BEFORE AN ARBITRATOR STATE ATHLETIC COMMISSION DEPARTMENT OF CONSUMER AFFAIRS STATE OF CALIFORNIA

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In the Matter of the Arbitration of **Contract Dispute Between:**

DECISION OF THE ARBITRATOR

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13 FRANK ESPINOZA, Manager,

14 and

15 JESSIE MAGDALENO, Boxer

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INTRODUCTION

On October 21, 2022, this matter came before Andrew Foster, Executive Officer for the California State Athletic Commission (Commission). Mr. Foster, acting in his official capacity, was duly appointed by the Commission to arbitrate the contract dispute between Frank Espinoza (Manager) and Jessie Magdaleno. (Boxer). The Boxer-Manager contract (generally referred to herein as "the Contract") in dispute was executed by the parties on September 13, 2016.

The arbitration convened by videoconference at approximately 10:04 a.m. on October 21, 2022, pursuant to written notice to all parties. (See Exhibit 1, Notice of Continued Arbitration) Manager was present and represented by attorney Patrick English. Boxer was present and represented by attorney Steven Bash. The following witnesses were duly sworn and provided testimony at the arbitration hearing: Jessie Magdaleno and Frank Espinoza. All evidentiary

exhibits submitted by the parties were received without objection. The arbitration hearing reconvened for closing arguments on November 7, 2022, and the matter was submitted for decision thereafter.

This decision is based on the arbitrator's consideration of the documentary and testimonial evidence presented and pertinent legal authority.

LICENSURE OF BOXER AND MANAGER

Manager is, and was at all times relevant to this arbitration, a boxing manager, duly licensed by the Commission. Boxer is, and was at all times relevant to this arbitration, a boxer, also duly licensed by the Commission.

JURISDICTION

Professional Boxing is regulated in California by Business and Professions Code (Code) section 18600, et seq., known as the Boxing Act, and California Code of Regulations, title 4, section 220, et seq., which are the duly enacted regulations that supplement the legislature's statutory framework.

Code section 18613 provides, in pertinent part:

(a) (1) The commission shall appoint a person exempt from civil service who shall be designated as an executive officer and who shall exercise the powers and perform the duties delegated by the commission and vested in him or her by this chapter. The appointment of the executive officer is subject to the approval of the Director of Consumer Affairs.

Code section 18855 provides:

The commission shall recognize and enforce contracts between boxers or martial arts fighters and managers and between boxers or martial arts fighters and licensed clubs. Contracts shall be executed on printed forms approved by the commission. The commission may recognize or enforce a contract not on its printed form if entered into in another jurisdiction. No other contract or agreement may be recognized or enforced by the commission. All disputes between the parties to the contract, including the validity of the contract, shall be arbitrated by the commission pursuant to the provisions of the contract. Subject to Section 227 of Title 4 of the California Code of Regulations, a person who seeks arbitration of a contract shall send a written request to the commission's headquarters and to the office of the Attorney General. The commission may seek cost recovery related to arbitration proceedings from the parties subject to the proceedings.

California Code of Regulations, title 4, section 221, subdivision (b), states in pertinent part:

All disputes between the parties to the contract, including the validity of the contract, shall be arbitrated pursuant to the provisions of the contract.

Additionally, paragraph C.4 of the Contract states, in pertinent part, that "[a]ll controversies arising between the parties hereto, including but not limited to controversies concerning the validity and/or enforceability of this contract, shall be submitted to arbitration . . ." and "the decision of the arbitrator shall be final and binding upon the parties hereto and each of them bound thereby." (See Exhibit 1, 2016 Boxer-Manager Contract.)

THE CONTRACT

Boxer and Manager entered into the Contract on September 13, 2016. The Contract was memorialized on a standard preprinted form approved by the Commission. It was executed in the presence of Commission representative Armando Gutierrez and was approved by the Commission as Contract ID M-2016-0072 on October 7, 2016. The term of the Contract is five (5) years and has an expiration date of September 12, 2021. (Exhibit 1.)

Pursuant to Section A.2 of the Contract, Manager is to receive 33% of Boxer's purse for all fights taking place during the lifetime of the contract. The contract provides that Boxer shall render services "solely and exclusively for Manager in such boxing contest, exhibition, or training exercises as Manager shall from time to time direct, whether in California or elsewhere." Boxer also agreed not to accept or engage in any boxing contests, exhibitions, or training exercises without written permission from Manager. (Sections A.3-6.) Among other things, Manager agreed that Boxer's share of the money earned through boxing contests entered into pursuant to the Contract would be no less than \$25,000 per year. Manager also agreed to use his best efforts to secure remunerative boxing contests and to act in the best interests of Boxer (Sections B.1-2.)

¹ An Addendum to the Contract was also signed by the parties and the Commission representative on September 13, 2016; however, the Addendum was not approved by the Commission and is therefore not pertinent to these proceedings. (See Exhibit 5, pp. CSAC 0165-0167.)

THE PARTIES' POSITIONS

Manager asserts that Boxer failed to honor his obligations under the Contract by turning down and/or failing to respond timely to several fight proposals submitted by Manager over the course of approximately fourteen (14) months. According to Manager, Boxer refused to fight during this time period because he wanted to "run out the clock" on the Contract. In essence, Manager asserts that Boxer breached section A.1. of Contract, requiring him to engage in boxing contests as directed by Manager, as well as the covenant of good faith and fair dealing that is implied into every contract in the State of California. See Racine & Laramie, Ltd. v. Dep't of Parks & Recreation (1992) 11 Cal. App. 4th 1026, 1031-1032 [explaining that the covenant of good faith and fair dealing is implied into every contract in order to prevent a contracting party from engaging in conduct that frustrates the other party's rights to the benefits of the contract.] Manager asks that the Contract be extended for a period of 2.5 years to account for the time in which Boxer refused to fight, as well as time in which Boxer was unable to fight due to injury and additional time related to the interruption of boxing events during the early part of the COVID pandemic. Manager also seeks payment of \$16,500, which represents 33% of Boxer's purse from his last fight on May 21, 2022.

Boxer argues that the contract is invalid because it violates Rule 222, limiting the term of Boxer-Manager contracts to a maximum of five (5) years, as well as the seven-year limitation on personal services contracts established by Labor Code section 2855.² Boxer also asserts that, through his relationship with promoter Top Rank Inc. (Top Rank), Manager breached his fiduciary duty under section B.2. to act in Boxer's best interests as well as the Muhammad Ali Boxing Reform Act (15 U.S.C. §§ 6301-6313). Boxer requests that the Contract be deemed invalid, that Manager be required to pay back any attorney fees that were passed through to Boxer and that Manager pay \$150,000 to \$200,000 in damages related to Manager's purported breach of fiduciary duty.

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² Commission regulations under title 4 of the California Code of Regulations are referred to herein as "Rules."

FINDINGS OF THE ARBITRATOR

Validity of Contract

The Contract entered into by Boxer and Manager on September 13, 2016, is valid and enforceable. The parties were both duly licensed by the Commission at the time of contract; the parties utilized the appropriate preprinted and approved form to memorialize the agreement; the term of the Contract did not exceed five (5) years; the contract called for manager to receive less than 33 1/3 percent of Boxer's gross earnings; a Commission representative was present for the execution of the Contract; and the Commission formally approved and recorded the contract in its files. (Exhibit 1.) Accordingly, the Contract satisfies the requirements of California Code of Regulations, title 4, sections 220 through 222, for purposes of validity and enforcement.

Boxer's argument that the Contract should be deemed invalid pursuant to Rule 222 and Labor Code section 2855 is without merit. According to Boxer, because the parties had apparently been operating under an invalid and unenforceable agreement since 2014, the Contract, which was signed in 2016, violated Rule 222 because it resulted in the parties being contractually obligated to each other for more than five years. For this same reason, Boxer asserts that the Contract also violates Labor Code section 2855, limiting personal services contracts to no more than seven years.

Although the parties may have considered themselves bound by the 2014 agreement, the terms were not enforceable and at no time was either party legally obligated to perform under it. Specifically, the 2014 agreement was not valid and enforceable under state law because the parties did not utilize a preprinted and approved form to memorialize the agreement, a Commission representative was not present for the execution of the agreement, and the agreement was never approved by the Commission and recorded in its files. (Exhibit 5, CSAC pp. 0158-0159.) Therefore, because neither party was ever legally obligated to abide by the 2014 agreement, the contract duration limitations set forth in Rule 222 and Labor Code section 2855 do not affect the validity of the Contract at issue.

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Boxer's Actions in 2020 and 2021

On or around July 13, 2020, Manager informed Boxer that he was attempting to set up a fight with Emanuel Navarrete, the number one contender for the World Boxing Organization (WBO) featherweight title that had been vacated by Shakur Stevenson. After winning three successive fights as a featherweight following the only loss of his career, Boxer had risen to be the number two contender for the WBO featherweight crown. On July 28, 2020, Manager followed up with Boxer to let him know that the fight would likely take place in late September 2020. Boxer's initial responses to the Navarrete fight proposal were positive, but when he was informed that the fight had been set for September 19, 2020, Boxer expressed concern that he needed more time to train for the fight. In a text message sent to Manager on or before August 4, 2020, Boxer stated that he needed 8-10 weeks to train for Navarrette and that he believed six weeks was not enough time. The same text message indicated that Boxer had started training the week before. (Exhibit 2, CSAC pp. 0052-0056.) Accordingly, the evidence indicates that even if the fight had taken place on September 19, 2020, Boxer would have had nearly eight weeks to train for it. Nonetheless, due to Boxer's concerns, Manager arranged to have the fight date changed to October 17, 2020. (Exhibit 2, CSAC pp. 0062.)

Because the Navarrete fight was to be for a world championship, under the terms of Boxer's promotional agreement with Top Rank, Boxer's purse was to be no less than \$150,000. (Exhibit 2, CSAC p. 0025.) Manager testified that the initial offer from Top Rank was the \$150,000 minimum but that he was ultimately able to obtain an offer of \$225,000. Manager testified that Boxer insisted that the purse be in excess of \$300,000, which was consistent with Boxer's own testimony that he believed he should have been paid at least \$300,000 for the fight. In addition, an email sent by Manager to Boxer during the relevant time period (August 7, 2020) informed Boxer that Top Rank was offering \$200,000 for him to fight Miguel Marriaga. (Exhibit 2, CSAC p. 0058). At the hearing, Manager explained that his reference to Marriaga (instead of Navarrete) in the email was a typographical error and that he had spoken directly with Boxer about the mistake to clarify any confusion. Because the fight would be between the top two contenders for the vacant WBO featherweight title, the fight was mandatory, and Manager

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warned Boxer that if he refused the fight, the WBO would likely lower his ranking or remove it altogether. Manager's email to Boxer also informed him that the fight would go to purse bid on August 11, 2020, if he did not accept Top Rank's offer. (Id.)

Boxer refused Top Rank's offer, and the WBO commenced purse bid proceedings on August 11, 2020, in which the fight was opened up to purse bidding by any licensed promoter. Top Rank was the only promotor to bid on the fight, so its total purse bid of \$250,000 was the winning bid, with \$100,000 going to Boxer and \$150,000 to Navarrete (Exhibit 2, CSAC pp. 0065-0067.) Boxer's purse of \$100,000 fell below the \$150,000 called for in his exclusive promotional rights agreement with Top Rank because Top Rank had lost its exclusive rights to Boxer's fight through the purse bid proceedings that had resulted from Boxer's refusal to accept Top Rank's initial offer of \$150,000, its later offer of \$200,000 and its apparent final offer of \$225,000.

Ultimately, Boxer also refused to accept the purse bid for the WBO featherweight championship bout and did not fight again in 2020. (Exhibit 2, CSAC pp. 0071-0072.) Boxer claims that he lost all faith in Manager after the Navarrete "fiasco." According to Boxer, Manager "disappeared" and did not contact him at all from approximately August 12, 2020 to May 4, 2021. Boxer's testimony in this regard conflicts with documentary evidence showing that Manager sent text messages and emails to Boxer in January 2021, imploring him to complete and submit forms for enrollment in the Voluntary Anti-Doping Association (VADA) testing program. (Exhibit 2, CSAC pp. 0073-0081.) Manager testified that Boxer largely failed to return his phone calls or respond to texts and emails during this time period. This testimony is consistent with documentary evidence as well as Boxer's own testimony in which he admitted that he intentionally disregarded Manager's attempts to get him to enroll in VADA because he believed Manager was somehow tricking him into extending the Contract. Boxer further testified that he was aware that the World Boxing Council (WBC) would not rank him unless he was enrolled in VADA, but he still chose to ignore Manager's pleas to enroll.

On May 4, 2021, Manager emailed Boxer to inform him of an offer from Top Rank to fight Robeisy Ramirez in August or September 2021 for a purse of \$75,000. (Exhibit 2, CSAC p.

Manager sent a bout contract to Boxer on May 21, 2021. (Exhibit 2, CSAC pp. 0081-0086.) The bout contract stated that the fight would take place in September 2021 but did not include a specific date. (Exhibit 2, CSAC p. 0085.) Manager sent a follow up email to Boxer on May 24, 2021, asking Boxer to let him know one way or the other if he was going to take the fight. (Exhibit 2, CSAC p. 0087.) Email correspondence from Manager and Top Rank indicate that the fight had been set for September 10, 2021, that Manager had advised Boxer to take the fight, and that Boxer had changed his mind and turned down the fight. (Exhibit 2, CSAC pp. 0088-0090, 0097.)

The Boxer-Manager Contract at issue was executed on September 13, 2016 and states that it shall expire on September 12, 2021. (Exhibit 1.) Boxer claims that he refused to take the Robeisy Ramirez fight because it was unclear whether the fight was going to take place before the Contract's expiration, and he did not want to risk violating Rule 226, which states that "[n]o manager shall be allowed to contract for the services of a boxer under his management for a match to take place on a date after the expiration of the [boxer-manager] contract." According to Boxer, he would have accepted the fight if he had known for certain that it would take place before September 12, 2021, but he felt compelled to reject it because he did not know the exact fight date.

Boxer's concerns about violating Rule 226 do not provide sufficient grounds for rejecting the Robeisy Ramirez fight. Rule 226 is a limitation on Manager's conduct, not on Boxer's. Boxer is correct that, per the expiration date contained in the Contract, Manager could not have contracted for him to fight on a date after September 12, 2021, due to the prohibition set forth in Rule 226. For this reason, it is clear that Manager had every incentive to make sure that the fight would take place prior to that date so that he would be eligible for his manager fee. Furthermore, the evidence indicates that by no later than July 6, 2021, Boxer had been notified that the fight was set for Friday September 10, 2021, and correspondence from Top Rank to Manager on July

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27, 2021, also confirms that the fight had been scheduled for September 10th.³ (Exhibit 2, CSAC pp. 0088-0090.) For these reasons, Boxer's argument that he refused the Robeisy Ramirez fight because of the possibility that it might take place after September 12, 2021, is not convincing and does not provide justification for his refusal to accept the offer.

Although the Contract was slated to expire on September 12, 2021, it was extended by the Commission for a period of four months due to the interruption of boxing events caused the COVID-19 pandemic. Accordingly, Manager continued to try to obtain fight offers for Boxer, and on September 27, 2021, Manager contacted Boxer to gauge his interest in fighting Abraham Nova in late November. Boxer did not respond to Manager's inquiry for more than two weeks, and although he indicated that he would like to take the fight, Manager informed him that because Boxer had taken seventeen days to respond, Top Rank had moved on and filled the date with another fight. (Exhibit 2, CSAC pp. 0091-0092.) Boxer claims that his delay in responding to the Nova fight proposal was due to his failure to regularly check his email. Manager claims that he contacted both Boxer's father and his trainer about the proposed fight in late September.

Manager Did Not Breach His Fiduciary Duty

Boxer asserts that Manager breached his fiduciary duty under the Contract to act in Boxer's best interest and that he violated the Muhammad Ali Boxing Reform Act by prioritizing Top Rank's interests ahead of Boxer's interests. Although these claims were argued vociferously in Boxer's arbitration brief, they fell exceedingly short of being substantiated by the evidence presented at hearing. On the contrary, the evidence demonstrates that, without fail, Manager worked on Boxer's behalf to negotiate remunerative boxing contests with Top Rank that paid Boxer well in excess of the \$25,000 per year called for under the Contract and included a shot at the WBO featherweight title.

Boxer's attempt to vilify Manager's counsel as somehow being inappropriately involved in the bout contract negotiations with Top Rank is both regrettable and unfounded. The evidence indicates that Manager's counsel was hired to review proposed bout contracts and to negotiate

³ Official notice is taken that a boxing event was held by Top Rank at the Casino del Sol in Tucson, Arizona, on September 10, 2021.

with Top Rank based on *Manager's* decisions, not counsel's. Manager's use of an attorney to perform such tasks is hardly novel and certainly does not represent some sort of nefarious act by Manager or counsel. (See, e.g., Exhibit 5, CSAC pp. 0262-0267.) Boxer also made much of a single entry in Manager's personal ledger that indicated \$2,853.50 in legal fees may have been passed through to Boxer for payment. (Exhibit 5, CSAC p. 0449.) Manager testified at hearing, and also offered a declaration, stating unequivocally that the ledger entries were used for his own personal accounting purposes and that the legal fees were paid by him directly and not passed along Boxer. (Exhibit 2, CSAC p. 0115.) Boxer offered no evidence to refute Manager's testimony, and in fact, Boxer appeared to accept Manager's position on this issue at hearing. *Conclusions*

The evidence establishes that Manager satisfied his obligation to ensure that Boxer had the opportunity to earn at least \$25,000 per year from boxing contests, and generally several times that amount. During the particular time period at issue (i.e., August 2020 through September 2021), Manager helped secure a title shot for Boxer and successfully addressed Boxer's concerns about the date of the fight so that Boxer would be comfortable with the training schedule.

Manager also successfully obtained a purse offer from Top Rank for the fight in excess of the \$150,000 called for under Boxer's promotional rights agreement with Top Rank, and he warned

Boxer that if the offer was not accepted, the fight would be subject to a purse bid.

After Boxer spurned Top Rank's offer and turned down the opportunity to fight for the WBO featherweight title, Manager continued to satisfy his obligations under the Contract by attending to Boxer's professional interests and trying to obtain fight opportunities. Contrary to Boxer's testimony that Manager basically abandoned him after he turned down the Navarrete fight, the evidence shows that Manager was concerned about Boxer's standing in the boxing world and repeatedly urged him to enroll in the VADA testing program. Manager also secured a fight opportunity against Robesiy Ramirez that could have helped put Boxer's career back on track after the fallout from having turned down the Navarrete fight, but Boxer turned down this fight as well, a move that further damaged his career but also allowed him to essentially run out the clock on the Contract with Manager.

Boxer's refusal to accept the fights procured by Manager over the last 13 months of the Contract (August 2020 through September 2021) constitute breaches of section A.1. of Contract as well as the covenant of good faith and fair dealing. Boxer's explanations as to why he turned down the fights are insufficient to excuse those breaches. Manager sustained damages from Boxer's breaches in that he lost out on the management fees associated with the rejected fights. After the Navarette fight went to purse bid, the bout contract offered to Boxer provided for a \$100,000 purse, while the purse offer for the Ramirez fight was \$75,000. Although Manager provided evidence that he was trying to put together a deal for a fight with Abraham Nova in November 2021, no bout contract was presented, and there is insufficient evidence overall to demonstrate that the proposed Nova fight amounted to a true lost opportunity for Manager. Accordingly, Manager's damages are based on the management fees he would have received from the Navarrete fight and the Ramirez fight, the combined purses for which total \$175,000.

Under the terms of the Contract, Manager is entitled to receive 33% of Boxer's purse; however, Boxer's promotional agreement with Top Rank calls for Manager to receive 25% of Boxer's purse, and Manager's course of dealing with Boxer indicates that he often received 25% of Boxer's purse. (Exhibit 2, CSAC p. 0034.) For this reason, the arbitrator finds that damages to Manager amount to \$43,750, which represents 25% of the Navarette and Ramirez purses combined.

Finally, although Manager has asked for the Contract to be extended for a period of 2.5 years, he testified at the hearing that he believes he can no longer work with Boxer in a productive manner. Similarly, Boxer has indicated that he does not believe Manager has his best interests at heart and he wishes to move on from Manager. Therefore, given the parties' mutual belief that the relationship cannot be salvaged, the arbitrator finds that the Contract expired at the conclusion of the COVID-based extension on January 12, 2022, and it will not be extended.

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WHEREFORE, THE FOLLOWING ORDER is made:

- Damages are awarded to Manager for Boxer's breach of contract. The total arbitration award is \$43,750, which constitutes 25% of the purses Boxer would have received from the Emanuel Navarrete and Robeisy Ramirez fights.
- 2. The Commission may assist in the execution of this Order by withholding and/or requesting that a promoter and/or other state Commission withhold up to 15% of any fight purses owed to Boxer until the damages award has been satisfied. If after thirteen (13) months from the effective date of this Order, the arbitration award has not been fully satisfied through the withholdings described above, no additional withholdings will be made or requested by the Commission, and Manager shall not be entitled to further recovery. If the Commission is provided documentation that the arbitration award has been satisfied in full by other means or that Boxer and Manager have agreed that the award will be satisfied by other means, said withholdings will not be made.
- Boxer-Manager Contract ID M-2016-0072, approved by the Commission on October
 2016, is expired as of January 12, 2022.

This decision shall become effective on 12/21/2022

DATE: 12/20/2022

Andrew oster, Executive Officer

Arbitrator

California State Athletic Commission

DECLARATION OF SERVICE BY U.S. MAIL

Case Name: In the Matter of the Arbitration between Jessie Magdaleno and Frank

Espinoza

Contract No.: 2016-0072

I declare:

I am employed in the Office of the Attorney General, which is the office of a member of the California State Bar, at which member's direction this service is made. I am 18 years of age or older and not a party to this matter; my business address is 300 South Spring Street, Suite 1702, Los Angeles, CA 90013-1230.

On <u>December 21, 2022</u>, I served the attached **DECISION OF THE ARBITRATOR** by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid, in the United States Mail at Los Angeles, California, addressed as follows:

Patrick C. English, Esq. Dines and English, LLC 685 Van Houten Avenue Clifton, NJ 07013

Steven Bash Bash & Polyachenko, P.C. 7231 Santa Monica Blvd. West Hollywood, CA 90046

I declare under penalty of perjury under the laws of the State of California and the United States of America the foregoing is true and correct and that this declaration was executed on December 21, 2022, at Los Angeles, California.

J Park	/s/ J Park Signature		
Declarant			

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