

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

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

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

THURSDAY, APRIL 15, 2010
9:30 A.M.

Reported by:
Troy A. Ray

APPEARANCES

COMMISSIONERS

Keith Brackpool, Chairman
David Israel, Vice Chairman
Jesse Choper, Member
John C. Harris, Member
Richard Rosenberg, Member
Kirk Breed, Executive Director

STAFF

Robert Miller, Staff Counsel
Michael Marten
Jackie Wagner

ALSO PRESENT

Mike Wellman
Carlo Fisco
Eual Wyatte
Mike Sherlock
Chris Korby
Larry A. Swartzlander
Guy Lamothe
Madeline Auerbach
Charlie Dougherty
Rick Pickering
Richard Castro

APPEARANCES CONTINUED

ALSO PRESENT

Rick English

Jeff Platt

Sherwood Chillingworth

Greg Scoggins

Bernie Thurman

Jack Liebau

Pat Keenan

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1 well as during the public comment period.

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

7 Please print your name legibly on the public
8 comment sign-in sheet.

9 When the matter is open for public comment, your
10 name will be called. Please come to the podium and
11 introduce yourself by stating your name and organization
12 clearly.

13 This is necessary for the court reporter to have a
14 clear record of all who speak.

15 When your three minutes are up, the Chairman will
16 ask you to return to your seats so others can be heard.
17 When all the names have been called, the Chairman will ask
18 if there is anyone else who would like to speak on the
19 matter before the Board. Also, the Board may ask questions
20 of individuals who speak.

21 If a speaker repeats himself or herself, the
22 Chairman will ask if the speaker has any new comments to
23 make. If there are none, the speaker will be asked to let
24 others make comments to the Board.

25 Mr. Chairman.

1 COMMITTEE CHAIRPERSON BRACKPOOL: Good morning,
2 everybody. I think Item Number 1 we're passing on to the
3 next meeting; correct? Yes, Jackie?

4 MS. WAGNER: Yes, yes.

5 COMMITTEE CHAIRPERSON BRACKPOOL: Yes, Item Number
6 1 we're passing on to the next meeting, so we will go
7 straight to public comment, Number 3.

8 We have two speakers, the first speaker Michael
9 Wellman.

10 Oh, the minutes, I apologize, the minutes are
11 Number 2. Approval of the minutes.

12 COMMISSIONER ROSENBERG: Moved.

13 VICE CHAIRPERSON ISRAEL: Second.

14 COMMITTEE CHAIRPERSON BRACKPOOL: All right, all
15 in favor?

16 (Ayes.)

17 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, to Item
18 Number 3.

19 MR. WELLMAN: Good morning, Michael Wellman, owner
20 and breeder. I was unable to attend last month's meeting so
21 I had to rely on the transcripts to inform me on what took
22 place.

23 From the notes, it seems there were much of the
24 same old reporting and questioning of racetrack operators,
25 as well as other groups that make up our racing community

1 and are under your scrutiny.

2 As has been the case for far too long, there
3 clearly was a lack of accountability, much denial, and a
4 feeling by some that they are just entitled.

5 To be more specific, I'm talking about Hollywood
6 Park, Magna, and the CMC.

7 Today I want to speak specifically on last month's
8 Item 10, regarding the CMC and the revelation that somewhere
9 in the neighborhood of \$300,000 plus has been allowed to get
10 into Hollywood Park purses for spring/summer.

11 Now, I want to make it clear, I'm one hundred
12 percent in favor of better purses and continued strength in
13 the racing product throughout the State. However, like some
14 Board members that had questions, that spoke last month on
15 this topic, I am concerned that the CMC, which was founded
16 clearly for the purpose of maximizing promotion and
17 marketing of our horse racing product, decided that they
18 could take money intended for this purpose and assign it to
19 supplement purses, and think that that's okay and within
20 their scope.

21 Now, it's not a ton of money. Maybe it represents
22 two percent of the purses at Hollywood Park. I don't think
23 that's the point.

24 Where do they have this authority and what is the
25 message that they have made to all of us?

1 I know there are still members of the Board that
2 think creative and thought-out marketing and promotion is
3 vital to the growth of our industry.

4 With the Hollywood Park meeting beginning on
5 Wednesday, I'm surprised that this topic is not back on the
6 agenda today and have this supplement addressed before the
7 meet starts.

8 Have you, the CHRB, approved to allow the CMC to
9 have the funds and act as a supplement for next week?

10 I have great respect and am very optimistic of the
11 make-up of the current Board, but to gain the respect and
12 support of all of us, which is so important and needed, you
13 must not only address the issues, but also resolve the
14 issues under your control.

15 One thing you can't do is ignore or let things
16 slide.

17 You are our governing board.

18 COMMITTEE CHAIRPERSON BRACKPOOL: Are we getting
19 to the end of this, we're up to three minutes.

20 MR. WELLMAN: Yeah, but I'm not close to three
21 minutes.

22 COMMITTEE CHAIRPERSON BRACKPOOL: I'm sorry?

23 MR. WELLMAN: I don't believe I'm up to three
24 minutes.

25 COMMITTEE CHAIRPERSON BRACKPOOL: You're very

1 close, but carry on. Thirty seconds.

2 MR. WELLMAN: Thank you.

3 You are our governing board, please demonstrate
4 strong leadership. This is a critical time for the new
5 Board to send a message that there must be accountability or
6 there will be penalties and repercussions.

7 I feel a statement by the CHRB on the CMC
8 supplement to Hollywood Park would be a good start.

9 Thank you for your time.

10 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you.

11 The next speaker is Carlo Fisco.

12 MR. FISCO: Mr. Chairman, good morning, members of
13 the Board, Mr. Breed, and Mr. Miller, my name is Carlo
14 Fisco, I want to take this opportunity to introduce myself
15 as the new general counsel for the CTT.

16 I also want to take this opportunity to personally
17 introduce and welcome our new executive director, as well,
18 Mr. Alan Balch, who is with us this morning. Many of you
19 know Mr. Balch from a previous life here, at Santa Anita,
20 and together we've just joined the CTT this past week.

21 And I also want to take this opportunity to
22 personally thank my predecessor, Ed Halpern, for his many
23 years of dedicated service on behalf of the CTT and the
24 industry at large.

25 I also want to thank Mr. Chairman for taking time

1 out of his schedule yesterday to meet with the CTT and TOC
2 committees in hopes of putting together a group and a
3 unified voice as we go forward in this critical period of
4 necessary change.

5 I just want to make a simple introduction and
6 introduce myself, as I said, and hope that we can forge some
7 fruitful relationships going forward with the various
8 sectors in this industry.

9 And to that end, I would welcome any comments,
10 questions or cries of anguish from anyone, or any entity.
11 I'd like to think I'll make myself available at all times
12 for the industry and for the benefit thereof, and would ask
13 that you welcome us in return.

14 Thank you very much.

15 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you.

16 All right, Item Number 4. Jackie, would you
17 present this one, please?

18 This is the proposed amendment regarding safety
19 helmets.

20 MS. WAGNER: Jacqueline Wagner, CHRB staff.

21 The item before you is the public hearing and
22 action by the Board regarding the proposed amendment of
23 CHRB's Rule 1689, safety helmets required, to establish and
24 revise standards for safety helmets worn by any person
25 mounted on a horse on a racetrack, mounted in or riding on a

1 sulky, or working as a member of the gate crew.

2 This proposed amendment, as originally noticed for
3 45 days, adds "any person working as a member of the gate
4 crew" to the list of those who must wear a safety helmet.

5 For the purposes of the rule, gate crew includes
6 any person licensed as an assistant starter or any person
7 who handles a horse at the starting gate.

8 The amendment also establishes new standards,
9 requiring that safety helmets comply with at least one of
10 the four prescribed safety standards.

11 At the February hearing on this particular item,
12 the Board added text requiring anyone mounted on a horse on
13 the racetrack to wear a safety helmet. The racetrack was
14 defined as meaning the surface of the racing or training
15 track.

16 The rule was subsequently noticed for 15 days.
17 During that 15-day comment period we received two comments
18 on the proposed amendment.

19 We received a comment that suggested that the
20 amendment to Rule 1689 be expanded to anyone mounted on a
21 horse anywhere on the grounds, and not just limit that to
22 the racetrack.

23 In addition, we received comments from --
24 actually, we received a petition, a letter signed by 13
25 assistant starters who would be impacted by our proposal,

1 and they alleged that wearing safety helmets would alter
2 their peripheral vision and would hinder their performance.

3 Thus, they were recommending that that language not be
4 included in the proposal.

5 This item is presented to the Board for public
6 hearing and adoption.

7 COMMITTEE CHAIRPERSON BRACKPOOL: The comment,
8 Jackie, in the Board papers that says the gate crew written
9 comments for outside the scope of the period, that's just a
10 notice period that they didn't comply with; correct?

11 MS. WAGNER: That's correct.

12 COMMITTEE CHAIRPERSON BRACKPOOL: Okay.

13 MS. WAGNER: That's correct.

14 COMMITTEE CHAIRPERSON BRACKPOOL: The two comments
15 that were here, Stuart Chaney recommended increasing this
16 from racetrack to the premises, effectively. And yet, what
17 we tried to do was to mirror the Hollywood Park house rule.

18 MS. WAGNER: That's correct.

19 COMMITTEE CHAIRPERSON BRACKPOOL: It's my
20 understanding that the Hollywood Park house rule is the
21 racetrack, not the premises; is that correct?

22 Is Jack here?

23 COMMISSIONER HARRIS: Or Eual?

24 MR. WYATTE: Eual Wyatte, Hollywood Park, that is
25 correct.

1 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you. So I
2 think that the motion in front of us would be the racetrack,
3 not the premises; correct?

4 MS. WAGNER: Correct.

5 COMMITTEE CHAIRPERSON BRACKPOOL: Correct.

6 COMMISSIONER HARRIS: is there some reason that we
7 need a rule, if it's possible to just have a house rule? I
8 mean, why do we really need a rule if the tracks can just do
9 it on their own, if they want?

10 MS. WAGNER: House rules have always kind of --
11 they fall outside the parameter of the APA. To be quite
12 honest with you, that's a policy decision that the track can
13 make, but in terms of the rules and regulations we do have
14 to have an established rule.

15 COMMISSIONER HARRIS: I see where we have to do
16 it. But does the Hollywood Park require their starting gate
17 crew to wear helmets?

18 MS. WAGNER: I don't believe so.

19 VICE CHAIRPERSON ISRAEL: Well, Eual's right
20 there.

21 EXECUTIVE DIRECTOR BREED: Go to the microphone,
22 please. Thank you.

23 COMMITTEE CHAIRPERSON BRACKPOOL: Yes, can you,
24 and state your name, please?

25 MR. WYATTE: Eual Wyatte, Hollywood Park. The

1 house -- our house rule is addressed to just individuals on
2 horseback. It's my understanding that Delaware Park has a
3 house rule that includes the assistant starters, and it is a
4 regulation in Canada, at least at Woodbine, so I'm assuming
5 Canada, and pretty much everywhere else in the world.

6 VICE CHAIRPERSON ISRAEL: I think -- can I?

7 COMMITTEE CHAIRPERSON BRACKPOOL: Yes.

8 VICE CHAIRPERSON ISRAEL: I'd like to speak in
9 favor of adoption of the rule. And my experience in other
10 sports tells me that anytime a rule like this is initiated
11 there is the same opposition, it's going to affect my
12 peripheral vision, it's going to make it too heavy, it's
13 going to make it more difficult for me to operate.

14 That's what happened when hockey instituted a
15 helmet rule. It's what happened when the National Football
16 League instituted a face mask rule. It's what happened
17 after Dale Earnhardt got killed and NASCAR instituted the
18 Hans Device Rule, which drivers complained was going to
19 affect their peripheral vision. Well, nobody's died since.

20 So unless somebody can show, without equivocation,
21 that this is detrimental to their safety, I will support it.

22 COMMITTEE CHAIRPERSON BRACKPOOL: Well, we have a
23 speaker on the issue, but I'd just like to point out that
24 the minutes show that a spokesman for the Teamsters, which
25 represents the gate crews, did support the proposal that

1 gate crews wear the helmets.

2 COMMISSIONER HARRIS: Is there any data, pardon
3 me, on injuries to starting gate crews that breaks them down
4 by which type of injuries they've sustained?

5 MS. WAGNER: I'm not aware of any data.

6 COMMISSIONER HARRIS: It seems like -- I mean, the
7 whole idea of safety is trying to react to a problem. And
8 if we have a problem here, which we well may just
9 intuitively, but we need to see some data on what kind of
10 injuries are being sustained.

11 VICE CHAIRPERSON ISRAEL: No, I think the whole
12 idea of safety is to prevent the problem. Reacting's too
13 late, somebody's already dead.

14 COMMITTEE CHAIRPERSON BRACKPOOL: We have a
15 speaker on the issue, Michael Sherlock.

16 MR. SHERLOCK: Hello, my name's Mike Sherlock, I'm
17 an assistant starter, I'm here with the gate crew.

18 I had a question for Mr. Brackpool. You just
19 spoke of who supported, our supervisor, who was that?

20 COMMITTEE CHAIRPERSON BRACKPOOL: No, a spokesman
21 for the Teamsters Union. I don't know, is that Barry?

22 MS. WAGNER: That was Barry Broad.

23 COMMITTEE CHAIRPERSON BRACKPOOL: Barry Broad, the
24 attorney.

25 MR. SHERLOCK: Okay. Well, we don't even know

1 him, we've never met him so I don't understand that.

2 But we don't feel the helmets will be practical.
3 And to our knowledge, we have never had any head injuries
4 whatsoever and we don't know of anybody throughout the
5 country that have had any head injuries inside the starting
6 gate. So I don't see any reasoning for us to be wearing
7 helmets.

8 We don't know of any studies that have been taken,
9 like Mr. Harris just spoke of just moments ago. And nobody
10 has actually come down to ask us and considered us in the
11 equation for the helmets, so we don't -- we're coming into
12 this blind. We didn't even know about this meeting.

13 So we just appreciate to be put in the loop of the
14 situation.

15 VICE CHAIRPERSON ISRAEL: Explain to me why you
16 would oppose it? How would it be detrimental to your work?

17 MR. SHERLOCK: Well, when we're in the starting
18 gate -- have you ever been in the starting gate?

19 VICE CHAIRPERSON ISRAEL: Yeah. Not in it, but
20 I've been alongside of it, yes.

21 MR. SHERLOCK: Okay, well, when you're in the
22 starting gate with the horse you don't want anything
23 blocking, and we're always looking alongside of us, every
24 assistant starter, jockeys, and we need to know if a horse
25 is coming in last, or a jock's off the horse, or a horse is

1 acting up. We're looking around both ways and if
2 something's blocking our vision, it's detrimental to the
3 start of the race.

4 So, I mean, that's the reason why we have -- I
5 mean --

6 VICE CHAIRPERSON ISRAEL: But you wear caps, like
7 that, when you're in the starting gate; right?

8 MR. SHERLOCK: Above our head. I mean, I prefer
9 not to.

10 VICE CHAIRPERSON ISRAEL: But you guys do; right?

11 MR. SHERLOCK: It's part of our uniform.

12 VICE CHAIRPERSON ISRAEL: Well, if you're looking
13 down, and you're wearing a cap like that --

14 MR. SHERLOCK: Yeah, but to the side.

15 VICE CHAIRPERSON ISRAEL: -- you're not seeing
16 out -- believe me, if your head's tilted that way you can't
17 see.

18 MR. SHERLOCK: Did you wear a helmet? Have you
19 ever worn a helmet?

20 VICE CHAIRPERSON ISRAEL: I've worn football
21 helmets.

22 AUDIENCE MEMBER: All around. When I'm in there I
23 see all around.

24 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, we've got
25 to do one at a time. Thank you.

1 MR. SHERLOCK: We can't move our -- I mean, we're
2 stuck in the situation. And like when you're on a field, in
3 a football helmet, you can turn your whole body, you can do
4 a lot of things.

5 But when we're in the starting gate we only have
6 limited area to do our job and we just don't think that
7 helmets would be needed, basically.

8 COMMITTEE MEMBER CHOPER: Do you think you share
9 this view with most of the assistant starts in the --

10 MR. SHERLOCK: Absolutely. Northern and Southern.
11 I spoke to them in Northern California and all of us --

12 COMMITTEE MEMBER CHOPER: The Northern's, too?

13 MR. SHERLOCK: Yes.

14 COMMITTEE CHAIRPERSON BRACKPOOL: Yes,
15 Commissioner Rosenberg.

16 COMMISSIONER ROSENBERG: Question. There was a
17 committee meeting referred to in the notes of September 4th,
18 which members of the Board were on that committee?

19 COMMITTEE CHAIRPERSON BRACKPOOL: Commissioner
20 Derek. And John, were you on that as well?

21 COMMISSIONER HARRIS: I don't think so.

22 COMMISSIONER ROSENBERG: Commissioner Derek's not
23 here, is she?

24 COMMITTEE CHAIRPERSON BRACKPOOL: No, she's not
25 here today.

1 COMMISSIONER ROSENBERG: Okay, I would move to
2 table this discussion in view of this information. I think
3 we have to respect the views of those who are on the line
4 there. And since Commissioner Derek isn't here to speak to
5 this subject, we shouldn't probably --

6 COMMISSIONER HARRIS: Yeah, we could also get
7 some -- I guess the employer of all these starting gate
8 crews throughout the State is the racetrack, is the
9 employer, and they would have records of their workers' comp
10 injuries. If we could get some log of various worker comp
11 injuries sustained by starting gate crews, we could get our
12 arms around the severity of the problem.

13 I think we'll table the motion for this week, but
14 I don't think you should take that as a belief that
15 necessarily the Board won't act on this measure.

16 But what I would encourage us to do is to
17 immediately, today, contact the Teamster's Union and have
18 the discussion, because the Union spoke on behalf of the
19 gate crews and said they were in favor of this.

20 So while you can shake your head, they did. So
21 that's what I would like you to do is to contact them.

22 And then, Jackie, I would like to make sure that
23 the CHRB has coordinated the response, so that when it comes
24 back to us next time we absolutely know who it was that said
25 yes, why they said yes, who they're speaking on behalf of,

1 and who is still dissenting, and do that.

2 COMMISSIONER ROSENBERG: Mr. Chairman, one more
3 thing. The cost of these helmets, I have no idea what kind
4 of helmets they're talking about. Is there a specific
5 quality of helmet, how much they cost, and who's going to
6 pay for them?

7 COMMITTEE CHAIRPERSON BRACKPOOL: What was the
8 ruling on who was going to pay for them, Jackie?

9 MS. WAGNER: The cost of the helmet would be up to
10 the individual.

11 COMMISSIONER HARRIS: I think, normally, in most
12 businesses I'm in, any safety equipment has to be provided
13 by the employer. You can't mandate somebody to procure
14 their own.

15 MR. WYATTE: Eual Wyatte, Hollywood Park, again,
16 that is correct. In accordance with our contract with the
17 Teamsters, or most anybody that works for us, if we require
18 a certain uniform or certain safety devices, we pay for it.

19 COMMISSIONER ROSENBERG: Right, that's fair.

20 COMMISSIONER HARRIS: I think it's important, too,
21 at looking at this, it's clear that the track could do this.
22 As an employer, they could have their employee, you know,
23 within reason wear anything they want.

24 My concern is do we want the Racing Board to come
25 in and say -- to tell both parties what to do.

1 COMMISSIONER ROSENBERG: Well, I would assume an
2 insurance company would -- if they were worried about head
3 injuries, would have already jumped in on this issue, if it
4 was necessary.

5 COMMITTEE CHAIRPERSON BRACKPOOL: I'm sorry,
6 Commissioner Choper.

7 COMMITTEE MEMBER CHOPER: Look, I don't know
8 anything about how this works, but as I understand it, you
9 say it affects your peripheral vision pretty badly; right?
10 So are there different kinds of helmets that you could use
11 that would not bother you?

12 You know, we're not doing this to hurt you, you
13 understand that; I mean, the point of this is to stop you
14 from getting your head bashed in. Not a bad thing. And I
15 mean, to prevent it.

16 And if there were a way that you could get at
17 least basic protection, without significantly affecting your
18 peripheral vision, I mean, maybe there is such a thing, I
19 don't know.

20 MR. SHERLOCK: No, and I understand. But we -- it
21 goes back to we haven't had any head injuries that I've ever
22 known of. So that's, I mean --

23 VICE CHAIRPERSON ISRAEL: Well, we'll get the
24 information.

25 MR. SHERLOCK: And I understand the different

1 kinds of helmets but that's -- I mean, that's what we're
2 arguing, that we've never had any head injuries whatsoever,
3 so that's all. Thank you.

4 MR. MARTEN: Just one comment, please, Mike
5 Marten, of the CHRB staff.

6 At one meeting, the manufacturers of safety
7 helmets attended a Safety Committee and they can accommodate
8 individual needs, they can modify the construction.

9 So that perhaps we have to get them involved in
10 this.

11 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you. I
12 think it would be good to have a demonstration. We'll have
13 Commissioner Israel in the starting gate, wearing various
14 types of helmets in the intervening 30 days, and I'll be
15 showing a video of it at the next hearing.

16 (Laughter.)

17 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, thank you
18 very much for your participation. But please, please talk
19 to the Teamsters Union.

20 MR. SHERLOCK: Yeah.

21 COMMITTEE CHAIRPERSON BRACKPOOL: All right, and
22 we're going to have this back in 30 days. And I can assure
23 you that when Commissioner Derek's in attendance, the issue
24 won't be left to lie. So thank you.

25 MR. SHERLOCK: Thank you.

1 COMMITTEE CHAIRPERSON BRACKPOOL: Okay. Item
2 Number 5 is put over -- is withdrawn. Item Number 5 is
3 withdrawn, which is the amendment to allow outriders to be
4 owners, as well.

5 Item Number 6, Jackie again, is the discussion and
6 request from CARF to run as a combined meet.

7 MS. WAGNER: Correct. Item Number 6 is a
8 discussion and action by the Board on the request from CARF
9 to designate the following allocated race dates as a
10 combined fair race meeting. Those fair would be San Joaquin
11 County Fair, from June 15th through June the 20th; Alameda
12 County Fair, June 23rd through July 11th; Humboldt, August
13 the 12th through the 22nd; and the Big Fresno Fair, October
14 the 10th through the 17th.

15 CARF, a California joint powers authority, they're
16 operating on behalf of its member fairs, has requested that
17 the Board again designate the 2010 racing calendar as a
18 combined fair meeting for the before mentioned fairs.

19 However, they are also requesting that each racing
20 fair submit the normal license application, which was done
21 last year, in 2009.

22 In submitting this request for 2010, CARF
23 maintains, as it did in 2009, that the designation of a
24 combined fair horse racing meeting will allow Northern
25 California racing fairs the mechanism needed to conduct

1 dates allocated by the Board for 2010, and will allow
2 flexibility in planning for a changing calendar in Northern
3 California.

4 It should be noted that in 2007 CARF ran a
5 combined fair race meeting for the 2007 Sonoma/Solano Wine
6 Country Racing, and they ran a combined fair race meeting
7 last year.

8 CARF is maintaining that there is a precedent for
9 these meetings; however, questions have arisen with the
10 advent of a combined fair race meeting, questions centering
11 on what the advantages of a combined fair race meeting are
12 versus a traditional fair race meeting, the responsibility
13 of the fair, who is responsible, is it CARF or the
14 individual fair?

15 In addition, in 2009 the understanding the 2009
16 combined fair race meeting generated an underpayment of
17 purses that has yet to be paid.

18 And there are other issues concerning the combined
19 fair meeting, such as the distribution of the supplemental
20 purse funds for 2010.

21 The recommendation at the time of this Board
22 packages, that staff would recommend that the Board not
23 designate the 2010 fair race dates as a combined fair race
24 meeting.

25 It should be noted that since we prepared this

1 package CARF has supplied additional information to you,
2 which has been presented to the Board members there.

3 The representative is here from CARF to answer any
4 questions as it pertains to their designation of the 2010
5 fair race meeting.

6 COMMITTEE CHAIRPERSON BRACKPOOL: Would you add
7 anything to that, Kirk?

8 EXECUTIVE DIRECTOR BREED: The main -- one of the
9 main factors in this and, basically, it was because we
10 didn't have the information available to make a proper
11 analysis, but one of the main factors was how these purses
12 are going to be combined and if the horsemen, in fact, are
13 in agreement with the combination of those purses.

14 In other words, if there's an underpayment at the
15 San Joaquin County Fair, does that carry over to an
16 overpayment at the next fair?

17 And basically, it's our feeling that if the
18 horsemen are in agreement with, and that's all breeds,
19 quarter horses, mules, and Arabians, and also thoroughbreds,
20 that if everybody's in agreement that that's the way you
21 want to do it, then we do not have -- we don't have a
22 problem with it because it's your money, basically, it's the
23 horsemen's money.

24 The other factors was that in the first
25 communication we list all the fairs as part of the combined

1 race meet and then in the letter of March 30th, there's only
2 four fairs listed as being part of the combined race meet.

3 So, hopefully, Mr. Korby can clear that up.

4 But our basic problem was we did not have enough
5 information to properly evaluate and analyze this particular
6 request based upon some of the things that had happened over
7 the last two years.

8 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, Chris.

9 MR. KORBY: Thank you, Mr. Chairman, Chris Korby,
10 California Authority of Racing Fairs. I hope I can answer
11 any questions. I did furnish some additional information to
12 the Board that I hope helped clarify some of the questions
13 that had arisen.

14 I'd like to first address Mr. Breed's first point
15 with respect to the purses. The horsemen's groups, with
16 whom we have contracts, have agreed to a consolidation of
17 the purses into a single purse account through the circuit,
18 so that the purses will be tallied on a continuing basis and
19 reconciled at the end of the fair circuit.

20 That is with respect to whether a fair is part of
21 a combined fair meeting or not part of a combined fair
22 meeting. So the horsemen's groups have agreed to that.

23 COMMITTEE MEMBER CHOPER: Have you also reached
24 agreement about the underpayments, and the overpayments, and
25 so forth?

1 MR. KORBY: Yes, sir.

2 COMMITTEE MEMBER CHOPER: Okay.

3 MR. KORBY: That was through a combination of
4 retro -- retroactive payments and carryovers into the
5 following year.

6 COMMITTEE MEMBER CHOPER: So everybody's happy
7 about that or as happy as they can be.

8 COMMISSIONER HARRIS: I'm not sure if everyone's
9 happy.

10 COMMITTEE MEMBER CHOPER: As happy as they can be.

11 COMMISSIONER HARRIS: I'm not clear if this -- if
12 they really -- I mean, it seems to me those overpayments
13 should be paid like yesterday and I -- and underpayments
14 should be paid out and, as I understand it, they haven't
15 been. So who's happy?

16 VICE CHAIRPERSON ISRAEL: Yeah, I mean didn't we
17 get a letter from Bill Anton expressing disgruntlement?

18 MR. KORBY: Well, we did -- we did one
19 retropayment for thoroughbreds. We're going to do another
20 retropayment for quarter horses. And we have agreement with
21 the TOC about the consolidation of purses and carrying over.

22 Every year has an overpayment or an underpayment,
23 every year, every meet, it's just a fact of our business.

24 The issue is the amount of the overpayment or the
25 underpayment and the disposition.

1 So in this case with the transition from --

2 VICE CHAIRPERSON ISRAEL: And the time -- and the
3 time it takes to get resolved, that's another question.

4 MR. KORBY: It can be.

5 VICE CHAIRPERSON ISRAEL: Yeah.

6 COMMITTEE CHAIRPERSON BRACKPOOL: Chris, can I ask
7 why, given this need to combine, you're only combining four
8 of the meets, the four?

9 MR. KORBY: Four fairs have asked to be part of
10 the combined fair meet, two have not.

11 COMMITTEE CHAIRPERSON BRACKPOOL: Which two have
12 not?

13 VICE CHAIRPERSON ISRAEL: The State Fair and Santa
14 Rosa.

15 MR. KORBY: Santa Rosa and Cal-Expo.

16 COMMITTEE CHAIRPERSON BRACKPOOL: Right.

17 COMMISSIONER HARRIS: So the ones that are
18 combined, am I understanding this correctly, the purses
19 there for whatever category they're running would be the
20 same as at the other fairs that are combined?

21 Like a \$4,000 claimer at, you know, say
22 Pleasanton, would be the same as a \$4,000 claimer at Fresno;
23 is that correct?

24 MR. KORBY: Purses are as consistent as we can
25 make them from fair to fair through the circuit.

1 To answer your specific question, I'd honestly
2 have to look at our purse schedule.

3 VICE CHAIRPERSON ISRAEL: Well, Chris, but what
4 you have here is you have 39 days of racing. Are each of
5 those 39 days going to be considered equal for the purposes
6 of purse distribution?

7 MR. KORBY: Yes.

8 VICE CHAIRPERSON ISRAEL: Okay, so that's --

9 MR. KORBY: Do you mean in terms of the actual
10 purses offered in each classification?

11 VICE CHAIRPERSON ISRAEL: Yeah, whatever, however
12 you need to resolve it.

13 MR. KORBY: I want to answer that question
14 accurately, we have a rather complex matrix of purses.

15 Larry Swartzlander, our director of operations,
16 handled most of the negotiations on the specifics here.

17 COMMITTEE CHAIRPERSON BRACKPOOL: Okay. Well,
18 let's hear from him.

19 MR. SWARTZLANDER: Larry Swartzlander, Director of
20 Operations with CARF.

21 Basically, there's a -- the purses start with we
22 pay the same purse structure as Golden Gate does when they
23 had their meet in the spring.

24 This year Stockton, Pleasanton, and Santa Rosa
25 will basically have a ten percent increase above that level

1 in the claiming ranks, from 3,200 to twelve five.

2 The State Fair will have basically a 15 percent in
3 those claiming areas and that is based on horse populations
4 and considerations of geographic locations of the tracks.

5 But those have been all agreed upon by the
6 separate racing associations and the TOC.

7 COMMITTEE MEMBER CHOPER: Good. Thank you.

8 COMMISSIONER HARRIS: My concern is, in reading
9 through some of the material it looks like there's some
10 meeting, everyone gets together and just talks about, well,
11 we don't really need to put too big a purses on Fresno
12 because those guys will run anyway, so let's not do that, or
13 it's not really -- it seems to me it's either got to be fair
14 or just arbitrary, and it sounds like it tends to be
15 arbitrary.

16 MR. SWARTZLANDER: Yeah, Commissioners, there's
17 some history there, too. Last year we went with that
18 concept where Humboldt and Fresno went with the same level
19 as Golden Gate, we did not, I'll use the term "supercharge"
20 any of the claiming purses.

21 And because of the location and the schedule, and
22 geographically where they're at, it worked out well.
23 Humboldt had a sensational season, 80 percent up in handle,
24 and so did the Fresno with the 12 to 15 percent up, and
25 we've stuck with that.

1 And this year, even with the larger gap between
2 the end of Humboldt and Fresno, we're going to lose a lot of
3 those out-of-state horses and generally we rely on the
4 population between Southern California and Golden Gate.

5 COMMITTEE CHAIRPERSON BRACKPOOL: But is this the
6 case where it's the stronger fairs are now subsidizing the
7 weaker fairs?

8 COMMISSIONER HARRIS: Yeah, that's the problem.

9 MR. SWARTZLANDER: I would say no, it's parity.
10 We're giving a purse structure that satisfies the population
11 and geographic location of each one of these associations,
12 with optimum results.

13 COMMISSIONER HARRIS: I don't know if we're
14 getting a straight answer there, though, I mean, you either
15 are or you aren't.

16 MR. SWARTZLANDER: I'd say no, we're not, no.

17 COMMISSIONER HARRIS: If you're not, why even do
18 it? I mean, I thought the whole idea of doing it is to
19 level out the peaks and valleys of your purse distribution.

20 COMMITTEE CHAIRPERSON BRACKPOOL: Let's hear from
21 the horsemen for a moment. Guy, could you address this?

22 MR. LAMOTHE: Guy Lamothe, Thoroughbred Owners of
23 California.

24 COMMITTEE CHAIRPERSON BRACKPOOL: Just one -- just
25 one second. I had this last week -- last month, as well,

1 when one person is speaking can you sit. Otherwise,
2 everybody is bobbing and weaving behind you. Thank you.

3 MR. LAMOTHE: Thank you. Well, I will try and
4 clarify this. I'll clarify the purse part of the equation.

5 And it's important to distinguish here that what the TOC
6 Board discussed for some time, with CARF, and the individual
7 fairs was about consolidating purses.

8 What is on the agenda here includes that, but
9 we're seeing now where it's something above and beyond that
10 with dates, that's something separate.

11 I can speak to the purse consolidation. There is
12 full agreement with all the fairs and CARF on that, with the
13 TOC and we see the benefit in that.

14 As we go from these two-week meets, from each fair
15 to the other, what we want to do is to maintain consistent
16 purses across all the fairs, so that horsemen know what
17 they're running for, there's consistency and we figure --
18 and we feel that that benefits the horsemen.

19 COMMITTEE CHAIRPERSON BRACKPOOL: So the
20 consistency of purses is the biggest issue that would cause
21 you to support this?

22 MR. LAMOTHE: The purse consolidation. This date
23 stuff, we're seeing and trying to understand this now, along
24 with you, today.

25 COMMISSIONER HARRIS: But wouldn't you have to

1 stipulate, though, that to have consistency someone has to
2 pay out more than they generate or it's -- I mean, that's
3 the whole idea of the thing. I don't know if that's good or
4 bad, but you can't say that it's necessarily equal unless
5 somebody is subsidizing somebody else.

6 MR. LAMOTHE: And that was part of the
7 discussions. So that's why, as TOC, we requested that all
8 the individual fairs -- not only CARF sign, but all the
9 individual fairs would be on board.

10 I think there's -- there's also the notion here
11 that the fairs are a family and they want to support each
12 other, and that's what's been expressed to us and we're for
13 that.

14 COMMISSIONER ROSENBERG: What about the other, the
15 fairs that did not join this group, the two fairs that are
16 operating individually?

17 MS. AUERBACH: Can I --

18 COMMITTEE CHAIRPERSON BRACKPOOL: Sure. Madeline,
19 you have -- Madeline, pull that mike. It's that one. That
20 microphone, thank you.

21 MS. AUERBACH: I'm sorry, I'm a little challenged
22 tight-wise.

23 Madeline Auerbach, TOC, Vice Chair of Southern
24 California.

25 Richard, that's part of the issue, you're talking

1 about a separate issue from what Guy was talking about. And
2 they got -- they kind of threw us a curve ball, too, because
3 we don't know anything about this four fairs doing one thing
4 and two fairs not.

5 The issue that the horsemen agreed to was a
6 combination of all the purses being the same, of combining
7 the fairs for the purpose of purse distribution.

8 And the reason that the horsemen like this idea is
9 it will allow the trainers to know that each meet the
10 individual purses for the same caliber horses, they will be
11 able to depend on that purse being available.

12 We thought there would be more consistency, we
13 thought it would be helpful to everybody.

14 One of the main issues on overpayment and
15 underpayment, if a particular fair and you're an owner,
16 which I am, and your horse, you're entitled to more money;
17 well, are you really entitled to more money or are you
18 entitled to the money that was advertised and that you
19 thought you were running for? That's really what we feel
20 you are entitled to.

21 I hope this clears it up a little bit. Forget the
22 four-fair, two fairs, let's talk about the purses for all of
23 the fairs, that's the only way we want to consider it is a
24 block.

25 VICE CHAIRPERSON ISRAEL: Can I ask a -- I want to

1 ask a simple yes or no question.

2 MS. AUERBACH: Okay.

3 VICE CHAIRPERSON ISRAEL: Does TOC support or
4 oppose this proposal?

5 MS. AUERBACH: Which part of it? See, it's all
6 matched together.

7 VICE CHAIRPERSON ISRAEL: No, we can't -- we can
8 only vote on the whole proposal, do you support it or
9 oppose?

10 MS. AUERBACH: Well, then we cannot because we
11 don't know anything about the rest of it.

12 VICE CHAIRPERSON ISRAEL: All right.

13 MS. AUERBACH: See, we thought it was strictly
14 the --

15 VICE CHAIRPERSON ISRAEL: We can't bifurcate this
16 thing.

17 COMMITTEE MEMBER CHOPER: Can I just add, it's a
18 question and maybe you want to respond as you're ready. I
19 thought it was said, you or whoever is talking about it,
20 that both Santa Rosa was in this -- in this purse schedule
21 arrangement.

22 Now, if they're not part of a combine, what are
23 they a part -- are they a part of it for some purposes and
24 not for other purposes?

25 MS. AUERBACH: You have to appreciate, this is

1 brand-new to us. We were blindsided when we walked in here,
2 we don't know anything about four fairs in one thing and two
3 fairs not.

4 COMMITTEE MEMBER CHOPER: Okay.

5 MS. AUERBACH: What we talked about with them was
6 a purse combination. We did not talk about or approve
7 anything else.

8 COMMITTEE MEMBER CHOPER: And so far as --

9 MS. AUERBACH: If you're asking us if we can
10 support what's in front of you, we don't have enough
11 information to be able to do that.

12 COMMITTEE MEMBER CHOPER: So far as you know, I
13 think maybe this is the answer to Commissioner Israel's
14 question, so far as you know, you're in favor of the whole
15 thing because you thought that this purse scheduled applied
16 to all the fairs; right?

17 MS. AUERBACH: I just don't know what this culling
18 two fairs out means, I have no clue and that's why --

19 VICE CHAIRPERSON ISRAEL: I would suggest that we
20 table this vote and consideration until we have more
21 clarification and everybody is on the same page and
22 everybody can say they completely understanding what is
23 occurring.

24 COMMITTEE CHAIRPERSON BRACKPOOL: Commissioner
25 Harris?

1 COMMISSIONER HARRIS: I'd agree with that.

2 But one of the issues, I think, is can each -- I
3 think each fair should stand on its own to give them an
4 incentive to put on an excellent meet, and promote their
5 meet, and all that. If it's sort of communism that's, you
6 know, everyone's getting the same, it doesn't matter if, you
7 know, Stockton wants to do a lousy job it doesn't matter,
8 the purses are the same. If Fresno does a great job, it
9 doesn't matter, they've got the same purses.

10 I mean, you've got to incentivize those individual
11 meets to promote and do things. Which, actually, Fresno has
12 and some of them have, you know, to different degrees. But
13 if it's just one-size-fits-all, I think that's not really
14 the American way.

15 MR. KORBY: Mr. Chairman, if I may?

16 COMMITTEE CHAIRPERSON BRACKPOOL: You may.

17 MR. KORBY: I think the distinction that we make
18 in our request for a combined fair meet, as a distinct and
19 separate request from our efforts to stabilize and
20 consolidate purses for the fairs is creating some confusion.

21 We look at the combined fair meet as a forward
22 looking mechanism that helps keep fair racing strong in
23 Northern California in a very uncertain time.

24 And we initiated that last year on a wider scale
25 than it had been before.

1 This request was a request to continue what we had
2 started last year, but we've also, within that overall
3 effort, we've made a big step forward in having the fairs
4 agree to a consolidated purse program and the horsemen to
5 agree with that. And so I would like to respectfully --

6 VICE CHAIRPERSON ISRAEL: Well, Chris, they appear
7 to be confused about exactly what you're offering and
8 what --

9 MR. KORBY: And what I'd like to do is withdraw
10 the request for a combined fair meet and we will --

11 VICE CHAIRPERSON ISRAEL: Clarify it.

12 MR. KORBY: -- and we will -- we'll clarify that
13 going forward, but we don't want that to stand in the way of
14 the great progress that we've made in other ways.

15 VICE CHAIRPERSON ISRAEL: All right, just make
16 sure John can't call you the communist association of racing
17 fairs and you'll be okay.

18 COMMITTEE CHAIRPERSON BRACKPOOL: Commissioner
19 Choper?

20 COMMITTEE MEMBER CHOPER: Could you briefly --
21 well, maybe you're going to do this next time, briefly
22 describe what they're not agreeing to?

23 They all six agreed to the purse schedule; right?

24 MR. KORBY: Correct.

25 COMMITTEE MEMBER CHOPER: What didn't they -- what

1 did the two not agree to?

2 MR. KORBY: They are not in concert with the
3 concept, they want more understanding of what that means.

4 VICE CHAIRPERSON ISRAEL: Okay, so they're
5 confused, too.

6 COMMITTEE MEMBER CHOPER: I see. Okay, I got you.

7 VICE CHAIRPERSON ISRAEL: Can I just ask staff to
8 clarify one thing? If this does become adopted in the
9 future, is this a case of if one fair fails inspection, all
10 fairs fail inspection?

11 I mean, you know, how do we delineate from one to
12 the next if they're an entity, a single entity, and what
13 happens to racing if we shut them down?

14 MS. WAGNER: Those are some of the questions that
15 as we go forward with the combined fair meet will have to be
16 fleshed out. Because at this point the request is coming
17 from CARF to combine the fairs, but they're also making the
18 request that each license be looked at as an individual
19 fair.

20 So if you're looking at it as an individual fair,
21 we have to determine who really is in charge, is it CARF or
22 is it the individual?

23 VICE CHAIRPERSON ISRAEL: Right, who has
24 liability?

25 MS. WAGNER: Correct.

1 VICE CHAIRPERSON ISRAEL: Right.

2 COMMISSIONER HARRIS: I'm not clear, too, there's
3 two segments, there's a purse segment, but we're also
4 looking at the commission segment. I mean, all the fairs
5 would just be in one pot for commissions and they just all
6 share equally in that or do they share based on how their
7 fair did?

8 MS. WAGNER: Those are the things that CARF would
9 have to answer because staff, at this point, is unknown --
10 it's unknown as to how all that is going --

11 COMMITTEE CHAIRPERSON BRACKPOOL: Well, Chris is
12 here, he's going to answer that question right now.

13 MR. KORBY: As of this point there is no program
14 of sharing commissions.

15 COMMITTEE CHAIRPERSON BRACKPOOL: As of this
16 point, what does that mean? Is it you're working on it?

17 MR. KORBY: Well, that could be a possibility in
18 the future, I mean, much in the same way the National
19 Football League shares revenues.

20 COMMITTEE CHAIRPERSON BRACKPOOL: Some revenues.

21 VICE CHAIRPERSON ISRAEL: Yeah, they share about
22 60 percent of the revenues. And that's, frankly, why
23 they're going to have a lock-out in 2011 because they're
24 redefining that.

25 COMMITTEE CHAIRPERSON BRACKPOOL: Commissioner

1 Rosenberg has a question.

2 COMMISSIONER ROSENBERG: To add to the confusion,
3 this Item Number 7 is an application for Alameda County
4 Fair, which is one of the four fairs proposed to be in this,
5 for a separate approval of their license. I'm confused as
6 to why that was a separate item if it's --

7 COMMITTEE CHAIRPERSON BRACKPOOL: Because, as
8 Jackie just said, each of the fairs would be licensed
9 individually.

10 COMMISSIONER ROSENBERG: Well, what about the
11 other ones?

12 COMMITTEE CHAIRPERSON BRACKPOOL: And everyone
13 would be licensed.

14 COMMISSIONER ROSENBERG: But they haven't
15 requested it for this meeting in other words?

16 COMMITTEE CHAIRPERSON BRACKPOOL: Correct. The
17 next month.

18 MR. KORBY: Since the fairs run in a staggered
19 sequence, the licensees normally come before the Board over
20 several months.

21 COMMISSIONER ROSENBERG: Got it.

22 VICE CHAIRPERSON ISRAEL: So what happened,
23 Richard, is you drove from San Diego to Los Angeles and
24 wound up in Byzantium; right?

25 COMMITTEE CHAIRPERSON BRACKPOOL: Well, I think

1 you have work to do, both with CHRB staff and, importantly,
2 the horsemen and, hopefully, we'll be in a position to
3 analyze this at next month's meeting.

4 Okay, were you looking to speak on this issue,
5 Charlie, you were standing at the podium, I noticed.

6 MR. DOUGHERTY: As long as it's withdrawn, we'll
7 work with them.

8 COMMITTEE CHAIRPERSON BRACKPOOL: Okay. All
9 right, very good.

10 All right, Item Number 7, as Commissioner
11 Rosenberg points out, is the application for Alameda County.

12 MS. WAGNER: Jackie Wagner, CHRB staff.

13 The application before you is from the Alameda
14 County Fair. They originally submitted their application as
15 part of the 2010 combined fair race meeting. Since there's
16 no decision as to whether or not that's going to happen, do
17 we want to go ahead and entertain this application as an
18 individual? We will do that.

19 They're proposing to race June 23rd through July
20 11th, 16 days. This is one more than they raced in 2009.

21 They are proposing to race a total of 172 races,
22 this is 16 races more than they raced in 2009.

23 The proposed race dates are different from what
24 was originally allocated to Alameda County Fair.

25 Originally, they were allocated race dates from June 23rd

1 through July the 11th, for 15 race days.

2 They want to coordinate racing with Hollywood Park
3 and they are requesting that they add July the 7th,
4 increasing the race days from 15 to 16.

5 The application lists that they will be racing
6 Wednesday through Sunday the first and third week, and
7 Thursday through Monday the second week.

8 They will be racing 10 races per day on
9 Wednesdays, Thursdays, Fridays and Mondays, 12 races will be
10 run on Saturdays and Sunday.

11 The first post time is 12:45 p.m.

12 Their ADW providers are XpressBet, TVG,
13 Twinspires, and Youbet.

14 We have some items that are listed as outstanding
15 with this application. I am pleased to report that we have
16 received the horsemen's agreements as of this morning, we
17 have the TOC, the quarter horse. The Arabian's agreement is
18 pending.

19 The fire clearance is scheduled for May the 1st.
20 And the documents pertaining to their ADW operators have not
21 been provided as such, as of yet, and we anticipate those
22 coming at any time.

23 Staff would recommend that the Board approve the
24 application contingent upon the submission of the
25 outstanding items.

1 EXECUTIVE DIRECTOR BREED: Mr. Chairman and Board,
2 I want to add to that, that our investigative staff just
3 finished an inspection of the barn area and the racetrack,
4 not the track surface or the rail, but we did do our annual
5 inspection of the barn area.

6 One of the -- over the years one of the items that
7 has always come up is the golf course in the infield. I'm
8 happy to report that this golf course, the problems that
9 seemed to be, and I hope that the CTT will go along with me
10 on that, the problems that we have seen in the past seem to
11 have been addressed and the golf course is working okay in
12 conjunction with the racing operation.

13 Is that correct, Charlie?

14 MR. DOUGHERTY: Charlie Dougherty, California
15 Thoroughbred Trainers.

16 Yes, we have been working with the Alameda
17 management and one of the steps taken to prevent golf balls
18 from going onto the track is a net was further extended
19 along the main -- along the racetrack.

20 And since last October, I have not been made aware
21 of any other incidents.

22 EXECUTIVE DIRECTOR BREED: Right.

23 COMMITTEE CHAIRPERSON BRACKPOOL: But you haven't
24 played golf with Commissioner Harris.

25 (Laughter.)

1 EXECUTIVE DIRECTOR BREED: So, anyway, I did want
2 to mention, Mr. Chairman, that the housing inspection and
3 also the golf course seems to be -- everything seems to be
4 in line. Pleasanton has made a very strong effort to
5 correct any issues or problems that we have brought to their
6 attention and we recommend approval of this application.

7 COMMITTEE CHAIRPERSON BRACKPOOL: Shall we hear
8 from the applicant? Is there anything you'd like to add?

9 MR. PICKERING: If the votes are here, I'll be
10 happy to be quiet.

11 COMMISSIONER HARRIS: Just to clarify, one of the
12 things on having two sites in California waging at the
13 same time, as I understand it, Hollywood Park is not running
14 on Thursdays, but you will be running on Thursdays, so you
15 will run unoverlapped --

16 MR. PICKERING: A short, abbreviated card. I'm
17 sorry.

18 COMMISSIONER HARRIS: So it's kind of a program on
19 it, I was concerned that you might have a problem with those
20 days.

21 MR. PICKERING: Rick Pickering, CEO Alameda County
22 Agricultural Fair Association.

23 COMMITTEE MEMBER CHOPER: I have one question but
24 --

25 MR. PICKERING: On the 1st and the 8th,

1 Commissioner Harris, our intent is to run an abbreviated
2 card, predominantly breeds. I'm sorry, mixed breeds.

3 Commissioner Breeds, whichever -- sorry, Kirk.

4 COMMITTEE CHAIRPERSON BRACKPOOL: Commissioner
5 Choper.

6 COMMISSIONER HARRIS: That sounds like that would
7 make a bad day worse. I mean, by not having a -- why would
8 you want to run an abbreviated card when you don't even have
9 an overlap, either?

10 MR. PICKERING: We certainly would be open for
11 your further input on what the card should look like,
12 Commissioner.

13 COMMITTEE CHAIRPERSON BRACKPOOL: I'm not sure
14 that's -- I'm not sure that's his function, but let's
15 address that a little bit.

16 I mean, I'm not hearing you advocate strongly for
17 that.

18 MR. PICKERING: We're open for input.

19 COMMITTEE MEMBER CHOPER: I take it you want to do
20 the thing that's going to produce the biggest handle?

21 COMMISSIONER HARRIS: It just seems like there's
22 a --

23 MR. PICKERING: Not necessarily because I have to
24 protect the herd for the next fair, the next fair, and the
25 next fair.

1 COMMITTEE MEMBER CHOPER: Well, I understand,
2 consistent with that.

3 MR. PICKERING: Correct.

4 COMMITTEE MEMBER CHOPER: I have a suggestion
5 along those lines. You say that you're going to coordinate
6 with Hollywood Park, I think that's a very good thing.
7 You're going to start at 12:45.

8 I take it Hollywood Park starts at 12:30?

9 COMMISSIONER HARRIS: One, I think.

10 COMMITTEE MEMBER CHOPER: One, okay.

11 MR. PICKERING: Right, and we would start with a
12 mule race or a mixed, emerging breed.

13 COMMITTEE MEMBER CHOPER: I understand. Now, this
14 affects how long people are going to stay, a lot of fans are
15 going to stay at the track. You know, it's a long day, the
16 card. That's all right, I'm not complaining about that.

17 But when you have -- I suggest you give real
18 thought to coordinating, if you're coordinated with
19 Hollywood Park, the fans are going to be there at 12:45 --
20 or excuse me, one o'clock at the latest, if you start with a
21 mixed breed race at 12:45, all right. Otherwise, they'll be
22 there at 12:45 a lot of them, they'll be out there for that.

23 You have the Pick -- Place Pick the last ten
24 races. I would try to coordinate that with the Hollywood
25 Park time.

1 And, similarly, what do they call that, the
2 penta -- the five in a row. I haven't graduated to that
3 one, yet, but the five in a row, also. If that is a popular
4 betting device, then you want to consider the fact that
5 you're going to have the core of your live audience, and I
6 don't know that it's only live, either, but certainly live,
7 you're going to have them there when Hollywood's running.

8 And so that's unsolicited, free advice as to, in
9 figuring out the schedule, things you might take into
10 consideration. The breeds are another matter.

11 VICE CHAIRPERSON ISRAEL: Now you know how
12 Commissioner Choper plays.

13 COMMITTEE MEMBER CHOPER: Well, but I'm not
14 atypical. I mean, that's just the reality.

15 COMMISSIONER HARRIS: I think, for my free advice,
16 would be that you may be over doing it a little bit by
17 running 11 out of 12 days in a row -- I mean, you'll be
18 running 11 days in your first 12 days and I'm just worried
19 about using up a lot of inventory, you know, for future
20 meets, if it's the one-for-all type of a deal.

21 You've got a long season ahead of you and I hate
22 to -- we want to give everyone an opportunity to run, but it
23 may be over doing it a bit.

24 COMMITTEE CHAIRPERSON BRACKPOOL: Can we hear from
25 Charlie?

1 MR. DOUGHERTY: Yes. Commissioners, just for the
2 record, it was brought to my attention that, undoubtedly,
3 because of the change of our Board and also the transition
4 of our new administration, historically, CTT has always
5 signed a contract, as well, with the running racetracks, and
6 just for the record we do not have a contract.

7 And I think it's just been an oversight that due
8 to the transition -- I don't anticipate any problems, but we
9 do not have a signed contract.

10 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, thank you.

11 Chris?

12 MR. KORBY: Charlie and I were just conferring on
13 this, we have not received a draft contract from CTT, we'll
14 look forward to getting one, and have every intention of
15 working out an agreement with them, as we have in the past.

16 VICE CHAIRPERSON ISRAEL: Is there any impact on
17 the purses, the fact that we didn't approve your combined
18 meet, is it adversely or in any way impact the purses in
19 Pleasanton?

20 MR. KORBY: No, sir.

21 VICE CHAIRPERSON ISRAEL: No, okay.

22 MR. KORBY: The agreements for that are separate
23 from anything having to do with a combined meet.

24 VICE CHAIRPERSON ISRAEL: Okay.

25 COMMISSIONER HARRIS: Well, I thought the concept

1 was for Pleasanton to be part of the combined meet.

2 VICE CHAIRPERSON ISRAEL: It was.

3 COMMISSIONER HARRIS: So now you're saying they're
4 not going to be part of the combined meet?

5 MR. KORBY: That's correct. But the purse's
6 agreement is in effect nevertheless.

7 VICE CHAIRPERSON ISRAEL: But is there going to be
8 a retroactive reconciliation, once all 39 days of your
9 consortium have finished racing, to determine whether there
10 was an underpayment or an overpayment, or is Pleasanton out
11 on its own for determining that, for it's 15 or 16 --

12 COMMITTEE CHAIRPERSON BRACKPOOL: It depends
13 whether we approve the combined meet or not.

14 VICE CHAIRPERSON ISRAEL: Well, but the
15 supposition is we --

16 COMMITTEE CHAIRPERSON BRACKPOOL: If we approve
17 it.

18 VICE CHAIRPERSON ISRAEL: Yeah, if we approve it.

19 MR. KORBY: Our agreement with the horsemen covers
20 the purses and consolidates the purses into a single-purse
21 agreement without respect to whether there's a combined meet
22 or not.

23 COMMISSIONER HARRIS: I thought that was the whole
24 concept of it, though, was to --

25 VICE CHAIRPERSON ISRAEL: Yeah, now you've got us

1 completely confused.

2 So your 16-day meet can, for purposes of
3 reconciliation, financial reconciliation, be viewed as a
4 separate entity and will not be thrown in with the other 23
5 days on the combined CARF meet?

6 COMMITTEE CHAIRPERSON BRACKPOOL: He's saying if
7 the Board approves the combined meet, then they have the
8 option, as far as I'm understanding what you're saying, of
9 either staying separate or joining it.

10 VICE CHAIRPERSON ISRAEL: I misunderstood.

11 COMMITTEE CHAIRPERSON BRACKPOOL: Is that correct.

12 COMMISSIONER HARRIS: You decide -- you can't go
13 through the meet and see how it goes and then say, oh, yeah,
14 I wanted to be part of your partnership.

15 COMMITTEE CHAIRPERSON BRACKPOOL: No, I
16 understand. But I'm saying that up until the beginning of
17 the meet, assuming we approve it, they're saying they have
18 an election to make. Correct?

19 MR. PICKERING: I would encourage us to step off
20 the ship that says a consolidated race meet amongst the
21 fairs.

22 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, but I
23 asked a question. Just answer the question first of all,
24 before we get encouraged to do various things.

25 MR. PICKERING: We, racing fairs, have signed an

1 agreement with TOC for a purse structure that would start
2 with Stockton and go all the way through Fresno.

3 Each fair manager and racing secretary has signed
4 off on that purse structure, the most important part of it
5 being the thoroughbreds as far as the largest amount of
6 money.

7 Dave Elliott's reviewed it for Cal-Expo, Norb
8 Bartosik signed. John Alquire's reviewed it for Fresno,
9 he's signed. And TOC has signed off.

10 COMMISSIONER HARRIS: Who has signed for TOC
11 because they didn't seem to know about it.

12 MR. PICKERING: They have signed off -- that's the
13 confusion.

14 COMMITTEE CHAIRPERSON BRACKPOOL: There's a
15 different issue there.

16 MR. PICKERING: They have signed off on a
17 consolidated purse schedule from the first day of fair
18 racing to the last day of fair racing.

19 COMMITTEE CHAIRPERSON BRACKPOOL: Let me see if I
20 can get an answer to my question this way; what difference
21 will there be to your fair if we approve or disapprove the
22 request for a combined fair meet?

23 MR. PICKERING: None.

24 VICE CHAIRPERSON ISRAEL: It doesn't affect the
25 underpayments or overpayments in any way?

1 MR. PICKERING: Not the proposal for a
2 consolidated fair race meet.

3 COMMITTEE CHAIRPERSON BRACKPOOL: Then I'm
4 confused as to what it does.

5 VICE CHAIRPERSON ISRAEL: Yeah, I'm really
6 confused.

7 COMMITTEE MEMBER CHOPER: Maybe I can answer. I
8 think I get it. Yeah, I get it.

9 COMMITTEE CHAIRPERSON BRACKPOOL: Oh, good.

10 COMMITTEE MEMBER CHOPER: It's a concept, that's
11 what he said. And so far as the details of the concept,
12 they've got more or less full agreement with all of the
13 fairs.

14 Going forward, the more people you persuade that
15 the concept is a good idea, then the more you're going to
16 have a joint operation going.

17 MR. KORBY: I think that's a good --

18 COMMITTEE MEMBER CHOPER: And, of course, when
19 they don't like what you're doing, they withdraw from the
20 consortium.

21 MR. KORBY: I think that's a good characterization
22 of it. There is a concrete agreement in place for
23 consolidation of purses that is -- that will -- that is in
24 place without respect to the combined fair meet concept.

25 VICE CHAIRPERSON ISRAEL: Well, let me ask the

1 question, then, with simple round numbers.

2 The underpayment of purses at Pleasanton turns out
3 to be a hundred dollars a day, so it's \$1,600.

4 The overpayment of purses at the other meets, that
5 are part of the consortium, turns out to be an overpayment
6 of \$1,600.

7 Does that mean Pleasanton's square and doesn't owe
8 anybody a dime or they still owe the \$1,600?

9 MR. KORBY: The single purse account will be
10 zeroed out in that scenario.

11 VICE CHAIRPERSON ISRAEL: Okay, so, and now but
12 Rick's saying he wants to keep his options open if we
13 approve this, so I'm confused now. Nobody's committing to
14 that; is that right?

15 COMMISSIONER ROSENBERG: David, we're not
16 approving it right now.

17 COMMITTEE CHAIRPERSON BRACKPOOL: No, I
18 understand. But assuming we did approve it is the question?

19 VICE CHAIRPERSON ISRAEL: Well, sure, we're
20 approving his license right now, so I want to know what I'm
21 approving. You know, it's uncertain what purse structure
22 we're approving.

23 MR. KORBY: The horsemen's agreement with the
24 fairs includes a consolidated purse agreement.

25 VICE CHAIRPERSON ISRAEL: But what if we don't

1 approve that?

2 COMMISSIONER ROSENBERG: Then it operates as an
3 individual fair and that's it, that's what we're approving
4 today. Correct?

5 EXECUTIVE DIRECTOR BREED: Let me see if I can
6 clarify this, please.

7 The system that they started, that the fairs
8 started I think two years ago was, and what they're calling
9 the consolidated purse structure, was that the fairs agreed
10 to use the same paymaster of purses, or the same accounting
11 system, similar to what we do with other race meets.

12 What they -- the problem that they have in a fair,
13 when you're running a fair, is you can't modify the purse
14 structure as you go along because there's just too short of
15 time.

16 So if you're running an underpayment, you can't do
17 anything about it. If you're running an overpayment, you
18 can't do anything about it because you don't have time to do
19 it. You don't even know that you have this problem until
20 the end of the race meet.

21 So what they've done and what they had in practice
22 last year was using the same purse account and trying to
23 carry forward the accounting of these race meets. They're
24 going to do that whether you approve the combined concept or
25 not, because that's what they've done last year.

1 This year they have a different agreement with the
2 horsemen, which includes all of the fairs, which says that
3 there is not that restriction on the overpayment and the
4 underpayment that we had in last year's horsemen's agreement
5 that said within 14 days, I think it was within 14 days, you
6 have to satisfy the underpayment. That's no longer there,
7 my understanding.

8 What is there is that the horsemen, all breeds of
9 horsemen have agreed from day one until day end of the race
10 meets that we're going to use the same accounting system,
11 the same purse structure, we're consolidating everything,
12 we're going to take care of the weak fairs, or those
13 races -- actually, it comes down to races. Those races that
14 run an underpayment, we're going to take care of it with an
15 overpayment someplace else and it's going to all balance
16 out.

17 VICE CHAIRPERSON ISRAEL: Oh, okay. Can you, in a
18 sentence, tell me what purse structure I'm voting for in
19 Pleasanton's license application, one sentence?

20 MR. PICKERING: We're voting for the purse
21 structure that TOC signed off on.

22 COMMISSIONER HARRIS: Do we have that?

23 MR. PICKERING: I don't know if you have it or
24 not.

25 MR. KORBY: We have it in the agreement and we'd

1 be glad to get that forward for you.

2 MR. PICKERING: This is the horsemen that agreed
3 with the tracks on the purses that they would be paid.

4 COMMITTEE CHAIRPERSON BRACKPOOL: Can TOC confirm
5 that's the position?

6 Not from the audience, please, Madeline, it's --

7 MS. AUERBACH: As I believe I heard it, yes. The
8 uncertainty of -- this was meant to address the uncertainty
9 because you cannot make an adjustment during the two-week
10 fair meet as to purses, you can't lower them and you cannot
11 come up with the money to cover possible losses. So this
12 was a way to guarantee the horsemen that they would get the
13 purses that they thought they were running for.

14 And so I believe the way you stated it, if I heard
15 you correctly, was what we agreed to. And that's all we
16 agreed to.

17 COMMISSIONER HARRIS: Have you agreed to the
18 various levels for different categories?

19 MS. AUERBACH: Yes, we did, it was in there, so
20 that the horsemen had consistency and knew what they were
21 running for throughout the summer, so that the Northern --
22 and I'm, obviously, I'm not as well versed in the Northern
23 fair circuit, as probably I should be.

24 But we wanted some consistency so that the
25 horsemen, be they owners or trainers, knew exactly what they

1 were running for and would not suddenly get to a meet and
2 find out that there was some deduction, or that we didn't
3 next year, when we go back to do the purse schedule, find
4 out that the purses at one fair were substantially less than
5 the purses at the other fair and all that would encourage
6 the other fair to do was to just -- or owners and trainers
7 to do is say, well, I'm going to wait for fair X over here
8 and not support this fair, and eventually you'd have that
9 fair going out of business because if I wait two weeks, I
10 can run for higher purses.

11 COMMISSIONER HARRIS: Do you think the TOC may
12 want to do this with Hollywood Park and Del Mar?

13 MS. AUERBACH: No, but we might want to do it with
14 Hollywood Park and Hollywood Park, you know, spring and
15 summer. I don't know. Spring and fall.

16 VICE CHAIRPERSON ISRAEL: Well, before you go
17 away, let me ask a question, actually, on John's behalf.

18 MS. AUERBACH: Sure.

19 VICE CHAIRPERSON ISRAEL: If it works out that
20 there is an overpayment does that mean, and it finally gets
21 reconciled in the last couple of weeks of this combined
22 season, does that mean those who run at Fresno Fair are
23 going to take it in the shorts?

24 MS. AUERBACH: No, that's the -- no, it should not
25 mean that at all. It should mean --

1 VICE CHAIRPERSON ISRAEL: Well, how are you going
2 to reconcile an overpayment then?

3 MS. AUERBACH: Well, it carries on from year to
4 year. This isn't something that we do right away. In other
5 words, if there was a tremendous underpayment -- I mean,
6 overpayment, and they don't come back to us and say you got
7 to pay us back, they don't do that, it goes --

8 VICE CHAIRPERSON ISRAEL: No, but they cut purses
9 the last couple of weeks in the meet; right?

10 COMMISSIONER ROSENBERG: They can't at the fair
11 level.

12 MS. AUERBACH: They can't at the fair level.
13 You're talking apples and oranges, the fairs don't go long
14 enough.

15 VICE CHAIRPERSON ISRAEL: But you can if this
16 combined purse thing is -- if we view these things as one
17 big meet --

18 MS. AUERBACH: No, just for the sake of purses.

19 VICE CHAIRPERSON ISRAEL: -- all right, by the
20 time you get to October and they're running at Fresno, you
21 know where you stand financially and if you got to cut
22 purses, the place you're cutting purses is Fresno.

23 COMMITTEE MEMBER CHOPER: They can't, they can't.

24 MS. AUERBACH: No, it would be the next year.

25 COMMISSIONER HARRIS: The next year it would come

1 back --

2 MS. AUERBACH: The next year. What you can't --

3 COMMITTEE CHAIRPERSON BRACKPOOL: But that's an
4 issue -- that's an issue to be discussed when we discuss
5 whether to vote for a combined.

6 VICE CHAIRPERSON ISRAEL: Okay, I was just trying
7 to understand.

8 COMMISSIONER HARRIS: But conceptually, I thought
9 the idea, if you say you had an underpayment, which has
10 occurred, that everybody would get their part of it. If the
11 under -- if it was basically you're five percent underpaid,
12 everybody that made money, regardless of how much it was or
13 what fair it was, would get a check for five percent of
14 whatever they made and the pot would be right.

15 MS. AUERBACH: You're talking about for the whole
16 meet?

17 COMMISSIONER HARRIS: The whole thing, yeah.

18 VICE CHAIRPERSON ISRAEL: The 39 days that we're
19 talking about here.

20 MS. AUERBACH: You're talking about all the fair
21 meets, all together?

22 COMMISSIONER HARRIS: Yeah.

23 VICE CHAIRPERSON ISRAEL: Yeah, that's 39 days.

24 MS. AUERBACH: It would be reflected in the next
25 year's purses.

1 COMMISSIONER HARRIS: No, I thought that the
2 statute or something said that there's 50,000 could be
3 carried forward to the next year, but over 50,000 is
4 supposed to be paid out.

5 MS. AUERBACH: Do we have the agreement with us?

6 COMMISSIONER HARRIS: Because I don't like the
7 idea that I made money this year, but the only way I'm ever
8 going to get it is --

9 COMMITTEE CHAIRPERSON BRACKPOOL: By racing again
10 next year.

11 COMMISSIONER HARRIS: -- five years from now,
12 maybe.

13 VICE CHAIRPERSON ISRAEL: Right, right, yeah,
14 you'd be out of business by then.

15 EXECUTIVE DIRECTOR BREED: It's not the statute.
16 That's not the -- that was the horsemen's agreement.

17 COMMISSIONER HARRIS: Oh, that's the horsemen's
18 agreement.

19 MS. AUERBACH: It's not -- I don't believe that
20 is -- I don't know that that language is there.

21 COMMISSIONER HARRIS: The horsemen's agreement's
22 like that, I guess.

23 MS. AUERBACH: No, I don't believe that that
24 language is there. What we're looking to avoid is we're
25 looking to avoid an erosion of the fair meets, we're looking

1 to avoid eventually not having a fair circuit at all, and
2 we're looking to have some consistency, and we're looking to
3 avoid a fair taking a tremendous hit and trying to come back
4 with us next year with a purse structure to make up for what
5 they lost the year before.

6 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, I want to
7 stay on this point though, because that's for the next
8 meeting.

9 MS. AUERBACH: Okay.

10 COMMITTEE CHAIRPERSON BRACKPOOL: Jackie, can you
11 confirm that what has been said and what we have in our
12 files is accurate, that we do have the horsemen's agreement
13 that reflects -- the purse structure reflects what has been
14 said?

15 MS. WAGNER: The horsemen's agreement was
16 submitted to me this morning. I have not taken a look at
17 the horsemen's agreement.

18 COMMISSIONER HARRIS: Yeah, we need to have those
19 things in our packet when we look at this stuff.

20 COMMITTEE CHAIRPERSON BRACKPOOL: I don't
21 understand why they --

22 COMMISSIONER HARRIS: I don't know why everything
23 always has to come in at the last minute.

24 MR. PICKERING: We second that feeling.

25 MS. AUERBACH: Well, and just to let everybody

1 know, we have to get it early enough so we can work on it,
2 too, so it's kind of circular.

3 MR. PICKERING: We have to have dates.

4 COMMISSIONER HARRIS: Yeah.

5 MS. AUERBACH: All this stuff is very circular,
6 unfortunately.

7 COMMITTEE MEMBER CHOPER: Well, you know, if we're
8 remiss because the dates don't get allocated in time, then
9 we ought to know about it.

10 Because I really do think this is not good for
11 anybody, and this is about the third time. It's not just
12 you, it's every meet that we have, the very last minute this
13 stuff comes in, no one quite knows what the hell we're
14 talking about, we don't get it in advance, you can't ask any
15 intelligent questions.

16 So all I can say is if we're at fault, if the
17 Board is at fault in the allocation of dates, then that
18 ought to be highlighted at the time that you ask for them.
19 Okay?

20 COMMITTEE CHAIRPERSON BRACKPOOL: Well, here's
21 what I would recommend, I think we could -- we could
22 certainly take a vote on the issue of approval subject to
23 staff confirming to us that the horsemen's agreement is as
24 has been described.

25 All right, and I think that would --

1 COMMITTEE MEMBER CHOPER: So moved.

2 COMMISSIONER ROSENBERG: Second that motion.

3 VICE CHAIRPERSON ISRAEL: I'll second it.

4 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, all in
5 favor?

6 (Ayes.)

7 MS. AUERBACH: If I might, I can tell you where --
8 we already have the information from Del Mar, so that should
9 be a slam dunk.

10 COMMITTEE CHAIRPERSON BRACKPOOL: Excellent, I
11 like slam dunks.

12 MR. PICKERING: Thank you all.

13 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you.

14 VICE CHAIRPERSON ISRAEL: I'll just say that's
15 what George Tenent said about weapons of mass destruction.

16 MS. AUERBACH: Thank you.

17 COMMITTEE MEMBER CHOPER: Slam dunks.

18 VICE CHAIRPERSON ISRAEL: Slam dunk. That's a
19 direct quote, that's what he told the President.

20 COMMITTEE CHAIRPERSON BRACKPOOL: Moving on to
21 Item Number 8. Item Number 8 is the discussion and action
22 by the Board regarding the licensing process and
23 requirements for satellite wagering facilities in
24 California.

25 I think this is a follow-up item to the issue that

1 was raised at last month's hearing and I think the issue was
2 twofold; what is the standard for initial licensing and
3 then, perhaps more importantly, what was the -- what are the
4 ongoing requirements -- why are you leaving, Jackie? --
5 what are the ongoing requirements for maintaining a license
6 to operate a satellite facility.

7 MS. WAGNER: Jackie Wagner, CHRB staff.

8 Just a little bit of background in terms of the
9 process for licensing simulcast wagering facilities. We do
10 have a Board Rule 2057, which is the initial application and
11 approval of a simulcast facility.

12 This rule provides that the racing associations
13 and fairs, or other entities proposing to act as a simulcast
14 facility complete the application, and that is an
15 application to operate a simulcast wagering facility.

16 They used the term "host" and "guest associations"
17 in the rule.

18 Pursuant to the approval of the application, this
19 constitutes a license to operate the simulcast wagering
20 facility.

21 It should be noted that the license does not have
22 an expiration date; however, it is subject to compliance
23 with the Board's rules and horse racing law.

24 They are required, once approved a satellite
25 wagering facility is required to come before the Board for

1 new or proposed facilities, for remodeling or alteration of
2 the existing site.

3 It's interesting that this simulcast came into
4 being kind of in the mid-1980s and when this application was
5 initially developed that it was developed with no expiration
6 date for the license. So, subsequently, we do not have
7 updated information on some of our satellite wagering
8 facilities.

9 We do get that information as a facility continues
10 to develop and make alternations to their facility, but
11 there's no planned process.

12 COMMITTEE CHAIRPERSON BRACKPOOL: That's only if
13 they're making voluntary additions or replacements.

14 MS. WAGNER: Absolutely.

15 COMMITTEE CHAIRPERSON BRACKPOOL: I think the
16 issue that's of concern to this Board is the continuing
17 standards, do we have a continuing standard because there is
18 a huge variance in the quality of the product that is
19 offered, depending on which satellite facility you go to.

20 MS. WAGNER: Absolutely. Right now, the only
21 thing that we require our simulcast facilities to tell us,
22 they indicate to us what is in the facility, i.e., they tell
23 us the size of the facility, the tables, the parking, and
24 those types of accommodations.

25 In terms of telling them what they have to have,

1 no, our rules right now do not do that.

2 If that is something that the Board would like us
3 to look at, we certainly could go ahead and start working on
4 that particular project.

5 COMMITTEE MEMBER CHOPER: How often, if at all, do
6 we send inspectors, or whatever you call them, to look at
7 the facilities?

8 MS. WAGNER: It's done at least once a year.

9 COMMITTEE MEMBER CHOPER: At least once a year.
10 So I take it that the inspectors that go there make some
11 judgments about whether it looks nice, whether it's clean,
12 whether people --

13 COMMITTEE CHAIRPERSON BRACKPOOL: No, I don't
14 think so.

15 COMMITTEE MEMBER CHOPER: No?

16 COMMITTEE CHAIRPERSON BRACKPOOL: I think what the
17 inspector's doing is the inspector's complying with our
18 rules.

19 MS. WAGNER: Correct.

20 COMMITTEE CHAIRPERSON BRACKPOOL: And saying are
21 they in compliance with the rules.

22 COMMITTEE MEMBER CHOPER: Yes.

23 COMMITTEE CHAIRPERSON BRACKPOOL: I don't think
24 it's a subjective opinion.

25 COMMITTEE MEMBER CHOPER: But if we have these

1 rules now and --

2 COMMITTEE CHAIRPERSON BRACKPOOL: If now, if we
3 were to bring in something, I agree with you.

4 COMMITTEE MEMBER CHOPER: Well, we certainly ought
5 to make very clear what criteria we want observed.

6 COMMITTEE CHAIRPERSON BRACKPOOL: I agree.

7 COMMITTEE MEMBER CHOPER: And it seems to me if we
8 have that, I don't know that you need it every year, maybe
9 you do, I have no real judgment, but you could --

10 COMMITTEE CHAIRPERSON BRACKPOOL: Well, it can be
11 a spot check, if you have it.

12 COMMITTEE MEMBER CHOPER: Uh-huh. And you could
13 also have a period in which the license has to be renewed.

14 MS. WAGNER: Correct.

15 COMMITTEE MEMBER CHOPER: Which certainly will
16 call for a larger amount of input, probably, you know,
17 that's going to be generated by the facility, itself,
18 because it's got to --

19 MS. WAGNER: Agreed.

20 COMMITTEE MEMBER CHOPER: You get my point.

21 COMMITTEE CHAIRPERSON BRACKPOOL: Yeah.

22 Commissioner Rosenberg?

23 COMMISSIONER ROSENBERG: What would the remedy be
24 if we promulgated rules and the Board and the licensee did
25 not -- well, actually, I'm not sure they're called the

1 licensee, but if they didn't comply with the rules.

2 COMMITTEE CHAIRPERSON BRACKPOOL: Well, I guess we
3 would have a period of time for them to fix the problem, and
4 then we could revoke the license.

5 MS. WAGNER: Exactly.

6 COMMISSIONER ROSENBERG: Could we revoke the
7 license?

8 MS. WAGNER: Yes.

9 COMMITTEE CHAIRPERSON BRACKPOOL: Absolutely.

10 COMMISSIONER ROSENBERG: Yeah, even though we
11 don't license them, even though we don't review the --

12 COMMITTEE CHAIRPERSON BRACKPOOL: But now, we
13 will. Because what I'm understanding, what we are going to
14 direct staff to do here is establish a set of standards --

15 EXECUTIVE DIRECTOR BREED: Minimum standards.

16 COMMITTEE CHAIRPERSON BRACKPOOL: Minimum
17 standards. And then a period of time within which somebody
18 could fix the problem, if we identified a problem, and then
19 the issue would be brought to the Board for a hearing on
20 revocation of the license.

21 COMMITTEE MEMBER CHOPER: And the staff is also
22 giving consideration to a limited period for the license or
23 are we supposed to do that, now?

24 VICE CHAIRPERSON ISRAEL: That's legislative.

25 COMMITTEE MEMBER CHOPER: Is that within your --

1 is that on your agenda, Kirk?

2 EXECUTIVE DIRECTOR BREED: Say that again,
3 Commissioner?

4 COMMITTEE MEMBER CHOPER: As to whether there
5 ought to be an expiration date for -- whether there ought to
6 be a license for a given term.

7 MS. WAGNER: Sure. Right now there's no set term.

8 COMMITTEE CHAIRPERSON BRACKPOOL: The question is
9 can we do that by rule or is that a legislative action?

10 MS. WAGNER: We can do that by rule.

11 COMMITTEE MEMBER CHOPER: I would just urge that
12 you at least think about that and make a proposal and give
13 us, you know, some reasons, and why you picked that amount
14 of time and so forth.

15 COMMISSIONER ROSENBERG: I agree, I agree.

16 Jackie, can you explain that, if the Legislature
17 promulgated time limits for the minisatellites, is that in
18 the legislation -- in legislation, not in the Board rules?

19 MS. WAGNER: The term limit, I believe, is in the
20 statute for minisatellites.

21 COMMISSIONER ROSENBERG: Got you, and it's not in
22 the statute for --

23 MS. WAGNER: Satellites, no, it is not.

24 COMMISSIONER ROSENBERG: So how can we, as a
25 Board, set time limits if it's not in the statute?

1 MS. WAGNER: It's under the Board's authority --

2 COMMISSIONER ROSENBERG: It is.

3 MS. WAGNER: -- in terms of granting rules and --
4 promulgating rules and regulations.

5 And we do have those other entities to look to,
6 for instance the two-year term for the ADWs, the one-year
7 term for the regular licenses that come before the Board, so
8 there is some precedence, something that we can look to.

9 COMMISSIONER ROSENBERG: So you will look into
10 that and recommend that, I hope.

11 COMMISSIONER HARRIS: I'm not sure what we can
12 really do, though. I mean, obviously, we want to have as
13 nice of satellites as we can, good customer service and all
14 that, but we're somewhat limited and we don't have somebody
15 across the street to give it to, it's not like a --

16 COMMITTEE CHAIRPERSON BRACKPOOL: No, but we could
17 take it away.

18 COMMISSIONER HARRIS: If we take it away, well,
19 how do we -- that's sort of a suicide pact. If you do that,
20 you hurt the industry and you hurt the guy.

21 COMMITTEE CHAIRPERSON BRACKPOOL: No, because
22 we're going to take it away and have somebody else come in
23 and apply for that license in that spot, that's what would
24 happen.

25 COMMISSIONER HARRIS: Well, I'm not sure if they

1 could. If you said that you took it away, you couldn't --
2 and some of these -- it has to be a fair, doesn't it? I
3 mean, you couldn't say I'm going to take it away from fair X
4 and give it to Joe's Bar across the street?

5 COMMITTEE MEMBER CHOPER: No, but it would open up
6 an opportunity for people to say, gee, we don't have a
7 satellite here, we can make a buck doing that and --

8 COMMITTEE CHAIRPERSON BRACKPOOL: Because they're
9 no longer within a 20-mile radius problem.

10 COMMISSIONER HARRIS: Well, but I think it would
11 be tough to take one away without good cause. I'm not sure
12 if the Racing Board is more like a liquor licensing, or
13 something, if you really -- I mean, it should be more based
14 on the customers, if they're not doing a business, they're
15 not going to sustain themselves and --

16 COMMITTEE CHAIRPERSON BRACKPOOL: Well, but I
17 think we've seen a decline and what we're trying to do is
18 arrest that decline.

19 COMMISSIONER HARRIS: Yeah, yeah.

20 COMMITTEE CHAIRPERSON BRACKPOOL: So, we have a
21 speaker on the issue.

22 MR. PICKERING: Rick Pickering, Alameda County
23 Agricultural Fair Association.

24 Honorable Chairman, distinguished Members of the
25 Board, I also chair the California Fair Alliance, so I chair

1 84 fairs in California. They do their own things, but 24 of
2 those fairs have satellite wagering -- excuse me, 22 of
3 those fairs have satellite wagering facilities.

4 So any way that we could participate with CHR
5 staff in taking a look at those facilities, promulgating,
6 assisting with additional rules and regulations, it's to all
7 of our interests to better the satellite network.

8 COMMITTEE CHAIRPERSON BRACKPOOL: We're not going
9 to dictate them to you, so we'll work through but --

10 MR. PICKERING: Thank you. It doesn't have to be
11 me, but know that we're out here if you want help.

12 COMMITTEE CHAIRPERSON BRACKPOOL: -- but we'd like
13 this back before us in short order.

14 MR. PICKERING: Very good, thank you.

15 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, so I think
16 that's the direction we've given the staff on that issue.

17 And before I move on, Mr. Korby would like to say
18 something.

19 MR. KORBY: I have one quick one, I sent a
20 communication to Board members and I'd like to invite the
21 Board members, if you wish, to hold committee meetings or
22 Board hearings at satellite facilities.

23 There are many of them that I think many decision-
24 makers in the State have not had a chance to visit and --

25 COMMITTEE CHAIRPERSON BRACKPOOL: Be careful what

1 you wish for, it may come true.

2 MR. KORBY: Well, this may be an opportunity to
3 see some our good satellite facilities.

4 COMMITTEE CHAIRPERSON BRACKPOOL: It's not the
5 good ones I want to see.

6 MR. KORBY: You're welcome to any.

7 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you.
8 We'll let you know which one we're going to hold it in.

9 MR. CASTRO: I don't have a card in, Richard
10 Castro, but I'd like to say something being that you're
11 going to look at these satellites, and I'm not going to go
12 into a lot of details -- oh, I'm Richard Castro,
13 representing Pari-Mutuel Employees Guild, Local 280.

14 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you.

15 MR. CASTRO: I'm sorry.

16 When you look at these satellites, I also would
17 like you to look at the level of customer service, and
18 that's all I'm going to say on that subject.

19 COMMITTEE CHAIRPERSON BRACKPOOL: Excellent, thank
20 you.

21 All right, Item Number 9 is a discussion and
22 action by the Board regarding the issue on Los Alamitos and
23 the increased take, and we're trying to get to grips here
24 with exactly what the numbers are, we seem to have some
25 conflicting information as to the like-for-like handle, both

1 post- and pre-, this increased two percent in the take-out.

2 Mike?

3 MR. MARTEN: Yes, Chairman, Mike Marten of the
4 CHRB staff.

5 We received e-mails as late as midnight last
6 night, from Mr. Jeff Platt, of HANA, who's here, and earlier
7 from Barry Meadow, and I think that one was forwarded to
8 you.

9 And our Assistant Executive Director, Bon Smith,
10 had to remain in Sacramento to represent the CHRB in a
11 budget hearing today, so that's why he's not here.

12 But these communications were forwarded to him and
13 he crunched the numbers early this morning, and I had a
14 conversation with him and he said, essentially, the problem
15 is that we aren't in agreement, everyone is not in agreement
16 on the criteria to be used in presenting these numbers.

17 COMMITTEE CHAIRPERSON BRACKPOOL: Yeah.

18 MR. MARTEN: And he believes that some of these
19 issues raised are valid, and some may not be valid. And
20 what he would like -- what he would request is that you not
21 put too much weight on the numbers in this report here,
22 today, and that he get together --

23 COMMITTEE CHAIRPERSON BRACKPOOL: Wish there was a
24 different way you'd phrased that.

25 (Laughter.)

1 COMMITTEE CHAIRPERSON BRACKPOOL: The Assistant
2 Director requests that we not put too much weight on the
3 numbers that were presented.

4 MR. MARTEN: Yes.

5 COMMITTEE CHAIRPERSON BRACKPOOL: It's not a good
6 start to a hearing. Carry on.

7 MR. MARTEN: Because he would like to work with
8 Mr. English here, with Mr. -- HANA here, with Mr. Meadow,
9 and come to some agreement of terms on what would be used in
10 this analysis and provide better, more meaningful reports to
11 you in the future.

12 COMMITTEE MEMBER CHOPER: Mr. Chairman, I'd like
13 to make a motion that we table this and -- what's that?

14 COMMITTEE CHAIRPERSON BRACKPOOL: One second, one
15 second.

16 COMMITTEE MEMBER CHOPER: Obviously, I've seen
17 about three different, at least three different versions of
18 the numbers and you've just pointed out that there's -- that
19 the staff doesn't have as strong a fix on it as it would
20 like to.

21 It's no sense spending a lot of time arguing about
22 the numbers when we don't really have them.

23 COMMITTEE CHAIRPERSON BRACKPOOL: No, I do think
24 it's interesting, though, that we understand what the
25 discrepancy --

1 COMMITTEE MEMBER CHOPER: Yeah.

2 COMMITTEE CHAIRPERSON BRACKPOOL: -- possibly is
3 in how we're arriving at the number.

4 So that when we have the discussion, we know that
5 we're having it with a common number.

6 COMMITTEE MEMBER CHOPER: Fine.

7 COMMITTEE CHAIRPERSON BRACKPOOL: So can you just
8 briefly explain, Mike, why it is that it's so difficult to
9 agree on an apple to an apple?

10 MR. MARTEN: I wasn't part of the --

11 MR. ENGLISH: I can.

12 MR. MARTEN: I wasn't part of the creation of
13 these numbers, but from what I'm hearing and reading in the
14 e-mails, is that there was slightly different calendar dates
15 used, there was -- for example, even if you agree on using
16 an average, there's one suggestion that you subtract out a
17 Thursday before you do the average, because if you use the
18 Thursday in the average that lowers the overall number
19 because Thursday's such a bad day.

20 This is how -- the people are very passionate
21 about this and they're analyzing these -- they're spending a
22 lot of time analyzing these and they have a lot of ideas
23 which, frankly, didn't occur, I believe, to our staff.

24 COMMITTEE CHAIRPERSON BRACKPOOL: Okay.

25 MR. MARTEN: And this input seems beneficial for

1 improving future reports.

2 COMMITTEE MEMBER CHOPER: I also understand that
3 the numbers produced by independent producers of numbers,
4 whatever you -- is it CHRIMS is one and Equibase --

5 COMMITTEE CHAIRPERSON BRACKPOOL: And Equibase,
6 yeah.

7 COMMITTEE MEMBER CHOPER: -- is another, that
8 they're different numbers. So one way or another we got to
9 straighten that out so we know what the hell we're talking
10 about.

11 COMMITTEE CHAIRPERSON BRACKPOOL: Let's hear from
12 Los Alamitos.

13 MR. ENGLISH: Thank you. My name is Rick English,
14 I'm a CPA representing Los Alamitos today.

15 I prepared the exhibit on the back of page 9.1,
16 which is our presentation of the numbers.

17 My analysis handles strictly brick and mortar
18 facilities and it covers Fridays, Saturdays and Sundays,
19 it's not averages. I deleted the Thursdays because it
20 clearly isn't fair, Thursdays are a weak night.

21 So my analysis compares five --

22 COMMITTEE CHAIRPERSON BRACKPOOL: If you're
23 comparing apples to apples, why would it matter if
24 Thursday's a weak night?

25 MR. ENGLISH: Because if you have four nights one

1 week, and three stronger, and then four nights with three
2 nights, and these three are the weekends, the three weekends
3 are always going to be higher. I mean, an average comes
4 down if you include a Thursday.

5 Okay, so that's why I compared Fridays to Fridays,
6 Saturdays to Saturdays, and Sundays to Sundays. And I did
7 in each one of the elements of our brick and mortar handle,
8 on-track, California satellites, and out-of-state locations.

9 My analysis is presented and it shows in each one
10 of the days, in each one of the elements, our handle after
11 the increase is slightly higher than before, our average
12 daily handle, with the exception of out-of-state on Saturday
13 nights.

14 In terms of -- again, as I said, this is just
15 strictly brick and mortar.

16 COMMITTEE CHAIRPERSON BRACKPOOL: So go to ADW.

17 MR. ENGLISH: If I go to ADW, which is more
18 difficult to do because on CHRIMS you can pull out specific
19 days. ADW, you have to do a whole range, you can't pull out
20 just Friday nights, it's much more cumbersome.

21 But if you look at the total ADW handle on our
22 live product, from December 26th through January 17th we
23 have 13 live performances and our ADW handle averaged
24 \$282,000.

25 From January 21st to March 25th, after -- I'm

1 sorry, March 28th, after the increase, our ADW handle
2 averaged \$312,000.

3 Our ADW handle, average -- average daily handle
4 went up ten and a half percent after the increase.

5 Now, I understand people who raised issues about
6 the fact that we're comparing four nights to three but,
7 again, I'm only comparing the three nights.

8 The three nights we're racing, we're racing just
9 about the same number of races as we did before. It's not
10 like we raced nine races a night before and now we're up to
11 ten, these are generally comparable numbers of races.

12 And again, there has not been a significant change
13 in the handle.

14 My position would be that, as it happened to be,
15 coincidentally, about the time we raised the handle we also
16 went from four nights to three. And when we did that, what
17 we've done is we've increased our field size, and when we
18 did that there was a direct correlation -- a directly
19 correlated increase in our handle, and that's what's done
20 it, and it was the fact that we put on a better product by
21 having bigger fields more than compensated for the increase
22 in the take-out.

23 There is some pricey elasticity in our product.
24 And I brought an analysis here of our handle by race, week-
25 by-week, which I'll be happy to leave with you afterwards.

1 And I'm happy to try to answer any questions
2 anyone might have.

3 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you.
4 Let's hear from HANA.

5 MR. PLATT: Jeff Platt, representing HANA.

6 What I did was grab the handle numbers as reported
7 by Los Al to Equibase, right off the charts. I've put the
8 numbers in a spreadsheet. On one side of the spreadsheet I
9 have handle numbers from 2010, on the other side of the
10 spreadsheet I have handle numbers from 2009. The time
11 period covered is from the first day of the experiment
12 through the end of March.

13 When I looked at total revenue generated, what was
14 reported to Equibase by Los Al, shows that on-track handle
15 during the time period of the experiment is off 30 percent.

16 Now, the question becomes do you want to look at
17 average handle per race or do you want to look at how much
18 money is generated for everybody.

19 And I think the off 30 percent is a very clear
20 indicator that there is a lot of price elasticity when you
21 look at take-out and its relationship to handle.

22 I would also like to request that we have some way
23 to get the same data that they do from CHRIMS because my
24 only source of data happens to be Equibase.

25 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, we'll

1 certainly make sure that that gets shared because I think
2 it's interesting.

3 MR. ENGLISH: If I could respond to his comments?

4 COMMITTEE CHAIRPERSON BRACKPOOL: Please.

5 MR. ENGLISH: I'd like to make two comments. One,
6 the current period, 2010, we have 24 days of races versus 30
7 last year in that same period, so that clearly skews totals.

8 Secondly, if you look at this, my analysis
9 compares to what happened just before the price increase --
10 before the increase in take-out and just after.

11 His analysis, comparing 2009 through 2010, that's
12 a whole year. And as we all know too well, California's not
13 doing as well now as we were in 2010 [sic]. So I've gone
14 back, I've looked at our handle --

15 VICE CHAIRPERSON ISRAEL: 2009.

16 MR. ENGLISH: -- comparing 2009 with 2010. 2010,
17 our live handle in California is down ten percent, average
18 daily handle, from the beginning of our meet through the end
19 of April, through the last -- I'm sorry, through April 14th
20 we're down ten and a half percent.

21 The same criteria, Santa Anita, live handle in
22 California, they're down 13 percent.

23 Golden Gate, the same criteria, is down eight
24 percent.

25 So the fact that we're down and to attribute part

1 of our decrease to strictly being the increase in our take-
2 out is not appropriate.

3 COMMITTEE CHAIRPERSON BRACKPOOL: All right, well,
4 I think what we're going to do on this, as Commissioner
5 Choper said, is we're going to table this issue until we get
6 agreement on common numbers.

7 So what I want to see is a report back on what
8 we've done to arrive at those common numbers.

9 And, you know, I'm certainly happy to see the
10 information shared with the horse players, as well, that
11 this is important that we develop a set of data. Because it
12 may be, frankly, that, you know, it's easy to adjust these
13 numbers favorably to back up one's argument in such a short
14 period of time, it's going to become much harder once we
15 have a few months to look at here.

16 But let's agree now on what numbers we're using,
17 so that we cannot have this particular debate when we come
18 to reassess this decision.

19 MR. ENGLISH: Two points, sir? One is I agree
20 with him that I don't come up with the same numbers that the
21 staff did, also, I don't know where those numbers are coming
22 from.

23 The second one was I believe the action item on
24 the agenda is whether or not to continue the increase
25 through September 8th, and I hope the Board will at least

1 continue to do that until this is resolved.

2 COMMITTEE CHAIRPERSON BRACKPOOL: No, the item is
3 already approved to continue. The item that was on the
4 agenda is to whether to revoke that permission.

5 MR. ENGLISH: Well, I hope we won't.

6 VICE CHAIRPERSON ISRAEL: Before you go away, has
7 any thought been given by Los Al to hiring an independent
8 market research firm to do a real blind market research
9 survey and see what that will -- and see how various
10 increases in take-out would increase the likelihood to wager
11 or not wager?

12 MR. ENGLISH: To be honest, our share of the
13 market isn't big enough to have any -- to really measure
14 that sort of thing and the cost would be -- we're measuring
15 it based by actual experience, it's there.

16 COMMISSIONER ROSENBERG: Mr. Platt, can I ask a
17 question?

18 VICE CHAIRPERSON ISRAEL: But you don't know how
19 to define behavior is the problem and why people are doing
20 things.

21 MR. ENGLISH: Well, I know, I can only measure the
22 dollars, not the reasons.

23 COMMITTEE CHAIRPERSON BRACKPOOL: Well, let's hope
24 we get to that.

25 Commissioner Rosenberg?

1 COMMISSIONER ROSENBERG: Yeah, Mr. Platt,
2 question. Do you agree with the concept that the increase
3 in field size encourages a gambler to bet on a race as
4 opposed to smaller fields, just a general concept?

5 MR. PLATT: Yes, I do. That is actually confirmed
6 by a number of industry-funded studies. The top determinate
7 of how much players bet was take-out. The second most
8 effective determinate was field size.

9 COMMISSIONER ROSENBERG: Right. Well, we had the
10 conversation once before us, too, where you surveyed your --
11 the people who were in that survey --

12 MR. PLATT: Right, yes.

13 COMMISSIONER ROSENBERG: -- you know, what size
14 gamblers were they, whatever.

15 MR. PLATT: Yeah, absolutely, field size,
16 increased field size --

17 COMMISSIONER ROSENBERG: Right.

18 MR. PLATT: -- large, competitive fields will get
19 people to play races a lot more than small.

20 COMMITTEE CHAIRPERSON BRACKPOOL: John.

21 COMMISSIONER HARRIS: Yeah, this is also for HANA.
22 One thing that I would like to see, and wanted to see if
23 there would be support from the industry and, particularly,
24 the HANA group, is some publication to show more
25 transparency of what the take-outs are throughout the

1 country.

2 And if I stay here, at Santa Anita, there's a
3 certain take-out, but if I'm betting, you know, all around
4 the country there's different take-outs, but I don't really
5 know that. I think that should be in a program, or posted
6 somewhere, when I -- well, maybe, if you can find it.

7 MR. PLATT: The data that's in the Form may or may
8 not be accurate. You go to drf.com, they have it, but it's
9 not up to date.

10 We actually have it on our website.

11 VICE CHAIRPERSON ISRAEL: Well, it's also
12 published in the program every day.

13 COMMISSIONER HARRIS: It is.

14 VICE CHAIRPERSON ISRAEL: Yeah.

15 COMMISSIONER HARRIS: I've never seen it.

16 VICE CHAIRPERSON ISRAEL: Page 2 or page 3,
17 somewhere in there, it tells you what you're paying for each
18 bet.

19 COMMISSIONER HARRIS: No, the California bet, but
20 I'm thinking about other states.

21 MR. PLATT: I'm talking about all across North
22 America.

23 VICE CHAIRPERSON ISRAEL: Oh, okay.

24 COMMISSIONER HARRIS: All across because everyone,
25 today, are not betting -- because, really, California should

1 have a big advantage, where we've got a 15 point something
2 percent take-out.

3 MR. PLATT: You do, you're weekly show is --

4 COMMISSIONER HARRIS: But I don't know if people
5 throughout the country realize they're getting a better buy
6 in California than in other states.

7 MR. PLATT: You'd be surprised.

8 COMMITTEE CHAIRPERSON BRACKPOOL: Commissioner
9 Choper?

10 COMMITTEE MEMBER CHOPER: Well, I would just urge
11 the staff to make sure that you get as much input as
12 possible from both Los Al, and HANA, and so forth, so that
13 we get some agreed upon data. Otherwise --

14 MR. ENGLISH: CHRIMS is the accepted basis for the
15 numbers in California, that's where my numbers come from.

16 COMMITTEE MEMBER CHOPER: No, I'm not --

17 VICE CHAIRPERSON ISRAEL: Yeah, but it's which
18 numbers you're taking out.

19 COMMITTEE MEMBER CHOPER: Look, it's obvious there
20 are different numbers, it's like -- it's like Joseph Stalin
21 said, he said, "it's not who votes that counts, it's who
22 counts the votes."

23 COMMITTEE CHAIRPERSON BRACKPOOL: We've got
24 communism, Stalinism, we've got everything going here today,
25 so it's great.

1 (Laughter.)

2 COMMITTEE MEMBER CHOPER: So it's the data that
3 counts here, not who -- I mean, you obviously have
4 different -- you're coming from different points and I just
5 hope the staff will talk to enough people to get a basically
6 agreed upon -- or if you can't, and that's possible, too,
7 then highlight why there is disagreement.

8 Because I read this, there was this fellow,
9 Meadows, is that his name, who sent it --

10 VICE CHAIRPERSON ISRAEL: Yeah, I read the same,
11 yeah.

12 COMMITTEE MEMBER CHOPER: -- and everyone had a --
13 you know, as you read it you say this is a good point, you
14 know, it makes sense.

15 VICE CHAIRPERSON ISRAEL: Makes sense, yeah.

16 MR. ENGLISH: Talked about not being fair to
17 exclude Thursdays, but Thursdays aren't excluded in my
18 analysis.

19 COMMITTEE MEMBER CHOPER: Yeah, I'd just say you
20 ought to -- you ought to work this out with the people and
21 the staff.

22 COMMITTEE CHAIRPERSON BRACKPOOL: I think that as
23 the numbers of days increase, it's going to become easier.
24 But, Mike, we have to do a better job at our end of working
25 this through.

1 So I'd like to see a brief memo sent to the Board,
2 that explains what we're doing to reach this consensus on
3 how we're analyzing common, apple-to-apple numbers.

4 COMMITTEE MEMBER CHOPER: Yeah, exactly.

5 COMMITTEE CHAIRPERSON BRACKPOOL: All right, we'll
6 do that.

7 Mike Wellman.

8 MR. WELLMAN: Yeah, I've actually done a little
9 bit of analysis and participated in a couple of different
10 things about take-out, it's something that interests me a
11 lot and I think there are ways to utilize take-out for
12 Southern California's benefit because we do have certain
13 areas, such as the Pick Six, where our take-out is
14 significantly lower than most anybody that operations and is
15 our competition.

16 For instance, even in New York, on their -- I
17 believe their take-out is ordinarily 20, but on all
18 carryover days it becomes 25 percent.

19 Like John, Mr. Harris said, there is a little bit
20 of confusion. I've charted it out.

21 But in the racing form, if I may show you, in
22 every case on the first page, where there is, I don't know,
23 track information, whether it is Gulfstream, New York,
24 Keeneland, it indicates the exotic bets, the win/place/show
25 bets and the take-outs.

1 Just to bring out one other point, Southern
2 California or California is very competitive in many of
3 those areas and we should concentrate and let the message
4 out to the general public and players that we are, and I
5 think there is an opportunity in certain areas and in
6 creating other kinds of wagers where you can get more take-
7 out.

8 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, I want to
9 stay on topic, I want to stay on topic. Thank you. Thank
10 you for that and we'll look forward to hearing from you
11 again when we've got these common numbers, Mike, okay.

12 Item Number 10, status report from Oak Tree on the
13 current situation regarding their lease.

14 MR. CHILLINGWORTH: Sherwood Chillingworth, Oak
15 Tree.

16 In order to understand this process, you have to
17 have a little background on the bankruptcy courts and how
18 they operate. And in addition, thereto, I have to lead you
19 through this a little anecdotally and tell you about my
20 negotiations.

21 First, the bankruptcy courts, as most of you know,
22 have a lot of leeway on how they operate, a lot of the
23 judgment is left with the judge and doesn't always follow
24 standard patterns.

25 Anyway, getting back to where our lease is, on

1 March 15th I met with Dennis Mills, who's the CEO of MID,
2 and with Donald Cameron, who's the COO, the two top members.

3 We talked for about an hour and a half and they indicated
4 they wanted to move ahead with negotiations.

5 They came back again on April 6th, we met for two
6 hours, they made two proposals to us, which we agreed to.

7 We were supposed to meet the next day with their
8 attorney, Mr. Hannah, and to reduce this to writing. They
9 came in about, oh, 10:30 in the morning and said, well,
10 something's gone wrong with the bankruptcy, we've got to get
11 back to Toronto, so we can't do it right now, but we'll do
12 it as soon as we can.

13 The next day, April 7th, they filed a schedule
14 with the bankruptcy court showing which contracts and which
15 leases they would affirm and which they were disaffirming.
16 Our lease was on the affirmation list.

17 Now, the order from the court is scheduled now for
18 april 20th, which is next Tuesday.

19 If the court affirms that order or they haven't
20 changed their minds, then there's 15 days after that in
21 which the debtor can amend or alter, add to or subtract from
22 them list.

23 Right now I think, in all -- in my judgment, we
24 have a lease and we've been affirmed for our lease, which I
25 assume runs through 2016.

1 And I talked to Dennis day before yesterday and he
2 indicated nothing to the contrary.

3 So I'm assuming that this will happen and I assume
4 that with people of their stature, the CEO and the COO of
5 MID, have the authority to make this kind of arrangement.

6 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you,
7 Chilly. So we will -- 15 days after April the 20th will
8 still be prior to our next Board meeting.

9 MR. CHILLINGWORTH: Correct.

10 COMMITTEE CHAIRPERSON BRACKPOOL: So I think what
11 we'll probably do is have this agendized again for the next
12 Board meeting and, hopefully, it will be a moot -- a moot
13 point by that state.

14 MR. CHILLINGWORTH: Hope so. Thank you.

15 COMMITTEE CHAIRPERSON BRACKPOOL: Greg, would you
16 like to add something from Magna to that?

17 MR. SCOGGINS: Greg Scoggins, Magna Entertainment.

18 I really don't have anything to add to what Mr.
19 Chillingworth had to say. I'll be reporting on other
20 matters during my presentation, but I think Chilly said it
21 best.

22 COMMITTEE CHAIRPERSON BRACKPOOL: And you don't
23 disagree with anything he said.

24 MR. SCOGGINS: No.

25 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you.

1 All right, Item Number 11, which is a
2 discussion --

3 MR. CASTRO: Excuse me, I thought I had a card
4 here on this one.

5 COMMITTEE CHAIRPERSON BRACKPOOL: Oh, I'm sorry,
6 Rick, I apologize.

7 MR. CASTRO: You're apology is accepted.

8 COMMITTEE CHAIRPERSON BRACKPOOL: Richard Castro,
9 I apologize.

10 MR. CASTRO: God, you're wonderful today, you are
11 really wonderful.

12 Chairman Brackpool, Commissioners, Richard Castro.
13 We want to strongly be on the record supporting an
14 extension to the Oak Tree lease. Thank you.

15 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you,
16 Richard, I apologize, the card was in the wrong place on my
17 table.

18 Jackie, are you presenting Item Number 11 or Mike
19 is? Okay.

20 It's a discussion and action by the Board
21 regarding the possible closure of the New York off-track
22 betting.

23 And I just want to say that at yesterday's
24 legislative hearing somebody stood up and said, well, as you
25 know, the New York OTB situation is now resolved.

1 And I said, have you ever been to Albany? And
2 sure enough, at five o'clock in the evening it wasn't
3 resolved and was all thrown out again, so I wanted to make
4 that point.

5 VICE CHAIRPERSON ISRAEL: Yeah, they're now
6 threatening to close on Monday.

7 COMMITTEE CHAIRPERSON BRACKPOOL: Exactly, so I
8 just wanted to make that point that for once I was right.

9 MR. MARTEN: Yes, Chairman, Mike Marten, of CHRB
10 staff.

11 I don't believe there's any disagreement over the
12 report, the numbers in our packet for this issue and --

13 COMMITTEE CHAIRPERSON BRACKPOOL: A low bar to
14 start the item with, but carry on.

15 MR. MARTEN: And we were hoping this would be a
16 moot point but, obviously, the Matt Haggerty article that
17 was forwarded to you shows it's not.

18 The good news, that I received word this morning,
19 and anyone in the audience could correct this, but I think
20 all the payments post-filing our current to California
21 entities, the filing was December, was it, so unless
22 somebody disagrees, that question appears answered that
23 everyone's current.

24 COMMITTEE CHAIRPERSON BRACKPOOL: So the amount
25 that's outstanding is the amount on 11.3 of our Board

1 packet, which is the 90,000 to the Board, the purses, the
2 commissions and, in addition, the paragraph below, I'm
3 confused by exactly what was owed at the petition date.

4 VICE CHAIRPERSON ISRAEL: Read this paragraph.

5 MR. MARTEN: Yes, and while I'm handy in this
6 regard as providing some staff analysis, I wasn't part of
7 this particular report or analysis.

8 COMMITTEE CHAIRPERSON BRACKPOOL: Mike, you
9 started the item by saying the good news is on this item we
10 have no disagreement on the numbers.

11 MR. MARTEN: Over post -- over post-numbers.

12 Maybe we can get Bernie Thurman up here.

13 COMMITTEE CHAIRPERSON BRACKPOOL: All right,
14 Bernie, could you help us out because I know you provided
15 these numbers?

16 So here's my confusion, is it the -- do you have
17 this -- well, you provided it, so you have it.

18 Is it the numbers listed vertically as well as the
19 paragraph described below?

20 MS. THURMAN: The paragraph below, that I think
21 you're referring to, what is outstanding as of --

22 COMMITTEE CHAIRPERSON BRACKPOOL: Right.

23 MS. THURMAN: That's money that was not collected
24 by California entities.

25 But the numbers above would be what we would have

1 gotten had we collected everything.

2 COMMITTEE CHAIRPERSON BRACKPOOL: That didn't
3 answer it for me, either.

4 MS. THURMAN: I'm sorry.

5 COMMITTEE CHAIRPERSON BRACKPOOL: So the numbers
6 above are still outstanding?

7 MS. THURMAN: No.

8 COMMITTEE CHAIRPERSON BRACKPOOL: No.

9 MS. THURMAN: The only thing that's outstanding at
10 this point is 195 to Pacific, 278 to Oak Tree --

11 COMMITTEE CHAIRPERSON BRACKPOOL: That's what I
12 thought but --

13 MS. THURMAN: -- 170 to Hollywood Park, and Santa
14 Anita's actually been current because that amount was post-
15 petition and they've been making payments.

16 COMMITTEE CHAIRPERSON BRACKPOOL: So the 178 to
17 Santa Anita is --

18 MS. THURMAN: It's clean.

19 COMMITTEE CHAIRPERSON BRACKPOOL: It's clean, is
20 current. So the aggregate, then, is 200,000 to PRA, just
21 under 300,000 to Oak Tree, and 170 to Hollywood Park, so
22 we're talking \$600,000.

23 MS. THURMAN: That's correct.

24 COMMITTEE CHAIRPERSON BRACKPOOL: And what do we
25 think the resolution of that is going to be?

1 MS. THURMAN: Well, it's a Chapter 9 filing so,
2 normally, you do recover a hundred percent, but it probably
3 won't be for a year or so.

4 COMMITTEE CHAIRPERSON BRACKPOOL: But if I look at
5 the different plans that are now being proposed and the
6 different -- you know, the government -- Addison has a plan,
7 somebody else has a plan, they all appear to treat everybody
8 very differently.

9 MS. THURMAN: Correct.

10 COMMITTEE CHAIRPERSON BRACKPOOL: So do you still
11 believe that under Chapter 9 protection you would actually
12 get this money under any of those plans?

13 MS. THURMAN: I'm an optimist, but I don't think
14 I'm that much of an optimist, no.

15 COMMITTEE CHAIRPERSON BRACKPOOL: Right. Right,
16 so the money is certainly at risk.

17 MS. THURMAN: Correct.

18 VICE CHAIRPERSON ISRAEL: Now, in the plan that
19 fell apart yesterday, if I read it correctly, they were
20 going to be in a position to reduce their statutory payments
21 15 percent; is that correct?

22 MS. THURMAN: That's according to the Racing Form,
23 I certainly don't have any --

24 VICE CHAIRPERSON ISRAEL: So how would that affect
25 California, I mean --

1 MR. LIEBAU: Jack Liebau, I --

2 VICE CHAIRPERSON ISRAEL: Are we included in that
3 forgiveness or --

4 MR. LIEBAU: I don't profess to know anymore than
5 anybody else, but I think that when they're talking about
6 the statutory reductions, that's the amount that would be
7 paid to NYRA, and Finger Lakes, and the other tracks, and
8 not --

9 VICE CHAIRPERSON ISRAEL: All the New York
10 entities.

11 MR. LIEBAU: -- and not the host fees that are due
12 and owing to the tracks that are sending them signals, or
13 that they're importing signals from.

14 VICE CHAIRPERSON ISRAEL: Okay.

15 COMMITTEE CHAIRPERSON BRACKPOOL: So as far as
16 you're concerned, Jack, this is money that, as Bernie says,
17 you may or may not get back depending on the treatment
18 proposed in whatever plan finally makes it through.

19 MR. LIEBAU: Yes. There are people who have told
20 us that because it's a Chapter 9 and a governmental entity
21 that there's a good chance that you will eventually get the
22 money, but that's hearsay.

23 COMMITTEE CHAIRPERSON BRACKPOOL: There's a good
24 chance you'll get an IOU, whether you get the money --

25 MR. LIEBAU: Well, the State of California, as you

1 know, has issued IOUs from time to time so --

2 COMMITTEE CHAIRPERSON BRACKPOOL: Right, right.
3 Okay, so that is -- our issue, in putting it on the agenda,
4 was what is the magnitude and what does the impact have?

5 So, you know, the impact numerically is
6 approximately you're all out -- the tracks are out \$600,000
7 at this stage, so let's isolate that.

8 What other ongoing impacts do you see?

9 MR. LIEBAU: Well, the ongoing impact, if the
10 reports are correct, the New York OTB is likely to close on
11 Sunday, which they no doubt have waited until the Santa
12 Anita meet concludes in order to do that. It's, you know,
13 we lose a lot of handle.

14 Now, as handle goes, it's the least profitable
15 handle that California racetracks lose because New York OTB
16 has, I think it's fair to say, the lowest host fee.

17 COMMITTEE CHAIRPERSON BRACKPOOL: But it was \$91
18 million last year wagering at New York outlets.

19 MR. LIEBAU: No, I think that's right. And I
20 suspect what did we get, about two and a quarter million?

21 COMMITTEE CHAIRPERSON BRACKPOOL: Oh, no, 82
22 million. Sorry, 82 million.

23 MS. THURMAN: Yeah, it was 82 million and the
24 feeling is that some of that handle will migrate to other
25 OTB outlets.

1 COMMITTEE CHAIRPERSON BRACKPOOL: To others.

2 MS. THURMAN: It averages out about 320,000 a day,
3 it's about 10,000 in host fees a day, and we think that will
4 migrate to other places.

5 VICE CHAIRPERSON ISRAEL: Now, have you been
6 making your payments to them on a regular scheduled basis,
7 as you should?

8 MS. THURMAN: Yes.

9 MR. LIEBAU: Yes, we have. Unfortunately, we do
10 not have any hold-backs.

11 VICE CHAIRPERSON ISRAEL: There's no way to offset
12 it or anything like that?

13 MR. LIEBAU: No, because our -- they don't have
14 any signal, do you see what I mean?

15 VICE CHAIRPERSON ISRAEL: Oh, I see, they're not
16 a -- okay.

17 MR. LIEBAU: They're not a --

18 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you.

19 VICE CHAIRPERSON ISRAEL: Thanks.

20 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, well,
21 let's hope for a better resolution, but it's a mess.

22 COMMITTEE MEMBER CHOPER: Albany will come through
23 over the weekend.

24 COMMITTEE CHAIRPERSON BRACKPOOL: Yeah, yeah, it
25 will come through, I like that.

1 Okay, Item Number 12, a report from the
2 Legislative, Legal and Regulations Committee.

3 Do you want to do that, Mr. Choper.

4 COMMITTEE MEMBER CHOPER: Well, yeah, I can.

5 COMMITTEE CHAIRPERSON BRACKPOOL: Yeah.

6 COMMITTEE MEMBER CHOPER: I can make it brief, if
7 you want. I'll try to be brief. I have some notes here,
8 let me find them. Here they are.

9 Well, we had a meeting at which a number of people
10 came in with a number of ideas, all with the goal of making
11 some substantial increase in the handle.

12 Some were given a greater chance of making it
13 through a legislative session than others.

14 It seemed to me, at least, a particularly
15 promising one was this exchange betting by BetFair, which I
16 don't know if everyone's familiar with it, I'm not going to
17 try to describe it, but it permits -- it's like the stock
18 exchange, you get bettors who are going to bet each way, you
19 match up the bets, a commission comes out and they've been
20 very successful with that, they say, in England and in
21 Europe.

22 And it's certainly something that is not going to
23 do anything radically different, in terms of form, than what
24 we do now, we have different kinds of betting that goes on.

25 So we're going to get some more data on that. It

1 seemed to me that the great benefit of it was that it would
2 not cannibalize existing bettors all that much and, instead,
3 would bring in a different class of people who would be
4 doing this, enlarge the customer pool.

5 A second suggestion was that we have betting
6 machines placed in as many -- in as many spots as possible,
7 whether they be -- like Lottery tickets.

8 And I was told that the -- someone told me after
9 the meeting, from one of the tote companies, that that would
10 be no great problem technologically.

11 It would require legislation.

12 And that was the suggestion, that you get more
13 people making more bets, more readily, and these would be,
14 you know, just single machines in lots of locations.

15 There was -- there were a couple of those with
16 what I would say is longer shots, and they were to try to
17 get the Legislature to approve some allocation or, I guess,
18 to try to get the tribes to approve some subsidy.

19 I mean, I think that's what it comes down to, as
20 one word, it just happened in New Jersey, I believe. I
21 think it's -- what do I believe, I don't know, it might be
22 more readily accomplished in New Jersey than it will be in
23 California.

24 There was the suggestion that we ought to take in
25 the business of sports betting to supplement our revenue

1 stream.

2 Also, a highly complicated political process to be
3 done with -- it struck me, at least, with a lot of other
4 competitors, why us, you know, instead of a lot of other
5 people.

6 Anyway that -- and then the last that I had and,
7 Mr. Chairman, you can come up with the supplementary ones,
8 but the ones that I --

9 COMMITTEE CHAIRPERSON BRACKPOOL: Well, there --

10 COMMITTEE MEMBER CHOPER: No, I say the last one I
11 have is this notion of instant racing and there were --
12 there were problems both of defining what that means, and
13 also to determine just how much -- how many legislative
14 machinations you have to go through in order to accomplish
15 that in the State of California.

16 So that's my report.

17 COMMITTEE CHAIRPERSON BRACKPOOL: Well, I think
18 I'd add two things to that, we also discussed that there is
19 a bill moving through the Assembly, it's being carried by
20 the Speaker of the Assembly, a bill that would really try
21 and entice Breeders' Cup to come to California on a more
22 permanent basis, and that certainly has a lot of strength in
23 the bill given who's carrying it.

24 The Governor's issued his support of it. So we
25 discussed -- we discussed that bill.

1 And we spent some time discussing various other
2 legislation that was up there, including the passage, out of
3 the Assembly committee, of the minisatellites, which was
4 supported by everybody in the industry, apart from CARF and
5 San Mateo, who were strongly opposed.

6 So we had a spirited discussion on that
7 opposition. And, yes, so I think that was probably a good
8 summary of where we are.

9 And it's my understanding that in between this
10 meeting and the next meeting Commissioner Rosenberg's going
11 to be holding a hearing of his committee, and I believe
12 Commissioner Derek did hold a committee meeting.

13 But as she is not here today, I'm going to let her
14 report on that at the next meeting.

15 And in addition, I think Commissioner Israel's
16 working on the budget -- some budget and audit issues.

17 VICE CHAIRPERSON ISRAEL: We're waiting for some
18 audits.

19 COMMITTEE CHAIRPERSON BRACKPOOL: Right, exactly,
20 and do that.

21 Before I leave this item I have a card here,
22 Richard Castro. You thought I was going to forget again.

23 MR. CASTRO: Richard Castro, representing Pari-
24 Mutuel Employees Guild, Local 280.

25 Chairman Brackpool, no, I knew you would not

1 forget me a second time. You may want to --

2 COMMITTEE CHAIRPERSON BRACKPOOL: The smaller
3 microphone, not the bigger one.

4 MR. CASTRO: It's this one, okay.

5 COMMITTEE CHAIRPERSON BRACKPOOL: Yes.

6 MR. CASTRO: I want to -- you may want to rule me
7 out of order and that's okay, but this is legislative stuff.
8 I want to get a better understanding of what the Governor
9 will or will not do.

10 I think everybody in the room here would like to
11 see more revenue and the simple solution to that, for me,
12 are slot machines. And it's my understanding lobbyists from
13 this industry were called into the Governor's office at some
14 point, recently, and that office gave the message back,
15 anything but slot machines.

16 Can you confirm, or deny, or comment about that?

17 COMMITTEE CHAIRPERSON BRACKPOOL: Wow, I feel like
18 I'm on the spot now.

19 MR. CASTRO: No, I don't mean to put you on the
20 spot, I'm trying to understand.

21 COMMITTEE CHAIRPERSON BRACKPOOL: I think what
22 everybody has to understand, and this is what we spent
23 some time going through yesterday, and you had one of your
24 representatives here so they can report back to you, as
25 well.

1 But what everybody has to understand is that any
2 bill that gets signed by a Governor of California has to
3 make it through the Assembly and the Senate. This is not a
4 bill that gets signed as an Executive Order.

5 MR. CASTRO: We agree.

6 COMMITTEE CHAIRPERSON BRACKPOOL: So I think that
7 what we spent a lot of time talking about yesterday, and
8 what the committee will continue to talk about, but very
9 importantly all of the participants will continue to talk
10 about, is what is the measure that we put forth that has the
11 best chance of making it to the Governor's desk?

12 And I don't believe that slot machines would ever
13 make it to the Governor's desk. So it doesn't really matter
14 what the Governor says he would or wouldn't do, if it's not
15 going to get to the Governor.

16 So we have various hurdles that we have to clear.
17 We've got to get it through the Assembly, we've got to get
18 some things through the Senate, and it's got to have the
19 Governor's support.

20 It is certainly very helpful that the Governor has
21 said I am very supportive and I want to do something
22 significant for horse racing, but he is certainly not going
23 to change the compacts, we're not going to alter the
24 constitution of the State, we're not going to do any of
25 those things.

1 So the challenge before us all is what do we do
2 that advances horse racing, advances the interests of horse
3 racing, advances the revenue that allows for increased
4 purses, that allow for increased product, so that finally we
5 start to have the advantage of these issues begetting one
6 another.

7 That's the challenge and that's what we have to
8 do. But, and ultimately, various participants, the CHRB's
9 not going to file a piece of legislation, the CHRB's role is
10 to say whether it supports a piece of legislation or not.

11 But I, personally, just as a personal opinion,
12 wouldn't give slot machines any chance of making it through
13 this legislative session.

14 VICE CHAIRPERSON ISRAEL: Well, and it would
15 require an initiative after that, anyway.

16 MR. CASTRO: Well, we're -- our organization is
17 good on initiatives.

18 I don't -- most of you, who have been, I assume,
19 appointed by this Governor, and I would assume that you
20 would be our closest spokesperson to the Governor if you
21 felt this would be a good revenue source that you would
22 encourage it to pass.

23 COMMITTEE CHAIRPERSON BRACKPOOL: Did you hear
24 what I said at the start, that it doesn't matter what the
25 Governor thinks or doesn't think on an issue that doesn't

1 get to him. This is not an issue that would every make it
2 to the Governor.

3 MR. CASTRO: Well, then I guess what you're also
4 saying, when it comes to sports wagering, that's why this
5 State doesn't want to join the other states, making it a
6 states' rights issue.

7 Because we've tried to get Jerry Brown and the
8 Governor to file that action with other states because we
9 thought sports wagering at California's facilities,
10 racetrack facilities, would enhance revenue, especially to
11 purses.

12 COMMITTEE CHAIRPERSON BRACKPOOL: Well, it may
13 well do, but there are all sorts of constitutional impacts
14 that pertain to the compacts in California, that don't have
15 the same linkage in other states.

16 So I haven't studied that issue to know exactly
17 why the two of them are not supportive of it, whether it's
18 constitutional or political, but they're not supportive at
19 this stage of it.

20 VICE CHAIRPERSON ISRAEL: Wait, who's not
21 supportive?

22 COMMITTEE CHAIRPERSON BRACKPOOL: He's talking
23 about the Attorney General and the Governor.

24 VICE CHAIRPERSON ISRAEL: The Governor's
25 supportive of sports wagering, period.

1 COMMITTEE CHAIRPERSON BRACKPOOL: Right, he's
2 asking why they didn't --

3 MR. CASTRO: Well, then that's a good starting
4 point. I mean, if we can get sports wagering at
5 California's facilities --

6 COMMITTEE CHAIRPERSON BRACKPOOL: We had this
7 discussion extensively yesterday, at the committee, so I'm
8 going to wind this up, but there are various federal
9 legislative actions that would have to be taken to allow it.

10 And what we were discussing at yesterday's hearing
11 is a bill that could get through and get signed by this
12 Governor. He can't sign federal legislation, so that's
13 where we ended that.

14 MR. CASTRO: Okay.

15 COMMITTEE CHAIRPERSON BRACKPOOL: But anyway, I'm
16 going to wind it up at this stage because we did have this
17 for several hours yesterday.

18 MR. CASTRO: I've got one more point I'd like to
19 make, other than Chairman Choper knows that I've been
20 working on this issue, and I am fairly familiar with what
21 needs to be done on the federal side.

22 The last thing, at the last meeting you hoped that
23 you would have labor's support on all these legislative
24 issues and I led you to believe that we, as an organization,
25 would support whatever legislation came about.

1 Something has changed in the last 30 days to make
2 me change that and I just want to be up front with everybody
3 in the room.

4 If you want to put together a bill, a legislative
5 bill, and you want us to be a part of it, we should be a
6 part at the start, not at the tail end, after it's gone
7 through all the various committees and then come back to us
8 and say, by the way, we have this, now we need help in one
9 or two little committee meetings. That isn't going to work.

10 So I'm hedging what I told you before. We want to
11 be supportive, we want to be a part of it, right now we kind
12 of feel we're left out, and that was conveyed to me from the
13 meeting yesterday.

14 COMMITTEE CHAIRPERSON BRACKPOOL: Well, I don't
15 know what you were left out of because you've been invited
16 to both of the Legislative Committee meetings, they are
17 openly noticed, and you've had participants at both of them.

18 So, anyway, thank you for the comment.

19 MR. CASTRO: Sure.

20 COMMITTEE CHAIRPERSON BRACKPOOL: All right,
21 moving on, Item Number 13, an update from Magna on the
22 status of the bankruptcy, the reorganization plan and all
23 things good.

24 MR. SCOGGINS: It's a high bar. I don't know if
25 being Item Number 13 is a good thing or a bad thing, it's a

1 good thing I'm not overly superstitious.

2 I do like to say that I'd like to start with some
3 good news. I have been actively following an e-mail trail
4 and participating in conversations over the course of the
5 last 72 hours, and from that trail I am happy to say that
6 the claims that are raised, the statutory claims that have
7 been filed by the Scotwinc parties, as well as some offset
8 issues between LATC and Scotwinc, appear to be resolved.
9 They're subject to finalize the agreement.

10 As we speak, I expect that a final term sheet will
11 be signed this afternoon or some point today, and that
12 agreement will be filed with the bankruptcy court seeking
13 approval of the settlement terms at the April 20th hearing.

14 We are endeavoring, also, to resolve claims
15 pertaining to the Notwinc deficits and we are -- have been
16 making efforts towards understanding those numbers, and then
17 we would anticipate, based on that understanding, we would
18 be reaching some kind of resolution of those claims as well.

19 So they're close on the heels, if you will, of the
20 Scotwinc resolution.

21 So I'm happy to report that progress has been made
22 on something that I know everybody would have appreciated
23 being resolved much sooner but --

24 COMMITTEE CHAIRPERSON BRACKPOOL: I'm in a really
25 good mood today so I won't be too cynical or facetious, but

1 I'm really happy that you've now agreed to pay what you were
2 always obligated to pay.

3 And I think that a lot of the credit for that goes
4 to people, like Jack Liebau, who have worked tirelessly on
5 this, so I'm happy that that's the resolution, but I want to
6 make sure Magna's not taking credit for doing something it
7 should have done to begin with.

8 MR. SCOGGINS: Understood.

9 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you.

10 COMMITTEE MEMBER CHOPER: Can I ask, when you say
11 progress is being made, could you give a brief, couple
12 sentences on the process in which progress can take place?
13 Is this between Magna and the creditor's committee?

14 MR. SCOGGINS: No, it's -- what it is, is the
15 progress that I'm referring to is Magna and Notwinc, and the
16 various folks that are involved in the Notwinc process are
17 getting a clearer understanding of who owes what, and in
18 what amounts, and what is appropriate for offsets and what
19 is not.

20 Once we finalize what those numbers are, then a
21 mechanism will be proposed and negotiated for purposes of
22 resolving those differences.

23 COMMITTEE MEMBER CHOPER: Negotiating with whom?

24 MR. SCOGGINS: It will be negotiated between MEC,
25 Pacific Racing and Notwinc.

1 COMMITTEE MEMBER CHOPER: And what about the
2 creditor's committee?

3 MR. SCOGGINS: The creditor's committee will have
4 a say in that process at the hearing on the 20th.

5 COMMITTEE CHAIRPERSON BRACKPOOL: The creditor's
6 committee, under the structure, would be happy with this
7 resolution because it actually leaves less people in the
8 creditor's pool to divide up the money. This is additional
9 money that would be paid out by the acquiring party.

10 COMMITTEE MEMBER CHOPER: Oh, this is going to --
11 this is money that's going to enlarge the estate.

12 MR. SCOGGINS: Well, it's not going to enlarge the
13 estate in the sense that it will enlarge the --

14 COMMITTEE CHAIRPERSON BRACKPOOL: It reduces the
15 number of people that are claiming the unsecured pool so,
16 therefore, it's beneficial.

17 COMMITTEE MEMBER CHOPER: I see, yeah.

18 What about the -- what about the ADW people, who
19 paid off --

20 MR. SCOGGINS: We're coming to that.

21 COMMITTEE MEMBER CHOPER: Oh, you're coming to
22 that.

23 MR. SCOGGINS: Yeah. As far as updates on things,
24 as you know and has been referred to already, April 20th is
25 the date scheduled for the hearing on the third amended

1 plan, and the Scotwinc settlement and as we also hope the
2 Notwinc settlement will be addressed at that time.

3 Everybody will file a motion with the court to
4 have those two matters addressed. And I hope that we will
5 have both agreements in front of the court on that date.

6 We had, and it's totally up to the Board's view,
7 we had discussed issues related to structuring of what the
8 entities would look like from MI Developments, which will be
9 the ultimate controlling shareholder of LATC and Pacific
10 Racing, assuming there is approval from the Board.

11 I would propose, however, that we -- and I've got
12 an explanation of that. I would propose that we discuss
13 that at a later time because I'm not before you today
14 seeking the Board's approval of any proposed structure.

15 We will have an opportunity to address that in due
16 course and would be happy to deal with it at that time.

17 COMMITTEE CHAIRPERSON BRACKPOOL: No, I think
18 that's fair. We've had conversations with both MEC and MID
19 about their application process for a license and we agreed
20 that today would not be part of that process, we'll wait
21 until we receive the application and then -- and decide what
22 date we're going to hear it on, and we can have those
23 discussions at that stage.

24 MR. SCOGGINS: Thank you.

25 COMMITTEE CHAIRPERSON BRACKPOOL: Do I have any

1 other questions from any other Commissioners at this stage?

2 I think that's good. I have one, don't go too
3 far, because going to the issue that Commissioner Choper
4 spoke, but I have a speaker, Paul Keenan, from Racing Gaming
5 Services.

6 MR. KEENAN: Good morning, Chairman, my name is
7 Paul Keenan, I'm from the law firm of Greenberg Traurig, and
8 we represent Racing and Gaming Services, Elite Turf Club,
9 Royal River Racing, and Amwest Entertainment, which are
10 three ADW operators that accept wagers on behalf of tracks
11 that are run in the State of California; in particular,
12 Golden Gate Fields and Santa Anita.

13 First, your honor, I don't think my clients are
14 aware of the news that was just broke that an agreement was
15 reached with Scotwinc and Notwinc and, quite frankly, I'm
16 very happy to hear that there has been agreement reached
17 because I think it validates the position of both Scotwinc
18 and Notwinc, which is the same as the position of the ADW
19 operators, which are that the funds that are being held by
20 Magna in the bankruptcy estate are required to be
21 distributed under California State law.

22 Not just pursuant to the statute or the
23 clarification of the statute that was passed last October,
24 but really pursuant to the statutes that have always
25 existed.

1 We've been frustrated in our attempts to secure
2 the distribution of the money that's held in the pari-mutuel
3 pools. We did attempt to settle the matter, however, those
4 settlement discussions did not go very far.

5 I can report to the Board that we will actively
6 pursue an objection at the confirmation hearing in the
7 Delaware Bankruptcy Court this Tuesday, and I would submit
8 to this Board that it should be of still keen interest to
9 the Board, even though there's a settlement with Scotwinc
10 and Notwinc, because if Magna were to prevail in moving the
11 money from the pari-mutuel pools to reorganize a new Magna
12 which, of course, it would then use due pay creditors or use
13 for capital expenditures, that would set a terrible
14 precedence, I think, for this industry.

15 You're already facing, perhaps, a situation again
16 with NYRA. Of course, you could face this situation again
17 with other tracks.

18 And I saw that the CHRB did have their counsel go
19 ahead and file an objection to the plan. We will be filing
20 our objection on Friday.

21 I can tell you already that we're pretty much on
22 the same page and that, hopefully, we'll be at the hearing
23 on Tuesday, arm in arm.

24 I would request that the CHRB consider having
25 counsel at the confirmation hearing, in person, on Tuesday,

1 if at all possible, so that we can present a united front.

2 And with that, I can answer any questions.

3 COMMITTEE MEMBER CHOPER: What's the total amount?

4 MR. KEENAN: The total amount that's owed to these
5 four ADW operators is \$7.3 million.

6 As you know, Magna takes the position that these
7 are unsecured claims and, as such, as sort of a fall-back
8 position, our clients did file proofs of claim. And under
9 the distributions that would be made under the plan, we
10 would receive about \$3.4 million, \$3.3 million. So the
11 amount remaining --

12 COMMITTEE MEMBER CHOPER: So almost 50 cents on
13 the dollar.

14 MR. KEENAN: Almost 50 cents. A hundred cents
15 would be paid out on the Laurel Park claims, 41 cents on the
16 dollar would be paid out on the unsecured claims at Santa
17 Anita and also at Golden Gate Fields.

18 So while we don't believe that we are unsecured
19 claims, if Magna were to prevail in that, of course we're
20 happy to take those funds, but we'll still be shorted \$4
21 million.

22 COMMITTEE MEMBER CHOPER: And what about your
23 discussions with Magna on this?

24 MR. KEENAN: Well, I can't --

25 COMMITTEE CHAIRPERSON BRACKPOOL: We're not asking

1 you to disclose the range of the settlement.

2 MR. KEENAN: No, I can't discuss. What I can tell
3 you is that --

4 COMMITTEE MEMBER CHOPER: But you're having
5 discussions with them?

6 MR. KEENAN: At this point, no. At this point,
7 no. We did file an objection to the disclosure statement a
8 few weeks ago. We previewed what will be our objection to
9 the plan of confirmation on Tuesday, with the court. There
10 is no settlement, there are no settlement negotiations
11 occurring. We are open to settlement negotiations.

12 And we're going to object to the plan on Tuesday
13 and I just, again, would submit to the Board that our
14 success or failure should be of great importance to the
15 Board here because of the precedent that it could set in the
16 industry.

17 COMMITTEE CHAIRPERSON BRACKPOOL: Well, as you
18 correctly pointed out, we did file a motion. We agree with
19 you as to how the monies should be treated. But our
20 responsibility was to file a motion on behalf of the
21 entities that we regulate, which was Notwinc and Scotwinc.

22 You know, if those are settled to the satisfaction
23 of Notwinc and Scotwinc by that time, then I couldn't tell
24 you affirmatively that we would have somebody, you know, go
25 there just because I can't tell you how difficult it is

1 right now to send -- to send somebody out of state in the
2 California budget crisis, you go through more hoops than you
3 can imagine.

4 But, you know, we are supportive, we've filed our
5 motion. I'm sure there's a lot of that that you'll refer
6 to. And, you know, I think all of us have voiced our
7 support of the position that these were not unsecured
8 claims.

9 COMMISSIONER ROSENBERG: Can I ask a question?

10 COMMITTEE CHAIRPERSON BRACKPOOL: Absolutely.

11 COMMISSIONER ROSENBERG: You described the
12 possibility of if they're treated as unsecured claims, the
13 payoff would be in the neighborhood of half, but you
14 referred to some Laurel Park claims that would be paid at a
15 hundred percent, whereas the others would be 41 percent; can
16 you briefly explain that particular issue?

17 MR. KEENAN: And, of course, you know, this is my
18 understanding of the plan, my read of the plan, and it's
19 fairly clear on this topic, I believe.

20 That the claims made, the unsecured claims made
21 against Laurel Park will receive a hundred cents on the
22 dollar. The claims made against other parks, other than
23 Laurel Park, which would include the California parks, would
24 receive approximately 41 cents on the dollar.

25 And this is the information that's set forth

1 pretty much in black and white in the plan.

2 So if we were to fail in arguing that the pari-
3 mutuel funds must be distributed, then we would be deemed
4 unsecured creditors, and given those numbers, a hundred
5 percent for Laurel, 60 -- excuse me, 41 percent for the
6 remainder, we would ultimately receive only 3.3 million of 7
7 million.

8 COMMITTEE CHAIRPERSON BRACKPOOL: Can I ask Mr.
9 Scoggins to just explain why it is that the plan calls for a
10 hundred cents for Laurel and 41 cents for everybody else?

11 MR. SCOGGINS: I cannot. It's part of the
12 negotiations that were pursued with the UCC, or the
13 unsecured creditor's committee and that was the
14 determination that was made. That as it relates to the
15 Maryland claims, they would be treated in one way, as
16 described in the plan.

17 In respective claims, outside of the Laurel
18 parties or the Maryland parties, they would be dealt with in
19 a different way.

20 I wasn't a party to those discussions, it was a
21 discussion among MID, the unsecured creditor's committee,
22 and MEC.

23 COMMITTEE CHAIRPERSON BRACKPOOL: It's a strange
24 plan, but it's the way the plan is.

25 And from what I understand, from Mr. Keenan, you

1 just -- you're just telling us what's in the plan.

2 MR. KEENAN: I'm just telling you what's in there

3 --

4 COMMITTEE CHAIRPERSON BRACKPOOL: Right, not why.

5 MR. KEENAN: -- I don't know what happened behind

6 it.

7 COMMITTEE CHAIRPERSON BRACKPOOL: Right, right.

8 And just as a matter of interest, only, how much were you

9 owed out of Laurel?

10 MR. KEENAN: I believe the combined amount for all

11 four clients was about 690,000.

12 COMMITTEE CHAIRPERSON BRACKPOOL: Should have had

13 the Pick Six guy play out of Laurel.

14 MR. KEENAN: Exactly.

15 COMMITTEE CHAIRPERSON BRACKPOOL: Okay, well, I'm

16 sorry, we hope that you reach a good resolution and we have

17 been supportive and continue to be.

18 MR. KEENAN: Thank you.

19 COMMITTEE CHAIRPERSON BRACKPOOL: Thank you.

20 Jackie, you've given me a card for public comment

21 here, but public comment ended two and a half hours ago, so

22 we're there.

23 Okay, so with that, we will conclude today's

24 meeting, I thank you all.

25 And we're actually not going to conclude, we're

1 going to go into Closed Session and then come back and
2 close. But as far as the Public portion of the meeting,
3 it's now closed. Thank you.

4 (Thereupon the California Horse Racing Board
5 Regular Meeting adjourned into Closed
6 Session at 12:00 p.m.)

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CERTIFICATE OF REPORTER

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of April, 2010.

s/s Troy A. Ray
Troy A. Ray