other
2 words, you're going to get a piece of the action.

3 MR. GOLTZ: Everybody gets a piece of the action.
4 That's what this whole board is about. Distributing the
5 action.

6 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
7 Choper.

8 COMMISSIONER CHOPER: One question.

9 When was the agreement signed?

10 MR. GOLTZ: I believe that was in May, May 12th.

11 COMMISSIONER CHOPER: That was before the bill
12 was beaten?

13 MR. GOLTZ: Yes.

14 COMMISSION CHAIRPERSON BRACKPOOL: The
15 distinction that I believe that he's making is he can open
16 as many satellites in San Mateo as he wants, he just
17 doesn't want anybody else to open one. That's the
18 distinction.

19 COMMISSIONER CHOPER: Let me make this suggestion
20 for going forward. All right? I mean, the bill is
21 beaten, a lot of people are unhappy about it on the one
22 hand; on the other hand, the impetus for the whole damn
23 thing has not been resolved, at least from my
24 understanding. I mean, as a number of you know, I was
25 pretty much involved with the difficulties that were going

1 on. Okay.

2 So you've come up with a plan. And I would urge
3 you to share it widely as soon as -- I mean, you have to
4 have -- whatever you have in mind, you want to polish it
5 up a little bit before you show it to others, I don't
6 quite know, you know, what your -- what the sequence is,
7 but I would do it quickly, as quickly as you can.

8 And I would hope that we could get something, we
9 don't even need Bob, we've got legislation on other
10 things. I just think that --

11 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
12 Israel.

13 COMMISSION VICE CHAIRPERSON ISRAEL: Yeah, I have
14 a question for Bob Hartman.

15 Does the card club in the east bay remain
16 unresolved despite this agreement?

17 MR. HARTMAN: Are you referring to
18 Lucky Chances --

19 COMMISSION VICE CHAIRPERSON ISRAEL: Lucky
20 Chances, yes.

21 MR. HARTMAN: -- located in San Mateo?

22 COMMISSION VICE CHAIRPERSON ISRAEL: Oh, it's in
23 San Mateo.

24 MR. HARTMAN: It's in San Mateo County. So that
25 would -- as part of our agreement, that would be up to

1 San Mateo County Fair to look into opening that agreement.

2 But just on another piece of this topic, there
3 are other locations other than San Mateo and San Francisco
4 that this is an issue. Golden Gate Fields will be before
5 you to open up a minisatellite in Pleasant Hill,
6 California. Hopefully we'll make the July meeting. We've
7 been working with CHRB staff on that. That location in
8 Pleasant Hill is 19.8 miles from the Solano County Fair.

9 So these issues, this is more than just a
10 San Francisco-San Mateo issue, this is going to affect
11 other places, both in northern California and southern
12 California. Luckily the Solano County Fair has granted us
13 a waiver and will allow us to open this location. And I
14 want to thank Mike Paluszak and the board of the Solano
15 County Fair for being good partners and allowing us to do
16 that. So hopefully we can get that one open in
17 Pleasant Hill.

18 COMMISSION CHAIRPERSON BRACKPOOL: Or you could
19 have located the machines at the very back of the facility
20 and that would have been 20 miles.

21 COMMISSIONER CHOPER: I just want to say this: I
22 guess, perhaps, as the person most directly affected by
23 this, being from northern California, and, you know,
24 watching what's going on, I understand the interest, the
25 competing interest involved here. I think for whatever

1 reason what's happened has happened, and we can't change
2 that. But what we can do is try to avoid situations like
3 this from happening again, to facilitate the opening of
4 satellites in a way that is good for everybody concerned.

5 I must say for me, it's very important, although
6 I'm certainly sympathetic to the notion of the bond issue
7 and the reliance and so forth. We've got one racetrack,
8 you know, one major racetrack left up there, we've got to
9 do what we can to keep them going or else we've
10 substantially diminished the interest in horse racing in
11 northern California. So all of that has got to be taken
12 into account.

13 It seems to me you've got the beginnings of
14 something, maybe more than the beginnings. You've got
15 to -- you need to maybe do a little tweaking, polishing,
16 maybe there's more. But let's move it forward and get
17 people to agree to this. And anything that the board can
18 do to facilitate that, I know we're ready to do so.

19 COMMISSION VICE CHAIRPERSON ISRAEL: Okay. I
20 just want to say one thing.

21 I implore you to start doing some market
22 research, because the fact is that density sometimes
23 drives business for everybody. The movie business took
24 for years as an article of faith that too many theaters
25 would wind up hurting other theaters; and in fact, as more

1 and more theaters were built, more and more customers came
2 and density wound out being a benefit to everybody.

3 And you have no market research whatsoever, you
4 have done no market studies, you just take as an article
5 of faith that if there's somebody else in the same
6 business 19.5 miles away, it's bad for my business. And I
7 think that's based upon nothing and it's not necessarily
8 true and it's hurting everybody that you believe that
9 that's the case and that you operate with that as your
10 principle operating theory.

11 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
12 Moss.

13 COMMISSIONER MOSS: I just, you know, I agree
14 with what Mr. Israel said. We're promoting a game here,
15 and we keep having these impediments, you know. Without a
16 computer, you can't make a bet in Santa Barbara, you can't
17 make a bet in San Francisco, you can't make a bet in
18 San Diego, you know. I mean, it's crazy, ridiculous.
19 This is 2010 and these facilities are acting like
20 monopolies, and it's just not right. And for us to go to
21 the legislature again and lose is ridiculous.

22 So I'm anxious to see your plan, I'm anxious to
23 see us accommodate some plan that will allow this system
24 to accommodate facilities that will appeal to these people
25 that want to make wagers. It's just not right at this

1 point.

2 MR. KORBY: (Inaudible) we have a plan, an actual
3 business plan and some --

4 COMMISSION VICE CHAIRPERSON ISRAEL: You've got
5 (inaudible) research, you can't just make it up.

6 MR. ALKIRE: Chairman Brackpool, we will take the
7 leadership role, I guarantee it. We're here with open
8 hand, not closed fist.

9 COMMISSION CHAIRPERSON BRACKPOOL: It sure
10 doesn't feel like that because, you know, the open hand
11 has got me seeing stars, so --

12 MR. ALKIRE: Give us an opportunity to rebound
13 and come back to you in a better light.

14 COMMISSION CHAIRPERSON BRACKPOOL: I look forward
15 at the July board meeting to you coming back showing, you
16 know, who you've employed on the market research, how many
17 people you've reached out to. I'd like to see the
18 distribution of this five-point plan. I'd like to know
19 that San Mateo agreed to this five-point plan, because
20 without it, it doesn't mean anything, because you'll just
21 go and fight it again on their behalf anyway.

22 And that's where we are. So thank you for your
23 time, and I think this gives you an idea of just how upset
24 this board is with this issue.

25 MR. ALKIRE: Appreciate it.

1 COMMISSION CHAIRPERSON BRACKPOOL: Before you sit
2 down, I have one speaker on the issue, Item Number 9,
3 Mr. Jim Jamgotchian.

4 MR. JAMGOTCHIAN: Mr. Chairman, members of the
5 board, in sitting here listening to just what went on, I'm
6 just disgusted, because this signal is controlled by the
7 California Horse Racing Board who licenses satellites.
8 All of us know that satellites are not economically
9 profitable, so I don't know why the argument is as fervent
10 as it is.

11 More importantly, the truth of this matter is
12 that the board was basically beat in the senate on the
13 senate bill by CARF because CARF had their cards in place
14 and the CHRB failed to speak with a unified voice.

15 The real issue, I think, has to do with economic
16 standards, and I've said that for months now. If a
17 satellite is not performing economically, it's not making
18 money, it's not handling 300,000, 500,000, whatever the
19 number's going to be, close it. Because when you close
20 it, then you open up that territory for new satellite
21 locations.

22 I do have a possible answer for you, maybe you
23 haven't considered it. And before I say it, I just want
24 you to understand that you are, in fact, being held
25 hostage, I think all of you know that, by CARF, and CARF

1 will continue to do that until this board takes the
2 leadership role to get answers.

3 And the answers that need to be addressed are,
4 number one, they have to be profitable; and number two,
5 let me ask this question: If I'm TVG or HRTV, and since
6 the CHRB has the absolute final authority to license a
7 facility, what would happen if TVG or HRTV or any other
8 licensee came out through either an assignee or a
9 subleasee and took a space right across the street and put
10 in computers? Now, I'm wondering, because they have
11 theoretically the license and signal, why can't that be
12 done in California? Why can't this board take the
13 leadership to have multiple betting locations within five
14 miles of this racetrack? If, in fact, you're going to
15 allow ADW to cannibalize the handle and the attendance at
16 the race tracks, the more handle and attendance you get
17 outside the racetrack might be beneficial. But it's a
18 requirement on this board to make it so the ADWs are
19 paying their fair share to the horsemen and this sport can
20 improve itself.

21 So if I was TVG or HRTV, I'd be certainly looking
22 at establishing betting parlors in major malls a mile or
23 two away and let the satellites play with their own
24 satellites, because it's not an economic investment for
25 these guys.

1 San Mateo Fair, they just mentioned that they
2 can't pay their debt service payments. The reason why
3 they can't pay their debt service payments is because your
4 model is broken.

5 Thank you.

6 COMMISSION CHAIRPERSON BRACKPOOL: Thank you,
7 Mr. Jamgotchian.

8 Thank you, CARF.

9 MR. BREED: Chris, you've got the next item.

10 COMMISSION CHAIRPERSON BRACKPOOL: The next item,
11 Item Number 10, is a discussion and action by the board on
12 the request from California Authority of Racing Fairs to
13 enact CHRB Rule 1406, Suspension of Rule, to waive the
14 provisions of Rule 1976.9, the Pick (n) Pool, to allow
15 Pick Six carry over to roll from the Alameda County Fair
16 continuing to the California State Fair, the Sonoma County
17 Fair, and the Humboldt County Fair with the payout
18 concluding on the last day of the Big Fresno Fair.

19 So who do we have to speak to this issue right
20 now?

21 MR. KORBY: Chris Korby, California Authority of
22 Racing Fairs.

23 Yes, sir, the reason that we're making this
24 request is that the Pick Six is one of the most popular
25 wagers in California, and one of the elements in its

1 popularity is the fact that continuing -- if a winning
2 selection is not paid out, the pool carries over and grows
3 in size. With fairs running short-duration meets, this
4 year between one and three weeks, there is not much
5 opportunity for that Pick Six carry over pool to grow, and
6 we think that that's a terrific way to promote horse
7 racing and interest in horse racing.

8 Board staff has advised us that we could ask for
9 a waiver of the rule that requires a payout at the end of
10 a specific meet. So we're asking that the board waive the
11 rule and allow us to carry over Pick Six pools from fair
12 meet to fair meet beginning with Alameda County Fair and
13 continuing through Fresno in October.

14 COMMISSIONER HARRIS: Have you had very many big
15 Pick Six carry overs at the fairs? My perception is there
16 aren't any anyway, and I tend to think that maybe this
17 move is unnecessary and maybe counter-productive. I like
18 the idea of paying out at the end of a meet, and even
19 though much of the wager is out of state or at other
20 facilities, it's still -- you get some finality to the
21 Pick Six, you just go ahead and pay it out, and it
22 simplifies it.

23 The way this works now, if somebody is a carry
24 over at Humboldt, doesn't get paid over till Fresno, which
25 is possibly a month and a half later.

1 It just seems like you're kind of rearranging the
2 deck chairs on the Titanic in this deal and not really
3 moving forward.

4 MR. KORBY: Well, I appreciate the logic of what
5 you say, and there's -- that's true. What we look at
6 though is that when the real interest --

7 COMMISSION CHAIRPERSON BRACKPOOL: The logic --
8 what is true is that you're rearranging the deck chairs on
9 the Titanic?

10 MR. KORBY: No, the logic of Mr. Harris's
11 argument about paying out the Pick Six at the end of each
12 meet. However, when we look at the interest, the interest
13 in the Pick Six, both in California and nationally, the
14 interest increases when the carry over reaches certain
15 thresholds, and we would like the opportunity for that to
16 occur at fairs. We don't think that is possible given the
17 short duration of an individual fair meet.

18 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
19 Choper.

20 COMMISSIONER CHOPER: You saw the e-mail
21 concerning the Humboldt County Fair and the number of
22 races they have on another day? Did you see that?

23 MR. KORBY: I know the issue. I don't recall the
24 specific e-mail.

25 COMMISSIONER CHOPER: It came across my computer

1 a couple of days ago, in which they said, to carry it over
2 into Humboldt would produce some sort of strange
3 situations. They sometimes don't have six races in a
4 particular day.

5 COMMISSION VICE CHAIRPERSON ISRAEL: Six
6 thoroughbred races.

7 COMMISSIONER CHOPER: Six thoroughbred races in a
8 particular day.

9 Have you looked into that? That's all. I mean,
10 I certainly don't know how --

11 MR. KORBY: Yes, we have. And if --

12 COMMISSIONER CHOPER: So what would happen under
13 those circumstances?

14 MR. KORBY: We would offer it on six races that
15 are available at Humboldt County Fair.

16 COMMISSION VICE CHAIRPERSON ISRAEL: So mules and
17 Arabians, whatever.

18 MR. KORBY: Yes.

19 COMMISSION VICE CHAIRPERSON ISRAEL: Quarter
20 horses.

21 MR. KORBY: It wouldn't be the first time that
22 we've had multiple leg wagers on different breeds.

23 COMMISSIONER CHOPER: So sometimes get one in the
24 six, but not more than that. I just think, as I said a
25 number of times, I think it's a deterrent. I don't have

1 anything against them merging --

2 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
3 Harris.

4 COMMISSIONER HARRIS: Well, I think the big
5 Pick Six carry overs are more in the south, and you
6 benefit from those because you get the wagering receipts
7 on wagers made in the south, made in the north on the
8 south anyway. It just seems to me that it's simpler just
9 to do it the traditional way and pay out at the end of
10 each meet rather than try and confuse things.

11 MR. KORBY: As I said, our desire was to give
12 that exotic wager every opportunity to grow to a large,
13 attractive carry over. That's our simple intent here.

14 COMMISSIONER HARRIS: Yeah. One of my concerns
15 though is a lot of times when it does go big, it's really
16 a redistribution of wealth to somebody in some offshore
17 site that's a mega better, that it's not necessarily
18 staying in the state anyway. So that's sort of a
19 necessary evil to get enthusiasm going, but I just don't
20 see -- what's the biggest Pick Six carry over you've had
21 in the last two years at a fair?

22 MR. KORBY: I don't have that at my fingertips.

23 COMMISSIONER HARRIS: No business plan on that,
24 huh?

25 MR. KORBY: We're looking for it to grow. It

1 hasn't been big enough.

2 COMMISSION CHAIRPERSON BRACKPOOL: I'm not
3 hearing any desire for a motion on this --

4 COMMISSION VICE CHAIRPERSON ISRAEL: Well, I'd
5 like the opportunity to vote no, so I don't know how we
6 want to do that.

7 COMMISSION CHAIRPERSON BRACKPOOL: Well, you can
8 make a motion to deny the request.

9 COMMISSION VICE CHAIRPERSON ISRAEL: I move that
10 we deny the request.

11 COMMISSIONER HARRIS: Second.

12 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
13 Harris second.

14 All in favor.

15 (Ayes.)

16 COMMISSION CHAIRPERSON BRACKPOOL: Unanimously
17 denied.

18 Okay. To get the spirit of this meeting moving
19 along, Item Number 11 is a request by the San Mateo Event
20 Center to open a minisatellite. Let nobody tell you these
21 meetings are dull.

22 Please step forward.

23 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
24 Wagner, CHRB staff.

25 The San Mateo County Events Center has submitted

1 their application to operate a minisatellite facility at
2 the Artichoke Joe's Casino, which is located approximately
3 eight miles from the proposed satellite facility. They
4 represent that Artichoke Joe's is merely the location and
5 that the Jockey Club will operate the minisatellite, and
6 no Artichoke Joe's personnel will handle any of the money
7 wagered for it, nor will they handle the equipment for the
8 signal or wagering.

9 The applicant proposes to operate the
10 minisatellite facility Wednesday through Sunday and
11 selected Mondays and holidays. The estimated number of
12 terminals in this facility is 10. The seating capacity is
13 66. The number of tables in this facility is estimated to
14 be 20. There will be 19 television monitors.

15 There are a number of items that are outstanding
16 with this item that are listed in your package.

17 COMMISSIONER CHOPER: Are all of them still
18 outstanding?

19 REGULATIONS/LEGISLATION MANAGER WAGNER: No, I've
20 got some --

21 COMMISSIONER CHOPER: I'm sorry.

22 REGULATIONS/LEGISLATION MANAGER WAGNER: I have a
23 couple that I have received. We have received the
24 financials, and we have received the description of the
25 public address system. We received officially a brand new

1 application on the 19th, and we went over it very quickly,
2 and we noted there was some language changes on the
3 application that really don't affect the outstanding
4 items.

5 So to date we have outstanding on this
6 application the hard copy, we need a wet signature of the
7 certification of the applicant's documents, we need the
8 horsemen's approval, we need a fire clearance. San Mateo
9 did provide us with their workers' compensation insurance.
10 We do note that with that workers' compensation insurance
11 policy supplied by the applicant that it does not cover
12 Artichoke Joe's. Artichoke Joe's has submitted their
13 workers' compensation insurance policy to us, but in being
14 that they are not the applicant, I'm not exactly sure how
15 that will work out and I do need to see --

16 COMMISSION CHAIRPERSON BRACKPOOL: Is that it for
17 the documents?

18 REGULATIONS/LEGISLATION MANAGER WAGNER: I'm
19 sorry?

20 COMMISSION CHAIRPERSON BRACKPOOL: Is that it for
21 the documents?

22 REGULATIONS/LEGISLATION MANAGER WAGNER:
23 (Inaudible) document is outstanding, and we do have a
24 number of -- a couple of contracted association
25 information, associations that --

1 COMMISSION CHAIRPERSON BRACKPOOL: Where is the
2 business plan that goes through the projections of this
3 with all of the data that's in CARF's five-point plan?

4 MR. CARNEGIE: My advice to you would be --

5 COMMISSION CHAIRPERSON BRACKPOOL: I'm sorry,
6 would you please --

7 MR. CARNEGIE: Chris Carnegie, general manager,
8 San Mateo County Events Center.

9 Is that the same requirement that you've had from
10 the commerce point? Is that the same requirement that
11 you've had from all other minisatellites that may come
12 before you? Because if it is and it's in the application
13 and it's in the statute, we will provide it. But so far
14 that's not in the statute and that's not in the
15 minisatellite application.

16 COMMISSION CHAIRPERSON BRACKPOOL: That didn't
17 stop everybody opposing the change in legislation, because
18 they believe that should be.

19 MR. GOLTZ: I thought we've moved on from that
20 agenda item.

21 MR. CARNEGIE: You know, I'd like to make the
22 comment too that we came before you in Santa Anita and we
23 told you that we were going to be bringing some
24 applications before you. We really meant that. And here
25 we sit today doing that. So we are honorable. What we

1 say we're going to do and what we're going to follow
2 through with, we honestly do.

3 We are up here bringing before you a
4 minisatellite, we're asking for the -- for your approval
5 today contingent upon some items that we will provide.

6 We're very active in the process of opening this
7 minisatellite. We're very serious about this. We made
8 comment earlier about an agreement now that we have made
9 with Golden Gate. And I've got to make the point, that
10 document was provided to the CHRB office shortly after we
11 signed it in May. It became apparent to me that many
12 didn't see that document, but we signed it May 12th and we
13 made that available.

14 COMMISSION CHAIRPERSON BRACKPOOL: Just one
15 simple question. Your basic belief is that any satellites
16 opened within a 20-mile radius of your facility should be
17 controlled and operated by San Mateo Fair.

18 MR. CARNEGIE: We made mention again in
19 Santa Anita and we had made it on a number of other
20 occasions that it is our belief that the minisatellite
21 wagering facilities will work if strategically located in
22 the bay area and northern California.

23 COMMISSION CHAIRPERSON BRACKPOOL: I was about --

24 MR. CARNEGIE: We're not asking --

25 COMMISSION CHAIRPERSON BRACKPOOL: That didn't

1 begin to answer my question. So I'm not sure if you heard
2 it. So let me repeat it again.

3 Is it the philosophy and intent of San Mateo that
4 it will only allow facilities to be opened within a
5 20-mile radius of its facility if San Mateo is either the
6 operator or effectively the franchisor of the system?

7 MR. CARNEGIE: We'll look at any deal that's out
8 there. We're bringing before you a partnership deal right
9 now that's within our 20-mile radius.

10 COMMISSION VICE CHAIRPERSON ISRAEL: What is
11 this --

12 MR. CARNEGIE: And we've --

13 COMMISSION VICE CHAIRPERSON ISRAEL: What's the
14 financial relationship between Artichoke Joe's and
15 San Mateo?

16 MR. CARNEGIE: They will receive -- we will
17 receive, as the operator, the two percent on the handle.

18 COMMISSION VICE CHAIRPERSON ISRAEL: How much?

19 MR. CARNEGIE: All of that -- all of that -- all
20 the monies from the handle will go to Artichoke Joe's to
21 pay for all of the improvements that they're putting in
22 the facility at Artichoke Joe's. Once all those
23 improvements are paid, then there's a 50/50 split between
24 San Mateo County and Artichoke Joe's.

25 COMMISSION VICE CHAIRPERSON ISRAEL: So what do

1 your projections show as to how long it will take to pay
2 off? What's the amortization schedule?

3 MR. CARNEGIE: It's hard to say. The only
4 minisatellite location that we have to go by right now is
5 the Commerce Club. We would love to be so wildly
6 successful as the Commerce Club was, and I applaud them
7 for that, because we've looked at their numbers, and they
8 have been very successful. If we do half as good as the
9 Commerce Club, most of these -- the improvements that
10 they're going to put forth to create a minisatellite
11 location, I don't know, I mean, they could be paid off in
12 six months.

13 COMMISSION VICE CHAIRPERSON ISRAEL: Okay. So
14 why don't you consider Artichoke Joe's to be a crazed
15 cannibal trying to devour San Mateo Event Center?

16 MR. CARNEGIE: We met with various locations.
17 Artichoke Joe's was not the only site that we met with.
18 We met with Lucky Chance on various occasions.

19 COMMISSION VICE CHAIRPERSON ISRAEL: What was the
20 result of those meetings?

21 MR. CARNEGIE: We weren't able to come to terms
22 on a deal. We were able to come to terms on a deal with
23 Artichoke Joe's.

24 COMMISSION VICE CHAIRPERSON ISRAEL: Is there
25 anybody here from Artichoke Joe's to explain why they did

1 this?

2 MR. ALKIRE: Why they did what?

3 COMMISSION VICE CHAIRPERSON ISRAEL: Why they
4 made the deal with you. What's in it for Artichoke Joe's?

5 MR. CARNEGIE: A split.

6 COMMISSION VICE CHAIRPERSON ISRAEL: I understand
7 that. I want to understand why they --

8 MR. CARNEGIE: They were interested and they had
9 the space to create a minisatellite location. Lucky
10 Chances did as well.

11 COMMISSION VICE CHAIRPERSON ISRAEL: And why
12 isn't Artichoke Joe's here to represent itself?

13 MR. CARNEGIE: We're the applicant, we're the
14 individuals --

15 COMMISSION VICE CHAIRPERSON ISRAEL: But they
16 have to maintain the facility. Okay. You guys aren't
17 going to go clean the restroom, are you?

18 MR. CARNEGIE: No.

19 COMMISSION VICE CHAIRPERSON ISRAEL: You're not
20 going to serve the beer and the soda.

21 MR. CARNEGIE: No. That will all be
22 Artichoke Joe's.

23 COMMISSIONER HARRIS: Does Artichoke Joe's charge
24 admission?

25 MR. CARNEGIE: They do not.

1 COMMISSIONER HARRIS: I don't see why you
2 wouldn't be concerned about that since you do charge
3 admission I think, that that would over cannibalize your
4 site.

5 MR. CARNEGIE: We feel because of the size of the
6 minisatellite location that we're looking at, which is in
7 the application, a majority of their attendees may come
8 from the patrons that they already have at the facility.
9 But to a certain extent, some of the patronage that we
10 have could very well go to Artichoke Joe's. It's a very
11 good location. It's very close to the Cal Trans stop, and
12 it's not that far away from the BART.

13 COMMISSION VICE CHAIRPERSON ISRAEL: How far is
14 Lucky Chances from where you are?

15 MR. CARNEGIE: I didn't bring that up with me,
16 but roughly 14, 15 miles.

17 COMMISSION VICE CHAIRPERSON ISRAEL: Okay. And
18 they might -- they're a casino, right?

19 MR. CARNEGIE: Uh-huh.

20 COMMISSION VICE CHAIRPERSON ISRAEL: So they have
21 people predisposed to wager, right?

22 MR. CARNEGIE: Correct.

23 COMMISSION VICE CHAIRPERSON ISRAEL: And those
24 people, you know, might help push, increase an increase in
25 handle in California racing; is that right?

1 MR. CARNEGIE: Possibly.

2 COMMISSION VICE CHAIRPERSON ISRAEL: But because
3 you can't shake one point out of them, you're not going to
4 let them operate; is that right?

5 MR. GOLTZ: Excuse me. Mr. Israel, Porter Goltz,
6 counsel for the event center for the county.

7 This was a business deal. This was a business
8 deal that became acceptable to both parties. The business
9 deal that you're referring to previously was not
10 acceptable. We found a partner at a strategic location
11 that was acceptable, and since we're the applicant, we get
12 to choose which business partner we'd like, and we applied
13 to you. That was an acceptable deal because it was a fair
14 deal. It was a fair deal because it was a equal --

15 COMMISSION VICE CHAIRPERSON ISRAEL: What's fair
16 is what's good for all of California horse racing, not --

17 MR. GOLTZ: Well --

18 COMMISSION CHAIRPERSON BRACKPOOL: Let the
19 commissioner finish, please.

20 COMMISSION VICE CHAIRPERSON ISRAEL: -- not
21 what's good for one particular element at one particular
22 time. What's fair is what benefits the whole, what
23 generates the most revenue for everybody involved. And
24 it's not going to -- you still have never proved to us
25 through any kind of market surveys whatsoever that there's

1 any cannibalistic qualities to opening up these other
2 facilities. You're not eating yourself, and somebody's
3 not eating you. You can't prove that. But you resist the
4 expansion.

5 MR. GOLTZ: Excuse me. We are here today asking
6 you for a license to do the very thing that you're
7 accusing of us stopping. We are here with an
8 application --

9 COMMISSION VICE CHAIRPERSON ISRAEL: Because you
10 get a cut of the action.

11 MR. GOLTZ: Let me finish. Let me finish.

12 We are here with an application for a viable
13 minisatellite within the 20-mile radius of the statutory
14 scheme that was imposed at the time that the county got --

15 COMMISSION CHAIRPERSON BRACKPOOL: All right.
16 Commissioner Choper.

17 COMMISSIONER CHOPER: I think the core -- both of
18 them are asking the same question, which is as the
19 chairman's original question was, do you want to have veto
20 power over anyone within 20 miles, okay?

21 My understanding is that within the next six
22 months we're going to have a plan that deals with all of
23 those questions; is that right?

24 UNIDENTIFIED SPEAKER: We're a CARF member, we'll
25 work with -- (inaudible).

1 COMMISSIONER CHOPER: And I want to second
2 Commissioner Israel's point about market research. I've
3 said that before; to make some kind of determinations, how
4 successful that research -- I mean, how reliable that is,
5 I really don't know, you know a lot better than I do. But
6 if you had some reasonable assurances that you can
7 subsequently test out that it would or would not
8 significantly damage your attendance, I mean, that makes
9 one big difference in the calculus.

10 So I would urge you, it's probably costly to do
11 that, but as part of this, I know Chris Korby is still
12 here, but if, you know, you put that into your budget, I
13 think it's probably worthwhile because it would avoid a
14 lot of hassle.

15 COMMISSION CHAIRPERSON BRACKPOOL: I have a
16 couple of speakers before we go on this issue.

17 Sherwood Chillingworth from Oak Tree first.

18 MR. CHILLINGWORTH: Sherwood Chillingworth.

19 I think it's wrong to permit this type of
20 activity to continue for two reasons. One, you let some
21 conflicted entity within the 20-mile range determine who
22 is going to get the franchise. I don't think that's
23 appropriate. I think somebody else should be doing it in
24 a broader scale awarding these franchises.

25 Secondly, you take away the motivation for the

1 people opening these franchises when you take half their
2 profits away, even though you let them recover their
3 capital costs. So it makes no sense to me.

4 I think Jack Liebau had the right idea here a
5 year and a half ago where you open up a satellite, allow
6 it to run for a year, two years, whatever the period is,
7 and make an economic determination by some third party as
8 to whether the conflicted existing entity has been
9 negatively impacted, and you reimburse him for that. That
10 makes sense to me. You do it on a basis of fact data and
11 not miles and --

12 COMMISSIONER CHOPER: That's certainly something
13 they ought to consider with that five-point plan. It's a
14 good suggestion.

15 COMMISSIONER DEREK: I like that idea too because
16 I think waiting for market research could take forever,
17 and in the meantime these facilities could be operating.

18 COMMISSION CHAIRPERSON BRACKPOOL: Next speaker,
19 Jerry Jamgotchian.

20 MR. JAMGOTCHIAN: Mr. Chairman, members of the
21 board, the issue here is what's good for California horse
22 racing. That's what you're here for. You need to
23 determine what's good for California horse racing. And
24 I'll tell I what's good for California horse racing,
25 because I'm really getting tired of hearing about

1 Artichoke Joe's and satellites.

2 With regards to this and the standards that are
3 necessary, you don't have Craig Fravel, SCOTWINC,
4 NCOTWINC, TOC or anybody else establish standards. The
5 CHRB establishes the standards, submits them to these
6 agencies, and let them review them. You establish the
7 standards because it's your signal. To allow these guys
8 to come up and say, hey, we want to franchise our signal,
9 it's not even their signal, it's your signal. You're in
10 control. Act like somebody that controls California horse
11 racing.

12 With regards to the attitude though that I'm
13 seeing, and I'm a little frustrated by the adversarial
14 nature of this board towards these gentlemen as well as
15 Frank Stronach, which I'm sure we'll discuss later --

16 COMMISSION CHAIRPERSON BRACKPOOL: Let me make
17 sure I heard you right. You're frustrated by an
18 adversarial nature?

19 MR. JAMGOTCHIAN: I am. I am. I am. I am.

20 COMMISSION CHAIRPERSON BRACKPOOL: I've had some
21 strange days on this board, Jerry, but this is getting
22 right up there. Please continue.

23 MR. JAMGOTCHIAN: I'll tell you why. I kind of
24 feel like I'm the peacemaker now between some of these
25 people --

1 COMMISSION CHAIRPERSON BRACKPOOL: God help us.

2 God help us.

3 MR. JAMGOTCHIAN: Because -- I actually do,
4 because both sides call me, so I don't know really where
5 anybody sits anymore.

6 But with the adversarial nature, I really think
7 this board needs to step back and determine what's right
8 for California horse racing and consider these people, but
9 you have to make the decisions. You can change racetrack
10 services, I'm sure you can also change the satellite
11 wagering program in this state because it all rests upon
12 you.

13 Please change the satellite system so these guys
14 and other people can make money, because the ultimate goal
15 for people in horse racing is to make money. If owners
16 don't make money, trainers don't make money, the satellite
17 locations don't make money, it's not going to work. So
18 please focus on that.

19 COMMISSION CHAIRPERSON BRACKPOOL: Thank you very
20 much.

21 Commissioner Moss.

22 COMMISSIONER MOSS: The real question here is who
23 owns this right? Does -- is this a right of the San Mateo
24 County Events Center or is this the right of California?
25 And we're supposed to regulate California and what's right

1 for California. So at this point I'd like to not approve
2 this application.

3 COMMISSION CHAIRPERSON BRACKPOOL: I have a
4 motion from -- do I have any other comments?

5 I have a motion from Commissioner Moss to reject
6 the application.

7 Do I have a second for that?

8 COMMISSIONER ISRAEL: Second.

9 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
10 Israel seconds.

11 All in favor.

12 (Ayes.)

13 COMMISSION CHAIRPERSON BRACKPOOL: Okay. The
14 motion is unanimously rejected.

15 COMMISSIONER CHOPER: I would vote no on that.

16 COMMISSIONER HARRIS: On balance, I think I'd
17 vote no because I think we need these. Maybe this model's
18 not the best model, but --

19 COMMISSION CHAIRPERSON BRACKPOOL: Let me see if
20 I can count the vote. So on Commissioner Moss's motion,
21 Commissioner Moss made a motion, Commissioner Israel
22 seconded it, I support this motion, Commissioner Derek
23 supports that motion.

24 COMMISSIONER ISRAEL: Aye.

25 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner

1 Harris.

2 COMMISSIONER HARRIS: I vote no.

3 COMMISSION CHAIRPERSON BRACKPOOL: Against the
4 motion. And Commissioner Choper's against the motion.

5 The motion carries four to two.

6 MR. GOLTZ: Thank you for your time.

7 COMMISSIONER HARRIS: One of the things that I
8 think we need to look at as the board is what model really
9 will work for some version of a minisatellite. I think
10 some ADW model makes more sense, then I think we got hung
11 up on doing things the way we were doing them 20 years
12 ago, and we've got to look at technology and how we can
13 better utilize it.

14 COMMISSION CHAIRPERSON BRACKPOOL: Item Number
15 12, discussion and action by the board on the application
16 for license to operate a minisatellite wagering facility
17 at the OC Tavern in San Clemente.

18 Who do we have to present on this?

19 REGULATIONS/LEGISLATION MANAGER WAGNER: Tom
20 Verala should be the representative.

21 Come to the podium, please.

22 Jackie Wagner, CHRB staff.

23 SCOTWINC has filed an application for license to
24 operate a minisatellite wagering facility on behalf of the
25 OC Tavern. SCOTWINC has acted as a coordinator during the

1 application process.

2 OC Tavern is proposing to operate from July 16th
3 through July 15th for a two-year period. They have been
4 working diligently with the City of San Clemente on
5 various issues regarding the proposed site. They have
6 provided to us that the San Clemente City Planning
7 Commission voted unanimously on June 2nd to consider
8 minisatellite wagering as a form of entertainment and to
9 require OC Tavern to file an accessory use amendment to
10 their conditional use permit. We are still waiting for
11 the final approval of that use permit.

12 OC Tavern is a restaurant, bar, and concert hall
13 located in San Clemente. They will be in the southern
14 zone.

15 There are only two items that are missing from
16 this application. We are missing the final approval from
17 the City of San Clemente. And the workers' compensation
18 insurance expires on June 30th, 2010, so that will need to
19 be updated.

20 COMMISSION CHAIRPERSON BRACKPOOL: Let me ask,
21 let me ask a question here.

22 What is the nearest satellite facility radius to
23 this particular proposed facility?

24 MR. VERALA: I'm Tom Verala, SCOTWINC.

25 The closest locations are Surfside and

1 Los Alamitos, which are both more than 30 miles away.

2 COMMISSION CHAIRPERSON BRACKPOOL: Have we
3 received any opposition to this minisatellite?

4 REGULATIONS/LEGISLATION MANAGER WAGNER: No,
5 none, Commissioner. We have received no opposition to
6 this proposal.

7 COMMISSION CHAIRPERSON BRACKPOOL: CARF is not in
8 opposition to this?

9 REGULATIONS/LEGISLATION MANAGER WAGNER: They are
10 not.

11 (Cross-talk.)

12 COMMISSION CHAIRPERSON BRACKPOOL: Seriously,
13 perhaps the applicant -- I see the applicant is in front
14 of us; perhaps you'd give us just a minute or two on what
15 the intent is here. And just briefly describe more for
16 the benefit of the audience than us, because I have a
17 great deal of detail in here, but maybe just briefly
18 describe who you are, and what you think can be made
19 possible here.

20 MR. MERRIGAN: Yes. Hello, my name is Michael
21 Merrigan, owner of OC Tavern Grill and Sports Bar. I'm
22 real excited to have this as another form of entertainment
23 just like we had with the Lakers playing, football that we
24 have. We're really known for our sports. And this being
25 such a great, spectacular sport, it's just another form of

1 entertainment for our guests that are there, but also to
2 increase the other people to check out sport racing and
3 see how exciting and a great crowd that it will bring. It
4 would be a great social aspect for many people to come.
5 And our place, we have a dedicated room that would be
6 perfect for this, that everyone will come and really enjoy
7 this sport.

8 COMMISSIONER HARRIS: This seems like a terrific
9 idea to me, that this is a very underserved area and that
10 this could be a good model to see what a site like this
11 could do. And I'll move that we --

12 COMMISSION CHAIRPERSON BRACKPOOL: Well, let me
13 just -- we have some other people.

14 Just geographically at least, Commissioner Moss
15 will have a place to bet on his way to San Diego, if not
16 yet in San Diego. Short diversion, Jerry, is required
17 here.

18 Commissioner Derek.

19 COMMISSIONER DEREK: Yes. How long will it take
20 if -- once the license is granted before you're up and
21 running?

22 MR. VERALA: In early June we went before the
23 planning commission, and it was approved five-nothing for
24 them to treat it just as an amendment to the CUP. The
25 city council on the 15th, they appealed that decision. We

1 go before the city council on July 6th. They wanted it to
2 be in a public hearing. And we do have some construction.
3 So I would think a month, you know, after we get final
4 approval from, obviously, CHRB and city council, we could
5 be up and operating. So we're hopeful sometime in August.

6 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
7 Israel.

8 COMMISSIONER DEREK: I guess I'm hoping by
9 August 7th maybe.

10 COMMISSIONER ISRAEL: That was a pointed
11 question. That had nothing at all to do with your
12 operation.

13 Are there any third-party interests who are going
14 to take any piece of your take out?

15 MR. VERALA: For the location?

16 COMMISSIONER ISRAEL: Yeah. There's no location
17 fee being -- no one percent paid to anybody.

18 MR. VERALA: No.

19 COMMISSIONER ISRAEL: So you keep two percent of
20 the proceeds.

21 MR. VERALA: Yes.

22 COMMISSIONER ISRAEL: Okay. And who's paying the
23 build-out costs?

24 MR. VERALA: We'll have some internal costs for
25 SCOTWINC, and then also he'll have some costs.

1 COMMISSIONER ISRAEL: And you have a business
2 plan and amortization schedule and all that in place?

3 MR. VERALA: We can provide that.

4 COMMISSIONER ISRAEL: What's your projection for
5 how long it will take for you to be operating this
6 particular part of your facility in the black?

7 MR. MERRIGAN: I think right away.

8 COMMISSIONER ISRAEL: Really. Okay.

9 MR. VERALA: He's got -- the room we're using is
10 going to require, you know, the set up of counters, a
11 money room, he's already got some big screen TVs, there
12 will be big screens added. But the main floor plan, you
13 know, is -- it should be fairly simple to handle this.

14 COMMISSIONER ISRAEL: And, Tom, how is this going
15 to be manned by SCOTWINC?

16 MR. VERALA: We would have a representative
17 there, you know, we still have to sit down with the union,
18 figure, you know, out the appropriate person and type, but
19 that we would, you know, initially have somebody there.

20 COMMISSIONER ISRAEL: Okay. Thank you.

21 COMMISSIONER HARRIS: Would the concept be there
22 would be no parking or admission, it would just be like,
23 you know, like you are now?

24 COMMISSION CHAIRPERSON BRACKPOOL: When it's a
25 bar, you don't pay to go into one very often.

1 COMMISSIONER HARRIS: I don't know. I heard
2 Fresno's got one you've got to pay to get into.

3 MR. VERALA: We're kind of looking at this as
4 similar to the Finish Line where they have the dedicated
5 room for satellite wagering. There will be seating there,
6 there will be no admission charges, there's no parking
7 charges. He will have use of his dining area and bar for
8 his regular patrons, and if somebody wants to sit out
9 there, there could be, you know, for the use of that.

10 As far as in the wagering area which is
11 probably -- we should have about 70, 75 seating, and he
12 also has a patio area with some seating. It's intended to
13 be, you know, free of charge.

14 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
15 Choper.

16 COMMISSIONER CHOPER: I don't know anything about
17 market research, but this is one that's opening up really
18 from the -- really from the ground up. I mean, it's not
19 that close to any.

20 If there is some way that you could engage in
21 some market research of your customers, maybe with --
22 obviously with the aid of someone who knows how to ask
23 questions, how to do it, how not to interfere with their
24 operation, not to hassle them in any way, I think that
25 would be very helpful in the next several months. I mean,

1 I know what I'd like to find out about it and that is, do
2 you usually bet? Where do you usually bet? Do you think
3 you're betting any more? I mean, those are three pretty
4 decent questions. I'm sure there are many more and many a
5 lot better.

6 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
7 Derek?

8 I think we can call for a motion in a moment. I
9 have a speaker on the issue, Mr. Jamgotchian.

10 (Comment made beyond range of microphone.)

11 COMMISSION CHAIRPERSON BRACKPOOL: Oh, withdrawn.

12 I too believe that this is the way we should go.
13 I just voted no on the previous application, not because I
14 don't believe, as you've heard today, that we shouldn't
15 have minisatellites, I believe we should have many, many
16 more. I just don't believe it's the satellite operator's
17 position to be able to franchise those out. So I have no
18 problem at all making a motion to approve this request.

19 COMMISSIONER ISRAEL: Contingent upon --

20 COMMISSION CHAIRPERSON BRACKPOOL: Contingent
21 upon the remaining documents being submitted, as always,
22 to staff.

23 Do I have a second to that motion?

24 COMMISSIONER DEREK: I'll second.

25 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner

1 Derek seconds.

2 All in favor.

3 (Ayes.)

4 COMMISSION CHAIRPERSON BRACKPOOL: Good luck with
5 the facility.

6 MR. VERALA: Thank you very much.

7 MR. MERRIGAN: Thank you.

8 COMMISSION CHAIRPERSON BRACKPOOL: Item

9 Number 13. Item Number 13, application for a license to
10 conduct a horse racing meeting of the Humboldt County Fair
11 at Ferndale commencing August 12th through August 22nd.

12 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
13 Wagner, CHRB staff.

14 This is the application from the Humboldt County
15 Fair. They're proposing to race eight days, the same
16 number of days they raced in 2009. They're proposing to
17 race 68 races. This is the same number that they raced in
18 2009. Humboldt was initially allocated nine race days for
19 2010.

20 The proposed race days on this particular
21 application differ from the allocated dates with the
22 elimination of the August 12th racing date.

23 The fair has provided that they will not conduct
24 racing on opening day.

25 Their proposal is to race Friday through Sunday,

1 the first week, and Wednesday through Sunday the second
2 week; eight races on Wednesday, Thursdays, and Fridays;
3 nine races on Saturdays and Sundays. They will be racing
4 concurrently with the Del Mar Thoroughbred Club on
5 August 13th through the 22nd, and the Santa Rosa Fair
6 August 13th through August the 15th.

7 Their first post time is 2:15 p.m. on Wednesdays,
8 Thursdays, Saturdays and Sunday. They will have a
9 3:07 p.m. post time on Friday, August 13th, and a 3:15
10 post time on Friday, August the 20th. On Saturday,
11 August 14th and Sunday, August 15th, their post time is
12 2:07 p.m.

13 Their ADW providers are TVG, Express Bet, Twin
14 Spires, and Youbet.

15 We only have two items that are outstanding on
16 this application, and that is the fire clearance and one
17 of the concessionaire's approvals. We're both working
18 with them to get that approval taken care of.

19 Staff recommends that the board, if they consider
20 this application for approval, do so contingent upon the
21 receipt of the outstanding items.

22 COMMISSION CHAIRPERSON BRACKPOOL: Do we have
23 nobody from Humboldt County here?

24 MR. TITUS: Yes, sure.

25 COMMISSION CHAIRPERSON BRACKPOOL: Please step

1 forth.

2 MR. TITUS: Good afternoon. Stuart Titus,
3 general manager of Humboldt County Fair. I'd be happy to
4 answer any questions you may have.

5 The two outstanding issues are really a matter of
6 timing. The fire clearance is a process that is usually
7 not taken up until the portable stalls and the full
8 complement of barn installs are in place. That should
9 happen in the next few weeks.

10 And the new concessionaire in the grandstands is
11 a local restaurateur, and that's a new process for him.
12 We will have that to staff in a timely manner as well.

13 COMMISSIONER HARRIS: I didn't quite understand
14 on page 13.7 on the purse -- purses. It looks like your
15 purses are less than they were last year, where I thought
16 the whole idea of the -- being the host, you would
17 generate more purses.

18 MR. TITUS: Yes, it's interesting when you look
19 at the various information that was provided in the
20 packet. With this year being the first ever where
21 Humboldt will have the second week exclusive to itself,
22 there's quite a bit of speculation that went into those
23 estimates.

24 If you look, for example, at the amounts expected
25 to be generated to the various beneficiaries, the TOC,

1 CTT, and others, those numbers and projections for 2010
2 are substantially more than what they were last year. I
3 think that the formula used to determine purses paid was
4 based upon an agreed-upon formula applied to all fairs,
5 and that was that there would be a 15- to 20-percent
6 reduction in handle just because of the trends of the
7 industry. And so I think with that you have the
8 contradiction in the numbers, but that's what they were
9 based upon.

10 Commissioner Harris, I have reason to believe
11 that there's a very good chance we'll generate greater
12 purse monies this year than we did last year.

13 COMMISSIONER HARRIS: Far be it from me to
14 question any CARF members, but I think they're too --
15 they're off basically. I just can't see the fairs being
16 off 15 percent this year. That's a pretty depressing
17 number. And I think you've got a good chance of being up,
18 especially by being the host.

19 MR. TITUS: Well, I happen to believe -- I know
20 that Stockton was off to a bit of a rough start, but I,
21 quite frankly, since we began the process of requesting
22 unoverlap race dates, I quite frankly find it hard to
23 believe that this year will not be a huge success for
24 everyone involved.

25 COMMISSIONER HARRIS: I think so. Because I

1 think Stockton raced one day that Hollywood Park did not
2 race. And I think that could have impacted that quite a
3 bit.

4 MR. TITUS: Yeah, absolutely.

5 COMMISSION CHAIRPERSON BRACKPOOL: Okay. So
6 subject again to the outstanding documents being submitted
7 as always, do I have a motion?

8 COMMISSIONER HARRIS: I'll move.

9 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
10 Harris moves. Commissioner Choper seconds.

11 All in favor?

12 (Ayes.)

13 COMMISSION CHAIRPERSON BRACKPOOL: Does that
14 include -- that includes Commissioner Israel, who is
15 waving at me.

16 Okay.

17 COMMISSIONER HARRIS: This is really an exiting
18 meet to go to. I encourage everyone to try to get out
19 there. It's like something out of the 1800s; it's pretty
20 amazing.

21 COMMISSION CHAIRPERSON BRACKPOOL: Excellent.

22 I have no speakers on that issue. So I will move
23 through.

24 Item Number 14, is the application for a license
25 to conduct a meeting at Cal Expo August 13th through

1 December 18th.

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

4 We have (inaudible) Cal Expo. They have filed
5 their application to conduct a harness fair race meeting
6 from August 13th through December 18th, 55 days. This is
7 12 more than they raced during the same period in 2009.
8 They are proposing to race a total of approximately 725
9 races.

10 The race dates proposed are different than the
11 dates that were allocated. They are proposing not to race
12 on Thursday, August the 19th, and instead are proposing to
13 add racing on Wednesday, November the 24th.

14 Cal Expo will be racing three days per week,
15 Thursday through Saturday of each week except racing
16 Friday and Saturday the first and second week, Wednesday,
17 Friday, Saturday the week of Thanksgiving, which is
18 November the 24th, 26th, and 27th.

19 Their first post time is 5:45 p.m. Their ADW
20 providers are Express Bet, Youbet, Twin Spires, and PBG.

21 The staff notes they have some outstanding items.
22 We are pleased to report we do have the fire clearance.
23 The other outstanding items are their workers'
24 compensation insurance, which they currently have, but
25 it's going to expire. That will need to be updated. And

1 the two inspections of the track will need to be
2 concluded.

3 If the application is considered for approval, we
4 recommend that --

5 MR. BREED: Excuse me. Excuse me, Jackie.

6 Can I ask you folks to keep the noise down to a
7 manageable level? Maybe you should take your
8 conversations to the rear of the room. We're getting a
9 lot of feedback up here.

10 Thank you.

11 REGULATIONS/LEGISLATION MANAGER WAGNER: If the
12 application is considered for approval, staff recommends
13 that this is done contingently upon submission of the
14 outstanding items.

15 We do have a representative.

16 MR. ELLIOTT: David Elliott from Cal Expo. I can
17 answer any questions you might have.

18 COMMISSIONER ISRAEL: The declining horse
19 population has been precipitous with thoroughbreds. How
20 has it been with standardbreds?

21 MR. ELLIOTT: Same.

22 COMMISSIONER ISRAEL: Same?

23 MR. ELLIOTT: It's declined. Actually this June,
24 this is the first year we stopped racing in June because
25 of our state fair race dates, but we're actually a little

1 healthier this June than we were last June, but we were
2 averaging -- we're averaging in the sevens. There's
3 probably about 230 harness horses left in the state right
4 now. Some guys did go back east because of the seven-week
5 five-day break that we have, you know, during the state
6 fair period.

7 Handle absolutely has matched the thoroughbred
8 association's too with the decline in handle; we're
9 suffering the same.

10 COMMISSIONER ISRAEL: And your population during
11 the heart of the season is what?

12 MR. ELLIOTT: Last fall we actually ran over 360
13 actual starters per week where we went to four days. It
14 was difficult for us -- our handle didn't follow four days
15 though, our handle stayed with three days, so we -- you
16 know, we got into a bit of an overpayment. We've worked
17 that down significantly. We'd like to stay three days.
18 I'm hopeful for this meet we'll have -- we'll reach the
19 eight-starter-per-race average consistently.

20 COMMISSIONER ISRAEL: And forgive my lack of
21 knowledge on standardbreds, but what's the closest
22 competitive venue?

23 MR. ELLIOTT: For harness racing? Night harness
24 racing?

25 COMMISSIONER ISRAEL: Yeah.

1 MR. ELLIOTT: B.C., British Columbia.

2 COMMISSIONER ISRAEL: Oh, it's that far, okay.

3 And that's where they -- most of the horsemen go
4 there in the summer or --

5 MR. ELLIOTT: Oh no, for the break, no, very few.
6 They'll go to Tioga, they'll go all the way to the east
7 coast. They'll go to Indiana where it's slot tracks.

8 COMMISSIONER ISRAEL: Right.

9 MR. ELLIOTT: They go to slot tracks. They're
10 not going to tracks that don't have slots.

11 COMMISSIONER ISRAEL: Right. Okay. Yonkers, or
12 they're not competitive there?

13 MR. ELLIOTT: A couple, yeah, some of them are
14 competitive. Actually, some are competitive at the
15 Meadowlands as well.

16 COMMISSIONER ISRAEL: Okay. Thank you.

17 COMMISSION CHAIRPERSON BRACKPOOL: Any other
18 questions?

19 Okay. Who would like to make a motion on this
20 one?

21 Commissioner Israel makes a motion.

22 Do I have a second?

23 Commissioner Moss.

24 All in favor.

25 (Ayes.)

1 COMMISSION CHAIRPERSON BRACKPOOL: Thank you.

2 Commissioner Choper, I see -- all in favor, thank you.

3 Okay. Item Number 15. Discussion by the board
4 regarding a report from MI Developments concerning its
5 future plans for horse racing at Santa Anita Park
6 Racetrack and Golden Gate Fields.

7 As all of you are well aware, over the course of
8 the last 60 days there's been a great deal of concern as
9 to what the plans are for future development. We held a
10 hearing. At our last board meeting Chief Executive
11 Officer Dennis Mills of MID along with his counsel
12 testified in front of us and that they had only operated
13 this business for a number of days and, therefore, were
14 not in a position to give us their full plans.

15 What this board did, for those of you who are not
16 aware, was we gave a conditional license to MID to operate
17 Santa Anita, Golden Gate, and Express Bet through
18 July 22nd, which is the date of our next board meeting at
19 Del Mar.

20 Vice Chair Israel, amongst others, raised the
21 issue of whether it was in the best interest of horse
22 racing to permit a waiver along the lines that MEC had
23 had. That waiver does allow one entity to control more
24 than one interest in California. The rules prohibit --
25 specifically prohibit one entity owning an interest in

1 more than one race facility or ADW without such a waiver.
2 And it was the request of MID that this board consented
3 to, that they be given enough time to present us with a
4 full plan. That plan is due to us by, I believe,
5 July the 1st, Kirk.

6 MR. BREED: Yes, sir.

7 COMMISSION CHAIRPERSON BRACKPOOL: We have not
8 seen that yet, but the July 1st is not here. But we did
9 request that they come and make a presentation as to their
10 plans by June 22nd at the June board meeting.

11 So this is one of those issues where we know what
12 you know, because we haven't yet received anything, so
13 we're going to hear this for the first time.

14 There is not an action item in front of this
15 board today on either the license issues or the potential
16 for a waiver. That will be agendized for the July board
17 meeting at Del Mar.

18 But we do have with us today Mr. Frank Stronach,
19 the chairman of MID and the controlling shareholder, along
20 with Dennis Mills here, and George Haines, who is the
21 interim general manager of Santa Anita

22 COMMISSIONER ISRAEL: President.

23 COMMISSION CHAIRPERSON BRACKPOOL: President of
24 Santa Anita.

25 So I think the best way to do this is to ask the

1 gentlemen to step forward and address what the plans are
2 going to be as best as one can in this setting. And then
3 I would be surprised if there weren't questions. And
4 we'll take it from there.

5 So, Mr. Stronach.

6 MR. STRONACH: Good morning.

7 COMMISSION CHAIRPERSON BRACKPOOL: Frank,
8 wherever you're most comfortable, if you're more
9 comfortable seated or standing.

10 MR. STRONACH: I'll stand back here.

11 COMMISSION CHAIRPERSON BRACKPOOL: Okay.

12 MR. STRONACH: I'm very comfortable. I usually
13 do things which I feel more comfortable. Thank you.

14 Anyway, my name is Frank Stronach. I'm the
15 chairman of MID.

16 MID is a public company and MID is the owner of
17 two race tracks in California, namely Santa Anita and
18 Golden Gate.

19 I'm here today to bring forward some ideas which
20 I believe could be very beneficial to horse racing in
21 California. But first of all, I'd like to clear some of
22 the air. I'd like to -- I'd like to mention that at your
23 last board meeting here I -- certain things, certain
24 statements are not correct. And certain statements I
25 think were also very inappropriate.

1 So let me say, first of all, the statements were
2 made that I was threatening to close Santa Anita. I never
3 was threatening to close Santa Anita. I'm a horseman
4 through and through. I bought my first yearling 50 years
5 ago. I have a huge investment in horse racing. And I've
6 been down here a few times, not to threaten, but to plead
7 and to pray and say, look, the system doesn't work
8 anymore, the model doesn't work anymore, we have to think.
9 We've got to create something new. I want to have your
10 input. We should do everything we can that Santa Anita
11 and Golden Gate will remain racing entities. And so
12 that's -- I want to make that message very clear.

13 What I also want to get very clear is we have
14 invested here close to 250 million. We haven't pulled out
15 a cent. Okay? So we only invested here. And we are
16 prepared to invest further if it makes business sense. In
17 the final analysis, you cannot do anything in business
18 which doesn't make business sense, because a business
19 which doesn't make a profit, is no good to society, okay,
20 it's a burden to society.

21 So and furthermore I want to state that our two
22 race tracks have always been managed by Californians.
23 Jack, I think if you're sitting here -- you're from
24 California originally, are you? Okay.

25 So we have -- they were all Californians, we have

1 never had any restrictions on them. We always said do
2 what's best for racing in California.

3 So those are very clear statements I want to get
4 across to the misconception and the slandering what we
5 always have to endure.

6 The ideas I want to bring forward is, you know,
7 sometimes when things don't work well, might have been
8 your personal life, might have been business, might have
9 been a country, you should know you got a problem. If you
10 don't know you got a problem, you really got a problem.
11 Problems would have to identify.

12 Nothing works unless they're free enterprise.
13 That's why everybody wants to come to America, because
14 it's one of the few countries left where you've got free
15 enterprise.

16 I'm a great believer if you got a store, you
17 should be able to open that store whenever you think you
18 get the most customers. And you should be able to sell a
19 product customers want.

20 I also want to state very clearly, we live in a
21 civilized society and the civilized society's got rules
22 and regulations to protect the public. So I'm all for it,
23 to have strong regulations to protect the public, and the
24 integrity of the sport. So -- and I will go way out of my
25 way to support that. But once when you meet all the

1 regulations, then you should be allowed -- give everybody
2 a license. Let the best people -- again, we have a lot of
3 factories in America, we are more competitive here because
4 it's free enterprise. Let the best people which put on
5 the best show, let them succeed, and the ones which don't
6 invest, which don't -- which don't run a good show, well,
7 they fall by the way side. That's always been. And any
8 other way just doesn't work.

9 But that does not mean, for instance, we have
10 (inaudible) we've got free enterprise. We could run any
11 time we want to. We sat down with Churchill and said,
12 look, we should do a number of things together to benefit
13 Churchill, to benefit us, to benefit the customers, to
14 benefit the horse handlers. So you still got to do it on
15 a commercial basis. But I don't think it's a great idea
16 when government officials are appointed, they tell you
17 you've got to have a business plan, the market research,
18 and all that kind of stuff; it doesn't lead to anything.

19 So the other thing I want to state very clearly,
20 that we want to work very closely together with the
21 California fairs because I believe they're part of the
22 basic fabric of horse racing in California. And I had a
23 meeting yesterday with them, and we're going to be -- very
24 shortly, we're going to sit down and come up with a
25 formula, come up with a framework whereby the California

1 fairs could be viable again, could put on good racing and
2 make some monies.

3 Now, again, when you be in business, sometimes
4 you got to take a look and see who are your competitors,
5 what do they do. Our competitors are the casinos, which I
6 believe it's -- they don't create the jobs we do in the
7 horse business. And also the lotteries. The lotteries
8 are basically just a taxation of the poor, very little job
9 creation. We haven't brought forward the jobs this
10 industry has, but it has been deteriorating. And that
11 should be a great concern to all of us.

12 And what we can do, if you do the right things,
13 we could create a lot of jobs. And the fairs with the
14 farmers out there, they would start to breed again,
15 et cetera, et cetera.

16 Let me point out there's a number of reasons why
17 racing has deteriorated. First of all, over-regulation,
18 that's one. Secondly, sometimes technologies are too
19 (inaudible) and with the technologies, there's a lot of
20 betting, betters and betting companies to establish places
21 in the islands. And billions -- billions are going down
22 there. And the law just stands by there, do not a thing
23 about it, right? There's a number of reasons why racing
24 got really hurt.

25 But let's take a look at our competitors; for

1 instance, the lotteries. About 20, 30 years ago the
2 lotteries did about 5 billion in sales. Racing did close
3 to 20 billion. And when you take a look now, racing come
4 down from 20 billion, we do about 13 billion and still
5 declining. The lotteries went up from about five billion
6 to about close to 70 billion now. Okay? So that
7 should -- that should -- that should give us something to
8 think about it.

9 So I propose -- also, when we say freedom means
10 also that, I said early on, that we can -- that we can
11 sell a product our customers like. If you take an average
12 lottery player, a lottery player, if he spends a buck for
13 a ticket, he -- he doesn't care; he is not buying a ticket
14 to get \$10 back or \$20 back, he wants to -- they want to
15 change their lifestyle. It's a dream path.

16 They want to -- and we -- we cannot ignore the
17 public. In the final analysis, we have to cater to the
18 public, we have to give them what they want. But by doing
19 that, if you make by trading jackpots, we'd be able to
20 make a lot of monies, we'd be able to work together with
21 the fairs so the breeding will again -- the horse breeding
22 again could be rejuvenated. So we got to think really
23 strongly in those terms.

24 I fully realize, you know, the points I brought
25 forward, that we are trapped in laws, okay, but laws are

1 made by people and changed by people. And I'm not saying
2 yes, we've got to have that tomorrow, but we've got to sit
3 down. And time is running out. We've got to sit really
4 down and we've got to go through that we have -- that we
5 have a structure whereby we could -- where the public will
6 embrace that and we will get back customers.

7 Those are the things I want to get across. And
8 it's very urgent. We're willing to sit down anytime. We
9 try to be flexible. But when you look down, really down
10 the road, it's got to be free enterprise.

11 Anyway, I'd be very happy to answer questions
12 now, any question you might have. Thank you.

13 COMMISSION CHAIRPERSON BRACKPOOL: That was a
14 summation of your future plans for Santa Anita, Golden
15 Gate, and Express Bet?

16 MR. STRONACH: It was a condensed version because
17 I think you stressed very much you shouldn't go but three
18 minutes, so I tried to get as much across within the three
19 minutes as possible.

20 COMMISSION CHAIRPERSON BRACKPOOL: No. No. No.

21 MR. STRONACH: Now you can question me.

22 COMMISSION CHAIRPERSON BRACKPOOL: You're not
23 subjected to three minutes.

24 MR. STRONACH: You didn't say that earlier; you
25 stressed that.

1 COMMISSION CHAIRPERSON BRACKPOOL: No.

2 MR. STRONACH: But anyway, we won't solve
3 everything here today because we would need hours. We've
4 got to include horsemen, hopefully some of the racing
5 commissioners take part of it. We've got to include
6 everybody. Thereby it's very important. Time is running
7 out before this wonderful -- this wonderful industry will
8 disappear from California.

9 COMMISSION CHAIRPERSON BRACKPOOL: Do you have
10 any specific plans to change the operations at Santa Anita
11 or Golden Gate, given that we are a nation of laws and we
12 have to exist within the laws?

13 So while I agree with you, we've held multiple
14 hearings about which changes we would like to see to which
15 particular pieces of legislation, given that the session
16 is about to end, and --

17 MR. STRONACH: The legislative session is about
18 to end.

19 COMMISSION CHAIRPERSON BRACKPOOL: -- and we
20 struggled to get a five-mile radius through the
21 legislature, I would not be necessarily hopeful that
22 somebody is going to immediately create a new idea here
23 that is going to be acceptable to you.

24 So given the box we're in is the box we're in,
25 what changes do you foresee in your operations at

1 Santa Anita and Golden Gate to improve the product?

2 MR. STRONACH: First of all, don't say that it's
3 acceptable to me. I said early on that horsemen, horse
4 owners, breeders, et cetera, we have to sit down. I can
5 only bring forward ideas, and we -- and we're flexible on
6 the ideas, but I -- I do not -- I don't quite accept we
7 have to exist within those laws.

8 We should -- we should work that some of those
9 laws are changed because some of those laws are there for
10 over 70 years. Because laws are made by people and
11 changed by people.

12 So the issue is we have to sit down, we have to
13 sit down and come to a consensus. And I did not come here
14 with very specific -- I'm saying I'm willing, I pointed
15 out a few areas where I think racing could do very well,
16 because I'm not so presumptuous to say, look, take it or
17 leave it. I've never been threatening. I want to plead
18 with the horsemen here; if we don't sit down and come up
19 with a good (inaudible) racing will not be around.

20 COMMISSION CHAIRPERSON BRACKPOOL: My question to
21 you was given that we are a nation of laws and we have to
22 exist within the laws -- and I think you misspoke, I don't
23 think you meant to say we don't need to exist within the
24 laws.

25 MR. STRONACH: I know exactly what I said. Don't

1 get my words twisted. I know exactly what I said.

2 COMMISSION CHAIRPERSON BRACKPOOL: I won't get
3 your words twisted.

4 MR. STRONACH: Because you make a lot of fun of a
5 lot of people here. You think this is funny? If
6 sometimes -- those use the exactly the same words. You
7 get -- it seems like you're getting a quick pleasure out
8 of -- that you laugh over people here which bring forward
9 their needs.

10 COMMISSION CHAIRPERSON BRACKPOOL: Thank you for
11 that.

12 I was saying that we have to exist within the
13 laws until the laws are changed. We are all working
14 towards various changes that we think would be beneficial
15 to the sport.

16 My simple question to you was in the absence of
17 any of those laws actually changing, do you have any
18 specific proposals for change in the operations of your
19 facilities.

20 MR. STRONACH: I said before very specifically, I
21 have some ideas, and I brought forward ideas, but we must
22 sit down because we realize there are existing laws. But
23 I've never heard from you any constructive proposal and
24 say, this is what's wrong and this is what we got to do to
25 preserve racing in California. I haven't heard any of

1 that.

2 COMMISSION CHAIRPERSON BRACKPOOL: Okay. Thank
3 you.

4 Commissioner Israel.

5 COMMISSIONER ISRAEL: Yeah. I have a number of
6 questions I'd like to ask you.

7 Is it not true that --

8 MR. STRONACH: Don't ask about cement shoes
9 because you made remarks previously, and I believe they're
10 very inappropriate.

11 COMMISSIONER ISRAEL: Oh, I'm sorry if you
12 believe they're inappropriate.

13 MR. STRONACH: But that's -- I think everybody
14 else in here would believe that.

15 COMMISSIONER ISRAEL: I don't know about that.

16 MR. STRONACH: I think those are not remarks
17 being on a commission made in that sense, okay?

18 COMMISSIONER ISRAEL: Okay. That's fine. All
19 right.

20 Is it not true that Golden Gate Fields and
21 Santa Anita have been self-sustaining during the time that
22 you've operated them?

23 MR. STRONACH: You know, luckily I'm the
24 controlling shareholder, but I must -- when you run a
25 large company, you must make sure what you do makes

1 business sense. I really believe if we work together and
2 change the model, that racing could be very viable. And I
3 told you, we invested about -- close to about 230, 240
4 million; we haven't got a cent out of it. Now you talk to
5 anybody else, and say, look, invest, but there's no money,
6 no money's returned.

7 COMMISSIONER ISRAEL: Well, you've espoused the
8 free enterprise system which we all fervently believe
9 in. --

10 MR. STRONACH: Yeah, but you (inaudible)

11 COMMISSIONER ISRAEL: I'm talking now.

12 MR. STRONACH: There will be --

13 COMMISSIONER ISRAEL: Hey, I'm talking now.

14 MR. STRONACH: Okay. Yes.

15 COMMISSIONER ISRAEL: Okay? Let me finish.

16 COMMISSION CHAIRPERSON BRACKPOOL: Mr. Stronach,
17 please let him ask his question, you answer the question,
18 and then he will ask another one.

19 COMMISSIONER ISRAEL: All right. How do you
20 reconcile your fervent belief that I agree with in the
21 free enterprise system with your apparent affection for
22 the bankruptcy laws that protected MEC from actually
23 bearing the results of what free enterprise did? MEC
24 failed.

25 MR. STRONACH: MEC didn't fail, what failed

1 for -- I underestimated the rules, the regulations,
2 inflexibility of the bureaucrats and the commission to
3 bring forward changes.

4 COMMISSIONER ISRAEL: So MEC's failure was not
5 the fault of its management, it was the fault of outside
6 forces.

7 MR. STRONACH: It was the fault of outside
8 forces, by authorities, regulatory authorities, not
9 stopping the flow of the huge amounts of money to the
10 islands, the regulations. We are in chains.

11 COMMISSIONER ISRAEL: What about the \$250 million
12 that was expended at Gulf Stream that hasn't returned?
13 What about the money, a hundred million --

14 MR. STRONACH: (Inaudible).

15 COMMISSIONER ISRAEL: There is a hundred million
16 that was spent on Palm Meadows that wasn't -- that's not
17 going to be.

18 MR. STRONACH: Look, you asked me a question; I'm
19 answering you, right? I'm not interrupting you.

20 Because of Palm Meadows, we wanted to set an
21 example how a training center should be with dorms,
22 with -- beautiful. Okay?

23 Here you (inaudible) Santa Anita, it's a shame
24 the way people live. Okay? And I can point out other
25 things. We have a blind eye to that. We believe because

1 it's free enterprise, we invested the -- I invested the
2 250 million in Gulfstream Park because it will be
3 making -- it will be a reasonable return and the purses
4 will be high, and the horsemen and breeders will come
5 there and more horses will be run.

6 COMMISSIONER ISRAEL: Let me -- just to follow up
7 on the Santa Anita question.

8 You said that it's a shame the way that the
9 people in the back stretch, the back stretch employees
10 have to live there. Well, you've owned and operated
11 Santa Anita since 1998. When you applied, I think, for
12 the license in 1998, according to what I read, you offered
13 that you would spend \$18 million rectifying the back
14 stretch and making it more hospitable and inhabitable. As
15 far as I know, the \$18 million was never spent. You
16 represented that you would spend that money.

17 So after a dozen years of your stewardship, who
18 really is responsible for the conditions that you
19 personally find deplorable in the back stretch of
20 Santa Anita? Isn't it not you?

21 MR. STRONACH: Listen very carefully. We have
22 plans drawn up with beautiful dorms, great innovations.
23 There wasn't a single help from the racing commissioners,
24 from Oak Tree and so on to support the plans, okay? Not a
25 single thing. We wanted to spend that.

1 We had earmarked about 300 million to change it
2 and to improve it, but there was not a single finger
3 lifted, okay? And the money then went to Gulfstream Park,
4 and we applied the monies there. But we had it offered
5 first here. There wasn't a single attempt made to support
6 it.

7 COMMISSIONER ISRAEL: Well, do you want
8 government involved or don't you? Now I'm really
9 confused.

10 MR. STRONACH: You should be confused, because
11 I'm saying the governments, the governments -- kind of
12 make it more difficult. They put the road blocks that we
13 couldn't do that. Okay?

14 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
15 Derek.

16 COMMISSIONER DEREK: I'm wondering what did the
17 CHRB -- you said they didn't lift a finger. What did you
18 want the CHRB to do?

19 MR. STRONACH: Well, do work for free enterprise.
20 If they believe in free enterprise --

21 COMMISSIONER DEREK: Specifically for your dorms.
22 You used that as an example. Specifically, how could the
23 CHRB have helped you?

24 MR. STRONACH: Free enterprise means when you got
25 a store, you should be able to open -- be able to open

1 your store when you think you get the most customers,
2 okay? And not to have regulation -- to have regulations
3 which impeded that you can't put anything new.

4 COMMISSION CHAIRPERSON BRACKPOOL: And how did
5 that answer her question?

6 COMMISSIONER DEREK: It didn't.

7 MR. STRONACH: Well, you mean it's free
8 enterprise like -- either you understand free enterprise
9 or you don't understand. I said to you early on we should
10 be allowed to open up our store when we get the most
11 customers.

12 COMMISSION CHAIRPERSON BRACKPOOL: Well, let me
13 see if I can make this a little easier. I'm reading from
14 the transcript here. I obviously wasn't here, I wasn't on
15 the board at the time.

16 June 19th, 2007, the CHRB monthly meeting, which
17 I gather was here at this facility, where you wrote a
18 letter and asked Chairman Shapiro to read the letter. The
19 letter was written because you were very concerned that
20 your then CEO, Michael Newman, wrote a letter to the City
21 of Arcadia regarding the barn area at Santa Anita.

22 Your letter goes on to say -- your statement goes
23 on to say, "Unfortunately the letter contained a very poor
24 choice of words in stating that there were never any plans
25 to build the barns at Santa Anita. I did not see the

1 language in my chief executive's letter until after it was
2 sent. Had I seen the letter before it was sent, I would
3 have made it clear that MEC has always been committed to
4 repairing, renovating, and rebuilding the barns and dorms
5 at Santa Anita." Your statement then goes on.

6 No where, no where in this statement does it
7 require or ask or request the CHRB or anybody else to
8 participate with you.

9 MR. STRONACH: First of all --

10 COMMISSION CHAIRPERSON BRACKPOOL: So that is, I
11 think, where the commissioners are coming from in their
12 questions about the barn area.

13 MR. STRONACH: Look here for a minute. A fair
14 question.

15 The CEO did write that letter. I came out here,
16 made a promise to the horsemen, and we fulfilled that
17 promise. We fixed up the barns. And consequently,
18 because he was fired because of that letter, because
19 contrary I made a promise. Nobody would ever say that I
20 did not keep my promises. That was very detrimental to
21 the reputation of MEC, and thereby he was let go.

22 COMMISSION CHAIRPERSON BRACKPOOL: So you're
23 saying that money was invested and all of the barns were
24 renovated according to the statement.

25 MR. STRONACH: The barns were renovated to --

1 keep in mind, in 2007 everything deteriorated, we still
2 put monies in. And, for instance, a typical example, the
3 California Racing Commission said you must have another
4 track in there. I said from day one, that doesn't work,
5 because oil and waxes and the sunshine, it's a messy goo.
6 We didn't want to -- we didn't want to put the thing -- we
7 put it in. We still spent monies and we still were losing
8 monies, but as a good faith, we put it in. Okay?

9 And again I'm saying, even at this point, your
10 question should be let's sit down, let's sit down very
11 shortly, let's come up with the framework that racing will
12 survive in California.

13 I'm a customer here, right? I invested here.
14 Okay? So --

15 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
16 Choper has a question.

17 COMMISSIONER CHOPER: I don't think anyone
18 questions your, you know, commitment to the success of
19 California racing. No one thinks you want to destroy it
20 or anything like that. Okay? That's clear.

21 The difficulty is trying to figure out how in
22 some way California racing can be saved. Because what
23 we're seeing is a diminution of the horse population.
24 They're leaving; that's less races, less bets made, and
25 all of the things that accompany that.

1 The reason that they're leaving is that the
2 purses are substantially larger for a variety of reasons,
3 unfortunately some of which are totally outside of our
4 control as a realistic matter. And they do involve
5 regulation. They involve other sources of income at the
6 track other than horse racing.

7 When you say that everyone ought to sit down
8 together, the chairman created a committee which brought
9 together all the participants in the industry twice. We
10 met twice, did we not, Keith? And the issue was if we can
11 get a realistic bill through the legislature, there is
12 reason to believe that it would be sympathetic, it would
13 be sympathetically received, okay? The session is going
14 to expire -- we ask for ideas.

15 Well, there were a series of ideas. Some were
16 unreal. I mean, they were good ideas, but the notion of
17 getting legislative permission, that's there, I mean,
18 whether -- you saw that this board was pretty unhappy with
19 an unsuccessful legislative attempt just a month ago, but
20 it's there. It's not that we like it, it's part of the
21 democratic process.

22 So I guess -- I know that the chairman has been,
23 you know, on top of you for coming up, and I think others
24 have as well, with -- do you have any -- apart -- we sat
25 down. There were certainly representatives from

1 Santa Anita, Golden Gate, from MEC at that time, right?

2 I'm not blaming anybody, I'm just saying it's a
3 very -- it's a very difficult, very difficult task. And
4 maybe there's still time to come up with something, but
5 what we must do, if we're going to say this in some way is
6 in some way -- even if the recession turns, and no one
7 knows whether it's going to, but, you know, a lot of
8 people think it's going to take a while, then we must do
9 something to increase the purses for horse breeders. They
10 want to be here, but they're not. But I mean, as you say,
11 if you can't make a profit, right, you open a store
12 someplace else, and that's what too many are doing.

13 So I just wish we could, you know, get off the --
14 get off the notion of generalities and come up with
15 something specific. But I'm not optimistic, Mr. Stronach,
16 about bringing everybody -- you say bring -- it's a good
17 idea, but I must say we've tried it. And it came up with
18 relatively -- relatively little that we thought actually
19 could be put through the legislature or that legally could
20 be put through under the California Constitution, you
21 know, which bars anything that is defined as a game of
22 chance and not a game of skill.

23 So I just wanted to try to, you know, reduce the
24 level of anger and hostility, I guess, and see if there's
25 just anything that you -- I mean, you're an enormously

1 successful businessman, and you understand what's going on
2 here. Is there anything -- realism is, however -- and I'm
3 sure that you're a realistic person, but is there anything
4 realistically that this board can do, that the industry
5 can do to make a dent in the very serious problem that
6 we've got?

7 MR. STRONACH: I think I made a fairly clear
8 statement. First of all, you need -- first of all, you've
9 got to have a concept, what would be the ideal condition,
10 right? That's always when you start out with a business,
11 this would be an ideal structure and ideal conditions.
12 But then there are realities around you, like laws and
13 rules and regulations. I fully realize that. And I also
14 said that it -- we are flexible, that it would take some
15 time, that we change some of those.

16 But first we as an industry, and that includes
17 the horse racing board must come -- this will be an ideal
18 situation, this is what we're going to be fight for, this
19 is what we're going to be aiming for, and we've got to
20 remove one block at a time.

21 COMMISSION CHAIRPERSON BRACKPOOL: So,
22 Mr. Stronach, if I may, and then I know some other
23 commissioners have questions, I thought that Commissioner
24 Choper made a very articulate and reasoned statement as to
25 where we have been; but in one sentence again, we have

1 held multiple legislative hearings, we have given -- I
2 have certainly given, and so have the others, various
3 interviews to media publications saying we believe that
4 legislative change is necessary for an increase in purses.
5 We have certain constraints in this state that don't exist
6 in other states. We have tribal compacts, for instance.

7 There are certain things this board can do, and
8 there are certain things this board can't do. The only
9 thing we've been trying to do is to make everybody work
10 together towards a forward move.

11 Now, we had a piece of legislation that we
12 believed was a forward move defeated by what we believed
13 on this board, some of us believed, was a sense of
14 protectionism. You may say that was us having a power
15 grab or us having a good time. It's not a good time,
16 because unless we move this forward, then any of the time
17 we have spent on this board has not been a good use of our
18 times and we haven't done a good job.

19 So I would like to think that you and I
20 institutionally are very much joined at the hip here in
21 what we're trying to accomplish.

22 Commissioner Choper's question is, very simply,
23 is there a piece of legislation, an idea that we could
24 tack onto a bill that we could all get behind to move this
25 forward.

1 MR. STRONACH: As I said early on -- and I
2 listened very carefully to you and I'm sensitive to that.
3 But unless we sit down and really sit down and work on a
4 structure to make sure that Santa Anita and Golden Gate
5 will be preserved as a racing entity, and we have to be
6 innovative, you have to be part, we have to be part.

7 I was never called, and everybody knows I'm --
8 you know, and I've been out here a number of times. It
9 always would seem Stronach's kind of crazy, his ideas are
10 crazy. We aim, we've got to aim first, what kind of
11 structure do you need that you could have a -- that it's
12 viable.

13 COMMISSION CHAIRPERSON BRACKPOOL:

14 Mr. Stronach --

15 MR. STRONACH: And then you amend it, because we
16 know we won't --

17 COMMISSION CHAIRPERSON BRACKPOOL: I understand.
18 If I may, to move the meeting along and allow the other
19 commissioners to have a chance, the answer to Commissioner
20 Choper's question and my question is at present you don't
21 have a specific suggested legislative change but you do
22 believe that we should all sit down and have a meeting to
23 discuss how to get on the same piece of paper.

24 MR. STRONACH: I want to clarify. I brought
25 forward some ideas, and I've said at the same time, let's

1 sit down over the next few weeks and massage those ideas.

2 COMMISSION CHAIRPERSON BRACKPOOL: Okay. And
3 those ideas --

4 MR. STRONACH: (Inaudible).

5 COMMISSION CHAIRPERSON BRACKPOOL: So just
6 summarize. Those ideas are --

7 MR. STRONACH: To have big jackpot betting, for
8 instance, okay?

9 COMMISSION CHAIRPERSON BRACKPOOL: Right.

10 MR. STRONACH: Where people can say, gee, I can
11 win \$10 million.

12 COMMISSIONER ISRAEL: You mean like a Pick Six
13 Quinella, for instance?

14 MR. STRONACH: No, no, for instance, you've got
15 to be very careful because you've got very sophisticated
16 computer betters. Basically what you want to shake loose
17 is the bookmakers, the computer -- because the computer --
18 the computer gamblers don't bet on lotteries, okay?

19 So we've got to come -- and I'm fully sensitive
20 that you have a game of skill, and because we would offer
21 that you could handicap it. But if a customer wants to
22 have a quick pick, you should be allowed to give him a
23 quick pick. It's based on racing, okay? And thereby I --
24 a specific thing would be a quadruple quad factor.

25 COMMISSION CHAIRPERSON BRACKPOOL: Could you say

1 that again?

2 MR. STRONACH: A quadruple quad factor.

3 Basically you have four races, four quad factors, and
4 you've got --

5 COMMISSION CHAIRPERSON BRACKPOOL: I find it hard
6 enough to pick a winner, but that's --

7 MR. STRONACH: That's why we can offer maybe a
8 \$20 million purse, right?

9 COMMISSION CHAIRPERSON BRACKPOOL: Okay. So
10 that's one.

11 MR. STRONACH: Yeah.

12 COMMISSION CHAIRPERSON BRACKPOOL: That's one
13 idea. What would a second one be?

14 MR. STRONACH: Well, to be open up when we think
15 we get the best customers.

16 COMMISSION CHAIRPERSON BRACKPOOL: Well, that's a
17 legislative change. That's not something -- I'm just
18 trying to get it to where -- to get the idea. So that's a
19 legislative change that you would like to go for. That's
20 not something in our power to give you.

21 MR. STRONACH: I come forward here with simple
22 words that people understand. I realize there's
23 legislation, I realize there are certain rules, but we got
24 to aim.

25 COMMISSION CHAIRPERSON BRACKPOOL: Okay.

1 MR. STRONACH: You know, how can we run --
2 (inaudible) takes time. So we got to sit down together
3 with your people, with the owners, with the breeders, with
4 the fairgrounds and come up with a package to save the
5 industry.

6 COMMISSION CHAIRPERSON BRACKPOOL: Okay.
7 Commissioner Derek.

8 COMMISSIONER DEREK: Yes. I'm still concerned.
9 I know that you say you want to save California racing and
10 you're very concerned. I'm very concerned that you drove
11 away Breeder's Cup. And I find -- I find that so
12 detrimental to California racing.

13 MR. STRONACH: That's a -- that's a complete
14 wrong statement.

15 COMMISSIONER DEREK: Okay. That's the way I
16 perceived the process.

17 MR. STRONACH: No, but how can we drive it away?
18 We would be happy if the Breeder's Cup is here. We would
19 love to work together with them. Okay?

20 COMMISSION CHAIRPERSON BRACKPOOL: Well, they
21 claim that the uncertainty surrounding the Oak Tree --

22 MR. STRONACH: Where's the uncertainty --

23 COMMISSION CHAIRPERSON BRACKPOOL: Excuse me.
24 Excuse me.

25 COMMISSIONER DEREK: At the Oak Tree.

1 COMMISSION CHAIRPERSON BRACKPOOL: They claim the
2 uncertainty surrounding the Oak Tree lease situation was
3 their primary reason for moving to Kentucky in 2011.

4 MR. STRONACH: It's -- as far as we are
5 concerned, it's not -- it's quite clear. The Oak Tree
6 thing just doesn't make business sense. And you can't
7 do -- you know, if you got a club, but then you've got a
8 golf club, there's lots of things you can do. I've got a
9 golf club, a number of golf clubs, we have made monies
10 there. We never will make monies. You can't do those
11 things. But when you run a business, you cannot operate
12 like a club.

13 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
14 Derek is talking about the Breeder's Cup.

15 COMMISSIONER DEREK: Yes, I am.

16 MR. STRONACH: So it doesn't -- the Oak Tree, we
17 didn't chase it away. If you say --

18 COMMISSIONER DEREK: You did by canceling the
19 lease with Oak Tree.

20 MR. STRONACH: Well, we canceled the lease
21 because it doesn't make sense. It doesn't make business
22 sense.

23 COMMISSIONER DEREK: You drove -- in that sense,
24 to me, I perceive it that you --

25 MR. STRONACH: But the commission could say we'll

1 get rid of racing dates. You drove it away. We didn't
2 drive it away. We wanted it.

3 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
4 Israel.

5 COMMISSIONER ISRAEL: I want to just stipulate
6 that there's some areas in which we're in agreement.

7 The mandate to change the racing surface, I
8 think, I wasn't involved, but it was clearly done very
9 badly. If they wanted to do something like that, there
10 should have been one experimental track and they should
11 have seen over a period of time what it did. Because what
12 you said is absolutely true, polymers expand and contract
13 with different climate, all that's -- that's fine.

14 But where -- and I'd like to see things that we
15 can't get. I'd like to see sports betting at the race
16 tracks, I would like to see slot machines at the race
17 tracks. And everybody know I've tried to start moving in
18 that direction, and it's just -- it's going to be a long,
19 hard slog. And I think that would be very beneficial to
20 the business and would create a lot of jobs.

21 But where I have a fundamental difference with
22 you is I don't see a racetrack as a store. To me it's a
23 public trust. There are very few of them, they're very
24 expensive to build and essentially it is its own
25 geographically centralized sports league.

1 You're the NFL, you're major league baseball,
2 you're the NHL. The track is the league. The owners of
3 the horses are the team owners. The trainers are the
4 managers, and the jockeys are the players and so are the
5 horses. And all of our American sports leagues, the
6 Canadian sports league, National Hockey League, which is a
7 fundamentally Canadian league, they all operate as
8 501(c)(3)s. They're not for profit. The league itself
9 isn't an entity trying to achieve profit. The owners of
10 the teams each try to make a profit within the constraints
11 of how the league is organized. And the league has
12 seasons, and they play at specific times and the number of
13 games they play is mandated. And it's all for the benefit
14 of the whole.

15 One of the reasons why the NFL is the world's
16 most profitable and successful sports league is because
17 50 years ago when they first made a national television
18 contract, the two teams that made a lot of local
19 television money, the Chicago Bears were owned by George
20 Halas, who was a friend of mine and is one of my heroes,
21 and Wellington Mara, who owned the Giants, agreed that
22 they didn't want more than the Green Bay Packers or the
23 Pittsburgh Steelers, teams that generated a lot less
24 television revenue for the networks. So sometimes you've
25 got to do what's good for the whole. And that will

1 benefit everybody in the business. And that's not what
2 you're saying to us. That isn't what you're saying to us.

3 MR. STRONACH: Are you finished?

4 COMMISSIONER ISRAEL: Yes, go ahead.

5 MR. STRONACH: You're not asking me questions,
6 you're making statements. You -- you -- of course this
7 would be nice if Santa Anita would be owned by a trust, it
8 would be nice; but look, everybody had a chance to buy
9 Santa Anita, okay, nobody came forward, not even close,
10 okay? So it's easy to say that's a socialistic
11 philosophy, let's -- as long as somebody else is paying
12 for it, we would like to have a trust. Okay.

13 The fact is if the state in their desire -- you
14 could recommend it to the state, let's by Santa Anita, or
15 let's get a new piece of land to build a racetrack, if
16 this is what you believe. That's the way you talk.

17 COMMISSION CHAIRPERSON BRACKPOOL: Commissioner
18 Harris has a question.

19 COMMISSIONER HARRIS: Well, first of all, I think
20 all of us appreciate the fact you have put a lot of money
21 into California, we might quibble with the effectiveness
22 of some of it, and that you're here today to talk to us
23 about things; but a lot of your thrust over the years has
24 always been deregulation, which I think, you know, down
25 deep, most of us are for deregulation, it's just that in

1 racing, it's a lot more complicated than that.

2 And you've probably spent a lot of money over the
3 years in Sacramento with lobbyists and different
4 advocates, and I don't think your group has ever put in a
5 bill that was a pure deregulation bill, which is what it
6 would take, somebody to go to the legislature saying that
7 a track could run whenever they wanted to. And I think it
8 would be tough to get one of those through. So I think
9 we've got to work in the interim of other things we can
10 do.

11 And I think there's -- you know, all of us have
12 made mistakes over the years. The synthetic tracks, I
13 think there were a lot of good things about them. The one
14 you have at Golden Gate is working out, you know,
15 relatively well. I think the one down here at Santa Anita
16 is mainly a drainage problem; it wasn't so much the
17 synthetic part, it was the bottom of it wasn't quite
18 engineered right.

19 But going forward, I agree we need to work
20 together, but we need to come up with some concrete things
21 that we can all agree on and I think a lot of it's got be
22 on maybe some kind of a bet or some way to reinvent our
23 whole distribution network and things like that; but I
24 don't think we're going to get anywhere if we think we're
25 just going to solve things by deregulating racing dates.

1 MR. STRONACH: Well, that's your opinion. And I
2 said early on, I don't see it overnight, it will take a
3 while. In the long run, we've got to have a concept, what
4 will work in the long run. And that doesn't mean that we
5 amongst the race tracks owners at the fairgrounds, and
6 again I'm saying the fairgrounds are very important. And
7 we would love to work together with them to -- for the
8 benefit of the fairgrounds as well as our company and
9 horse racing in California.

10 But we must sit down. And I do expect to have
11 some good input from the board and be part of it, that we
12 can come up with a structure and say, well, we won't reach
13 this the first half of year, we might maybe in a year and
14 a half, or whatever, but we must set milestones.

15 COMMISSION CHAIRPERSON BRACKPOOL: Mr. Stronach,
16 let me just follow up on Commissioner Harris's point just
17 for a moment.

18 Again, when you were here in Hollywood Park in
19 June of 2007, you delivered a mini manifesto, and in it
20 you once again espoused this theme of deregulation and how
21 critical it is and how, you know, you must be able to race
22 whenever you need.

23 But just going to Commissioner Harris's point,
24 have you ever introduced a piece of legislation to
25 deregulate, and if not, why not?

1 MR. STRONACH: For the simple reason, you know,
2 we have to work to -- look, a racetrack to us, unless
3 there's horse owners, is no good to us. We are partners
4 with them. On the other hand too, race horse owners got
5 to realize a race horse isn't any good if there's no race
6 tracks. The race horse owners have one advantage; if
7 you've got 20 horses and you want to cut your losses in
8 half, you only have 10. We cannot do it, say we only run
9 a quarter, we only use a quarter of the racetrack today.
10 So we have a gigantic overhead.

11 And again, we didn't put a bill in, but, you
12 know, due to (inaudible) things we're not quiet, but it's
13 so deteriorating that it's -- that -- because we alone,
14 there's no way we want to get ahead of ourself. But with
15 the horse owners, with the breeders, with the fairgrounds,
16 I believe we could come up with something; and again, not
17 right away, but we must be committed to follow certain
18 steps.

19 And these steps got to be marked down, that it's
20 beneficial to the fairgrounds, beneficial to Hollywood if
21 they want to race or not. We don't care. When I say you
22 should be able to open up your store, okay, it's still,
23 okay, contrary to what, a lack of term, I used that word
24 or, call it the racetrack, when we think we get the most
25 customers, and everybody else can do the same thing.

1 What's wrong?

2 COMMISSION CHAIRPERSON BRACKPOOL: All right. We
3 have some more questions.

4 Commissioner Moss.

5 COMMISSIONER MOSS: Frank, I know how much you
6 love horse racing. You know, and I also know that you're
7 very -- you know, you've been close to our governor and
8 you've discussed this with him as well. You know, and I
9 don't know if he's done anything to help you about this,
10 but I think as we all know there's laws and regulations we
11 have to deal with, and these things take a long time to
12 change, a long time.

13 So I think what we're discussing here is an
14 interim, before we're able to present ideas to the
15 legislature that they can help us change if we decide we
16 want them to be changed.

17 In the meantime, don't you believe that having
18 the Breeder's Cup at Santa Anita for five years would be
19 very helpful to Santa Anita in the long run and to
20 California in general? You own the plum. What you have
21 in Santa Anita is the greatest racetrack in the country.
22 I think we all feel that way.

23 MR. STRONACH: It's up to you people to say if we
24 have the Breeder's Cup or not.

25 COMMISSIONER MOSS: No, no, no. I disagree.

1 MR. STRONACH: Look here --

2 COMMISSIONER MOSS: What can we do to --

3 MR. STRONACH: No, it's exactly what you can
4 do --

5 COMMISSIONER MOSS: We don't own the racetrack,
6 you own the racetrack.

7 MR. STRONACH: You hand out the dates. Right now
8 you say, well, we won't give you the dates that you can
9 run the Breeder's Cup. So it's in your hands.

10 COMMISSION CHAIRPERSON BRACKPOOL: You didn't
11 request any dates. You canceled the Oak Tree lease and
12 didn't request any dates. I don't have a request for any
13 dates from MID.

14 MR. STRONACH: Well, I think I -- I -- I think
15 there were indications made. And surely -- look here, you
16 should be part of it to get things done, okay? Don't play
17 everything, gee, you made a mistake now, I got you, okay?
18 If you had an interest in a (inaudible), you could have
19 picked up the phone and say, look, Frank, what we gonna
20 do, this is very important for California, let's get
21 together.

22 COMMISSIONER ISRAEL: We said Oak Tree was very
23 important for California. We implored at our last meeting
24 that you make -- that MID reach an agreement with
25 Oak Tree. And now apparently you're saying to us in so

1 many words that you're not going to negotiate a lease --

2 MR. STRONACH: It doesn't make economic sense.

3 It does not.

4 COMMISSIONER ISRAEL: So therefore, on the CARF
5 terms you won't make a deal --

6 MR. STRONACH: Look here. Again, we have -- we
7 have -- let me give you just one example. We have over
8 the last year on leasehold improvements, we put in about
9 130 million. And I believe Oak Tree put in about
10 5 million all together.

11 COMMISSION CHAIRPERSON BRACKPOOL: All I'm trying
12 to save, Frank, the Oak Tree issue for the next item. It
13 is the next item.

14 Commissioner Choper had a question.

15 COMMISSIONER CHOPER: I think we've all had our
16 say. I don't -- I guess -- I don't mean to be to offend
17 anyone, either the board or you, but I think what's been
18 said has been said, and I don't know that we're going to
19 productively add anything now. I understand,
20 Mr. Stronach, you're going to be here in southern
21 California for a few days after this; is that right?

22 MR. STRONACH: I have some meetings tomorrow. I
23 meet with --

24 COMMISSIONER CHOPER: Pardon me?

25 MR. STRONACH: I have some meetings tomorrow. I

1 have -- I have -- but I have no problem to come out here
2 when it comes down to come up with the framework to save
3 horse racing.

4 And don't always refer to me it's what I want.

5 COMMISSIONER CHOPER: No.

6 MR. STRONACH: Look --

7 COMMISSION CHAIRPERSON BRACKPOOL: Mr. Stronach,
8 before you -- he was asking your schedule.

9 COMMISSIONER CHOPER: I just wanted -- I just
10 wanted to urge you to perhaps make some time -- let's --
11 let's --

12 MR. STRONACH: I will make time.

13 COMMISSIONER CHOPER: Okay.

14 COMMISSION CHAIRPERSON BRACKPOOL: Please let him
15 finish. Please let him finish.

16 COMMISSIONER CHOPER: Let's think about -- let's
17 everybody think about the horsemen, the people from
18 Santa Anita, the board, let's everybody think about what's
19 been said and maybe it will sink in, who knows. I guess
20 I've seen situations in which it does more than sink in.

21 But maybe you could make some arrangements to
22 meet with the chairman, the vice chairman of the board
23 after you've thought about it, after you've talked to the
24 horsemen and before you leave, and see if you can discuss
25 some forward-looking development so that we can get

1 together again next time and have some more specific idea
2 as to how to do that.

3 MR. STRONACH: I'll be available the whole
4 afternoon tomorrow.

5 COMMISSIONER CHOPER: You're meeting with the
6 horsemen in the morning?

7 MR. STRONACH: We are meeting in the morning.

8 COMMISSION CHAIRPERSON BRACKPOOL: We won't do
9 our calendars in front of everybody, but --

10 MR. STRONACH: And I'll be available right after
11 here.

12 COMMISSION CHAIRPERSON BRACKPOOL: Okay. So
13 after this, we'll sit down and we'll work out when we're
14 going to --

15 MR. STRONACH: I think it's very important, but
16 you've got to understand, I'm very resentful when you
17 trash my reputation.

18 COMMISSION CHAIRPERSON BRACKPOOL: And who's
19 trashing your reputation?

20 MR. STRONACH: It was the trap, the thing here,
21 the foreigner's holding up the monies here from
22 California. We've done none of that. I need this like a
23 hole in my head. I am a certain age, I want to go skiing,
24 I'll be a ski bum over there. And I spend so much time on
25 this, or to make sure that we -- that we don't default

1 horse racing here --

2 COMMISSION CHAIRPERSON BRACKPOOL: Mr. Stronach,
3 Mr. Stronach, I don't want to get into a he said/she said
4 because the one great advantage of our system here is that
5 everything is in a transcript. So we don't need to --

6 MR. STRONACH: It's right on the transcript where
7 you say we threatened. Okay. And I resent that.

8 COMMISSION CHAIRPERSON BRACKPOOL: No, there's
9 nothing -- that is not the point.

10 So let's move on. And I think as Commissioner
11 Choper said, we have all had a lot to say in there. The
12 only thing that I would add specifically on this -- I have
13 some speakers on this point. The only thing I would add
14 specifically is the July 1st deadline for submitting a
15 plan has to have some details and specifics in the plan,
16 because we all agree generally that changes need to be
17 made, we are in agreement with you on that, right? We're
18 going to work out how we sit down, where we go; but the
19 plan has to have, as would any licensee coming forth for
20 an application, have to have specifics in a plan.

21 I want to thank you very much for --

22 MR. STRONACH: Mr. Chairman, I would like to say
23 one more thing.

24 COMMISSION CHAIRPERSON BRACKPOOL: Yes, please.

25 MR. STRONACH: We do not want to dominate racing.

1 We want to be part of it. And we leave you a copy of the
2 Horse Racing Charter of Rights, okay? And we will --
3 anybody having an interest, we'll will distribute those,
4 right, or you get it sent by e-mail.

5 The Horse Racing Charter of Rights is
6 self-explanatory, because we got to make sure that the
7 back stretch is included, right? So anyway, you read
8 that, that's our sincere interest. The horsemen are our
9 partners; we won't have a business without them, okay?
10 That's as simple as that.

11 COMMISSION CHAIRPERSON BRACKPOOL: I have a
12 couple of speakers on the issue, and I hope that we'll
13 have this opportunity to address some of the specifics in
14 the plan at our July 22nd -- July 22nd meeting at Del Mar.

15 The first speaker I have on this issue is
16 Terry Bingham.

17 (Audience member makes comment beyond range of
18 microphone.)

19 COMMISSION CHAIRPERSON BRACKPOOL: You certainly
20 can.

21 Mike, we'll make arrangements for Mr. Siegel to
22 speak.

23 Terry Bingham first.

24 MS. BINGHAM: Hi. I come from the music
25 industry, and I've watched the death of major label

1 distribution, and I would hopefully not -- I would like to
2 present some ideas so we don't see the same thing happen
3 in the horse racing industry.

4 I'm a fourth generation Californian. My family
5 brought thoroughbreds to this country in the early 1900s
6 and conducted the first horse show for thoroughbreds in
7 Arizona in 1922. I currently represent owners and
8 trainers of the Arabian breed.

9 In July of last year, as they were burying one of
10 my clients at the Staples Center, I was pleading with
11 Mr. Church to not end Arabian racing. I had investors
12 flying in from the royal family, and they were very
13 interested in supporting and sponsoring races at tracks to
14 try to save the industry. They ended Arabian racing that
15 day, notwithstanding the fact that I filled the race
16 within 30 minutes and they told me I couldn't do it. And
17 I called all those owners and all those trainers and got
18 them to bring their horses from the fairs.

19 No, there's not the money and the purses at the
20 fairs to sustain the owners and the trainers, and we all
21 know this. That means we need the tracks. And what's
22 happening, I'm looking globally, because California's in
23 trouble, big trouble, and I don't see it ending soon. So
24 I went to the middle east, and I went twice, and I met
25 with the royal families there. And they've got a lot of

1 money and they've got a lot of Arabians, and they're
2 sponsoring races everywhere. They're sponsoring them in
3 Delaware. They're sponsoring them in Abu Dhabi, they're
4 sponsoring them in Dubai, last year for the first time at
5 Ascot, they're sponsoring them in France. They're racing
6 in the U.K.

7 There's billions of dollars of Arabian horses and
8 purses being won from horses owned in Turkey. They're in
9 Poland, they're in France, they're all over the middle
10 east, and it's growing. They're buying more Arabians
11 every year. I'm going to these sales and I'm seeing sales
12 of Arabian race horses. Continue, and we have no
13 permanent track to race in this state. So there's your
14 idea.

15 The president of Abu Dhabi is a royal, and he's
16 sponsoring those races in Delaware, and that track is
17 getting that money. And there's members of the kingdom,
18 they can't race in the kingdom because there's a rule that
19 says --

20 COMMISSION CHAIRPERSON BRACKPOOL: Is this on the
21 point of --

22 MS. BINGHAM: Yes, you want ideas. You want to
23 save racing, you want money. We can't get the backing
24 that we need.

25 COMMISSION CHAIRPERSON BRACKPOOL: This is not an

1 open forum on how to save racing. This is a --

2 MS. BINGHAM: But you said Santa Anita's in
3 trouble, it's in bankruptcy.

4 COMMISSION CHAIRPERSON BRACKPOOL: This is an
5 agenda item specifically on MID's plan for Santa Anita --

6 MS. BINGHAM: They didn't have any. I didn't
7 hear any. I heard no plans, I heard no ideas.

8 COMMISSION CHAIRPERSON BRACKPOOL: Please,
9 please, please, please. Enough of the applause. It's not
10 helpful.

11 The point you're making is that perhaps they
12 should look at sponsoring Arabian races; is that correct?

13 MS. BINGHAM: That the investors from overseas
14 will put up purses until it can generate the money needed
15 from the betting, because that's not going to occur right
16 away, which brings jobs, it brings income to the tracks,
17 and it sustains the thoroughbred from foreign money so
18 that the thoroughbred owners and trainers don't go down
19 with the tracks and don't go down with the bankruptcy.

20 COMMISSION CHAIRPERSON BRACKPOOL: Okay. Thank
21 you. Thank you for your idea. Thank you very much for
22 your participation.

23 Mr. Siegel.

24 MR. SIEGEL: Mr. Chairman, members of the CHRB,
25 first I would like to say, and I say this objectively, I

1 think this is the greatest board that this group has ever
2 had, and they've had some very good ones. I think the mix
3 is beautiful. And I think that there's a lot of reason on
4 that board.

5 Fifty or so years ago Ed Friendly, I, Ron
6 Charles, Duke Cousteau, Terry Lanni, Marvin Malmuth formed
7 TOC. It was the only organization of its kind in the
8 United States. We had to unseat the CHRB in order to get
9 that. At the time I arranged to put my daughter on the
10 CHRB by breaking all the rules and doing a piece done
11 professionally to advertise. At the time I think she was
12 21 or so. And because the board was so unreasonable, the
13 CHRB, it was supposed to be a board of owners and
14 trainers, which was dominated by the trainers because of
15 the owners' apathy. And we were able, with help from
16 Senator Matty, a very important man in racing in
17 California, to be the group.

18 Over time we made one mistake. Ed Friendly and I
19 felt very, very strongly that the track is not your
20 friend, the track is the enemy of all owners of horse
21 races. And we were compromised by Ron Charles and others
22 on the board, that they thought we were too rough with the
23 owners of the (inaudible) and, frankly, they learned over
24 time that we were not rough enough.

25 But I'm not here in that capacity. I'm hear to

1 try and bring some reason. I, like the chairman, really,
2 our background is real estate, and real estate is a very
3 simple business. As long as you don't make any mistakes,
4 it's a great business, which is a hell of a lot better
5 than being a horse owner, because it takes a miracle not
6 to lose money every year. We've had a remarkable year,
7 and a lot of our horses are running brilliantly. And so
8 far I've only had to put up \$800,000 to carry the losses
9 from operations.

10 It's interesting. We were, my company, the
11 Macerich Company, which is a public REIT, which is a
12 misnomer, when they say real estate investment trust,
13 because what you do is give away your land in turn for
14 receiving scraps of paper which gave you the right to
15 receive money. And that, by the way, I consider the
16 greatest mistake I ever made in my career. We had reached
17 a point where there was no money and we turned to trust --

18 COMMISSION CHAIRPERSON BRACKPOOL: Mr. Siegel, I
19 can tell you, I hold you in the highest --

20 MR. SIEGEL: I am going to come to a very --

21 COMMISSION CHAIRPERSON BRACKPOOL: Just need you
22 to come to a point here, quickly.

23 MR. SIEGEL: Okay. My point is that there was a
24 time when I considered going into Canada. And I looked at
25 it very carefully and came to the conclusion that I had no

1 business in a foreign land where I didn't know the laws
2 and regulations.

3 Here we have Mr. Frank Stronach, whom I love, who
4 is an immigrant here in this country, and he comes in and
5 he wants to dictate the terms on which he will do business
6 here.

7 The only solution that I would recommend to both
8 sides in this case is let's definitely run Oak Tree at
9 Santa Anita this year and then sit down with the
10 reasonable people, and I consider myself one of those and
11 would like to be part of it, and come to a conclusion at
12 our leisure when it's not so emotional. The emotions
13 solve nothing.

14 COMMISSION CHAIRPERSON BRACKPOOL: I thank you
15 for your time, and I thank you for your commitment to us.
16 Thank you, sir.

17 MR. STRONACH: I have great respect for
18 Mr. Siegel, Mace, but I think he's wrong when he says that
19 I want to dictate. The Horse Racing Charter of Rights is
20 explanatory that we do not want to dictate, we only want
21 to be part of a -- of a good racing partner.

22 COMMISSION CHAIRPERSON BRACKPOOL: Thank you,
23 Mr. Stronach.

24 If up here we responded to every allegation that
25 was made, we'd be here till very late in the evening, so

1 don't take them all to heart.

2 Mr. Michael Wellman.

3 MR. WELLMAN: It's a hard act to follow here, but
4 Mr. Chairman, board, I'm going to try to show full respect
5 in my comments. And first of all, I know most everybody
6 in this room loves this industry and sport.

7 I'm speaking for myself, but I hope for most
8 everyone in this room, when I say I'm heartbroken with the
9 comments I just heard from Mr. Stronach. Today has to
10 tell us and the CHRB that we must take a new path for our
11 industry and clearly we must find a way to seek another
12 entity or entities other than MID to operate the dates
13 they now control. We must find a way to get them out, cut
14 their losses. They don't have a plan, maybe by July 1st
15 they will. We must creatively find a way to find someone
16 that is interested in promoting the sport the way it needs
17 to be promoted in the future to be successful.

18 And you know, all successful businessmen in all
19 walks of life, regardless of what they're doing, sometimes
20 they just need to cut the bait. And you know, from what I
21 hear and the plans I don't hear, there's been a very, very
22 significant investment made, but people do take losses.
23 Allow someone else to come in that maybe has a little bit
24 different kind of idea, is willing to take the chance and
25 operate. Thank you.

1 COMMISSION CHAIRPERSON BRACKPOOL: Please,
2 please, please, please, please. We're not going to get
3 anywhere if this becomes a contest as to who claps loudest
4 after every item.

5 Mr. Jamgotchian.

6 MR. JAMGOTCHIAN: Mr. Chairman, members of the
7 board, you know, I think reality needs to set in to
8 California horse racing. And the reality is that, whether
9 you like it or not, MID controls California horse racing.
10 And I think you'll find out as time passes that really
11 whatever Frank's plan is, Frank's plan will be adopted
12 because this board will not be overseeing too many more
13 racing facilities, especially after Hollywood Park closes.
14 So the reality is that Frank's vision is going to be your
15 vision, whether it's next year, three years from now, five
16 years from now.

17 So I think what Frank's told you, and I'm not
18 sure you guys are very good listeners, that it's time for
19 you to lead California horse racing. He's asking you
20 to --

21 COMMISSION CHAIRPERSON BRACKPOOL: Is that lead
22 or leave?

23 MR. JAMGOTCHIAN: To lead, l-e-a-d. I wasn't
24 even thinking about leave, but I was thinking about
25 leading.

1 It's time for you to lead California horse racing
2 because he's looking for direction from you. He's got his
3 own ideas, but he's coming up to you saying, hey, let's
4 work together, formulate a partnership with my ideas and
5 your ideas. Some of your ideas -- not your, I'm talking
6 your as a board -- some of your ideas have been mandating
7 synthetic race tracks. Obviously that's something that he
8 followed. I don't know why he followed it, but he
9 followed it, he followed it twice. He spent millions of
10 dollars because of what you guys had ordered him to do.
11 Not you guys, but the prior board.

12 He's had to deal with other issues which you've
13 mandated that haven't been successful. This guy has spent
14 hundreds of millions of dollars trying to make his product
15 work, with little help from the California Horse Racing
16 Board.

17 Now I find out from other sources that
18 legislative relief is something that he's seeking. Well,
19 you've given him a billion dollars -- not him, but the
20 racing association, billions of dollars of relief in
21 license fees, and this board hasn't required him, Jack
22 Liebau, or Del Mar anything or any requirements on the
23 money that you've given them. You've given this money
24 without requirements. And so you certainly can't sit back
25 and say you've taken our money, when you didn't put any

1 requirements on the license relief you gave them.

2 Let's see. As for the fact that, I think it was
3 Mr. Israel who in the article that Frank referenced, I
4 believe it was the Paulick Report, where Mr. Israel cited
5 a case, Kelo versus the City of London, where a local
6 government could condemn through eminent domain and take
7 Mr. Stronach's property. When I read that, Mr. Israel, I
8 said to myself, that's like Shapiroesque.

9 But with regards to other things that you said --

10 COMMISSIONER ISRAEL: What does that mean?

11 MR. JAMGOTCHIAN: Well, it just didn't make any
12 sense, because you're not going to take his property --

13 COMMISSIONER ISRAEL: (inaudible)

14 MR. JAMGOTCHIAN: Excuse me. The CERK isn't
15 going to take his property. That's ridiculous. If you
16 think they are, well, I don't think you'll be around to
17 see it unfortunately.

18 Would you have given Frank the Oak Tree dates? I
19 mean, you're inferring that after he canceled the lease,
20 which was his right to cancel the Oak Tree lease, that you
21 would have given him the dates for the Breeder's Cup? You
22 infer that you might have done that. That's not true.
23 You guys have been staunchly behind Oak Tree, and you
24 would have never made a deal with Frank with regards to
25 dates.

1 And finally, the old slots argument. This board
2 opposed Jack Liebau and Bay Meadows Land Company's slot
3 initiative, and many times, including -- I remember
4 Mr. Moss was opposing the initiative too. If this
5 industry would have been unified --

6 COMMISSIONER MOSS: Which initiative is that?

7 MR. JAMGOTCHIAN: The slots initiative that was
8 19- --

9 COMMISSIONER MOSS: Was year was it?

10 MR. JAMGOTCHIAN: Sorry?

11 COMMISSIONER MOSS: I think you're wrong. I
12 disagree with you.

13 MR. JAMGOTCHIAN: Well, the board, I remember
14 Mr. Shapiro --

15 COMMISSIONER MOSS: While you remember
16 Mr. Shapiro, I would like you to speak accurately about
17 me, because my name means something.

18 MR. JAMGOTCHIAN: Well, were you in favor of
19 the --

20 COMMISSIONER MOSS: I don't think I need to
21 answer what I did or would I do. If you have a fact,
22 express it; if you don't, then don't express it.

23 MR. JAMGOTCHIAN: Because I don't believe -- I
24 think your public comments were against the initiative. I
25 remember -- I remember the board clearly was against

1 the --

2 COMMISSIONER MOSS: Know what you're talking
3 about, perhaps, before you say it, when you're bringing my
4 name up, please.

5 MR. JAMGOTCHIAN: I believe --

6 COMMISSION CHAIRPERSON BRACKPOOL: Your time is
7 up, Mr. Jamgotchian.

8 MR. JAMGOTCHIAN: Excuse me.

9 COMMISSION CHAIRPERSON BRACKPOOL: I said your
10 time is up.

11 MR. JAMGOTCHIAN: You haven't been enforcing the
12 time on me, I don't believe.

13 COMMISSION CHAIRPERSON BRACKPOOL: Your time is
14 up. You've spoken on every single issue, and your time is
15 up. I did allow you to complete a sentence earlier, I'll
16 allow you to complete this sentence.

17 MR. JAMGOTCHIAN: The sentence is that once again
18 the California Horse Racing Board needs to listen to
19 Mr. Stronach and work between him and in the racing
20 association to do what's best for California horse racing.

21 COMMISSION CHAIRPERSON BRACKPOOL: Thank you very
22 much for your time and your comments.

23 Last speaker I have, John Bucalo from Barona
24 Casino.

25 MR. BUCALO: I'm representing myself on this one.

1 John Bucalo from Barona Casino.

2 Whatever plan is brought up, I hope that it
3 consists of Oak Tree racing at Santa Anita, and most
4 importantly, it consists of how to get the fans in those
5 racing seats. We must think of the guest. I have heard
6 about the horseman, I've heard about the tracks, but
7 without the people -- and I have heard about the customers
8 in the store, but if you don't get those racing fans in
9 the seats, one would only -- those managers and executives
10 only need to walk through the grandstand and see all the
11 empty seats and think what can we do. They must derive a
12 plan to get people sitting in those seats. And if they
13 don't, without them, there's no need for all the other
14 important things we just mentioned.

15 COMMISSION CHAIRPERSON BRACKPOOL: Thank you,
16 John.

17 MR. BUCALO: Thank you very much.

18 COMMISSION CHAIRPERSON BRACKPOOL: Thank you for
19 your comments.

20 COMMISSIONER ISRAEL: Can I say one thing?

21 I'd like to thank Mr. Stronach for coming. I
22 believe that people should engage in constructive
23 confrontation and conversation, and I think the fact that
24 you came here, you knew everybody wasn't going to agree
25 with you, is a good thing.

1 COMMISSION CHAIRPERSON BRACKPOOL: I would echo
2 that sentiment. I think everybody on the board, from what
3 I understand, echoes that sentiment, and we look forward
4 to sitting down with you further and having these
5 constructive conversations.

6 MR. STRONACH: And thanks for those remarks
7 because I think I was a little harsh on Keith and on
8 David.

9 COMMISSIONER ISRAEL: That's all right. I can
10 take it.

11 One other thing. The fact that you're an
12 immigrant is completely irrelevant. My father's an
13 immigrant, I'm first generation, he's an immigrant, it
14 works for me. This isn't Arizona.

15 COMMISSION CHAIRPERSON BRACKPOOL: All right.
16 All right. All right.

17 Just when we appear to be reaching yet another
18 Cumbaya moment, we're going to talk about Oak Tree. I
19 keep this moving. I keep this moving.

20 All right. Mr. Chillingworth, let's come up and
21 talk about Oak Tree here.

22 Before you start, I would -- I'd like to start by
23 asking you a question that make sure you cover in the time
24 of where you are, because I think again, not wasting a lot
25 of people's time, I think we understand the issue here.

1 Why don't you go ahead, and speak and I'll ask you the
2 question when you've finished.

3 MR. CHILLINGWORTH: I'm sure (inaudible). I had
4 a five-hour drive here today. The principle, which is
5 Jack Robins, who is one of the last -- he was the last
6 surviving founders of the group that put the Oak Tree
7 Racing Association together. It was done 41 years, 42
8 years ago now to provide a racing facility between the end
9 of Del Mar and the beginning of Christmas. And you know
10 as well as I do that it's very difficult for horsemen to
11 survive during that period of time with no purse money,
12 and so this group of people put their own money up,
13 established this racing operation, been very successful
14 for 41 years. And we finally found ourselves negated on
15 our lease. And essentially the same people are running
16 the present company as ran the old company. So it's
17 rather strange that bankruptcy laws work in that manner.

18 Anyway, just to kind of give you a chronological
19 detail of my exchanges with Mr. Mills in the last two or
20 three months, we met once April 6th with Don Cameron, who
21 is the CEO of MID, and I thought we had reached agreement
22 on the extension of the Oak Tree lease. We agreed to two
23 of his proposals. They were to meet with us the following
24 morning with their attorney.

25 They showed up at 11:00 and said, well, we've

1 been called back to Toronto, we can't -- we can't --

2 COMMISSION CHAIRPERSON BRACKPOOL: We did go
3 through this chronology at the last meeting. I want to
4 really focus on what has happened subsequent to our last
5 board meeting.

6 MR. CHILLINGWORTH: Very good. We had a
7 agreement with Mr. Mills that June 4th he would make some
8 kind of proposal to us.

9 He was very nice, he called me the day before and
10 said, I'm sorry, we can't do this on June 4th, but if you
11 can wait until June 24th, Mr. Stronach will be out here
12 and we can discuss the matter.

13 In the meantime our lease was negated on May
14 14th, and we've been sitting here ever since waiting for a
15 conversation. And we have received no conversation since
16 that time.

17 When I talked to Mr. Mills, he suggested that we
18 proceed with plan B and C, i.e., move our dates to some
19 other venue, either Del Mar or Hollywood. We've had --
20 both of those tracks have been very receptive and very
21 helpful to us, and we've discussed it with them and we are
22 prepared to make that move. We would rather stay at
23 Del Mar, it's been our home for 41 years --

24 COMMISSIONER DEREK: Santa Anita.

25 MR. CHILLINGWORTH: Santa Anita. What did I say,

1 Del Mar?

2 Santa Anita for 41 years. It's been a tradition
3 to race in that area. Arcadia -- the City of Arcadia is
4 going to be terribly impacted by our leaving. I would
5 think that the employees at Santa Anita, it would be hard
6 for Santa Anita to keep all their staff, they're have a
7 marvelous staff, and they've grown together as a family.
8 They're very experienced, and as you know, did a great job
9 on Breeder's Cup last year.

10 My point is that we don't understand what the
11 economics are. I have here an audited statement by our
12 outside auditors showing the last 11 years, since we've
13 been -- we've had MID as landlords, we've given them over
14 \$50 million in payments. And I don't understand the
15 economics that don't work on that level.

16 COMMISSION CHAIRPERSON BRACKPOOL: Okay. I would
17 like to ask Mr. Mills if he wouldn't mind, at our last
18 board meeting -- please either take a seat or the podium,
19 whichever is better so you have a microphone, and do that.
20 And when you first answer, just state your name.

21 MR. MILLS: Dennis Mills, CEO of MID.

22 COMMISSION CHAIRPERSON BRACKPOOL: Thank you,
23 Dennis.

24 At our last meeting where you came in and
25 testified as to your ownership of MID, of the asset

1 et cetera, and the cancellation of the lease, as you know,
2 several of us were very concerned about what had happened,
3 et cetera. And certainly if one goes through the
4 transcript, and I had the chance again this morning to go
5 through it, the inference is very much -- were the
6 specific terms, and we need to reorganize some of the
7 specific terms.

8 And I actually quote in a response you had to
9 Vice Chair Israel's question, you said, "So
10 Mr. Commissioner your point is taken." This was about --
11 he was concerned about with the cancellation. "As we said
12 in our letter, we met yesterday with the president of
13 Oak Tree, and we will go back and meet with him on
14 June 4th, and it's our hope that we can come up with
15 something that is, you know, constructive for both
16 parties."

17 The inference was very much, there were a couple
18 of specific terms that needed to be reorganized and
19 reworked and go back. In your chairman's presentation
20 today, I have to confess to not hearing that. What I
21 confess to hearing is it's more like the dead parrot
22 sketch in Monty Python. You know, it truly is dead.

23 MR. MILLS: Excuse me, Mr. Chairman, I'll let --
24 the chairman can speak directly for himself, but I want to
25 clarify on June the 4th, there was an effort made to meet

1 with Mr. Chillingworth. I was traveling, we were looking
2 at surfaces in Spain, and I was not able to get back.

3 But he did send us an e-mail on June the 3rd and
4 said if we don't have an answer by Friday, then we're
5 going to have to go elsewhere.

6 And we just said, quite frankly to him, we
7 couldn't meet his Friday deadline. And that was it.

8 So if you want to speak directly to the chairman
9 on Oak Tree, I'll let him speak.

10 COMMISSION CHAIRPERSON BRACKPOOL: Well, I don't
11 mind, whoever -- I'm going to get some of the questions of
12 things you said before, but, yes, Frank, if you'd like to
13 come forward, but whoever wants to answer for MID. So --
14 and I'm just trying to understand the position of where we
15 are and how we got here.

16 But your position is that when you spoke in front
17 of us at the meeting, you had every intention of
18 renegotiating a lease but travel commitments precluded you
19 from being able to have that discussion and so you
20 couldn't negotiate in time?

21 MR. STRONACH: I can answer that.

22 COMMISSION CHAIRPERSON BRACKPOOL: Okay.

23 Mr. Stronach.

24 MR. STRONACH: Basically, I mentioned before, we
25 are a public company, and major items are tabled by the

1 board. And the board concluded after I gave a
2 presentation to the board, that it doesn't make economic
3 sense.

4 COMMISSION CHAIRPERSON BRACKPOOL: This was
5 subsequent to our meeting?

6 MR. STRONACH: Subsequent to the meeting, yeah.

7 COMMISSION CHAIRPERSON BRACKPOOL: And that
8 meeting was --

9 COMMISSIONER HARRIS: (Inaudible) the lease price
10 or --

11 MR. STRONACH: Does not make economic sense.

12 COMMISSIONER HARRIS: As it existed.

13 MR. STRONACH: Yeah, yeah, does not make economic
14 sense.

15 COMMISSIONER ISRAEL: All right. Did you
16 counter?

17 MR. MILLS: No, we did not formally counter.

18 MR. STRONACH: No, we did not formally counter
19 for the simple reason there's only so much water in the
20 bottle. When you shake it out, there's nothing left.

21 COMMISSIONER HARRIS: Did it make more economic
22 sense to not have a meeting during October at all?

23 MR. STRONACH: No, it doesn't, because we must go
24 forward, we must devise a uniform -- a good brand where
25 Santa Anita has a lot of meetings to attract more

1 customers, it's got to be very uniform. We can't have a
2 tenant in our house. Okay? And it's a free country --

3 COMMISSIONER ISRAEL: So as a business principle,
4 you decided now that you're the only operator of a race
5 meeting.

6 MR. STRONACH: We are the only operator there,
7 because down the road we do want to accomplish certain
8 things and we've got to be very uniform and we've got to
9 have the right to do certain things.

10 COMMISSION CHAIRPERSON BRACKPOOL: So that
11 decision was made subsequent to Dennis's statement to the
12 board that you were going to try and work out --

13 MR. STRONACH: When Dennis is -- you know, you
14 requested that he would appear here, and he mentioned to
15 you that MID has only taken over the assets of (inaudible)
16 earlier, and we have to -- we have to sort things out,
17 what makes economic sense and act accordingly.

18 COMMISSION CHAIRPERSON BRACKPOOL: And when was
19 your board meeting, if I may ask, that you reached this
20 decision?

21 MR. STRONACH: I don't -- the board might have
22 been a few weeks ago, I don't know exactly, but the board
23 reached that thing here.

24 COMMISSION CHAIRPERSON BRACKPOOL: But at a
25 formal board meeting?

1 MR. STRONACH: Pardon me?

2 COMMISSION CHAIRPERSON BRACKPOOL: At a formal
3 board meeting?

4 MR. MILLS: It was informal.

5 COMMISSION CHAIRPERSON BRACKPOOL: It was an
6 informal board meeting.

7 MR. MILLS: Yeah.

8 COMMISSION CHAIRPERSON BRACKPOOL: I'm not sure
9 there's such a thing.

10 MR. MILLS: There is with us.

11 COMMISSION CHAIRPERSON BRACKPOOL: Okay. So at
12 an informal -- I'm just trying to understand what
13 happened.

14 Can everybody be quite, please? Please be quiet.

15 MR. STRONACH: But the decision has to be made by
16 the board, the board is aware of it, it has to be made, it
17 did not make economic sense.

18 COMMISSION CHAIRPERSON BRACKPOOL: My question --
19 my question, Frank, is because what we're dealing with
20 here, you know, is an issue of relationship, an issue of
21 trust, an issue of understanding where we are.

22 I just asked your chief executive a specific
23 timeline question as to why they didn't meet the June 4th
24 timeline. His response was he was traveling --

25 MR. MILLS: No, no, excuse me --

1 COMMISSION CHAIRPERSON BRACKPOOL: No, let me
2 finish please. Let me --

3 MR. MILLS: -- (inaudible) correct what you just
4 said.

5 COMMISSION CHAIRPERSON BRACKPOOL: Okay. Then
6 let me finish what I just said, and then you can correct
7 me. All right?

8 So what we said here, what your statement was,
9 your point is taken, and we said we met with the president
10 of Oak Tree and we said we will go back and meet with him
11 on June the 4th, and it's our hope that we can come up
12 with something that's constructive for both parties.

13 MR. MILLS: That is correct.

14 COMMISSION CHAIRPERSON BRACKPOOL: From what I
15 understood, on June the 3rd, you then informed
16 Mr. Chillingworth that you weren't able to make the
17 meeting. And he said, but I need to know by Friday, which
18 was the 4th, 5th, or 6th. And you said, well, if I can't
19 make that -- I can't make that date, so there's nothing to
20 do.

21 That just appears to me to be completely at odds
22 with what I'm hearing from your chairman, which is it
23 didn't matter what Mr. Chillingworth said, a decision had
24 been reached prior to that date that there would never be
25 a lease with Oak Tree. I'm just trying to understand what

1 happened, that's all.

2 MR. STRONACH: Let me answer that.

3 You know, on major items, the board's got to make
4 a decision. Sometimes the CEO could say I think this
5 might be okay, this might be good; but there's still, in
6 the final analysis, at that time nothing was agreed upon,
7 okay, because we just took over the assets. So you still
8 have -- you could say, well, from my point of view, I --
9 you know, I think we could maybe come to an agreement, but
10 in the final analysis it did not -- it did not happen,
11 okay?

12 COMMISSION CHAIRPERSON BRACKPOOL: Okay. And
13 just to go to Commissioner Harris's question, because I
14 don't think I allowed you the chance to respond to that
15 with the interaction, at present under our structure, this
16 board does award race dates. I understand it's your
17 desire to change that, but at present this board awards
18 race dates.

19 Commissioner Harris's question to you was is it
20 better for you to have no tenant there during that time
21 unless and until the legislature approves a change in the
22 structure of this board that allows you to race whenever
23 you would like to race?

24 MR. STRONACH: We would prefer there's racing
25 there because we have customers, the horsemen prefer

1 Santa Anita; but in the long run, you know, we -- we --
2 we -- we see the present arrangement is not -- it's not a
3 good arrangement for our long-term plans.

4 COMMISSIONER ISRAEL: What about just for this
5 October? I mean --

6 MR. STRONACH: It's up to you. It's up to you
7 to --

8 COMMISSIONER ISRAEL: No, no, no. Oak Tree has
9 the racing dates. They're willing to just continue to
10 lease for one year at a time for now.

11 MR. STRONACH: That's out. It's not been
12 approved. That's out.

13 COMMISSION CHAIRPERSON BRACKPOOL: Not been
14 approved by --

15 COMMISSIONER ISRAEL: By your board.

16 COMMISSION CHAIRPERSON BRACKPOOL: By your
17 informal board?

18 MR. STRONACH: By our board.

19 COMMISSION CHAIRPERSON BRACKPOOL: By your board.

20 MR. MILLS: And by the way, it was a formal
21 meeting.

22 COMMISSION CHAIRPERSON BRACKPOOL: It was.

23 MR. MILLS: I'll give you the exact date --

24 MR. STRONACH: It's immaterial. It's been
25 approved by the board, okay.

1 COMMISSION CHAIRPERSON BRACKPOOL: So for this
2 year to go to the point that there will be no racing there
3 this year, because the law's not going to change and take
4 effect by that time, it is better for you, Frank, you
5 believe, to have no racing there -- let me just -- just
6 finish, pose a question to you. I know you're eager to
7 answer, but I'm going to pose a question.

8 It's better to have no racing there as opposed to
9 carrying on, have racing there for this particular year
10 under the existing terms or some other terms that you'll
11 come up with in the next few days, that's a one-year -- a
12 one-year arrangement while you then try and negotiate a
13 longer term, whether you can or you can't.

14 MR. STRONACH: Look here, it's as simple as that.
15 If you have a house and you got a tenant, and sometimes
16 you say, look, you're better off, you miss the rent
17 payment for a while, but if it doesn't fit your plans in
18 the long term, and it doesn't fit our plans in the long
19 term.

20 COMMISSION CHAIRPERSON BRACKPOOL: I don't think
21 that they've ever missed a rent payment.

22 COMMISSIONER ISRAEL: No, he's saying they didn't
23 miss the rent payment.

24 MR. STRONACH: No, no. I'm saying -- look, we
25 have to --

1 (Unidentified speaker beyond range of
2 microphone.)

3 COMMISSION CHAIRPERSON BRACKPOOL: Mace, I really
4 can't do this from the floor. It's just going to get
5 completely -- if I -- you can a card. Mike, will make
6 arrangement.

7 MR. STRONACH: Again, I want to say I am so
8 highly committed, I will go way out of my way that racing
9 will, you know, continue here. I will try everything.
10 I'm pleading, praying. But in the final analysis, the one
11 thing I cannot do, to go on a suicide mission, you know
12 like going on a Sunday afternoon on a boat ride on the
13 Niagara Falls and you headed off the falls, and you still
14 party, okay?

15 It's got to make -- we got to sit down and come
16 up with the framework which is good for California racing.
17 And this will not fit in the long run.

18 COMMISSIONER ISRAEL: So your plan, it's
19 basically a zero-sum game then for you.

20 (Comments from audience.)

21 COMMISSION CHAIRPERSON BRACKPOOL: Please,
22 please, please, please.

23 COMMISSIONER ISRAEL: Is that what you're saying,
24 Frank?

25 MR. STRONACH: I'm saying in the long run, this

1 is not -- we don't want to have a tenant in our house.

2 That's as simple as that.

3 COMMISSIONER HARRIS: Well, not even in the short
4 run?

5 MR. STRONACH: Not if -- no, it's not -- it's
6 not -- it's not -- look, you got the right to do what
7 dates there, and it's your choice.

8 COMMISSIONER ISRAEL: But see, now it's confusing
9 to me because I'm not clear whether you're running a house
10 or a store. If you're running a store, you want the
11 customer.

12 MR. STRONACH: Well, sometimes you -- don't you
13 see a lot of houses with a store on the bottom?

14 COMMISSIONER ISRAEL: Not in my neighborhood.

15 MR. STRONACH: I can keep up the game, you know,
16 the upmanship or whatever.

17 COMMISSION CHAIRPERSON BRACKPOOL: At the end of
18 the day, Mr. Stronach, you had the right, the legal right
19 to cancel the lease. We've had that discussion, right?
20 We all have a strong personal view on that decision, but
21 you had the legal right to do that, right?

22 MR. STRONACH: Yes.

23 COMMISSION CHAIRPERSON BRACKPOOL: What you
24 have -- what we were trying to clarify were remarks that
25 were made at the last meeting. And what you're saying is

1 in the intervening time at some stage in there there was
2 either a formal, informal gathering of the board, and it
3 met and said under no circumstances will we have a tenant
4 in our facilities.

5 MR. STRONACH: Correct.

6 COMMISSION CHAIRPERSON BRACKPOOL: Right. So
7 the -- as far as you're concerned, that is it, and that is
8 the situation.

9 MR. STRONACH: That is correct.

10 COMMISSIONER ISRAEL: You don't want the
11 Breeder's Cup either?

12 MR. STRONACH: Of course, but it's your choice,
13 it's in your hands.

14 COMMISSIONER ISRAEL: Breeder's Cup is a tenant.

15 COMMISSION CHAIRPERSON BRACKPOOL: Before --
16 please, before I open it up to public comment and the
17 board comment, I'd just like Mr. Chillingworth to respond
18 to what he's heard today, which I assume he's hearing for
19 the first time.

20 MR. CHILLINGWORTH: Yes, I assume we are waiting
21 till June 22nd, I've said that in the press, and I meant
22 it.

23 If Mr. Stronach is saying our lease is voided, it
24 will not be revitalized in any shape or form, I'd like to
25 hear him say that, and secondly, give me a written

1 statement that he's not going to do that.

2 COMMISSION CHAIRPERSON BRACKPOOL: Well, I think
3 he just testified to that in a public hearing.

4 MR. CHILLINGWORTH: I know, but we have to make
5 arrangements with other venues --

6 COMMISSION CHAIRPERSON BRACKPOOL: Right.

7 MR. CHILLINGWORTH: And we want to know --

8 COMMISSION CHAIRPERSON BRACKPOOL: Right.

9 So would you answer Mr. Chillingworth's --

10 MR. STRONACH: I don't know what the question
11 was.

12 COMMISSION CHAIRPERSON BRACKPOOL: The question
13 is -- well, why don't you ask it specifically how you
14 would like to ask it, Mr. Chillingworth.

15 MR. CHILLINGWORTH: My request was, Frank, we
16 have to make arrangements to go other places. We would
17 prefer to stay at Santa Anita. But you've said now that
18 our lease is canceled permanently and you have no desire
19 even to have us run there this fall.

20 What I would like is a statement by you in front
21 of this board that is indeed your decision, and you serve
22 me with a written statement making that decision.

23 MR. STRONACH: I -- that's -- I would assume our
24 legal department sent that thing here. You know, I
25 don't --

1 MR. MILLS: We're happy to send --

2 MR. STRONACH: We'd be happy to send you a
3 written statement, but here, a statement was made in a
4 public court or in a public gathering, and everybody heard
5 it.

6 MR. MILLS: Well, Mr. Chairman, and further to
7 that, Mr. Chillingworth e-mailed us that if we were not
8 able to make a decision by June the 5th, that he was to go
9 elsewhere. And that's when I said, and it's been broadly
10 quoted, that he should work on plan B and plan C.

11 COMMISSION CHAIRPERSON BRACKPOOL: Yes, I don't
12 think that's what I'm hearing from your chairman. I'm
13 hearing it doesn't really matter what Mr. Chillingworth
14 said, the board, whether formal or informal, gathered and
15 arrived at a determination that it was not in the business
16 plan of Santa Anita to have a tenant on its facilities.

17 COMMISSIONER HARRIS: You know, I could see that
18 being a long-term business plan, possibly; but in the
19 short term, I hate to see you harden your position. It
20 would seem like there needs to be a, kind of like, can
21 this marriage be saved? You've got all these kids out
22 there that are going to be damaged by suddenly not having
23 Oak Tree three months from now.

24 MR. STRONACH: But it's your decision.

25 COMMISSIONER HARRIS: It's not our decision.

1 COMMISSION CHAIRPERSON BRACKPOOL: Please don't
2 say it's our decision. Please state specifically what you
3 mean by that comment, because you just stated that you're
4 the owner, you have the right to terminate the lease, and
5 you terminated the lease for longer-term value. Please
6 don't turn around and say it's our decision.

7 MR. STRONACH: You said specifically before it's
8 in your power to hand out dates. So it's in your power to
9 give the dates or reject it.

10 COMMISSION CHAIRPERSON BRACKPOOL: I haven't -- I
11 have no application for Santa Anita. I had an application
12 in front of me at the last hearing, we had applications in
13 front of us at previous hearings for Oak Tree to conduct a
14 meeting at Santa Anita. Nobody at Santa Anita opposed
15 that application. Even at the last meeting, nobody
16 opposed, from Santa Anita, when we stated that the -- we
17 took a vote that the dates were Santa Anita's, right,
18 so -- or the dates were Oak Tree's. So this year, the
19 dates have been awarded to Oak Tree. Only Oak Tree has
20 those dates.

21 So it is not within our power, it is within your
22 power to do what Commissioner Harris is wisely suggesting,
23 which is to have a short-term economic arrangement for
24 this year while you really take a deep breath, in my
25 humble opinion, and decide whether this is a move you want

1 to make.

2 MR. STRONACH: I stated clearly that in the long
3 run we have to cut it off someplace because it also is
4 spot in some of the ideas which I hope that we can sit
5 down and implement some of those. That is all part of
6 that. And so I clearly stated that we do not intend
7 anymore to have a tenant in our house.

8 COMMISSION CHAIRPERSON BRACKPOOL: Okay.

9 MR. STRONACH: And I think Mace wants to be my
10 publicity spokesman.

11 COMMISSION CHAIRPERSON BRACKPOOL: I understand
12 but --

13 MR. SIEGEL: Can I be his agent for (inaudible)?
14 May I?

15 COMMISSION CHAIRPERSON BRACKPOOL: If this is not
16 public comment, if you're speaking on behalf of
17 Mr. Stronach.

18 MR. SIEGEL: I am speaking on behalf of -- Mace
19 Siegel, thoroughbred owner, and I would like to make a
20 suggestion.

21 If I understand this right, this argument is a
22 case of sophistry, of non-communication. To me, very
23 simply, Frank says to you, these are your dates, they're
24 not my dates. You have already told him that the dates
25 are owned by California. And you as owner of those dates

1 said to Frank, I want you to accommodate us and operate
2 those dates this year, this year only, until we can sit
3 down and work on a plan. I believe Frank would say yes.

4 COMMISSION CHAIRPERSON BRACKPOOL: He just
5 said no.

6 (Cross-talk.)

7 MR. STRONACH: Thank you, Mace.

8 Look, I'm here to find solutions, I don't want to
9 be hard liner. I'm really pleading.

10 COMMISSION CHAIRPERSON BRACKPOOL: Okay. Then
11 let me propose a solution.

12 MR. STRONACH: I would -- I would -- I would say,
13 look, so there's no confusion because I do have a concern
14 on some of the people which work at the track, it would be
15 a great inconvenience, I would commit that we would have
16 it this year, but then we would not have it anymore. If
17 this would be helpful, I have no problem.

18 So it's not -- nothing against Chilling, nothing
19 against board members, I have great respect for Mace. I
20 would be -- I would be -- I have no problem if -- in order
21 to -- there seems to be a little confusion that it wasn't
22 communicated. I have no problem that we have the meeting
23 here yet for -- on the Oak Tree.

24 COMMISSION CHAIRPERSON BRACKPOOL: Let me see,
25 because maybe I'm the only one confused in the whole room.

1 But anyway, let me see whether I can unconfuse myself.

2 MR. SIEGEL: Can I say one thing else before you
3 do?

4 COMMISSION CHAIRPERSON BRACKPOOL: Oh, God.

5 MR. SIEGEL: Please.

6 COMMISSION CHAIRPERSON BRACKPOOL: I hope so.

7 COMMISSIONER DEREK: Oh, yes, he gets things
8 done, please.

9 MR. STRONACH: He just convinced me.

10 COMMISSIONER DEREK: Yeah.

11 MR. SIEGEL: You know, this has become one of the
12 silliest damn arguments I've listened to in a very long
13 time. For grown men like this to completely abandon
14 reason and go on emotion alone. And that's why I came,
15 because I thought it was going to be an emotional issue.
16 I haven't attended one of these meetings in three years
17 because they bored me to death and I got the hell off
18 because of that.

19 But he's saying to you, these are your dates, you
20 told him that. He says if you tell me to operate this
21 year, period, I will operate. But --

22 COMMISSION CHAIRPERSON BRACKPOOL: Mr. Siegel --

23 (Cross-talk.)

24 COMMISSIONER ISRAEL: You're missing the point
25 that they've been Oak Tree's dates for 41 years. Oak Tree

1 operates as a not-for-profit short-term meet and --

2 MR. SIEGEL: Yeah, well, I know Chilling pretty
3 well, and if I asked Chilling, would you accept what I
4 suggest --

5 COMMISSION CHAIRPERSON BRACKPOOL: Well, hold on
6 one second, Mr. Siegel, because I'm trying to -- I'm
7 trying to make this work as well. Let me see if --
8 please, please.

9 I think you may have performed a very useful
10 role, but let's try and see where we are at this
11 particular moment.

12 What I just heard Mr. Stronach graciously -- and
13 I'm going to put words in your mouth, and if they're not
14 correct, tell me they're not correct.

15 What I heard you state graciously was that in the
16 better interests of horse racing in general, which is what
17 we're here to protect, that you would permit Oak Tree to
18 race there this year under their dates. And I assume by
19 that, although it was said --

20 MR. SIEGEL: He's been saying that all meeting.
21 He's been very --

22 (Cross-talk.)

23 COMMISSION CHAIRPERSON BRACKPOOL: It has not
24 been said. Mr. Siegel, I apologize to you, but that is
25 not the case.

1 COMMISSIONER ISRAEL: He's saying the polar
2 opposite.

3 COMMISSION CHAIRPERSON BRACKPOOL: But he will
4 let the race there this year. I assume that means under
5 the existing terms of the lease, the old --

6 COMMISSIONER ISRAEL: The abrogated --
7 (Cross-talk.)

8 MR. STRONACH: You worded it perfectly.

9 COMMISSION CHAIRPERSON BRACKPOOL: And I would
10 only suggest that for the benefit of racing, that it's a
11 one-year lease, but don't say "And it will never happen
12 again." I understand that's where your sentiment is, but
13 there's a lot of things for us all to work out here. You
14 just said you want to sit down with us. David and I look
15 forward to sitting down and talking to you. But I think
16 that lines in the sand are not beneficial to any of us.

17 So if what I've said -- and I see Dennis nodding
18 at what I've said -- and I see you nodding at what I've
19 said, if that's the case, Mr. Chillingworth, does a
20 one-year arrangement work for you this year under the
21 existing -- old, I shouldn't say "existing" because they
22 don't exist, but the old terms and conditions of the
23 lease?

24 MR. CHILLINGWORTH: We have previously said in
25 our board meetings that either we get extended to the end

1 of our lease or we wouldn't do it, but in the sense of
2 maybe reaching a compromise here -- it's such a
3 significant decision for us, because we've gone a long
4 ways towards going to other venues, and we have to
5 apologize to them if we do stay, that we have five members
6 of the board here and if we could have a few minutes to
7 caucus --

8 COMMISSION CHAIRPERSON BRACKPOOL: An informal
9 board meeting.

10 MR. CHILLINGWORTH: Yeah, yeah. We promise to
11 take minutes.

12 COMMISSION CHAIRPERSON BRACKPOOL: Why don't you
13 do this: I would ask you --

14 (Cross-talk.)

15 MR. CHILLINGWORTH: You can come on in.

16 COMMISSION CHAIRPERSON BRACKPOOL: I would ask
17 you to do that, I think that would be a beneficial thing.
18 And you'll come back before we --

19 COMMISSIONER DEREK: I love this.

20 COMMISSION CHAIRPERSON BRACKPOOL: -- before we
21 end. Thank you.

22 Thank you for the gracious offer, Mr. Stronach.

23 COMMISSIONER DEREK: Thank you.

24 MR. STRONACH: I don't want to be a hard liner.
25 I know this would inconvenient and they should have more

1 notice to overcome the inconvenience, but in the long
2 run --

3 (Cross-talk.)

4 EXECUTIVE DIRECTOR BREED: Excuse me, please.

5 COMMISSION CHAIRPERSON BRACKPOOL: Thank you,
6 Mr. Stronach, thank you.

7 COMMISSIONER DEREK: Thank you, Frank.

8 COMMISSION CHAIRPERSON BRACKPOOL: We will not
9 close this particular item until they come back. But I
10 will now move on to -- oh, I do have another two speakers
11 on this issue. Maybe that will change their mind. I have
12 Mr. Goodrich, he's no longer a speaker. I had
13 Mr. Jamgotchian -- please, please, please.

14 MR. JAMGOTCHIAN: You know, it's really
15 incredible to sit back in this audience and watch a deal
16 being made and the board meddling in private industry.

17 You know, the reality in this is, Frank Stronach
18 just outsmarted the whole California Horse Racing Board.
19 He's going to make \$5 million for having the meet, come
20 out looking like a good guy, and more importantly telling
21 everybody here that after this year's meet, it's over, and
22 the tenant's out of my house. And you guys are jumping
23 around for glee. I'm just -- it's just amazing to me.

24 COMMISSION CHAIRPERSON BRACKPOOL: Is that your
25 point, Mr. Jamgotchian?

1 MR. JAMGOTCHIAN: That's one of my points.

2 COMMISSION CHAIRPERSON BRACKPOOL: Oh, okay.

3 MR. JAMGOTCHIAN: The other point that's even
4 more incredible is that the Breeder's Cup had no intention
5 on racing at Santa Anita this year anyway because of the
6 synthetic racetrack. So anybody that was thinking that
7 the Breeder's Cup would be racing, that wouldn't be true.

8 Additionally, just so everybody knows, that this
9 will be the last Oak Tree meet, and I'm sorry to really
10 hear that, but I think that I support Frank's vision in
11 that for the business, his business, the best thing to do,
12 and I think the best thing for California horse racing, is
13 to allow him to operate his track with the dates that the
14 state gives him. If the state gives him dates, he'll
15 race; if the state doesn't give him dates, then obviously
16 he won't race. But I think what Frank's done today
17 benefits California horse racing and it also benefits
18 Frank by about \$5 million.

19 COMMISSION CHAIRPERSON BRACKPOOL: Thank you,
20 Mr. Jamgotchian.

21 Please, please, please, please, please, please,
22 please.

23 All right. Item Number 17. This I gather,
24 Jackie, is a --

25 MR. BREED: Clean up.

1 COMMISSION CHAIRPERSON BRACKPOOL: -- somewhat of
2 a clean up.

3 So please just explain what this clean up item
4 is.

5 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
6 Wagner, CHRB staff.

7 Actually, there are two courses of action that
8 the board needs to take on this particular item.

9 COMMISSIONER ISRAEL: Speak up, Jackie.

10 REGULATIONS/LEGISLATION MANAGER WAGNER: There
11 are two courses of action that the board needs to address
12 in this item. This is a discussion and action by the
13 board regarding the reallocation of the August 25th
14 through October 3rd race dates from Pacific Racing
15 Association to the Los Angeles Turf Club. And in
16 conjunction with that, the application for license to
17 conduct a horse racing meeting of the Los Angeles Turf
18 Club at Golden Gate Fields August 25th through
19 October the 3rd.

20 The Los Angeles Turf Club is proposing to conduct
21 this race meeting at Golden Gate Fields, which will
22 necessitate the reallocation of the race dates. The short
23 of it is, PRA, Pacific Racing Association, was allocated
24 five -- five weeks over the 35-week allocation that they
25 are allowed to under the B&P code, under the horse racing

1 law. In order for the race meet to take place, LATC's
2 racing association would have to conduct the race meet.

3 COMMISSION CHAIRPERSON BRACKPOOL: Can I have
4 some quiet in the room, please. This is a clean up issue.
5 I know it's not that interesting, but it's difficult for
6 us to hear with all the noise coming.

7 REGULATIONS/LEGISLATION MANAGER WAGNER: So what
8 we have before us is the application to conduct a horse
9 racing meeting from the Los Angeles Turf Club at Golden
10 Gate Fields for August 25th through October 3rd.

11 COMMISSIONER ISRAEL: Isn't any action on this
12 irrelevant until July 22nd when we determine --

13 COMMISSION CHAIRPERSON BRACKPOOL: It's
14 conditional upon it, I don't know it's irrelevant. It's
15 completely conditioned on them having a license.

16 COMMISSIONER ISRAEL: Right, having the waiver.

17 COMMISSION CHAIRPERSON BRACKPOOL: The waiver and
18 the license.

19 REGULATIONS/LEGISLATION MANAGER WAGNER:
20 Absolutely. And the reason why we put it forward on this
21 particular board meeting is that the race meeting is
22 scheduled to commence in August. Clearly, the board can
23 put it over to July. The race meeting starts
24 August the 25th. Given the action that we took last
25 month, we can either hear it and have a conditional

1 approval based on what takes place in July, or we can
2 defer hearing it --

3 COMMISSIONER ISRAEL: Who's going to appear
4 for -- George, are you -- or Robert?

5 COMMISSIONER HARRIS: One issue I might bring up
6 so it could be discussed better, I'm concerned about the
7 financial viability of these basically subsidiaries of
8 subsidiaries at times and feel there should be some
9 overriding guarantee or bond posted by --

10 COMMISSION CHAIRPERSON BRACKPOOL: Yeah, but,
11 John, that's going to -- that's the July agenda.

12 COMMISSIONER HARRIS: I know. We're going to
13 approve this here though.

14 COMMISSION CHAIRPERSON BRACKPOOL: We're not
15 going to approve this here. The only way we would do it
16 would be conditional upon our decisions to license in
17 general and/or give a waiver. But you're correct, that
18 may be an issue, but let's hear their are timing concerns
19 first, because I think that would -- please, Robert.

20 MR. HARTMAN: Robert Hartman, Golden Gate Fields.

21 I'm just confused. Are we talking about now
22 the -- the allocation of dates or the application?

23 COMMISSION CHAIRPERSON BRACKPOOL: No one in this
24 room is allowed to be confused. It's a new CHRB rule.
25 Everything is crystal clear. So please don't add to the

1 confusion by asking questions.

2 Having said that, what was your question?

3 MR. HARTMAN: Are we talking about the
4 reallocation of the race dates to LATC, or are we up to
5 the application?

6 COMMISSION CHAIRPERSON BRACKPOOL: No, we're not
7 up to the application. It's the reallocation. This is
8 the ministerial act as far as I've been told that is
9 necessary for that. And I for one have no problem
10 approval the ministerial act, but it is completely
11 conditional and in no way infers any decision as to the
12 license applications and/or the waiver issue. It is just
13 ministerial in terms of an exchange.

14 Is that correct?

15 REGULATIONS/LEGISLATION MANAGER WAGNER: That is
16 correct.

17 And in the effort to make this a --

18 COMMISSION CHAIRPERSON BRACKPOOL: Speak up a
19 little, Jackie.

20 REGULATIONS/LEGISLATION MANAGER WAGNER: In the
21 effort to make this a very clean transition, staff would
22 recommend that we put --

23 COMMISSION CHAIRPERSON BRACKPOOL: Please can we
24 have some quiet in the back? We can't hear anything.

25 Thank you.

1 REGULATIONS/LEGISLATION MANAGER WAGNER: Staff
2 would make the recommendation that we can put this over to
3 next month when we address all the issues as it pertains
4 to LATC and MID and just hear it all in conjunction.

5 COMMISSION CHAIRPERSON BRACKPOOL: I mean, unless
6 there is a compelling reason why this ministerial act
7 needs to take place at this meeting, then I believe that
8 John is correct, it would be much better to hear all at
9 once from --

10 COMMISSIONER CHOPER: Is there any compelling
11 reason?

12 MR. HARTMAN: No.

13 COMMISSIONER CHOPER: I move to table.

14 COMMISSION CHAIRPERSON BRACKPOOL: Okay.
15 Commissioner Choper moves to table. Commissioner Harris
16 seconds. He beat you to it.

17 And all in favor?

18 (Ayes.)

19 COMMISSION CHAIRPERSON BRACKPOOL: Okay. Thank
20 you. Okay.

21 I'm going back now -- oh, hold on, I have a
22 speaker on this issue. Mr. Jamgotchian.

23 (Mr. Jamgotchian speaks beyond range of
24 microphone.)

25 COMMISSION CHAIRPERSON BRACKPOOL: Okay. Thank

1 you, Jerry.

2 And I would like to ask Mr. Chillingworth to -- I
3 would like to ask Mr. Chillingworth to come back and
4 report on what was said.

5 I'll let you -- Commissioner Moss has a question
6 that I think is probably addressed to Mr. Stronach.

7 COMMISSIONER MOSS: Just a question, Frank. And
8 I appreciate, as everyone does, your generosity and
9 offering to keep Oak Tree.

10 What is your feelings about changing the
11 racetrack? You were going to do something about that, and
12 I wondered where that fit.

13 MR. STRONACH: I've personally made it always
14 clear from day one that I think every strike of that sword
15 will never work because you've got waxes and oils and they
16 behave differently in different weather conditions. But I
17 do have some of the owners, substantial owners that say
18 don't change it, but the majority do want to have change.

19 And so I've been trying to look for the most
20 perfect surface, and I think I have -- I feel very
21 confident that finally we will have a surface which
22 would -- where we could make the horse (inaudible) and the
23 safety of the horse naturally, that they would feel very
24 happy.

25 It is a -- I accidentally met a man which -- I

1 have a very large equestrian center in Vienna, and as you
2 know, some of the those jumpers, the riders, some of them
3 weigh 180 pounds, they jump about six feet, and the horses
4 coming down, you need very good surfaces, right? So I
5 installed some of those at my equestrian center.

6 But I wanted to see more, so I went to Spain
7 with -- with the owner which has installed those
8 equestrian centers, and he also had a racetrack there, an
9 exercise track for polo ponies. And I spoke with the
10 owners. Some of the thing have been in there for about
11 eight years, and they say, absolute, no problem, it's the
12 best ever for horses.

13 And I've seen -- I'm very -- and so what we going
14 to do is we very quickly now will order -- we'll take one
15 dust track, we're thinking should we put the thing up at
16 Dixon, put a test track in, or we might do the training
17 track at Palm Meadows, because there we would have similar
18 conditions, highly -- a lot of heat, a lot of rain. This
19 track basically -- it simulates the beach.

20 COMMISSION CHAIRPERSON BRACKPOOL: Frank, given
21 the extraordinary level of feelings that attract
22 discussion generates every time, I don't want to use this
23 right now to get into necessarily the discussion of a
24 particular surface, the advantages, disadvantages. That
25 would be unfair on you particularly because you don't have

1 the people here to testify.

2 I think what Commissioner Moss was really going
3 to was a decision on the timing. And if you do come
4 before the board and the board does grant a waiver for a
5 specific surface, when would you anticipate that?

6 MR. STRONACH: We will have the thing in by -- we
7 have the track in, the training track by December. And
8 then we have a -- we have two or three months to test it,
9 okay, because at the training center we have about a
10 thousand, 200,000, 400 horses so we have a lot of traffic
11 over it.

12 COMMISSION CHAIRPERSON BRACKPOOL: You have a
13 training center at Santa Anita.

14 MR. STRONACH: No.

15 COMMISSION VICE CHAIRPERSON ISRAEL: Palm
16 Meadows.

17 MR. STRONACH: We cannot infringe here, the thing
18 is used. But we can use -- horses move in December down
19 there. But we have a very large turf course, and
20 that's -- they can use that.

21 So anyway, we will test it. And then I think we
22 are ready to go right after -- there's one more meeting
23 with that track, and right after that meeting we would
24 move in with the machines. And at that time we will have
25 a lot of testimonials from jockeys, from trainers,

1 et cetera, et cetera.

2 COMMISSION CHAIRPERSON BRACKPOOL: At the end of
3 the winter --

4 MR. STRONACH: Exactly, exactly.

5 (Cross-talk.)

6 COMMISSION CHAIRPERSON BRACKPOOL: So that gives
7 us time to be able to hold the discussion properly --

8 MR. STRONACH: Yes, and get testimonials from the
9 jockeys, from the trainers, and the vets.

10 COMMISSIONER ISRAEL: This is a mostly synthetic
11 surface?

12 MR. STRONACH: No. No. It's -- it's basically
13 got pipes underneath, you got a liner, you got pipes in
14 which -- and you have a (inaudible) over it, and then
15 you've got silica sand, it must be the sand, but you
16 have -- you have new -- like a nylon, like a -- but an
17 inch square, so it's (inaudible) it just -- it's exactly
18 measured to what. And I've seen the thing here, it's -- I
19 believe it's the best surface for horses.

20 COMMISSIONER HARRIS: So that should wait --

21 COMMISSION CHAIRPERSON BRACKPOOL: Wait
22 (inaudible).

23 (Cross-talk.)

24 MR. STRONACH: The fact is we will have a
25 training track where we truly can test it and come up

1 where I believe very strongly that the horse community
2 will embrace it.

3 (Cross-talk.)

4 COMMISSIONER DEREK: But in the interest of
5 Oak Tree, if they do race at Santa Anita, it's the same
6 surface as --

7 COMMISSION CHAIRPERSON BRACKPOOL: Yes, and the
8 same with the winter meet.

9 MR. STRONACH: And the same with the winter meet.

10 COMMISSIONER DEREK: Okay.

11 COMMISSION CHAIRPERSON BRACKPOOL: Thank you.

12 MR. STRONACH: We doctored up a little bit to
13 make the whole thing, of course.

14 COMMISSION CHAIRPERSON BRACKPOOL: Frank, just in
15 case we have a --

16 MR. ROBBINS: I'm Jack Robbins, president of the
17 Oak Tree Racing Association.

18 I haven't heard anybody know as much about race
19 tracks as I did right now, the information I got from you,
20 Mr. Stronach, I hope it works out okay.

21 I want to say this: I'm a surviving member of
22 the Oak Tree original group. We had a lot of hard times
23 with Bob Strub and Fred Ryan when we started this thing,
24 convincing them that our little meeting, as charitable as
25 it's going to be, wasn't going to influence his famous

1 December the 26th opening.

2 I want to say that we've enjoyed our time here.
3 I feel sorry for your employees who are going to have to
4 go on a racing day basis instead of a year-round thing
5 that we've been able to supply them.

6 And I know you're bored by me, Mr. Stronach, but
7 I can't see you kicking that kind of money aside as you of
8 have in the past, as you've been receiving in the past
9 just for your own (inaudible). I can't see giving up
10 three and a half to \$4 million a year in racing. I don't
11 see where you're going to make that --

12 COMMISSION CHAIRPERSON BRACKPOOL: I was
13 actually -- I was actually asking whether we had a answer
14 to the question as to whether or not the proposal for a
15 one-year lease was acceptable.

16 I don't think it really is going to be in the
17 best interest of everybody if we get -- once again, into a
18 bit of a slinging match here as to who said what and what
19 everybody feels.

20 So with great respect, what I'm looking for is
21 the answer from the gathering you just had as to whether
22 Oak Tree is going to accept a one-year lease, and we'll
23 see what happens after that.

24 MR. ROBBINS: I'll give you the answer now. Yes,
25 we will, one year. Thank you.

1 COMMISSION CHAIRPERSON BRACKPOOL: Thank you.

2 Mr. Chillingworth.

3 MR. CHILLINGWORTH: I just want to kind of fine
4 tune that statement.

5 Obviously we've already -- Mr. Stronach has
6 generously changed his mind and allowed us to stay there
7 for another year. I think it's very good for the industry
8 and good for all of us.

9 We would like to know that this is -- I
10 understand from Mr. Stronach this is for one year only.

11 And the other thing I would like to do is to
12 apologize and thank at the same time. The people from
13 Del Mar and from Hollywood have been very cooperative with
14 us. We thought we were going to have to leave. We spent
15 a lot of time -- they spent a lot of time with us. And I
16 apologize to them for having to change that decision, but
17 I think in the long run it's better for us to run this
18 year at Santa Anita, and from that point we can move on
19 forward.

20 COMMISSION CHAIRPERSON BRACKPOOL: Well, look,
21 let's hope this is the start of a beginning of the dialog
22 that Frank has suggested. There's a great saying that
23 when something's a problem in London, by the time it gets
24 to New York it's an issue, and by the time it gets to
25 Los Angeles it's an opportunity.

1 So maybe the problem has turned into an
2 opportunity, and the opportunity is that this is the first
3 step where we're going to sit down, we're going to start
4 working together. I too want to recognize the -- I think
5 really quite extraordinary cooperation of Hollywood Park
6 in your conversations with them as well as Del Mar.

7 And as I say, let's leave this meeting on the
8 basis that a problem has perhaps turned itself into an
9 opportunity. We have a short-term resolution, and let's
10 use that as a start for us all to work together.

11 We are going to go into closed session now. We
12 will come back at the end of closed session to adjourn the
13 meeting, but we will literally come back and bang the
14 gavel. So I thank you very much for your time today.

15 Adjourned at 2:52 p.m.

16 (Thereupon, the California Horse Racing Board
17 Regular Meeting adjourned at 2:52 p.m.)

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CERTIFICATE OF REPORTER

I, MARTHA L. NELSON, a Certified 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 28th day of June, 2010.

Martha L. Nelson