

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
_____)

SANTA ANITA PARK RACE TRACK
BALDWIN TERRACE ROOM
285 WEST HUNTINGTON DRIVE
ARCADIA, CALIFORNIA

FRIDAY, FEBRUARY 19, 2010
10:30 A.M.

Reported by:
Troy Ray

APPEARANCES

COMMISSIONERS

Keith Brackpool, Chairman

David Israel, Vice Chairman

Jesse H. Choper

Jerry Moss

Richard Rosenberg

Bo Derek

STAFF

Kirk E. Breed, Executive Director

Mike Marten, Public Relations Officer

Robert Miller, Chief Counsel

Jacqueline Wagner, Staff Services Manager II

ALSO PRESENT

Michael Wellman

Jerry Jamgotchian

Richard Arlin Bassett

Charlie Dougherty, California Thoroughbred Trainers

John Sadler, California Thoroughbred Trainers

Jack Liebau, Hollywood Park

Tom Varela, General Manager SCOTWINC

Marsha Naify, Chair of Thoroughbred Owners of California

Richard Castro, Paramutual Employees Guild

APPEARANCESALSO PRESENT (continued)

Patrice VanDussen, Controller for NCOTWINC

Robert Hartman, General Manager, Golden Gate Fields.

Peter Tunney, Board Member of NCOTWINC

Rod Blonien, NCOTWINC

John Bucalo, Barona Casino Off-Track Betting

Christopher Korby, California Authority of Racing Affairs

Chris Carpenter, Manager San Mateo County Event Center and
the Jockey Club

Guy Lamonthé, TOC

Doug O'Neill and Darrell Vienna, CTT Board Members

Ed Allred, Owner and Chairman Los Alamitos

Dave Elliot, Cal Expo

George Haynes, Santa Anita

Gina Lavo, Santa Anita

Greg Scoggins MEC, Santa Anita, Golden Gate Fields Express
Bet

Eric Swanson, Bet Fair TVG

INDEXPAGEAction Items:

- | | |
|--|----|
| 1. Presentation of the California Horse Racing Board Resolution to Richard Shapiro. | 5 |
| 2. 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 the presentations. | |
| 3. Public hearing and action by the Board regarding the proposed amendment to CHRB Rule 1689, Safety Helmets Required, to establish and/or revise standards for safety helmets worn by jockeys, drivers, exercise riders and other mounted personnel training and racing on California racetracks. (Note: This concludes the 45-day public comment period. The Board may adopt the proposal as presented.) | 13 |
| 4. Public hearing and action by the board regarding the proposed amendment to CHRB Rule 1689.1, Safety Vest Required, to establish and/or revise standards for safety vests worn by jockeys, drivers, exercise riders and other mounted personnel training and racing on California racetracks. (Note: This concludes the 45-day public comment period. The Board may adopt the proposal as presented.) | 21 |
| 5. Discussion and action by the Board regarding the possibility of amending CHRB Rule 1766, Designated Races, to require a jockey, or driver to serve additional suspension days should a suspended jockey or driver participate in more than one designated race per day in California. | 22 |
| 6. Discussion and action by the Board regarding a report and presentation from representatives of Southern California Off-Track Wagering, Inc., (SCOTWINC) regarding SCOTWINC's organizational background, expenses and current financial position. | 26 |

INDEX CONTINUED

	<u>PAGE</u>
<u>Action Items:</u>	
7. Discussion and action by the Board regarding a report and presentation from representatives of Northern California Off-Track Wagering, Inc., (NCOTWINC), regarding NCOTWINC's organizational background, expenses and current financial position.	40
8. Discussion and action by the Board regarding the Northern California Off-Track Wagering, Inc., (NCOTWINC) Shortfall Agreement submitted by the Thoroughbred Owners of California (TOC) and the Pacific Racing Association in response to the Board's April 24, 2009 approval of a request for modification of California advance deposit wagering (ADW) distributions on thoroughbred races and permitted under Business and Professions Code section 19604(f)(5)(E).	56
9. Discussion and action by the Board regarding a report from the California Thoroughbred Trainers (CTT) regarding the results of its recent Board election and CTT's plans fore 2010 and beyond.	58
10. Discussion and action by the Board regarding a report from the Thoroughbred Owners of California (TOC) regarding its management plans for 2010 and beyond.	64
11. Discussion and action by the Board regarding a report from the representative of the Commerce Club Minisatellite Wagering Facility regarding the facility's daily handle.	66
12. Discussion and action by the Board regarding a report and presentation from the Los Alamitos Quarter Horse Racing Association and California Exposition and State Fair Harness Racing Association regarding the status of the night industry and promotional programs for harness and quarter horse racing.	74
13. Discussion and action by the Board regarding the allocation of race dates for the California Exposition and State Fair Harness Racing Association (H) commencing August 13, 2010 through December 18, 2010.	79

INDEX CONTINUED

	<u>PAGE</u>
<u>Action Items:</u>	
14. Discussion and action by the Board regarding the distribution of race day charity proceeds of Hollywood Park Racing Association in the amount of \$160,000 to 23 beneficiaries.	79
15. Discussion and action by the Board regarding an update and report from Santa Anita Park Race Track on drainage issues associated with its Pro-Ride track, the current condition of the racetrack and the financial impact resulting from the loss of racing and training days.	80
16. Discussion and action by the Board regarding an update from Magna Entertainment Corporation concerning its bankruptcy filing, racing operation and the status of statutory funds that may still be owed money for pre and post bankruptcy petition debts.	87
17. Discussion and action by the Board regarding the assignment of Board Members to CHRB Standing Committees for 2010.	107
18. 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.	110
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).	
B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 11126(e).	
Adjournment	110
Reporter's Certificate	111

1 PROCEEDINGS

2 10:30 A.M.

3 EXECUTIVE DIRECTOR BREED: This meeting of the
4 California Horse Racing Board will come to order. Please
5 take your seats.

6 This is the regular noticed meeting of the
7 California Horse Racing Board on Friday, February 19, 2010,
8 commencing at 10:30 a.m. in the Ballroom Terrace Room at the
9 Santa Anita Park Racetrack, 285 West Huntington Drive,
10 Arcadia, California.

11 Present at today's meeting are Keith Brackpool,
12 Chairman, David Israel, Vice Chairman, Jesse Choper, Member,
13 Bo Derek, Member, John Harris is absent today, Jerry Moss,
14 member, Richard Rosenberg, Member.

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

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

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

1 enforced during discussion of all matters stated on the
2 agenda, as well as during the public comment period.

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

9 When the matter is opened for public comment, your name
10 will be called, please come to the podium, introduce
11 yourself by saying your name and organization clearly. This
12 is necessary for the Court Reporter to have a clear record
13 of all who speak.

14 When your three minutes are up, the Chairman will
15 ask you to return to your seat so others can be heard. When
16 all the names have been called, the Chairman will ask if
17 there is anyone else who would like to speak on a matter
18 before the Board. Also, the Board may ask questions of
19 individuals who speak. If a speaker repeats himself or
20 herself, the Chairman will ask if the speaker has any new
21 comments to make. If there are none, the speaker will be
22 asked to let others make comments to the Board.

23 Mr. Chairman.

24 CHAIRMAN BRACKPOOL: Thank you. Good morning.
25 Before we get started, let me just say a couple of words. I

1 think I've introduced myself to most people in this room and
2 I look forward to working with everybody closely. I think
3 it's important to note that every single member of the Board
4 here, is here (a) voluntarily and (b) because they love this
5 great sport of ours.

6 I think that we have difficult times in our
7 industry, but I think that we have enough passion, I think
8 we have enough energy, and I think the fundamentals of the
9 sport are still there. I think we need to make some serious
10 change in direction in a lot of areas. Those are the things
11 that I want us to focus on over the coming months.

12 I'd ask you to take a look at the Mission
13 Statement up here, because I think that a lot of people have
14 forgotten what the mission of the CHRB is. And one of our
15 great visions here is to promote horse racing, and that is
16 what we intend to do. We intend to have a renewed focus on
17 the promotion of horse racing. So, whatever we can do to
18 facilitate anything you're all doing, that's of great
19 interest to us and it's something that we intend to do.

20 You'll see a later item in the agenda that we have
21 re-instituted the committees of the Board, we have re-
22 organized the committees of the Board and when we get to
23 that agenda item, we'll talk about when those committees
24 will be. But, the idea here is over the course of the month
25 there will be a committee meeting on one subject or another,

1 it won't be every month, it will be at the committee chair's
2 discretion but, there will be regular meetings. And the
3 idea is that we debate, in great detail, every idea somebody
4 has on that particular subject, so by the time it comes back
5 here, we've got, if we don't have consensus, we at least
6 have pros and cons of the argument, I think it will allow
7 for the stakeholders of a particular issue to spend a much
8 greater focused amount of time on that issue and I think
9 we'll sure please everybody here, stop any eight hour Board
10 meetings taking place where we're discussing something like
11 that in detail for the first time.

12 So, that's the idea, is that we're going to put a
13 lot more energy into the committee meetings themselves, so
14 that by the time we come back to the Board I think we have a
15 reasoned position to be able to hear comments on, discuss
16 and possibly make a determination.

17 I changed one other thing in how these meetings
18 go, and that is I've asked for the public comment period on
19 items not on the agenda to be moved to the front. I've done
20 that because I think I want to encourage as many people as
21 possible to attend these meetings and give us public
22 comment, and I think it's unfair to ask members of the
23 public to attend these meetings and wait six or seven hours
24 to be heard right at the very end.

25 I would ask that this not be abused. I would ask

1 that we try and have as much discourse in civil fashion as
2 possible, that doesn't mean we have to agree with one
3 another but, I don't think there's any need for us to lose
4 sight of the fact that we are all, all trying to accomplish
5 the same thing, which is an improvement in our great and
6 beautiful sport.

7 So, with that, I would start by saying that Item
8 No. 1 has been deferred until the next meeting in March, and
9 unfortunately Commissioner Harris could not be here today,
10 he wanted to be here, so Item No. 1 is deferred.

11 With that, I will go to Item No. 2. The first
12 speaker I have is Michael Wellman.

13 MR. WELLMAN: Good morning Commission. Hello, my
14 name is Mike Wellman. My Wife, Corey and I have been owners
15 and breeders for more than 30 years. To give you just a
16 little background, from as long as I can remember, I had the
17 dream that at some point in my life I would have the good
18 fortune and privilege to have the thrill of owning race
19 horses. In 1975 I was fortunate to partner with a couple of
20 friends and claim our first horse. From that time, Corey
21 and I have continued on, loving this game for everything it
22 has to offer.

23 A lot has changed over the years and I realize it
24 will never be the same. With that being said, I, like so
25 many who care about this game, are extremely concerned about

1 the future and where we are heading. There are many
2 important issues and, maybe because of that, so many
3 distractions and deflections that it is rare to ever see
4 resolution or the fixing of a problem. Today I want to
5 discuss just one issue.

6 I would expect that in your next scheduled
7 meeting, or certainly by April, you will be responsible for
8 granting Hollywood Park and States for Spring/Summer. Now,
9 I have loved Hollywood Park for many years but, as you know,
10 Hollywood Park is owned by the same group that closed and
11 demolished Bay Meadows. Currently, in my opinion, this
12 group runs their racing operation and treats it as it is
13 terminal, and certainly the operations are based on a meet
14 by meet basis. They have openly indicated when the time is
15 right for them, their intentions are to close and develop
16 the property. Clearly, they have stated to anybody
17 listening that they will give the CHRFB, and any other powers
18 that be, six months notice. I cannot understand the non-
19 action of the Board, as well as the industry, regarding this
20 issue.

21 I have heard of no contingency plans to when this
22 occurs and it's not if, but when. And of course, you know,
23 under current conditions, it may be two years or it may be
24 five years but, in the meantime this organization is
25 bleeding the fan base by presenting sub-par marketing in a

1 sub-par environment that leads to a weaker product for
2 everybody.

3 Coincidentally, the CHRB Mission Statement, to
4 paraphrase, says that their purpose is to promote horse
5 racing, supervise and license all meetings and act as the
6 judicial body in matters pertaining to horse racing meets.

7 My question to you, is doing business with and
8 allocating Hollywood Park Racing Days in the best interest
9 of the California industry on a whole? And if the answer is
10 yes, can you not insist on certain conditions and criteria
11 that protect owners and horsemen while a thought out
12 contingency and racing date plan is developed and then
13 implemented?

14 Thank you.

15 CHAIRMAN BRACKPOOL: Thank you. The next speaker
16 I have is Jerry Jam.

17 MR. JAM: Chairman Brackpool, Members of the
18 California Horse Racing Board who I don't know. Seeing the
19 Mission Statement and hearing your comments are shocking,
20 I'm pleasantly surprised. I was kind of -- I was shocked,
21 once again, that Shapiro's matter was continued, because I
22 had an award for him today but -- I guess I'll just have to
23 maintain it for another month.

24 The change of direction that you just discussed, I
25 sure hope it happens because this has been pretty much an

1 exit, by horse owners like me and many trainers, out of
2 California for many -- for the plethora of reasons. And I
3 think the reason that this occurred was that this Board has
4 failed to listen to the people in horse racing that make up
5 California Horse Racing, the owners, the trainers, the fans,
6 the handicappers, the employees. And I think all of you
7 should consider that in the future that we shouldn't be so
8 beholding to the Racetrack Associations, the ADW providers,
9 the other people who certainly have a position in this sport
10 but, I think it's incumbent upon you, as a membership, to
11 listen to the people that make this sport go, because I've
12 already stated my position and I left. There are many other
13 trainers in this room, as well as owners in this room, that
14 are soon to make the same decision I made.

15 So, if in fact you do desire to change the
16 direction, I'm certainly happy to work with you to assist in
17 the direction of change but, I think this Board really needs
18 to listen to people and not be the pawns of the Racetrack
19 Associations and the ADW companies, to be specific. This
20 Board needs to show leadership, this Board needs to learn
21 how to say no, and this Board needs to learn how to work
22 with people. It has not worked with people in the past, I
23 don't know how many years and, I think it's been fatal for
24 the industry. And that's the reason why I left, is that
25 this Board refuses to listen and has refused to listen.

1 I do thank you for settling the Splendor case,
2 that was something that was pleasantly surprising to me. We
3 have another litigation with regards to Ingrid Fermin, and
4 I'm hopeful something is done in that case also but, if not,
5 that case will be litigated. But, I would ask you to
6 consider having a webcast, either a video or audio, of these
7 meetings, once again. I think when it was eliminated, and I
8 think it was 500 or 1000, whatever it was, I think that's
9 kind of a bad excuse when the CHRB is willing to spend
10 hundreds of thousands of dollars in litigating cases with
11 me, and I think that rather than litigating cases and
12 wasting money in the AG's office, it would be far more
13 beneficial for you to show the people of the horse racing
14 industry, both in the United States and in California, that
15 you are interested in listening and that you will disclose
16 fully what goes on in these meetings. So, I ask that you
17 consider having the webcast, either audio or video,
18 reinstated, because I think it's just the right thing to do.

19 I wish you good luck on your new path and I'm
20 happy to help you in any way. Thank you.

21 CHAIRMAN BRACKPOOL: Thank you very much. No
22 further public comment, then we'll move to Item No. 3, which
23 is the Proposed Amendment to the Rule 1689.

24 Jackie?

25 MR. CASTRO: One more public speaker.

1 VICE CHAIRMAN ISRAEL: Are you speaking, Richard?

2 MR. BASSETT: My name is Richard Arlin Bassett.

3 My family has been in the horse racing business for three
4 generations. I'm an ex-mutual clerk, 40 years I worked for
5 Santa Anita Industry and I retired three years ago. I'm
6 back into the back side again, I bought into horses with
7 Black Heep and Wesley Wards Barns, and I'm also going for my
8 trainers license to keep myself occupied.

9 One question I would like to know, and a lot of
10 people are asking, with the industry, the way we're going,
11 because of the economy first of all we've got problems but,
12 at this time, where the State of California needs tax
13 revenue, to me it seems like, and there's pros and cons on
14 it, whether we should have other forms of gambling on the
15 existing racetracks that we have now. And what I want to
16 know is why we are not pursuing, you know, aggressively up
17 there, when the state needs the revenue, for a possibility,
18 maybe they would say yes and give us a shot, at possibly
19 having other forms of gambling on the racetrack.

20 Now, to me, by bringing that in here, and I'll
21 tell you when I run a horse I go to the front runner and I
22 talk to some of the younger generation that are there with
23 their girlfriends or wives, whatever, they're saying, gosh,
24 there's nothing to do in between races, you know, what's
25 going on? And to me, to bring them back and to keep them

1 going, you've got to give them some kind of interest to let
2 them understand not only what horse racing is about and give
3 them entertainment but, you have to fill the void of the
4 older generation, which I'm running into people I've waited
5 on for 40 years, they're on canes and got one leg in the
6 grave, and they're not going to be here anymore. So, you've
7 got to do something. I know they've tried all kinds of
8 stuff.

9 I also was on, when I was a par-mutual clerk, I
10 was elected as Executive Board Member for five consecutive
11 terms for Local 280, for a total of 18 years. I was also a
12 negotiator for five contracts that we had with you, and I
13 was also an Assistant Business Agent. But, I think that if
14 we could pursue something like that financially we'd get up
15 there. And this seems to be the right time to do it,
16 because the state needs the dam money. But, if you go up
17 there and try it, we could possibly get this, this might
18 relieve a lot of the problems we have here right now,
19 including increasing the purses for us and our owners now,
20 and paying the feed bill, which I'm finding that out and,
21 you know, it would help us all in general.

22 So, basically, I would just -- I can never get a
23 direct answer why nobody is trying to pursue this.
24 Everybody kind of says, well, this group running the
25 racetracks wants it, this group that's running the other

1 half of the racetracks don't want it, and it seems like it's
2 an upper management thing where everybody is butting heads
3 and nobody is stopping to think about the whole picture.
4 Because a lot of those up there bumping heads are like the
5 old people I waited on that are getting ready to retire
6 anyway.

7 CHAIRMAN BRACKPOOL: Thank you.

8 MR. BASSETT: Thank you sir.

9 VICE CHAIRMAN ISRAEL: The answer to your question
10 is it requires, obviously, changes in state law, and --

11 MR. BASSETT: That I know, I know.

12 VICE CHAIRMAN ISRAEL: Okay. And there is no
13 force more powerful to induce the state to change its laws
14 than organized labor. So, if organized labor feels as you
15 feel, and it can work together with other stakeholders, you
16 might make progress in that end.

17 MR. BASSETT: We are for it. Where did you get
18 the idea we weren't?

19 VICE CHAIRMAN ISRAEL: No, I'm not saying you're
20 not. I'm just saying it requires a concerted effort of
21 organized labor, management and the other stakeholders who
22 are involved in this, to move the Legislation forward and
23 perhaps get legalized what you want legalized. Then you're
24 going to have to run an initiative probably.

25 MR. BASSETT: Well, you know, I understand that

1 point and it can be done but, the way it is here, if you
2 take it just like this track here, you've already got night
3 racing on Friday and Saturday nights, okay, so you've
4 already got that. All the bars and the dinner houses in,
5 say the City of Arcadia just for an example, they stay open
6 till 2:00 o'clock in the morning --

7 CHAIRMAN BRACKPOOL: It's an interesting debate,
8 it's one --

9 MR. BASSETT: I know but why aren't we pressing
10 the issue --

11 CHAIRMAN BRACKPOOL: -- excuse me -- it's one
12 that's going to happen.

13 MR. BASSETT: Okay.

14 CHAIRMAN BRACKPOOL: Thank you.

15 MR. BASSETT: Thank you sir for listening to me.

16 (The Board concluded the Public Comment Session.)

17 CHAIRMAN BRACKPOOL: Thank you. Item No. 3.
18 Jackie?

19 STAFF SERVICES MANAGER WAGNER: Good morning
20 Commissioners. Item No. 3 is the Public Hearing and action
21 regarding the Proposed Amendment of CHRB Rule 1689, Safety
22 Helmets Required.

23 Currently Board Rule 1689, Safety Helmets
24 Required, provides that a racing association may not permit
25 any person to gallop a pony or horse, to ride a horse in a

1 race or be mounted in or riding on a sulky unless the person
2 is wearing a properly fastened safety helmet.

3 The proposed amendment to this rule does several
4 things. The proposal adds any person working as a member of
5 the gate crew to the list of those who must wear a helmet.
6 The amendment also establishes new standards for our safety
7 helmets. The safety helmets on the California tracks must
8 comply with at least one of the four product standards that
9 are proposed.

10 During the 45-day public comment period on this
11 proposal, we received a comment on the proposal. We
12 received a comment that suggested that the Board, in
13 addition to the proposed amendment to the rule, also amend
14 the rule to require anyone mounted on a horse, on a
15 racetrack, to wear the prescribed helmet. In the comment
16 that was submitted, it was reported that work related
17 fatalities of trainers at racetracks exceed those of
18 jockeys.

19 The suggestion that was submitted during the
20 comment period was an issue that the Board did discuss at
21 its November 17th meeting, and at that time the Board
22 decided that they would not add that language to the rule
23 but rather that individual tracks are able to implement the
24 house rule requiring all persons mounted on a horse, on the
25 racetrack, to wear a safety helmet. This is currently the

1 practice that is happening, I believe, at Hollywood Park.

2 This item is presented to the Board for a hearing
3 and adoption. It should be noted that if the Board accepts
4 the recommendation to amend this rule further, to change the
5 language that is proposed, it would require an additional
6 45-day comment period on the new language.

7 CHAIRMAN BRACKPOOL: Commissioner Derek?

8 COMMISSIONER DEREK: Yes. I propose that we do
9 take the suggestion of new amendment to include anyone on
10 horseback on the track.

11 COMMISSIONER ROSENBERG: A question. The "on the
12 track" part, the way the language is written, Jackie, do you
13 read that to mean that it's only on the racetrack? I see
14 the Kentucky language, which you attached, does provide that
15 anyone on the grounds of a racing facility has to wear the
16 safety vest -- excuse me --

17 STAFF SERVICES MANAGER WAGNER: Yeah, the Kentucky
18 language was submitted along with the comment that we
19 received. The Board could adopt what Kentucky is proposing
20 or it could just specify on the racetrack. I think Kentucky
21 can be -- I'm not sure exactly how they are enforcing that
22 particular rule but -- it could be construed that anyone on
23 the grounds itself would have to wear a helmet, not just on
24 the track itself. Maybe it's too broad.

25 COMMISSIONER ROSENBERG: Yeah, my question is as

1 written it doesn't say on the racetrack though. Our
2 proposed amendment does not say on the track.

3 STAFF SERVICES MANAGER WAGNER: Oh, no, our
4 proposed amendment does not.

5 COMMISSIONER ROSENBERG: Is it clear that it's
6 only on the racetrack.

7 STAFF SERVICES MANAGER WAGNER: Correct.

8 COMMISSIONER ROSENBERG: The question is, we need
9 to propose a definition probably going forward on all
10 working issues, of what a racetrack is. It is anything
11 inside the perimeter, or is it just the area in which the
12 race is, or the training track?

13 CHAIRMAN BRACKPOOL: Let's hear public comment on
14 this issue?

15 MR. DOUGHERTY: Good morning, Charlie Dougherty,
16 California Thoroughbred Trainers. We respectfully request
17 that the language that has been submitted on the part of the
18 staff, be the language to be adopted today and that there be
19 no amendment.

20 As you know, we had testimony in the previous two
21 months regarding this, and we felt that we reached a happy
22 compromise in terms of being the language that has been
23 submitted by the staff today. And so we would respectfully
24 request that language be adopted. Thank you.

25 CHAIRMAN BRACKPOOL: Could you expand on why that

1 is the case?

2 MR. DOUGHERTY: Our position has been we believe
3 that the trainers, if the decision -- if they would like to
4 be out on a pony on the racetrack, that they not be required
5 to wear the helmet. It's their own responsibility and not
6 performing the task of pony and they're galloping a horse,
7 we don't believe the safety risks merit the proposed
8 language.

9 We are willing to work with the racetracks and
10 discuss the house rules and we believe that's the best route
11 to go with this.

12 COMMISSIONER DEREK: I feel that it's part of
13 being accredited with the Safety Alliance, and I don't know
14 why California would have rules that are less than that for
15 the tracks.

16 CHAIRMAN BRACKPOOL: Do we know, Jackie, how many
17 other states now have the broader national standard?

18 STAFF SERVICES MANAGER WAGNER: No, I do not know
19 right offhand. When we discussed this at the previous
20 committee meetings and hearings on the proposal, I don't
21 believe that issue was raised. What we were trying to do is
22 to give California the standards that were missing in its
23 current regulation, as it pertained to the safety helmets.
24 We took the recommendations from the Jockeys Guild, we took
25 the recommendation from the C -- I can't remember the

1 acronym -- we took the recommendation from the CHSA, in
2 terms of proposing the language.

3 In terms of what other racing jurisdictions are
4 doing, as pertains to safety, California usually is the
5 leader. So, I really can't speak to what the rest are
6 doing.

7 VICE CHAIRMAN ISRAEL: Charlie, put it away. This
8 whole debate reminds me a little bit of the debate that
9 preceded the mandating of wearing helmets for motorcycle
10 riders, okay. And which in the end came down to the public
11 pays a penalty if someone is thrown from a horse and suffers
12 a severe head injury or spinal injury, or dies, because
13 there's public expense of treating and maintaining that
14 person for the rest of their life, or the facility bears an
15 expense because it winds up being sued. So, how -- if
16 something happens to a trainer and he suffers a severe head
17 injury after he's thrown, how do you account for that with
18 the other stakeholders and with the government?

19 MR. DOUGHERTY: Well, I mean how I can account for
20 it, I mean obviously the trainer is responsible for their
21 own insurance and their own health coverage. If they --
22 they're not covered under their own workman's comp, they
23 have to purchase their own insurance. And so they would be
24 their own responsibility. I assume you're talking about
25 litigation or anything like that.

1 VICE CHAIRMAN ISRAEL: Well, there's going to be
2 litigation and every time somebody files a claim of that
3 magnitude, in the end it drives up the price of insurance
4 for everybody else. That's how it gets paid for. So, why
5 would you object to taking an extra step, you know, an extra
6 safety measure?

7 MR. DOUGHERTY: Well, that's our position --

8 COMMISSIONER CHOPER: Can I ask what was your
9 vote? You don't have to disclose that if it's confidential
10 but, how many trainers participated and how did they vote?

11 MR. DOUGHERTY: Well, there was not a formal vote
12 of the trainers. This has been a position presented by our
13 Board, knowing what the trainers were asking for.

14 VICE CHAIRMAN ISRAEL: Which Board was it, the old
15 Board or the new Board?

16 MR. DOUGHERTY: Well, John Sadler, the new
17 President, is here if you would like to --

18 VICE CHAIRMAN ISRAEL: John, answer the question,
19 what did you say?

20 MR. SADLER: This isn't --

21 CHAIRMAN BRACKPOOL: Please come to the podium.
22 Please say your name, John.

23 MR. SADLER: John Sadler, CTT.

24 CHAIRMAN BRACKPOOL: Thank you.

25 MR. SADLER: That was the position of the old

1 Board. The new Board, this is not a big deal to us, you
2 know, let's move forward with this, if that's the way you
3 want it but, there hasn't been any accidents of trainers
4 falling off horses that anybody could ever remember. So,
5 this is a lot of waste.

6 CHAIRMAN BRACKPOOL: Okay. Jack?

7 MR. LIEBAU: Jack Liebau from Hollywood Park.

8 We really do not have a dog in the fight, so to
9 speak. We have a house rule that requires the use of a
10 helmet. We will maintain that house rule, just on the
11 possibility that it might prevent a serious accident or
12 fatality. Subsequent to your meeting the last time this was
13 discussed, the NTRA Safety and Alliance people did send me
14 this study, that's the national study that was undertaken by
15 the Department of Health and Human Services. I found it
16 rather interesting that between 1992 and 2006, in accordance
17 with them, there were more fatalities with trainers than
18 there were with jockey.

19 As to your question as to what states require
20 this, I'm relying on the study that I've just cited, it's
21 Delaware, Illinois, New York, Ohio, Pennsylvania, and, as we
22 submitted, Kentucky has just filed, enacted the law.

23 As I said, we at Hollywood don't have a dog in the
24 fight because as long as we're there, and some people have
25 questions as to whether we should be there but, we will

1 maintain that, just so that on the possibility that it will
2 prevent a serious accident or fatality. Thank you very
3 much.

4 CHAIRMAN BRACKPOOL: Thank you.

5 VICE CHAIRMAN ISRAEL: I submit the motion I
6 think -- did you make the motion?

7 COMMISSIONER DEREK: I make a motion now.

8 VICE CHAIRMAN ISRAEL: And I second the motion.

9 CHAIRMAN BRACKPOOL: And the motion is to put the
10 rule out again from the 45-days with this amendment. All in
11 favor?

12 (Ayes.)

13 CHAIRMAN BRACKPOOL: Approved.

14 Okay. Item No. 4, Jackie, would you do the honors
15 again there please?

16 STAFF SERVICES MANAGER WAGNER: Item No. 4, the
17 Public Hearing and action regarding the Proposed Amendment
18 of CHRB Rule 1689.1, Safety Vest Required.

19 The proposed amendment to Rule 1689.1 adds the
20 harness drivers and the assistant starters to the list of
21 those who must wear a safety vest, and it changes the
22 outdated standard attributed to a safety vest, which is a
23 Beta standard of level five, it changes that to the level
24 one, that's under the Beta 2009 Standard for Horse Riders
25 Safety Vests.

1 It also adds several other -- well -- it adds two
2 other safety products standards that are safety vests on
3 California racetracks can adhere to. In addition, the rule
4 prohibits the alteration of any safety vests from its
5 original manufactured design.

6 The rule has been noticed for 45 days, the staff
7 did not receive any comments on the proposal and would
8 recommend that the Board adopt the proposal as presented.

9 CHAIRMAN BRACKPOOL: Okay. Do I have a motion?

10 COMMISSIONER DEREK: I would so move.

11 CHAIRMAN BRACKPOOL: Commissioner Derek moves.

12 VICE CHAIRMAN ISRAEL: Second.

13 CHAIRMAN BRACKPOOL: Vice Chairman Israel seconds.

14 All in favor?

15 (Ayes.)

16 CHAIRMAN BRACKPOOL: Approved.

17 Item No. 5, this is an issue for discussion. We
18 have received a number of comments from members of the
19 public that jockeys are picking and choosing suspension
20 dates. An illustrative example would be the jockey gets
21 three days, a Thursday, Friday, Saturday. The Saturday is a
22 big day with a lot of stakes races, the jockey rides more
23 than one designated race on the Saturday, rides a million
24 dollar race, a \$700,000 race, a \$500,000 race, and the
25 penalty for doing so is that they have to miss Wednesday.

1 And the comments are that the penalty is not fitting the
2 reward here. So, we open this item up for discussion. And
3 before I ask the Board to speak on it, would anybody from
4 the public like to address this issue?

5 Okay. Commissioner Rosenberg, you had a comment
6 on this?

7 COMMISSIONER ROSENBERG: It's a trick bag. I
8 asked the question of someone at the Board -- at the
9 Executive Offices, how do the stewards actually assign the
10 days? And the response was that the stewards are sensitive
11 to stakes days, which confused me based upon the point you
12 made. So, I'm not really clear. If someone could clarify
13 how the stewards choose the specific days, if they're
14 sensitive to the issue of the stakes race, then there
15 shouldn't be a problem. But, I presume this is probably
16 that they've been inconsistent in their sensitivity, or
17 whatever. So, could anyone answer that question?

18 EXECUTIVE DIRECTOR BREED: Well, Kirk Breed,
19 Commissioner, the stewards are following the rule, which
20 says if there's only one designated race, then they will
21 allow the suspension. And I don't see the problem in terms
22 of the one race versus the two races, which negate a
23 suspension day.

24 The problem seems to be in breaking -- if there's
25 a ten day suspension rule, in effect breaking that up into

1 two sections, with the primary races in the middle as non-
2 suspended days, and then picking up the suspension days on
3 those days when nothing is going on, when there's no
4 designated races.

5 COMMISSIONER ROSENBERG: So, you're saying it only
6 applies when there's a ten day suspension, a three day
7 suspension they generally, as a rule --

8 EXECUTIVE DIRECTOR BREED: It seems like it only
9 applies when they break the line up, you know, if it's a
10 five day they break two here and three over here.

11 COMMISSIONER ROSENBERG: Well, in this particular
12 example though, that I cited, it is that the days are
13 Thursday, Friday and Saturday. Saturday has a big card and
14 Wednesday doesn't. It's fairly obvious what a jockey would
15 choose to do. So, then one alternative would be to match
16 the day, so if you ride extra races on a Saturday, you miss
17 the next Saturday, so that you're not forum shopping for the
18 Wednesday when the jockey may not be riding anyway.

19 COMMISSIONER MOSS: Basically the concept is that
20 if the jockey commits a so-called infraction riding one
21 owner's horse, should another owner, who is in a big stake,
22 lose that jockey because of that infraction?

23 CHAIRMAN BRACKPOOL: Right.

24 COMMISSIONER MOSS: So, thereby the designated
25 races, so that allows the jockey to fulfill his commitment

1 to the owner that has been riding on him on the big horse.
2 It's the second designated race that's the problem, the
3 first one he's allowed to do, correct?

4 CHAIRMAN BRACKPOOL: Right.

5 COMMISSIONER MOSS: Without losing --

6 CHAIRMAN BRACKPOOL: But using Jerry's example,
7 it's the second one that you -- if you follow.

8 COMMISSIONER MOSS: Right.

9 CHAIRMAN BRACKPOOL: I mean I think a fair answer
10 may be to move it to -- either stick with the same date a
11 week later or --

12 COMMISSIONER CHOPER: So moved.

13 CHAIRMAN BRACKPOOL: Jackie, is this something
14 that we're first to put out for comment now?

15 COMMISSIONER ROSENBERG: I think we can --

16 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
17 CHRP Staff. If the Board wishes to amend Rule 1766 to make
18 a change to what our current practice is, we would have to
19 develop language for the 45-day comment period and put it
20 out for notice.

21 CHAIRMAN BRACKPOOL: Go ahead.

22 COMMISSIONER ROSENBERG: So, we can ask you to
23 come back in 30 days with that language --

24 STAFF SERVICES MANAGER WAGNER: Yes.

25 COMMISSIONER ROSENBERG: And then we vote to

1 approve it, then we put it out?

2 CHAIRMAN BRACKPOOL: Right.

3 STAFF SERVICES MANAGER WAGNER: Yes, absolutely.

4 COMMISSIONER ROSENBERG: Okay. Fine.

5 CHAIRMAN BRACKPOOL: Do I have a motion on that?

6 Commission Choper.

7 COMMISSIONER CHOPER: Yes.

8 COMMISSIONER ROSENBERG: Second.

9 CHAIRMAN BRACKPOOL: Commission Rosenberg, second.

10 All in favor? Putting it up for discussion.

11 COMMISSIONER ROSENBERG: Discussion -- we have to
12 ask the staff --

13 CHAIRMAN BRACKPOOL: Ask the staff to do it --

14 COMMISSIONER ROSENBERG: Right.

15 CHAIRMAN BRACKPOOL: Right, okay.

16 Item No. 6 is the report and Presentation from the
17 Representatives of SCOTWINC.

18 MR. VARELA: Well, good morning, I'm Tom Varela,
19 I'm General Manager of Southern California Off-Track
20 Wagering or SCOTWINC, as we're known.

21 The function of SCOTWINC is we disseminate the
22 audio and visual signal and oversee the wagering operations
23 in the central and southern zones for the day associations,
24 and we actually operate all over the state for the night
25 signals for Los Alamitos and Cal Expo Harness.

1 Our associations that make up SCOTWINC are L.A.
2 Turf Club or Santa Anita Public Parks Spring and Fall, the
3 Del Mar Thoroughbred Club, Fairplex, Oak Tree Racing
4 Association and then Cal Expo and Los Alamitos. And in
5 addition, our Board is comprised of members from the TOC
6 Pacific Quarter Horse Racing Association and Cal Harness
7 Horsemen and California Authority of Racing Affairs.

8 In the last few years our revenues have seen a
9 decline. Since ADW we're down about 40 percent in revenues,
10 with a majority of that in the last few years with the
11 economy, and then the shift in the handle from the brick and
12 mortar over to the ADW. We stated seeing this, where we
13 would run in deficit situations for the associations
14 probably 2005, 2006 but then in the last couple years, 2007,
15 2008 and 2009, we've seen serious deficits, especially at
16 the 2.5 percent, the majority at the 2.5 percent.

17 Our expenses, you know, we have a bunch of
18 different expenses for putting on the show. Oh, what we
19 handle is, we handle the back end, we handle just the
20 wagering operation, we don't have anything to do with the
21 front end operation as far as --

22 CHAIRMAN BRACKPOOL: I think we're all familiar
23 with what you do. I think the concern of the Board is where
24 is the future of this business model, because it doesn't
25 appear to be a sustainable business model in today's

1 environment. And what changes are you proposing to come to
2 us with, that would give us confidence that these deficits
3 are not going to become permanent deficits and you're not
4 going to be going back to the Legislature every time trying
5 to take money from elsewhere to fund those deficits.
6 Because we do not want to be in the business of promoting a
7 business model that is no longer sustainable.

8 MR. VARELA: Right.

9 CHAIRMAN BRACKPOOL: And what I haven't seen so
10 far is what changes you're talking about to react to the
11 fundamental shifts that have taken place in our business and
12 the economy over the last five years. So, that is what I
13 would like to hear from you.

14 MR. VARELA: Okay. And I think we heard at the
15 last meeting, we touched on that, we're working with an
16 industry group right now who is evaluating all the funds,
17 not just SCOTWINC, and NCOTWINC, CMC, CTBL, all the various
18 funds who have a deduction, a statutory deduction and --

19 CHAIRMAN BRACKPOOL: But I'm asking about SCOTWINC
20 today.

21 MR. VARELA: Right. Well, as I said, we're
22 working with those industry members, we're evaluating our
23 satellites, we're, you know, looking for efficiencies in
24 operations, you know, amongst all the funds, you know,
25 whether efficiencies could be achieved.

1 CHAIRMAN BRACKPOOL: What I'm asking for directly,
2 what do you anticipate the deficit of SCOTWINC will be for
3 this fiscal year?

4 MR. VARELA: For the two and a half percent funds
5 that are current, about four million.

6 CHAIRMAN BRACKPOOL: And how do you intend to fund
7 that deficit?

8 MR. VARELA: Right now what we're doing is, we're
9 getting a distribution from the ADW, which is on the agenda
10 for NCOTWINC, but we receive a distribution.

11 CHAIRMAN BRACKPOOL: Right.

12 MR. VARELA: And in the process, as I said, we're
13 evaluating --

14 CHAIRMAN BRACKPOOL: But that's a short term
15 issue. We only gave a short term approval for that.

16 VICE CHAIRMAN ISRAEL: Do a five year business
17 plan.

18 MR. VARELA: Actually, we're -- our industry group
19 -- our industry group is working, we're actually, June 30th
20 is what we hope to have a plan --

21 VICE CHAIRMAN ISRAEL: Have you ever done
22 projections out over a recurring five year period to project
23 deficits and check the model?

24 MR. VARELA: In the last couple of years we've --
25 not a five year but, you know, in future years.

1 VICE CHAIRMAN ISRAEL: Have you ever shown a
2 surplus in any of those models?

3 MR. VARELA: No, not going forward.

4 VICE CHAIRMAN ISRAEL: Okay. So, whatever model
5 that was instituted in 1995 --

6 MR. VARELA: In '88.

7 VICE CHAIRMAN ISRAEL: In '88. So, you're 22
8 years in and you've got to change the way you do business.

9 MR. VARELA: Right.

10 CHAIRMAN BRACKPOOL: And we're saying the first
11 time we're going to see a plan on how you intend to change
12 business is the end of June this year?

13 MR. VARELA: No, I would think we'll have
14 something sooner than that but, I think we're pretty much
15 under the gun to get something done by June at the latest.

16 VICE CHAIRMAN ISRAEL: Because as it stands now,
17 the best we can understand this, you keep stealing from
18 Peter, obviously I wasn't raised in that church so, you
19 steal from Peter to pay Paul or some stuff like that. I
20 don't know who Peter or Paul are but Peter seems to be
21 getting the short end of the stick. And how are you going
22 to fix that?

23 MR. VARELA: What's that?

24 VICE CHAIRMAN ISRAEL: Huh?

25 MR. VARELA: As I said, we're working with the

1 industry --

2 CHAIRMAN BRACKPOOL: Just before you -- Jack?

3 MR. LIEBAU: Since Craig -- I don't think --

4 CHAIRMAN BRACKPOOL: Announce yourself please.

5 MR. LIEBAU: Jack Liebau. Craig doesn't seem to
6 be present so, maybe I can answer a couple of your
7 questions. Both SCOTWINC and NCOTWINC have problems as far
8 as insolvency is concerned. Prior to the adoption of the
9 ADW deduction that you approved, and you are correct, it
10 goes through June 30th, the SCOTWINC deficit is about
11 \$24,000 a day, it's a staggering amount. Of those costs,
12 approximately 70 percent of it is with labor, and it has to
13 do with the manning clause.

14 We are in discussions with Local 280. The
15 discussions have gone very well. They understand our
16 problem. We hit a speed bump but, I think that we will try
17 again to reach a resolution that will reduce our labor costs
18 substantially. That is not the total solution, because
19 times have changed and the model has to be changed but, I
20 don't want you to think that either the tracks or the
21 horsemen, and Marsha is here and can speak for them, are
22 just sitting back and doing nothing, and are not aware of
23 the problem. We are trying to fix it and we're trying to
24 fix it with the help of labor.

25 COMMISSIONER CHOPER: What is the deficit with the

1 additional revenue generated by the ADW?

2 MR. LIEBAU: We are covering that deficit and
3 paying for past ills and almost have the past ills paid for,
4 with respect to Oak Tree, Del Mar, Hollywood Park.

5 COMMISSIONER CHOPER: And that's a proposal we
6 have for the north now, is that right?

7 MR. VARELA: I take it it is. I'm no longer a
8 party to the north but --

9 COMMISSIONER CHOPER: I didn't know that.

10 MR. LIEBAU: I left that in good hands with Marsha
11 here.

12 VICE CHAIRMAN ISRAEL: Okay. Can I ask one
13 question?

14 CHAIRMAN BRACKPOOL: Yeah.

15 VICE CHAIRMAN ISRAEL: In reassessing where you
16 are and how to move forward, are you able to deal with this
17 conceptually instead of just financially and say --

18 MR. LIEBAU: No, conceptually I think that we have
19 to look at all the distributions from take out to see
20 whether they're going to the right places --

21 VICE CHAIRMAN ISRAEL: I mean conceptually in a
22 different sense. Not how the money is being chopped up but
23 how the money is being made in the first place. Do we need
24 more and different ways to attract customers? Do we need to
25 follow the model that seems to be working from the Commerce

1 Club, and start having many more of those smaller satellite
2 facilities at places that already are used for other kinds
3 of gambling? I mean we need to think creatively.

4 MR. LIEBAU: We are. That was the purpose of
5 passing the Legislation that had to do with authorizing mini
6 satellites. The Commerce Club, yes, is working and no doubt
7 there is some incremental wagering at the Commerce Club but
8 there certainly is cannibalization.

9 CHAIRMAN BRACKPOOL: Okay, let's just --

10 MR. LIEBAU: But we're working it.

11 CHAIRMAN BRACKPOOL: -- be clear here. If
12 SCOTWINC intends to come back to this Board post June 30th
13 and ask for a July 1 extension of this provision, we're not
14 even going to consider that until we've seen a business plan
15 that has absolute structural changes to the business model,
16 because this is not sustainable.

17 MR. LIEBAU: We understand.

18 CHAIRMAN BRACKPOOL: And so -- well -- I don't
19 know that you do understand, because I just heard you're
20 going to have a business plan by June the 30th, but you'll
21 need the extension the following day.

22 MR. LIEBAU: Could Marsha talk to this, as far as
23 the TOC and what the tracks in TOC are working together to
24 do exactly what you said?

25 CHAIRMAN BRACKPOOL: Please.

1 You know, Keith --

2 CHAIRMAN BRACKPOOL: Announce yourself.

3 MS. NAIFY: Yes, Marsha Naify, Chair of
4 Thoroughbred Owners of California.

5 Commissioner Brackpool, you know, TOC came to the
6 same conclusion a year ago that you have today. And it was
7 then that we demanded from SCOTWINC, NCOTWINC and other
8 industry organizations that we do business differently. It
9 has been a long haul over that year to get some changes
10 implemented in an industry that has sort of been mired in a
11 quagmire with no forward thinking and no vision on how to
12 increase our revenues and how to run our industry much more
13 efficiently and reduce expenses.

14 In order to keep the satellite system going, which
15 does supply a huge amount of purse money, we said, all
16 right, TOC will partner with you on the ADW deduction
17 solution but, this MOU expires on June 30th and we need a
18 long term solution to our problems and that must be
19 delivered by June 1st, otherwise we will no longer continue
20 to support what we consider a failing business model.

21 Finally, you know, in December we came up with a
22 solution of forming a controller's group, which is composed
23 of key industry numbers crunchers and professionals, to take
24 a look at SCOTWINC, NCOTWINC and the other industry
25 organizations, everything from the CMC to the CHSA, to see

1 where we could gain efficiencies and where we could reduce
2 expenses. But, along with that we also need to do other
3 things. We do have the Union problem, which we're working
4 on. We're working on Legislation on this 20 mile radius
5 rule, which has inhibited us. We know that we need to open
6 these mini satellites for the satellite system, and we need
7 to do this for all the organizations though. So, we're in
8 complete agreement. We've been driving this discussion and
9 we hope to have some real answers for you.

10 VICE CHAIRMAN ISRAEL: Here's one thing you need
11 to do in a nutshell, instead of saying, if we open up that
12 business we're going to be cannibalizing that business,
13 you've got to start thinking how are we going to expand the
14 business, how are we going to get new customers? If we open
15 up that business, we're going to get new people and they're
16 going to do it better. And if this guy can't compete,
17 tough, then he goes out of business, he's not protected.
18 And it's got to be -- instead of this monopoly that protects
19 failure, it's got to be capitalistic and reward success.
20 And that's the problem.

21 MS. NAIFY: You're correct, Commissioner Israel,
22 and we agree with you one hundred percent on that.

23 CHAIRMAN BRACKPOOL: So, what I'm going to ask is,
24 I'm going to ask Commissioner Rosenberg, who is going to
25 chair the new marketing and promotion committee of the

1 Board, to please have SCOTWINC and yourselves come down to
2 discuss this, so we can start to talk about what the long
3 term fundamental changes are that we need. And I'm going to
4 ask Commissioner Israel, who is chairing the budget and
5 finance, to actually get a preview of what these should --
6 in the next 12 to 24 months actually look like. Just don't
7 be coming here at the July meeting expecting us to rubber
8 stamp an approval that is a failure. So, that's not going
9 to happen.

10 MS. NAIFY: No, it's certainly not going to happen
11 for the TOC, because our days of rubber stamping anything
12 are over and, like I said, we are right in lock step with
13 you on this.

14 VICE CHAIRMAN ISRAEL: Can you get this
15 Legislature run and passed by June?

16 MS. NAIFY: I'm not sure what the time frame on
17 that is, I think probably Rod -- can speak to that but, we
18 are working together with our industry partners to push this
19 Legislation forward. We just are changing a little bit the
20 wording so, that's going to be a done deal for this year.
21 We need to get that done.

22 VICE CHAIRMAN ISRAEL: Because that changes
23 everything.

24 MS. NAIFY: Yes, it does.

25 CHAIRMAN BRACKPOOL: Thank you.

1 CHAIRMAN BRACKPOOL: Commissioner Rosenberg?

2 COMMISSIONER ROSENBERG: One question, on the
3 notes to your financials, stabling and vanning, this is for
4 '08, for example, the stabling number was \$10,259,000 and
5 the vanning was \$1,050,000. Where does that money go
6 exactly? Do you have a breakdown?

7 EXECUTIVE DIRECTOR BREED: What page is that on?

8 COMMISSIONER ROSENBERG: It's on page six and 17.

9 MR. VARELA: The stabling and vanning, as far as
10 the stabling portion, let's say right now Hollywood Park is
11 serving as an auxiliary site for Santa Anita, they're
12 incurring the costs of stabling those horses that are
13 performing here at Santa Anita. So, we reimburse those
14 auxiliary stabling centers for their costs, for their
15 stabling costs.

16 COMMISSIONER ROSENBERG: Do you have a breakdown
17 of those amounts?

18 MR. VARELA: What's that? Normally what happens
19 is an audit is conducted, whenever there is, you know,
20 increases asked so, we should have a breakdown of those.

21 COMMISSIONER ROSENBERG: Was San Luis Rey Downs
22 part of that? In '08 it was, I presume?

23 MR. VARELA: San Luis Rey Downs in '08 and '09 was
24 authorized stabling amounts, but they're no longer --

25 COMMISSIONER ROSENBERG: And do you have any idea

1 what those amounts were? Does anyone know how much?

2 MR. VARELA: It was 1.7 million.

3 COMMISSIONER ROSENBERG: For the year?

4 MR. VARELA: Yeah.

5 COMMISSIONER ROSENBERG: Okay. Thank you.

6 CHAIRMAN BRACKPOOL: Richard Castro?

7 MR. CASTRO: Chairman Brackpool, Commissioners, my
8 name is Richard Castro, representing Paramutual Employees
9 Guild. I want to reaffirm that we are, they are, working
10 with us to try to resolve these problems. I'm the big labor
11 problem. We tried to modify our agreement recently, it got
12 voted down, there are a lot of reasons why it was voted
13 down, none of the reasons are any good. It was a chaotic
14 mob-like meeting, we need to do a better job from my
15 standpoint.

16 But, I just want to reaffirm that I have had a lot
17 of help. We have had a lot of meetings where there's been a
18 lot of give and take to try to understand how we can work
19 better together, and those meetings will continue to go
20 forward. That's all I have to say.

21 CHAIRMAN BRACKPOOL: Thank you. I have Jerry
22 Jamgotchian on this issue.

23 MR. JAMGOTCHIAN: Mr. Chair and Members of the
24 Council, or Commission. You know, nobody is really the
25 problem here, I don't think. I think the issue is that

1 SCOTWINC and NCOTWINC, and many of these organizations, have
2 been so stale for so many years that they haven't been
3 required to perform economically. I think SCOTWINC and
4 NCOTWINC are two classic examples.

5 I think it's incredibly important that this Board
6 gives them a deadline and I think you've kind of given them
7 a deadline but, I don't think that there's going to be a lot
8 of creativity until the deadline passes, because this
9 industry has stymied itself on creativity ever since I've
10 been associated with it. They get funded with money,
11 millions of dollars is wasted at SCOTWINC and NCOTWINC to
12 help people that really don't deserve to be helped, because
13 they don't help the industry. They're not stakeholders.
14 They're just people that take. You need to have less people
15 taking and more people being involved in this process.

16 I'm glad that TOC recognizes that SCOTWINC and
17 NCOTWINC is a failed organization, and I also think that
18 considering free enterprise and rewarding success is
19 something that's very important. But, you've got to stop
20 the money pit. If it's four million this year, what's it
21 going to be next year? You've got to require these guys to
22 run it as a business or you have to close them.

23 CHAIRMAN BRACKPOOL: Thank you. Okay. So, the
24 summary of this is that you will receive notice from the
25 Committee Chairs with a far greater degree of detail

1 requested than has been provided so far, frankly providing
2 audited financial statements for the year ended December
3 31st, 2008 is not valuable. We need to know what the
4 deficit is going to be, what the plan is to solve it, and
5 why this is not going to be a continuing structural problem.

6 So, you will receive notice from both Committee
7 Chair Rosenberg and Israel. Thank you.

8 Okay. Item No. 7, which is the proposal, the
9 presentation from NCOTWINC.

10 MS. VANDUSSEN: Patrice VanDussen, Controller for
11 NCOTWINC.

12 MR. HARTMAN: Robert Hartman, General Manager,
13 Gold Gate Fields. And I'm here with Peter Tunney, who is on
14 the Board of NCOTWINC.

15 CHAIRMAN BRACKPOOL: Please go ahead.

16 MS. VANDUSSEN: My report is similar to what
17 Mr. Varela began with, so I don't know how much detail you
18 want. Certainly the issues are pretty much exactly the same
19 in Northern California as they are in Southern California,
20 so.

21 CHAIRMAN BRACKPOOL: Well, you had advanced
22 warning where we were going on this issue because you, by a
23 lucky toss, got to go second as opposed to first. What I
24 want to know is when your business plan is going to be
25 ready, what are you going to do, what different thoughts

1 have you had into it and are you now aware that the time
2 table to come to us is not June the 30th?

3 MR. HARTMAN: Yes, we heard everything that you
4 said and we will get you the information that you're
5 requesting and work with the Committee Chairs in short
6 order. One difference that's happened in the north, as
7 compared to the south, is we did lose our biggest satellite
8 with the closure of Bay Meadows. They were -- Gold Gate
9 Fields and Bay Meadows were the only two satellites that
10 actually created more money into NCOTWINC than took out.
11 So, the two and a half percent fund, Bay Meadows actually
12 generated a surplus so they offset some of the deficit. So,
13 the loss of that satellite in that north was devastating.

14 San Mateo County Fair has stepped up, they've done
15 a fine job but, still not the level that the Bay Meadows
16 satellite performed.

17 The other issue we have in the North is our
18 largest market, the San Francisco market, has been shut off
19 to us from the San Mateo County Fair. We've tried, we've
20 come to the Board with two applications, with Mr. Tunney was
21 leading the charge on those and San Mateo implemented the 20
22 mile rule on us.

23 In addition, San Jose, which is the largest
24 growing market, I believe in the state, its satellite is an
25 embarrassment to the industry. And I invite any member of

1 the Board to accompany me to the San Jose satellite, I would
2 encourage that. They do have a monopoly in that market,
3 it's a tremendous market, it's an under served market.

4 So, while we will include these things in the
5 business plan, we are working with one hand tied behind our
6 back, sometimes it feels like two hands tied behind our
7 back. But, we will provide you the information.

8 CHAIRMAN BRACKPOOL: Can I ask the scope of your
9 deficit? Again we've got the financial statements that are
10 14 months old at this stage, what was the deficit for the
11 year ended 2009?

12 MS. VANDUSSEN: The deficit which is generated
13 just by the Associations, the Fairs run with surplus because
14 of the different percentage, was about 1.2 million for the
15 year.

16 CHAIRMAN BRACKPOOL: And how have you funded that
17 so far?

18 MS. VANDUSSEN: It's been carried by Golden Gate
19 basically, by them, by the same organizations.

20 MR. HARTMAN: And the next agenda item will be to
21 use that same ADW solution that was used --

22 CHAIRMAN BRACKPOOL: Right.

23 COMMISSIONER CHOPER: What do you estimate that
24 will generate, just as a short term matter, the next agenda
25 item?

1 MS. VANDUSSEN: The estimate is that \$850,000 of
2 that will go to pay prior deficits, the remainder, which is
3 about the same, will go to make January through June whole.

4 COMMISSIONER CHOPER: So, about half annually of
5 the deficit. Are you going to make up everything? You're
6 not going to make up everything with that, in one year?

7 MS. VANDUSSEN: It's projected to make up though,
8 all of the post petition, the bankruptcy monies.

9 COMMISSIONER CHOPER: I got it.

10 MS. VANDUSSEN: If it's as projected, that will be
11 cleared off.

12 COMMISSIONER CHOPER: Okay.

13 MR. HARTMAN: But the issue we're facing, just to
14 lay all our cards out on the table, as the handle drops,
15 these deficits are going up at an alarming rate so, you
16 know, that's the issue that I believe the --

17 CHAIRMAN BRACKPOOL: Because it's a failed
18 business model at this stage, and these short term band aids
19 are just short term band aids. So, look, I think we made
20 our point very clear at the last agenda item because it's a
21 similar issue. You will be asked to appear in front of
22 these committees and --

23 COMMISSIONER MOSS: Are you aware of any action in
24 the Legislature to reduce the 20 mile limitation -- that's a
25 monopoly and not a very successful one.

1 MR. HARTMAN: Yeah, I believe Mr. Blonien is here
2 and can speak about it, the principals all got together in
3 Sacramento three or four weeks ago and we are planning to
4 run Legislation to changer that.

5 VICE CHAIRMAN ISRAEL: What's the bill going to
6 say? Rod?

7 MR. BLONIEN: Good morning Mr. Chairman, Members.
8 Rod Blonien (phonetic). What is the bill going to say?
9 The bill is going to first of all shrink from 20 miles to 15
10 miles, and is going to take out the word "radius", it's
11 going to define the mileage as street miles. In addition to
12 that, there is a provision that would indicate that the
13 Board could go ahead and license a satellite facility that
14 is closer than 15 miles on a test basis, and go ahead and
15 measure the extent to which that satellite that's closer
16 than 15 miles, what impact it has on the existing satellite,
17 and then determine to continue it or discontinue it, and to
18 possibly require that some impact fees be paid to the
19 preexisting satellite.

20 CHAIRMAN BRACKPOOL: In the Board's discretion?

21 MR. BLONIEN: In the Board's discretion.

22 COMMISSIONER CHOPER: What do you think about the
23 future of the bill in this --

24 MR. BLONIEN: Well, I think that certainly some
25 satellites will have heartache over the bill --

1 COMMISSIONER CHOPER: No, no -- oh, excuse me.

2 MR. BLONIEN: Yeah, and I think it's, you know,
3 it's a bill that's going to have to be negotiated. And I
4 should tell you that getting someone to carry the bill was
5 not a walk in the park. There were people that were very
6 concerned about the fact that there are three Tribal Casinos
7 and this could impact on the Tribal Casinos. And I said,
8 you know, the eight billion dollar profit from Tribal
9 Casinos, this is like their chewing gum concession, it's not
10 a factor. But, you know, there was a lot of hand wringing
11 and, you know, gee whiz but, finally we have an author and
12 the bill is going to go foward.

13 I told members of the Legislature, I said, you
14 know, I think the Horse Racing Board is near unanimous on
15 the fact that the 20 miles has to be changed. And, you
16 know, again it would be great to have some forceful
17 expression from this Commission.

18 VICE CHAIRMAN ISRAEL: Why 15 miles? Why not
19 allow competition? This is the United States of America for
20 God's sake.

21 COMMISSIONER MOSS: How did you arrive at 15?

22 VICE CHAIRMAN ISRAEL: Yeah.

23 MR. BLONIEN: Well, I think, Mr. Moss, it's less
24 than 20 and, you know, where it goes I don't know. I
25 mean --

1 CHAIRMAN BRACKPOOL: We arrived at it by making
2 sausage, right?

3 MR. BLONIEN: Yes.

4 MR. TUNNEY: Let us -- could we restate though --

5 CHAIRMAN BRACKPOOL: State your name for the
6 record.

7 MR. TUNNEY: Peter Tunney, Golden Gate Fields and
8 for NCOTWINC. Back to Commissioner Israel's statements last
9 summer at Del Mar, we have not lost our enthusiasm for
10 finding these locations, whether it be in San Francisco or
11 anyplace else. We're working now to locate one in Northern
12 California just south of Eureka. And so we've got continued
13 enthusiasm.

14 We understand that it's not difficult -- or it is
15 difficult, not easy, to get somebody to want to change their
16 business model in some similar, the Commerce Club, those
17 kind of places lend themselves to existing gambling. But,
18 to get somebody that has a bar or restaurant --

19 VICE CHAIRMAN ISRAEL: No, I completely understand
20 that. We have this system that basically establishes these
21 legally enforceable monopolies that have no incentive to
22 succeed. And that's bad for the business.

23 CHAIRMAN BRACKPOOL: We have two issues here. We
24 have a need to change the fundamental way we do business.
25 We also have a short term need to continue to stay in

1 business while we work through those two. And I want to
2 make sure that whatever plans you are coming back to us
3 with, take into account both of those things.

4 Now, I don't want to hear, well, we're going to
5 run a bill that actually increases the amount we're taking
6 from somebody else and that's how we're going to solve our
7 deficit. We could all solve our deficits in life by getting
8 gifts of money from other people, that's not reality. So, I
9 think going to Commission Israel's point, that's where I
10 want to see the work going through on the marketing
11 committee, and then going to how are we going to fund this
12 for the next 12 months and how are we assured that these,
13 the situation is not going to deteriorate, goes to
14 Commissioner Israel's committee.

15 So, I have two speakers requested to speak on this
16 issue, John Bucalo first.

17 MR. BUCALO: Good afternoon. John Bucalo from
18 Barona Casino Off-Track Betting, and I just wanted to
19 comment on the 20 mile reduction. If it does happen, I just
20 talked to Rod a little while ago, the 15 miles, although I
21 don't like it, I think we could live with it, if it's for
22 the benefit of the industry as a whole, because I am for
23 that but, if it's less than 15 miles, and to say why not
24 less, the reason why not less is you can over-saturate this
25 industry with a product that is not in demand right now.

1 Horse racing is not in demand and New York can exemplify
2 that, their satellite facilities are going bankrupt right
3 now, and we don't want to do that to us. And with ADW, the
4 expansion of ADW and computer betting, that's hurt our
5 industry. And even though we are a casino, we are very --
6 our priority, one of our priorities is horse racing. We had
7 a 1.5 million dollar sponsorship deal with Del Mar, we bring
8 our highest end players to the racetrack for the race meet
9 when we're there. I encourage people to go to the track,
10 get them educated on racing, so they become stronger and
11 develop them into more horse players.

12 The problem with going to the racetracks, and our
13 Commerce Card Club, if you look at their numbers, and
14 Pomona's numbers lately, and I mentioned this the last time
15 I spoke but, their numbers are very high. In fact, Pomona
16 is the only one that's in the positive right now in Southern
17 California, they're 14 percent in the positive. And it's
18 because they're driving a lot of business from Santa Anita
19 to their facility. And I know that because I've gone over
20 there. I know Commerce Card Club is getting Santa Anita and
21 Hollywood Park's business. I've been in this industry my
22 entire life, which has been approximately 50 or 60 years, I
23 was born in this industry, and I've come to know a lot of
24 those people who were at Commerce Card Club. I asked a lot
25 of them why are you here rather than Santa Anita or

1 Hollywood? And I knew -- the number would be approximately
2 15 people I asked, they all said the same thing, because of
3 the cost.

4 The tracks have to recognize that that is driving
5 people away. They have to reduce the parking to nothing --

6 CHAIRMAN BRACKPOOL: I want to stay on the point
7 we're on and not get into a broad expanse of everything
8 that's wrong. I would say that your response to
9 Commissioner Moss that anything less than 15 miles is
10 saturating a product that is not in demand is a chicken and
11 egg situation here. We have to start promoting our product
12 and not restricting the ability for people to watch or
13 participate in our product. So, I'm not sure that I would
14 agree with your point, but thank you for your comments.

15 MR. BUCALO: I would like to make one more
16 comment. The Reservations have two -- our Reservation, for
17 example, have two roads getting in. If you lessen that and
18 put a satellite facility on one end, and one on the other
19 end, it would devastate our business. So, we're unlike
20 other satellite facilities where people have a lot of areas
21 to get to them.

22 CHAIRMAN BRACKPOOL: Yeah, but maybe if you have
23 five roads going into your Reservation it would increase the
24 Reservation's business overall, that's my point.

25 MR. BUCALO: You wouldn't want a track next to

1 this track either.

2 CHAIRMAN BRACKPOOL: I understand. Thank you for
3 the comments. Thank you.

4 Jerry Jamgotchian.

5 MR. JAGOTCHIAN: You know, this is kind of an
6 interesting topic. I think though I'd like to change it
7 around. I think the Board needs to show leadership in this
8 regard, because if the Board thought about this, as I was
9 sitting here just listening, the Board licenses these
10 satellites, if they license the satellites, why don't they
11 say to the satellites, okay, satellites you have to do X
12 amount of dollars, you have to have so many square feet, you
13 have to maintain capital improvement budgets, you have to
14 perform like a business, and if you don't perform like a
15 business, you don't get a license. So, in fact, if the
16 Board knocked out the satellites that didn't follow the
17 rules, as identified and structurally supported by the
18 Board, you wouldn't have the issue. You would have
19 satellites closing, opening up your opportunity to spread
20 satellites all around California. So, I think that if the
21 Board shows leadership rather than letting the Legislature
22 show leadership in trying to change the 15, or from 20 to 15
23 or 20 to 17, all that's irrelevant. This Board needs to
24 pull -- I'm not done -- this Board needs to pull the
25 licenses of these satellites and eliminate them. Thank you.

1 CHAIRMAN BRACKPOOL: Thank you very much. Okay.
2 So, we have our marching orders, you will be contacted by
3 the committee chairs, and then we'll be back.

4 Before we do -- Commissioner Choper?

5 COMMISSIONER CHOPER: Kirk, do we have anything
6 about this San Jose? We've heard it a couple of times I
7 guess. Do you have any comment about that?

8 EXECUTIVE DIRECTOR BREED: Yes. Commission
9 Choper, there's not only San Jose but there are several
10 satellites in existence right now that we are in the process
11 of inspecting and making a recommendation to the Board. In
12 the case of the San Jose -- in the case of these satellites,
13 and by definition they are satellites of the Associations
14 running at that time, or Association, so if the Associations
15 are not satisfied with the performance of the satellites,
16 then they need to let us know. They have, in some informal
17 ways but, it needs to be a little bit more formal.

18 CHAIRMAN BRACKPOOL: I guess the question is, do
19 we have minimum standards?

20 EXECUTIVE DIRECTOR BREED: Yes, we do have minimum
21 standards. We do not have any actual complaints on file.

22 VICE CHAIRMAN ISRAEL: Do we have a complaint
23 process?

24 EXECUTIVE DIRECTOR BREED: Yes, we do have a
25 complaint process.

1 COMMISSIONER CHOPER: Soon after I came here,
2 Jerry, do you remember, they ran the survey of all of the
3 satellites, reported on all of them, and we all talked about
4 it. I think we must have missed this or --

5 EXECUTIVE DIRECTOR BREED: It was brought up, the
6 San Jose satellite was brought up --

7 COMMISSIONER ROSENBERG: Singled out?

8 EXECUTIVE DIRECTOR BREED: Yes, it has.

9 COMMISSIONER CHOPER: Well, I guess it's time, I
10 mean after all that period --

11 MR. TUNNEY: Mr. Chair, if the Board is
12 considering a partnership with the racetracks making some of
13 these changes, it would be certainly something within the
14 next 30, 60, 90 days would be vital to what would be the
15 business plan going forward.

16 CHAIRMAN BRACKPOOL: Okay. Well we will have an
17 item on this at the next Board meeting. I will discuss with
18 Kirk exactly what it is. And I would say that the complaint
19 procedure is people not going to the satellites anymore.
20 So, I think people are complaining with their feet. And I
21 think that that's the discussion that we should have.

22 COMMISSIONER ROSENBERG: We did receive a letter,
23 somebody did write that letter --

24 CHAIRMAN BRACKPOOL: Exactly, exactly. So, let's
25 have something for the next Board meeting and I'll get with

1 you as to the precise -- thank you very much.

2 Before you leave --

3 MR. KORBY: Christopher Korby, California
4 Authority of Racing Affairs. Thank you.

5 First of all, we agree with the perceptive
6 comments made by Board members that the model is under
7 strain, the model is not working well. And there are many
8 aspects of that that come into play in these discussions.
9 And I think it's important that we take a look at the global
10 structure of what we're doing, and all the elements that go
11 into it, including satellite wagering, including ADW. These
12 things have all had an impact one on the other. And I think
13 what we're seeing is that because of changes that have
14 accreted over the past 20 years, certain elements of the
15 model are no longer working. And I'll point to one of
16 those.

17 The commissions that go to satellites, in order to
18 sustain them, out of Paramutual Distributions, is not
19 sufficient to keep them viable. Two satellites have closed
20 in the last year. There are more that are on the threshold
21 of closing. One of the elements we need to look at is
22 whether there is a revenue stream going to satellites that
23 make them sustainable. That's all part and parcel of the
24 picture. When I hear the comment that customers are voting
25 with their feet, they're no longer going to the satellites,

1 one big reason for that is that they don't have to go to
2 satellites to wager anymore. They can stay at home and
3 wager on their computer. That's had a tremendous impact,
4 not only on the satellites but on the --

5 CHAIRMAN BRACKPOOL: We are where we are, we are
6 where we are --

7 VICE CHAIRMAN ISRAEL: That's a fact but, the way
8 to combat that is to make it a better social experience and
9 compete against that by saying you've got to come here and
10 you've got to have a more enjoyable three hours, and it's a
11 better place to be than sitting in front of your computer in
12 your apartment.

13 MR. KORBY: We agree on that. I just have one
14 more --

15 CHAIRMAN BRACKPOOL: One more because I want to
16 save the broader thoughts for the committee meetings when
17 you get into the details.

18 VICE CHAIRMAN ISRAEL: You can drink beer at home
19 but that doesn't mean you don't go to a saloon. It's a
20 different experience.

21 MR. KORBY: One matter of clarification with
22 respect to NCOTWINC. The fierce component of the expense
23 funds at NCOTWINC have suffered no shortfalls. They are not
24 in a shortfall situation and they never have experienced a
25 shoftfall.

1 CHAIRMAN BRACKPOOL: They made that clear in their
2 presentation.

3 MR. KIRBY: Thank You.

4 CHAIRMAN BRACKPOOL: Thank you.

5 MR. LIEBAU: Jack Liebau. I'd just like to make
6 one point, and I agree with everything that you're saying,
7 and we have to change our business model and I'm all for all
8 that, not because it has to be done.

9 VICE CHAIRMAN ISRAEL: Quite while you're ahead.

10 MR. LIEBAU: But when you talk about the satellite
11 network in Southern California, I'd just like you to think
12 about one thing. There is a deficit of \$24,000 a day but
13 every day that those satellites are producing or generating
14 about \$300,000 in purse money and commissions. So, there's
15 more to it than just the deficit, and I'd just like to leave
16 you with that in mind. Thank you.

17 CHAIRMAN BRACKPOOL: I agree. Thank you.

18 MR. CARPENTER: If I may, Chris Carpenter, Manager
19 San Mateo County Event Center and the Jockey Club. I just
20 wanted to come up and state some very brief facts. We have
21 met with four additional sites. These four additional sites
22 are in San Mateo County, and two of them are very interested
23 in partnering with us for a mini satellite location. I just
24 wanted to make that point.

25 In terms of the 20 mile radius, of course I think

1 you're aware, we didn't implement that 20 mile radius. But,
2 I think the main point I want to make is we are out there
3 aggressively meeting with different sites at the present
4 time and, again, we have two sites at the present time that
5 are very interested in working with us so, we're out there.

6 We heard you and we're meeting with as many people as we
7 can.

8 CHAIRMAN BRACKPOOL: We look forward to talking to
9 you again at the subsequent meeting.

10 MR. CARPENTER: We may be ready at the next
11 meeting. Thank you.

12 CHAIRMAN BRACKPOOL: Thank you. Okay, thank you
13 very much.

14 We'll hear from the next one, so we'll pause and
15 go to the next one. So, Item No. 8. Jackie, do you want to
16 come up and do this?

17 STAFF SERVICES MANAGER WAGNER: I'm Jackie Wagner,
18 CHRB Staff. At the April 24th meeting of the Board, the
19 Board approved a motion pursuant to B&P Code 19604(f)(5)(E)
20 that permitted the alteration for a two year period,
21 commencing July 1, 2009, ending June 30, 2011, the market
22 access fees from ADW wages made by California residents
23 while Thoroughbred Associations conducted race meetings.
24 They made the approval to alter the distribution to not make
25 -- to four percent -- four percent.

1 What you have before you is the formal agreement
2 that has been negotiated between the PRA nd Thoroughbred
3 Owners of California that will implement the alteration.
4 The staff recommends that we accept it as an amendment, as
5 an addendum to PRA's application.

6 CHAIRMAN BRACKPOOL: I have Guy Lamothe wishing to
7 speak on this issue, TOC.

8 MR. LAMOTHE: Guy Lamonthe, TOC. I just want to
9 make myself available for any questions. We have entered
10 this agreement and, I don't know if I heard correctly but,
11 it is through June 30th, 2010, this year, not 2011.

12 CHAIRMAN BRACKPOOL: Correct.

13 MR. LAMOTHE: And as already discussed, short term
14 solution, strictly short term.

15 CHAIRMAN BRACKPOOL: I think with what you've
16 heard, you wouldn't want it to come up for approval until
17 the year 2011.

18 MR. LAMOTHE: I'm ready to step down right now but
19 I'm here for any questions.

20 CHAIRMAN BRACKPOOL: Any comments from
21 Commissioners?

22 VICE CHAIRMAN ISRAEL: No. I'll move it.

23 CHAIRMAN BRACKPOOL: I think you've heard the
24 Board's position on this and we're going to do this, I
25 believe, through 2010, June 2010. Everybody has their work

1 cut out for them.

2 So, I have a motion from Commissioner Israel, do I
3 have a second?

4 COMMISSIONER CHOPER: Second.

5 COMMISSIONER ROSENBERG: Second.

6 CHAIRMAN BRACKPOOL: Mr. Rosenberg. All in favor?

7 (Ayes.)

8 CHAIRMAN BRACKPOOL: Approved. Thank you.

9 Item No. 9, a report from CTT, California
10 Thoroughbred Trainers, regarding the results of their recent
11 Board election and their plans for 2010 and beyond.

12 MR. SADLER: Hi, my name is John Sadler and I'm
13 the newly elected President of the CTT. With me up here,
14 our new Board members, Doug O'Neill and Darrell Vienna.
15 We're all so very proud that we elected a very strong Board,
16 that includes John Cheriffs, Gloria Haley, Jeff Bonde, Carey
17 Knight, Bob Baffer and Kathy Walsh (phonetic).

18 As you know, we're the organization that
19 represents the trainers in the state and we're all here
20 because it's kind of a critical time. We have -- everybody
21 has been talking about business models today and the
22 trainers in California are the same way, we're working in a
23 business model that isn't working. Costs are going up,
24 purses are going down and horses are leaving the state in
25 record numbers.

1 Just to kind of personalize it, I'm looking at
2 Commissioner Derek, one of her neighbors, Tom Stall, has a
3 very large brood mare band here in California, he raises
4 most of his horses in New Mexico and Philadelphia. So,
5 we're seeing where many of our horses are leaving the state
6 and owners that have horses in the state are not replacing
7 them.

8 As you know, we held the special election and we
9 feel that even though the economy is not good, our problems
10 were occurring before the economy went south. We feel that
11 our point of view has not been heard up here too often, so
12 we have a new Board that raised our voice up here and we
13 feel the tracks haven't helped us very much in the past.

14 We're resolved to leading the healing process and
15 get California back up to where it belongs. One of our
16 first steps, we believe, is the unification of the TOC and
17 the CTT. We think if we get one organization, we can move
18 forward with one voice and have a stronger organization.
19 The CTT has had a good start with the TOC, we've had
20 discussions with them about re-unifying and we remain
21 optimistic that we can get that done.

22 The CTT intends to also, instead of in the past
23 just coming up with some occasional comments, we're very
24 interested in developing strategies for the strengthening of
25 horse racing in California in the present and in the future.

1 We're reaching out to different organizations across the
2 country and on ADW trying to work in a global way on that.

3 The CTT looks forward to working with the California Horse
4 Racing Board, and other industry organizations towards the
5 shared goal of revitalization of our industry.

6 CHAIRMAN BRACKPOOL: Thank you. You invited me to
7 come in and meet with you and speak with you last week. I
8 enjoyed it, I thought it was a productive session. I think
9 you've got some good thoughts. We're all on the same side
10 of the table and the highlighted yellow phrase there, and
11 that is to promote horse racing. And that's what we have to
12 continue to do. And so I'm hopeful that, again, you'll be
13 invited to speak and present on various issues to the
14 various committees. I think it's good that you have a
15 presence here at these meetings, so that you're a part of
16 every decision. You may not agree with every decision that
17 ultimately goes down but, at least you'll understand the
18 rationale for why it happened.

19 Any questions?

20 VICE CHAIRMAN ISRAEL: Yes. Is there a time frame
21 for your discussions with TOC about merging the two
22 organizations?

23 MR. SADLER: I think the time frame as soon as
24 possible, you know. We've had some good meetings and we're
25 right there to talk to them anytime they want to talk to us.

1 Guy, would you like to comment on that?

2 VICE CHAIRMAN ISRAEL: It would require
3 Legislation, isn't that correct?

4 MR. VIENNA: I'm not certain it will require
5 Legislation. It depends on how the issues are resolved.
6 With regard to a deadline, I think that we have embarked
7 upon a process and we're awaiting the results of that
8 process. But, I think that the important thing is if that
9 process should fail, and this is a joint effort between TOC
10 and CTT, we still are resolved to bring about a re-
11 coalescing of these interests.

12 CHAIRMAN BRACKPOOL: Commissioner Choper?

13 COMMISSIONER CHOPER: You talked about the
14 problems of reduced force population here, so are you
15 waiting to join with the trainers before you come in with
16 some proposed --

17 CHAIRMAN BRACKPOOL: The owners --

18 COMMISSIONER CHOPER: -- the owners, before you
19 come in with some thoughts on that?

20 MR. SADLER: No, we have -- we're developing, you
21 know, our thoughts right now. We're really only two or
22 three weeks into this, so --

23 COMMISSIONER CHOPER: I understand.

24 MR. SADLER: -- by the next meeting we should have
25 some stuff we can lay out. I mean obviously we're looking

1 at ways to increase the purposes, keep the costs down, you
2 know, those are our, you know, the basic stuff. But, some
3 specifics, I think we'll have in the very near future.

4 COMMISSIONER CHOPER: I hope so.

5 CHAIRMAN BRACKPOOL: Thank you.

6 VICE CHAIRMAN ISRAEL: Doug, you felt compelled to
7 take a lot of horses to Pennsylvania, didn't you? So, why,
8 so we can better understand the thought process?

9 MR. O'NEILL: There's a lot more opportunities
10 back east, the purse structure is such that, you know, with
11 horses in the lower level claimers, you actually can
12 possibly make a living with them. Out here I had a lot of
13 owners that were just struggling and they were either going
14 to get out or the game or sell them back east. So, I chose
15 to open up a division out there. Obviously this is my home,
16 this is where I want to be but, until then, you know, it's
17 kind of like you talked about with one of the satellites, if
18 they're not making money they need to find a new way to make
19 money and that's kind of what my angle was, is why I setup
20 shop back east.

21 VICE CHAIRMAN ISRAEL: Thank you.

22 CHAIRMAN BRACKPOOL: Anything else? Thank you
23 very much.

24 MR. SADLER: Thank You very much.

25 MR. JAMGOTCHIAN: As an owner in California -- I'm

1 sorry -- Jerry Jamgotchian. That was gracious. I'll tell
2 you a little bit more about it from the owner's perspective.

3 The rates, training rates are nearly half -- excuse me --
4 the training rates are nearly half. There's five or six or
5 seven racetracks you can race at, most have dirt. Also,
6 there are other opportunities that you have in the way of
7 stakes racing that you don't have out here. The business
8 model outside of California is the only way you can really
9 progress right now to make money, not to mention the
10 breeding side. So, right now nothing works in California,
11 neither the breeding industry or the racing industry and
12 that's --

13 CHAIRMAN BRACKPOOL: I want to stay on point,
14 Jerry --

15 MR. JAMGOTCHIAN: I understand, that's fine.

16 CHAIRMAN BRACKPOOL: -- this is a presentation by
17 CTT.

18 MR. JAMGOTCHIAN: Right.

19 CHAIRMAN BRACKPOOL: And I want to stay on the
20 presentation by CTT.

21 MR. JAMGOTCHIAN: He asked the question and I
22 responded to the question.

23 CHAIRMAN BRACKPOOL: I didn't ask you a question.

24 MR. JAMGOTCHIAN: I had 80 horses and they're no
25 longer here. Thank you.

1 CHAIRMAN BRACKPOOL: Thank you. Okay. Item No.
2 10, a presentation from TOC.

3 MS. NAIFY: Commissioner Brackpool, on February
4 12th we sent the list of various items relating to our
5 management and organization, which I hope that Kirk passed
6 along to the Commissioners.

7 EXECUTIVE DIRECTOR BREED: I have.

8 MS. NAIFY: Great. Which includes our TOC Staff
9 Organization list, our TOC Committee list and our Industry
10 Organization representation. We currently have seven
11 employees, two in the north, five in the south, centralized
12 operations out of our Santa Anita office here at the track,
13 plus we maintain satellite offices which operate, when the
14 meet is in progress, at Hollywood Park, Del Mar and of
15 course we have operations at Golden Gate Fields.

16 We have a competent and well trained, experienced
17 and professional staff. We provided you their length of
18 employment with us. We are often asked by the industry to
19 work on various projects that are given to us. Currently,
20 Guy Lamonte has been given the title and responsibilities
21 of Chief Operating Officer of the Thoroughbred Owners of
22 California. Other than that, we're not going to make any
23 other changes in the next few months, depending upon our
24 discussions with the Thoroughbred Trainers Organization.

25 And if I can answer any questions, I'm happy to?

1 CHAIRMAN BRACKPOOL: Commissioners?

2 VICE CHAIRMAN ISRAEL: Do you believe that the
3 best possible result for horse racing is a merger between
4 the trainers and the owners?

5 MS. NAIFY: Our next Board meeting is, I believe,
6 March 11th, and our Board has not had the chance to meet and
7 discuss this. We've had some informal discussions but we're
8 really going to be delving into this topic in the next few
9 weeks and then discuss it thoroughly at our March Board
10 meeting. So, I really can't say how our Board is going to
11 do on that. Certainly owners want to make sure that -- how
12 should I put this -- that their representation is not
13 diluted. So, there are some concerns. That's how we ended
14 up with, I believe, two organizations to begin with but, I
15 don't have the entire history on that.

16 We appreciate the fact that the trainers want to
17 join organizations to make, so that horsemen in general have
18 a stronger voice and a stronger say in the industry
19 organizations, so we're going to give it a thorough due
20 diligence and see what's -- but our primary concern is to
21 represent owners and owners' interests and that's what we
22 have to take to heart as well.

23 CHAIRMAN BRACKPOOL: Marsha, as I said to you on
24 the telephone about this, I think we're not here to dictate
25 to you. We're respectful of your process. But, I think we

1 are strongly encouraging everybody in this industry to stop,
2 to come together so that we can talk with a more
3 concentrated voice. The only chance of success we have in
4 Sacramento for a fundamental change is a concerted
5 concentrated voice. So, whatever you can do to continue to
6 move that forward, we respect your process but, whatever you
7 can do, we would appreciate it.

8 MS. NAIFY: All right. Thank you, Commissioner.

9 CHAIRMAN BRACKPOOL: Thank you.

10 Item No. 11, a report on the update on the
11 Commerce Club Mini Wagering Facility.

12 MR. BLONIEN: Good morning, Mr. Chairman, Members
13 and exalted Staff. Rod Blonien. I think in your packet
14 you have a sheet that gives you the average daily handle for
15 July, August, September, October, November, December and
16 January. The January average daily handle was \$80,000 per
17 day. December, \$75,000, November \$82,000, etcetera. I
18 think it's performing quite strongly. The Commerce Club is,
19 I think we've discussed in the past, started with one room,
20 they have now made another room available and showing growth
21 and the Club is quite happy with it.

22 VICE CHAIRMAN ISRAEL: They measure these things,
23 I assume, on a per square foot basis, how many dollars are
24 generated? I think that's how casinos do their business,
25 right? Is this a good number for them compared to the rest

1 of their business?

2 MR. BLONIEN: You know, I don't know what this is
3 yielding per square foot but, I know they are quite pleased
4 with it and, as I think I've mentioned before, they have a
5 buffet right near the original room, called Las Vegas
6 Buffet, after the satellite room opened the revenue in the
7 buffet was up nine percent. And then there's a little food
8 court nearby, the revenues there were up 13 percent. They
9 think it's good for business.

10 COMMISSIONER CHOPER: Do you think that there are
11 parallel opportunities for us out there?

12 MR. BLONIEN: Oh, absolutely. You know, we've
13 talked before about Lucky Chances, the largest card club in
14 Northern California, they're 19 street miles from San Mateo,
15 they would love to open. I had a conversation with a Tribal
16 attorney about the possibility of opening up at Thunder
17 Valley, which is the most profitable Tribal Casino in the
18 state, and has some extra space now because they just went
19 through an expansion. And they don't have all the slot
20 players that they used to have, and so they are going to see
21 if there's a way to legally do this without an opening up
22 the compacts.

23 Mr. Brackpool, I don't know if you were here,
24 Mr. Rosenberg was here, when I discussed some conversations
25 that we had with the Governor's office two months ago or so

1 but, basically the lobbyists were called and invited to sit
2 down with the Governor's Legislative Secretary, Cynthia
3 Bryant, who is now a Chief Deputy in Finance, and asked what
4 can the Governor do for horse racing. And so we sort of
5 nibbled around the edges and finally I said, let the Tribes
6 know that the Governor would be willing to sit down and
7 grant compacts for horse racing. And so they sort of
8 discussed it and then finally kicked it aside and said,
9 well, that's awfully complicated and the Governor doesn't
10 want to open compacts at this time. But, for those of you
11 that have the ability to talk to the Governor or Susan
12 Kennedy, I would be ringing them up saying, you know, why
13 can't somebody sit down.

14 Again, talking to a Tribal attorney last week, he
15 said they could just do a separate compact for --

16 CHAIRMAN BRACKPOOL: Rod, we're going to have this
17 discussion at the Legislative Committee.

18 MR. BLONIEN: Good.

19 CHAIRMAN BRACKPOOL: And we're going to invite you
20 to come along and get into some great detail on that issue,
21 because I think part of the problem has been that horse
22 racing has run so many bills each year that nobody up there
23 is really sure which one is the important one or which one
24 is the not important one. I've had those conversations as
25 recently as yesterday with those people that you referred

1 to, and they're ready for us to start coming with some
2 recommendations. So, Commissioner Choper and I will get a
3 meeting together of the Legislative Committee and we'd like
4 to ask you to come in and give us a presentation on that.

5 MR. BLONIEN: Great. Thank you.

6 COMMISSIONER CHOPER: Rod, you know, we always
7 have discussions or mentions of cannibalizing in these
8 situations. Have you considered, in any way -- it may well
9 be a possible but -- I don't trust most of those surveys
10 anyway but -- in measuring that?

11 MR. BLONIEN: Well --

12 COMMISSIONER CHOPER: Because you know you're
13 going to face, as you said, opposition in the Legislature
14 from those who feel that they've been cannibalized. I mean
15 they don't have any other legitimate reason to it, right?
16 And I think it may be worth considering, and I'm certainly
17 not telling you it's easy, or that it would work or anything
18 else but, maybe getting some professionals who would talk to
19 you about how you might make some determination to get this
20 anecdotal evidence that we've had presented to us by -- and
21 you know, I mean that's a good faith presentation but it is
22 not very scientific. So, anyway, that's my point.

23 MR. BLONIEN: Great. Mr. Chairman.

24 CHAIRMAN BRACKPOOL: Thank you.

25 COMMISSIONER ROSENBERG: Have you calculated the

1 average daily handle of the mini satellite compared to the
2 actual satellite facilities? It seems to me, unless my math
3 is wrong, that they do 500 a day per person, average per
4 person, at the --

5 MR. BLONIEN: Yeah.

6 COMMISSIONER ROSENBERG: Which is significantly
7 higher than, I would think, than the race track, at the
8 satellites.

9 MR. BLONIEN: Well, this is perhaps anecdotal but,
10 five, six years ago I first started talking to the Commerce
11 Club about having a satellite facility there and we couldn't
12 do it because of the law but, at that point they were
13 selling 55, is my recollection, copies of the Daily Racing
14 Form, every day the Daily Racing Form was published. And I
15 don't think those people, by and large, were going to the
16 track. And so I think that the people who play at the
17 Commerce Club are horse players and some of them went to the
18 track, and I think others use the alternative means for
19 making wagers. And I think we're capturing some of that.
20 John testified about seeing people who used to come to Santa
21 Anita or Hollywood, Doc probably sees some people who used
22 to go to Los -- so I think there is some cannibalization.
23 But, I also think there's some growth and we're getting
24 money that previously was going elsewhere.

25 CHAIRMAN BRACKPOOL: Yeah, I also think we're getting a

1 different type of better as well.

2 COMMISSIONER CHOPER: The question is, who is
3 being cannibalized?

4 MR. BLONIEN: Well, he's saying --

5 COMMISSIONER CHOPER: -- and which ones are
6 producing -- yeah, I'm saying it's anecdotal. But,
7 obviously that's a very strong point.

8 CHAIRMAN BRACKPOOL: Absolutely.

9 COMMISSIONER CHOPER: If you're saying that we get
10 a bigger return by having the patron make their bets in one
11 spot rather than another, that's pretty meaningful.

12 VICE CHAIRMAN ISRAEL: We're getting a return.

13 CHAIRMAN BRACKPOOL: Okay. Moving on.

14 Item No. 12 is a presentation from representatives
15 of both Los Al and Cal Expo on the status of the night
16 industry and promotional programs.

17 MR. ALLRED: Hello. I'm the Chairman of Los
18 Alamitos. I'm glad to be here today. I've got some things
19 to say that may not sit too well with some people here.

20 It seems to me, in the 40 years I've been going
21 off and on to the Horse Race Board meetings, since I've been
22 an racetrack executive in one form or another, these little
23 sweeps about the fact that we're not doing a good job of
24 promoting our product come in. When Chairman Shapiro came
25 in, the first thing he did, he had a two page thing and we

1 all went over it and believe me, there aren't too many ideas
2 that we haven't tried. We're not all a bunch of dummies.
3 It's a tough world out there.

4 I'd like to tell you a few anecdotal stories about
5 how hard it is to make a racing fan. When we were young
6 there was nothing else in Southern California, no Dodgers,
7 no Rams, no football teams, nothing, no gaming of any type
8 except maybe a few little Mickey Mouse casinos in Gardena at
9 that time. And so we gravitated to Santa Anita and those
10 great places in the 40s and 50s, and that's what made a lot
11 of our racing fans. But they're dying out now, very true,
12 that's true, they're dying out. We see it happen at the
13 Vessels Club, every week I see someone die, they don't come
14 back. If we're not replacing, we're doomed, we're just not.

15 Every year, when I was in my medical business,
16 which I sold about five years ago, I took 500 employees from
17 around the state, from Modesto to San Diego, for my
18 Christmas Party at the racetrack. They all would have
19 season passes anytime they want. They know I'm there and
20 own the track. They had a great time at the races, they
21 danced, they ate, they had mutual vouchers given to them.
22 Never see another one of them until the next year, not one
23 unless I called them out there for a meeting or something.
24 That's how hard it is to make a racing fan.

25 A promotional thing that we did, Brad McKenzie was

1 the brains behind a lot of the things we do, a former
2 General Manager and consultant to me now, very creative
3 young man. Not so young anymore I guess but he's creative.

4 We hand delivered, over my objections, but I let him do it,
5 25,000 residences in zip codes or area codes around us --
6 zip codes I guess it is, and we delivered them to the house,
7 we had a firm do it. They had a high degree of compliance,
8 put them on their doorsteps or on their doorknobs. Had a
9 five dollar voucher in each one, a lovely brochure about
10 racing at Los Alamitos, passes to get in, could be used over
11 a 30 day period, 24,000, 25,000 of them. We got 47 of them
12 back, 47. These are within ten miles, 15 miles of the
13 track.

14 Racetracks now, generally speaking in California,
15 the figure that could be safely used is 15 percent of the
16 handle is on track, the rest of it is simulcast land or
17 across the country, across the world. Only 15 percent of
18 the money has been on track. It's traffic conditions, the
19 way they are, it's very tough. We can all drive business on
20 a given day. Our biggest day of the year kind of reminds me
21 of Del Mar's opening day when they have a large crowd and
22 they bet 100 bucks a person, our biggest day is Doggie Day,
23 as I call it, it's the Weiner Dog races and we actually have
24 10,000 to 12,000 people there, wonderful, a lot of fun,
25 wonderful fun. We bet next to nothing, it's worse than an

1 average day but, everybody has a great time, but we never
2 see those people again anyway. They're not race trackers.

3 CHAIRMAN BRACKPOOL: With respect, I don't
4 disagree with any of the points you're making. I look
5 forward to you working with Commissioner Rosenberg on this
6 issue. I think that you're absolutely right, that a lot of
7 you have done a great job getting people to the track but,
8 not converting into handle, that's what we have to work on.

9 I want today, for the benefit of everyone that's
10 here and having to go through a long agenda, to stay focused
11 on specifics of the agenda item, if we can.

12 MR. ALLRED: Well, I thought I was. But, I will
13 tell you the things that we do do, and they're very limited.
14 We try to drain the blood primarily of the existing fans,
15 primary thoroughbred fans, because they're a much large
16 group than we are and we can afford to do that. We
17 advertise in the Racing Forum. We have to pay the Racing
18 Forum \$150,000 a year to even put our charts in there. We
19 advertise in the programs at Santa Anita and Hollywood,
20 etcetera. We take time on their television programs, we
21 advertise on TVG. We are milking the existing fans. That's
22 not creating new fans probably, very seldom. But that's all
23 we can afford to do and that's just the reality of life.

24 CHAIRMAN BRACKPOOL: You talked a little about the
25 status of --

1 VICE CHAIRMAN ISRAEL: Can I just -- to that
2 point. You may have just defined the problem. The fact
3 that you have to advertise in the programs at Santa Anita
4 and Hollywood Park, instead of all working together in some
5 sort of coherent effort where you're trying to attract
6 customers as one, instead of as competitors, and having to
7 pay each other, may be the problem. This California
8 Marketing Fund isn't working now, because you're competing
9 against each other, even though you have these kind of --

10 MR. ALLRED: I think the tracks, we have a very
11 cooperative, it isn't that they over charge us or I don't
12 think it's any big deal like that but we do pay them. But
13 we have a good relationship and we do try, I think, to
14 promote one another to the extent that we can. But, we try
15 to take the money that we might spend on advertising, we
16 were 1.3 million, 1.4 million overpaid last year, we'll
17 probably be 2.5 million dollars overpaid this year. We take
18 that money and put -- our problem is finding enough horses
19 to run million dollar races on the forum that we have,
20 that's no problem to find horses running those things -- the
21 every day product, and every dime that I can put my hands
22 on, I put in that because it's horses we need, and owners
23 can't afford to run them. And that's --

24 CHAIRMAN BRACKPOOL: Can we get to the specifics
25 of you've gone from four nights to three nights.

1 MR. ALLRED: Yes, we have.

2 CHAIRMAN BRACKPOOL: How is that working?

3 MR. ALLRED: Well, that's only a temporary thing,
4 only because of the horse population problem, which will
5 hopefully be resolved, as it usually is, April the 1st.
6 It's working fine, except I don't like it, TVG doesn't like
7 it, and our employees don't make as much money and they
8 can't do that year round.

9 CHAIRMAN BRACKPOOL: Right. Thank you.

10 MR. ELLIOT: I'll be brief. Dave Elliot,
11 representing Cal Expo. Executive Director Kirk Breed, he
12 gave us permission to go from four nights to three nights.
13 It has worked for us very well. We were in about a \$700,000
14 overpayment, the majority of that overpayment occurred in
15 five weeks during November. We put out probably \$400,000 in
16 incentives to horsemen to back, buy horses, bring them back,
17 plus getting people to get their horses ready early to start
18 our Fall meet, and it was a disaster.

19 Going from four days to three days, our overall
20 handle, the salary handle, does not include ADW and has
21 increased \$200,000 a day on Thursdays of course. If the Doc
22 is not running on Thursdays, there's no Australia on
23 Thursdays. Doc and I, we have a good relationship right
24 now, getting along with receiving, accepting this Board, our
25 signals, this Board hasn't heard any problems from the

1 harness industry or the quarter horse industry coming in
2 front of this Board and arguing.

3 We just finished a \$10,000 handicapping contest,
4 of which three of the top five finishers were ladies. I
5 gave a package of some photos to Kirk that he can pass them
6 around.

7 CHAIRMAN BRACKPOOL: Of the ladies?

8 MR. ELLIOT: Yeah, the lady is on the program
9 cover, she's right there. Right on the bottom, that's her,
10 from Ventura. And she won the \$10,000 handicapping contest
11 at Los Alamitos. Participated, most of the satellites in
12 the state participated and it was great. The guys, they
13 like that, the handicapping contest, they liked that.

14 We have appointed an industry marketing task force
15 made up of some owners and people that are involved in the
16 harness industry, they're on their own, they're coming up
17 with their own ideas to present to me in three weeks. We're
18 creating a blog, we know it's going to be a complaint forum,
19 we get it, that's fine, we're creating it though. We're
20 creating a presence on Facebook. We'll be providing more
21 seed money for guaranteed wagers. Now it will be picked for
22 us, we've done that with Super High Fives before but now it
23 will be a picked for, early delay picked for.

24 CHAIRMAN BRACKPOOL: When do you anticipate coming
25 to us to go back to four days?

1 MR. ELLIOT: I don't at all. Our formula, since
2 March 6, 2008, that worked for us was three days. That
3 worked for us. We went to four days the first of November
4 because we had an influx of horses. Those incentive
5 programs that we, the \$400,000 we gave to the horsemen, it
6 worked really well. We had a lot of horses. We had to go
7 to four days to get everybody raced. Harness horses race
8 every week. So, we were kind of forced, if you will, to go
9 four days. It was an absolute disaster for us.

10 We're slowly knocking down the overpayment now.
11 You know, we're hopeful for that. We -- and again -- Kirk
12 has some photos and what not of some of the things we're
13 doing. And I have to -- we've tried a gazillion things as
14 well. We're out there trying hard. It's never going to be
15 enough for the horsemen, it's never going to be enough for
16 some of the fans, well how come I didn't see you on the, you
17 know, 4X4 billboard out in Yuba City, you know, it's never
18 going to be enough.

19 CHAIRMAN BRACKPOOL: I don't think the intent of
20 the agenda item, nor any of the comments made before was to
21 say that we think we have the answer and you don't. I think
22 the answer is that we're all going to work together.

23 MR. ELLIOT: Yeah, and I look forward to that.

24 CHAIRMAN BRACKPOOL: Thank you.

25 MR. ELLIOT: Thank you.

1 CHAIRMAN BRACKPOOL: Okay. Item 13, the Race
2 Dates. Jackie, do you have anything to say on this?

3 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
4 CHRB Staff. At the Board's October 2009 meeting, the Board
5 approved the allocation for the early harness race meeting
6 at Cal Expo and that allocation was approved from December
7 26th 2009 through June 19th, 2010. Cal Expo has now
8 submitted a request for the allocation for the remaining
9 days for 2010, this would be for the Summer/Fall period.
10 They're proposing to race 55 days of harness racing from
11 August 13, 2010 through December 18, 2010. Their calendar
12 would offer a Thursday through Saturday weekly schedule with
13 the exception of Thanksgiving. The representatives are
14 here.

15 CHAIRMAN BRACKPOOL: Do we have any comments from
16 the public on this issue?

17 VICE CHAIRMAN ISRAEL: I'll move we approve the
18 calendar.

19 COMMISSIONER CHOPER: Second.

20 CHAIRMAN BRACKPOOL: Okay. All in favor?

21 (Ayes.)

22 CHAIRMAN BRACKPOOL: Thank you.

23 Item 14, Hollywood Park Charity Disbursements.

24 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
25 CHRB Staff. The Hollywood Park Racing Association --

1 CHAIRMAN BRACKPOOL: Just a summary.

2 STAFF SERVICES MANAGER WAGNER: -- are requesting
3 approval to distribute their charity race stakes from their
4 last meeting from 2009. The distribution will be a net
5 proceeds of \$160,000, 57 percent of the proceeds will be
6 given to racing related organizations. The staff recommends
7 the Board approve the request.

8 CHAIRMAN BRACKPOOL: Okay. Any comment from the
9 public? Do we have a motion?

10 COMMISSIONER CHOPER: So moved.

11 VICE CHAIRMAN ISRAEL: Second.

12 CHAIRMAN BRACKPOOL: Okay. Thank you. All those
13 in favor, aye?

14 (Ayes.)

15 CHAIRMAN BRACKPOOL: Okay. Fifteen, the update
16 from Santa Anita, please step forward.

17 MR. HAYNES: George Haynes, Santa Anita. I think
18 it's well documented that we have problems when we take
19 torrential rain on our race course. We have a drainage
20 problem that's been with us for quite a few years now. We
21 have legal proceedings against Cushion Track for a defect in
22 the manufacturing or the surface. We are doing everything
23 possible to get through these periods of inclement weather
24 when we experience trouble with the track. We are aerating
25 the surface, which is basically punching holes all the way

1 down into the rock base to assist in the drainage with it.
2 We've even gone to the extent of getting some tarps to tarp
3 our problem areas. We can take an amount of rain but, as
4 we've seen in the last couple of months, when we have
5 torrential rain, I think we had 8.5 inches in that one
6 period in January, Martin Luther King Day, and extending
7 through that week. And then we took 3.5 inches of rain on
8 Saturday, February 6th.

9 CHAIRMAN BRACKPOOL: I think what we want to hear
10 today is the financial effect, what are all the alternatives
11 for purse enhancement over the coming -- let's just talk
12 about the financial impacts for the moment.

13 MR. HAYNES: Okay. Specifically, Gina will go
14 into the detail of financial aspects but, what has happened,
15 on the days that we have canceled, those are what we term
16 minimal days because of the torrential rain, we would have
17 very little in the way of fans coming to the track to watch
18 the live product. We did, however, remain open during those
19 days for simulcast wagering, specifically at Santa Anita we
20 opened our facility up for free and took signals from across
21 the country and from Northern California to generate horse
22 monies and to mitigate the loss of live racing.

23 VICE CHAIRMAN ISRAEL: George, my interest is this
24 isn't about the surface per se, that's another conversation.
25 I'm concerned you lost four, five or six days of training

1 and my concern is the exercise riders who get \$15.00 a
2 mount, maybe take six rides in the morning, you know, they
3 lose the \$90.00 a day, they have no way of making it up,
4 maybe they can't make their rent that month. Is there, you
5 know, I'm sure Hollywood had to close for training for a few
6 days, that's the same thing. Is there a process by which
7 you can make those people whole, you know, because they
8 don't have anybody protecting them and, you know, they live
9 hand to mouth.

10 MR. HAYNES: No, there is not a process for making
11 those people whole, however, we are open for training on
12 those days. We're open on the training track.

13 VICE CHAIRMAN ISRAEL: But many, many, many fewer
14 horses are on the track.

15 MR. HAYNES: Right. And this is, you know, not
16 too much different than when we did have a dirt track, we
17 canceled training repeatedly when we had torrential rain
18 like this, you know, specifically in 2005 we were closed for
19 many training days because of the track condition.

20 VICE CHAIRMAN ISRAEL: Okay. And then to Keith's
21 point, how do you reallocate purse money so that the
22 horsemen, the jockeys, the trainers, and the owners are made
23 whole? You know, they've lost, in those four days of lost
24 racing you lost what, a couple million dollars worth of
25 purses probably.

1 MR. HAYNES: Well, we also were open for simulcast
2 wagering and we were still generating purse money, and that
3 purse money goes into the live racing when we start it.

4 CHAIRMAN BRACKPOOL: And how many of those races
5 did you actually manage to replace by adding the weekend --

6 MR. HAYNES: So far we've only made up one.

7 CHAIRMAN BRACKPOOL: One race?

8 MR. HAYNES: Right.

9 VICE CHAIRMAN ISRAEL: And you lost 32, 35,
10 something like that.

11 MR. HAYNES: Probably.

12 VICE CHAIRMAN ISRAEL: At least eight a day and a
13 couple weekend days you lost nine or ten races.

14 MR. HAYNES: Yeah, I mean there's no model for
15 this, you know, we're really the only ones that experience
16 this type of weather. Of course across the country we've
17 seen Oak Lawn, Aqueduct Fair Grounds, just on and on,
18 horrendous cancellations across the country and I think
19 they're in pretty much the same position that Santa Anita is
20 now, even though we've only experienced four days of that
21 type of weather, they experience quite a bit more.

22 COMMISSIONER CHOPER: I take it you've considered
23 denying race cars on some other days --

24 MR. HAYNES: Right and we're continuing --

25 COMMISSIONER CHOPER: -- but you say that --

1 MR. HAYNES: -- to deal with the horse --

2 COMMISSIONER CHOPER: -- you're going to try to
3 make up most of the --

4 MR. HAYNES: -- where we can we will, yes. We
5 intend to run a ten race program now, for the end of the
6 meet on Saturdays and Sundays if we can.

7 COMMISSIONER CHOPER: One question off the point,
8 if I may. What does Pro-Ride have to say about this? The
9 guy was out here, right, he spent a lot of time putting it
10 all down, I mean I don't have to tell you it's disappointing
11 but, I'm sort of puzzled.

12 MR. HAYNES: It has to be remembered this is not
13 exactly a Pro-Ride track, this is a track that's been
14 amended by Pro-Ride product. It's originally and still a
15 Cushion Track that was originally put in.

16 COMMISSIONER CHOPER: I understand. Well I do
17 understand --

18 MR. HAYNES: Our legal action is proceeding with
19 Cushion Track.

20 COMMISSIONER CHOPER: -- but the Pro-Ride -- oh,
21 you haven't thought --

22 MR. HAYNES: Well, he's doing everything he can to
23 make the best out of a bad situation.

24 COMMISSIONER CHOPER: So, his answer is it all was
25 a product of the original Cushion Track?

1 MR. HAYNES: Right.

2 COMMISSIONER CHOPER: I got you.

3 COMMISSIONER ROSENBERG: And the drainage system,
4 not the track itself, or both.

5 MR. HAYNES: It's the track material itself.

6 CHAIRMAN BRACKPOOL: Can I ask again --

7 MR. HAYNES: Not just the drainage system.

8 CHAIRMAN BRACKPOOL: -- just trying to focus today
9 on the financial impacts, because we all realize there will
10 be an agenda item in the coming months that will take some
11 time on this issue but, just trying to stay on the financial
12 impacts, is there anybody here from either TOC or CTT, that
13 would have a disagreement with how Santa Anita is trying to
14 make up the races?

15 (No response.)

16 CHAIRMAN BRACKPOOL: Okay. Hearing none.

17 VICE CHAIRMAN ISRAEL: John?

18 MR. SADLER: Santa Anita has worked hard to get --

19 CHAIRMAN BRACKPOOL: I need you to -- sorry -- I
20 need you to stand up and identify yourself.

21 MR. SADLER: John Sadler, CTT. The racing office
22 here has worked hard to put those races back up that were
23 canceled on the rainy days. They've done a good job, the
24 racing office here, under difficult circumstances, so we
25 don't have a complaint.

1 CHAIRMAN BRACKPOOL: Thank you for commenting.
2 Commissioner Miller?

3 COMMISSIONER MILLER: No, no.

4 CHAIRMAN BRACKPOOL: Jerry? Thank you.

5 Sorry, I have one speaker to this issue.

6 MR. WELLMAN: Hi, Mike Wellman, owner. I'm just
7 curious and I wish they were still here, and maybe someone
8 can answer it for me. I understand there's some litigation
9 regarding the surface but, does Santa Anita have any kind of
10 business interruption insurance? Are they able to collect
11 in any other way? And also, as you said, Commissioner, any
12 consideration of the expenses to the horses that were
13 entered, possibly medicated or whatever other things that
14 are done pre-race on the days canceled, has there been any
15 consideration by the racetrack in terms of the owners?

16 CHAIRMAN BRACKPOOL: I'll let the representative
17 from Santa Anita answer the question on business
18 interruption.

19 MS. LAVO: Gina Lavo. We do have business
20 interruption insurance, the deduction period doesn't really
21 make sense to file a claim. I can't remember if it's a 24
22 or 48 hour but, we looked at that two years ago when the
23 original track wasn't draining, and with that deduction
24 period that you have to wait, you couldn't do any business,
25 because business interruption truly is interruption, and if

1 you're operating as a simulcast facility, you're still
2 operating.

3 MR. WELLMAN: So, is there more money to be made
4 by operating that way, I assume?

5 MS. LAVO: Yes, yes, because by the time you wait
6 for that deduction period and you file your claim, you're
7 better off just operating as a satellite.

8 CHAIRMAN BRACKPOOL: Thank you. I don't want to
9 have a public debate on --

10 MR. HAYNES: George Haynes, Santa Anita. The
11 question was if we paid for the medication for the people
12 that are already medicated before we canceled the races, yes
13 we did, as far as I know through the racing office. We were
14 fortunate that the second time we canceled we had enough
15 time to notify everybody that we were canceling so they
16 wouldn't medicate.

17 CHAIRMAN BRACKPOOL: Thank you, George. Okay.
18 We're almost done. Item 16, update from representatives of
19 Magna on the Chapter proceedings.

20 MR. SCOGGINS: Greg Scoggins on behalf of MEC,
21 Santa Anita, Golden Gate Fields Express Bet.

22 I am prepared to speak to a number of items and,
23 at the Chairman's pleasure, willing to cut it short as you
24 feel appropriate. I'm prepared today to speak to the status
25 of the plan of reorganization, which was filed earlier this

1 week. I'm also prepared to speak about the status of the
2 motion that we filed in a Bankruptcy Court, had a hearing on
3 a couple weeks ago regarding our request to be able to pay
4 the statutory payments. And then obviously I'm here and
5 available to the Board to answer any questions you might
6 have regarding that or other matters.

7 CHAIRMAN BRACKPOOL: The additional question I
8 want you to answer, and you can either answer it as an
9 additional or as part of the first two is, I'm still trying
10 to get to the bottom of which categories of claims will not
11 be paid in full, assuming the current plan on file goes
12 through, and what is the magnitude of those claims? I want
13 to know, on a go forward basis, who got left on the side of
14 the street bleeding at the end of the Chapter 11, and who
15 got paid back. So, I don't mind whether you answer that as
16 part of your status or as a separate, but that is the
17 information I'm trying to get to.

18 MR. SCOGGINS: Okay. And it's a good question.
19 I'm sorry to say I'm not going to be able to answer 100
20 percent of that question, I'll give you the best information
21 that I have. I'll go back and obtain the balance and get
22 that back to you as soon as I can.

23 CHAIRMAN BRACKPOOL: And for whatever you don't
24 answer, I would ask that you send as a supplemental response
25 to us, so that we have it as soon as possible, not wait

1 until the next meeting.

2 MR. SCOGGINS: Understood, will do.

3 CHAIRMAN BRACKPOOL: Okay.

4 MR. SCOGGINS: We did file our plan on the 18th,
5 or Wednesday the 17th, I can't remember which day, I guess
6 it was the 17th. It provides for the following.

7 It provides -- there are a number of different
8 types of claims that exist in the bankruptcy action, and
9 this plan and the disclosure statement that relates to the
10 plan categorizes those various types of creditor claims.
11 There are secured creditors, there are priority claims,
12 there are priority non-tax claims, there are administrative
13 claims, and there are various other categories of claims.

14 MEC, in a very, very broad way, we have secured
15 claims with banks like Wells Fargo, PMC Bank, Bank of
16 Montreal, those are all secured claims, they will see, and
17 under the agreement that MID reached with the unsecured
18 creditors, all of those payments are to be made 100 percent
19 on the dollar.

20 There also are priority claims that are in the
21 course of being determined and finalized. Once that list
22 has been determined, then those priority claims will be paid
23 100 cents on the dollar.

24 There are priority, in most cases there are, you
25 know, tax claims usually fall within the priority claims

1 status so, if there's any remaining tax balances owed, those
2 should fall within the priority class status.

3 There are priority claims that are non-tax in
4 nature. And then there will be any payments also of any
5 amounts that are deemed to be not monies originally owned by
6 the state. So, for example, as we all know there is some
7 litigation out there now involving some settlement fees that
8 RGS and other rebaters have said is our money. They're
9 taking the position that it is not part of the bankruptcy
10 estate and is entitled to be paid irrespective of the
11 ultimate plan, because it's not our money in the first
12 place.

13 COMMISSIONER CHOPER: You refer to those as
14 statutory claims?

15 MR. SCOGGINS: Well, that's a different category
16 in terms of -- what I'm talking about is the rebaters, the
17 Lead Turf Club, RGS, they have filed a claim early on saying
18 that that money, that we are claiming, I think it was
19 somewhere in the neighborhood of seven million dollars, is
20 not bankruptcy estate money and, therefore, we don't have to
21 worry about what category it is.

22 CHAIRMAN BRACKPOOL: The Judge has to rule on that
23 prior to approving the disclosure statement, right?

24 MR. SCOGGINS: Yes.

25 COMMISSIONER CHOPER: And that's based, their

1 claim is based on a statute?

2 MR. SCOGGINS: No, their claim is based on the
3 status that Santa Anita and Golden Gate Fields, and the
4 various MEC entities that owe the money, are trustees of the
5 money, that it's not our money in the first place.

6 COMMISSIONER CHOPER: That's the common --

7 MR. SCOGGINS: For the most part, yes. They have
8 raised AB 246, I believe I got the section right, as a
9 basis, as a further basis for claiming that they are
10 entitled to that money.

11 COMMISSIONER CHOPER: And statutory.

12 MR. SCOGGINS: That would be a statutory based
13 claim, and it would be up to the Judge to decide whether AB
14 246 relates back.

15 CHAIRMAN BRACKPOOL: But if the Judge decides they
16 are wrong, and they don't -- well -- if he decides they're
17 right and they're outside, then it's a continuing obligation
18 of Magna, and they have to pay it under contractual law.

19 MR. SCOGGINS: Right.

20 CHAIRMAN BRACKPOOL: If they decide -- if he
21 decides -- I assume it's a he --

22 MR. SCOGGINS: She.

23 CHAIRMAN BRACKPOOL: If she decides that the money
24 is part of the estate's obligations, then does the plan
25 contend it should fall into the unsecured creditors

1 category?

2 MR. SCOGGINS: That is my understanding. I will
3 confirm that but, my understanding is that those claims
4 would be treated as unsecured.

5 CHAIRMAN BRACKPOOL: Right. And in reading the
6 plan, I couldn't determine what percentage on the dollar
7 unsecureds are expecting to get back, because of the way
8 that the funds are being generated with the auctioning of
9 the different facilities.

10 MR. SCOGGINS: Right. There are two different
11 ways that the creditors are being paid. There are a series
12 of creditors that hold bond notes. One was in the seven
13 percent range and one was in the eight percent range that we
14 had sold early on. As I read the plan and as I read the
15 disclosure statement, the intention is for the various
16 amounts that are to go to the unsecured creditors from the
17 various sales that remain, Lone Star Park, Thistledown,
18 Maryland Jockey Club. That those amounts would be going to
19 pay off, on a prorated basis, the holders of those notes.

20 CHAIRMAN BRACKPOOL: Right.

21 MR. SCOGGINS: That the 75 million dollars that
22 MID is committed to paying, will go to the unsecured
23 creditors that don't include the note holders.

24 CHAIRMAN BRACKPOOL: Right.

25 MR. SCOGGINS: And so it will be that 75 million

1 being applied to the collection of unsecured claims that
2 fall within that bucket.

3 CHAIRMAN BRACKPOOL: What is the range of claims?
4 Presumably the claims haven't been determined yet, because
5 of the --

6 MR. SCOGGINS: Right.

7 CHAIRMAN BRACKPOOL: -- for example --

8 COMMISSIONER CHOPER: Three hundred million?

9 MR. SCOGGINS: It's in that range, between 250 and
10 300, depending on --

11 CHAIRMAN BRACKPOOL: What is the estate contending
12 it is?

13 MR. SCOGGINS: I don't know. I believe -- I've
14 had a number told to me but, I don't know that I'm confident
15 enough in that number to share it.

16 CHAIRMAN BRACKPOOL: Right.

17 MR. SCOGGINS: But, I'll be happy to find that --

18 CHAIRMAN BRACKPOOL: Please, because I'd like to
19 know what percentage that is, because if it's 250 and
20 they're getting 75 million, that's under 30 cents on the
21 dollar.

22 COMMISSIONER CHOPER: Would you give an
23 illustration or two of a statutory claim?

24 MR. SCOGGINS: Well, the statutory --

25 COMMISSIONER CHOPER: You refer to those --

1 MR. SCOGGINS: Yes.

2 COMMISSIONER CHOPER: And there's -- go ahead --
3 maybe then I'll have some --

4 MR. SCOGGINS: Sure. Well the two types of claims
5 that we've spent a lot of time talking about at these
6 meetings has been the claims that RGS and the other rebaters
7 have filed. And they have raised the statutory basis to
8 their claim, based on the law that was passed last Fall.

9 COMMISSIONER CHOPER: Right.

10 MR. SCOGGINS: The other claims are what I have
11 technically been, or typically been referring to as
12 statutory claims, are the various amounts that Santa Anita
13 and Golden Gate Fields owes to the various recipients as
14 defined by the statute, the California Racing Statute.

15 I believe I have provided to Jackie, I don't know
16 if she was able to forward to you but, we had put a list
17 together that had a summary of statutory distributions,
18 which is different than the list of creditors that are owed.

19 And it outlines the various statutory basis, statutory
20 funds that are owed, the city tax, the Equine Research Fund,
21 etcetera. And depending on whether it was deemed a tax or
22 an employment related fund, or it was under the SCOTWINC
23 program or the NCOTWINC program, some of those amounts had
24 already been paid or addressed. To the extent that they had
25 not been paid or addressed, and fell within the petition

1 period, they're outstanding. And so the sheet that I sent
2 gives, on a collective basis, both Santa Anita and Golden
3 Gate Fields, as well as an individual basis, the amounts
4 that remain outstanding. And those all are what we call the
5 statutory claims. And we had asked the Court for the right
6 to pay those out on the basis that they were critical
7 vendors, which is an exemption for paying someone who would
8 otherwise be an unsecured creditor, an amount based on the
9 fact that they're critical to your business.

10 CHAIRMAN BRACKPOOL: The critical vendor normally
11 takes place at the beginning of the case, not the end of the
12 case.

13 MR. SCOGGINS: Understood. And that wasn't done
14 in this case but, the Court did not feel that the payments
15 were appropriate.

16 COMMISSIONER CHOPER: And RGS is not part of that
17 group?

18 MR. SCOGGINS: That's correct, we did not ask for
19 the right to pay them. They asked for the right to be
20 treated as --

21 COMMISSIONER CHOPER: So, they haven't -- they're
22 going to be asked to be put in that --

23 MR. SCOGGINS: -- separate from the estate --

24 CHAIRMAN BRACKPOOL: No, they're to be separate
25 from the estate. They don't want to be part of the

1 bankruptcy, they want to be a continuing obligation of the
2 debtor.

3 MR. SCOGGINS: To make it --

4 COMMISSIONER CHOPER: I got you.

5 MR. SCOGGINS: Okay.

6 COMMISSIONER CHOPER: And they say under AB,
7 whatever you said 209 --

8 MR. SCOGGINS: 246.

9 COMMISSIONER CHOPER: Yeah. Under that, that
10 gives them the right -- it is a codification of the trust
11 fun, the trustee theory sort of?

12 MR. SCOGGINS: Essentially. That the tracks are
13 trustees of the money that is otherwise owed to settlement.

14 COMMISSIONER CHOPER: I guess the other thing I
15 want to ask you, because we talked about it before, is there
16 anything -- if there is a statutory obligation, if there is,
17 we don't have to be too much in a position to determine, to
18 ask it is or it isn't, I mean some of them are apparently
19 quite clear, right?

20 MR. SCOGGINS: Right.

21 COMMISSIONER CHOPER: And the RGS claim is not so
22 clear in your judgment. But, to the extent that they are
23 statutory claims, we're a governmental agency, right. Is
24 there anything that you have to suggest, on the basis of
25 your experience in the proceeding, that we can do, the

1 Board, Commission, can do to bring to the attention of the
2 Bankruptcy Judge the critical nature of the satisfaction of
3 these claims to the industry as a whole? Whether it is
4 making a motion, I don't know but, go ahead.

5 MR. SCOGGINS: Well, and I will say, and I'm not
6 trying to avoid answering your question but, I think that's
7 really a question more appropriately asked of your counsel,
8 as they understand the law and --

9 COMMISSIONER CHOPER: Yeah, I agree.

10 CHAIRMAN BRACKPOOL: And I also think it would
11 likely be adverse to their position in that --

12 COMMISSIONER CHOPER: Who's position?

13 CHAIRMAN BRACKPOOL: To Magna's position. I mean
14 they have taken, as we've discussed in the last couple of
15 meetings, they have taken opposite position to the position
16 that we believe they should take.

17 COMMISSIONER CHOPER: But in respect to the
18 statutory claims, maybe I misunderstood.

19 MR. SCOGGINS: No, we did actually ask for the
20 right to pay those and were denied that, so we're in a bit
21 of a tight spot.

22 COMMISSIONER ROSENBERG: Yes, so you were on our
23 side. You were on the side of the statutory claims.

24 MR. SCOGGINS: Right.

25 CHAIRMAN BRACKPOOL: Right, but --

1 MR. SCOGGINS: But we have a Court that has told
2 us we can't do it, so we need someone else to the extent --

3 COMMISSIONER CHOPER: That's what I see, so I
4 would urge that we --

5 CHAIRMAN BRACKPOOL: When we get the full report
6 from you --

7 COMMISSIONER CHOPER: -- do something about --

8 CHAIRMAN BRACKPOOL: -- then I think we'll talk
9 with the AG's office about bankruptcy advice on that. I
10 think that's a good point.

11 COMMISSIONER CHOPER: What's the time line?

12 MR. SCOGGINS: For the plan?

13 COMMISSIONER ROSENBERG: No, no, if we've got to
14 be heard?

15 MR. SCOGGINS: Very quickly.

16 CHAIRMAN BRACKPOOL: When is the --

17 MR. SCOGGINS: We filed our plan on February 17th,
18 18th. Then there is a plan to have the disclosure statement
19 argued or discussed in March. There will be a hearing on
20 the plan itself in late April, based on the original --

21 COMMISSIONER CHOPER: Okay. We have a couple of
22 months anyway --

23 MR. SCOGGINS: I would say no.

24 CHAIRMAN BRACKPOOL: Well, no, because we have to
25 file a motion to be heard, the disclosure statement, prior

1 to --

2 COMMISSIONER CHOPER: On that --

3 VICE CHAIRMAN ISRAEL: Prior to --

4 CHAIRMAN BRACKPOOL: Bob, will you get those
5 dates, so that we can work through that?

6 VICE CHAIRMAN ISRAEL: Yes.

7 CHAIRMAN BRACKPOOL: And we'll do that.

8 VICE CHAIRMAN ISRAEL: And then we would be heard
9 in Delaware?

10 CHAIRMAN BRACKPOOL: Yes.

11 MR. SCOGGINS: Yeah.

12 CHAIRMAN BRACKPOOL: So, to get to my answer of
13 categories of -- this is not out of general interest, this
14 is of interest of California Racing so, who in California is
15 going to be in the unsecured pool, or even worse, who in
16 California is Magna arguing should not be a valid claim and
17 that we might have that dispute lingering for a period of
18 time.

19 MR. SCOGGINS: Okay. I can speak to two
20 categories or two groups of creditors. I don't have the
21 full list of California based --

22 CHAIRMAN BRACKPOOL: And by category, you'll send
23 us supplemental --

24 MR. SCOGGINS: Yes.

25 CHAIRMAN BRACKPOOL: -- the list --

1 MR. SCOGGINS: What I do know is that in light of
2 the Judge's ruling on our request to be able to pay the
3 statutory fees, as things currently stand, the statutory fee
4 recipients would be considered an unsecured creditor and
5 they would participate in the 75 million prorated
6 distribution.

7 The other thing that I'm familiar with is the RGS
8 motion, and they are saying they're outside of the
9 bankruptcy because it's not bankruptcy money. If they lose
10 that, it's my understanding, they would also be a part of
11 the unsecured creditor pot, which raises the total amount of
12 unsecured debt.

13 CHAIRMAN BRACKPOOL: On levels of distribution.

14 MR. SCOGGINS: That would be right.

15 CHAIRMAN BRACKPOOL: Assuming the plan is
16 confirmed.

17 MR. SCOGGINS: Assuming the plan is confirmed.

18 CHAIRMAN BRACKPOOL: Okay. So, you will get us
19 the names that we can see the individuals.

20 MR. SCOGGINS: Yes.

21 CHAIRMAN BRACKPOOL: Jack?

22 MR. LIEBAU: Jack Liebau. Just to bring you up to
23 date as to what the poor people that haven't received their
24 statutory distributions are doing, I would say that we were
25 disappointed by the effort that Magna made in getting that

1 motion approved, in that it failed to bring anybody from
2 Santa Anita to testify in support of that, supposedly
3 because they wanted to avoid legal expenses. And
4 Mr. Scoggins, if that's untrue, don't hesitate to interrupt
5 me.

6 With respect to what steps we've taken because
7 that motion was denied, we have now filed a complaint
8 similar to that filed by RGS, and are claiming that these
9 funds that are owed us statutorily never became part of the
10 bankrupted state. We held that complaint in abeyance and
11 did not file it, pending the motion from, that was filed by
12 Magna in order to pay those.

13 This has been a long tough battle, our attorneys'
14 fees are in excess of \$300,000 now and mounting. Bankruptcy
15 Court is not cheap.

16 As far as the Horse Racing Board is concerned, we
17 would very much solicit your help in presenting to the Court
18 that these are statutory payments, that they are held in
19 trust, and it's just not the law that was passed by the
20 California Legislature. As I recall, if you look at your
21 own regulation, I think it's 1470, it very clearly says that
22 these are supposed to be in separate accounts.

23 COMMISSIONER CHOPER: Yeah, but we got -- in
24 separate accounts.

25 MR. LIEBAU: And I've been disappointed, over a

1 period of time, that the Horse Racing Board hasn't stepped
2 up to enforce that rule or to let people know about it.

3 COMMISSIONER CHOPER: Isn't it true that we got an
4 opinion from the Attorney General's office that they were
5 not entitled to any preferential treatment?

6 MR. LIEBAU: I think that you and I read that
7 opinion differently but, it's much like, you know, one
8 lawyer and one law professor and having three different
9 opinions, you know --

10 COMMISSIONER CHOPER: No, no, no --

11 CHAIRMAN BRACKPOOL: I'm not comparing lawyers,
12 I'm going to take Commissioner Choper and my side against
13 you --

14 MR. LIEBAU: I would advise you to do that also,
15 especially in the area of Constitutional Law, I got a C
16 minus in, so --

17 COMMISSIONER CHOPER: Can I -- I think that what
18 you ought to do, what you should consider doing at least, is
19 pitching in with a specific suggestion, with reasons,
20 including a discussion of that AG's report.

21 MR. LIEBAU: I will, I will --

22 COMMISSIONER CHOPER: -- and what we should --
23 what the Board ought to do, what to submit, when to submit,
24 and so forth.

25 MR. LIEBAU: I will say that in the past I have

1 submitted to the Chairman of the California Horse Racing
2 Board, on at least two or three occasions, a draft of a
3 resolution that I thought would be helpful.

4 COMMISSIONER ROSENBERG: I don't mean just a
5 resolution, but I mean an actual -- if you think that's
6 enough, that's one thing.

7 MR. LIEBAU: No, well, I think it's something that
8 would come from you that interprets and reaffirms what the
9 law is, after all you are the regulatory agency.

10 CHAIRMAN BRACKPOOL: Well, I think Commission
11 Choper's suggestion is the right one. We're on a short time
12 line in order to get this filed. I think this Board
13 believes the protection of bettor's funds is the paramount
14 importance. So, get us a practical suggestion from the
15 \$300,000 worth of counsel's opinion, and we will add it to
16 our Attorney General's advice, and we will see where we go
17 from there.

18 MR. LIEBAU: Unfortunately, I don't think I can
19 rely on the \$300,000 worth of legal advice but, we will come
20 up with something. Thank you.

21 CHAIRMAN BRACKPOOL: As soon as you can.

22 COMMISSIONER ROSENBERG: Mr. Chairman, just one
23 quick question. Did the Judge just rule or did she issue a
24 written opinion as a reasoning?

25 MR. SCOGGINS: She held a factual hearing, at

1 which hearing I testified and Tom Varela from SCOTWINC
2 testified, in trying to provide the factual support for the
3 motion. RGS opposed the motion and she ruled from the
4 Bench.

5 CHAIRMAN BRACKPOOL: What was the basis of her
6 ruling?

7 MR. SCOGGINS: The basis of the ruling were
8 several fold, one of which she was not convinced by the
9 testimony that the debtors were in imminent danger as a
10 result of their inability to pay those fees. She cited
11 examples of other economic factors that were harming the
12 recipients, that were unrelated to our inability to pay or
13 not having paid. And there was also, for reasons that were
14 a little bit baffling to me, she seemed to take it as
15 significant that the plan was about to be approved, or that
16 there was a settlement in place whereby MID would be taking
17 ownership of MEC.

18 CHAIRMAN BRACKPOOL: Neither of those two things
19 go to the heart of the matter.

20 MR. SCOGGINS: She ruled from the bench and those
21 were her opinions and I, you know --

22 CHAIRMAN BRACKPOOL: It would also be helpful if
23 we could see a transcript of that, of her ruling. I think
24 that would be helpful.

25 MR. LIEBAU: Mr. Chairman, it also would be of

1 great help if Magna, as the bankrupted state, would not
2 oppose our motion or our complaint, that these are not part
3 of the bankrupted state. That goes right to the issue and,
4 you know, is Magna going to file it, oppose the granting of
5 that issue?

6 CHAIRMAN BRACKPOOL: I understand.

7 MR. LIEBAU: And before that, when this first
8 started, we did file a motion that we thought was going to
9 be approved, had the approval of Magna, but we got about a
10 50 page brief in opposition to that. So, I mean what the
11 real thrust of this is -- what is Magna's position with
12 respect to these statutory payments?

13 CHAIRMAN BRACKPOOL: Well, I've asked that
14 question the last three meetings and he's been consistent
15 with his answer that they disagree with me. So, have you
16 changed your opinion?

17 MR. SCOGGINS: We have, I mean I guess it's a
18 difficult question to answer because it depends on the
19 theory, it depends on the theory under which the request is
20 being made. We did ask for the right to pay those statutory
21 fees based on our theory, which was that they're critical
22 vendors. The Court disagreed with us.

23 COMMISSIONER CHOPER: As part of the estate.

24 MR. SCOGGINS: That's on the assumption that it
25 was estate money. We did not ask that it be treated as

1 trust fund or anything of that nature.

2 COMMISSIONER CHOPER: And that would make you
3 liable after the discharge of bankruptcy.

4 MR. SCOGGINS: There's that issue and there's --

5 COMMISSIONER CHOPER: I understand that --

6 CHAIRMAN BRACKPOOL: Paid out of the pot.

7 COMMISSIONER CHOPER: I guess the Board ought to
8 decide whether it believes, on the assumption that Magna,
9 that if it's to be paid, preferentially it's to be paid out
10 of the estate, as to whether our judgment is, statutory or
11 not, that it is in the strong interest of horse racing that
12 people who thought that they were relying on this payoff,
13 bettor's money. You know, I wish I were one of them --
14 maybe I don't wish I were one of them but, I've got nothing
15 in this at all -- that they should be paid.

16 CHAIRMAN BRACKPOOL: That is the point I've made
17 the last three meetings. I think Magna is making a terrible
18 error here in the promotion of its continuing business by
19 sticking it to people who thought they were just going to a
20 window. So, we made our point very clear.

21 COMMISSIONER CHOPER: That's yet a different
22 issue, it goes to the first issue.

23 CHAIRMAN BRACKPOOL: Exactly. It goes to the
24 first issue, but, I think you have your marching orders from
25 us. We'd like to see the detail of it. Jack is going to

1 get us the additional information and I think the AG's
2 office will confer and we will make a motion to this Court,
3 because I think it's important.

4 MR. SCOGGINS: Understood. Thank you.

5 CHAIRMAN BRACKPOOL: Thank you.

6 Moving to the last item, as I said at the
7 beginning of this meeting, in talking to people and looking
8 back at the history, I actually think committees of this
9 Board, over the years this Board has been in existence, have
10 performed a useful role and I think it's something we want
11 to get back with. We've had some discussions and for those
12 of you who haven't seen the Board Book or read the Board
13 Book, I would just very quickly read out the Commissions.

14 "Each Commission is a two member Commission."

15 VICE CHAIRMAN ISRAEL: You mean Committee.

16 CHAIRMAN BRACKPOOL: Committee. "A two member
17 Committee, consisting of two Commissioners."

18 And I have asked the Chairs of the committees to
19 hold their first meeting within the next 60 days, so that
20 everybody can have a reasonable time so that at least by the
21 April meeting we're having feedback on everything. Nothing
22 to stop it being done earlier, but I'd like it done within
23 that time.

24 So, just to summarize the Paramutual ADW and the
25 Simulcast Committee is being chaired by Commissioner Moss

1 with Commissioner Choper as the second member. The
2 Legislative, Legal and Regulations Committee is being
3 chaired by myself with, again, Commissioner Choper as the
4 second member. The Medication and Track Safety Committee is
5 again being ably chaired by Commissioner Derek, with
6 Commissioner Harris as the second member. We have a new
7 committee, a Budget Finance and Audit Committee, which is
8 not just the Budget and Finance of this Board, it's the
9 Budget Finance and Audit of people in this room that report
10 to this Board, and that is going to be chaired by my very
11 soft colleague to my left, Vice Chairman Israel, with
12 Commissioner Rosenberg as his second. The Stewards
13 Committee will, as is tradition, be chaired by myself as the
14 Chair, with Vice Chairman David Israel as the second member.
15 And the newest committee, and the one that I am excited
16 about, is the Committee on Innovative Marketing and
17 Promotion of Horse Racing, which is going to be chaired with
18 great enthusiasm by my colleague, Richard Rosenberg, with
19 Commissioner Derek as the second.

20 And look, I hear what people say, that there's no
21 any new ideas, you've tried everything, etcetera. I just
22 refuse to believe it. I just refuse to believe we've tried
23 everything. I refuse to believe that we're dealing with a
24 declining pie and that's just not the attitude we're going
25 to have. There's many, many, many reasons that things have

1 worked and things haven't worked, and we just need to make
2 it work. This is not the only industry in the world that
3 can sit here and say we've tried everything, nothing works.
4 Nothing works like that in life, we all change, we all
5 change regularly.

6 So, with that, I bid you a good day and the next
7 meeting.

8 MR. SWANSON: Can I make one comment?

9 EXECUTIVE DIRECTOR BREED: Just a minute.

10 CHAIRMAN BRACKPOOL: Is this on this issue?

11 MR. SWANSON: Close.

12 EXECUTIVE DIRECTOR BREED: Just a minute. We are
13 going to break now for a Closed Executive Session, and then
14 we will come back and officially close the meeting.

15 CHAIRMAN BRACKPOOL: Okay. I'll allow you to make
16 one comment on the --

17 MR. SWANSON: My name is Eric Swanson and I'm with
18 Bet Fair TVG. And I Just want to make the point of
19 promotion and the most powerful promotional tool known to
20 man is television. But, television needs something to
21 promote and putting numerous horse races on ESPN with
22 unknown names doesn't promote anything. So, I'd like to say
23 that somebody in this room, in my lifetime, has done more to
24 promote horse racing than anything I've seen, and that's
25 Mr. Moss. By keeping Zenyatta on the track, is the greatest

1 promotional we could ever have. We need stars, we need
2 stars.

3 CHAIRMAN BRACKPOOL: We agree. Thank you.

4 (Thereupon, the Board broke for Closed Session
5 and subsequently adjourned.)

6 --o0o--
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

I, TROY RAY, a Certified Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing Meeting of the California Horse Racing Board; that thereafter the recording was transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, or in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 24th day of February, 2010.

Troy Ray, CER