CALIFORNIA HORSE RACING BOARD
1010 HURLEY WAY, SUITE 300
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REGULAR MEETING

of the **California Horse Racing Board** will be held on Friday, **April 24, 2009**, commencing at **2:00 p.m.**, at the **Hollywood Park Casino, 3883 West Century Blvd., Inglewood,** California. The audio portion only of the California Horse Racing Board regular meeting will be available online through a link at the CHRB website (www.chrb.ca.gov) under "Webcasts."

AGENDA

Action Items:

1. Approval of the **minutes of the regular meeting of** March 19, 2009.

2. Approval of the **minutes of the regular meeting of** February 26, 2009.

3. Discussion and action by the Board on the **request from the California Authority of Racing Fairs, (CARF) to designate the following allocated race dates as a combined fair horse racing meeting, pursuant to Business and Professions Code section 19549.1:** San Joaquin County Fair, June 18, 2009 through June 28, 2009; Alameda County Fair, July 1, 2009 through July 19, 2009; Solano County Fair, July 22, 2009 through July 26, 2009; CARF at Golden Gate Fields, August 12, 2009 through August 23, 2009; CARF at Golden Gate Fields, September 9, 2009 through October 4, 2009 and the Big Fresno Fair, October 7, 2009 through October 18, 2009.

4. Discussion and action by the Board on the **Application for License to Operate a Minisatellite Wagering Facility of the California Commerce Club Inc.,** for a period of up to but not exceeding two years.

5. Discussion and action by the Board regarding the **2009/2010-budget formula to be developed pursuant to Senate Bill 16 (Ashburn), Chapter 12, Statutes of 2009.**

6. Discussion and action by the Board regarding an **increase in the take-out on conventional and exotic wagers on races conducted by thoroughbred racing associations as permitted by Business and Professions Code section 19601.01 and the modification of California advance deposit wagering (ADW) distributions on thoroughbred races as permitted under Business and Professions Code section 19604(f) (5)(E).**

7. Discussion and action by the Board regarding the **update from the Los Angeles Turf Club Inc. operating at Santa Anita Park and the significance of the bankruptcy filing of Magna Entertainment Corporation on its racing operations.**

8. Discussion and action by the Board regarding **a revised allocation of race dates for the Del Mar Thoroughbred Club's (DMTC) July 22, 2009 through September 9, 2009, race meeting.**

9. Review and discussion by the Board **regarding the financial solvency of the Northern and Southern California Stabling and Vanning Funds and possible steps that may be taken to mitigate losses, including cutting subsidies paid to Fairplex Park at Pomona and San Luis Rey Downs.**

10. Discussion and action by the Board regarding the **feasibility of waiving CHRB Rule 1433(b), Application for License to Conduct a Horse Racing Meeting, on a case by case basis, when considering the construction of new race tracks, converting synthetic race tracks to dirt tracks and the use of existing dirt tracks for periods exceeding four weeks of thoroughbred racing.**

11. **Public Comment:** Communications, reports, requests for future actions of the Board. **Note:** Persons addressing the Board under this item will be restricted to **three (3) minutes** for their presentation.

12. **Closed Session:** For the purpose of receiving advice from counsel, considering pending litigation, reaching decisions on administrative licensing and disciplinary hearings, and personnel matters, as authorized by section 11126 of the Government Code.

    A. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending litigation described in the attachment to this agenda captioned "Pending Litigation," as authorized by Government Code section 11126(e).

Additional information regarding this meeting may be obtained from the CHRB Administrative Office, 1010 Hurley Way, Suite 300, Sacramento, CA 95825; telephone (916) 263-6000; fax (916) 263-6042. This notice is located on the CHRB website at www.chrb.ca.gov. *Information for requesting disability related accommodation for persons with a disability who require aid or services in order to participate in this public meeting, should contact Jacqueline Wagner.

CALIFORNIA HORSE RACING BOARD
John C. Harris, Chairman
David Israel, Vice Chairman
John Andreini, Member
Jesse H. Choper, Member
Bo Derek, Member
Jerry Moss, Member
Kirk E. Breed, Executive Director

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PENDING LITIGATION
APRIL 2009

CASE

Anticipated litigation to be filed by Jerry Jamgotchian.

PROCEEDINGS of the Regular Meeting of the **California Horse Racing Board** held at **Golden Gate Fields Racetrack, Bayside Lounge Turf Club**, 1100 Eastshore Highway, Albany California, on **March 19, 2009**.

Present: John C. Harris, Chairman
David Israel, Vice-Chairman
John Andreini, Member
Jesse H. Choper, Member
Bo Derek, Member
Kirk E. Breed, Executive Director
Robert Miller, Staff Counsel

DISCUSSION AND ACTION BY THE BOARD ON THE **APPLICATION TO CONDUCT A HORSE RACING MEETING OF THE HOLLYWOOD PARK RACING ASSOCIATION, LLC (T) AT HOLLYWOOD PARK**, COMMENCING APRIL 22, 2009 THROUGH JULY 19, 2009, INCLUSIVE.

Jacqueline Wagner, CHRB staff, said the Hollywood Park Racing Association (HPRA) proposed to operate a race meeting from April 22, 2009, through July 19, 2009, for a total of 65 days. HPRA would run 559 races, or 8.6 races per day. The first post time would be 1:00 p.m. daily. On the days the Kentucky Derby, Preakness and Belmont steaks were held there will be an 11:00 a.m. post time. Ms. Wagner stated the staff analysis indicated the $100,000 bond required under Business and Professions Code section 19464 was missing, as well as the horsemen's agreement. She said she understood the bond had been issued and the horsemen's agreement had been completed. The 2008 audited financials were also listed as missing. They were not currently available, but would be forwarded to the CHRB upon their completion. The promotional plans, lease agreements and the fire and track safety inspections were completed, or would be completed before the meeting opened. Vice-Chairman Israel said the media buying expense in the promotional plan seemed very slight. He asked why it was so low. Eual Wyatt of HPRA said the marketing plan did not reflect all of the advertising HPRA

might do, because in the current economy HPRA did not want to commit in writing to spend more money. HPRA was open to more advertising, but it needed a better feel for how well its meeting was progressing, and which media would have the greatest impact. A lot of work went into developing the marketing plan, and when HPRA submitted the plan with the application it reserved the right to make changes. HPRA simply felt it was prudent to not make promises it could not keep. Vice-Chairman Israel said HPRA had a lot of good news to tell, as well as a quality product, but it was not getting any help from television or the print media, so it needed to spend money to get its message out. Commissioner Andreini said HPRA put together a wonderful racing program in spite of the downturn in the economy and the thoroughbred circuit in California. The program rivaled one that Del Mar put together a couple years ago. Vice-Chairman Israel **motioned** to approve the application for license to conduct a horse racing meeting of HPRA. Commissioner Choper **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD REGARDING REPORT FROM HOLLYWOOD PARK RACING ASSOCIATION CONCERNING STATUS OF PLANS FOR CONDUCTING THE HOLLYWOOD PARK 2009 FALL RACE MEETING.

Jack Liebau of Hollywood Park Racing Association (HPRA) said HPRA would conduct its fall 2009 race meeting. Commissioner Choper asked if Mr. Liebau could comment on any plans HPRA had after the fall 2009 race meeting. Mr. Liebau stated there was nothing he could report regarding HPRA's plans beyond the fall 2009 race meeting. Chairman Harris stated the Board and the industry were interested in HPRA's future. Vice-Chairman Israel asked if there

was any way to get a time frame that looked 12 to 18 months into the future? Mr. Liebau said he was not in a position to provide such information.

DISCUSSION AND ACTION BY THE BOARD REGARDING ENTERING INTO A CONSULTING CONTRACT, NOT TO EXCEED FIFTY THOUSAND DOLLARS, FOR PURPOSES OF DRAFTING AND IMPLEMENTING THE JOCKEY PENSION PLAN PURSUANT TO BUSINESS AND PROFESSIONS CODE SECTION 19604(I)(1).

Executive Director Kirk Breed stated the $50,000 provided for the contract was not coming out of the CHRB budget. The funds were provided under Business and Professions Code section 19604(i)(1), and the Board acted as a caretaker of the account. Barry Broad, representing the Jockeys' Guild (Guild), said Business and Professions Code section 19604(i)(1) required that a portion of the advance deposit wagering (ADW) handle be transmitted to the CHRB for the purpose of creating a defined contribution retirement fund for California Jockeys. The CHRB and the Guild would jointly administer the plan. The proposed contract would retain a law firm to create the plan documents. Mr. Broad stated there were tax issues, and questions related to the plan design; however, the plan was akin to a public employee plan, so it was outside a significant degree of Federal statutory oversight. The contract was up to $50,000 – but with input from the Board's General Counsel it was likely to cost as little as $20,000. Mr. Broad reviewed how the plan might work, in general. Chairman Harris asked if the minimum number of 1,250 mounts required for a jockey to be vested in the plan would start with the implementation of the plan, or was retroactive. Mr. Broad said the number represented lifetime races, so in theory a jockey could retire as soon as the plan was in effect. However, the jockey would not receive a significant pension, as there would be very little money accumulated in his or her account. It would take a period of years for the money to be

invested and generate a return. Chairman Harris asked which breeds the pension plan would cover. Mr. Broad said thoroughbreds, quarter horses and mixed breeds, but not harness. Vice-Chairman Israel asked how many full time riders there were. Mr. Broad said regular riders rode approximately 50 or more mounts a year, so there were between one hundred and two hundred full time riders. Chairman Harris asked if the size of the purse affected the accumulation of funds. Mr. Broad said the plan was intended to benefit the people who needed the money the most, so it was not based on the size of the purse. Jockeys who raced more would end up with larger pensions. Vice-Chairman Israel asked if jockeys who were currently retired would qualify. Mr. Broad said jockeys currently retired would not qualify. He added the definition of a retired jockey would be one of the questions the plan design would have to answer. Commissioner Choper asked if the proposed five-dollar contribution per-mount came out of the jockey riding fee. Mr. Broad said the contribution would come from ADW. Commissioner Choper asked who would determine the final amount of the contribution. Mr. Broad said the statute determined the funding. Commissioner Choper asked if any of the plan was subject to collective bargaining. Mr. Broad said the funding for contributions per-mount and administration of the plan came from the ADW statute. Commissioner Choper asked if Mr. Broad determined which law firm would be retained. Mr. Broad said the law firm was a joint decision of the CHRB and the Guild. Commissioner Choper commented the plan itself was to be determined, but it would be modeled on other established plans. Mr. Broad said the basic model worked and was lawful. The parties wanted to get the plan right, work slowly and make sure it was done correctly. Commissioner Choper said he was concerned about the potential conflict of interest. The Guild represented the jockeys, and the State represented

itself because it authorized the funding. The Guild had no interest, except in taking the funding and doing its best for the jockeys. Mr. Broad said the scheme was in some sense like a public employee pension plan in which the State had certain representatives and the various employee organizations had representatives. In this instance, the Board's designated representative was the Staff Counsel. However, no actions were taken, except to recommend retaining a law firm. Chad Schvaneveldt, a jockey, stated many jockeys would like to see the minimum number of mounts necessary for vesting in the plan raised to 5,000. He said that would prevent out-of-state jockeys from coming to California, riding the necessary number of mounts to qualify for a pension, then leaving the state. Mr. Broad stated the statute required a minimum number of 1,250 mounts in pari-mutuel races. That was the minimum to be eligible for anything. Vice-Chairman Israel commented one's pension would be determined by how many mounts one rode over time. A jockey who rode 1,250 would not have a comparable pension to a jockey who rode 22,000 mounts. Mr. Broad said that was the working hypothesis. It was a defined contribution plan, so the funds had to be split between every eligible jockey. The plan could not take away from one jockey to give to another. Vice-Chairman Israel asked how the Guild would make decisions regarding the nature of the plan. Mr. Broad said a committee of three was appointed to make recommendations. Any decisions would go back to the Guild Board of Directors and its Senate, which had representation from all the jockey colonies. Commissioner Choper stated it would be a jockeys' committee that would fill in the details as to whether it took 1,250 or 5,000 mounts to become vested. The committee would have the full voice in determining who became eligible and after how many races, except it could not be less than 1,250 mounts. Mr. Broad said the law would have to

change to allow fewer than 1,250 mounts. Chairman Harris stated some of the concern about out-of-state jockeys was the result of California's jockey health plan. Out-of-state jockeys could qualify for the California plan after only 50 mounts. Mr. Broad stated that was correct. The California jockeys insisted on having a California health plan, rather than a national plan. The result was that out-of-state jockeys came to California and leading riders from other states displaced not-so-leading California jockeys. California would be the only state with a pension plan. So, until there was a national pension plan, leading jockeys from out-of-state would be attracted to California to participate in the pension plan. Vice-Chairman Israel said the concern was that a jockey like Johnny Velasquez could come to California for 18 months, ride 20 mounts a week, qualify for the pension plan, and then leave California. Mr. Broad stated that was correct, but nothing was decided and any jockeys could make recommendations regarding the plan. He added the U.S. Constitution protected the right of citizens to travel into California to make a living. The plan could not discriminate against jockeys based on where they currently lived. Mr. Broad stated the average full time jockey ran about 300 mounts a year. At that rate, it would take five years to become vested at 1,250 mounts. Vice-Chairman Israel asked how long the average jockey career lasted. Mr. Broad said that depended, as some jockeys were injured early in their careers, some came and went, and there were jockeys that raced for many years. Vice-Chairman Israel **motioned** to authorize the entry into a consulting contract (not to exceed $50,000) for the purpose of drafting and implementing the Jockey Pension Plan. Commissioner Derek **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE PROPOSED AMENDMENT TO CHRB RULE 1979, TRIFECTA, TO REDUCE THE NUMBER OF WAGERING INTERESTS NEEDED TO ESTABLISH A TRIFECTA POOL FROM SIX WAGERING INTERESTS TO FIVE.

Chairman Harris stated the proposed amendment to Board Rule 1979, Trifecta, would reduce the number of wagering interests needed to establish a trifecta pool from six wagering interests to five wagering interests. Commissioner Choper said he would support reducing the required number of wagering interests to four wagering interests. He stated he would also support amending Rule 1979.1, Superfecta, from eight wagering interests to six. Peter Tunney, representing Golden Gate Fields (GGF), stated GGF supported Commissioner Choper's suggested changes. Craig Fravel of Del Mar Thoroughbred Club (DMTC) said DMTC supported the regulation as originally proposed, but it would not have a problem with Commissioner Choper's changes to Rule 1979.1. He stated DMTC would like the proposed amendment to Rule 1979 to provide the racing associations with the option of offering trifecta wagering on a four-horse field. If there were prohibitive favorites, there was the chance of a minus pool in the trifecta wager. Chairman Harris said it was clear that racing associations had the option of not offering a particular wager on any race on the card. Commissioner Choper **motioned** to direct staff to initiate a 45-day public comment period regarding an amendment to Rule 1979 to reduce the minimum number of wagering interests necessary to offer a trifecta pool from six wagering interests to four wagering interests, and to Rule 1979.1 to reduce the minimum number of wagering interests necessary to offer a Superfecta pool from eight wagering interests to six wagering interests. Vice-Chairman Israel **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE **PROPOSED AMENDMENT TO CHRB RULE 1979.1, SUPERFECTA,** TO REDUCE THE NUMBER OF WAGERING INTERESTS NEEDED TO ESTABLISH A SUPERFECTA POOL FROM EIGHT WAGERING INTERESTS TO SEVEN.

This item was included in the discussion and action regarding the proposed amendment to Rule 1979, Trifecta.

REPORT AND PRESENTATION FROM REPRESENTATIVES OF BETFAIR, REGARDING **TSE US HOLDINGS LLC (T/A BETFAIR US) BUSINESS PLAN AND THE PURCHASE OF CONTROLLING OWNERSHIP INTEREST OF ODS TECHNOLOGIES LP, D/B/A TVG.**

Gerard Cunningham of Betfair U.S. gave a PowerPoint presentation regarding Betfair U.S. and its recent purchase of controlling ownership interest of ODS Technologies, dba TVG. Chairman Harris asked what sort of changes Betfair envisioned for TVG. Mr. Cunningham said the focus had, so far, been on the administrative aspects of the acquisition, so Betfair was only just starting to develop plans for TVG. Richard Castro of the Pari-Mutuel Employees' Guild (Guild) stated the Guild had a labor contract with TVG. He asked if Betfair planned to honor the TVG labor agreement. Martin Cruddace of Betfair said it was premature to speak about any TVG agreements, but the Guild's labor contract with TVG would be looked at and Betfair would respond to the Guild in the near future.

UPDATE AND DISCUSSION BY THE BOARD REGARDING THE STATUS OF THE INFIELD GOLF COURSE AT THE ALAMEDA COUNTY FAIRGROUNDS AND THE CALIFORNIA THOROUGHBRED TRAINERS (CTT) REQUEST THAT THE BOARD REVOKE THE EXEMPTION TO THE REQUIREMENTS OF SUBSECTION (B) OF RULE 1475, GOLF COURSE IN THE INFIELD OF THE RACETRACK.

CHRB Executive Director Kirk Breed said the Alameda County Fair (Pleasanton) indicated it finished the design phase of the golf ball mitigation project. Now that Pleasanton had a plan, it was working on how the costs of the project would be shared. Charlie Dougherty of California Thoroughbred Trainers (CTT) stated Pleasanton did do a survey and it discovered there were four problem areas. The trajectory of the golf balls was being looked at to figure out how high the screening should be built. Mr. Dougherty said the cost of putting up the netting was a consideration, so the parties were trying to determine the most economical way to build the netting. He added there were currently nets at the first hole, but the areas of concern were holes five, seven and nine. Mr. Dougherty added the CTT was comfortable with the discussion being continued to a future Regular Board Meeting. CTT believed Pleasanton was taking the issue seriously, and all parties understood that as each day passed, there was the risk of something serious happening to persons or horses on the racetrack. The issue was brought to the stabling and vanning committee to determine what funds could be allocated to assist Pleasanton.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE 2009/2010 BUDGET FORMULA TO BE DEVELOPED PURSUANT TO SENATE BILL 16 (ASHBURN), CHAPTER 12, STATUTES OF 2009.

CHRB Executive Director Kirk Breed read Business and Professions Code section 19616.51, which was added by Senate Bill 16 (SB 16) (Ashburn), Chapter 12, Statutes of 2009. He

stated what SB 16 meant was that monies that were received by the Board in the form of license fees would not go with the Board, but would stay at the respective racing associations as commissions, purses and breeder awards. Executive Director Breed said the budget for the 2009/2010-budget year, which would begin July 1, 2009, was presented to the Department of Finance and was currently with the Senate and Assembly. The budget, which totaled $11,833,000, was developed without the knowledge that SB 16 would be introduced. The budget contained increases over the previous fiscal year for real time monitoring of wagers and drug testing. If one were to take the total budget and look at it as a percentage of the total handle that each association would pay the Board for its services, it came to approximately a quarter of one percent. That reflected the number of racing days in the 2008/2009 fiscal year for all breeds. The total dollar figure per-day, on the basis of racing day cost, was $12,836 per racing day. If the two increases in the budget were added, the per-day cost would be $13,664. Executive Director Breed stated that was basically the budget the CHRB was proposing for the coming fiscal year. Chairman Harris said those who placed wagers generated the funds, and if they did not go to the CHRB, they would go to purses and commissions. The industry would be concerned that the CHRB did not spend more than necessary. However, the CHRB needed to maintain the integrity of horseracing, and a strong system. Chairman Harris stated he was concerned that costs were going up, while the return was not real clear. Jack Liebau, on behalf of the industry, stated SB 16 contemplated that the CHRB could consult with the industry regarding the proposed budget, so a program or process needed to be initiated for such consultations. The industry was concerned with the formula that would distribute the budget costs among the tracks. Mr. Liebau noted that Business and

Professions Code section 19612.8 required each racing association to at least cover its direct costs for stewards and official veterinarians. Chairman Harris said if every racing association covered their variable costs it would make the cost per day for the budget slightly less. Executive Director Breed said the idea behind the legislation was that the CHRB define a formula in consultation with the industry, and once the formula was determined, it would be used from then on. Any differences in the amount would go into the Budget Act. Chairman Harris asked if the numbers presented by Executive Director Breed included advance deposit wagering (ADW). Executive Director Breed stated the numbers were based on all sources of handle, including ADW. Craig Fravel of Del Mar Thoroughbred Club said the industry wanted to meet with staff to develop a formula that was acceptable to everyone. He stated he did not understand why the Board would care what the formula was if the industry agreed to accept the budget. He stated he did not think the industry ever paid much attention to the Board's actual budget, but it was possible that the industry was already doing things that the CHRB did, and which cost it money. Or, there were industry resources that could help lower CHRB expenses. The industry wished to be helpful in that process. Commissioner Choper asked if staff intended to sit down with the industry for its input. Executive Director Breed said he believed SB 16 required the Board to develop a formula. If the Board wished to direct staff to sit down with the industry that was fine, but it needed to assign representatives. Commissioner Choper asked who, besides the racing associations, represented the industry. Mr. Fravel stated the "usual suspects" would be rounded up to attend the meeting. He added the industry would wait for notification. Chairman Harris said it was not clear if proceeding with the racetrack monitoring was cost effective. He asked if the plan was not to do the

monitoring in the 2009/2010 budget. Executive Director Breed said that was correct. Chairman Harris stated the proposal was to set up a meeting and create a budget formula. Executive Director Breed said an industry representative needed to be identified. Chairman Harris stated Craig Fravel would work with staff, but it was important to network with representatives from quarter horse racing, as well as other segments of the industry. Rod Blonien representing Los Alamitos Race Course said the concept of a flat fee for all racing associations would cause the night racing fees to increase. He stated the fees should bear some relationship to the amount of handle generated. Commissioner Choper commented Mr. Fravel would contact industry representatives, and that would include the night industry. If the parties could work out some of the details prior to any meeting, it would be helpful. Dr. Rick Arthur, CHRB Equine Medical Director, stated the budget augmentation for out of competition testing was implemented prior to his tenure. Currently, $600,000 of the $850,000 went to out-of-competition testing, however, that expenditure was still lower than the funds spent on drug testing in the early nineties. Those who had been in horse racing for a while recognized what happened when the CHRB budget was balanced by cutting drug testing. Some serious integrity issues arose, especially with milkshaking, as well as other problems. The out-of-competition testing not only tested for blood doping agents, it was also the basis for anabolic steroid testing. The budget also included more in-depth testing of routine samples. It was also how blood testing for anabolic steroids, which would be the next step in the testing program, was developed. Dr. Arthur stated the integrity issue would not go away, and people were probing the system for vulnerabilities. California had an innovative, flexible system that worked, and was effective. Those who wagered on horse racing expected the Board to do drug testing.

The one thing anyone could say about horse racing in California was that it had the most efficient program in the country, and was on par with any in the world. The drug testing program was what made bettors confident in wagering on California's product. Dr. Arthur asked if SB 16 meant the Board would assume the costs associated with total carbon dioxide (TCO2) testing. Executive Director Breed said it was not a budget item. Chairman Harris said the program needed to be assessed for cost effectiveness. Dr. Arthur stated there was no question the program was the best; however, the testing could be scaled back. He said he planned to work with Hollywood Park to see if the number of horses tested for TCO2 could be reduced from 100 percent to approximately 20 percent, which would be an effective number. Dr. Arthur added there were only two violations in the past 20 months. Jack Liebau said the National Thoroughbred Racing Association (NTRA) was going forward with a safety integrity certification for tracks across the country. Hollywood Park was one of the tracks up for immediate consideration. Drug testing was an integral part of the certification process, including out-of-competition testing. For that reason it was important for the budget process to move ahead as quickly as possible, as it was in the best interests of all California racetracks to be certified by the NTRA process.

DISCUSSION AND ACTION BY THE BOARD REGARDING A PRESENTATION FROM THE CALIFORNIA AUTHORITY OF RACING FAIRS (CARF) CONCERNING ITS PLANS FOR THE 2009 SUMMER RACING PROGRAM.

Chris Korby of California Authority of Racing Fairs (CARF) stated the Board allocated race dates for a meeting to be conducted on behalf of CARF at Golden Gate Fields (GGF). He stated the lease agreement for that meeting would soon be concluded. Mr. Korby said the

lease agreement would govern the day-to-day operations of the meeting, which would be conducted by GGF. However, CARF would be responsible for the racing program, in consultation with Thoroughbred Owners of California (TOC). Representatives of CARF, GGF and TOC met to build a solid racing program in Northern California throughout the racing year. There were multiple transitions that would occur due to the various meetings, and the parties wanted to optimize the racing and stakes programs to present the strongest racing opportunities. The program should take advantage of the available turf racing during the fairs; it should retain good horses in Northern California; and it should attract horses from out-of-state jurisdictions. To that end, CARF had an active recruitment program in Arizona, which was in its fifth year. The program was carefully tracked and about 150 runners typically came to California. They started an average of three times, and increased field size by one additional runner, which was significant. Mr. Korby said CARF wanted to offer an expanded program of two-year-old stakes, and it would work hard to increase the field size through judicious management of inventory. Commissioner Choper asked if CARF felt the additional turf racing at GGF would draw more fans than turf racing at Pleasanton. Mr. Korby said CARF believed racing at GGF was an advantage. Commissioner Choper asked what besides turf racing at GGF would help CARF achieve its goals. Mr. Korby said one item was a pending request to run fewer days in September. Running four days a week versus five days was a concrete step that would move CARF towards the goals it discussed. Executive Director Breed asked what effect GGF would have on Cal-Expo by running on both sides of its fair meeting. Mr. Korby said CARF was encouraging horses to run at each fair, and it was tailoring the purse programs so there would be incentives. Chairman Harris stated Cal-Expo

needed to survive, as it was an important part of Northern California racing, and there was talk of converting the fair to other uses.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE SIGNIFICANCE OF THE BANKRUPTCY FILING OF MAGNA ENTERTAINMENT CORPORATION ON THOSE SUBSIDIARIES OPERATING IN CALIFORNIA; TO WIT, LOS ANGELES TURF CLUB INC., OPERATING AT SANTA ANITA PARK AND PACIFIC RACING ASSOCIATION, OPERATING AT GOLDEN GATE FIELDS.

Gregg Scoggins representing Magna Entertainment Corporation (MEC) said he wished to provide the Board with an update on the bankruptcy that MEC filed on March 5, 2009. Mr. Scoggins gave a PowerPoint presentation with a timeline of actions involved in the MEC bankruptcy. Commissioner Choper asked if MID, as the stalking horse bidder, had preference in any auction process. Mr. Scoggins said as the primary creditor of MEC, MID put in an initial bid for the stalking horse assets. Unless another bidder offers better terms, MID would receive the various assets for a price of $195 million. The purpose of the stalking horse bid was to set a floor so the assets would be sold at an appropriate price. Commissioner Choper asked what could MID do if a party offered $60 million for Golden Gate Fields (GGF). Mr. Scoggins said there would be an auction process and at the end of the auction, MID would have the opportunity to match the price. Vice-Chairman Israel asked if a value was attributed to each asset in the stalking horse bid, or was there simply a total dollar amount? Mr. Scoggins stated there was a total dollar amount. No breakdown had been determined as to the price of a certain asset. Vice-Chairman Israel asked how a bidder that was interested in only one of the assets would know the value. Mr. Scoggins said a guidepost would be given to prospective bidders. Qualified bidders would be identified based on their bids. They would

look at the quality of the bid that was made on a particular asset, and they would be invited to participate in an auction. At the end of the auction, MID would be given the opportunity to match the final bid. If a party really wanted a particular asset, that would be incentive to make a realistic bid. Chairman Harris asked what was the timetable for the MEC transactions. Mr. Scoggins said there was a six-month period in which to implement the plan. That would ensure enough time to receive the bids and still achieve a satisfactory bankruptcy plan. Commissioner Choper commented MEC had clarified what was happening with the bankruptcy process and the sale of assets. There seemed to be a lot of media coverage that was inaccurate, which caused a lot of people some distress. Mr. Scoggins said MEC realized it was important to ensure accurate information was promulgated, as it was trying to avoid confusion. Chris Korby of California Authority of Racing Fairs (CARF) stated his organization was disappointed that the location fees were held up in the bankruptcy. Withholding the payments was causing extreme hardship for some of the smaller satellite facilities because they were under severe cash flow straits. Mr. Scoggins stated MEC was looking at each of the various fees and its ability to pay them. In the near future MEC hoped to have a determination regarding how it could treat each fee, and it would inform the stakeholders when that determination was made. He added in some cases there might be nothing MEC could do but have the stakeholder go through the bankruptcy process. They would eventually be paid, but on a delayed time frame. Mr. Korby asked if there was a method for CARF to be paid without going through the bankruptcy process. Mr. Scoggins stated he was unable to comment until MEC had made a determination. Mr. Korby asked what the difference was between Northern and Southern California with regards to the payments. Mr. Scoggins said it was a function of

how the simulcast organizations were set up, and how the fees were distributed among the various participants. Some fees were paid directly to the racetracks, and others were cycled through a different entity, which created different issues for MEC to resolve. Commissioner Choper asked if there was a way to get some of the satellites paid on preferential basis. He stated there were satellites that could not cover their operational expenses and maybe there was something that could be done to keep them running. Mr. Scoggins said the bankruptcy laws were fairly specific. If something was pre-petition, and there was not another means to satisfy the claim, then it was a non-secured creditor claim and was in line with other general unsecured creditors. The best MEC could do was to try to speed up payment to help the satellites manage their cash needs. Mr. Korby stated this was the second time in one year where location fees had not been paid to satellites. The first instance was Sacramento Harness Association (SHA). CARF made recommendations to the satellite organizations regarding payments could be restructured. However, CARF maintained that the distributions were statutory and had to be made under the law. Commissioner Choper commented the Board would consider that going forward, but once the funds were in the hands of the bankruptcy courts, it could only try to accelerate the process. Craig Fravel of Del Mar Thoroughbred Club (DMTC) stated there was a number of advance deposit wagering (ADW) providers that were holding pre-petition distributions, such as satellite location fees. He stated the simulcast organization was asked to temporarily withhold making those payments, but some of the ADW providers would feel more comfortable if there was official direction from the Board. Mr. Fravel said Mr. Scoggins agreed that the payments could be made directly to the simulcast organization, so it could distribute them to the satellite locations. DMTC believed the funds

did not belong to MEC, but were held in a fiduciary capacity. DMTC would request the Board to consider issuing an order to the ADW providers, and any other holder of third-party distributions that was outside the bankruptcy estate, to make those distributions directly to the industry recipients. Commissioner Choper asked if that approach was consistent with the bankruptcy filing. Mr. Scoggins said by law the ADW providers owed the fees to the state, and the fees were paid through the racetracks that contracted with the providers. One way to look at the fees was to state the petitioner was merely a custodian of the fees, and the courts could be asked permission to release the fees, so the parties that were owed them were made whole. Mr. Scoggins said MEC was looking at which fees fell under the pre-petition claims, and which fell outside. No determinations had been made, but more would soon be known. Mr. Fravel stated a lot of the debates were not within the court, but with bankruptcy counsel. Some official action by the Board regarding payment of the fees could be helpful. Some of the distributions were vital to MEC's ongoing operation. If Hollywood Park was not paid for stabling and vanning, no one could expect it to finance Santa Anita's stabling operation. The Board needed to work with the debtor and its counsel to take a strong position on the necessity of making the payments, as a lot of the funds were running out of money. Commissioner Choper asked if DMTC believed payment of the funds was not a question of whether they would be paid, but of when they would be paid, and that an earlier payment would not prejudice any other entities with a statutory entitlement to the funds. Mr. Fravel said the purpose of the bankruptcy was to allow the debtor to continue its operations, without jeopardizing that operation. The non-payment of some of the pre-petition distributions could cause some of the operations to start shutting down, and the assets would degenerate in value.

The items needed to be addressed, and the essential character of the payments needed to be made clear. Commissioner Choper asked if the bankruptcy court had to rule on any of the strategies suggested by the industry. Mr. Scoggins said "yes" with respect to the extent that they were considered pre-petition claims that would fall within the bankruptcy court's jurisdiction. One option was to make a motion to the court stating the pre-petition claims should be paid for the following reasons. Vice-Chairman Israel asked would it help if the Board sent a letter to the bankruptcy court. Mr. Scoggins said MEC needed to talk to staff to figure out the right course, but a letter to the court probably would not have the impact the Board might wish for. The better course might be for the Board to file the letter in connection with a motion that would demonstrate why the Judge needed to rule in a particular way as related to the payment of the fees. Jack Liebau of Hollywood Park stated the Board should pass a resolution that interpreted California Horse Racing Law, and that stated the funds were statutory funds and were mandatory distributions, which were held in trust. Mr. Liebau said the funds were supposed to be in segregated accounts for the benefit of third-party beneficiaries under state law. Commissioner Choper commented the Board issued a statement that SHA's payments were mandatory. There was a split vote, as there was reluctance to order payments outside a bankruptcy court's jurisdiction. However, Commissioner Choper said he could support Mr. Liebau's argument, given that the bankruptcy court would ultimately resolve the issue. Mr. Liebau stated the difference was that a clear interpretation of California law would be helpful. That would have more force and effect than sending a letter requesting help in making the payments. Mr. Scoggins stated the key to elevating the fees to a claim was if the bankruptcy court determined paying the fees was important for the long-term success of the

debtor. Mr. Korby said CARF agreed with Mr. Liebau. He stated if MEC was to make decisions about the disposition of funds outside of the bankruptcy proceedings, the Board should be able to exert some influence. He asked if there was a way the Board could be of assistance in MEC's internal discussions, or if there was any action the Board could take. Mr. Scoggins said he could not speak for those who were conducting the internal discussions. However, it would not hurt if the Board sent a letter stating it agreed the fees needed to be paid. He added there were various things that could be done, but the effort that might prove the most fruitful would be a motion to the bankruptcy court. The court would hold a hearing and the Judge would decide if he or she agreed. Mr. Scoggins said California was not the only state with issues involved in the MEC bankruptcy. There were different issues in Maryland and Florida that were equally important to the horsemen and stakeholders. MEC was doing its best to address those concerns in each of the states. Ron Charles of MEC stated he wanted to make it clear that all uncashed tickets were paid, pre or post bankruptcy. Paying fans who presented tickets for winning wagers was not a problem. Richard Castro of the Pari-Mutuel Employees' Guild spoke about his concerns regarding the MEC bankruptcy and its effect on satellite wagering facilities.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE STATUS OF STATUTORY DISTRIBUTIONS AND THE SIGNIFICANCE OF THE BANKRUPTCY FILING OF MAGNA ENTERTAINMENT CORPORATION ON THESE DISTRIBUTIONS.

This item was included in the discussion and action regarding the significance of the bankruptcy filing of Magna Entertainment Corporation on those subsidiaries operating in California.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE ANNOUNCED SALE OF XPRESSBET INC. FROM MAGNA ENTERTAINMENT CORPORATION TO MI DEVELOPMENTS INC.

This item was included in the discussion and action regarding the significance of the bankruptcy filing of Magna Entertainment Corporation on those subsidiaries operating in California.

DISCUSSION AND ACTION BY THE BOARD TO CONSIDER REINSTATEMENT OF SUBSECTIONS (A),(C) AND (D) OF RULE 1663, ENTRY OF CLAIMED HORSE.

CHRB Executive Director Kirk Breed said Rule 1663, Entry of Claimed Horse, was suspended in its entirety until the Board could take action on the item. The action before the Board was a reinstatement of Rule 1663, subsections (a), (c) and (d). Subsection 1663(b), which provided that a horse claimed out of a claiming race could not run in another state for 60 days after the close of the race meeting at which it was claimed, would remain suspended. The purpose of subsection 1663(b) was to discourage pirating of horses in California. It was a good idea, except it could be seen as a violation of the commerce clause of the Constitution. Commissioner Choper **motioned** to reinstate subsections (a), (c) and (d) of Rule 1663. Vice-Chairman Israel **seconded** the motion. Jack Liebau of Hollywood Park asked if the action by the Board meant a horse claimed in California could be taken out of state and run back for the amount at which it was claimed, but could not be run in California under the same conditions? Vice-Chairman Israel said the reinstated portions of the regulation do not address taking horses out-of-state. Commissioner Choper stated the words "in California" could be eliminated from subsection (a) of the regulation. That would address in-state and out-of-state situations. Staff Counsel Robert Miller said the Board could consider a rulemaking and vote on the change. He

did not suggest suspending only two words in a regulation. Executive Director Breed said the Board was reinstating Rule 1663, except for subsection (b), which would be submitted to the Attorney General for his interpretation. Subsection (a) of Rule 1663 only addressed California. Ron Charles of MEC asked how the Board would enforce the 30-day jail time if a horse claimed in California were shipped to a state without such a restriction. Commissioner Choper said the out-of-state jurisdiction would honor California's rule, or it would not. In addition, if the owner and trainer were licensed in California, the state would have some jurisdiction. Mr. Charles said horses were often shipped out of state to run under a different trainer and owner. California would create chaos if it thought it could enforce a 30-day jail time in a state that did not have such a rule. Executive Director Breed said the "jail time" had been a point of concern among many states for years. Jail time was enforced by threatening the owner with suspension of license if the claimed horse ran out-of-state. The way some jurisdictions enforced their rules was by keeping the horse's papers until the end of the race meeting. Craig Fravel of Del Mar Thoroughbred Club said it might be helpful in the short term if meetings about to run, or currently running, made as a condition of entry into a claiming race, that one must agree not to run one's horse out-of-state. The association would have the ability to enforce that rule by holding the papers. Mr. Fravel stated he was not sure the commerce clause restricted private parties from engaging in such self-help activities. Chairman Harris said the owner who entered a horse in a claiming race was not the problem. It was the owner who claimed the horse who had to decide what he could or could not do. Vice-Chairman Israel stated the paymaster of purses could issue a bill of sale that that set forth conditions regarding how and when the horse could be run back. It would be similar to renting

a store in a mall; if there was a competing store already there, one could not open a similar store two doors away. Chairman Harris asked if Mr. Charles was suggesting a particular Board action. Mr. Charles stated he did not have a perfect suggestion. The issue needed to be thought through before anything was done that could cause the industry more problems. Commissioner Choper said he thought the Board ought to do what ever it could to deal with the problem, but he did not know what that was, as long as running in other states was not treated differently from running in California. If there was a way to enforce the rule it seemed one could not race a claimed horse in any state for less than 25 percent more than the claiming price, for 25 days. He added it would be difficult to enforce outside California, but there must be a way. Mr. Charles said horses that were claimed for twelve/five could be sent to Mountaineer and run back for ten at a much higher purse. The question was: would California go after that owner and trainer because he violated California law? Commissioner Choper said Vice-Chairman Israel suggested developing a sales contract, which would put the owner in breach of contract. Mr. Charles stated maybe there needed to be something on the claim certificate. Vice-Chairman Israel asked who developed the language on the claim certificate. Was it state mandated? Executive Director Breed said it was a standardized form. Vice-Chairman Israel asked who developed it and under what guidance? Commissioner Choper stated there were problems with trying to impose a California rule outside the state. There were cases that said a state could not project its laws as to what another state wanted to do. Chairman Harris commented he would like to see all states do what California was doing. He added he did not have a problem dropping the rule, but every other state had a rule. Drew Couto of Thoroughbred Owners of California (TOC) said the Attorney General's opinion did

not discuss the issue of privileged and regulated activity versus something that would be a right guaranteed by the constitution. He stated there was a body of law not addressed by the opinion, which said (in the cases that dealt with the CHRB) that horse racing was a regulated activity in which one did not have a right to participate. Horse racing required an occupational license, which was a privilege. When one participated in a regulated, privileged activity, there were different rules that in the context of the Constitution might be a violation, but in the context of the privilege were not a violation. The Attorney General's opinion did not discuss the difference between horse racing being a licensed, regulated activity, and something that would be considered a constitutional right. That was an important distinction because under appropriate circumstances states were able to impose restrictions on interstate commerce. Mr. Fravel said an example was the inspection of fruit and produce, and the ability of a state to prevent that from being imported or exported. That could be determined by a state, and it was not a violation of the commerce laws. Commissioner Choper said that was sometimes permitted, but not for economic reasons, and the Board's issue was economic. Mr. Fravel stated he did not necessarily agree with Commissioner Choper, as he thought there were other reasons. However, the issue was missing from the Attorney General's opinion and it needed closer examination, as it could provide the ability to define what the rules were of the regulated activity. Vice-Chairman Israel asked if Mr. Fravel was suggesting the Board defend its case regarding Rule 1663. Mr. Fravel said "no." There was a larger issue, and that was equal protection. A person who claimed a horse out of a meeting that was seven months long, versus a person who claimed a horse from a six-week meeting, raised equal protection issues. Mr. Couto stated he wanted to ask the Attorney General to look at the privilege versus the

constitutional right issue, which was something he thought would allow the Board to have reasonable regulations on regulated activities. Chairman Harris said the Board was suspending subsection 1663(b) because of the litigation. The subsection could always be reinstated, but the Board had to move on. The Board could take at look at anything the industry wanted to propose. Charles Dougherty of California Thoroughbred Trainers (CTT) asked if the phrase "in California" would be kept in the law. He stated he believed Commissioner Choper suggested it be removed. Mr. Dougherty said that could prevent a California owner who claimed a horse in another state from running that horse in a California claiming race. Chairman Harris said the Board was currently in the process of noticing an amendment to Rule 1663, but there were no proposed changes to subsection (a). He asked how a person who claimed a horse in another state was damaged versus an owner who claimed a horse in California. Mr. Dougherty said the owner who claimed in another state was not able to run the horse where he liked. Chairman Harris said that put them on a level playing field with the person who claimed a horse in California. Mr. Dougherty stated the CTT would like the phrase "in California" to stay in the regulation. Tom Robbins of DMTC said the different states had varying claiming rules that were dependent on the length of their racing seasons, or of seasons that followed the claim. In states that had a close to their seasons it made no sense to impose a more onerous out-of-state claiming rule. California had year-round racing, so that was why California was different. There were a lot of situations throughout the United States that determined how claiming rules were developed. Mr. Robbins said he was not a lawyer, so he could not debate the commerce clause, but the consequences of eliminating subsection 1663(b) would be open season on California horse racing, and the state would lose horses from

its already dwindling inventory. He stated he did not know what the solution was, but the industry needed to find an answer that was agreeable to everyone. Commissioner Choper asked if the problem would be solved if the claiming rules were the same, no matter where a horse ran. Mr. Robbins said other states do not need a rule like California's because their racing seasons did not exist after the end of their meetings. Cliff Goodrich of Fairplex Park Pomona expressed his concerns regarding the suspension of subsection 1663(b). He asked if it was possible for the Board to let the rule stand while it worked on an alternative. Jack Liebau of Hollywood Park said the issue with Rule 1663 was going to lead to a terrible situation. California had the fastest, cheap horses, and claiming them would be a growth industry between this state and Mountaineer Park. Vice-Chairman Israel said the problem arose from the incomplete motion with regards to suspending part of Rule 1663 for the Fresno fair. Chairman Harris said the rule clearly was not suspended. He stated it was a "carve-out" for the Fresno fair. The subsection 1663(b)(1) stated all the fairs were considered one meeting for the purposes of the regulation. The Board intended to declare each fair meeting one meeting. Mr. Fravel said the racing associations could put a restriction in the claims lists that were filed and signed by the person claiming the horse. The racing associations had no obligation to allow anyone onto their grounds, nor were they required to accept a claim, except if the person held an open claim certificate. Mr. Fravel stated the racing associations could impose restrictions that were no different than those in the current rule. He said the Board also might explore the emergency rule making process, as the issue was potentially disastrous for the health of the industry. Chairman Harris said he did not see how an emergency regulation would help, as the problem was not sufficiently identified. Mr. Robbins stated there were

states with casino and slots-fueled purse structures. The tracks that had that advantage sent horsemen out to find horses to run at their race meetings. California might have a high purse structure, but it did not compare to claiming purses at slots-fueled racetracks. Those states had purse structures California could not come close to, but California did have assets (horses) they would come and get. Mr. Robbins said he was not suggesting the imbalance would offer a legal protection, he was just stating the reality of the situation; the racinos fueled a market for California horses. Bill Anton, a trainer, said the Board would have difficulty punishing a trainer who claimed a horse for an out-of-state owner. The current practice was for the stewards to contact an owner who entered a claimed horse in an out-of-state race and explain the consequences of that action. The stewards fined the owner in California, and if the owner did not pay the fine, he did not run in this state again, nor could he claim more horses. Commissioner Choper asked why could not a provision be placed in the purchase contract that stated the new owner agreed not to run the horse outside California for a period of 60 days. Mr. Anton said some owners would agree to have the person who claimed the horse for them sign the agreement, then run the horse anyway. Commissioner Choper said that person could then be sued for violating his contract. If the owner lived out-of-state, he could be sued in California if that was where the horse was claimed. Mr. Anton said trainers were being burdened with many issues, and the Board should leave them alone with regards to claiming. Commissioner Choper stated he was not going after trainers; it was the owner. The clause could be put in the purchase contract by the racing associations. Mr. Fravel commented the Board's rules only stated the form of the contract had to be approved. The Board would not be adopting a regulation. Commissioner Choper said the Board would not be requiring the

clause; it would only be doing what the associations wished. Rod Blonien, an industry representative, suggested the industry talk to Jerry Jamgotchian to remind him of the harm that could come to the industry and ask him to reconsider his litigation. Commissioner Choper said Mr. Jamgotchian had an injunction against enforcement of the rule. Mr. Blonien commented he did not think Mr. Jamgotchian was interested in causing havoc for the industry. Commissioner Choper suggested the racing associations, who understood the potential costs of the litigation, ought to approach Mr. Jamgotchian. Mr. Liebau said he would be willing to talk to Mr. Jamgotchian. Vice-Chairman Israel asked if there were owners who entered horses in claiming races, and who hoped to have their horses claimed, who would be upset if reinstating the regulation reduced the number of claims. Mr Robbins said the rule had been in effect for a while, and he had not heard of any owners that expressed concerns. Most owners who ran claiming horses in California wanted the industry to remain strong, so they had not objected to the rule. Chairman Harris said regardless of what the Board did there would be problems with the regulation. If every state had the same regulation it would not be such a big deal. However, another part of the problem was that California's claiming prices were relatively low compared to other jurisdictions. A $4,000 claimer was probably a $7,500 horse in Mountaineer. Commissioner Choper asked how the 60-day prohibition acted as a deterrent. Mr. Anton stated the problem was waiting till the end of the race meeting, with another 60 days until the horse could run. Mr. Robbins said if a horse were claimed, and the owner intended to take it out-of-state, the industry hoped the new owner would run the horse in California once or twice. That was an advantage to California, rather than having nothing. Commissioner Choper asked if Mr. Robbins believed the 60 days was a real deterrent. Mr.

Robbins said the 60 days might not be a deterrent, but at least the horse might run once or twice in California, rather than being shipped immediately out-of-state. Chairman Harris said subsection 1663(b) was currently suspended, and the Board was considering reinstituting it. There were probably some good reasons, legally, but to just do it would not solve anything. Mr. Robbins said there was a gentleman who had raised issues, and filed a lawsuit, but was willing to talk, so the Board should take advantage of that. Rather than state it would suspend subsection 1663(b), the Board should talk with Mr. Jamgotchian, retain the rule as it currently existed, and see what the industry could come up with. California racing secretaries wanted to work with TOC so the industry could speak with one voice as it related to the issue. The **motion** to reinstate subsections 1663 (a), (c) and (d), and to leave subsection 1663(b) suspended, was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE DISTRIBUTION OF RACE DAY CHARITY PROCEEDS OF HOLLYWOOD PARK RACING ASSOCIATION IN THE AMOUNT OF $190,000 TO 23 BENEFICIARIES.

Commissioner Choper **motioned** to approve the request to distribute race day charity proceeds of Hollywood Park Racing Association. Commissioner Derek **seconded** the motion, which was **unanimously carried**.

PUBLIC COMMENT

Chairman Harris noted a meeting would be held at Cal-Expo to discuss its development plans. He stated many people in the horse community might need to look at the development plan, which was on the Cal-Expo website. The plan would eliminate the racetrack and stabling. He

added the plan was a long way from any conclusions, but all horse stakeholders needed to pay attention.

MEETING ADJOURNED AT 1:35 P.M.

A full and complete transcript of the aforesaid proceedings are on file at the office of the California Horse Racing Board, 1010 Hurley Way, Suite 300, Sacramento, California, and therefore made a part hereof.

Chairman

Executive Director

PROCEEDINGS of the Regular Meeting of the **California Horse Racing Board** held at the **Santa Anita Park Race Track, Baldwin Terrace Room**, 285 West Huntington Drive, Arcadia, California, on **February 26, 2009**.

Present: John C. Harris, Chairman
David Israel, Vice-Chairman
John Andreini, Member
Jesse H. Choper, Member
Bo Derek, Member
Jerry Moss, Member
Kirk E. Breed, Executive Secretary
Robert Miller, Staff Counsel

MINUTES

Vice-Chairman Harris asked for approval of the minutes of the Regular Meeting of January 15, 2009. Commissioner Israel **motioned** to approve the minutes. Commissioner Derek **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE PROPOSED AMENDMENT OF CHRB RULE 1853, EXAMINATION REQUIRED, TO ALLOW THOROUGHBRED HORSES TO RACE UNSHOD.

Kirk Breed, CHRB Executive Director, said the proposed amendment to Board Rule 1853, Examination Required, would allow thoroughbred horses to race unshod. He stated in July 2008 the Board suspended Rule 1853 to allow trainers to run unshod thoroughbreds for a six-month trial period. During the six-month trial period data was collected regarding races in which thoroughbred horses ran unshod. Executive Director Breed stated the data indicated there were no real problems with the thoroughbreds that ran unshod, and staff recommended the Board adopt the proposed amendment as presented. Robert Hartman of Golden Gate Fields (GGF) said close to 200 horses ran unshod at GGF. He stated the GGF track veterinarian

reported there was less filling and heat in horses that trained unshod, and there seemed to be less body soreness in such horses. More trainers were training unshod, but there was still some resistance to the concept from other trainers. As more unshod horses were successful, additional trainers might embrace the practice. In conclusion, Mr. Hartman said the GGF track veterinarians liked the program, and they wanted to see it continue. Vice-Chairman Harris stated he understood GGF installed bridal paths so unshod horses did not have to walk on asphalt to get to the track. Mr. Hartman stated GGF installed paths with tapita and rubber surfaces so unshod horses could walk on softer surfaces. Commissioner Derek motioned to direct staff to initiate a 45-day public comment period regarding the proposed amendment to Board Rule 1853. Commissioner Moss seconded the motion, which was unanimously carried.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE PROPOSED AMENDMENT OF CHRB RULE 1663, ENTRY OF CLAIMED HORSE, TO PROVIDE THAT A HORSE IS NOT ELIGIBLE TO RACE IN ANOTHER STATE UNTIL 60 DAYS FROM THE DATE IT WAS CLAIMED, INSTEAD OF 60 DAYS AFTER THE CLOSE OF THE MEETING IN WHICH IT WAS CLAIMED.

Marsha Naify of Thoroughbred Owners of California (TOC) said her organization's board was reviewing the proposal to amend Rule 1663, Entry of Claimed Horse, and did not currently have a comment. She stated, however, if the item was discussed at a subsequent CHRB Board Meeting, the TOC would comment. Vice-Chairman Harris said the basic purpose of the rule was to discourage horsemen from claiming a horse and taking it out of state. However, there were interstate commerce issues, so changing the regulation to prevent a claimed horse from running in another state until 60 days after the date of the race from which it was claimed

might not be so severe that it would be challenged. Tom Robbins of Del Mar Thoroughbred Club said the racing secretaries held discussions with TOC regarding the regulation. The discussions resulted in an agreement on changes to the first part of the regulation, but they were not included in the proposed amendment. Mr. Robbins said the regulation was amended in 2005 to prevent a claimed horse from running in another state until 60 days after the meeting at which it was claimed because horsemen were coming to California and taking large numbers of claimed horses out-of-state. California could ill afford to have that happen, but at the same time, circumstances had changed, and Golden Gate Fields was running a seven-month meeting. Horsemen who came from out-of-state to support the meeting might feel at a disadvantage if they could not run any horses they claimed until two months after the meeting closed. The proposed amendment to Rule 1663 offered a solution to that problem, but there were other alternatives. The industry needed to take a little more time to discuss the issue, but it did not wish to be in a position where the door was open to out-of-state raiders. Commissioner Choper said the staff analysis stated an informal Attorney General's (AG) opinion advised that a rule prohibiting a claimed horse from running out-of-state for an extended period of time would be unconstitutional. There were a lot of well-motivated actions taken by states, but actions to protect themselves from out-of-state competition were vulnerable to attack, unless Congress authorized them. Vice-Chairman Harris asked if there was a bit of latitude that would allow some "jail time" versus no "jail time" because for the 60-day period the claimed horse received the benefit of California's stabling program. Commissioner Choper said "no." He stated the Board was obligated to follow state law, though an argument could be made that it was unconstitutional under the Federal Constitution. However, Commissioner

Choper stated the question concerned a regulation, and he did not know how that fit into the scheme. CHRB Staff Counsel Robert Miller said it was a rule adopted pursuant to state law, so constitutional objections could be raised; the court would treat it as if it were a rule of law. Barry Broad, representing the Jockeys' Guild, said a provision of the California Constitution provided that no state agency could take action on the basis that its regulation violated the constitution. In other words, the Board could not declare its own actions unconstitutional. The Board could decide not to do something because there was doubt, but not because it was obliged to do so in any way. Commissioner Choper said that meant if the Board thought its regulation was good, it ought to stick with it until it was challenged. Vice-Chairman Harris stated that was why he leaned towards a lesser period of "jail time." Less time might mean fewer challenges. Drew Couto of TOC said his organization would like to receive a copy of the AG's informal opinion so it could determine if the issue was analyzed from the standpoint of a privilege or a right. The TOC did not want the Board to waive any attorney/client privilege, but it would be helpful in understanding what the industry could do. Vice-Chairman Harris commented that placing a 60-day waiting period (from the date of the race in which the horse was claimed) would not be particularly painful, and probably would not result in a challenge. Commissioner Israel asked if the proposed amendment addressed the 25-day provision in subsection 1663(a). Vice-Chairman Harris said the proposed amendment did not change the 25-day period a claimed horse must wait to run-back in a claiming race. He added TOC's proposal of 20 days was not a significant amount of time. However, the proposal was open for discussion, and the industry needed to reach a consensus. Commissioner Israel **motioned** to direct staff to initiate a 45-day public comment period regarding the proposed

amendment to Board Rule 1663. Commissioner Andreini seconded the motion, which was unanimously carried.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE CURRENT RULE ON REBATES AND THE FEASIBILITY AND ADVISABILITY OF AMENDING CHRB RULE 1950.1, REBATES ON WAGERS, TO PROHIBIT OR BETTER DEFINE REBATES BY ADVANCE DEPOSIT WAGERING PROVIDERS.

CHRB Executive Director Kirk Breed said Rule 1950.1, Rebates on Wagers, was adopted in 1996 in response to concerns over rebating practices in Nevada. The regulation prohibited racing associations and simulcast organizations from entering into an agreement with any off-track betting facility unless the agreement prohibited rebates. However, the current interpretation of the rule did not include advance deposit wagering (ADW) providers because they did not constitute betting facilities. Executive Director Breed said staff proposed amending the regulation to include ADW providers, or repealing the regulation to allow the practice of rebating in California. Vice-Chairman Harris said there were arguments for and against rebates, but ultimately it was the horsemen and tracks that would decide if the practice was in the overall interest of horse racing. Jack Liebau of Hollywood Park stated rebating was a "way of life" that started with offshore wagering shops that gave rebates. Currently, every horse racing entity had some form of rebates; in California they were called "player rewards programs." That meant rebates existed, and everyone used them. Mr. Liebau stated it did not make sense for the Board to take actions that discouraged wagering on the California product. If the Board amended Rule 1950.1 to prohibit ADW providers from offering rebates on the California signal, then rebates would be offered on other states' product. Mr. Liebau urged the Board not to take any action that would discourage fans from wagering on California races.

Commissioner Israel stated he tended to agree with Mr. Liebau, but he would want to make sure any rebates did not come out of the handle or the takeout. Mr. Liebau said if an ADW provider offered a rebate, it would come out of the hub fee that the provider retained. Rebates cost whoever took the wager; they did not diminish track income. Executive Director Breed asked if Mr. Liebau thought all parties should be allowed to rebate. Mr. Liebau said California did not have a law that prohibited rebating. There was only a regulation that stated certain provisions had to be present in an agreement between a racetrack or simulcast operator and off track betting facilities. Mr. Liebau commented the Board should not single out ADW providers when offshore wagering facilities offered far greater rebates. The ADW providers were transparent, and they competed on the functionality of their sites; marketing; customer service and whatever rebate programs they could offer. In addition, the industry believed that the better customers deserved a better price. Commissioner Choper asked if Mr. Liebau thought rebating was good for Hollywood Park. Mr. Liebau said since rebating was a way of life; it would be good for Hollywood Park. In the past that might not have been the answer, but in the current atmosphere rebating would be beneficial. Commissioner Choper asked if Hollywood Park would compete directly with the ADW providers for the patronage of fans who regularly wagered large amounts. Mr. Liebau said he did not know if Hollywood Park competed, but persons who wagered significant amounts received rebates. Craig Fravel of Del Mar Thoroughbred Club (DMTC) stated his organization agreed with Mr. Liebau. The agreements were commercial relationships, and if a racetrack made a deal with an ADW provider, or out-of-state wagering facility, then the commercial terms under which the agreements were made should be honored. The focus of the Board was to make sure the

entities that conducted business in California were properly licensed. That was determined by the Legislature when it set up a licensing scheme for ADW. The ADW providers that were licensed by California were permitted to offer rebates, and there was no point in trying to remake the business arrangements. Mr. Fravel stated DMTC would support the repeal of Rule 1950.1. When the Board adopted the regulation it required offshore companies that were rebate shops, but that were allowed to simulcast and commingle pools, to sign affidavits stating they were not accepting wagers from California residents. However, no one could tell if they abided by the agreement. Commissioner Choper asked if the offshore providers signed agreements. Mr. Fravel stated every legitimate offshore provider had a contract with DMTC that provided for a certain percentage of their handle to return in the form of purses and commissions. The ADW providers also had contracts that required the agreement of the horsemen and the Board. However, there was another category of provider that was accepting wagers from residents of California, not commingling pools, and who had no authority to operate. These entities may not be illegal, as they could just be booking the wagers, but many of them offered significant rebates. Mr. Fravel stated the Board needed to exercise its regulatory authority to determine if the terms of the agreements were followed. Drew Couto of Thoroughbred Owners of California (TOC) stated his organization agreed with Hollywood Park and DMTC. Over the years TOC included in its consents certain conditions related to the legal offshore rebate shops. The shops had to have certain minimum thresholds to play, and the players could not be California residents. The TOC also recognized that if the California Marketing Committee paid Golden State Rewards Network marketing incentives to players who played at certain levels, fairness dictated that ADW providers be given similar freedom to

pay such marketing incentives. Mr. Couto stated TOC appreciated its relationship with the ADW providers and it believed the best way to continue forward was to allow the parties to work out the commercial arrangements in a way that would stimulate wagering on the California signal. Vice-Chairman Harris asked if TOC agreed that Rule 1950.1 should be repealed. Mr. Couto stated the rule was not enforceable and did not have a legitimate function, given how the industry conducted business over the past five years. Commissioner Moss **motioned** to direct staff to initiate a 45-day public comment period for the repeal of Rule 1950.1. Commissioner Israel **seconded** the motion, which was **unanimously carried**.

UPDATE AND DISCUSSION REGARDING THE STATUS OF THE INFIELD GOLF COURSE AT THE ALAMEDA COUNTY FAIRGROUNDS AND THE CALIFORNIA THOROUGHBRED TRAINERS (CTT) REQUEST THAT THE BOARD REVOKE THE EXEMPTION TO THE REQUIREMENTS OF SUBSECTION (B) OF RULE 1475, GOLF COURSE IN THE INFIELD OF THE RACETRACK.

CHRB Executive Director Kirk Breed said for several months the Board discussed the issue of the exemption granted under Rule 1475, Golf Course in the Infield of the Racetrack, for the infield golf course at the Alameda County Fairgrounds (Pleasanton). The California Thoroughbred Trainers (CTT) requested that the exemption previously granted by the Board be lifted due to safety concerns. Over several months the CTT, Pleasanton and interested parties entered negotiations to seek a mutually agreeable redesign of the golf course. The Board was encouraging the parties to arrive at an agreement to put the issue to rest. Ed Halpern of the CTT said although little had been accomplished, Pleasanton had engaged an expert to determine how to solve the problem. The CTT encouraged Pleasanton to act with due haste, and to continue to work towards a solution. Commissioner Israel asked why the racing

industry was identified as the party to pay for any golf ball containment strategies. Mr. Halpern stated the golf course operator did not seem to feel any responsibility to the industry or training facility to ensure a safe operation. In addition, the operator believed the industry or Pleasanton was obligated to pay for any steps taken to make the course safer. He said the CTT held a different view, but until the costs of any actions were determined, the issue would remain unresolved. Commissioner Choper asked if the golf course operator knew it would be included in the discussions. Mr. Halpern said the operator had an idea it would be included. Vice-Chairman Harris asked if the number of golf balls on the racetrack had been quantified. Mr. Halpern stated every morning a number of golf balls were found on the track. The outriders inspected the track before training started, and Pleasanton placed observers on the infield for three weeks to determine when and where golf balls were landing on the track. He said the survey was completed, and Pleasanton believed it had a good idea of where the golf balls were landing, how many golf balls were hit onto the track and how they were getting there. Pleasanton brought in an expert to look at the data to determine where screening should be placed, and to determine a cost. Commissioner Choper asked what was the timeline for completing the study, estimating costs, and determining who would pay. Rick Pickering of Pleasanton said completed plans from a licensed architect would be available in a matter of weeks. The matter of who would pay for what was still undetermined. As soon as the plans were available, the parties would discuss a funding mechanism. Mr. Pickering added Pleasanton had been asked to absorb the horses from Bay Meadows, and was accounting for roughly 20 percent of the starts at Golden Gate Fields. The industry asked for help, and Pleasanton would be disappointed if anyone would tell the Board they wanted Pleasanton to

pay for everything it did to help. Pleasanton appreciated those who believed the industry could act together to solve the problem. Vice-Chairman Harris asked if there was a break down of Pleasanton's daily operation costs for vanning and stabling. Mr. Pickering said California Authority of Racing Fairs (CARF) held the vanning and stabling contract, which was negotiated between CARF and Thoroughbred Owners of California (TOC). TOC was conducting a statewide study of vanning and stabling funds, which should show that Pleasanton accounted for a significant number of starters at a reduced price, compared to other tracks. Commissioner Choper stated if Pleasanton was the contracting party with the golf course operator, it could inform the operator it had potential liability, so it would have to help pay for mitigation of the problem. The issue of how much the golf course operator would have to pay was another matter. The sooner the problem was dealt with, the less it would cost. Darrell Haire of the Jockeys' Guild stated his organization would like the issue resolved as soon as possible. Drew Couto of TOC stated Pleasanton had been diligent in keeping TOC informed, and in trying to find a solution. When Pleasanton stepped forward to help mitigate the closing of Bay Meadows, TOC looked at the existence of the golf course and the fact that it had been relatively claim free. Since the golf course had been raised as an issue, Pleasanton responded and was seriously trying to resolve the matter. TOC recognized there could be some expenditure that might involve the industry. Commissioner Moss said the question of the mitigation plan and who would pay for it was an issue between Pleasanton and TOC. The issue should be resolved as soon as possible.

REPORT FROM THE CHRB EQUINE MEDICAL DIRECTOR AND DISCUSSION BY THE BOARD REGARDING MEDICATION AND ANIMAL WELFARE ISSUES IN CALIFORNIA HORSERACING.

Dr. Rick Arthur, CHRB Equine Medical Director, stated since December 31, 2008, there had only been one racing fatality on Santa Anita's synthetic racing surface, and in Northern California there had not been a racing fatality since the Golden Gate Fields meeting started on December 26, 2008. A survey of CHRB records since 2004 revealed there was not a month without fatalities at a major California racetrack with traditional dirt or turf surfaces. The current rate of fatalities on synthetic racing surfaces was about two-thirds of the fatality rate on dirt surfaces. Training fatalities continued at approximately the same rate as pre-synthetic surface fatalities. However, the industry needed to understand that California ran eight facilities at any one time. There were between five and seven thousand horses at a CHRB facility anywhere in the state. Dr. Arthur reviewed the reasons some of the horses died in training, and he stated California had a robust necropsy program that allowed it to understand and evaluate why horses died, which put the fatalities in perspective. Dr. Arthur said he was working with UC Davis to get more timely analysis and reports from the necropsy data, and to ensure the data at Davis and at Board Headquarters was accurate. Dr. Arthur stated the CHRB was also looking at ways to more thoroughly monitor injuries. There were some issues with horses on the vet's list, so the list needed to be evaluated to ensure horsemen knew what the Board expected. Dr. Arthur said the issue of anabolic steroids was progressing well. Studies in Florida and California were completed, and the CHRB was prepared to move to blood level regulations. The new penalty guidelines were working well, and non-steroidal anti-inflammatory violations appeared to be down. The penalty guidelines were costly to trainers,

which was starting to raise awareness. Medication violations were down, so the effort to be tough, fair and consistent was paying dividends. Dr. Arthur added part of a recent budget change proposal was for freezing of samples. Samples had been frozen for approximately one year, and there were about 25,000 frozen samples in storage. The rational for freezing samples was to do epidemiological studies, and to retroactively test samples if a test was developed for a drug that currently did not have an effective test. If a trainer had a positive for a certain drug, the CHRB could retroactively test that trainer's frozen samples. If the same drug showed up in the frozen samples it would be difficult for the trainer to claim he did not know where the drug came from. The goal of drug testing was to make sure the industry played by the rules. Trainers who did not obey the Board's medication regulations should be aware the Board had the ability to look for a history of such violations once a new test was developed. Dr. Arthur added the Jockey Club indicated it might contribute to the cost of conducting retroactive testing. Commissioner Israel asked what action the Board could take if a retroactive test turned up a performance-enhancing drug in a million dollar stakes race that took place 18 months ago. Dr. Arthur said the Board would have difficulties taking specific regulatory action due to the 21-day notification limit in Rule 1887, Trainer to Insure Condition of Horse. After 21 days the Board would have to be able to prove the trainer was responsible for the violation. If one positive was found in a frozen sample it would be problematic, but if a dozen positives were found, a case might be made. Dr. Arthur added actually using frozen samples for specific regulatory action would be difficult without a current, pending action. Dr. Scott Stanley of UC Davis stated one of the benefits of freezing samples was if a trainer had an ongoing issue with a drug. The laboratory could retroactively test frozen samples to determine

if the trainer had historically used the drug. Any positive findings could then be used to show aggravating circumstances. That would allow the Board to provide the strongest penalty because there was evidence the drug had been used for a period of time. Commissioner Israel asked how the Board would handle redistribution of the purse under those circumstances. Dr. Stanley said the Board's current regulations did not make it easy to prosecute a licensee after 21 days of the date the sample was taken. Dr. Arthur stated the other value of the frozen samples was epidemiological. The samples could be analyzed anonymously to find out how frequently a drug had been used. Once a test has been developed for a particular drug, the Board could determine how big a problem existed, so it could be solved. Dr. Stanley added the Jockey Club and Racing Medication and Testing Consortium's desire to initiate a similar program validated California's actions.

REPORT FROM THE CHRB EXECUTIVE DIRECTOR AND DISCUSSION BY THE BOARD REGARDING THE STATUS OF DEDICATED FUNDS UNDER THE JURISDICTION OF THE BOARD, AND POSSIBLE ALTERNATIVES TO MODIFY VIA LEGISLATION OR CHRB RULES.

CHRB Executive Director Kirk Breed said the enactment of Senate Bill 16 (SB 16) changed the funding mechanism for the CHRB. However, there was still unfinished business with funds mandated by the Business and Professions Code. Executive Director Breed said Business and Professions Code section 19616.51, which was repealed by SB 16, required the racing associations to pay a total of $40,000,000 in license fees. If there was a shortfall the racing associations were required to remit to the state – on a pro rata basis - funds necessary to make up the short fall. After negotiating with the industry, staff arrived at an amount each organization would owe for the year 2007, as well as projected amounts to be owed by the

various racing associations. After the racing associations were informed of the amounts, staff received a letter from a law firm representing various industry entities. The letter stated the staff assumptions were incorrect, and the racing associations represented by the law firm did not owe any money for 2007. Executive Director Breed said the issue would be turned over to the Attorney General. He stated the Jockey Retirement Fund, as provided for under Business and Professions Code section 19604(i)(1), was well funded. The Board was responsible for retaining the funds and enacting a program for retired jockeys. Barry Broad, representing the Jockeys' Guild (Guild) said the Horse Racing Law required the Guild and the Board to jointly manage a defined benefit pension fund for California jockeys. A law firm with experience in pension funds was retained, and issues such as taxation of contributions would be dealt with. After the initial structural issues were solved the actual benefit plan would be designed. After the plan was in place, the Guild would look at how much money it had in the plan, what it would actually take for a jockey to be vested, and when a retired jockey could actually take money out of the plan. Mr. Broad stated the defined contribution plan meant every licensed jockey would have an account, but not all jockeys would be vested, as they would not meet the criteria. The redistribution within the pension plan of contributions from jockeys who never become vested would have to be determined. He added during the previous administration the Secretary of Labor wrote an opinion that stated the Guild was not a labor organization, and the consequence of that opinion was to remove the tax exemption from any retirement plan it might sponsor. The Guild hoped the current Secretary of Labor would reverse the opinion. Robert Miller, CHRB Staff Counsel, said the enabling statute provided that a California jockey must ride 1,250 races to become vested, and must retire after January 1, 2009. To implement

the contract the Board retained the law firm Chung, Ruthenberg & Long, the same firm that worked with the California Department of Consumer Affairs to revise the boxers' pension plan. The firm also set up a pension plan for the blind operators of vending kiosks in state buildings. Executive Director Breed said Business and Professions Code section 19604(f)(2) provided for the distribution of funds to the California Department of Industrial Relations (DIR) to cover costs associated with audits of trainers' employment records. Monies left over from the fund would go to a compulsive gambling organization, as designated by the racing association or fair. The funds were accumulating in the account, and had not been distributed. Staff had been in contact with the DIR regarding the audits. The agency was compiling a bill for audits it claims it completed. After the billing issue was resolved, the remaining funds would be distributed to the organizations designated by the racing associations and fairs. Executive Director Breed stated the funds would go to such organizations as the Winners Foundation, which provided a multitude of services. He said the final fund was the Vanning and Stabling Fund. Staff was in the process of auditing the fund, and until the audit was complete, it was not in a position to make any definitive statements. A preliminary look at the fund showed contributions were down from 2007 to 2008. There were no projections for 2009, but given the state of the economy, it may be assumed the 2009 contributions would also be down. Some money was being returned to the fund from the trainers' Worker's Compensation program. Ed Halpern of California Thoroughbred Trainers (CTT) stated when the Worker's Compensation program was started the industry put up funds as security. Just about all of those funds had been repaid. As soon as the 2008-2009 payment was made to the insurance provider, the remaining $1.8 million would be returned to the Vanning and Stabling

Fund. Beginning 2010, there would be no more money returning to the fund from the Worker's Compensation program. Vice-Chairman Harris said the real challenge would be to balance the Vanning and Stabling fund through increased revenue or a reduction in program expenses. California had a good program, but it could be too much based on the amount of income available. Craig Fravel of Thoroughbred Owners of California (TOC) stated the Southern California Off Track Wagering, Inc. Vanning and Stabling committee held a number of meetings and was considering various adjustments in expenses to try to balance its 2009 budget. Based on current projections, the funds due from the Worker's Compensation program, with some adjustments in expenses, would get a balanced budget. Mr. Fravel commented money shifting from satellite wagering to advance deposit wagering (ADW), the state of the current economy, and the Stabling and Vanning fund cap of 1.25 percent all worked to cause the deficit. Any change in the fund cap would require statutory action, but it would affect purses and commissions, which was not good for the industry. Robert Hartman of Golden Gate Fields (GGF) said the vanning and stabling in Northern California was improving. The closure of Bay Meadows eliminated the need to pay one facility, and increased race dates at GGF reduced payments to that facility. For 2009, Northern California was predicting a small deficit, but by 2010 the fund should be balanced. Executive Director Breed said SB 16 eliminated the license fee the racing associations paid the state. That meant approximately $32 million would stay with the racing associations and the horsemen. The legislature prescribed that $32 million from the General Fund would be paid to the Fairs and Exposition Division of the Department of Food and Agriculture. Under SB 16 the Board must consult with the industry to arrive at a formula for the Board's budget, which would be based

on the 2008/2009 budget, as a "floor." The budget formula would become the replacement of the former license fee. The formula, which was to be completed by July 1, 2009, was supposed to be developed on the basis of breed and type of racing association, and was to go through the normal budget cycle to the Department of Finance and then to various budget hearings. Executive Director Breed stated the process had gone through the Department of Finance analysis for the 2009-2010 budget, and staff was prepared to present it to the Senate and Assembly subcommittees on the budget. He said a formula to present to the Board had not been developed, but once it was complete, it would be shared with the Board and then the industry would be consulted. Vice-Chairman Harris said it was important to get maximum input from the stakeholders regarding a fair and equitable system, rather than just give the industry a ready-made formula. There needed to be meetings with the horsemen, the tracks and other industry interests. Commissioner Moss asked if there was a percentage breakdown of what the various breeds might pay. Executive Director Breed said the Board package material contained a report that showed the amount of license fee paid by the various racing associations. Vice-Chairman Harris said there was a Business and Profession Code section that required racing associations to pay at least their variable costs. Executive Director Breed stated the Horse Racing Law required licensees to at least pay for drug testing and the stewards. Vice-Chairman Harris said the debate would then be administrative costs of the CHRB, who would pay them, and what was the pro rata. Executive Director Breed commented there were other issues, such as real-time monitoring of wagers and additional drug testing requirements that were stipulated in the 2009-2010 budget. These items would bring the cost of the 2009-2010 budget to approximately .333 percent of all wagers, including ADW.

If the ADW providers were not charged, the costs to the racing associations would increase. Commissioner Moss asked when the new funding formula would go into effect. Executive Director Breed said the formula would be effective July 1, 2009. The funding would be an ongoing allocation. On July 1, the Board would have a zero balance in its accounts, and the associations would then pay a weekly amount.

ELECTION OF BOARD CHAIRMAN AND VICE-CHAIRMAN.

Commissioner Choper **nominated** Vice-Chairman Harris for Chairman. Commissioner Andreini **seconded** the nomination. Commissioner Moss **nominated** Commissioner Israel for Chairman. Vice-Chairman Harris spoke about his tenure as a Commissioner and his vision for the future of horse racing in California. Commissioner Israel suggested the selection of a Board Chairman and Vice-Chairman be put off, and a nominating committee be formed to make recommendations to the full Board. Vice-Chairman Harris said the Board could elect officers at any time, as there was no specific term. He stated the Board should go ahead and elect a Chairman. Commissioner Israel **motioned** put over the election of Board Chairman and Vice-Chairman, and to form a nominating committee. Commissioner Moss **seconded** the motion. Commissioner Choper asked if there was a precedent for the formation of a nominating committee. CHRB Executive Director Kirk Breed said elections of Board Chairman and Vice-Chairman were conducted in open meetings. Commissioner Israel commented that where nominating committees were established, they presented their nominations in an open meeting. The nominating committee meetings were also noticed and open to the public. The **motion** to put over the election of Board Chairman and Vice-

Chairman, and to form a nominating committee failed, with Commissioner Israel and Commissioner Moss voting "yes" and Vice-Chairman Harris, Commissioner Andreini, Commissioner Choper and Commissioner Derek voting "no." Commissioner Israel spoke about his vision for the future of horse racing in California. Executive Director Breed said the vote for Chairman would be taken by secret ballot. The secret ballot vote was taken and Executive Director Breed stated Vice-Chairman Harris was elected Chairman. Commissioner Choper nominated Commissioner Israel for Vice-Chairman. Commissioner Andreini seconded the nomination. Commissioner Choper motioned to close the nominations for Vice-Chairman. Commissioner Moss seconded the motion. Chairman Harris stated the nominations for Vice-Chairman were closed. The nomination of Commissioner Israel for Vice-Chairman was unanimously carried.

PUBLIC COMMENT

Chairman Harris said a report on the state of the horse inventory in California would be presented at a future Regular Board Meeting.

MEETING ADJOURNED AT 12:17 P.M.

A full and complete transcript of the aforesaid proceedings are on file at the office of the California Horse Racing Board, 1010 Hurley Way, Suite 300, Sacramento, California, and therefore made a part hereof.

Chairman

Executive Director

DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST FROM CALIFORNIA AUTHORITY OF RACING FAIRS (CARF), TO DESIGNATE THE FOLLOWING ALLOCATED RACE DATES AS A COMBINED FAIR HORSE RACING MEETING, PURSUANT TO BUSINESS AND PROFESSIONS CODE 19549.1: SAN JOAQUIN COUNTY FAIR, JUNE18, 2009 THROUGH JUNE 28, 2009; ALAMEDA COUNTY FAIR, JULY 1, 2009 THROUGH JULY 19, 2009; SOLANO COUNTY FAIR, JULY 22, 2009 THROUGH JULY 26, 2009; CARF AT GOLDEN GATE FIELDS, AUGUST 12, 2009 THROUGH AUGUST 23, 2009; CARF AT GOLDEN GATE FIELDS, SEPTEMBER 9, 2009 THROUGH OCTOBER 4, 2009 AND THE BIG FRESNO FAIR, OCTOBER 7, 2009 THROUGH OCTOBER 18, 2009

Regular Board Meeting
April 24, 2009

BACKGROUND

Business and Professions (B&P) Code section 19549.1 states the Board may allocate horse racing days for mixed breed meetings and combined fair horse racing meetings pursuant to Section 4058 of the Food and Agricultural Code. B&P Code section 19549.1(a) provides the dates may only be allocated for a combined fair horse racing meeting between June 1 and October 31. The California Horse Racing Board (CHRB) approved the 2009 race dates calendar at the November 18, 2008 Regular Board Meeting. The following fairs were approved to conduct a mixed breed horse racing meeting:

- San Joaquin County Fair – June 18-28, 2009 (9 days)
- Alameda County Fair – July 1-19, 2009 (15 days)
- Solano County Fair – July 22-26, 2009 (5 days)
- CARF at Golden Gate Fields – August 12-23, 2009 (10 days)
- CARF at Golden Gate Fields – September 9-October 4, 2009 (19 days)
- Big Fresno Fair – October 7-18, 2009 (10 days)

ANALYSIS

The California Authority of Racing Fairs (CARF), a California joint powers authority operating on behalf of its member fairs, is requesting that the Board designate the above referenced racing dates as a combined fair horse racing meeting, for a total of 68 combined race dates, and that the "normal" license application process for each segment of the combined race meeting proceed as it has in the past. The Sonoma County Fair, Humboldt County Fair, and California Expositions and State Fair are not participants in the combined fair race meeting request.

Under current law, a fair may be allocated a maximum of four weeks of racing each year (B&P Code section 19549). The 2009 allocated fair race dates fall well beneath this maximum.

CARF in submitting its request for a combined fair race meeting maintains that a designation of "a combined fair horse racing meeting will allow Northern California racing Fairs the mechanism needed to conduct the dates allocated by the Board for 2009...[and] will allow flexibility in planning for a changing calendar in Northern California"

In 2007, the Board approved a request from the Solano and Sonoma County Fair to conduct a combined fair horse racing meeting. The Solano County Fair Association and the Sonoma County Fair and Exposition, Inc. entered into a Joint Powers Agreement to combine their fair dates and conduct a four-week mixed breed horse racing meet called the "Sonoma Solano Wine Country Racing." This proposal was introduced to increase handle and attendance. Additionally, the change in the Sonoma County Fair race dates gave fans one more week of turf racing in Northern California.

In granting the 2007 request, Sonoma Solano Wine Country Racing was billed and marketed as a combined race meeting. CARF's 2009 proposal for a combined race meeting does not include plans to promote the fair race dates as a combined race meeting.

Additionally, in 2007, Sonoma and Solano submitted individual license applications for their respective segments of the combined Sonoma Solano Wine Country Racing meeting. However, specific sections of the applications were modified to capture information reflecting information attributed to the "combined race meeting."

RECOMMENDATION

Staff recommends the Board hear from the CARF representative.

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

April 8, 2009

Mr. Kirk Breed, Executive Director
California Horse Racing Board
1010 Hurley Way
Sacramento, CA 95815

VIA e-mail and USPS

Dear Kirk,

Pursuant to Ag Code Section 4058 and Business and Professions Code Section 19549.1 (attached), the California Authority of Racing Fairs (CARF) requests that the Board designate the following 2009 racing dates as a combined Fair horse racing meeting.

- San Joaquin Fair--June 18-28
- Alameda County Fair--July 1-19
- Solano County Fair--July 22-26
- CARF I at Golden Gate Fields--August 12-23
- CARF II at Golden Gate Fields--September 9-October 4
- Fresno Fair—October 7-18.

We are requesting that license applications for each segment of the Combined Fair Horse Racing Meeting be filed in the usual manner for those segments which will be conducted at a Fair race track. California Authority of Racing Fairs, a California joint powers authority operating on behalf of its member Fairs, will be the applicant for the two segments conducted at Golden Gate Fields.

A combined Fair horse racing meeting will allow Northern California racing Fairs the mechanism needed to conduct the dates allocated by the Board for 2009. In the future, it will allow flexibility in planning for a changing calendar in Northern California.

We note a precedent: In 2007, the Board declared the Solano and Sonoma County Fairs a combined Fair horse racing meeting.

Respectfully submitted

/s/

Christopher Korby
Executive Director

Attachments: 3

CODE SECTION EXCERPTS PERTINENT TO CONDUCT OF A COMBINED FAIR HORSE RACE MEETING

FOOD AND AGRICULTURAL CODE SECTION 4058

4058. (a) Notwithstanding Section 4052, the California Exposition and State Fair, a district agricultural association fair, or county fair in the northern zone, with the approval of the Department of Food and Agriculture, may form an entity for conducting combined fair horseracing meetings and utilize their racing facilities for conducting horseracing meetings, with parimutuel wagering, on days other than the days on which general fair activities are conducted. A combined fair horseracing meeting pursuant to this section shall be a general fair activity for the purpose of Section 19549 of the Business and Professions Code.

(b) The association shall designate certain days of a mixed breed meeting held pursuant to this section as charity days with the proceeds therefrom to be distributed in accordance with Sections 19550 and 19556 of the Business and Professions Code.

(c) The association shall encourage the racing of emerging breeds of horses.

Business and Professions Code Horse Racing Law

19542. Notwithstanding any other provision of law, fairs that conduct live horse racing meetings in the northern zone may allow a joint powers authority to administer and distribute purses and to achieve the purposes of Section 19606.4.

19549.1. Notwithstanding Sections 19533 and 19549 or any other provision of this chapter, the board may allocate horse racing days for mixed breed meetings and combined fair horse racing meetings pursuant to Section 4058 of the Food and Agricultural Code, except as follows:

(a) Dates may only be allocated for a combined fair horse racing meeting between June 1 and October 31.

(b) Days may not be allocated for a mixed breed meeting or a combined fair horse racing meeting during the month of June at the California Exposition and State Fair if a standardbred meeting is being conducted at that facility during the month of June.

The mixed breed meetings shall be conducted by a person other than the fair and shall be subject to Section 19550. The mixed breed meetings shall encourage the racing of emerging breeds of horses.

California Horse Racing Board
1010 Hurley Way Suite 300, Sacramento, California 95825
Phone: (916) 263-6000 Fax: (916) 263-6042

California Horse Racing Board
State of California

2009 Racing Schedule

Location	Inclusive Dates
THOROUGHBRED MEETINGS - CENTRAL & SOUTHERN ZONES	
Santa Anita	12/26/08 - 04/19/09
Hollywood Park	04/22/09 - 07/19/09
Del Mar	07/22/09 - 09/09/09
Santa Anita	09/30/09 - 11/08/09
Hollywood Park	11/11/09 - 12/21/09
THOROUGHBRED MEETINGS - NORTHERN ZONE	
Golden Gate	12/26/08 - 06/14/09
Golden Gate	10/21/09 - 12/13/09
QUARTER HORSE MEETINGS - STATEWIDE	
Los Alamitos	01/01/09 - 12/20/09
HARNESS MEETINGS - STATEWIDE	
Cal-Expo	12/26/08 - 08/01/09
Cal-Expo	09/25/09 - 12/19/09
FAIR MEETINGS - STATEWIDE	
Stockton	06/18/09 - 06/28/09
Pleasanton	07/01/09 - 07/19/09
Solano	07/22/09 - 07/26/09
Santa Rosa	07/29/09 - 08/09/09
CARF(GGF)	08/12/09 - 08/23/09
Ferndale	08/13/09 - 08/23/09
State Fair/Cal Expo	08/26/09 - 09/07/09
CARF(GGF)	09/09/09 - 10/04/09
Pomona	09/10/09 - 09/28/09
Fresno	10/07/09 - 10/18/09

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nda B. Dozier
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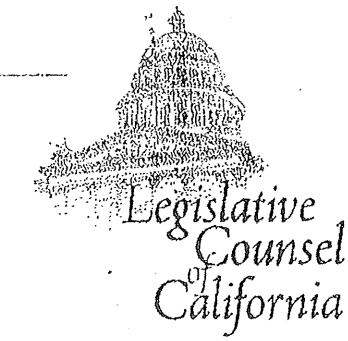

January 9, 2006

Honorable Gloria Negrete McLeod
Room 5016, State Capitol

HORSE RACING: LICENSES: JOINT POWERS ENTITIES - #0522003

Dear Ms. Negrete McLeod:

QUESTION

May an entity formed pursuant to a joint powers agreement for the purpose of conducting horse racing be issued a license to conduct horse racing and be eligible to receive racing dates?

OPINION

An entity formed pursuant to a joint powers agreement for the purpose of conducting horse racing may be issued a license to conduct horse racing and be eligible to receive racing dates.

ANALYSIS

The Horse Racing Law, contained in Chapter 4 (commencing with Section 19400) of Division 8 of the Business and Professions Code,[1] regulates horse racing in this state. The California Horse Racing Board (hereafter the board) is vested with the jurisdiction and supervision over horse racing (Sec. 19420). The board is authorized to issue a license to any person to conduct horse racing in accordance with the Horse Racing Law, as long as that person complies with the Horse Racing Law and pays a fee, and the board determines that the issuance of the license will be in the public interest (Sec. 19480). Further, the board is responsible for allocating racing dates to qualified associations (para. (5), subd. (a), Sec. 19440).

[1] All section references are to the Business and Professions Code, unless otherwise specified.

Thus, the pertinent question is whether an entity formed pursuant to a joint powers agreement is considered a "person" for purposes of issuing a license for horse racing, and whether such an entity is a "qualified association" for purposes of receiving racing dates. In that regard, Section 19413 defines "person," for purposes of the Horse Racing Law, to include "any individual, partnership, corporation, limited liability company, or other association or organization." Section 19403 defines "association," for purposes of that law, as "any person engaged in the conduct of a recognized horse race meeting."

The Joint Exercise of Powers Act authorizes two or more public agencies to enter into a joint powers agreement in order to "jointly exercise any power common to the contracting parties" (Secs. 6500.1 and 6502, Gov. C.). Specifically, "two or more public agencies having the power to conduct agricultural, livestock, industrial, cultural, or other fairs or exhibitions shall be deemed to have a common power with respect to any such fair or exhibition conducted by ... an entity created pursuant to a joint powers agreement entered into by such public agencies." (Sec. 6502, Gov. C.). An entity formed pursuant to a joint powers agreement is a public entity separate from the parties to the agreement (Sec. 6507, Gov. C.).

Words in statutes should be construed according to the usual ordinary import of the words (*IT Corp. v. Solano County Bd. of* Supervisors (1991) 1 Cal.4th 81, 98). In our view, the ordinary construction of the word "association" or "organization" would include a situation where two or more agencies choose to associate or organize into a new entity by way of a contractual agreement. In the context of the Horse Racing Law, this would apply to an entity created for purposes of engaging in a horse racing meeting. Section 6502 of the Government Code grants no new powers to an entity created by a joint powers agreement, but merely sets up a procedure for the exercise of existing powers. As such, the statute cannot be said to enlarge the powers separately possessed by the individual member public agencies, but rather merely provides a procedure whereby this power may be exercised in cooperative action (*The City of Oakland v. Williams* (1940) 15 Cal.2d 542, 549). Thus, if the public agencies that enter into a joint powers agreement each individually are qualified to receive from the board racing dates and a license to conduct horse racing, the entity they form vis-à-vis the joint powers agreement will have the same authority. And, in our view, because such an entity would qualify as an organization or association, for purposes of the definition of "person" in the Horse Racing Law that entity would be eligible to receive racing dates and a license for horse racing.

Therefore, it is our opinion that an entity formed pursuant to a joint powers agreement for the purpose of conducting horse racing may be issued a license to conduct horse racing and be eligible to receive racing dates.

Very truly yours,

Diane F. Boyer-Vine
Legislative Counsel

By

Gwynnae L. Byrd
Deputy Legislative Counsel

GLB:cob

STAFF ANALYSIS

Regular Board Meeting
April 24, 2009

Issue: APPLICATION FOR LICENSE TO OPERATE A MINISATELLITE WAGERING FACILITY OF THE CALIFORNIA COMMERCE CLUB INC.

The California Commerce Club Inc. d/b/a Commerce Casino filed an application to operate a minisatellite wagering site at its facility, the Commerce Casino in Commerce, California, for a period of up to two years. Operations will begin upon approval of application and when the minisatellite wagering site is completed.

- Commerce Casino is a card club, located in the southern zone. Their card club license is valid through March 2011. The proposed minisatellite wagering site will be located in the California Commerce Club (facility).

- Racetrack(s), satellite wagering facility or tribal casino that have a satellite wagering facility located within 20 miles of applicant are:
  Santa Anita Park – 17.2 miles;
  Hollywood Park – 20.0 miles
  Los Alamitos – 18.4 miles

- Commerce Casino has contracts/agreements with the following racing associations:

  Hollywood Park Racing Association
  California State Fair & Exposition
  Del Mar Thoroughbred Club
  Oak Tree Racing Association
  California Authority of Racing Fairs
  Los Angeles County Fair Association
  Golden Gate Fields
  Los Angeles Turf Club, Inc.

Contract dates are from opening day of wagering site to six months with 18-month option.

- The simulcast organization engaged by the contracted association(s) to conduct simulcast wagering is Southern California Off-Track Wagering (SCOTWINC)

NOTE: In the Memorandum of Understanding between Southern California Off-Track Wagering Inc. and California Commerce Casino, Inc., (Exhibit "B"), SCOTWINC agrees that California Commerce Casino shall have the exclusive right among card clubs in Los Angeles County, to operate a minisatellite facility for the six-month period.

This excludes future potential Los Angles card club applicants from being able to secure a minisatellite wagering facility license for up to six months.

- Applicant proposes to operate minisatellite wagering site Wednesday through Sunday and selected Mondays and holidays. Opening 10:00 a.m. - 12:00 a.m. (7:00 a.m. opening on selected days).

- Estimated number of pari-mutuel terminal machines available: five convertible teller/self service; four dedicated self-service. Seating Capacity is 35; the number of tables in the minisatellite wagering area is nine. 14 television monitors are planned.

- The Race Book Room will be advertised in various media presentations, including print, billboard, and bank electronic media, in conjunction with other advertising which is done by the Commerce Club as well as advertising which is done by the host racetracks.

Specific information still needed to complete this application include:

1. Financial statements
2. Consent from Los Alamitos; facility located within 20-mile radius of applicant.
3. Simulcast agreements
4. Horsemen's approval
5. Fire Clearance

RECOMMENDATION:

Staff recommends the Board approve the application pending the completion of the above listed items.

State of California
California Horse Racing Board
Application for License to Operate a Minisatellite Wagering Facility
CHRB–88 (New 11/08)

Application is hereby made to the California Horse Racing Board (CHRB/Board) for a license to operate a minisatellite wagering facility in connection with a horseracing meeting and/or parimutuel wagering in accordance with the Business and Professions Code, Chapter 4, Division 8 (Horse Racing Law) and the California Code of Regulations, Title 4, Division 4 (Rules and Regulations of the California Horse Racing Board).

Part I: To be completed by applicant seeking to operate a minisatellite wagering facility pursuant to Business and Professions Code section 19605.25.

Part II: To be completed by association(s) that has/have reached an agreement with the applicant to conduct minisatellite wagering.

Part III: To be completed by simulcast organization that has reached an agreement to provide services necessary for the conduct of minisatellite wagering pursuant to Business and Professions Code sections 19605.25 & 19605.3.

PART I
MINISATELLITE WAGERING APPLICANT INFORMATION

APPLICANT INFORMATION		
Name of applicant: Commerce Casino The applicant is: ☐ Racing Association ☐ Fair ☐ Federally Recognized Indian Tribe	☐ Card Room/Gambling Establishment ☐ Restaurant/Bar ☐ Other Business Entity	
Facility street address: 6131 East Telegraph Road		
Mailing address (if different from above):		
E-mail address: a.schneiderman@commercecasino.net		
City: Commerce	State: CA	Zip Code: 90040
Phone: (323) 838-3257	Fax: (323) 838-3478	Website: commercecasin.com
County:	Zone Location: North ☐ South ☐ Central ☐ (To be completed by CHRB staff)	

CONTACT PERSON (Authorized Representative)		
Name and title of the contact person: Andrew Schniderman		
Business street address: 6131 East Telegraph Road		
Mailing address (if different from above):		
City: Commerce County: Los Angeles	State: CA	Zip Code: 90040
Phone: (323)8383257	E-mail: a.schneiderman@commercecasion.net	Fax: (323)838-3478

Note: This form has not been approved by the Office of Administrative Law and is subject to change at any time (01/26/09).

State of California
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Application for License to Operate a Minisatellite Wagering Facility
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Dates during which the applicant proposes to operate as a minisatellite wagering facility:

Applicant proposes to operate a minisatellite wagering facility for up to two years beginning as soon as this application is favorably ruled upon and when the facility that is planned is complete.
NOTICE TO APPLICANT: If approved for license, the term of license shall not exceed two years pursuant to Business and Professions Code section 19605.25 (h).

Have you previously operated a licensed gaming operation in California or another state? Yes ☒ No. ☐

Do you currently operate a licensed gaming operation in California or another state? Yes ☒ No. ☐

If yes to either question above, provide the following:

Valid licensure period: Begin Date: January 1, 2008 End Date: March 31, 2009

Facility name and address: California Commerce Club, Inc. (d/b/a) Commerce Casino

City: Commerce	State: CA	Zip Code: 90040

County: Los Angeles

Zone Location:
North ☐ South ☐ Central ☐
(To be completed by CHRB staff)

Have you had a gaming operation license that has been revoked or suspended. Yes ☐ No. ☒

If yes, provide the following if different from above:

Facility name and address:

City:	State:	Zip Code:

Racing Jurisdiction:

BUSINESS STRUCTURE

☐ Corporation ☐ Public ☐ Private ☒ Sub-S ☐ Sub-C ☐ Limited Partnership ☐ Limited Liability Company	☐ Partnership & Joint Venture ☐ Sole Proprietorship	☐ Other If you have listed your company as other please identify your company structure:

Registered Business Name: California Commerce Club, Inc.

Fictitious Business Name: Commerce Casino

Address: 6131 East Telegraph Road

E-mail Address: a.schneiderman@commercecasino.net

City: Commerce	State: CA	Zip Code: 90040

Phone: (323) 838-3257	Fax: (323) 838-3478
State where registered or Articles of Organization are filed: CA	Registry or File number: C1153506

Note: This form has not been approved by the Office of Administrative Law and is subject to change at any time (01/26/09).

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Name of all officers, directors, and managers. For officers, directors, and managers that have no ownership, enter "0%" in the ownership column. For members of a Limited Liability Company, list membership interest in ownership column. For partners, following the individual's name indicate whether general or limited partners. (true names)

Entity/Individual Name and Title	Entity's Business Address/ Individual's Address of Record	Ownership% (if any)	Compensation Agreement
See, Exhibit "A"			

Are shares listed for public trade? Yes☐ No☒	If yes on what stock exchange?

If more than 50 percent of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity.
All entities that own 5 percent or more must fulfill the instructions for Full Disclosure Statement.

Attach the most recent annual financial statement for the applicant, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission.

MANAGEMENT AND STAFF
(Minisatellite Wagering Facility)

Name and title of the managing officer(s) and/or general manager(s) of the business.

Name	Title
George Tumanjan	President/CEO
Haig Papaian, Jr.	Sr. Vice President/Chair of Board
Harvey Ross	Exec. Vice President
Tom Malkasian	Vice President/Strategic Planning
Ralph Wong	Vice President/CAO

ASSOCIATION CONTRACT/AGREEMENT

Name(s) of racing association(s) with whom you intend to have a contract or agreement:
Southern California Off-Track Wagering, Inc.

Addresses of racing association(s): 4961 Katella Avenue, Los Alamitos, CA 90720

Racing association(s) phone numbers: (714) 761-1660

Proposed contract dates: From: Opening To: 6 months w/ 18 month option (inclusive).

Note: This form has not been approved by the Office of Administrative Law and is subject to change at any time (01/26/09).

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Attach a certified check payable to the Treasurer of the State of California in the amount of $500 for the nonrefundable minisatellite application fee.

CHRB CERTIFICATION

Application filed on: 3/13/09	30-day Notice Letter: 4/6/09
Fee received by: [illegible]	Approved on:
Reviewed by: [illegible]	License number issued:

CERTIFICATION BY APPLICANT

I hereby certify under penalty of perjury that I have examined this application, that all of the foregoing statements in this application are true and correct, and that I am authorized by the applicant contractor to attest to this application on its behalf.

Name Andrew Schneiderman	Signature of Applicant Representative
Title Vice President/General Counsel	Date: February 26, 2009

Note: This form has not been approved by the Office of Administrative Law and is subject to change at any time (01/26/09).

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California Horse Racing Board
Application for License to Operate a Minisatellite Wagering Facility
CHRB -88 (New 7/08)

PART II

CONTRACTED ASSOCIATION INFORMATION

One copy of Part II shall be completed by each contracted association

Name and mailing address of association:

Hollywood Park Racing Association 1050 S. Prairie Ave. Inglewood, CA 90301

Telephone: (310) 419-1520	Fax number: (310) 671-4460

Racetrack name: Hollywood Park

Name and title of the person(s) authorized to receive notices on behalf of the association in conjunction with this applicant application for approval to operate a minisatellite wagering facility:

Name F. Jack Liebau	Signature of association representative F. Jack Liebau
Title President	Date: 3/3/09

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PART II

CONTRACTED ASSOCIATION INFORMATION

One copy of Part II shall be completed by each contracted association

Name and mailing address of association: California State Fair & Exposition 1600 Exposition Blvd. Sacramento, CA 95815	
Telephone: (916) 263-3000	Fax number: (916) 263-3230
Racetrack name: Cal Expo	

Name and title of the person(s) authorized to receive notices on behalf of the association in conjunction with this applicant application for approval to operate a minisatellite wagering facility:

Name Norbert J. Bartosik	Signature of association representative Norbert J. Bartosik
Title General Manager/CEO	Date: 3-2-09

State of California
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PART II

CONTRACTED ASSOCIATION INFORMATION

One copy of Part II shall be completed by each contracted association

Name and mailing address of association:

Del Mar Thoroughbred Club 2260 Jimmy Durante Blvd. Del Mar, CA 92014

Telephone: (858) 792-4221	Fax number: (858) 794-1007

Racetrack name:
Del Mar

Name and title of the person(s) authorized to receive notices on behalf of the association in conjunction with this applicant application for approval to operate a minisatellite wagering facility:

Name Craig Fravel	Signature of association representative Craig R Fravel
Title Executive Vice President	Date: 3/1/09

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CHRB –88 (New 7/08)

PART II

CONTRACTED ASSOCIATION INFORMATION

One copy of Part II shall be completed by each contracted association

Name and mailing address of association:

Oak Tree Racing Association 285 W. Huntington Dr. Arcadia, CA 91007

Telephone: (626) 574-6435	Fax number: (626) 447-2940

Racetrack name:
Oak Tree at Santa Anita Park

Name and title of the person(s) authorized to receive notices on behalf of the association in conjunction with this applicant application for approval to operate a minisatellite wagering facility:

Name Sherwood C. Chillingworth	Signature of association representative
Title Executive Director	Date: 3/5/09

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CHRB -88 (New 7/08)

PART II

CONTRACTED ASSOCIATION INFORMATION

One copy of Part II shall be completed by each contracted association

Name and mailing address of association:

Cal. Authority of Racing Fairs 1776 Tribute Rd. Suite 205 Sacramento, CA 95815

Telephone: (916) 263-3348	Fax number: (916) 263-3341

Racetrack name:
C.A.R.F.

Name and title of the person(s) authorized to receive notices on behalf of the association in conjunction with this applicant application for approval to operate a minisatellite wagering facility:

Name Christopher Korby	Signature of association representative Christopher Korby
Title Executive Director	Date: March 6, 2009

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Application for License to Operate a Minisatellite Wagering Facility
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PART II

CONTRACTED ASSOCIATION INFORMATION

One copy of Part II shall be completed by each contracted association

Name and mailing address of association:

Los Angeles County Fair Association 1101 W. McKinley Ave. Pomona, CA 91768

Telephone: (909) 865-4203	Fax number: (909) 865-2940

Racetrack name: Fairplex Park

Name and title of the person(s) authorized to receive notices on behalf of the association in conjunction with this applicant application for approval to operate a minisatellite wagering facility:

Name Mike Seder	Signature of association representative
Title CFO	Date: 3/6/09

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PART II

CONTRACTED ASSOCIATION INFORMATION

One copy of Part II shall be completed by each contracted association

Name and mailing address of association:

Golden Gate Fields 1100 Eastshore Hwy. Albany, CA 94706

Telephone: (510) 559-7223	Fax number: (510) 559-7474

Racetrack name: Golden Gate Fields

Name and title of the person(s) authorized to receive notices on behalf of the association in conjunction with this applicant application for approval to operate a minisatellite wagering facility:

Name Robert Hartman	Signature of association representative
Title General Manager	Date: 3/8/09

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PART II

CONTRACTED ASSOCIATION INFORMATION

One copy of Part II shall be completed by each contracted association

Name and mailing address of association:

Los Angeles Turf Club, Inc. 285 W. Huntington Dr. Arcadia, CA 91007

Telephone: (626) 574-7223	Fax number: (626) 254-1351

Racetrack name:
Santa Anita Park

Name and title of the person(s) authorized to receive notices on behalf of the association in conjunction with this applicant application for approval to operate a minisatellite wagering facility:

Name Ron Charles	Signature of association representative
Title President & CEO	Date: 2-28-08

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Application for License to Operate a Minisatellite Wagering Facility
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PART II

CONTRACTED ASSOCIATION INFORMATION

One copy of Part II shall be completed by each contracted association

Name and mailing address of association:
Southern California Off-Track Wagering, Inc. 4961 Katella Ave. Los Alamitos, CA 90720

Telephone: (714) 761-1660	Fax number: (714) 761-9082

Racetrack name:

Name and title of the person(s) authorized to receive notices on behalf of the association in conjunction with this applicant application for approval to operate a minisatellite wagering facility:

Name	Signature of association representative
Thomas M. Varela	Thomas M. Varela
Title	Date:
General Manager	2/28/09

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PART III
SIMULCAST ORGANIZATION INFORMATION

To be completed by approved simulcast organization that has executed an agreement approved by the CHRB with the association conducting a racing meeting with the minisatellite wagering facility pursuant to Business and Professions Code sections 19605.25 and 19605.3.

I. OPERATION OF THE MINISATELLITE WAGERING FACILITY

Simulcast organization engaged by the association to conduct simulcast wagering:

Attach the agreement between the association and simulcast organization permitting the minisatellite wagering facility to use the association's live audiovisual signal for wagering purposes and providing access to it's totalizator for the purpose of combining on-track and off-track pari-mutuel pools.

Submit a copy of each horsemen's written approvals. See, Exhibit "B"

Hours for operation of the facility: 10:00 a.m. - 12:00 a.m. (7:00 a.m. on selected days)
Racing Days/Nights (generally Wed-Sun but also selected Mondays/Holidays)

Hours for operation of the minisatellite wagering site: See, above

Time periods during the calendar year the facility **will not** be utilized as a minisatellite wagering facility (explain why): None

If approved, wagering will be offered on live race meetings being held or conducted by the following California racing association(s):

See, Exhibit "C"		

List the host track from which the minisatellite wagering facility proposes to import out-of-state and/or out-of-country races. Include the dates imported races will be held, and whether or not a full card will be accepted. If the full card will not be imported, state "selected feature and/or stakes races": See, Exhibit "C"

Estimated number of pari-mutuel terminals machines available: 5 convertible teller/self service; 4 dedicated self service

Attach a proposed staffing plan for the facility and/or minisatellite wagering site, to include the number of security personnel and the number of pari-mutuel clerks pursuant to Business and Professions Code section 19605.25 (5)(b).
SCOTWINC Staffing: Mutuel Supervisor; Clerks (number to be determined by attendance); Self Service Attendant (to be determined as needed)

II. SUPERVISION, SECURITY AND FIRE PREVENTION

Changes to management personnel and minisatellite manager(s) must be immediately reported to the Board.

Name of the individual(s) responsible for the day-to-day operation of the minisatellite facility:

Name and Title	CHRB License No. and Expiration Date
Thomas Varela, General Manager	

Note: This form has not been approved by the Office of Administrative Law and is subject to change at any time (01/26/09).

Attach a certificate of insurance for workers' compensation coverage including carrier and the policy number securing the applicant's liability for payment of workers' compensation is (if self-insured, provide details): To be provided

Attach a fire clearance from the fire authority having jurisdiction. To be submitted

Attach a security plan to include: the name, title and phone number of the person having responsibility for security controls, the number of security officers and/or guards and the police or sheriff's department having jurisdiction for criminal law enforcement over the premises of the facility.
Responsible For Security: Commerce Casino Director Of Security: Mike Sana
13 Supervisors, 110 Security Officers; Jurisdiction: Los Angeles County Sheriff Department

Is there a backup emergency plan for power failure? Yes ☒ No ☐

If yes, describe. Two Emergency Backup Generators 1,000 KVA and 250 KVA

III. MINISTELLITE WAGERING SITE

Attach a detailed scale plan of the facility indicating all points of access to facility, emergency exits, placement of offices, and food and beverage service location and detailing the location of the proposed minisatellite wagering site. Identify how the designated minisatellite wagering area will be restricted to patrons 21 years and over. Attach photos of the minisatellite wagering site. See, Exhibit "D"

NOTICE TO APPLICANT. Pursuant to Business and Professions Code section 19605.25 (4) wagers placed at a minisatellite site must be in an area that is restricted to those who are 21 years of age or older.

IV. FACILITY DESCRIPTION

Describe the food and beverage services to be offered (full meals served; cafeteria-style full meals; short-order counter service; pre-ordered prepared sandwiches and fast foods available; full bar services; or other description as appropriate): 24 hour food service is provided in five food outlets located within Commerce Casino

The seating capacity in the minisatellite wagering facility is: 36 seats	The number of tables in the minisatellite wagering area is: 9 Tables

Overall square footage in the minisatellite wagering area is: 1,491 SF

Attach a photograph of the minisatellite wagering area. To be supplied

Describe occupancy restrictions, if any, imposed by the fire authority having jurisdiction:
Maximum Occupancy Bases On Area = 99

The total number of parking spaces available in the parking areas can accommodate (number of standard sized automobiles): 3,850 parking spaces.

Describe any other activities to be scheduled on or near the facility premises that may have a negative impact on available parking: Operation of the Commerce Casino, Crowne Plaza at Commerce Casino and related business activities

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CHRB-88 (New 11/08)

V. EQUIPMENT PROVIDED BY THE MINISATILLITE WAGERING FACILITY

Describe the television equipment (satellite receivers, decoders, controls, monitors, etc.) to be utilized at the facility: 14 Television monitors are planned

Describe the public address equipment (controls, microphones, speakers, etc.) to be utilized at the facility: To be provided

VI. ADVERTISING AND PATRON DEVELOPMENT

Describe any advertising or promotional plans: To be provided

Describe any improvements to the facility that will directly benefit minisatellite wagering: The facility is being specially built to accommodate minisatellite wagering.

NOTICE TO APPLICANT: Pursuant to Board Rule 2066 all advertisement shall contain a statement that persons under 21 are not allowed to participate in minisatellite wagering. All advertisement shall contain contact information for a recognized problem-gambling support organization.

VII. ADMISSIONS, CHARGES AND SERVICE FEES

Complete if applicable and note N/A if not

Admissions charges, if any, are:	To be determined
Parking charges, if any, are:	Self Park – None; Valet $2.00
Program charges, if any, are:	$2.00
Seating charges, if any, are:	To be determined

VIII. RENEWAL

Complete this section only if renewing your license.

Is this a renewal application: Yes ☐ No ☒

Have there been any changes since the submission of your last application for authorization to operate a minisatellite wagering facility? Yes ☐ No ☐

Have any changes occurred affecting ownership or controlling interest in your business structure or establishment since your last application? Yes ☐ No ☐

If you have answered, "Yes", to any of the questions above please attach a detailed statement describing the change.

How many years have you been an approved minisatellite wagering facility?

AGREEMENTS

Attach copies of **all applicable county, city or agency agreements** that may affect the minisatellite wagering facility.

See, Exhibit "E"

NOTICES TO APPLICANT

Notice is given to the applicant that its application, if approved by the Board, authorizes the applicant to offer pari-mutuel

Note: This form has not been approved by the Office of Administrative Law and is subject to change at any time (01/26/09).

wagering at its minisatellite wagering facility for a period of two years per Business and Professions Code section 19605.25(h).

Notice is given that retention of and control over all moneys generated from pari-mutuel wagering held or conducted at the facility is the responsibility of the simulcast organization(s) which contract(s) to provide the pari-mutuel equipment and pari-mutuel employees; and that such organization(s) is (are) responsible for its proper distribution in accordance with the law and the rules and regulations of the Board.

Notice is given that CHRB Rules 1870 and 1871 require that the Board be given 15 days notice in writing of any intention to terminate operations, engagements, or services by any licensee, or approved contractor.

DECLARATIONS

All labor agreements, concession contracts, service contracts, horsemen's agreements, lease agreements, agreements with the simulcast organization(s) necessary to conduct and operate the simulcast wagering program at the facility, lease or rental agreement with the facility landlord and all applicable county, city or agency agreements that may affect the minisatellite wagering facility have been finalized except as follows (if there are no exceptions, so state):

All service contractors and concessionaires have valid State, County or City licenses authorizing each to engage in the type of service to be provided and have valid labor agreements (when applicable) which remain in effect for the entire term of the license except as follows (if there are no exceptions, so state):

Absent natural disasters or causes beyond the control of the applicant, its service contractors, concessionaires or employees engaged at the facility, no reasons are believed to exist that may result in a stoppage to the conduct of pari-mutuel wagering at the facility or the withholding of any vital service to the applicant except as follows (if there are no exceptions, so state):

By authority of Article 9.2, of the Business and Professions Code; and the Federal Indian Gaming Act; to allow an evaluation of the competence, integrity, and character of potential simulcast facility operators, any person, corporation, trust association, partnership, joint venture, or management firm who submits an application for such license or who is named in such application and who is not a State or County entity, or has not previously completed such disclosure when filing for a horseracing application pursuant to Article 4, section 19480 of the Business and Professions Code shall be required to complete and submit a full disclosure statement.

CERTIFICATION BY APPLICANT

I hereby certify under penalty of perjury that I have examined this application, that all of the foregoing statements in this application are true and correct, and that I am authorized by the applicant to attest to this application on its behalf.

Print name of minisatellite facility applicant representative: Andrew Schneiderman	Date: February 26, 2009
Signature of minisatellite facility representative:	Date:
Print name of association representative: Craig R. Frevel	Date: 3/5/09

Note: This form has not been approved by the Office of Administrative Law and is subject to change at any time (01/26/09).

the rules and regulations of the Board.

Notice is given that CHRB Rules 1870 and 1871 require that the Board be given 15 days notice in writing of any intention to terminate operations, engagements, or services by any licensee, or approved contractor.

DECLARATIONS

All labor agreements, concession contracts, service contracts, horsemen's agreements, lease agreements, agreements with the simulcast organization(s) necessary to conduct and operate the simulcast wagering program at the facility, lease or rental agreement with the facility landlord and all applicable county, city or agency agreements that may affect the minisatellite wagering facility have been finalized except as follows (if there are no exceptions, so state):

All service contractors and concessionaires have valid State, County or City licenses authorizing each to engage in the type of service to be provided and have valid labor agreements (when applicable) which remain in effect for the entire term of the license except as follows (if there are no exceptions, so state):

Absent natural disasters or causes beyond the control of the applicant, its service contractors, concessionaires or employees engaged at the facility, no reasons are believed to exist that may result in a stoppage to the conduct of pari-mutuel wagering at the facility or the withholding of any vital service to the applicant except as follows (if there are no exceptions, so state):

By authority of Article 9.2, of the Business and Professions Code; and the Federal Indian Gaming Act; to allow an evaluation of the competence, integrity, and character of potential simulcast facility operators, any person, corporation, trust association, partnership, joint venture, or management firm who submits an application for such license or who is named in such application and who is not a State or County entity, or has not previously completed such disclosure when filing for a horseracing application pursuant to Article 4, section 19480 of the Business and Professions Code shall be required to complete and submit a full disclosure statement.

CERTIFICATION BY APPLICANT

I hereby certify under penalty of perjury that I have examined this application, that all of the foregoing statements in this application are true and correct, and that I am authorized by the applicant to attest to this application on its behalf.

Print name of minisatellite facility applicant representative:	Date:
Signature of minisatellite facility representative:	Date:
Print name of association representative:	Date:
Signature of association representative:	Date:
Print name of simulcast organization representative: Thomas M. Varela - Southern Cal. Off-Track Wagering, Inc.	Date:
Signature of simulcast organization representative: Thomas M. Varela	Date: 2/28/09

State of California
California Horse Racing Board
Application for License to Operate a Minisatellite Wagering Facility
CHRB-88 (New 11/08)

Signature of association representative:	Date: 3/5/09
Print name of simulcast organization representative: Thomas M. Varela - SCOTW inc.	Date: 2/28/09
Signature of simulcast organization representative:	Date:

Note: This form has not been approved by the Office of Administrative Law and is subject to change at any time (01/26/09).

April 15, 2009

Ms. Jackie Wagner
California Horse Racing Board
1010 Hurley Way, Room 300
Sacramento, California 95825

Dear Ms. Wagner:

Hollywood Park Racing Association hereby consents to the establishment of a Mini-Satellite at the Commerce Club in Commerce, California.

Very truly yours,

HOLLYWOOD PARK RACING ASSOCIATION

By: F. Jack Liebau
F. Jack Liebau, President

FJL:slr

Hollywood Park Racing Association • 1050 S. Prairie Ave • Inglewood, CA 90301-4197 • P: (310) 419-1500 • F: (310) 671-4460

April 15, 2009

Jacqueline Wagner
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Dear Ms. Wagner:

I am providing you additional information which I would like you to consider concerning the application of the California Commerce Club to operate a mini satellite wagering facility at their gambling establishment situated in the City of Commerce in Los Angeles County.

1. The applicant is the California Commerce Club, Inc., dba as the Commerce Club.

2. The contact person is Mr. Ralph Wong, General Manager

3. The Commerce Club had its California gambling license renewed in March 2009, and thus the license will continue in force and effect until March 2011.

4. We are respectfully requesting a waiver since all of the shareholders of the Commerce Club are licensed by the Gambling Control Commission and thus seek a waiver of the full disclosure statement which otherwise would be required.

5. The Director of Security is Mr. Mike Sana, and may be reached at (323) 721-2100; the LA County Sheriff's Department number is (323) 526-5541. The security detail for the Commerce Club includes more than ninety trained and licensed security guards. There are security guards posted at each entrance to the casino, and in addition there are other security officers that roam throughout the property.

6. Food Service: the Commerce Club has a number of food venues. The Las Vegas buffet is a full buffet which offers breakfast, lunch, and dinner items. It is located less than twenty feet from the entrance to the race book room. In addition, we have a snack bar which is approximately sixty feet from the entrance to the race book room, and a delicatessen which is probably fifty yards from the race book room. Additionally, we have a yogurt bar.

We also have a sports bar, the arena which offers a full-service menu of sandwiches, salads, burgers and other food items. Finally we have the Stakes Supper Club which offers an upscale menu for lunch and dinner.

The Race Book Room will be advertised in various media presentations, including print, billboard, and bank electronic media, in conjunction with other advertising which is done by the Commerce Club as well as advertising which is done by the host racetracks.

Should you need any additional information, do not hesitate to give me a call.

Sincerely,

To: Jacqueline Wagner

From: Tom Varela

Date: 4/16/2009

Re: Commerce Mini-Satellite

Applicant
Commerce Casino

Proposed Dates
2-year term

Name of Simulcast Organization
Southern California Off Track Wagering, Inc.
4961 Katella Ave.
Los Alamitos, CA 90720
(714) 761-1660
Tom Varela – General Manager

California Racing Associations

Cal Expo
1600 Exposition Blvd.
Sacramento, CA 95815
(916) 263-3000

CARF
1776 Tribute Rd. Suite 205
Sacramento, CA 95815
(916) 927-7223

Del Mar Thoroughbred Club
2260 Jimmy Durante Blvd.
Del Mar, CA 92014
(858) 755-1141

Fairplex (L.A. County Fair)
1101 W. McKinley Ave.
Pomona, CA 91768
(909) 426-7600

Golden Gate Fields
1100 E. Shore Highway
Albany, CA 94710
(510) 559-7430

Hollywood Park
1050 S. Prairie Ave.
Inglewood, CA 90301
(310) 419-1500

Los Alamitos
4961 Katella Ave.
Los Alamitos, CA 90720
(714) 820-2760

Los Angeles Turf Club (Santa Anita)
285 W. Huntington Dr.
Arcadia, CA 91007
(626) 574-7223

Oak Tree Racing Association

April 16, 2009

285 W. Huntington Dr.
Arcadia, CA 91007
(626) 574-7223

Out-of-State Import Races (Full/Partial Cards/Stakes Races)

Arlington/Hawthorne
Balmoral/Maywood
Calder/Gulfstream
Churchill Downs/Keeneland/Turfway
Laurel/Pimlico
Meadowlands
Northfield
NYRA
Remington
Retama/Sam Houston/Lone Star
Turfway Park
Turf Paradise
Woodbine
Hastings
South America

***The mini-satellite will offer the same imports that the host track and other satellites offer and the Host Racing Association will determine the schedule and signals.

SCOTWINC Staffing

Mutuel Supervisor (TBD)
Clerks (TBD)
Self Service Attendant (TBD)

*** We will start out with a mutuel supervisor and clerk but future staffing levels will be determined by the level of business during our 6-month beta test period.

Day-to-Day Responsibility of Mini-Satellite

Southern California Off-Track Wagering, Inc. – Thomas Varela (G.M.)
CHRB License #257903 Expires Nov. 2009

Exhibit "A"

COMMERCE CASINO
STOCKHOLDER LIST

REVISED: MAY 2007

	ENTITY/INDIVIDUALS NAME	TITLE	ADDRESS	OWNERSHIP %	COMPENSATION ARRANGEMENT
1	RUDY ADELSHIAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	NONE
2	SONIA ADELSHIAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	NONE
3	ZACK AND JEANETTE ANTER, TRUSTEES	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	NONE
4	SUSAN AVDALIAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	NONE
5	BERTHA BAILEY, TRUSTEE	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	10.92%	NONE
6	LOUISA BODNAR, TRUSTEE	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
7	OLGA CONTRUCCI, TRUSTEEES	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	2.05%	NONE
8	JAMES AND KATHLEEN DUTCHESS	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	NONE
9	SALVATORE & LAURA FEDERICO, TRUSTEE	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	6.83%	NONE
10	PATRICIA GRIBSKOV	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
11	FRANKLIN AND FRANCINE HANDLER, TRUSTEE	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	NONE
12	LESLIE K. HARRIS	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
13	CHERYL C. HARRIS, TRUSTEE	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
14	VICTOR HOVSEPIAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	2.05%	NONE
15	LUCIA & RICHARD IBOSH	SHAREHOLDER/DIRECTOR	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	DIRECTOR
16	HAIG KELEGIAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
17	ARSEN MALKASIAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	NONE
18	TOM MALKASIAN	SHAREHOLDER/DIRECTOR	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	DIRECTOR
19	SELMA MASSMAN, TRUSTEE	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
20	JASMINE MGRDICHIAN, TRUSTEE	SHAREHOLDER/DIRECTOR	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	22.53%	DIRECTOR
21	KENNY & ZEPHYR MOSIKIAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.34%	NONE
22	RALPH & ZOYA MOSIKIAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.34%	NONE
23	L.T. MURRAY, JR.	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	4.10%	NONE
24	ELIZABETH S. PANKEY, TRUSTEE	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
25	JANICE PANKEY	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
26	PETER PANKEY	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
27	VICTOR PANKEY	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
28	HAIG PAPAIAN, JR.	SHAREHOLDER/DIRECTOR	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	OFFICER/DIRECTOR
29	ESTATE OF HAIG PAPAIAN, SR.	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	10.24%	NONE
30	MICHAEL ROOS	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	NONE
31	HARVEY & LINDA ROSS, TRUSTEES	SHAREHOLDER/OFFICER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	4.10%	OFFICER
32	JODI LEE ROSS	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.34%	NONE
33	ARAM SAATCHIAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.34%	NONE
34	SUSAN AND KASAR SAATCHIAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.02%	NONE
35	ARLENE SCHWARTZ, TRUSTEE	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	NONE
36	KENNETH SLATER	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
37	GEORGE & IRENE STREISFIELD, TRUSTEE	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
38	GEORGE TUMANJAN, TRUSTEE	SHAREHOLDER/DIRECTOR	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	6.83%	OFFICER/DIRECTOR
39	JEANNE TUMANJAN	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	1.37%	NONE
40	MELISSA WALKER	SHAREHOLDER	6131 E. TELEGRAPH RD., COMMERCE, CA 90040	0.68%	NONE
	TOTAL			100.00%	

California Commerce Club, Inc.

Officers and Directors

Name	Title
Haig Papaian, Jr.	Chairman of Board, Senior Vice President
George Tumanjan	Director, President
Tom Malkasian	Director, Vice President/Strategic Planning
Jasmine Mgrdichian	Director
Leslie Harris	Director
Harvey Ross	Executive Vice President
Ralph Wong	Vice President/Chief Administrative Officer
Andrew Schneiderman	Vice President/General Counsel
Dante Oliveto	Vice President/Chief Financial Officer
Tim Gustin	Vice President/Casino Manager
Debbie Payne	Corporate Secretary

Exhibit "B"

Memorandum of Understanding

MEMORANDUM OF UNDERSTANDING
BETWEEN
Southern California Off-Track Wagering, Inc. and
California Commerce Casino, Inc.

SUBJECT: Mini-Satellite Off Track Wagering Facility to be located within the:

California Commerce Casino
6131 East Telegraph Road
Commerce, CA 90040

Southern California Off-Track Wagering, Inc.
4961 Katella Avenue
Los Alamitos, CA 90720

1. The purpose of this Memorandum of Understanding, MOU is to set forth the general framework and understanding of the terms and conditions, in which Southern California Off-Track Wagering, Inc., (SCOTWINC), and California Commerce Casino, Inc. (CCC) will jointly enter into an agreement to locate and operate a Mini-Satellite Facility.

2. This MOU is in reference to the following contracts, applications, and documents that will later be incorporated as exhibits in the contractual agreement between SCOTWINC and CCC:

   California Horse Racing Board Application to locate a Mini-Satellite at CCC
   California Horse Racing Board Application to operate a Mini-Satellite
   Mini-Satellite agreement between SCOTWINC and CCC
   California Horse Racing Board Approval to locate a Mini-Satellite at CCC
   California Horse Racing Board Approval for SCOTWINC to operate a Mini-Satellite Facility at CCC

3. CCC has requested that SCOTWINC enter into a Mini-Satellite Agreement to operate at 6131 East Telegraph Rd., Commerce, CA 90040, and SCOTWINC has agreed to, in good faith, to negotiate the said agreement.

4. The scope of this agreement is for SCOTWINC and CCC to locate and operate a Mini-Satellite Facility located within the CCC on a test basis for a minimum of six months; and at the end of such six-month period the parties may mutually agree to extend this agreement for an additional 18 months. Additionally, SCOTWINC agrees that CCC shall have the exclusive right among card clubs in Los Angeles County, to operate a Mini-Satellite Facility for the six-month test period.

5. This MOU is intended to give comfort to both parties so SCOTWINC and CCC can move forward and perform necessary operational and capital expenditures prior to the California Horse Racing Board approval process and Mini-Satellite agreement between SCOTWINC and CCC being executed.

6. Both parties agree to use their best efforts in providing the necessary applications and support documents in order to be approved by the California Horse Racing Board to locate and operate a Mini-Satellite facility at CCC. Further the parties agree to negotiate in good faith and not withhold consent that would delay the approval and execution of the necessary agreements. This MOU will be in effect until December 31, 2009 or the approval and execution of the agreements have been completed.

7. Both parties agree that certain operational and capital expenditures will be necessary to fulfill the opening of the Mini-Satellite facility at the earliest possible time frame.

8. SCOTWINC and CCC agree to devote the necessary personnel and time, so that each can make the most prudent business decisions with regards to the operational and capital expenditures necessary to open this facility in a timely manner.

9. SCOTWINC (Cal. Bus. & Prof. Code 19608.2) agrees to provide, or cause to be provided, the audiovisual signal system, including the costs of leasing or purchasing and operation of equipment for transmission and decoding of audiovisual signals and wagering data, the costs of totalisator equipment, mutuel department labor and equipment charges, and the costs, including labor, and overhead of the organization administering the satellite wagering program

10. Except where the Horse Racing Law (Cal. Bus. & Prof. Code §§19400 et. seq.) provides otherwise, CCC shall earn a 2% commission on all wagers placed at the CCC.

11. SCOTWINC further agrees to provide, or cause to be provided, CCC with racing programs for each racing day covering both the daytime and evening racing programs for sale by CCC to its customers. The price that CCC pays for the programs shall be comparable to the price which is paid by other satellites which are part of the SCOTWINC network.

12. Effective date. Enter the date the agreement will become effective.

COMMERCE CASINO

By: _____ Date: 2-18-09

Ralph Wong, Vice President & Administrative Officer

SOUTHERN CALIFORNIA OFF TRACK WAGERING, INC.

By: _____ Date: 2-5-09
Thomas M. Varela, General Manager

LOS ALAMITOS RACE COURSE

By: _____ Date: 2/12/09
Dr. Edward Allred, President

LOS ANGELES TURF CLUB

By: _____ Date: 2-4-09
Ron Charles, President

HOLLYWOOD PARK OPERATING COMPANY

By: _____ Date: 2-4-09
Jack Liebau, President

THOROUGHBRED OWNERS OF CALIFORNIA

By: _____ Date: 2/4/09
Marsha Naify, Chair of the Board

LOS ANGELES COUNTY FAIR & EXPO

By: _____ Date: 2-4-09
Jim Henwood, President & CEO

OAK TREE RACING ASSOCIATION

By: _____ Date: 2/4/09
Sherwood Chillingworth, Executive Director

DEL MAR THOROUGHBRED CLUB

By: _____ Date: 2-4-09
Craig Fravel, Executive Vice President

Exhibit "C"

Exhibit "C"

California Racing Associations

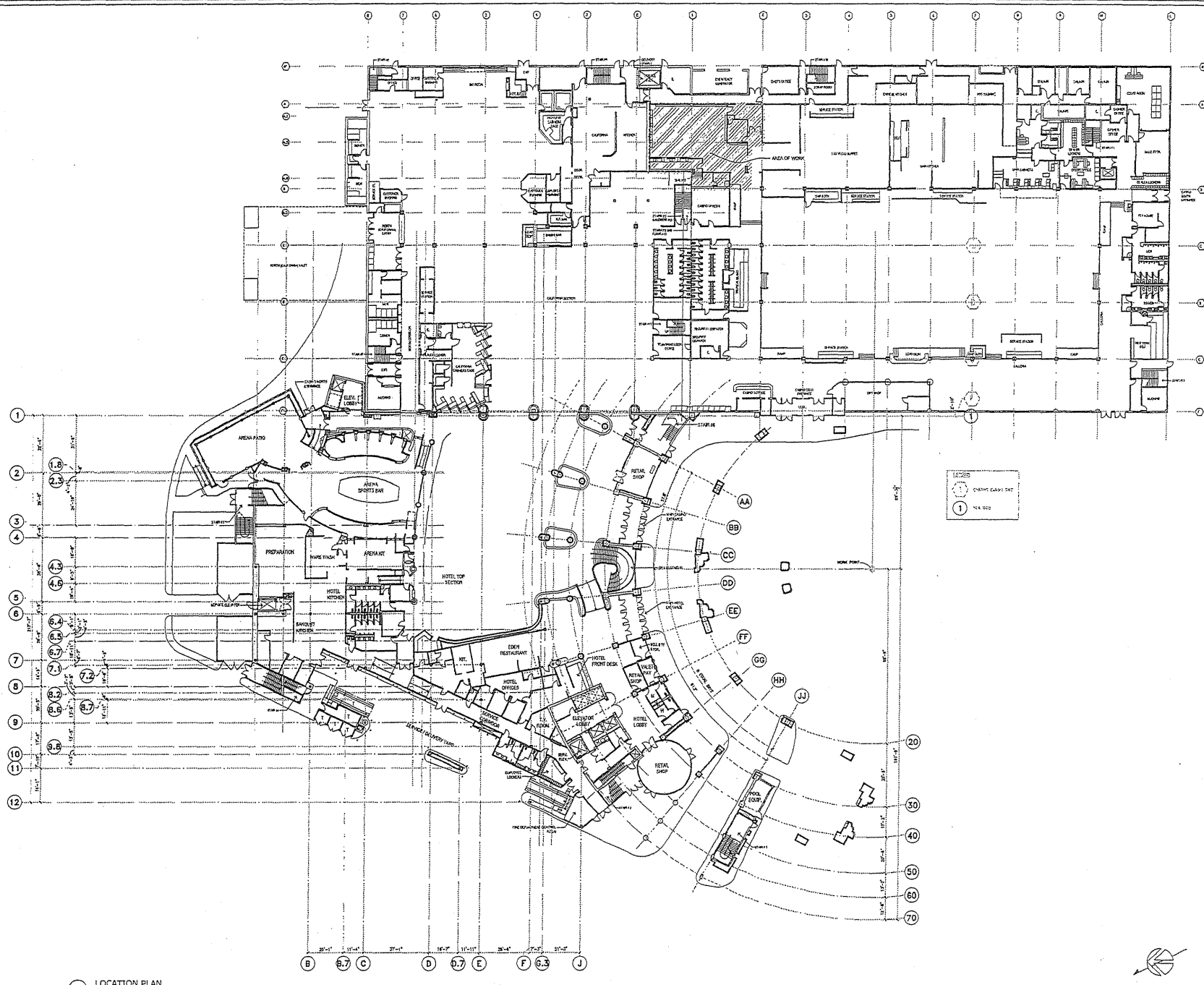
Cal Expo
C.A.R.F. (Pleasanton, Santa Rosa, Ferndale, Fresno, Stockton, Vallejo, etc.)
Del Mar Thoroughbred Club
Fairplex Park
Golden Gate Fields
Hollywood Park (Spring/Fall)
Los Alamitos
Oak Tree
Santa Anita

Out-of-State Import Races

Arlington/Hawthorne
Balmoral/Maywood
Calder/Gulfstream
Churchill Downs/Keeneland/Turfway
Laurel/Pimlico
Meadowlands
Northfield
NYRA
Remington
Retama/Sam Houston/Lone Star
Turfway Park
Turf Paradise
Woodbine
Hastings
South America

***Schedule and Other Signals to be determined by California Host Racing Association

Exhibit "D"



1 LOCATION PLAN

WILLIAM F. BURCH ARCHITECTS, INC.
1055 Broxton Avenue
Suite 234
Westwood Village
California
90024
phone
310 824 1201
fax
310 824 1204

Commerce Casino

MINI SATALITE-OFF TRACK WAGERING FACILITY

DESCRIPTION	DATE

ARCHITECTS SEAL

Drawn By:
ANDREW CLINE

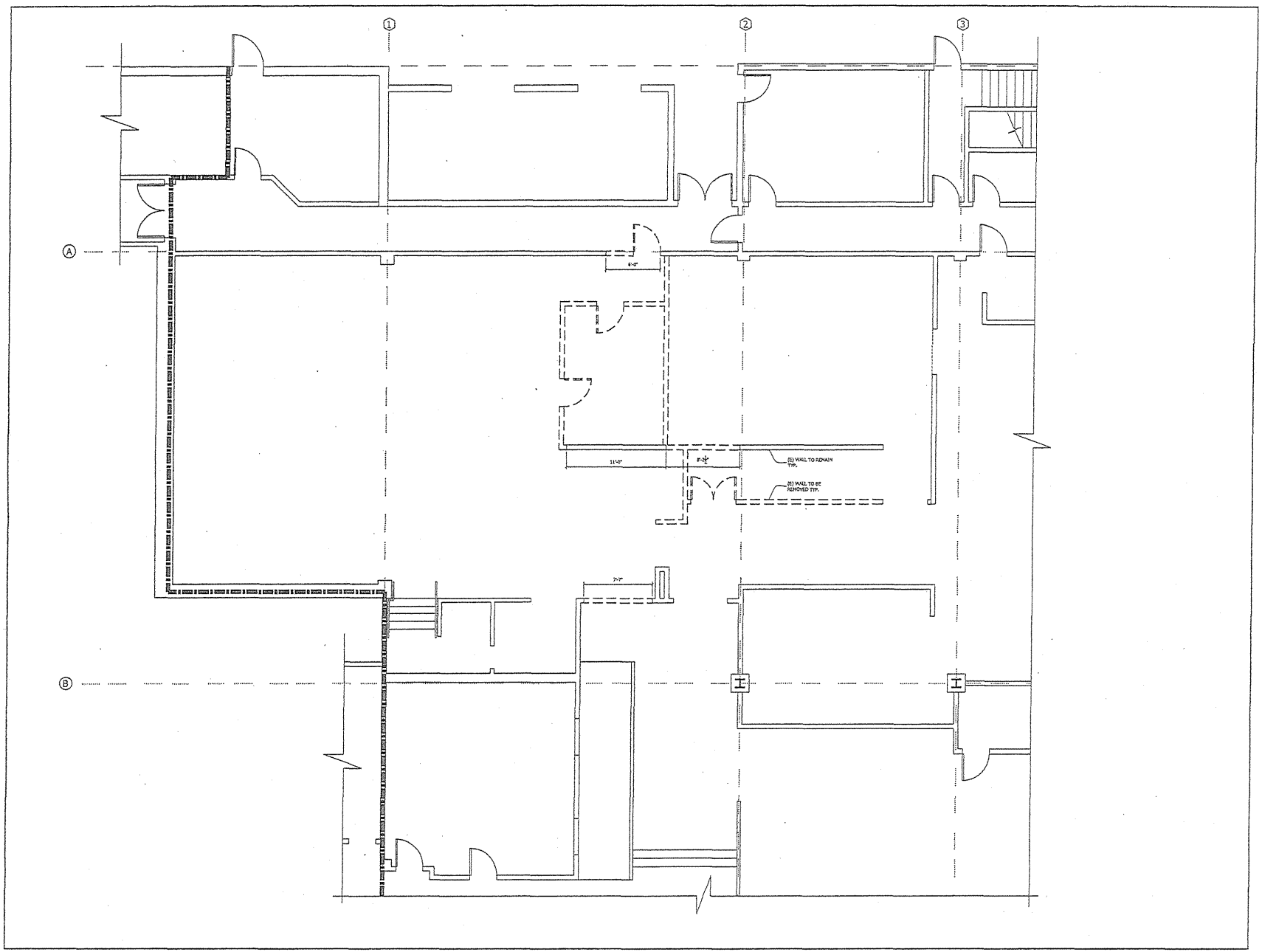
Approved By:
WILLIAM BURCH

Project Manager:
WILLIAM BURCH

SHEET TITLE
LOCATION PLAN

Scale: As Noted

A 200



1 DEMOLITION PLAN

Scale: 1/4" = 1'-0"

WILLIAM F. BURCH ARCHITECTS, INC.
1093 Broxton Avenue
Suite 234
Westwood Village
California
90024
Phone:
310 824 1201
Facsimile:
310 824 1204

Commerce Casino

MINI SATALITE-OFF TRACK WAGERING FACILITY

DESCRIPTION	DATE

ARCHITECTS SEAL

Drawn By:
ANDREW CLINE

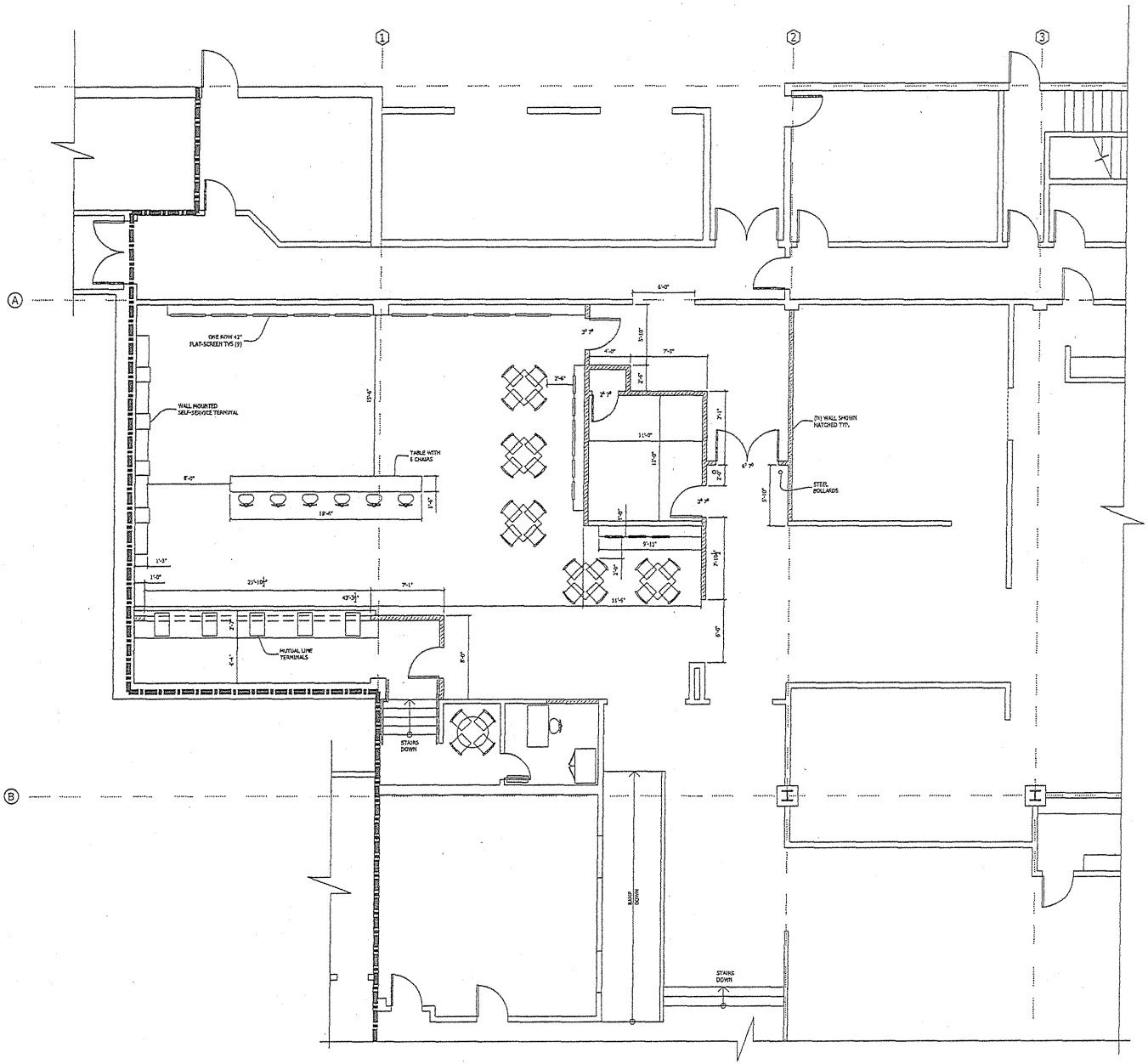
Approved By:
WILLIAM BURCH

Project Manager:
WILLIAM BURCH

SHEET TITLE
DEMOLITION PLAN

Scale: As Noted

A 200



1 FLOOR PLAN

Scale: 1/4" = 1'-0"

WILLIAM F. BURCH ARCHITECTS, INC.
1093 Broxton Avenue
Suite 224
Westwood Village
California
90024
phone
310 824 1201
facsimile
310 824 1204

Commerce Casino

MINI SATALITE-OFF TRACK WAGERING FACILITY

DESCRIPTION	DATE

ARCHITECT'S SEAL

REGISTERED ARCHITECT WILLIAM F. BURCH A. C. P. B. REG. NO. 10-31-09 STATE OF CALIFORNIA

Drawn By:
ANDREW CLINE

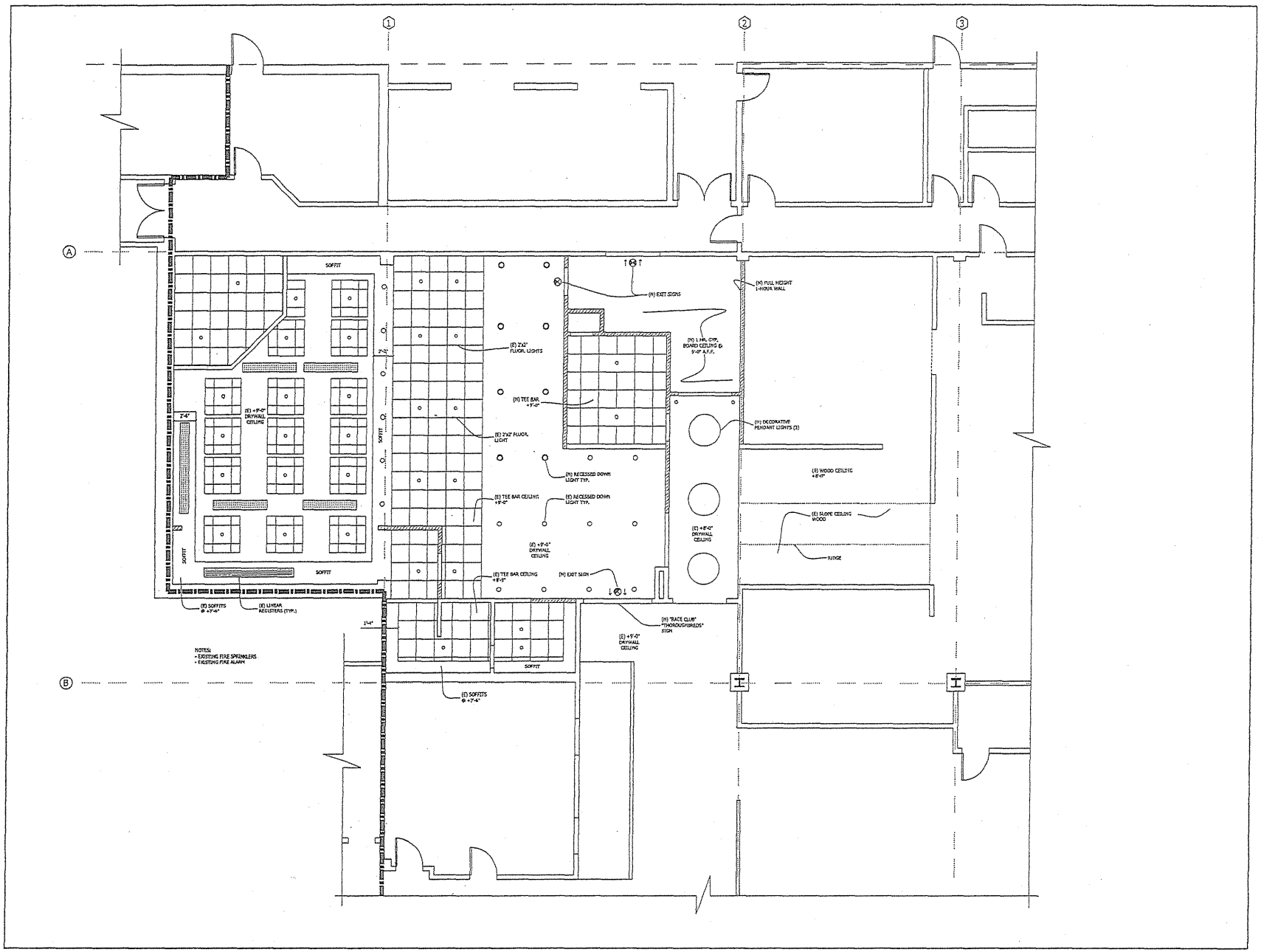
Approved By:
WILLIAM BURCH

Project Manager:
WILLIAM BURCH

SHEET TITLE
FLOOR PLAN

Scale: As Noted

A 300



1 REFLECTED CEILING PLAN

Scale: 1/4" = 1'-0"

WILLIAM F. BURCH ARCHITECTS, INC.
1093 Broxton Avenue
Suite 234
Westwood Village
California
90024
phone:
310 824 1201
facsimile:
310 824 1204

Commerce Casino

MINI SATALITE-OFF TRACK WAGERING FACILITY

DESCRIPTION	DATE

ARCHITECT'S SEAL

LICENSED ARCHITECT WILLIAM F. BURCH No. C 8180 EXP. 10-31-97 STATE OF CALIFORNIA

Drawn By:
ANDREW CLINE

Approved By:
WILLIAM BURCH

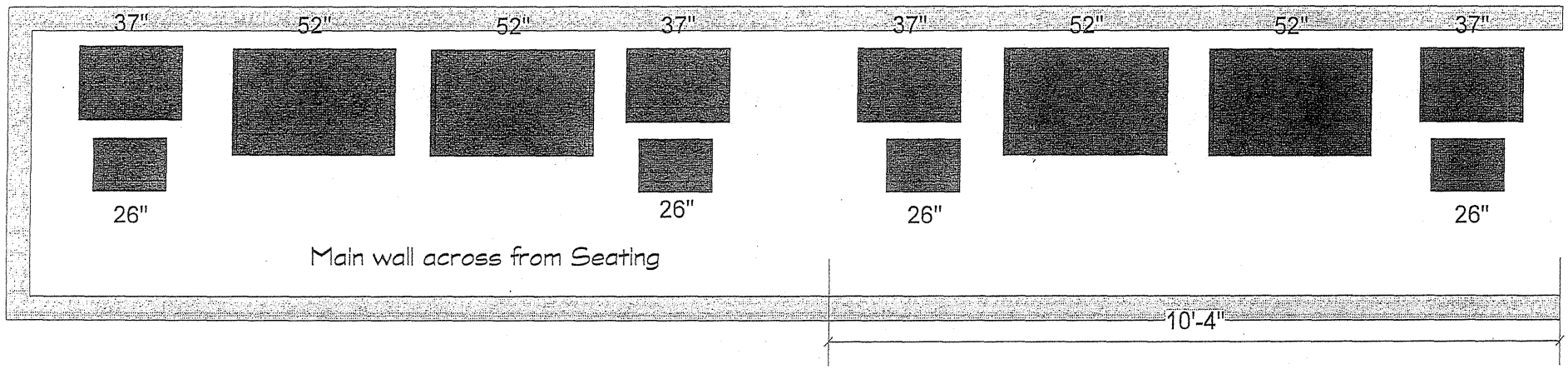
Project Manager:
WILLIAM BURCH

SHEET TITLE
REFLECTED CEILING PLAN

Scale: As Noted

A 301

4-40



Aprx. center of Beem

Above Tall tables

Above SL terminals

4-52"
6- 37"
4-26"
Total= 14 TV's

At Entrance Wall

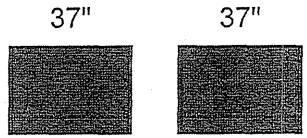


Exhibit "E"

City of Commerce

January 8, 2009

Office of the
City Administrator

Mr. Andy Schneiderman
Commerce Casino Attorney
Commerce Casino
6131 East Telegraph Road
Commerce, CA 90040

Re: Approval of Mini-Satellite Wagering

Dear Mr. Schneiderman,

I am writing in response to your letter of December 31, 2008 regarding the City's approval of a mini satellite wagering facility for the Commerce Casino.

I have reviewed your letter, the Ordinance, and consulted with Interim City Attorney Anthony Willoughby and Community Development Director Robert Zarrilli in connection with the Casino's request.

Pursuant to the City's Card Club Ordinance, Section 5.48.310, this letter constitutes the written approval of the City Administrator for the Commerce Casino to operate a mini satellite wagering facility as described in your letter of December 31, 2008.

This permission is contingent as follows:

A. The necessary authorization and granting of a license from the California Horse Racing Board.

B. Necessary permits related to compliance with building codes and occupancy requirements as determined by the City (if any).

Please accept our best wishes for success in this new venture.

Respectfully,

Jorge J. Rifa
City Administrator

cc: City Council
City Attorney
Community Development Director

STAFF ANALYSIS
2009-10 BUDGET FORMULA
TO BE DEVELOPED PURSUANT TO SENATE BILL 16 (ASHBURN) CHAPTER 12, STATUTES OF 2009

Regular Board Meeting
April 24, 2009

Historically, CHRB funding has come from a portion of license fees paid as a percentage of the takeout from various components of wagering handle. For the 2009-10 fiscal year and years forward, new legislation – Senate Bill 16 (SBX2 16) eliminates the old license fee methodology. Instead, in consultation with industry representatives, staff has developed a formula to assess associations that will conduct race meets during 2009-10 with their fair share of the CHRB's support.

BACKGROUND

Business and Professions Code Section 19616.51 was added to read, in part, as follows:

19616.51. (a) Notwithstanding any other provision of law, and in lieu of any license fee payable to the state prescribed for or referred to in Section 19491, 19491.5, 19596.3, 19601, 19601.2, 19602, 19603, 19604, 19605.25, 19605.35, 19605.45, 19605.6, 19605.7, 19605.71, 19606.5, 19606.6, 19610.8, 19611, 19612, 19614, 19616, 19616.1, 19616.2, or 19641, any association or fair that conducts a racing meeting shall only pay a license fee to the state to fund the board and the equine drug testing program as follows:

(1) All racing associations and fairs including all breeds of racing shall participate in the funding of the board in accordance with a formula devised by the board in consultation with the industry.

(2) The baseline funding for the board and equine drug testing program in the first fiscal year after the enactment of this section shall be the amount approved in the 2008-09 Budget Act.

(3) Adjustments to the funding in subsequent budget years may only be made by an act of the Legislature.

RECOMMENDED MOTION

The horse racing industry has been consulted and the Board hereby approves the proposed CHRB 2009-10 Operating Budget in the amount of $11,833,000. The amount is based upon a formula by which each association or racing fair operating during 2009-10 pays a percentage of the license fees that would have been generated if SB 16 were not in effect.

ANALYSIS

Attached for the Board's consideration and discussion are the following documents:

CHRB Support Formula – This document was supplied to the Board by the Industry Consultant group headed by Craig Fravel, and contains the agreed upon proposed formula for arriving at individual meet's shares of Board support.

CHRB Support Formula Methodology – This document itemizes the prospective race meets and the steps followed in determining the individual shares/percentages. Assumptions necessary to complete the calculation are included as well.

FY 0910 Funding Formula – This spreadsheet shows the baseline calculation of existing license fee amounts and the allocation of CHRB support among the anticipated race meets.

CHRB Operating Budget 2009-10 – This document shows anticipated line item amounts approved under the support formula. Included are the new amounts associated with Administration approved Budget Change Proposals for Equine Medical Director funding and for a pilot Track Safety Standards Study.

RECOMMENDATION

Staff recommends that the Board discuss and approve the motion.

CHRB Support Formula (Prepared by Industry Consultants)

Suggest that each race meet pay a percentage (which would be determined on a statewide basis) of the license fees it would have generated pre SB 16 on commingled handle. The calculation would be based upon an estimate of the total license fees that would have been generated pre SB 16 during the fiscal year. The cost of board support would be divided by the projected license fee total to arrive at a percentage.

Annually:

Board Support	$11,833,000
License Fees Pre SB 16 projection	$32,000,000
Applicable Ratio	36.98%

Specific Meet example:

License Fees Pre SB 16 projection	$ 4,200,000
Applicable Ratio	x 36.98%
Board Support	$ 1,553,160

The savings realized (license fees that would have been payable less board support) would be distributed per SB 16, with 3% to breeders, 48.50% to purses and 48.50% to the track.

The projection would be made as close to June 30th as possible, to facilitate the best possible degree of accuracy.

The necessary calculations would be made by CHRIMS and the resulting distributions would be reflected in the demand reports.

CHRB Support Formula Methodology (Developed by CHRB Staff)

The industry consultants took the volume of information the CHRB presented in conjunction with the requirements contained in the authorizing legislation – SB 16 – and produced a recommended formula to arrive at the CHRB budget amount. We have developed a draft funding model based on that formula and discuss our methodology herein.

The recommended formula suggests that each race meet operating in 2009-10 pay a percentage of the license fees that would have been generated if SB 16 were not in effect. We concur that this proposal will meet the CHRB funding needs and will provide a reasonable, equitable, and logical solution. However, some assumptions and considerations are necessary to arrive at the ultimate per meet support amounts due during the 2009-10 fiscal year.

FIRST – We determined the likely race meets that will operate in 2009-10.

Thoroughbred meets
Del Mar – DMTC (37 days)
Golden Gate Fields – CARF (29 days)
Santa Anita – OTRA (31 days)
Golden Gate Fields – PRA (156 days)
Hollywood Park – Fall (31days)
Santa Anita – LATC (83 days)
Hollywood Park – Spring (66 days)

Fairs
Alameda County – Pleasanton (15 days)
California State Fair – Cal Expo (11 days)
Humboldt County – Ferndale (9 days)
LA County – Pomona/Fairplex (16 days)
San Joaquin County – Stockton (10 days)
Solano County – Vallejo (5 days)
Sonoma County – Santa Rosa (10 days)

Quarterhorse
Los Alamitos (202 days)

Harness
Cal Expo (130 days)

For purposes of our funding formula, we assume Hollywood will run a Spring 2010 meet.

SECOND – We established baseline license fees per day for different categories of race meets: Northern Fairs (excluding Humboldt), Southern Thoroughbreds, Northern Thoroughbreds, Fairplex, Quarterhorse, Harness. To get these standard amounts, we took the latest comparable completed fiscal year amounts and arrived at standard license per day, for our purposes, this was 2007-08.

THIRD – We projected the number of days for each meet to operate during 2009-10. This is important, because Del Mar will reduce its days, the harness industry has reduced its days, the Northern California thoroughbreds, with the loss of Bay Meadows, has contracted slightly, and the various fair meets may gain or lose days based on calendar availability or overlaps/lack thereof. The overall effect of these events shows a reduction in race days from 931 in 2008-09 to 851 in 2009-10.

FOURTH – Applying either the historical (if precedent existed) or standard license per day (for newly created meets such as CARF @ GGF) we estimated the 2009-10 license fees that would have been generated if SB 16 had not been passed. This calculation also includes an assumed across the board 10% reduction in handle.

FIFTH – To the estimated pre-SB 16 license fees we applied the total approved Board Support – that is the 2008-09 Budget amount plus previously approved price increases, and previously approved BCPs for EMD funding and track safety standards study. This resulted in a funding ratio of .367; that is, the CHRB would receive 36.7% of the estimated pre-SB 16 license fees.

The remainder from the pre-SB 16 license fees – just over $20 million - would be shared among breeders, purses, and commissions.

FY 2009-10 FUNDING FORMULA

See chart on next page.

Race Association	FISCAL YEAR 2007/2008 (July 1, 2007 through June 30, 2008) Number of Race Days	Handle	License	ADW Handle	ADW License	Total Handle	Total License	License per day	Race Days 2009-10	Estimated License 2009-10 Pre-SB 16	Estimated CHRB Support 2009-10	Estimated Breeders' Awards Increase	Estimated Purse Increase	Estimated Commission Increase
Alameda County Fair	13	35,134,038.17	355,736.51	6,297,990.40	3,623.54	41,432,028.57	359,360.05	$27,643	15	$373,182	$137,093.21	$7,082.65	$114,502.86	$114,502.86
Bay Meadows	122	394,235,276.06	2,461,724.98	60,633,963.05	70,742.88	454,869,239.11	2,532,467.86	$20,758	0	$0				
Cal Expo Harness	52	37,505,204.82	130,387.52	10,213,891.33	6,263.53	47,719,096.15	136,651.05	$2,628	130	$307,465	$112,951.30	$5,835.41	$94,339.08	$94,339.08
CA State Fair	0							$21,557	11	$213,414	$78,400.58	$4,050.41	$65,481.66	$65,481.66
CARF @ GGF	0							$22,604	29	$589,964	$216,731.25	$11,196.99	$181,018.08	$181,018.08
Del Mar Thoroughbred Club	43	481,419,409.77	5,783,399.13	73,630,593.95	92,886.41	555,050,003.72	5,876,285.54	$136,658	37	$4,550,705	$1,671,761.82	$86,368.29	$1,396,287.37	$1,396,287.37
Fairplex	16	85,480,535.42	842,256.14	16,765,062.50	12,769.83	102,245,597.92	855,025.97	$53,439	16	$769,523	$282,694.62	$14,604.86	$236,111.94	$236,111.94
Fresno District Fair	11	7,203,095.10	79,568.72	2,048,337.60	1,027.14	9,251,432.70	80,595.86	$7,327	10	$65,942	$24,224.69	$1,251.52	$20,232.93	$20,232.93
Golden Gate	92	341,397,990.42	2,252,005.09	45,374,069.60	52,765.29	386,772,060.02	2,304,770.38	$25,052	156	$3,517,280	$1,292,119.49	$66,754.82	$1,079,202.85	$1,079,202.85
Hollywood Park Fall	32	276,617,157.58	2,871,778.63	51,690,739.70	98,079.52	328,307,897.28	2,969,858.15	$92,808	31	$2,589,345	$951,230.27	$49,143.44	$794,485.68	$794,485.68
Hollywood Park Spring	62	576,445,757.63	6,445,438.00	122,621,857.80	219,035.50	699,067,615.43	6,664,473.50	$107,492	66	$6,384,996	$2,345,612.86	$121,181.48	$1,959,100.62	$1,959,100.62
Humboldt County Fair	10	2,218,949.20	27,162.20	1,316,749.71	677.83	3,535,698.91	27,840.03	$2,784	9	$22,550	$8,284.20	$427.99	$6,919.12	$6,919.12
Los Alamitos Quarters	203	211,302,311.85	874,420.69	81,467,131.91	55,587.82	292,769,443.76	930,008.51	$4,581	202	$832,884	$305,971.16	$15,807.40	$255,552.95	$255,552.95
Oak Tree	31	279,231,093.75	3,158,112.69	47,778,346.55	48,500.25	327,009,440.30	3,206,612.94	$103,439	31	$2,885,952	$1,060,192.64	$54,772.77	$885,493.12	$885,493.12
Sacramento Harness Association	124	86,600,595.45	299,752.07	22,712,423.09	13,148.11	109,313,018.54	312,900.18	$2,523	0	$0				
San Mateo County Fair	11	25,318,948.70	163,902.94	3,453,822.12	2,698.75	28,772,770.82	166,601.69	$15,146	0	$0				
Santa Anita	77	796,122,569.52	8,603,559.14	132,704,604.65	240,244.03	928,827,174.17	8,843,803.17	$114,855	83	$8,579,638	$3,151,843.74	$162,833.82	$2,632,480.03	$2,632,480.03
San Joaquin County Fair	9	23,727,536.85	235,564.85	4,297,090.60	1,198.90	28,024,627.45	236,763.75	$26,307	10	$236,764	$86,978.31	$4,493.56	$72,645.94	$72,645.94
Solano County Fair	0							$21,557	5	$97,007	$35,636.63	$1,841.10	$29,764.39	$29,764.39
Sonoma County Fair	0							$21,557	10	$194,013	$71,273.25	$3,682.19	$59,528.78	$59,528.78
Wine Country Racing	23	62,384,472.01	595,143.41	9,497,221.00	5,858.86	71,881,693.01	601,002.27	$26,131	0	$0				
	931	$3,722,344,942.30	$35,179,912.71	$692,503,895.56	$925,108.19	$4,414,848,837.86	$36,105,020.90	$37,787	851	$32,210,623.52	$11,833,000.00	$611,328.71	$9,883,147.41	$9,883,147.41

Proposed CHRB Budget	$11,833,000
Funding Ratio	0.36736327

All NoCal Fairs excluding Humboldt	67	1,444,323.62	$21,557
All SoCal T-Bred	245	27,561,033.30	$112,494
All NoCal T-Bred	214	4,837,238.24	$22,604
All Harness	176	449,551.23	$2,554
All Quarterhorse	203	930,008.51	$4,581
Fairplex	16	855,025.97	$53,439

CA Horse Racing Board - 2009-10 Proposed Operating Budget

PERSONAL SERVICES	Allocation
SALARIES & WAGES	$ 3,384,000
TEMP HELP/OT	50,000
STAFF BENEFITS	1,150,000
SUB-TOTAL	***$ 4,584,000***
OPERATING EXPENSE & EQUIPMENT	
GENERAL EXPENSE	263,000
PRINTING	20,000
COMMUNICATIONS	42,000
POSTAGE	25,000
TRAVEL-IN-STATE	225,000
TRAVEL-OUT-OF-STATE	18,000
TRAINING	10,000
FACILITIES OPERATION	190,000
Drug Testing	1,349,000
Equine Medical Director	297,000
Split Sample Disposal	8,000
Split Sample General Expense	0
Attorney General	640,000
Other Legal Fees	0
Fingerprint	80,000
OAH	80,000
Postmortem	60,000
Other	21,000
Steward	1,500,000
Steward-Assistant	300,000
Veterinarian	500,000
Lab Services-Human	2,000
ARCI Membership Dues	25,000
Hearing Reporter	40,000
Consultant/Pilot Track Safety Study	300,000
Other	20,000
Out of Competition Drug Testing	638,250
Out of Competition Other	56,750
CONSOLIDATED DATA (TEALE)	160,000
CENTRAL ADMIN (PRO RATA)	372,000
EQUIPMENT	7,000
SUB-TOTAL:	***7,249,000***
GRAND TOTAL:	**11,833,000**

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING AN INCREASE IN THE TAKEOUT ON CONVENTIONAL AND EXOTIC WAGERS ON RACES CONDUCTED BY THOROUGHBRED RACING ASSOCIATIONS AS PERMITTED BY BUSINESS AND PROFESSIONS CODE SECTION 19601.01 AND THE MODIFICATION OF CALIFORNIA ADVANCE DEPOSIT WAGERING (ADW) DISTRIBUTIONS ON THOROUGHBRED RACES AS PERMITTED UNDER BUSINESS AND PROFESSIONS CODE SECTION 19604(f)(5)(E)

Regular Board Meeting
April 24, 2009

BACKGROUND

Business and Professions Code section 19601.01 states that a thoroughbred association or fair subject to approval by the Board, may deduct from the total amount handled in the pari-mutuel pool for any type of wager an amount of not less than 10 percent nor more than 25 percent at the joint request of the thoroughbred association or fair and the horsemen's organization for the meeting of the thoroughbred association or fair accepting the wager. The amount deducted shall be distributed as prescribed in this chapter.

Business and Professions Code section 19605.8 (a) states that for thoroughbred meetings the funds remaining after distribution of the amounts set forth in sections 19605.7, 19605.71, and 19605.72 shall be distributed 50 percent as commissions to the association that conducts the racing meeting and 50 percent as purses to the horsemen participating in the racing meeting. Further, from the amount distributed as purses, a sum equal to 0.07 percent of the handle shall be held by the association to be deposited with the official registering agency pursuant to subdivision (a) of section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of section 19617.2.

Business and Professions Code section 19604(f)(5)(E) states that notwithstanding any provision of this section to the contrary, the distribution of market access fees (related to ADW wagering) may be altered upon approval of the Board, in accordance with an agreement signed by all parties whose distribution would be affected.

ANALYSIS

Business and Professions Code section 19601.01 provides the latitude for pari-mutuel handle takeout increases with the proper requests and approval from the Board. As an example, forecast results of thoroughbred and fair meets show that an increase in the takeout of the exotic pari-mutuel pool wagers of 1 ⅓ percent (0.0133) generates approximately $35 million for the upcoming 09/10 fiscal year. The current takeout rate for exotic wagers on California races is 20.68 percent for traditional and 19.15 percent for ADW. See Table 1 below for detail calculations.

Table 1.

Fiscal Year	Projected Handle	Exotic Wager Increase	Percent of Wagers that are Exotic	Projected Additional Takeout
09/10	3,932,038,667	0.0133	0.6716	35,122,070
	(a)	(b)	(c)	(d)=(a)*(b)*(c)

Any additional takeout generated as a result of increasing the takeout rates would be split 50 percent to the association and 50 percent to the horsemen as prescribed by Business and Professions Code section 19605.8(a). Using the example from Table 1, the associations and the horsemen each will earn approximately an additional $17.5 million per year. Increasing the takeout rate does not increase the money currently going to statutory distributions, which include the NCOTWINC and SCOTWINC funds. NCOTWINC and SCOTWINC statutory distributions are based on total handle.

Business and Professions Code section 19604(f)(5)(E) provides that the distribution of market access fees, related to ADW wagering may be altered, subject to approval of the Board, in accordance with an agreement signed by all parties. The parties affected by an adjustment to the market access fees are the associations, horsemen, and breeder's awards. Table 2 below illustrates the 2009 projected ADW takeout distribution for associations, horsemen, and breeder's awards. The projected amounts are based on ADW historical results, and do not reflect a hypothetical increase in the takeout rate.

Table 2.

Takeout Distributions from ADW for Purses, Breeders, and Track								
	Projected 2009	2008	2007	2006	2005	2004	2003	2002
Purses	30,748,055	29,192,058	27,284,772	23,997,262	22,710,378	17,888,847	13,990,197	8,025,946
Breeders	2,687,261	2,509,712	2,456,168	2,062,373	1,995,746	1,577,429	1,212,384	703,374
Track	31,410,514	29,775,331	27,935,823	24,499,267	23,262,444	18,323,566	14,330,013	8,230,266
Total	64,845,830	61,477,100	57,676,763	50,558,902	47,968,568	37,789,842	29,532,595	16,959,586

According to the 2009 projected takeout distribution; track and purses will earn approximately $31 million each and breeders approximately $2.6 million. These amounts could be altered subject to an agreement signed by the parties and approved by the Board.

RECOMMENDATION

This item is presented for discussion and action by the Board.

OUT OF STATE TAKEOUT RATES		
(pulled from ADW database 1/1/08 - 2/9/09)		
Track	WPS %	Blended Exotics
Saratoga	15.00%	22.16%
Belmont Park	15.28%	22.72%
Aqueduct	15.49%	22.82%
Keeneland	16.00%	19.00%
Churchill Downs	16.00%	19.00%
Emerald Racing Assoc.	16.10%	22.10%
Presque Isle Downs	17.00%	23.08%
Hawthorne	17.00%	23.16%
Delaware Park	17.00%	22.44%
Philadelphia Park	17.00%	24.77%
Monmouth Park	17.00%	21.10%
Louisiana Downs	17.00%	23.27%
Evangeline Downs	17.00%	23.30%
Gulfstream Park	17.00%	21.75%
Canterbury Park	17.00%	23.00%
Oaklawn Park	17.00%	21.00%
Meadowlands	17.00%	21.16%
Fairgrounds	17.00%	23.39%
Delta Downs	17.00%	23.41%
Arlington	17.00%	23.41%
Prairie Meadows	17.00%	21.33%
Penn National	17.00%	26.08%
Fairmount Park	17.00%	22.84%
Timonium	17.00%	23.19%
Pinnacle Race Course	17.00%	23.75%
Charles Town	17.25%	22.17%
Mountaineer Park	17.25%	22.28%
Turfway Park	17.50%	22.00%
Tampa Bay Downs	17.50%	23.29%
Ellis Park	17.50%	22.00%
Blue Ribbon Downs	18.00%	24.99%
Colonial Downs	18.00%	22.00%
Sam Houston Race Park	18.00%	22.21%
Indiana Downs	18.00%	21.50%
Retama Park	18.00%	21.60%
Calder Race Course	18.00%	24.13%
Fair Meadows Tulsa	18.00%	23.18%
Pimlico	18.00%	21.77%
Finger Lakes	18.00%	22.76%
River Downs	18.00%	22.50%
Beulah Park	18.00%	22.50%
Laurel Park	18.00%	22.93%
Portland Meadows	18.00%	22.00%
Hoosier Park	18.00%	21.50%
Will Rogers Downs	18.00%	23.19%
Ohio 7/7	18.00%	22.50%
Arapahoe Park	18.50%	23.54%
Ruidoso Downs	19.00%	23.96%
Zia Park	19.00%	23.97%
Sun Ray Park	19.00%	23.58%
Suffolk Downs	19.00%	26.00%
Sunland Park (Nuevo Sol)	19.00%	23.61%
The Downs @ Albuquerque	19.00%	23.99%
Albuquerque Fair	19.00%	24.04%
Turf Paradise	20.00%	23.66%
Yavapai Downs	20.00%	23.73%
Wyoming Downs	21.29%	25.90%
Les Bois Park	23.00%	23.74%
Total		
Average Rate	17.72%	22.86%

CALIFORNIA HORSE RACING BOARD

APRIL 24, 2009
REGULAR BOARD MEETING

There is no board package material for Item 7

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING REVISED ALLOCATION OF RACE DATES FOR THE DEL MAR THOROUGHBRED CLUB'S JULY 22, 2009 THROUGH SEPTEMBER 9, 2009 RACE MEETING

Regular Board Meeting
April 24, 2009

BACKGROUND

At the November 18, 2008 Regular Board Meeting the 2009 Southern California race dates calendar was approved, including the Del Mar Thoroughbred Club's (DMTC) race meet. DMTC was approved to run July 22, 2009 through September 9, 2009, or 43 days. It would be running six days a week, Wednesday through Monday, as it has in the past.

ANALYSIS

On April 2, 2009 the Board received a request from DMTC to revise its 2009 race dates allocation. DMTC is proposing to conduct live racing five days a week, Wednesday through Sunday, with dark days on Mondays (except Labor Day) and Tuesdays, from July 22, 2009 through September 9, 2009, for a total of 37 days. DMTC will be running concurrently with the Northern California racing calendar.

RECOMMENDATION

This item is presented for Board discussion and action.

DEL MAR
THOROUGHBRED CLUB

Craig R. Fravel
Executive Vice President

April 2, 2009

Mr. Kirk E. Breed
Executive Director
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Dear Mr. Breed,

I am writing to request that the California Horse Racing Board consider a revised allocation of dates for the Del Mar Thoroughbred Club's ("DMTC") 2009 race meet at its Board Meeting scheduled for April 23, 2009.

DMTC is proposing to conduct live racing from Wednesday through Sunday, with dark days on Mondays (except Labor Day) and Tuesdays, from July 22 through September 9, 2009. Additional information will be forthcoming to assist staff and the Board in its evaluation of this request.

Please confirm if the California Horse Racing Board will be able to include this item on the agenda for discussion on April 23, and feel free to contact me with any questions.

Thank you for your consideration.

Sincerely,

Craig R. Fravel

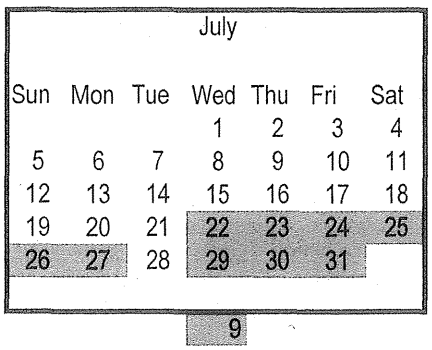
Craig R. Fravel

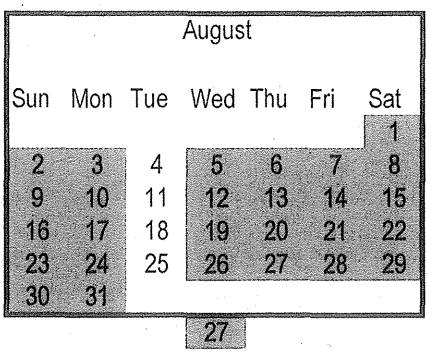
Cc: John Harris, Chair
David Israel, Vice-Chair

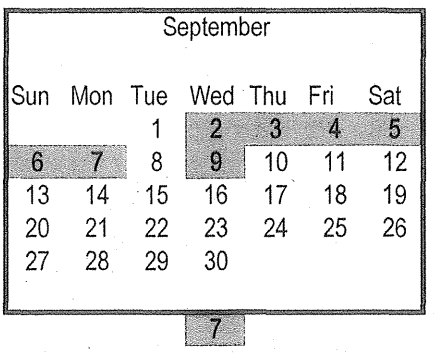
P.O. Box 700 • Del Mar, CA 92014-0700 • 858-755-1141

Del Mar Thoroughbred Club
Revised 2009 Allocation of Race Dates

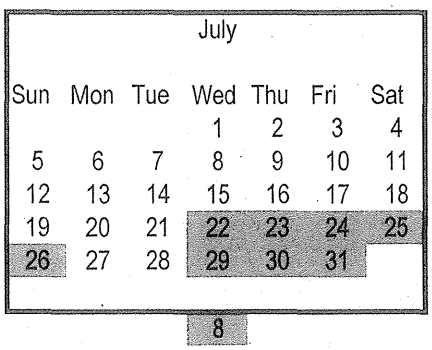
Current Allocation of Race Dates - July 22, 2009 through September 9, 2009 - 43 Days

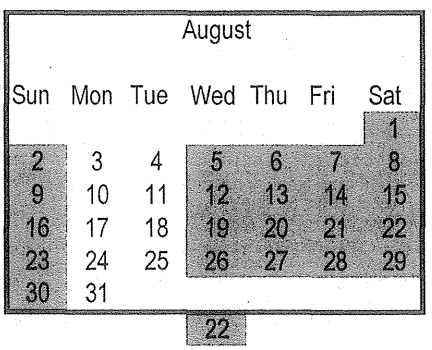


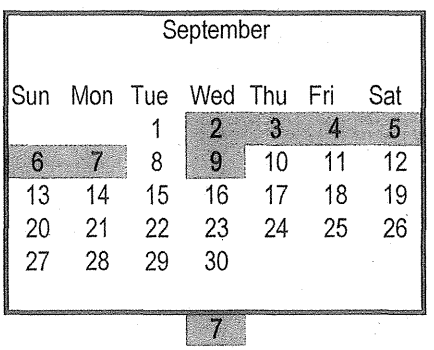




Propsed Allocation of Race Dates - July 22, 2009 through September 9, 2009 - 37 Days







DMTC 2009 revised race day allocation - April 2009 Board Meeting

STAFF ANALYSIS

REVIEW AND DISCUSSION BY THE BOARD REGARDING THE FINANCIAL SOLVENCY OF THE NORTHERN AND SOUTHERN CALIFONRIA STABLING AND VANNING FUNDS AND POSSIBLE STEPS THAT MAY BE TAKEN TO MITIGATE LOSSES, INCLUDING CUTTING SUBSIDIES PAID TO FAIRPLEX PARK AT POMONA AND SAN LUIS REY DOWNS.

Regular Board Meeting
April 24, 2009

BACKGROUND

NCOTWINC

Business and Professions Code section 19607.2, states that when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, an amount not to exceed 1.25 percent of the total amount handled shall be deducted to provide reimbursement for offsite stabling and vanning of starters from those additional stalls on race days for thoroughbred horses. Further, Business and Professions Code section 19607.3 (f), provides for adjustments to the stabling and vanning fund rate at the discretion of the Board; however, the adjusted amount may not exceed 1.25 percent. The organization that administers the northern zone stabling and vanning fund is the Northern California Off-Track Wagering, Inc, (NCOTWINC).

The Board approved an adjustment to the stabling and vanning deduction from off-track handle from 1.15 to 1.20 percent effective December 26, 2008. According to NCOTWINC, the stabling and vanning fund has incurred continuous operating losses driven by a marked decline in satellite-based handle and simultaneous increases in offsite stabling (e.g., labor, materials, fuel, utilities) and vanning (e.g., fuel).

SCOTWINC

Business and Professions Code section 19607, states that when satellite wagering is conducted on thoroughbred racing associations or fairs for the central or southern zones a maximum of 1.25 percent of the total amount handled shall be deducted to provide reimbursement for offsite stabling and vanning of starters from those additional stalls on race days for thoroughbred horses. Further, Business and Professions Code section 19607.1(f) provides for adjustments to the stabling and vanning fund rate at the discretion of the Board; however, the adjusted amount may not exceed 1.25 percent. The organization that administers the central or southern zones stabling and vanning fund is the Southern California Off-Track Wagering, Inc. (SCOTWINC).

On May 20, 2008, the Board approved an adjustment to the stabling and vanning rate for the 2008 Hollywood Park Spring race meet from 1.06 to 0.89 percent. The rate reduction would allow SCOTWINC to contribute $600,000 towards preliminary costs related to improvements for a training facility at Fairplex.

On October 15, 2008, the Board approved the continuation of the deduction to the stabling and vanning rate of 0.89 percent for Hollywood Park Fall race meet effective October 29, 2008. The rate will cease once the funds reach the remaining shortfall of $18,000. Then the deduction will adjust back to the current rate of 1.06 percent.

On November 18, 2008, the Board approved an increase in the stabling and vanning rate of 1.06 percent to 1.25 percent, effective December 26, 2008. According to SCOTWINC the rate increase would generate approximately $1.8 million of incremental revenues to offset expense increases. The proposed increase is borne equally by lowering commissions and purses. The Board approved this request.

On February 26, 2009 the Board was provided an update regarding the stabling and vanning funds for the years 2007 and 2008 which revealed that both SCOTWINC and NCOTWINC received refunds from AIG. The AIG refunds represent the return of seed capital used to set up the industry's workers compensation program.

During 2008, NCOTWINC had total revenues of 5.4 million and expenses of 4.9 million with the AIG refunds, and SCOTWINC had total revenues of 11.1 million and expenses of 10.9 million with the AIG refunds. Both funds had a decrease in revenue of 4 percent and the expenses increased 9 percent for SCOTWINC and decreased 9 percent for NCOTWINC.

ANALYSIS

During 2009, it is anticipated that NCOTWINC will receive approximately $600,000 from AIG refunds. At this time, we are not aware if SCOTWINC will also receive a refund from AIG. However, both NCOTWINC and SCOTWINC stabling and vanning funds will be operating in a deficit.

According to the NCOTWINC controller, entering into 2008 NCOTWINC had a deficit of $300,000 and by the end of 2008 NCOTWINC's deficit was at $700,000. They anticipate by the end of 2009, including the AIG refunds of approximately $600,000, the deficit will be less than $500,000. NCOTWINC's current revenues are 4.2 million and expenses are 4.3 million.

During 2009, SCOTWINC projects revenues of $8,628,669 with expenses of $9,340,818 and a deficit of $712,149 (See attached spreadsheet provided by the Stabling and Vanning Committee on 2/18/09).

The Board received the attached letter from the Assembly GO committee indicating the Los Angeles County Fair may cease operations as a training facility on May 17, 2009, and has requested that the Board use its regulatory authority to defer any imminent action. Their concern is based on SCOTWINC's committee vote to discontinue funding for the Fairplex Park training center in order to facilitate the continued operation of the San Luis Rey Downs training center. Additional concerns are the future financial status and capability of the owner of San Luis Rey Downs, Magna Entertainment Corporation, the impact on operations of trainers, the industry as a whole, and the loss of valued long-standing union jobs at Fairplex Park training center.

RECOMMENDATION

This item is presented for review and discussion by the Board.

California Thoroughbred Racing
Stabling & Vanning "Fund" Status

Financial Condition

- In 2007, the Fund began to operate in a deficit. Deficits were funded by reserves and expected capital reimbursements from the Industry's self-established workers compensation program.
- By 2008, the Fund's operating deficit widened due to:
  - Declining revenue stream tied to wagering placed through the off-track network;
  - Increasing shift of handle from the satellite network to the ADWs (Internet), which does not support the off-track stabling infrastructure;
  - Severe economic slowdown.
- Early 2008, TOC management advised the Stabling & Vanning Committee advocated for an immediate increase in the funding rate to the statutory maximum of 1.25%, as reserves and workers comp reimbursements alone were not sufficient for the long-term viability of the program. (The rate increase was not implemented until December 2008.)
- In 2009, the estimated operating deficit is **-$2.5 million.** Cash reserves are projected to evaporate within 30 days. The situation has been exacerbated by MEC's bankruptcy.

Assessment of Corrective Measures

- Since the Fall 2008, the S&V Committee (comprised of Santa Anita, Hollywood Park, Fairplex, Del Mar, Oak Tree, and TOC) collaborated with other industry stakeholders to assess offtrack stabling operations and possible initiatives to correct the operating deficits, both in the short-term and long-term.
- With revenue opportunities limited in the short-term (i.e., takeout rate is maximized), the immediate focus was on assessing stabling occupancy/capacity expenses and race starts productivity.
- It was widely accepted that the major tracks (SA and HP) should remain open as an offtrack facility due to their synthetic surfaces, high occupancy rates, and high starts productivity.
- Fairplex ($2.7 million funding) and San Luis Rey ($1.7 million funding) operating results reveal key cost and productivity differences:
  - Fairplex's # of race starts per occupied stall is less than half of SLR.
  - Fairplex's funding is twice the cost of SLR, based on funding per# of race starts.
  - Fairplex's results are driven by its population having a high concentration of horses starting at Los Alamitos and non-racing age horses, which the Fund is not intended to support.
  - <u>In 2008, 57% of Fairplex's horses started at Los Alamitos and 38% at major CA Thoroughbred tracks; 5% of SLR's horses started at Los Alamitos and 90% at major CA Thoroughbred tracks.</u>

Stabling & Vanning Committee Actions

- The Committee targeted cuts of $1.5 million to Fairplex and $0.5 million to SLR in 2009 to address immediate cash flow solvency, and it asked respective management to propose how those cuts would be implemented.
- In February 2008, Fairplex and SLR management each submitted their own cost cutting initiatives to the Committee. <u>The Committee unanimously approved a motion to implement those initiatives.</u>
- Recognizing that the program was established to provide for and subsidize only the stabling of horses currently participating in California Thoroughbred race meets, and given current financial and economic conditions, facilities and horsemen alike are obligated to ensure that only eligible horses receive the benefit of the program. Unless the industry can find an appropriate short-term solution, consistent with the program's intent, the long-term outlook for off-track stabling is bleak.

SOUTHERN CALIFORNIA STABLING & VANNING FUND
OPERATING RESULTS

	2008 Actual	"No Change" Scenario 2009 Projected	Committee-approved Initiatives [1] 2009 Projected
Revenues	$8,105,572	$8,628,669	$8,628,669
Offtrack Stabling expenses			
Santa Anita	2,023,000	2,652,000	2,652,000
Hollywood Park	2,231,250	2,197,818	2,197,818
Fairplex	2,700,000	2,700,000	**1,200,000**
San Luis Rey Downs	1,700,000	1,700,000	**1,400,000**
Subtotal Offtrack Stabling	8,654,250	9,249,818	7,449,818
Vanning expenses	1,750,000	1,750,000	1,750,000
Other expenses	141,000	141,000	141,000
Total Expenses	10,545,250	11,140,818	9,340,818
Net Operating Results	**($2,439,678)**	**($2,512,149)**	**($712,149)**

[1] Unanimously approved by the Stabling & Vanning Committee on 2/18/09.
(Committee comprised of Fairplex, Oak Tree, Santa Anita, Hollywood Park, Del Mar, and TOC.)

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0115

California Legislature

April 8, 2009

John Harris, Chairperson
California Horse Racing Board
1010 Hurley Way, Ste. 300
Sacramento, CA 95825

Dear Mr. Harris,

It has come to our attention that funding for thoroughbred training at Fairplex Park on the grounds of the L.A. County Fair may cease on May 17, 2009. We respectfully request that you place this item on the agenda for your next meeting and use the boards' regulatory authority to defer any imminent action.

The Vanning & Stabling Committee of Southern California Off Track Wagering, Inc.(SCOTWINC) has apparently voted to discontinue funding for the Fairplex Park training center in order to facilitate the continued operation of the San Luis Rey Downs training center in Southern California, owned by Magna Entertainment Corporation.

We question the wisdom of this decision. It should be reconsidered after input from a number of affected parties.

We are concerned about, among other issues:

- the financial status and capability of the owner of San Luis Rey Downs.
- the impact on operations of trainers and the industry as a whole of such a move.
- the loss of valued and long-standing union jobs at Fairplex, represented by both the Teamsters and SEIU, in favor of non-union workers at San Luis Rey Downs.

Once again, we strongly suggest that any decision on this matter be deferred until it can be reviewed by the CHRB.

Very truly yours,

CURREN PRICE, Chair
Assembly GO Committee

RODERICK D. WRIGHT, Chair
Senate GO Committee

Assemblymember NORMA TORRES

Senator GLORIA NEGRETE McLEOD

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STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING THE FEASIBILITY OF WAIVING CHRB RULE 1433(B), APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING, ON A CASE BY CASE BASIS, WHEN CONSIDERING THE CONSTRUCTION OF NEW RACE TRACKS, CONVERTING SYNTHETIC RACE TRACKS TO DIRT TRACKS AND THE USE OF EXISTING DIRT TRACKS FOR PERIODS EXCEEDING FOUR WEEKS OF THOROUGHBRED RACING.

Regular Board Meeting
April 24, 2009

BACKGROUND

Business and Professions Code Section 19440 provides that the California Horse Racing Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of the Horse Racing Law. Responsibilities of the Board include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. Business and Professions Code section 19480 states the Board may issue licenses to conduct horse racing meetings. Board Rule 1433, Application for License to Conduct A Horse Racing Meeting, provides that every association or fair that intends to conduct a horse racing meeting must file a completed application with the Board at least 90 days prior to its proposed meeting.

In 2006 the Board amended Rule 1433 to provide that as of January 1, 2008, no racing association that operates four weeks or more of continuous thoroughbred racing in a calendar year shall be licensed to conduct a horse racing meeting at a facility that has not installed a polymer synthetic type racing surface. The regulation affected the five thoroughbred racetracks: Hollywood Park Race Track; Del Mar Thoroughbred Club; Santa Anita Park Race Track; Golden Gate Fields and Bay Meadows Race Track. By the end of 2007 every major thoroughbred track had installed synthetic racing surfaces except Bay Meadows, which received an exemption for the 2008-racing year.

ANALYSIS

Subsection (b) of Board Rule 1433 requires that an applicant for four or more continuous weeks of thoroughbred racing must run at a track that has a synthetic racing surface. Such surfaces cost many millions of dollars to install, and may represent significant maintenance costs. The California horse racing industry is facing a number of issues, such as the closure of Bay Meadows in the fall of 2008; the possible closure of Hollywood Park; the bankruptcy of Magna Entertainment Corporation, and the decline in handle due to the difficult economic climate. Some of these issues will result in changes to the racing circuit – especially in Northern California. They also demonstrate that the future of horse racing is in flux. The disappearance of long established racing venues creates opportunities for the expansion of existing venues, or even the creation of new racing venues.

Furthermore, Rule 1433(b) was adopted without the establishment of standards as required under Business and professions Code section 19481(a).

To mitigate the effect of Rule 1433 the Board may wish to consider the feasibility of waiving subsection 1433(b) on a case-by-case basis. With the changes that are occurring in Northern California, the racing fairs are taking on a more prominent role and may need such an exemption in the future. However, the racing fairs are currently exempt from the synthetic racing surface requirement. Rule 1433(b) specifies "*four weeks or more of continuous thoroughbred racing.*" Racing fairs are now considered mixed breed meetings, and are required under Business and Professions Code sections 19540 and 19546 to provide a program of racing that includes thoroughbred, quarter horse, Arabian, appaloosa and mule if a sufficient number of horses is available.

Additional reasons for granting case-by-case exemptions to Rule 1433(b) would be a racing association's desire to convert an existing synthetic surface back to a traditional dirt/turf surface, or the building of a new racing facility.

RECOMMENDATION

This item is presented for Board discussion and possible action, but more to publicly state intent on the part of the Board that:

1). The Board intends to treat present and future track surface issues on a case by case basis, and

2). The CHRB is developing standards for synthetic surfaces and upgrading standards for dirt and turf surfaces during 2009.

At the end of this process Rule 1433(b) will be amended or repealed.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 3. RACING ASSOCIATION
RULE 1433.
APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING

Regular Board Meeting
April 24, 2009

1433. Application for License to Conduct a Horse Racing Meeting.

(a) Unless the Board requires an earlier filing, at least 90 days before the time allocated by the Board for a race meeting to start, the association shall file with the Board an Application for License to Conduct a Horse Racing Meeting, CHRB-17 (Rev. 12/06), which is hereby incorporated by reference. Note: CHRB-17 incorporates by reference, the Personal History Record, CHRB-25A (Rev. 7/93). A California fair shall file with the Board an Application for License to Conduct a Horse Racing Meeting of a California Fair, CHRB-18 (Rev. 12/06), which is hereby incorporated by reference. Copies of the CHRB-17 and CHRB-18 may be obtained at the California Horse Racing Board headquarters office.

(b) No racing association that operates four weeks or more of continuous Thoroughbred racing in a calendar year shall be licensed to conduct a horse racing meeting at a facility that has not installed a polymer synthetic type racing surface. This Subsection shall become operative on January 1, 2008.

Authority: Sections 19420 and 19440,
Business and Professions Code.

Reference: Sections 19480, 19481 and 19562,
Business and Professions Code.