

00001

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
13  
14  
15  
16  
17  
18  
18  
19  
20  
21  
22  
23  
24  
25

CALIFORNIA HORSE RACING BOARD

---o0o---

ANNUAL MEETING

---o0o---

MARCH 25, 2004  
9:00 a.m.

---o0o---

Golden Gate Field Race Track  
1100 Eastshore Highway  
Albany, California

REPORTED BY: KRISTIE L. HUBKA, CSR NO. 5974

00002

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CALIFORNIA HORSE RACING BOARD

JOHN C. HARRIS, Chairman  
ROGER H. LICHT, Vice Chairman  
WILLIAM A. BIANCO, Member  
SHERYL L. GRANZELLA, Member  
MARIE G. MORETTI, Member  
JERRY MOSS, Member  
JOHN C. SPERRY, Member  
ROY C. WOOD, JR., Executive Director

---o0o---

00003

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Thursday, March 25, 2004

REGULAR MEETING

EXECUTIVE DIRECTOR WOOD: Good morning, everyone.

This meeting is being conducted on Thursday, March the 24th, 2004, and we're at Golden Gate Fields Racetrack and we're in Albany, California. Present at today's meeting are Chairman John Harris, Vice Chairman Roger Licht, Commissioner William Bianco, Commissioner Sheryl Granzella, Commissioner Marie Moretti, and our newest member of the commission, Commissioner Jerry Moss.

Before we go forward with the business of the day's meeting I would like to request that when you give testimony to this board that you please present our court reporter with a business card and that you please state your name and your organization before you speak so she could know who you are and properly record it.

Before I turn the meeting over to our chairman this morning, it's my pleasure and I guess my duty to make an announcement about one member of our staff and I make this announcement with mixed emotions and I make this announcement with gladness and sadness but I also make this announcement with a lot of pride.

Many of you have known over the years Jackie Wagner who worked for us in many capacities, basically

00004

1 been our legislative analyst person and our manager of  
2 regulations. She's worked on all of the rules that  
3 we've created. She's been a very valuable member of our  
4 horse-racing staff. And I hate to tell you this but  
5 effective on April the 19th Jackie has been appointed by  
6 Governor Arnold Schwarznegger to be the Deputy Director  
7 for legislation for the Department of Fair Employment  
8 and Housing.

9 So with that, I'm going to turn our meeting  
10 over to Mr. Harris. And, Jackie, thank you for all the  
11 tremendous work and all the loyalty you've shared with  
12 us over the years.

13 CHAIRMAN HARRIS: I'd like to join Roy and the  
14 rest of the board in congratulating Jackie on this new  
15 job. It's always a mixed emotion, it's like losing a  
16 horse in a claims race. This is the stakes, you usually  
17 want stake horses after that, that's the problem. But  
18 you hate to lose this person but you know that she's got  
19 a good career ahead of her and will be a good asset to  
20 the Schwarzenegger administration. And I thank her for  
21 all the good effort she did for us at the racing board.

22 Actually the items, one thing before we get  
23 the approval of minutes, most of you in the industry get  
24 the minutes in a board package or off a website or  
25 anything before you come to the meeting. You do?

00005

1 Because it's nice reading but I'm wondering if that's  
2 what you really said or not. But if anyone does have  
3 anything going through the minutes that's reflected on  
4 them or their organization's position, be sure to not  
5 hesitate to clarify it because these minutes do become a  
6 historical record that's sometimes good for people to go  
7 back to. And actually I think on our website the  
8 minutes are published and also I think actually  
9 transcripts of the meetings are published so it's a good  
10 resource to have to look back on if any questions come  
11 up and we just want to make sure they're correct.

12 So with that said, we have two to approve now,  
13 the minutes of February 19th, 2004, any corrections or  
14 additions to those? Do I hear approval?

15 COMMISSIONER MORETTI: I'll move.

16 EXECUTIVE DIRECTOR WOOD: Second.

17 CHAIRMAN HARRIS: Okay, it's approved. The  
18 second is the meeting of January 22nd, 2004. Anyone  
19 have anything on those? If not, can I get a motion to  
20 approve?

21 COMMISSIONER BIANCO: I make a motion.

22 EXECUTIVE DIRECTOR WOOD: Second.

23 CHAIRMAN HARRIS: Make a motion to approve.

24 I'd like to thank everyone for being here this morning  
25 for 9:00 o'clock which I know is early for some of you

00006

1 folks but we really do have a beautiful view from this  
2 room and it's a great -- I always enjoy these meetings  
3 at Golden Gate. But they do start racing here at 12:45.  
4 So I thought it would be a good idea to start on the  
5 early side so we could devote enough time to all the  
6 items.

7           The first item is the discussion and action by  
8 the board on the request of the California Thoroughbred  
9 Horsemen's Foundation to approve the nomination of two  
10 new directors to its board.

11           MR. REAGAN: Commissioners, John Reagan, this  
12 is a request from the California Thoroughbred Horsemen's  
13 Foundation for the approval of two new nominees for  
14 their board, this is required by our rules. The two  
15 nominees are Robert Bean, a licensed thoroughbred  
16 trainer, and Jerry Forrester, a licensed thoroughbred  
17 owner. This will keep the CTHF board up to the required  
18 minimum, in fact, one over the minimum so we find this  
19 to be reasonable and ask for your approval of this  
20 request.

21           CHAIRMAN HARRIS: I don't have any problem  
22 really with these nominations, but is there any process  
23 that these boards go through to choose nominees or is  
24 there anything that they predict the qualifications that  
25 these nominees are supposed to have and also who

00007

1 actually nominates them? Does the board nominate  
2 further members of the board?

3 MR. REAGAN: First of all, Mr. Chairman, I can  
4 tell you after working with this group for quite a while  
5 the first qualification of these people is that they  
6 will volunteer. It's very difficult to find people that  
7 will spend as much amount of time working with this  
8 group, the back stretch, all that. So, yes, once they  
9 do find people that will volunteer and give their time,  
10 they do -- usually the nominations are made by the  
11 current board members so that there is a good feeling  
12 for who the person is and there are other  
13 qualifications. But generally if they will serve they  
14 are, of course, in this particular case licensed by us  
15 and so I think they feel pretty good about these people,  
16 and when they nominate them, they're pretty comfortable  
17 with who they are.

18 CHAIRMAN HARRIS: Any further discussion on  
19 this issue?

20 COMMISSIONER MORETTI: I vote to accept the  
21 nomination.

22 COMMISSIONER BIANCO: Second.

23 CHAIRMAN HARRIS: We accept the item. The  
24 next item is a report on the advance deposit wagering  
25 handle for 2003 with updates for race meetings in 2004.

00008

1           MR. REAGAN: Commissioners, as indicated here,  
2 the handle in 2003, the second year of account wagering  
3 in California, we saw a dramatic increase as anticipated  
4 over the first not quite full year of account wagering.  
5 We continue to see growth. We figure probably in 2004  
6 we'll be seeing a total handle of 350, \$400 million by  
7 the end of this year.

8           Like I say, around \$14 million it generated  
9 for purses, 14 million for commissions and 14 million  
10 for the ADW hubs so the big number is there and we  
11 anticipate like similar type numbers for 2004 obviously  
12 increasing as the handle increases.

13           The interesting part of the story here, of  
14 course, is the early part of 2004. As indicated by the  
15 attached numbers, we've seen an interesting mix in the  
16 total market. The market shares being somewhat  
17 interesting. We see the TVG and Youbet increasing their  
18 share as whereas the Xpress Bet seems to have lost some  
19 ground. And that has been a point of discussion and I  
20 think that's what we're here for today.

21           VICE-CHAIRMAN LICHT: I think that one of the  
22 most interesting thing about that is Youbet does have a  
23 California product so it's understandable that their  
24 handle would rise to the quality, which their product is  
25 extremely high quality. But the TVG has no California

00009

1 product and yet more California people are more  
2 interested in betting on basically third class racing,  
3 more California people are betting on third class New  
4 York winter racing and so forth than they're betting on  
5 Xpress Bet on the top racing in the country. And I  
6 guess you can only attribute that to television  
7 distribution. And there's no question that we need to  
8 strive for more television distribution. That's an  
9 obvious.

10 And then I would say in Xpress Bet's defense,  
11 nobody wants television wagering -- -- television access  
12 more than they do. It's not like they're trying not to  
13 be on TV. I think they're putting forth an effort to  
14 get on television. But they're not succeeding and maybe  
15 we need to hear why that is.

16 CHAIRMAN HARRIS: I'm not sure on these  
17 figures, also it's kind of a complicated system that  
18 money goes to many places from an ADW wager. Aren't  
19 there some fees going to satellite fairs and things if a  
20 bet is made in their zone? Where does that show up  
21 here.

22 MR. REAGAN: Certainly. In the total  
23 distribution of the account wagering handle there is a  
24 2 percent deduction that goes into a pot of money and  
25 that is shared with all of the satellite locations in

00010

1 California on a pro rata basis, so we take a look at the  
2 prior year's handle, calculate their pro rata and part  
3 of that simulcast handle and from that pot of money  
4 generated from the 2 percent bet wagering based on a pro  
5 rata figure that pro rata share is then given to those  
6 individual simulcast sites. So there's kind of a  
7 protection for the satellite sites given that they don't  
8 participate in the pot directly but with this percent  
9 money they do get an indirect participation.

10 CHAIRMAN HARRIS: Is that based on historic  
11 numbers or is it recalculated every year?

12 MR. REAGAN: Recalculated every year. And the  
13 reason that happens is, for instance, in the first year  
14 we started, one of the Barrona Tribe was off line that  
15 year, they had no participation at all and the law  
16 called for a pro rata share so that if we would have  
17 calculated on that year and kept it that way, obviously  
18 when they came back on line they would have been forever  
19 zero. So we have to account for those changes in the  
20 system as people add, delete, whatever.

21 CHAIRMAN HARRIS: The idea was supposed to be  
22 sort of mitigate (unintelligible), like if everybody in  
23 Fresno opened an ADW account and nobody bet in Fresno,  
24 then they would get nothing from ADW either I guess. So  
25 I see maybe it should be based on more where the person

00011

1 was. (Unintelligible) is shaking his head but we  
2 disagree on everything. But that's a side issue. On  
3 these figures, do these include the Los Alamitos?

4 MR. REAGAN: Yes, I believe we took day and  
5 night numbers here. Yes.

6 VICE-CHAIRMAN LICHT: I would like to hear  
7 specifically from each of the providers and I have some  
8 questions for each of them and I think it's appropriate  
9 to hear from Xpress Bet to hear how they explain these  
10 numbers. They have the best product nationwide,  
11 certainly the most attractive product in California but  
12 they're not performing up to the other two ADW  
13 providers.

14 MR. LUNIEWSKI: Ron Luniewski, Xpress Bet  
15 Night Entertainment. Thanks for having me. Roger, I  
16 think that you've pretty much already articulated what's  
17 going on in California. Xpress Bet as a whole I believe  
18 as reported in the January meeting is up from last year,  
19 although, we're down in California. But as a whole  
20 we're up, so we're seeing some good growth outside of  
21 California. Really what it is is that we look at pure  
22 account wagering products. We believe the market is  
23 maturing in California and there's really not a lot of  
24 reason for someone to switch from a Youbet to an Xpress  
25 Bet account because the contents equal at this time of

00012

1 the year. And, in fact, if you look at California for  
2 the entire twelve months, you know, Youbet has all the  
3 content so there's really not a lot of motivation for  
4 people to switch. I don't think that it has anything to  
5 do with product feature functionality, I think that the  
6 four major national competitors out there all have  
7 pretty solid products and there's differentiations and  
8 certain internet features that one guy has that another  
9 guy doesn't have but they're all pretty solid.

10 As for television, I think that's better on GT  
11 economy on their growth for the first quarter because  
12 it's actually a pretty impressive growth number.

13 VICE-CHAIRMAN LICHT: When you say switching  
14 accounts, I mean, the fact is most people including me  
15 have to replenish their accounts quite frequently, so  
16 when you're replenishing the account, you -- I mean,  
17 why -- in other words, if I had money in my TVG account  
18 and it's gone at the end of Hollywood Park and now I  
19 need to put more money in, why wouldn't I put it in  
20 Xpress Bet so I can bet on Gulf Stream and Santa Anita  
21 and Golden Gate?

22 MR. LUNIEWSKI: In the California marketplace  
23 what's going on in what I already believe is content is  
24 a key feature, differentiator for a point but especially  
25 for California residents, they make a decision do I have

00013

1 to switch from my -- I used to use Yahoo as my search  
2 engine and now I have to switch to Google and is that a  
3 big enough differentiator? No, it's not a big enough  
4 motivator. They want to stay and go on --

5 VICE-CHAIRMAN LICHT: Are you saying on  
6 television? Because their content is clearly -- it's  
7 third class this time of the year.

8 MR. LUNIEWSKI: Well, if you want to say that  
9 there is potentially a merging trend that's also going  
10 on that you hit on, I say a little differently as you  
11 see a bit of a trend from a -- you know, a content, you  
12 know, driven quality racing to TV content, what's on TV  
13 is what people is going to bet. You see that trend  
14 starting to happen, too. I mean, I think that's what  
15 you articulate and I agree with you. And I think TVG  
16 will be the best commentator because I don't see the  
17 growth coming from (unintelligible), they're coming from  
18 the aqueducts of the world which shows there's another  
19 trend that the ADW provider is moving away from, what's  
20 on TV, they're going to bet.

21 VICE-CHAIRMAN LICHT: I worry that retraining  
22 these people, all of a sudden the California people  
23 learn about aqueduct, they learn about the New York  
24 circuit and so forth and then all of a sudden they're  
25 going to be betting on New York racing twelve months a

00014

1 year and then take away from all our California tracks  
2 wagering. It's a possibility.

3 MR. LUNIEWSKI: Yeah, I kind of think that,  
4 you know, the TVGS -- yeah, I think that that would be,  
5 you know, the TVGS can probably see trends but I'm just  
6 more hypothisizing from more of the information you see.

7 CHAIRMAN HARRIS: There's one issue obviously  
8 from the television coverage. But back to the actual  
9 website acceptance by different types of patrons. Have  
10 there been any studies done of people that were maybe  
11 not account wagering, didn't have an account right now  
12 and then maybe did have accounts and are pretty familiar  
13 with wagering? It's my sense that the Youbet site is a  
14 little more user friendly than the Xpress Bet site. But  
15 is there any definitive studies been done of consumers  
16 as far as what kind of fees they like or don't like?

17 MR. LUNIEWSKI: I'm sure that the other ADW  
18 providers have done their group and market studies.  
19 We're going to conduct another one in the summer and  
20 what we're really trying to do there is figure out  
21 customers' behavior -- we're going to be doing a study  
22 to figure out customer behavior so we can figure out fee  
23 (unintelligible). And I'm sure the competition is doing  
24 that and there's -- you know, there's different -- as we  
25 all know, you know, someone prefers, you know, a mouse

00015

1 click to go this way and someone prefers the mouse click  
2 to go this way and my job is to make sure I can  
3 accommodate the current racing fan and make it very user  
4 friendly and then do things to attract the new fan to  
5 the sport. So, yes, we are doing that.

6 CHAIRMAN HARRIS: I think it's important to do  
7 because maybe you're good to get, you know, find a  
8 couple of your executives and find an account and see if  
9 they can set one up with Youbet and Xpress Bet and see  
10 who takes the longest. One of the issues is the  
11 transfer of money in which Roger and I have a problem  
12 with also, that some of the -- like I think Youbet you  
13 can set up a cash transfer right out of your checking  
14 account that cost three dollars for, you know, even to  
15 put a thousand dollars in. But does Xpress Bet have a  
16 feature like that?

17 MR. LUNIEWSKI: Yeah. Yes. We call it  
18 electronic funds transfer where you move money directly  
19 from your checking account into your wagering account  
20 and you can also do withdrawals out of your wagering  
21 account back into your checking account.

22 CHAIRMAN HARRIS: Is that publicized? Would a  
23 patron on Xpress Bet know that?

24 MR. LUNIEWSKI: Yes. I can't remember the  
25 percentage but it's a very high percentage of use of

00016

1 space by Xpress Bet patrons to move money. It's  
2 substantial.

3 CHAIRMAN HARRIS: How much is your charge?

4 MR. LUNIEWSKI: Free.

5 CHAIRMAN HARRIS: It's free?

6 MR. LUNIEWSKI: Yes. That's free for us.

7 CHAIRMAN HARRIS: That's good. How about what  
8 is your charge on credit cards?

9 MR. LUNIEWSKI: 3.9 percent of the money that  
10 was moved. There's no other surcharge. And that's very  
11 published, too. Again, Chairman Harris, that's where  
12 the account wagering providers are competing with  
13 feature functionality which is a very healthy price, you  
14 know, quality of service, so on and so forth.

15 CHAIRMAN HARRIS: I guess not really any one  
16 provider, but just any of these. One of my feelings is  
17 ADW isn't working as well as we were hoping it was, the  
18 same reason all of us have problems, you get tapped out  
19 and you don't recharge that account because you just  
20 don't and it's not -- it's not like at the track where  
21 you can just keep betting some more money out of your  
22 wallet.

23 MR. LUNIEWSKI: Right. Well, you know, I  
24 believe when Commissioner Licht was chairman he  
25 suggested maybe as we move into the fall it would be

00017

1 healthy to get the ADW providers together and look at  
2 what everyone has learned in two years and there's  
3 velocity limits as to what people can deposit and make  
4 sure someone is not problem gambling and it's something  
5 to make the whole quality service better for the patrons  
6 that are using it.

7 VICE-CHAIRMAN LICHT: What are you doing for  
8 spreading the TV signal? When you first got the license  
9 people have been coming up telling us we're this close  
10 to making a deal with this cable provider --

11 MR. LUNIEWSKI: Well, Roger, we launched --  
12 Commissioner Licht, we launched HRTV January, 2002. I  
13 didn't bring those numbers, I'm not prepared. But I  
14 know Mr. McAlpine was here in January, we had  
15 1.8 million subscribers across the country on a variety  
16 of cable networks and I cannot remember the number of  
17 California subscribers we had but it was in the hundreds  
18 of thousands. So it's not like we're sitting back and  
19 not investing.

20 I mean, you know, we've spent a lot of money  
21 on the capital in the studio in Santa Anita and now  
22 we're trying to sell distribution and it's been a long  
23 difficult road to get the distribution.

24 VICE-CHAIRMAN LICHT: And it's obvious no one  
25 wants it more than you do, I don't think you're not

00018

1 trying to do it. But it's probably been the area of  
2 biggest disappointment to me as a commissioner and also  
3 to you with the lack of success in distributing that  
4 signal.

5 MR. LUNIEWSKI: At this point we would like  
6 more.

7 CHAIRMAN HARRIS: At this point I think you  
8 have a good product that I watch. But the distribution  
9 is a real problem. I'm not really clear if that's a  
10 money problem that you've got to go to these cable  
11 stations and say, "Look, we'll pay you X to get on," or  
12 they just don't -- they're afraid of gambling and racing  
13 or there's some kind of a competition issue or what  
14 exactly the problem is.

15 MR. LUNIEWSKI: Chairman Harris, it's all of  
16 those, that's why it's a very complex issue. And  
17 depending upon what cable provider you talk to or, you  
18 know, if you're talking about satellite distribution, it  
19 becomes a combination of, you know, money and  
20 competition and, you know, within the industry, outside  
21 the industry. It's a whole platform.

22 CHAIRMAN HARRIS: You've accomplished it some  
23 places, it seems like usually if people have successes  
24 some places they can duplicate those successes other  
25 places. Have you brought anyone new on in the last

00019

1 month or two?

2 MR. LUNIEWSKI: There's been -- you have to  
3 remember in the cable industry, especially in the  
4 satellite industry, the last two years there's been a  
5 lot of upheaval, you know, (unintelligible) has got some  
6 trouble, we have the Comcast/AT&T merger, we have the  
7 direct purchases with General Motors going on. And  
8 certainly at certain points in times one of the things  
9 is these folks are not focused. So that's part of the  
10 factor.

11 To answer your question, we've already -- the  
12 HRTV sales team, yes, in the last six months we've added  
13 I believe one additional salesperson.

14 CHAIRMAN HARRIS: The current sales team, are  
15 these a bunch of people with briefcases flying around  
16 the country calling on stations or are these people  
17 doing other things or what?

18 MR. LUNIEWSKI: No, they're full-time people  
19 that go around trying to sell regional cable sales and  
20 Bill Bridget (phonetic) is working on all of the  
21 national sales and we've been able to, you know, I think  
22 frankly, very successfully built a pretty decent network  
23 in a little over two years. We have 2 million people  
24 watching our show today.

25 CHAIRMAN HARRIS: It's not really watching it.

00020

1 You're in 2 million homes that if they turn it on to the  
2 right channel they watch it.

3 MR. LUNIEWSKI: Sure, sure.

4 CHAIRMAN HARRIS: That's a different thing  
5 than watching it. There's 200 other channels they can  
6 watch. I want to be clear, though, you've got these  
7 people flying around calling on these cable company  
8 presidents. Is it a problem they can't get into the  
9 door or once they get into the door they can't come up  
10 with enough money? I don't understand where the sort of  
11 blockage is of getting it sold or getting it to a cable  
12 network.

13 MR. LUNIEWSKI: Again, Chairman Harris, I'd  
14 give you the broad brush but my peer is the guy that's  
15 much more in tune with the deal because he's the guy  
16 that's working them. But it's really a combination of  
17 those. If you go in there and they want too much money  
18 and you don't think you -- you know, it's going to be a  
19 big loser for you, you're not going to do it. There's  
20 competition from the Television Games Network, they want  
21 two channels up. You know, Aldelphi (phonetic) is a  
22 great example, they're simply distracted. They're in  
23 bankruptcy right now, their founders are facing criminal  
24 charges.

25 You know, up until the Comcast/AT&T merger

00021

1 happened, you know, it was very difficult to get those  
2 people's attention and these things don't -- they're  
3 complex deals.

4 And then there's the issue of, you know, the  
5 wagering. Do some of these cable providers, you know,  
6 want wagering? And each one is a different bucket, a  
7 different bucket and a different story.

8 CHAIRMAN HARRIS: It's just frustrating that  
9 there's kind of nothing happening and that's one of the  
10 keys that we all thought we were going to see was much  
11 better television coverage and we were hopeful that that  
12 would happen and it really just hasn't happened.

13 MR. LUNIEWSKI: You know, Magna has maybe not  
14 got the distribution to meet the expectation but it has  
15 in my opinion clearly invested heavily in the television  
16 wagering site. We're the new guys on the block with our  
17 wagering. We launched that in January, 2002, our  
18 meeting was July, 2002, we invested a lot of money in  
19 those initiatives and we're continuing to do that.  
20 We're not taking our foot off the gas.

21 CHAIRMAN HARRIS: The frustration is when you  
22 get -- I don't watch that much television but there's  
23 some pretty bizarre things on television that you think  
24 would not be as interesting as racing. I saw the other  
25 day people lifting cars and a kick boxing deal on this

00022

1 morning, we were watching it. I just can't believe that  
2 you've got a salesman that's selling the car lifting  
3 concept and not selling the racing.

4 MR. LUNIEWSKI: And I think that we also have  
5 done some tremendous things for horse-racing. We move  
6 fans and television and (unintelligible) was a huge  
7 success this year for us, that's two hours of prime time  
8 programming that we bought. We think that the Magna  
9 pick five wager has been a tremendous success.

10 And as you roll into next year, this is no  
11 secret, there's the success of the poker channel or  
12 poker on the travel channel. That Magna picked five  
13 where you can play pick five and under an hour is pretty  
14 compelling, pretty fast moving. There's opportunities  
15 as we move forward for other television components, too.  
16 And we have done those. We have done those.

17 CHAIRMAN HARRIS: Well, we want to open this  
18 up to all the different ADW providers. Anything else  
19 that any of the commissioners have particularly relating  
20 to Xpress Bet?

21 COMMISSIONER MOSS: I just wanted to find out  
22 if you knew how much of your base that you said was  
23 1.8 million actually bet or how much is watching?

24 MR. LUNIEWSKI: We have that in terms of, you  
25 know, where the markets and where people are betting but

00023

1 I don't know that off the top of my head. I'll be happy  
2 to get that to you.

3 CHAIRMAN HARRIS: Is there some method to link  
4 a home that has access to it to also having an Xpress  
5 Bet account and can you say, okay, we've got Xpress Bet  
6 accounts in X number of homes that have access to HRTV?

7 MR. LUNIEWSKI: Yes. As an example -- you  
8 can't link them, but if you look at the Cleveland  
9 market, we've got distribution in the Cleveland market  
10 and we have distribution in the (unintelligible) market.  
11 And we can look and see how many accounts we have and  
12 see what the wagering patterns are.

13 But to say -- you'd have to survey the  
14 individual, is that guy watching TV betting or is he on  
15 the internet betting or is he simply playing through his  
16 phone? We can see what appliances he's betting through  
17 and then make some assumptions to get that direct link.  
18 You know, ultimately the interactive television product  
19 will be that direct link when that occurs. And the guys  
20 watching and wagering through his TV.

21 VICE-CHAIRMAN LICHT: I think TVG can put some  
22 light on that. They've had huge success with their Fox  
23 shows as far as viewers. Tremendous ratings, sometimes  
24 the highest rated sports show of that day. And yet  
25 there's not a good conversion of those people watching

00024

1 to betting and I think that's a big frustration to TVG  
2 so it would be interesting to see what they have to say  
3 about that.

4 MR. LUNIEWSKI: Yeah, and that could get into  
5 some of the complexities of the sport.

6 CHAIRMAN HARRIS: Any other issues?

7 COMMISSIONER MOSS: Just one other question.  
8 Are you able to say that you're going to give this a  
9 certain amount of time until you actually get a TV  
10 channel to work with Xpress Bet or are you just going to  
11 keep on going in the same way until something else  
12 happens or something? Can you put a time limit on this  
13 in any way?

14 MR. LUNIEWSKI: Well, I personally -- this  
15 board won't put a time limit on what we consider to get  
16 big distribution. But I'll be happy to spend as much  
17 time as it needs to show the effort going into it. And  
18 I can tell you I see no indication from the Magna  
19 Entertainment, from the chairman on down, that we're  
20 slowing down on television distribution. I think that  
21 we recognize that that's key to, you know, the  
22 television division of Magna and growing the sport of  
23 this game.

24 CHAIRMAN HARRIS: Any other commissioners like  
25 to make comments on Xpress Bet? I guess we'll go on

00025

1 with some of the other ADW providers. Are some of those  
2 here?

3 MR. ALLEVATO: Tony Allevato, Executive  
4 Producer, Vice President of TVG. I have to disagree  
5 with Chairman Licht on a couple of things. I don't  
6 think the quality we have on television isn't coming out  
7 of Bosnia, we have pretty good signals. And you have  
8 made a comment of our ratings on Fox. We don't  
9 subscribe to the Nielson ratings because we're only in  
10 12 million homes which isn't enough to get Nielson  
11 ratings which is to measure the number of people that  
12 are watching a particular TV show. But we do get  
13 ratings from our Fox shows. And our Fox ratings are  
14 very high. A lot of times it will be the highest rated  
15 show in the L.A. area for a given day as Commissioner  
16 Licht mentioned. But a lot of those people don't bet.

17 We know this, if a show does a one rating in  
18 Los Angeles that we're showing from Hollywood Park or  
19 Del Mar that means there's approximately a hundred  
20 thousand people that are watching TVG on Fox that day  
21 for that show. We know that only about 5,000 of them  
22 are betting through TVG. We look at that as a positive,  
23 not a negative. That tells us there's a huge growth  
24 potential there, an upside.

25 So there's a lot of people who are watching

00026

1 TVG who are interested in horse-racing who maybe are  
2 lapsed fans or who are just sports fans who watch Fox  
3 and end up watching our program. And our goal is to get  
4 those people to end up betting on the horse races or  
5 going to the track. And if you watch our program, a lot  
6 of it is educational and a lot of it is entertainment  
7 based to create fans and that's one of the goals of TVG  
8 and I think that's one of the goals of ADW when it was  
9 first launched.

10 VICE-CHAIRMAN LICHT: I think you've been very  
11 successful with that. And also the fact that you have  
12 more people wagering -- more California people wagering  
13 on what I call third class racing at this time that are  
14 wagering on Xpress Bet, more money. It's amazing that I  
15 guess it's mostly, what, Aqueduct and Los Alamitos.

16 MR. ALLEVATO: Aqueduct, Los Alamitos, we show  
17 fairgrounds in --

18 VICE-CHAIRMAN LICHT: No, what are the  
19 California people betting on?

20 MR. ALLEVATO: Aqueduct and Los Alamitos.

21 CHAIRMAN HARRIS: Are you showing growth in  
22 that evening product from Los Alamitos?

23 MR. ALLEVATO: Yes. I believe we're up about  
24 30 percent at Los Alamitos. We do believe it's the  
25 power of television. The people are familiar with TVG,

00027

1 they're used to watching it. There's a loyalty there,  
2 they like our announcers and the way we deliver our  
3 product and that's one of the reasons why we have the  
4 numbers that we have.

5 VICE-CHAIRMAN LICHT: People will bet what you  
6 show I think, right? So the product controls the gaming  
7 to a large degree.

8 MR. ALLEVATO: Definitely. But betters are  
9 also very -- horse-racing is definitely a regional sport  
10 and people like to bet product that they're familiar  
11 with.

12 CHAIRMAN HARRIS: You've made a large  
13 penetration with the Dish Network obviously. But on  
14 your cable itself, what are you doing there? Are you  
15 getting into more cable networks.

16 MR. ALLEVATO: Yes. We just announced a deal  
17 I believe it was last month with Comcast and it's going  
18 to put us in another up to 7 million homes by the end of  
19 the year. And we're going to be launching in some areas  
20 of Los Angeles before the derby. So we are continuing  
21 to grow and we are still knocking on doors and getting  
22 more distribution which is one of our priorities.

23 CHAIRMAN HARRIS: What sort of barriers have  
24 you found in the art of entry? Is there concern about  
25 gambling or just a matter of this, more money than they

00028

1 want to pay? What kind of blockages do you have when  
2 you go to a cable provider?

3 MR. ALLEVATO: I don't deal directly with  
4 distribution. But it's exactly what you're talking  
5 about. There are always going to be several different  
6 obstacles that you have to overcome. That's the  
7 educational process of explaining to people the gambling  
8 side of our business and how it works and there are  
9 different things that you have to deal with. It's a lot  
10 harder to get on a cable network, a cable group, than it  
11 sounds. We've been fairly successful with it.

12 We do also have the power of TV Guide behind  
13 us working with us to get that distribution and that  
14 helps us. I think that the fact that we've done so well  
15 on Fox also bodes well for us. It's something that we  
16 can show people. I know I had a real interesting  
17 meeting this week with someone from the producer of the  
18 show California Sports Reporter which is on Fox, it's  
19 basically like their sports center type show. And they  
20 actually have come to us and asked us to move our Friday  
21 night Hollywood Park show from 7:00 to 9:00 p.m. to 8:00  
22 to 10:00 p.m. so we would be butted up right against  
23 their show because we get so much higher ratings than  
24 they do which they will actually get a lead in to their  
25 programs because they would get higher ratings. That's

00029

1 kind of unheard of in horse-racing that someone, you  
2 know, who wants to draw from horse-racing. So we're  
3 pretty proud of that.

4 CHAIRMAN HARRIS: Any more questions, Tony,  
5 from any of the commissioners?

6 COMMISSIONER BIANCO: I'm a senior citizen,  
7 retired and knowing Magna's business plan or what I  
8 think I know about it, my question is now they're trying  
9 to get in what I've been reading partnerships with the  
10 New York racing, right. When they get more captive  
11 racetracks, all right, and you don't have the product to  
12 show, I'm not saying you're third rate, but to me, I'll  
13 be very honest with you, I think you might be leading  
14 the group right now but I think it could turn around  
15 pretty rapidly if they land a couple of more of these  
16 partnerships, whether they go in and actually buy into  
17 the tracks themselves.

18 MR. ALLEVATO: Again I go back to we believe  
19 the power of television is very strong. And if that  
20 were the case, our numbers would be down this first  
21 quarter of the year. In actuality, it's the opposite.  
22 Our numbers are way up and their numbers are down. So  
23 obviously we want that to happen but right now that  
24 hasn't been the case.

25 VICE-CHAIRMAN LICHT: I think one of the

00030

1 things we've really learned that's been a big surprise  
2 to me is that product is not really driving the ADW  
3 whether for any of the three providers that, in other  
4 words, people will bet what's available to them if  
5 they're happy with the access and the website and so  
6 forth. We'll hear from Youbet, too, about the loss of  
7 Gulf Stream signal, what they feel that's meant to them.  
8 Gulf Stream being obviously one of the premiere signals  
9 available right now and how that's affected them with  
10 California players and stuff.

11 MR. ALLEVATO: I think that's true to some  
12 extent. If you show it, people will bet it. But people  
13 will bet more on better racing and on better races that  
14 we show. We have a big race and we promote it and we  
15 put a lot into our production. There's a spike to  
16 handle.

17 VICE-CHAIRMAN LICHT: I think the story you  
18 told me about Christmas Eve day when there was nothing  
19 running, that would be interesting to talk about how  
20 television drives the wager.

21 MR. ALLEVATO: We had Christmas Eve, I don't  
22 even remember the track that was running. We had one  
23 signal that was coming in. It was tremendous because  
24 people were sitting at home and there was nothing to do  
25 and they were betting it.

00031

1                   CHAIRMAN HARRIS: Any other questions for TVG?  
2 If not, we'll move on to Youbet if they're here and then  
3 we'll take any comments from the audience.

4                   MR. TRUE: Thank you. Jeff True (phonetic),  
5 General Manager of the western region for Youbet.com.  
6 Just a couple of comments relative to the channel play,  
7 you've talked about switching accounts and what have  
8 you. And directly to Roger talking about television.  
9 We feel the people are staying with the platform they're  
10 comfortable with and what they like.

11                   When Magna decided to hold the Magna content  
12 the TOC stepped in and said, no, you're -- Youbet is  
13 going to get the California content. We were a little  
14 bit skeptical about what might happen. But the facts  
15 are now 60, you know, almost 90 days into that  
16 experiment, our handle is up, our acquisitions are up,  
17 we found that people stayed with us and just moved their  
18 handle to the other racetracks. That's almost a  
19 qualified statement because, yes, we do have Santa Anita  
20 and in California people love to bet Santa Anita, field  
21 size notwithstanding, it's a very good product and we  
22 find that people have just left Gulf Stream.

23                   We operate in 39 states throughout the U.S. so  
24 we have the breadth of knowledge from all of those  
25 states and how bettors behave in the face of lost

00032

1 content or not. And the people we found in 2003 that  
2 were wagering on Gulf Stream, we now have been able to  
3 put them into other racetracks, other content that was  
4 suitable. I mean, for example, Tampa Bay Downs, not  
5 maybe a premiere track but certainly a worthwhile  
6 product, our handle is up substantially, I mean, by, you  
7 know, big numbers on Tampa Bay. So did we transfer all  
8 of our Gulf Stream players to Tampa Bay? Certainly not  
9 all of them but certainly a good number of them.

10 We're able to lure, if you will, or incent  
11 people with promotions, contests, activities, events,  
12 advertising two tracks that are, A, either more  
13 profitable for us or, B, fit their wagering profile.

14 VICE-CHAIRMAN LICHT: Do you know what your  
15 biggest players of Gulf Stream last year were, what  
16 happened to them?

17 MR. TRUE: Specifically the people that were  
18 betting Gulf Stream?

19 VICE-CHAIRMAN LICHT: Yeah.

20 MR. TRUE: I can't say that I know exactly  
21 where they've gone but we know that there was a handle.  
22 I mean, we know what our handle figure was for Gulf  
23 Stream, we know what our handle figure was in Florida,  
24 and now in the absence of those other pieces of content,  
25 we know what our handle is now and we moved a lot of

00033

1 those people to Tampa Bay and to Aqueduct and to other  
2 eastern racetracks.

3 CHAIRMAN HARRIS: Did you have Santa Anita in  
4 2003 on Youbet?

5 MR. TRUE: Yes, sir.

6 CHAIRMAN HARRIS: So the numbers are  
7 comparable because you're up.

8 MR. TRUE: For California the numbers are  
9 pretty comparable.

10 CHAIRMAN HARRIS: Any other questions for  
11 Youbet from the commissioners?

12 MR. TRUE: One of the other comments I might  
13 make, Chairman, here is there's been several comments  
14 about finding new customers and there's a bit of  
15 information I'd like to share with you. Our acquisition  
16 strategy is almost primarily online. We go after people  
17 that are already online either day trading, doing other  
18 sorts of activities that we think are close to what ADW  
19 betting might be. Over 40 percent of our acquisitions  
20 just in this year have been in the age group of 21 to  
21 39. I thought that was a pretty interesting statistic  
22 to talk about in terms of, you know, who are we getting  
23 into this business? Are we generating new fans? And  
24 that's always one of our buzz words, new fans. And we  
25 think this indication that our age group -- that

00034

1 40 percent of our age group of new acquisitions is 21 to  
2 39, it means that we're reaching out and we're finding  
3 some of those new customers.

4 CHAIRMAN HARRIS: How do you know that they're  
5 21 to 39?

6 MR. TRUE: Because we ask them their age.

7 CHAIRMAN HARRIS: No one tells the truth on  
8 that.

9 MR. TRUE: They do when they sign up with  
10 Youbet.

11 CHAIRMAN HARRIS: I guess you've got to  
12 because you've got to be over 18 to bet, I guess, so  
13 they have to write their birthdate down.

14 MR. TRUE: Our account sign up process gives  
15 us that information and, you know, we have to check it  
16 out so we know who they are and that they're able to bet  
17 and those kinds of things.

18 CHAIRMAN HARRIS: When you get quite a few of  
19 those from click throughs from other sites? Or how do  
20 you --

21 MR. TRUE: Sure.

22 CHAIRMAN HARRIS: Like your average profile of  
23 a new account at this point where, you know, people are  
24 pretty aware of it? Where would you say your biggest  
25 access of new accounts was coming from?

00035

1           MR. TRUE: Currently daily racing form online  
2 site. I mean, we're going to that forum and we're doing  
3 some advertising and doing some promotions with them and  
4 we're getting a lot of our sign ups through DRA. But  
5 also, you know, there's a dozen other places that we're  
6 advertising and doing some of those similar types of  
7 things and getting some of those younger customers from  
8 those places.

9           Also we're starting to advertise in the  
10 Financial Times, you know, going into the financial  
11 arena trying to attract some of those day traders that  
12 we think are the type of online wagers that we want.  
13 Our product differentiation, Roger gave us a compliment  
14 and said we're probably the best. I think it's clear  
15 we're the number one ADW in the U.S. and it's all  
16 online. So our features and functionality has to be  
17 something the players like. We think we have a higher  
18 per capita wager. We think we have the better  
19 customers. Our customers wager more, frankly. And you  
20 can't do that by having weak functionality and what have  
21 you.

22           Our constant revision of that website, the  
23 constant addition of new features that appeal to a  
24 player, the ease of information, the ease of wagering,  
25 et cetera, the breadth of the content certainly is a

00036

1 driver. But when you start talking about specific  
2 racetracks, like a Gulf Stream or a Laurel being dropped  
3 from your site, you're not going to lose that many  
4 people because we have good product to offer.

5 COMMISSIONER MORETTI: The numbers that you're  
6 talking about, the younger folks that are coming in and  
7 wagering, can we infer from that all that those we're  
8 gaining new horse-racing fans or are we strictly talking  
9 about people who are gamblers and it doesn't really  
10 matter in the end what the product is that they're  
11 gambling on, that's just what they want to do?

12 MR. TRUE: Are we just pulling players from  
13 other places?

14 COMMISSIONER MORETTI: Yeah. Are we gaining  
15 any new people going to the tracks through that  
16 experience?

17 MR. TRUE: What I can tell you is that our  
18 view of the younger demographic in our acquisition  
19 profile by age is that we're bringing some people into  
20 the game that were not there previously. Secondly, some  
21 of those people that we're bringing in are coming from  
22 other gambling locations but they're doing more with  
23 Youbet than they would be doing otherwise. I think  
24 that's a key part of this conversation.

25 I mean, I ran a racetrack, I'm as big a fan of

00037

1 TVG as anybody in the room. But when you start talking  
2 about the ease and the availability of the product and  
3 the content, you're going to see a player that, for  
4 instance, bets a hundred dollars a week at a racetrack,  
5 in two or three months he's going to be betting two to  
6 \$300 a week through Youbet.

7 So, yes, we are gaining some new customers but  
8 we're also getting more out of the customer that came  
9 from another location because of the ease and  
10 functionality of the site. And that is what technology  
11 brings us. It's all about -- I preached it forever,  
12 it's all about distribution. Whether it's television or  
13 online. And you can't get any more distribution than  
14 online. So it's that functionality of Youbet that  
15 avails the customer to that increased term.

16 CHAIRMAN HARRIS: Any other questions of Jeff?  
17 Any of the commissioners? We'd like to open it up for  
18 any comments the audience may have on the overall  
19 subject of the ADW or the various providers. We get a  
20 lot of e-mails and a lot of conversation walking around  
21 on this so there must be somebody to have something to  
22 say.

23 MR. LICCARDO: I won't be bashful, I'll be the  
24 first one. Good morning, sir. Good morning,  
25 commissioners. I know what you were promised -- Ron

00038

1 Liccardo, Pari-Mutuel Employees. I know what you were  
2 promised from ADW and I know what I was promised from  
3 ADW and that was jobs. Right now I have one job with  
4 TVG through the racetrack itself, not through TVG. They  
5 work for either the Hollywood Park or Del Mar and they  
6 take TVG's account money and TVG is billed by the  
7 racetrack. Xpress Bet has six employees I believe,  
8 maybe seven, I'm not sure, and their future, I wouldn't  
9 tell them to take a 30 day lease on a car.

10 Youbet.com promised us a wide variety of jobs,  
11 one of them being telephone wagering. We went back to  
12 our local, we went back to New York and looked at  
13 telephone wagering, 200 people working some 16 hours a  
14 day seven days a week, about 200 people in that process  
15 doing a million phone calls a month.

16 Youbet promised us that whenever they could  
17 make more money, they would start phone wagering in  
18 California. They tell you they're the biggest, they  
19 handle more money, they've got 39 states, they have a  
20 lot of things. We don't have a job.

21 So as far as the jobs this industry brought,  
22 ADW has brought no jobs at all. And a lot was promised  
23 in GO committee meetings. There was the GO committee  
24 meeting between the assembly and the senate and I had  
25 spoken up and I was asked why are you backing ADW and I

00039

1 said we were told we would get jobs out and we haven't  
2 got a thing.

3 VICE-CHAIRMAN LICHT: How long are your jobs  
4 protected under the bill on track?

5 MR. LICCARDO: The ADW can't be reduced until  
6 July, 2005.

7 CHAIRMAN HARRIS: You did get some assurance  
8 that you had jobs stability on some level of jobs. As I  
9 understood it, you got something under the bill.

10 MR. LICCARDO: With the track itself we  
11 maintain the same standard before ADW until July, 2005,  
12 which that all sunsets. Now, if this was July, 2005,  
13 right now, I would estimate that -- right now we have 80  
14 people working at Santa Anita, if this was 2005 -- or  
15 2006, Santa Anita I would say I think we would have like  
16 65 working or 60 working. And I think over at Hollywood  
17 Park we would have five or ten less working over there.  
18 And we have only 25 working at Golden Gate Fields so we  
19 would probably have seven to eight less at Golden Gate  
20 Fields.

21 ADW has brought nobody on track. I don't care  
22 what survey you take, and people say they're not sure  
23 about cannibilization. People can see the  
24 cannibilization. I hear from my clerks about the whales  
25 on their back. Now, maybe you don't to see it in the

00040

1 numbers but when the big bettors don't come back and  
2 they go bet online, that hurts a lot more than pure  
3 attendance. Pure attendance is what hurts me. I don't  
4 get any employees to go to work. The minute ADW is over  
5 with, we lose a lot of employees.

6 CHAIRMAN HARRIS: As of now, has anyone as of  
7 right now actually lost a job on track?

8 MR. LICCARDO: No. Because the agreement from  
9 ADW is through July, 2005. And they have upheld their  
10 agreement 110 percent. Because sometimes we have more  
11 people working because big days do that. But the minute  
12 we have -- ADW is over with and if we didn't settle our  
13 own health and welfare problems ourselves internally, we  
14 would have had to go open a contract first and that  
15 would have been one of the things they would have went  
16 for because that's the biggest, juiciest things to get  
17 our money for health and welfare would be to go to ADW  
18 and I'm sure that's what would have happened. Thank  
19 you.

20 CHAIRMAN HARRIS: Thank you.

21 MR. ALEVATO: Tony Allevato, TVG again. Just  
22 for the record, our TVG studios are based in Los Angeles  
23 and just moved into another studio with approximately  
24 another 50 people. We have almost 150 people working  
25 for TVG in California, the jobs were all created for the

00041

1 TVG network.

2 MR. LICCARDO: Ron Liccardo once again. When  
3 we did ADW, we were told that the jobs -- there were  
4 going to be jobs created on the racetrack for racetrack  
5 employees, not for somebody else. I think the  
6 California horse-racing board, I don't feel that their  
7 job is to find jobs for other people outside the  
8 industry. I think their focus is on what's best for  
9 everybody in the industry. And when they were trying to  
10 get -- when they got ADW, it was to make the industry  
11 better, not to make somebody else better. So I assumed  
12 that the jobs would be better also for within the  
13 industry.

14 CHAIRMAN HARRIS: As I understand it, our job  
15 is to make it better for everyone but not strictly  
16 everyone being wholly organized labor. We want to watch  
17 organized labor, too, but there have been a lot of jobs  
18 that have been maintained throughout the industry that,  
19 absent ADW, might not have.

20 MR. LICCARDO: I believe when they come to  
21 organized labor for their support and to speak for them  
22 in Sacramento and everywhere they owe something to  
23 organized labor on the racetrack. We work for you in  
24 that aspect but we don't get paid.

25 CHAIRMAN HARRIS: Thank you.

00042

1 MR. TRUE: Jeff True, Youbet.com. I don't  
2 want to go through and rehash that whole labor issue --

3 CHAIRMAN HARRIS: This item was not really to  
4 rehash labor organizations, it's more just to talk  
5 about, you know, ADW, how it's working or not working.

6 MR. TRUE: I did want to address the comment  
7 that he made about promising them a call center. We  
8 have met with labor and talked about the issues  
9 surrounding the call center, the costs associated with a  
10 call center. We actually had a bill in Sacramento that  
11 addressed the cost issues and the income issues relative  
12 to ADW and having that call center in California. We  
13 cannot operate the call center under the laws, it  
14 doesn't make any sense for anybody.

15 We had floated the idea of the three ADWs in  
16 California joining together and creating a call center  
17 that we could all three partner in that would employ  
18 mutual clerks. We have not come to fruition with any  
19 sort of plan but that's kind of an idea out there right  
20 now. We are looking at it. We are trying to address  
21 it. But in terms of promising them a call center, I  
22 mean, he's familiar with the legislation as well, the  
23 legislation failed. So it's not an issue that we've  
24 ignored. It's an issue that --

25 CHAIRMAN HARRIS: Let's move it along here

00043

1 because we've got quite a few other issues to discuss.  
2 Anything else on ADW itself? If not, we'll move on to  
3 item No. 5 which is the report from Xpress Bet and TOC  
4 on the advance deposit wagering issue that they  
5 currently have a dispute on. Anyone want to comment on  
6 this?

7 MR. COUTO: Chairman Harris, Drew Couto,  
8 that's C-o-u-t-o. As I think everyone knows, there has  
9 been an issue of dispute between Xpress Bet and  
10 Thoroughbred Owners of California relating to some  
11 rebating practices that we learned of secondhand that  
12 was not part of our understanding of the activities  
13 being conducted by Xpress Bet.

14 We've had several meetings with principals  
15 from Xpress Bet and MEC to discuss the issues and  
16 disclose information regarding handle practices. We  
17 have also discussed wagering trends without obviously  
18 exposing any confidentiality with bettors or certain  
19 terms of the contracts. We are continuing to have those  
20 discussions and hopefully moving toward an understanding  
21 for the future and some compensation for the past  
22 activities. We'd rather not discuss each of those  
23 issues in this forum since they are sensitive and since  
24 they are subject of ongoing discussions between Xpress  
25 Bet and TOC. But that matter was a serious one as far

00044

1 as we were concerned.

2 Xpress Bet understands the seriousness of the  
3 conduct and of the failure to disclose these facts and I  
4 think we have a good understanding for going forward. I  
5 defer to Mr. -- to Ron if there's any issues on  
6 (unintelligible), if there's any issues that I haven't  
7 addressed but I think, again, we're having a very candid  
8 dialogue and we're trying to move forward.

9 CHAIRMAN HARRIS: We can probably move on but  
10 I think the important part is that if there's any  
11 contract between the horsemen and the ADW provider that  
12 that be, you know, a valid contract because there are so  
13 many different affects of any rebates or any kind of  
14 action that can come from that.

15 MR. COUTO: We do consider that a material  
16 provision of the agreement and that's why we've taken it  
17 so seriously.

18 CHAIRMAN HARRIS: Anything else on this issue?  
19 We're going to move on to issue No. 6 which is a  
20 discussion on the current rule on rebates. Mr. Reagan.

21 MR. REAGAN: Commissioners, the basic  
22 background on this issue has to do with the CHRB rule  
23 1950.1, rebates on wagers. This rule was created in  
24 1996 when California industry folks were concerned about  
25 the rebating and other situations used in Nevada.

00045

1 Nevada was also concerned about that and it  
2 did some legislation on their end and we ended up with  
3 the Rule 1950.1. The thrust of the rule is that the  
4 racetracks and simulcast organizations shall make sure  
5 that there's a prohibition in the contracts that they  
6 make with their customers regarding rebates. And in the  
7 package we gave you numerous examples of certain pages  
8 from those contracts highlighting the wording that they  
9 used to prohibit the rebates and whatnot.

10 And based on that situation that we have  
11 monitored since this rule went into effect, that's how  
12 we monitored and that's what we are currently doing.  
13 And if you have any questions or comments, I'd like to  
14 know.

15 VICE-CHAIRMAN LICHT: So it's our duty to make  
16 sure that that provision is in every contract and that  
17 we are in compliance with that?

18 MR. REAGAN: Yes, sir, that's how we interpret  
19 the rule and that's how we've been applying the rule.  
20 While working with the simulcast organizers, that the  
21 contracts that they use and the contracts that we review  
22 every so often do have that provision and of course is  
23 signed by both parties, the California group as well as  
24 the out of state organization that participates through  
25 the racing by using that contract.

00046

1                   VICE-CHAIRMAN LICHT:  And I think that even if  
2 we were inclined to change the rule, at this point, our  
3 hands are tied by Governor Schwarzenegger's rule against  
4 changing rules.

5                   MR. REAGAN:  Oh, I see what you mean.  If we  
6 were to address the rule?  Yes, there is a moratorium  
7 right now on addressing any rules.

8                   CHAIRMAN HARRIS:  I think there is a process  
9 where we can conceivably waive a rule, though.  But on  
10 these contracts, I think going forward, and not just on  
11 this issue but other issues, we need to have these  
12 signed by someone that's an officer of the whatever  
13 entity is signing it.  I don't know if the simulcast  
14 coordinator would necessarily be a signatory that would  
15 hold up.

16                  EXECUTIVE DIRECTOR WOOD:  Can you explain what  
17 (unintelligible).

18                  MR. REAGAN:  Each race meet (unintelligible)  
19 each race meet, we're talking dozens and dozens,  
20 literally hundreds of contracts that they have with all  
21 the various different locations as well as some of the  
22 subsidiary locations.  So we do have quite a process  
23 where we coordinate -- I have a person that's pretty  
24 much half time in Sacramento spending half of his time  
25 all the time working with simulcast coordinators,

00047

1 receiving their faxes and e-mails and actually filing  
2 and double checking all of those lists. We have  
3 sometimes several pages of just single space of all the  
4 locations that they're working with out of state. So  
5 it's quite a process we go through.

6 CHAIRMAN HARRIS: You got the process, I  
7 think, but it seems like once that process is done it's  
8 sort of a don't ask, don't tell sort of a process which  
9 usually doesn't work. But we don't really have any  
10 monarchy of who is getting rebates and who is not and we  
11 don't have any enforcement type of a way to really look  
12 at them once it happens.

13 MR. REAGAN: Myself, the staff here, we work  
14 in California, a lot of times we're pretty much in  
15 Sacramento. So it would be difficult to determine  
16 what's actually happening in Pennsylvania or even  
17 offshore.

18 VICE-CHAIRMAN LICHT: I think that looking at  
19 the whole rebating issue is something that's important.  
20 A lot of things we've learned over the last few months  
21 is that rebating is here to stay and that the industry  
22 needs these players. For one, just what we heard from  
23 these ADW providers today that despite what I thought in  
24 the past and what most people thought I think is that  
25 wagering is not so much content driven and that through

00048

1 various mechanisms like Youbet, maybe the quality of  
2 their site, and TVG, the quality of their television and  
3 access to their television, have driven players away  
4 from other tracks and towards other tracks and Youbet  
5 with certain promotions have got people playing harness  
6 racing who weren't playing it before. And when you  
7 think about that, what's controlled by these rebate  
8 places, that we need their handle and I'm afraid to lose  
9 it personally. And I think that they provide a service  
10 to the industry that we need.

11 And if you look at what happened the first --  
12 I don't remember, maybe four weeks of the Santa Anita  
13 meet when the rate was significantly raised to the  
14 rebate facilities, the handle dropped dramatically from  
15 those places and the handle was down tremendously at the  
16 end of the Santa Anita meet from the offshore places  
17 meaning to me that big players were driven to play  
18 places other than California. We can't afford to lose  
19 these players. We need this handle.

20 CHAIRMAN HARRIS: To offer some bit of a  
21 rebuttal to Roger, though, I think there is a big debate  
22 in the industry on are rebates good or bad? And I think  
23 there's good arguments on both sides. I think I'm a  
24 little concerned that rebate is -- rebating is sort of a  
25 narcotic that maybe makes you feel good that day but can

00049

1 lead you to a life of destruction. And my concern is  
2 just that it creates another playing field for a player  
3 in California that he's really not paying the same price  
4 for a product and a player in some rebate locality might  
5 be doing it. And maybe it's, you know, a fact of life,  
6 that just has to happen to make the game work. But I  
7 think there is going to be a lot to pay. And this is  
8 probably the most troubling issue that's faced racing  
9 that I can remember.

10 VICE-CHAIRMAN LICHT: But Magna proved, I  
11 think, that players will move elsewhere. That despite  
12 Santa Anita being in most people's view the premiere  
13 product available right now that these rebate players  
14 were playing elsewhere when the rate was too high.

15 CHAIRMAN HARRIS: I don't know if that was a  
16 bulletproof experiment. It might have or might not  
17 have. I don't think that's been peer reviewed or  
18 anything. Let's see, stick around.

19 SPEAKER: (Unintelligible) of California.  
20 Commissioner Licht, I challenge a lot of assumptions and  
21 assertions you've just made about the impact of rebating  
22 on this sport being beneficial. I think as Chairman  
23 Harris just stated, there's a great debate about whether  
24 this is fair, fundamentally fair, to the nature of  
25 Pari-Mutuel racing industry. I challenge also your

00050

1 assumptions and conclusions about the impact of the  
2 impasse at the beginning of the Santa Anita meet,  
3 whether that was a reflection of price or whether that  
4 was a concerted action not to deal. It's something that  
5 in the normal course would be considered an antitrust  
6 violation.

7 I think if you delve into this, this was a  
8 quiet conspiracy of players to avoid betting on a signal  
9 because of price. Where we've come in this industry, we  
10 now have rebaters out there that use the current  
11 economic model in a way that withholds large components  
12 of handle to the detriment of the producers, to the  
13 tracks, to horsemen who pay the majority of what it  
14 takes to put this industry on to employ the people that  
15 we employ, whether it be union labor, skilled, unskilled  
16 labor. This is a very dangerous path we are going down.  
17 And to make those assertions and conclusions based on  
18 representations from rebaters or from others I think is  
19 ill-advised for this industry.

20 The NTRA recently put together a committee  
21 consisting of racetracks and horsemen from around the  
22 country to take a solid look at this, as we said, to  
23 separate fact from fiction, to separate  
24 misrepresentation and misinformation and to hopefully  
25 look at the actual impact on rebaters in our market.

00051

1 Yes, rebating benefits some folks but it also allows  
2 people who aren't players, who aren't handicappers, who  
3 are simply machine players and (unintelligible) to move  
4 money from traditional players into and out of the  
5 system.

6 They don't know what a bay is, they couldn't  
7 tell you what a roan is, they don't care about  
8 horse-racing. They're there simply to calculate where  
9 they can make money.

10 I would suggest to you that that's not in the  
11 best interests. But the problem is we don't have enough  
12 information at the moment to know exactly what is fact,  
13 what is fiction and what is the proper pricing model.  
14 But we will get there. This economic model is going to  
15 have to change and I think it's going to change, not  
16 just in California, but internationally.

17 So I disagree with you probably more -- with  
18 more energy and enthusiasm than I should but I don't  
19 believe it's fair to make those conclusions right now.

20 VICE-CHAIRMAN LICHT: First of all, I resent  
21 the fact that I've made these representations based upon  
22 not delving into the situation and only listening to  
23 representations from rebaters. I don't know what you  
24 base that on but it's totally unfounded and I personally  
25 take offense to it.

00052

1           SPEAKER: I apologize to you for that.

2           VICE-CHAIRMAN LICHT: Second of all, it's not  
3 the rebaters who are making the wagers, it's the  
4 wagerers who are making the wagers. So it's not like  
5 somebody is saying don't bet Santa Anita, it's because  
6 somebody is getting a better rate to bet on, I don't  
7 know what -- track X, so they're playing there.  
8 Rebaters don't say you can't bet Santa Anita.

9           SPEAKER: I would disagree with you on that.

10          CHAIRMAN HARRIS: If they didn't get the -- I  
11 think one important point though is now and going  
12 forward it is clear that the horseman do approve  
13 effectively of what has gone on or is going on or have  
14 the ability to effectively stop it. So I think even  
15 though obviously there's a lot of controversy, good or  
16 bad or what, but regardless I think at some point we  
17 have to get everybody on the same page and/or at least  
18 agree where we are.

19          SPEAKER: Las Vegas showed that unilateral  
20 action only works to our detriment and that we're not  
21 talking about a coordinated boycott or anything that  
22 would violate antitrust laws but we're talking about an  
23 exchange of information so that every bettor understands  
24 the impact -- economic impact of rebates. Because right  
25 now we are confident that it's a misunderstood aspect of

00053

1 the business that is not again in the best interest of  
2 our industry.

3 VICE-CHAIRMAN LICHT: When you say "we," are  
4 you speaking about the TOC board having made that  
5 decision or are you speaking for yourself?

6 SPEAKER: I'm speaking for the TOC and for the  
7 group that just met in New York, I think there was a  
8 consensus that we're looking at a model that long-term  
9 probably doesn't work well for the industry.

10 VICE-CHAIRMAN LICHT: And the TOC board has  
11 made that determination for the TOC?

12 SPEAKER: No. Where the TOC board is is  
13 they've asked us to undertake the study to assess what  
14 the impact of rebating and what the economic model is.  
15 And I think if you were to talk to each of the board  
16 members, they are concerned that the current economic  
17 model is not in the best interest of the industry. Have  
18 we come to an official position and issued a press  
19 release? I'd say no. But if you talked to the board  
20 members, I think there is consensus and I do talk to  
21 them on a regular basis and with our chairman there is a  
22 consensus that the economic model is flawed.

23 CHAIRMAN HARRIS: But you do have that  
24 ability, it's not just issued a press release, you have  
25 the ability to basically not allow it if you want.

00054

1           SPEAKER: Correct. We do. And so do our  
2 partners at the racetrack. And what we have tried to do  
3 and, you know, I can compliment the rebaters with whom  
4 we've met, we've tried to have open discussions about  
5 the way -- the mechanics of the business to get a better  
6 understanding. But, again, we learned in the Nevada  
7 experience that to cut them off unilaterally comes to a  
8 great cost to the California racing industry.

9           CHAIRMAN HARRIS: That's going to be the --  
10 this is a worthy debate. There's good arguments on both  
11 sides. It's -- at some point we'll have to come to a  
12 conclusion. Mr. Chillingworth.

13           MR. CHILLINGWORTH: Sherwood Chillingworth.  
14 I'm merely reporting here, I'm not expressing an  
15 opinion. At the TRA meeting at Fort Meyers about two  
16 weeks ago there's two significant items on the agenda.  
17 One was the drug enhancing performance and how we  
18 control that. The second was rebating. And they spent,  
19 I would say, at least a third of that whole meeting  
20 discussing that and they brought in two rebaters  
21 debating two anti-rebaters.

22           And my sense of what occurred there was the  
23 almost unanimous feeling of the TRA track members that  
24 we had to stop rebating. And one specific example that  
25 was brought out and I thought showed something that's

00055

1 pragmatic and not guessing at something. A Tampa Bay  
2 shut off the rebaters in January, early January, because  
3 their handle dropped by 40 percent. It gradually came  
4 back to the level in February and by March they were up  
5 18 percent.

6 So I think by cutting off the rebaters this  
7 demonstrates to me, at least in one factual situation,  
8 that you do show a temporary dip in handling but it does  
9 come back. And this is the one example that I've known  
10 where someone has actually done it.

11 CHAIRMAN HARRIS: One issue that maybe you can  
12 comment on, Chili, is one of my concerns, I don't think  
13 the average fan really realizes this rebating issue is  
14 there. And is there concern amongst the racetracks that  
15 as more people know about it that they would be less  
16 likely to wager, I mean, on a race here because they're  
17 not really in the rebate category? Is that misstated at  
18 all?

19 MR. CHILLINGWORTH: Yeah.

20 CHAIRMAN HARRIS: I think the answer to that  
21 is that one of the concerns I always have is that if the  
22 bettor here at the track, for example, realizes that  
23 he's getting -- because he isn't getting the rebate, the  
24 TRA has determined that there's an approximate 2 percent  
25 increase in takeout for the people that are betting here

00056

1 because they're absorbing the monies that are going out  
2 to the Carribbean and not coming back in again.

3 And I think if this became widespread  
4 knowledge, you'd either have to start rebating yourself  
5 or make sure you got off the rebaters.

6 VICE-CHAIRMAN LICHT: Or lower the takeout.

7 MR. CHILLINGWORTH: Or lower the takeout. And  
8 as you know, that's a difficult thing to do in  
9 California when you're amongst the lowest takeout states  
10 in the union. I think this is an issue that's going to  
11 have to be resolved here in the next four or five months  
12 as you have very strong opinions on both sides. You've  
13 either got to meet the competition or do something about  
14 eliminating it.

15 VICE-CHAIRMAN LICHT: I agree with that.

16 CHAIRMAN HARRIS: Any other comments?

17 MR. VAN DE KAMP: John van de Kamp (phonetic),  
18 TOC. I'd just like to go back to where we started this  
19 discussion and it related to the rule which requires the  
20 contracts to have this language. I think it needs to be  
21 just clear to everyone today that this is a little bit  
22 of the emperor who has no clothes situation because  
23 indeed rebating has gone on, A, the board knows that.

24 You've had meetings I believe what --

25 Mr. Licht, it was at Del Mar a couple of years ago with

00057

1 a number of the groups that came in. I think the board  
2 by fiat, if not rule, has said that rebaters should not  
3 take bets from California residents. I think that was a  
4 condition that the board imposed at least orally at one  
5 of the meetings.

6 In the meantime, I guess the point No. 2 is  
7 that there's a tremendous debate about rebating that I  
8 think Mr. Couto explained that is now subject to  
9 national discussion as it should be. There are three  
10 major rebaters that signals have been going to, RGS,  
11 ONCA, Holiday Beach. Those are in contracts that are  
12 before the board and everyone knows that.

13 In terms of importance, we spent a lot of time  
14 this morning on ADW providers and their discussion it  
15 seems to me. At the same time, if you look at the  
16 numbers, the rebaters are taking, what, 11, 12 percent  
17 of the handle compared to the 7 or 8 percent that is now  
18 being handled by ADW providers.

19 Obviously they assumed a much more important  
20 part of the industry, they move faster than any other  
21 part of the industry. You've already dealt with issues  
22 at least discussed them with respect to the bets coming  
23 in at the last minute, right up to, you know, the start  
24 of the race. Most of those bets, those big bets,  
25 changing the odds are from rebaters.

00058

1           So we have, I think, food for lots of  
2 discussion in the months ahead. But I think, you know,  
3 we just got to make it clear, you should know what's  
4 going on, you have the rule on the books, that the board  
5 has basically waived, and I think that just needs to be  
6 clear. I think the board needs to continue to discuss  
7 this issue in the months ahead.

8           VICE-CHAIRMAN LICHT: Mr. van de Kamp, doesn't  
9 the rules say that the contract should have a provision  
10 in it that there not be rebates?

11          MR. VAN DE KAMP: Yes.

12          VICE-CHAIRMAN LICHT: So the board has not  
13 waived that. We've insisted that every contract has  
14 that. I believe it's the TOC that has allowed --  
15 negotiated these deals with the tracks with these  
16 offshore places that has knowingly allowed rebates.

17          MR. VAN DE KAMP: We don't negotiate the deals  
18 with the rebaters.

19          VICE-CHAIRMAN LICHT: You approve them?

20          MR. VAN DE KAMP: We do approve them. And the  
21 board knows that. All I'm saying is that the purpose of  
22 this rule originally was to stop rebating. The board  
23 has known for some time now as we have that there's  
24 rebating that is going on and the language of the rule  
25 really talks about the contract. But what I'm saying to

00059

1 you is that we've known for some time that the rebating  
2 has gone on despite that language. You've seen the  
3 language in the contracts, it's in the agenda package.  
4 But I just think everyone needs to know what's going on  
5 and how important this has been to the industry and the  
6 debate that goes on.

7 CHAIRMAN HARRIS: It's a bothersome thing to  
8 have a real one. We're sort of like a piano player in a  
9 whore house or something, we don't know what's going on.

10 MR. PICKERING: I'm not sure I want to step to  
11 the microphone following that. Rick Pickering,  
12 Hollywood Park. I would just make one distinction here.  
13 There is another legal scenario under the account  
14 wagering statutes, I guess. I'm not a lawyer and I'll  
15 defer to the lawyers in the room. But this is account  
16 wagering that's taking place among these rebaters.  
17 Obviously they have to have an account to track what  
18 they're betting and then to receive a rebate. And  
19 unless they're licensed by this board, correct me if I'm  
20 wrong, they cannot solicit account wagering from  
21 California residents unless they're licensed to do so.

22 Just a month ago we received word from  
23 individuals that are in our VIP room that as a matter of  
24 fact they had been solicited to start receiving rebates  
25 from an out of state location. Now, in this case we're

00060

1 not sending our signal to anybody. But had it been  
2 during our live meet and we became aware of it, we would  
3 have had to stop it. We would have had to prevent our  
4 signal from going to that unlicensed account wagering  
5 vendor. I think that that's an appropriate distinction.

6 VICE-CHAIRMAN LICHT: I think you're right.  
7 And I don't remember if it was during Hollywood or  
8 during Santa Anita where we stopped the signal because  
9 they were supposedly (unintelligible).

10 MR. PICKERING: That's correct, and it  
11 happened one other time during the Hollywood Park season  
12 where we became aware of a salesman who was not only  
13 coming to Hollywood Park but also to Los Alamitos and  
14 soliciting business from the California locations and we  
15 did act in that instance, too.

16 And I would trust that all the associations in  
17 the room when they became aware of such an instance  
18 would as a matter of fact take action and stop it.

19 As everybody knows, it's next to impossible to  
20 police, but when you do become aware of it, you have to  
21 act upon it.

22 VICE-CHAIRMAN LICHT: And I think Santa Anita  
23 did exactly that and they should be commended for that.  
24 It's my belief one of the catalysts for terminating this  
25 rebate situation was that with the Santa Anita players

00061

1 were, in fact, a couple of their better players.

2 MR. PICKERING: And some of our better

3 players.

4 VICE-CHAIRMAN LICHT: Yeah.

5 CHAIRMAN HARRIS: Any other comments from the

6 audience on this?

7 MR. BROOKS: Kirk Brooks, Racing & Gaming  
8 Services, Inc. I think there's a lot of lack of  
9 information out there and that's why I would say I  
10 wonder how we come to these conclusions by the TOC if  
11 they don't have all the information how we've come to  
12 the decision that rebating is bad. If it is, let's  
13 share the information.

14 We've written the TOC on many occasions and  
15 asked for information pertaining to this with no  
16 response. We're welcome to any dialogue, any debate  
17 anywhere on this subject but we think the facts need to  
18 be the facts. Just like Mr. Chillingworth said, that  
19 Tampa Bay shut the rebaters down in January. In fact,  
20 in five years none of the organizations just mentioned  
21 have taken the signal from Tampa Bay so I don't know  
22 where he got that information.

23 VICE-CHAIRMAN LICHT: I was going to ask you  
24 Oakland Park did shut off the rebaters. What happened  
25 to their handle?

00062

1           MR. BROOKS: They did not really shut off  
2 rebaters. They shut off what is described as cash  
3 receivers, anybody that does not lose the takeout. You  
4 know, winners are not welcome type situation. Right now  
5 they're down 11.65 percent. You know, you can call it  
6 wildfires, maybe they had a bus strike, too, I'm not  
7 certain. But they're down 11.65 percent. And, I mean,  
8 no other cause.

9           You know, I think we need to look at history a  
10 little bit. If you go back to the Nevada situation,  
11 what did it cost the TOC and the horsemen of California?  
12 Okay. In 2003 Oak Tree decided not to do business with  
13 two facilities, RSI and RGS, they lowered purses by  
14 eight percent. This last year they decided not to do  
15 business again with two different locations, rebate  
16 locations per se, and their handle was down -- or the  
17 purses were down 8 percent.

18           I would just challenge anyone to tell me how  
19 that benefits the horsemen or the state of California?  
20 You can say it's bad, the rebates are bad or incentives  
21 bad or dividends, whatever it is, let's look at history.  
22 Let's look at the facts. Let's throw emotion out the  
23 window and let's look at the facts. If we aren't taking  
24 bets from California, you tell me how incenting a player  
25 to play more on your racetracks hurts California or the

00063

1 California horsemen?

2 VICE-CHAIRMAN LICHT: In fact, I think that's  
3 just what Youbet and TOC are doing, they're trying to  
4 incentive people to play their tracks which is good  
5 business practice.

6 MR. BROOKS: I think I need to get Jeff on  
7 line with RGS. Because I'm having a tough time telling  
8 the TOC or anyone else that we've created new players  
9 and we incent players. Whereas, I don't know if they  
10 incent players or not but I'm sure not to the same  
11 degree and he's able to get day traders and the TOC can  
12 believe that but they can't believe that we would be  
13 able to do that when we incent players.

14 VICE-CHAIRMAN LICHT: How do you answer  
15 Mr. Coutel's point that it's bad for the game because  
16 money comes out of the -- basically out of the on track  
17 smaller player's hands and goes to the off track, bigger  
18 player? That's one thing that does bother me.

19 MR. BROOKS: That's been happening for years.  
20 Mr. Donald who has been betting in New York for years,  
21 you know, he's a winner. I don't think because he's got  
22 a higher IQ that I should stop him from betting. If he  
23 takes more money out of your pocket because he's a  
24 better gambler, so be it. We can put a sign up IQs over  
25 a hundred not welcome, but I'm not sure that's what we

00064

1 want to do.

2           It's the same way with technology. Technology  
3 keeps moving forward. I think we should embrace  
4 technology, make sure it's fair to everyone in the  
5 industry and go forward from there. You know, my idea  
6 is the racetracks and the horsemen are in this business  
7 to get as much money wagered at all of the racetracks as  
8 they can. That's what we're trying to do.

9           And, again, you know, I want to stipulate,  
10 this isn't the organizations, this isn't RGS, these are  
11 the gamblers that decide whether the price of a product  
12 is the right price. The seller doesn't dictate what the  
13 price of any product is anywhere. The consumer does.

14           If you put something out there for 30,000 and  
15 it doesn't sell, you knock it down to 15, it sells, and  
16 you've gotten into it, then that's the price of the  
17 product.

18           CHAIRMAN HARRIS: The problem is if we did  
19 that throughout we couldn't afford to have the product.  
20 You can select discount products but you can't discount  
21 throughout the whole country, it's not going to work.

22           MR. BROOKS: Then again, I go back to, you  
23 know, the history. If you just go back through the  
24 history and take a look, I mean, another organization  
25 that decided not to do business with anyone that

00065

1 publicly admitted incenting is Wood Pine. Wood Pine is  
2 off 16 percent. I don't know how you can go back to  
3 your horsemen and say we did you a great job.

4 CHAIRMAN HARRIS: Actually we should take a  
5 break now and come right back to this item. Let's take  
6 a break. Let's keep it about ten minutes because we do  
7 have several more important items.

8 (Short break.)

9 CHAIRMAN HARRIS: We'll resume the meeting.  
10 We'll go back to Brooks.

11 MR. BROOKS: I want to elaborate on one other  
12 thing that Jeff had said. And he said sometimes the  
13 customers that come to Youbet all of a sudden play more  
14 money because it's more convenient, it's more user  
15 friendly than maybe getting in your car and driving to  
16 the tracks. So basically I guess my question would be,  
17 if a gentleman is driving to the track and he's playing  
18 once a week and he's playing a hundred dollars and Jeff  
19 can get this gentleman to stay at home and play \$500,  
20 then there's more revenues being realized by him staying  
21 at home and betting 500 to the horsemen and the  
22 industry, why wouldn't you want that to happen? Would  
23 there be anyone who wouldn't want that to happen? I  
24 mean, I think it's all revenue driven and that's kind of  
25 one of my biggest points is. Let's look at the revenues

00066

1 and the facts, not just rebate is rebate or incentive is  
2 incentive. Obviously the word exists for a reason.  
3 They do it in cars. They do it in other things. I know  
4 this is a different application because obviously  
5 different people are putting on the show.

6 CHAIRMAN HARRIS: Thank you. Any additional  
7 comments?

8 MR. CHILLINGWORTH: Sherwood Chillingworth.  
9 Mr. Brooks' question with regard to where I get my  
10 information with regard to the Tampa Bay experience, it  
11 was reported by Peter Barruby (phonetic) who is general  
12 manager of Tampa Bay reported that (unintelligible).  
13 There were two representatives from the rebating session  
14 there who didn't refute it. I've talked to one of them  
15 now and he said, well, he didn't think it was  
16 appropriate to question it.

17 My point is if someone gives you some stats  
18 and facts and you think they're incorrect I think if  
19 you're on the other side of the fence you're obligated  
20 to refute what you know.

21 Having had a problem here with odometers once  
22 a couple of years ago, I just don't want to let that go  
23 unanswered.

24 Secondly, Mr. Brooks pointed out that our  
25 purses were down, 8 percent they were down, 5 percent.

00067

1 We started out with what we thought we were going to  
2 have a terrific meet because of the Breeder's Cup, it  
3 didn't quite turn out that way. And if you look back  
4 historically on Oak Tree's handle after we have a live  
5 or host the Breeder's Cup, we're always down, every time  
6 we've had any -- '86, '93, and this year, when we have  
7 the normal races scheduled following the Breeder's Cup,  
8 we're down. And that's a fact of life.

9 The other -- my other comment is with regard  
10 to Mr. Brooks' comments. Is that if we're getting more  
11 people to bet off track and indeed revenues do go up or  
12 commissions and purses go up relative to what that  
13 person would bet if they had bet on track, maybe that's  
14 a valid point.

15 But my point is if you take people away from  
16 the track I think that's the only place you get a new  
17 player. You never get a new fan, I don't think, on  
18 television. And if you were to -- this is an old  
19 example I've given many times. If you were a Cleveland  
20 Brown fan and went to the stadium where there are 5,000  
21 people in a place that held 70,000 people, you would  
22 wonder why the hell you were there. So I think we have  
23 to get people back on track.

24 That was supposedly the commission for NTRA  
25 and even TVG was trying to get -- generate younger

00068

1 players to come to the track. I'm not sure that that's  
2 happened. But I think the live on track experience is  
3 the only way you get another fan that stays for a long  
4 time. Thank you.

5 CHAIRMAN HARRIS: I'm not clear, Chili, on Oak  
6 Tree record on the last two years, what was your policy  
7 on the so-called rebaters? You did not sell to them or  
8 you did or what?

9 MR. CHILLINGWORTH: Did not.

10 CHAIRMAN HARRIS: So your track's numbers  
11 would reflect absent at least some of the big rebaters.

12 MR. CHILLINGWORTH: Right. I don't think  
13 there's a causal -- necessarily a causal relationship  
14 between our shutting out the rebaters and our handle  
15 going down. Before historically we've had that happen.

16 The other factor is Hollywood Park followed us  
17 immediately after our meet and they were down. Santa  
18 Anita followed Hollywood and they were down. It's been  
19 kind of a trend since Pomona. Pomona was the apex of  
20 our betting experience in California and it's going down  
21 since then.

22 CHAIRMAN HARRIS: Thank you.

23 MR. COUTO: Drew Couto, Thoroughbred Owners of  
24 California. I would like to echo something Chili just  
25 said and that is Hollywood Park, Santa Anita have sold

00069

1 to the rebaters for the last year and you've seen purse  
2 cuts there. So the correlation that I think Mr. Brooks  
3 implies is not necessarily there.

4 Two points also that Mr. Brooks brought up and  
5 that is he said rebates creates new customers for them  
6 and they've proven that. Since we started looking at  
7 RGS we've had assurances from them that they are a  
8 private wagering network limited to 100 to 120 players,  
9 that's it, no growth. They're not out to get new  
10 players. But yet we're being told they are getting new  
11 players because of rebates.

12 Mr. Liccardo tells me that what we call the  
13 bigger players on track are disappearing. Where are  
14 they going? They're going to the rebaters where we get  
15 much less revenue. The rebaters again are very  
16 interested in discussing handle, but revenues is what  
17 matters. What is it that we actually receive? And with  
18 that shift from big player from on track to the rebaters  
19 we get roughly a fifth of what we would be getting  
20 otherwise. So we look at churn, we don't see the churn  
21 there to make up for the loss of revenue and this is  
22 part of the net revenue loss that we have in purses and  
23 track commissions.

24 And lastly, there's been an assertion that we  
25 have refused to provide information to RGS based on the

00070

1 report that we prepared. And I want to make that clear.  
2 They have asked us for that information and each time  
3 they've asked that it's been included in a letter  
4 threatening an antitrust action against TOC for  
5 undertaking this investigation and for discussing this  
6 with other members -- other components of the industry.

7 So, yes, we're not going to respond to a  
8 threat that's openly accusing us of potential antitrust  
9 violations.

10 So if we're going to talk about actual facts,  
11 I think it's important that we get all that on the  
12 table.

13 VICE-CHAIRMAN LICHT: Just so I'm clear, did  
14 you say that you believe that some of the loss of on  
15 track attendance is because of people going to the  
16 rebate places?

17 MR. COUTO: I said on track handle.

18 VICE-CHAIRMAN LICHT: So you believe that some  
19 of our California players are playing with some of these  
20 rebate players?

21 MR. COUTO: Absolutely. I think if you were  
22 to speak to most of the racetrack managers here today  
23 they would confirm that, too. We're all aware of  
24 players sitting there doing that. The rebaters, as  
25 Mr. van de Kamp pointed out, we looked at it at TOC, we

00071

1 looked back five years at our sources of out of state  
2 handle. At the time ADW was just over one percent of  
3 our handle out of state. The rebaters were just under  
4 two percent.

5 In that five-year period ADW has grown to be  
6 seven percent of our out of state handle, the rebaters  
7 are now in excess of 13 percent of our out of state  
8 handle. When we say out of state handle, we've had  
9 assurances from the rebaters that no Californians are  
10 playing. When I talk to my colleagues in Florida, the  
11 horsemen there, they've had assurances that no  
12 Floridians are playing, New York horsemen tell me that  
13 they've been told that no New Yorkers are playing,  
14 Kentucky horsemen tell me they've been told me no  
15 Kentuckians are playing. So we've missed the boat.  
16 Alaska is obviously a two billion dollar (unintelligible)  
17 and we ought to open up there because the traditional  
18 markets aren't supplying any of the players that make up  
19 the customer base.

20 Let's talk about the facts and I think that's  
21 what the committee I alluded to is trying to do is to  
22 separate fact from fiction and we're a long way from  
23 concluding that.

24 CHAIRMAN HARRIS: In this case, though,  
25 horsemen here represented by TOC do have the right to

00072

1 not allow rebating. If they say it's all right, which I  
2 guess you have concurred with Oak Tree in their case,  
3 but have gone along with rebating in other cases. At  
4 what point will TOC draw a firm line in the sand and be  
5 on one side or the other of it? When will that decision  
6 be coming?

7 MR. COUTO: Well, Mr. Brooks tells me that  
8 there are facts that we're not aware of. And TOC views  
9 this as an ongoing learning process. And we don't  
10 believe that we've got to the end of the process. The  
11 next phase of this learning process has been the NTRA  
12 committee.

13 I mentioned to Mr. Brooks it's odd that in the  
14 committee there's no rebater involved and if you're  
15 going to really look at the issue, you need to have both  
16 sides of the story. So hopefully we can convince the  
17 NTRA or Mr. Brooks to participate in the NTRA committee  
18 and let us get their point. From TOC's standpoint, this  
19 is ongoing.

20 CHAIRMAN HARRIS: You've got to make a  
21 decision at some point. It can't be the Xpress Bet,  
22 AT&T acquisition, it just goes and goes and goes.

23 MR. COUTO: I completely concur. Unlike any  
24 other entity in the industry, TOC made trips to  
25 Lewiston, to Oklahoma, to Maryland, to Idaho, to North

00073

1 Dakota, to Saint Kitts, to Venezuela, to Curacao to  
2 learn firsthand to separate these legends and myths. We  
3 undertook that study last year. And again it's part of  
4 the process.

5 The only portion of those trips that are  
6 racetrack partners, with the exception of MEC maybe, was  
7 the Carribean. So we have been gathering that  
8 information and we continue to do that and it's not  
9 going to go on in perpetuity but we know we're not  
10 (unintelligible).

11 CHAIRMAN HARRIS: Would you think that it  
12 would be prudent for the board to waive the rule until  
13 we can get better closure on what people want to do?

14 MR. COUTO: Whether it's formal or informal,  
15 the board has waived the rule for close to two years. I  
16 don't know that -- I don't know the importance of a  
17 formal waiver. But in effect --

18 CHAIRMAN HARRIS: I don't think we'll concur  
19 with that. I mean, maybe the simulcast operator who  
20 signed it did but the board didn't waive it.

21 MR. COUTO: It hasn't been applied for over  
22 two years.

23 MR. BROOKS: Kirk Brooks, RGS again. Just a  
24 couple of comments. I think there's a lot of facts and  
25 figures flying around that obviously people aren't

00074

1 100 percent accurate about or whatever. I think this is  
2 something that needs to be discussed in some kind of  
3 committee, possibly with the board, the TOC and  
4 representatives from different incentive shops. I don't  
5 think every incentive shop is exactly the same so I  
6 don't think you can lump them all together and say these  
7 guys do this and these guys do that. People may very  
8 well take bets from California but RGS does not.

9 Also I want to make a comment about  
10 Mr. Chillingworth. In no way was any of my intent to  
11 badger Mr. Chillingworth because he's a fine gentleman  
12 and I respect him very much. However, there are some  
13 facts, like I say, we have had the Oak Tree signal for  
14 the last three years. So it's a situation where instead  
15 of back and forth, throwing this in front and wasting  
16 time, we need to get some facts down on paper and go  
17 forward and then decisions can be made. But decisions  
18 shouldn't be made before the facts are put to paper.

19 VICE-CHAIRMAN LICHT: You had the Oak Tree  
20 signal in '02 and '03?

21 MR. BROOKS: '01, '02 and '03. We were not  
22 one of the locations that did not have it.

23 CHAIRMAN HARRIS: I think we do need to move  
24 along. This is going to be an ongoing debate and I  
25 think the key will be to get all the facts on the table

00075

1 and best resolve what to do about it. Any other  
2 comments by the commissioners?

3 MR. TAVANO: I traveled all this way, I might  
4 as well step forward for a second. My name is Lou  
5 Tavano, I'm the president and officer of Holiday Beach,  
6 we operate a rebate shop out of the island of Curacao.  
7 And in all of the discussion that I've heard from the  
8 TOC, from all of the tracks, from the rebaters for the  
9 last year and a half when this debate has been ongoing,  
10 the one person, the one group that I keep -- that I  
11 think keeps getting lost in the shuffle is the wagerers,  
12 all right.

13 The question should not be should rebaters  
14 exist? Should they not exist? Should this entity  
15 exist? Should this entity not exist? The question  
16 needs to be, if the rebaters go away, where does that  
17 customer place his wager? And I can guarantee you, it  
18 will be four years of operating IRG, I have never had a  
19 single customer call up and say, hey, we've had a great  
20 run with you guys, but we decided to go back and bet at  
21 the track. That's not going to happen.

22 Our competition is offshore, non-pari-mutuel  
23 where this (unintelligible). Our competition is bet  
24 fair. We're a wager based there, this industry would  
25 not see anything. My company has paid rights, fees in

00076

1 excess of \$60 million, all right, over the past -- in  
2 that range, over \$50 million in the past four years. If  
3 you put us out of business, you had better come up with  
4 a way of capturing that money.

5 VICE-CHAIRMAN LICHT: Isn't your competition  
6 more in other forms of wagering or other forms of  
7 investment as well?

8 MR. TAVANO: Yeah, I'm sure we can go down  
9 that path and that wasn't what I got up here to say but,  
10 yeah, other forms of investment, other forms of  
11 wagering. The wagering dollar is a lot of competition  
12 these days.

13 CHAIRMAN HARRIS: I think the issue now, too,  
14 the cannibilzation which maybe we could stipulate is not  
15 as big of an issue with someone offshore someplace,  
16 they're not going to come to California anyway. But  
17 it's sort of (unintelligible) pricing where someone  
18 somewhere else is buying a product cheaper than they are  
19 in California.

20 MR. TAVANO: That's my point. I just thought  
21 since nobody was here from the players panel or NTRA I  
22 thought I'd step up and say something.

23 CHAIRMAN HARRIS: If there's nothing else on  
24 that, we have some weighty issues to discuss here.  
25 Report by The Jockeys' Guild for proposal on jockey

00077

1 weight allowances.

2 MR. BROAD: Mr. Chairman and members, Barry  
3 Broad on behalf of The Jockeys' Guild. We're here on a  
4 matter of critical health and safety significance to our  
5 members. Literally an issue that fundamentally impacts  
6 their health, their longevity, the way they live. And  
7 it's an issue I think that we're all aware of in this  
8 industry and that is the scale of weights and how it  
9 functions currently and from our view how it needs to be  
10 changed.

11 We have a proposal here which, for those of  
12 you in the audience, we have some copies at the back, a  
13 limited number if you'd like to get them. We have made  
14 them obviously available to the commissioners and they  
15 are before you.

16 Let me say this by way of prefacing my  
17 remarks. We're well aware that the horse-racing  
18 industry has a conservative culture; things change, it  
19 gets people very upset, they tend to react immediately  
20 in a negative way without fully considering the issue.  
21 And we pledge that we want to work with the commission  
22 and with all the stakeholders in the industry, anybody  
23 who has an interest in this, to make this a proposal  
24 that we have work out.

25 What we are asking the commission to do today

00078

1 after we explain this is to refer the matter to your  
2 staff to develop a proposed regulation along the lines  
3 that we've suggested here that may then be fully vetted  
4 and debated before it would be considered for action by  
5 the board. So if you'll allow me, I would like to go  
6 through the proposal.

7 The proposal is in several parts. It is an  
8 integrated proposal that is intended to work together,  
9 so it's not like let's throw out one part and just do  
10 two of the three parts. It will not work if we don't do  
11 it all. And that's I think of critical importance to us  
12 that you need to understand from the outset.

13 What I'm going to do is go through the  
14 proposal. We actually have brought a fair amount of  
15 equipment and other things to demonstrate here and we  
16 also will have some testimony about the health effects,  
17 what's happening to jockeys now that we're intending to  
18 change.

19 Here's the basic proposal. With regard to  
20 riding gear weight, every horse will carry ten pounds of  
21 riding gear from the withers to the rump. And we have a  
22 list of the riding gear. That riding gear does not  
23 include equipment on the horse's head, tail or legs, the  
24 channel breast plate or running martingale or any foul  
25 weather gear, which would be extra. It's not as much an

00079

1 issue in California as it is in other states but it  
2 obviously comes up. The track program would simply list  
3 at the front the equipment that the jockeys carry and  
4 that it weighs ten pounds.

5 And I don't know if you want me to do this,  
6 but we are prepared to do this. We have actually  
7 brought the equipment and a scale to show what it weighs  
8 and we can demonstrate that if you would like us to  
9 demonstrate it. It's my understanding that the common  
10 wisdom in the industry is that this equipment weighs  
11 around six pounds. The fact of the matter is it weighs  
12 ten pounds. So would you like us to weigh it or would  
13 you --

14 CHAIRMAN HARRIS: Well, one of my concerns is  
15 just how you make it always come out to ten pounds  
16 because you always hear about heavy saddles, light  
17 saddles, these kinds of things.

18 MR. BROAD: Right. What we would propose is  
19 that it's ten pounds and the rider must carry the  
20 ten pounds. If it's slightly less, then they would add  
21 slight weight to make up that ten pounds, a heavier  
22 saddle or whatever. We have done this, I guess, many,  
23 many times and it's right there at ten pounds. And  
24 obviously you would have to -- we would have to show you  
25 to your satisfaction, to the industry that that's what

00080

1 it weighs. What it weighs is what it weighs.

2 CHAIRMAN HARRIS: The concept is that would be  
3 weighed every day and that every rider would have its  
4 gear for that day weighed and verified that it's  
5 ten pounds.

6 MR. BROAD: Yes. That's my understanding of  
7 what we're proposing. So if you want us to --

8 CHAIRMAN HARRIS: We can go ahead. I think we  
9 can pretty well stipulate that it's pretty close to  
10 ten pounds or you can make it ten pounds if it wasn't.

11 MR. BROAD: Right. If you would prefer, that  
12 will speed things along.

13 CHAIRMAN HARRIS: Go ahead.

14 MR. BROAD: Okay. The second part of the  
15 proposal is the actual weighing process, that is, the  
16 scale -- the actual weight limit. We propose that the  
17 weight limit would be 118 pounds for a jockey riding an  
18 Arabian or Thoroughbred horse and 123 pounds for a  
19 jockey riding an Appaloosa, paint, quarter-horse or  
20 mule. They would be weighed nude and that's what would  
21 show up in the program, their actual nude weight.

22 Now, we would have -- forgive the pun, we  
23 would have a transparent weight system. And of course  
24 the problem with the current weight system is  
25 significant in a number of areas. It, first of all,

00081

1 varies from place to place. What people wear and so on.  
2 The incentives are to, frankly, the wrong incentives.

3 We do not want to create incentives on riders  
4 to play around with critical safety equipment. The  
5 safety equipment needs to be worn. We don't want  
6 anybody being tempted to rip the lining off of jackets  
7 or out of helmets. These things can save people's lives  
8 and they need to be worn as they are intended and  
9 designed.

10 Now, any other allowances for apprentices or  
11 all the other things that happen to change weights,  
12 we're not intending to touch those at all. That's a  
13 matter to continue as it does now. But the basic idea  
14 is that it's ten pounds of equipment and then the  
15 jockey's actual weight.

16 Now, the third part of this is the matter  
17 that's most critical in the health and safety issue and  
18 I'd like to indulge us so that we can go on about this.

19 As we all know, the scale of weights is  
20 something that's about a century old that's operating  
21 commonly in the United States. People have gotten  
22 bigger in the last hundred years, significantly bigger.  
23 The vast majority of jockeys have to struggle, and I  
24 mean struggle tremendously, to try to make the weight.  
25 And they are doing things to themselves that are

00082

1 terrible.

2           They are -- it runs the gamut from sitting in  
3 sweat boxes for hours at a time, which is unhealthy  
4 enough as it is, to taking diuretics which is bad for  
5 you, to making yourself throw up, to turn yourself into  
6 a bulimic. These choices go from very bad to horrid in  
7 terms of the health effects. And we have to create a  
8 system that gets away from that and we think we can.

9           What we would propose is that for all jockeys  
10 licensed after the effective date, we understand that  
11 there are people in this industry who are members who  
12 have lived with the system that we have now, but for all  
13 new jockeys and, therefore, we believe it would change  
14 gradually over time, that a jockey would not be allowed  
15 to race if their body fat goal content goes to a limit  
16 below which it is patently unhealthy. That is to say  
17 you are cannibalizing your own body and destroying your  
18 own body.

19           Jockeys have commonly a body fat content --  
20 and I'm going to stop in a minute and introduce a  
21 witness that can testify to this with great expertise --  
22 they commonly have body fat limits -- body fat contents  
23 in the two to three percent range. Anything below  
24 five percent you are cannibalizing your body. You are  
25 doing permanent damage.

00083

1           And so while the jockeys you see look healthy  
2 and look like they are perfect physical specimens. They  
3 are people that are sick. They are physically ill day  
4 after day, year after year. And it's just not right.

5           So what we would propose is that jockeys have  
6 to maintain a minimum level of body fat that will keep  
7 them healthy. And fortunately, luckily technology has  
8 sort of come to our rescue. Because there is very  
9 inexpensive, very effective technology that is  
10 noninvasive and that costs under a hundred dollars to  
11 test body fat content. And we'll show you that device  
12 and we'll show you how it works.

13           So with that, I'd like to introduce Dr. David  
14 Seftel, he is the track physician for this track and for  
15 Bay Meadows who -- and his material I've also shared  
16 with you -- who will discuss this sort of health  
17 consequences to jockeys, what his observations are about  
18 what's going on in the industry and how we can deal with  
19 it. Dr. Seftel.

20           DR. SEFTEL: I'd like to thank the commission  
21 and everyone here for allowing me to speak on this  
22 important issue. Just for the record, I'm a board  
23 certified internist and sports medicine physician. I  
24 trained at the Harvard Beckers Hospital (phonetic) in  
25 Boston and also at Loyola University in Chicago. I

00084

1 serve as medical director for the Magna Northern  
2 California racetracks as well as I'm a partner in the  
3 California Emergency Physicians Medical Practice Group  
4 which is the largest group of emergency physicians in  
5 the State of California. We see one in five of all  
6 emergency room patients in this state.

7 Over the last three years I've been engaged in  
8 a joint effort between The Jockeys' Guild and Magna  
9 Entertainment tracks on the critical aspect of reforming  
10 rider care. It's a common and a vested interest of both  
11 the operators and the riders here in improving the  
12 standard of care, not only for jockeys today, but also  
13 for the future.

14 The key thing we've been involved in is a  
15 comprehensive review of the top medical and dramatic  
16 conditions that affect the jockey community, developing  
17 the suggested strategies that reduce both the incidents  
18 and severity of illness and trauma and involves  
19 initiatives to standardized care across the tracks.

20 One of the medical maladies that jockeys face  
21 that are critically affected in their low body mass. We  
22 see that the jockey community in our study have five  
23 times the overall incidence of upper respiratory tract  
24 infections, bronchitis and pneumonia, some of them  
25 extremely debilitating. The incidence of

00085

1 gastroesophageal reflux disease with peptic ulceration,  
2 pancreatitis, often very debilitating, is more than four  
3 times the national incidence of other individuals.

4           But perhaps the most difficult and most  
5 challenging aspect and most expensive aspect in terms of  
6 healthcare is damage to kidneys. And kidney damage is a  
7 direct reflection of low body mass, consistent  
8 dehydration, and chronic malnutrition.

9           The treatment of chronic kidney failure is the  
10 most expensive medical treatment of any disease that our  
11 nation faces with the exception of cardiovascular  
12 disease. And our jockey community has ten times the  
13 national incidence of chronic kidney failure. And this  
14 is a direct reflection of the low body mass and  
15 dehydration.

16           So in summary, in the jockey community we have  
17 a terrible trio, what I call the terrible trio,  
18 dehydration, malnutrition and diminished immunity. The  
19 reason why our jockey community have so many infections,  
20 infections of the lung, infections of the skin,  
21 infections of other organs that I see on a daily basis  
22 in taking care of the jockeys, is a direct reflection of  
23 their nutritional status.

24           So the challenge was to find an easy, simple  
25 and relatively inexpensive intervention that could

00086

1 enable us to have an objective measure of whether  
2 jockeys have enough total body fat to reflect a normal  
3 nutritional status that would enable them to be able to  
4 fight infection and to protect their organs. And to  
5 this initiative, the measurement of total body fat is a  
6 very useful and standardized index.

7         If we look at standards for other professional  
8 sports as well as collegiate sports, I've done a review  
9 of all of those different bodies. And as you can see in  
10 the testimony that -- the type of testimony that was  
11 presented, these bodies have standards that have set  
12 total body fat anywhere between five percent and  
13 20 percent for different sports.

14         What we did was we looked at this and we said  
15 what are jockeys analogous to? And the best analogy we  
16 could find is the cross between cyclists and gymnasts  
17 and it's these two categories, those different  
18 professional bodies have certified that none of their  
19 players could perform with a total body fat of less than  
20 five percent. That is the basis for us proposing that  
21 five percent be the limit of to perform or not to  
22 perform.

23         So what we're proposing is that this be a  
24 standard, this be seen alongside the normal weigh-in  
25 process. The technology has become very, very

00087

1 inexpensive. About ten years ago you had to sit in a  
2 water bath that cost over a hundred thousand dollars in  
3 order to measure total body fat. Today we have a device  
4 that costs \$49.95 that has all of the technology to  
5 enable a very, very accurate measurement of total body  
6 fact in exactly ten seconds.

7 If anybody is interested here, we can actually  
8 hook you up and tell you what your total body fat is  
9 right here and right now.

10 CHAIRMAN HARRIS: Any volunteers come forward  
11 here.

12 DR. SEFTTEL: I know that Chris will do it for  
13 us. Come on up. Because he can also testify to the  
14 ravages of malnutrition.

15 DR. SEFTTEL: Chris, just out of curiosity  
16 what do you weigh today?

17 MR. McCARRON: Now, David, you've put me on  
18 the spot here. I did this a couple of years ago at my  
19 house with a different type of scale called a Toned  
20 (phonetic) scale that you stand on but I'm sure this is  
21 just as accurate as that one. I already did this. We  
22 can cut to the chase and say I'm 15.9 percent. But I'm  
23 up ten percent from when I was riding. When I was  
24 riding two years ago I was at six percent. We had one  
25 jockey at my house that evening who got on the scale

00088

1 that didn't measure. We tried him several times. And  
2 Joe Rocko, Jr., he was out here doing Sea Biscuit and he  
3 had -- it didn't measure. It was unbelievable. The  
4 highest guy in my house that night was eight percent.  
5 And we had about five or six that were below five.

6 MR. BROAD: Thank you, Chris. Do you have any  
7 questions? Thank you again for your time.

8 VICE-CHAIRMAN LICHT: I think that there's no  
9 question that the safety of the jockeys is number one.  
10 It's a twofold issue as Mr. Broad said, the equipment  
11 issue, and then it's also the horrible diseases that we  
12 read about every day that many of our jockeys suffer  
13 from, debilitating and life-threatening, if not life  
14 ending.

15 And then the third factor, I think we need to  
16 redo The Jockeys' Guild is for the fans because I think  
17 full disclosure is important in any business and I think  
18 that the way that weights are disclosed today is not a  
19 fully accurate disclosure of what weight in on that  
20 horse. I think we should refer this to a committee and  
21 staff to put together a proposal to change the weight  
22 rules.

23 CHAIRMAN HARRIS: I would like to thank The  
24 Jockeys' Guild who presented today. It's very good  
25 we're moving forward. This is probably something we

00089

1 should have done years ago but at least we're getting  
2 started now. We do have this moratorium on rule making  
3 right now but I think we can start the process and get  
4 industry comment and, you know, get something moving.  
5 Go ahead and finish.

6 MR. BROAD: Thank you. I'd just like to  
7 conclude by saying The Jockeys' Guild owes both this  
8 board and the industry a debt of thanks. Because in the  
9 last decade a lot of good things have happened for us  
10 and started in California that have moved across the  
11 country. I'm sure that some of you ask yourselves the  
12 question, why do they always start in California?

13 And the reason we start in California is  
14 because this is a place where we can get something done  
15 with people in the industry that are fair and  
16 responsible and care about us. So we want to work with  
17 you all. We appreciate your indulgence today and we  
18 look forward to making this happen. Thank you.

19 CHAIRMAN HARRIS: Thank you. So we'll start  
20 the process. Any other stakeholders in this issue that  
21 -- go ahead.

22 MR. McCARRON: Chris McCarron representing  
23 myself personally now but I'm actually from LATC. We've  
24 talked a lot about the technical aspect of it and I  
25 thought that I would take the opportunity to try to

00090

1 personalize it a little bit. First of all, I'll offer  
2 some opinions and then also give you some facts as well.

3           In my opinion, there's one comment that is  
4 made by some trainers who, when this gets to the point  
5 where it's going to be enforced, there's going to be  
6 some resistance from the horsemen's community. There is  
7 some trainers that are of the opinion that more weight  
8 will further exacerbate the problem of horses breaking  
9 down. Well, there's all kinds of examples out there  
10 as -- that could argue that point very strongly.

11           Most notably steeple chase racing. Steeple  
12 chase horses race until they're eight, nine, ten, eleven  
13 years old. They go over three and a half miles of  
14 incredibly more difficult ground than we race on and  
15 they go over jumps at the same time and they're carrying  
16 160 pounds or about. So increased weight does not  
17 necessarily directly correlate to horses breaking down.

18           Additionally, most exercise riders weigh well  
19 above what jockeys weigh and that's the weight that the  
20 horses are carrying on a daily basis.

21           Track records, most of the time track records  
22 are broken by horses carrying considerably more weight  
23 than your everyday races. A lot of track records are  
24 broken in stakes races. Some track records are broken  
25 on Breeder's Cup day. When Golden Gold broke the track

00091

1 record at Church Hill Downs he had 126 pounds on his  
2 back. And when you compare his times to the races  
3 leading up to the Breeder's Cup, he didn't run as fast  
4 when he had less weight on. So again, weight is not  
5 going to necessarily slow the horses down.

6 The trainers will object because they feel  
7 like, again, you know, it may be a detriment to their  
8 success. But my personal feeling is that there are  
9 certain trainers that want to remain in control, they  
10 want to control the jockeys, the jockeys' agents as to  
11 who is going to ride their horses and when they're going  
12 to ride them and how much pressure they put on them to  
13 make lengthy commitments to a particular horse and also  
14 they like to control the racing secretary.

15 It's become very political when you talk about  
16 whether or not horses are going to ship around the  
17 country as to whether they're going to run in the Santa  
18 Anita handicap or the Down handicap, or wherever they  
19 may go.

20 There's no question Dr. Seftel has already  
21 touched on the fact that the human race has gotten  
22 larger so we need to make that adjustment as well.

23 Commissioner Licht made a very good point that  
24 it's an obligation to the betting public that we make  
25 sure that the weight carried -- the weight that's been

00092

1 assigned is carried properly.

2 But I also think that this industry has an  
3 obligation to make sure that the betting public is  
4 protected because the jockeys have to be at their very  
5 best when they're out there. It's extremely difficult  
6 to try to come out here and out ride Russell Baze when  
7 you're at a hundred percent, let alone when you're at  
8 95 percent or 90 percent or 80 percent. And there's no  
9 way you can be at a hundred percent when you start the  
10 day in the hot box, there's just no way.

11 When I was riding I could tell almost to the  
12 pound how much I weighed by my ring, how taught my ring  
13 is on my finger. And there were many times when I would  
14 get up in the morning, oh, good, my ring is loose, and I  
15 think there's probably a couple of other people here in  
16 the room that would concur, when my ring is loose, oh,  
17 good, I can have a little something to eat. So I'd have  
18 a banana, I'd have a cup of coffee and some toast, and  
19 I'd go to work and I'd get on the scale and I'd go,  
20 uh-oh, I messed up, I'm not as light as I thought so I'd  
21 have to go get in the hot box. Immediately I'm starting  
22 the day off in a bad, sorrow mood. There's no way I'm  
23 going to be able to go out and ride that first race at  
24 my very, very best.

25 And when you combine that with the fact that

00093

1 there are some jockeys that are incredibly bulimic and,  
2 you know, it's embarrassing, it really is.

3 And you just -- my point is you're going to  
4 receive some opposition and I implore you to resist that  
5 opposition and resist the temptation to keep things the  
6 way they are today because it is way beyond time that  
7 change is necessary and it's going to improve, not just  
8 the riders' health, but it's going to improve their  
9 performance which will in turn improve the industry.  
10 Thanks.

11 CHAIRMAN HARRIS: Thank you, Chris. I think  
12 there's a very persuasive case here. I think that all  
13 the stakeholders need to be heard on it but I encourage  
14 The Jockeys' Guild to work with the different people  
15 that might want to have disagreement with it but I think  
16 it's something we definitely need to pursue and we're  
17 going to direct our staff to start the process.

18 The next item is the discussion of current  
19 status of Northern California racing and the future  
20 availability of racetracks in the Bay Area. Oops, I  
21 missed one here. I'm sorry, No. 8 is discussion and  
22 action by the board on the request --

23 COMMISSIONER BIANCO: Do we need to make a  
24 motion to establish both the TOC and some of the other  
25 people that -- I believe that the health of these

00094

1 jockeys to me with the Workmen's Comp issues that we are  
2 facing, all right, we'll be able to control some of our  
3 costs if these safety items, the weight issue. And I'd  
4 like to get a committee going so we can get maybe 30  
5 days or 60 days ahead of this rather than waiting for  
6 the next CHRB meeting.

7 CHAIRMAN HARRIS: I don't think we can move  
8 until we have this rule process restored but I think we  
9 can move as far as communication. But I think The  
10 Jockeys' Guild can communicate with all of the people.  
11 I think it's just a matter that if we formalize it too  
12 much we have to have political meetings and all that.  
13 But RGS has got a lot of phone numbers.

14 UNIDENTIFIED SPEAKER: Mr. Chairman, it may  
15 well be wise to have an outside convenor as Mr. Bianco  
16 has suggested. We'd be happy to serve on that. We  
17 think this is a worthwhile endeavor. And if that will  
18 help get this moving, I'm sure the TOC will be happy to  
19 try to get notice of a meeting and try to get people to  
20 thrash it around.

21 CHAIRMAN HARRIS: I think the only really  
22 naysayers would be the employers of the jockeys who are  
23 the owners, and if they had some rational reason that  
24 these weights would be burdensome, that would be the  
25 issue. So I really think the owners are the issue.

00095

1 UNIDENTIFIED SPEAKER: Actually, I think what  
2 has been I think before is that you have certain  
3 trainers who may oppose this. I can speak for our  
4 organization because we have supported an increase in  
5 the weights for the very reasons that have been stated  
6 more eloquently I think today than has been stated for  
7 us but for the health reasons. So again we offer  
8 that --

9 CHAIRMAN HARRIS: I think the TOC should  
10 obviously be the lead. I think the TOC might explain to  
11 your owners that you do employ the trainers and that you  
12 are also paying the jockeys and you have to sort of  
13 explain the chain of command a little bit to your  
14 ownership. But, you know, I think we have to get  
15 everybody talking. We don't want anybody to feel they  
16 were disenfranchised by it.

17 UNIDENTIFIED SPEAKER: Well, what I was  
18 thinking about was having a hearing process where you  
19 have it reported so that when the time comes when you  
20 can act we have a body of information that's available  
21 to you and we get this moving. This is just an offer to  
22 sort of bypass the predicament you're in.

23 MR. BROAD: Just allow me to suggest that we  
24 will contact the other trainers' organizations, the TOC,  
25 and we'll sit down and discuss with whoever wants to

00096

1 discuss this, our proposal, but we assume that in the  
2 formal regulatory process there will be a hearing,  
3 people would testify and take their shots or agree or  
4 disagree and that that would be kind of the way to  
5 resolve -- the most expeditious way. I appreciate what  
6 you're suggesting, I think it makes sense. I don't know  
7 that it needs to be a formal process. We've been  
8 meeting with all kinds of people all over the country  
9 very vigorously and we would continue to do so.

10 CHAIRMAN HARRIS: I think the process is going  
11 to do what we're talking about, anyway.

12 Let's move on to No. 8, discussion and action  
13 by the board on the request to approve the new agreement  
14 between the thoroughbred owners of California and The  
15 Jockeys' Guild regarding the health and welfare benefits  
16 for California jockeys pursuant to Business and  
17 Professions Code Section 19612.9.

18 MR. REAGAN: Commissioners, John Reagan, CHRB  
19 staff. As indicated, they do have a new agreement, that  
20 agreement is included in the package for your review.  
21 It has been signed by both the TOC and The Jockeys'  
22 Guild. We find the agreement to be reasonable and it's  
23 for the next three years and we recommend your approval.

24 CHAIRMAN HARRIS: Any discussion on this item?  
25 We have a second to approve it. All in favor?

00097

1 COMMISSIONER MOSS: Aye.  
2 COMMISSIONER BIANCO: Aye.  
3 COMMISSIONER GRANZELLA: Aye.  
4 VICE-CHAIRMAN LICHT: Aye.  
5 COMMISSIONER MORETTI: Aye.  
6 CHAIRMAN HARRIS: The next item which I put on  
7 the agenda mainly because we're having a meeting in  
8 Northern California which we don't do as often as we do  
9 in Southern California is to talk about discussion of  
10 the current status of Northern California racing and the  
11 future availability of racetracks. Really -- I say in  
12 the Bay Area, really I mean the Bay Area and Northern  
13 California, the whole Northern California sector.  
14 MR. REAGAN: Commissioners, as indicated in  
15 the staff analysis, there will be a process started very  
16 soon regarding the 2005 racing dates. Obviously we're  
17 all very interested in the status of Bay Meadows. Magna  
18 has indicated to staff that they will present their  
19 information for 2005 updating us on the status of Bay  
20 Meadows and obviously also Golden Gate Fields. We will  
21 have input obviously from (unintelligible) and the  
22 racing fairs in the north. And I would assume during  
23 those meetings we will be discussing not only 2005, once  
24 we establish the situation with Bay Meadows, but by  
25 understanding the Bay Meadow situation we'll understand

00098

1 2005 and further along 2006, 2007.

2 Obviously we're all aware of the information  
3 in print talking about the demise of Bay Meadows, how  
4 many more years did does it have. And we'll try to get  
5 some official information from Magna as to the details.

6 CHAIRMAN HARRIS: I think we may have some  
7 comments from the audience on this overall subject also.

8 MR. FANCHER: My name is Terry Fancher. I'll  
9 give you my card. I had the Bay Meadows Land Company,  
10 we're the owner of Bay Meadows. I wanted to have a  
11 moment to address this so you could understand from us  
12 directly what the future of Bay Meadows is as well as to  
13 give me an opportunity to respond to any questions you  
14 may have.

15 I know it's getting louder in the background  
16 so I hope I'm speaking so you could hear me.

17 I need to spend just a moment to help you  
18 understand our history with Bay Meadows and then to  
19 respond directly to the future of Bay Meadows.

20 I was the person that was involved with my  
21 former firm, Paine Webber, in the decision by Paine  
22 Webber to purchase Bay Meadows in 1996. And Bay Meadows  
23 Land Company was organized at that point. And I've  
24 headed this organization continuously since then, now  
25 going on eight years.

00099

1           At the time Bay Meadows Land Company was  
2 formed, we did express to this body that our long-term  
3 interest was in obtaining entitlements to possibly  
4 develop Bay Meadows into another use. But this was a  
5 very long-term vision and at that point we entertained  
6 an eight year lease for Bay Meadows with an operator of  
7 the racetrack which at that time was Patriot America  
8 Hospitality (phonetic), a hotelier.

9           Some years later Patriot America Hospitality  
10 entered into financial troubles or had financial  
11 troubles of their own and they turned the lease back to  
12 us and we took over the direct operation of Bay Meadows  
13 racecourse through the same management team headed by  
14 Jack Liebau, who ran it for many, many years.

15           As you may know, by the way, at the time we  
16 took over the ownership in 1996 there was considerable  
17 disagreement between the two parent companies. We  
18 stabilized that situation. Subsequently, when Patriot  
19 America now had difficulty, we stabilized that  
20 situation.

21           In the year 2000 the firm that I worked for  
22 for over a decade at that point, Paine Webber, was  
23 itself bought by a Swiss bank, UBS. And the Swiss bank,  
24 USB, immediately disclosed to me that they had  
25 regulatory problems, not only in Bay Meadows or in quite

00100

1 a few other real estate assets that I was in charge of.

2           They asked me to orchestrate a process to  
3 separate these assets from UBS which I did. They,  
4 however, conducted a broad marketing effort for Bay  
5 Meadows. Bay Meadows was marketed to many, many parties  
6 in the racing industry as well as outside the racing  
7 industry, people in real estate.

8           In the end I was able to effectuate what you  
9 might think of as a management buyout which is to say I  
10 was able to take the team that was responsible all these  
11 years for Bay Meadows Land Company, we were able to  
12 bring in outside capital from major pension funds, major  
13 state pension funds. And as of about eleven months ago,  
14 we now own Bay Meadows Land Company. The same entity  
15 that has operated all along but the ownership entity is  
16 no longer Paine Webber and UBS, it's the Stockbrokers  
17 Real Estate Fund (phonetic), the real estate fund that I  
18 also had.

19           There's been is very major investment in Bay  
20 Meadows by pension funds and Stockbrokers Real Estate  
21 Fund and it's a property that's very important to us.  
22 We are continuing the entitlement effort that we began  
23 four years ago with the City of San Mateo to seek  
24 entitlements for possible alternative uses at Bay  
25 Meadows.

00101

1           I was asked recently how long did I think that  
2 effort would continue before it might become successful?  
3 Before I would say anything, let me just say that it  
4 would probably be much easier for me to predict the  
5 outcome in races here today than to predict how long it  
6 will take for that entitlement effort to run and would  
7 it be successful. We've been at it four years so far  
8 and we spent considerable amounts of money.

9           And I would just say conservatively I would  
10 predict it would be a minimum of three years from today.  
11 Could I be wrong? Could it be two years? Could it be  
12 five years? Either way.

13           I would also say there is absolutely no  
14 assurance that the outcome will be something that we  
15 will find interesting in terms of the possibility for a  
16 real estate business at the site of Bay Meadows. What  
17 we do find interesting, though, is the racing business.  
18 That business is a perfectly satisfactory business to  
19 us.

20           The business is currently leased to Magna  
21 Entertainment. They have been our tenant at Bay Meadows  
22 for four years. Their lease ends at the end of this  
23 year, just as it ended at the end of last year. We  
24 renewed it last year. We may or may not renew it this  
25 year. We will be prepared to operate the racing

00102

1 business directly with an experience management team if  
2 we don't come to satisfactory arrangements with Magna  
3 Entertainment.

4 I would expect that Bay Meadows will continue  
5 operating as a racetrack for at least the next three  
6 years, as I indicated, recognizing that there's some  
7 flux in that period of time.

8 One other thing I would say that's very  
9 important. Is that if we are granted the entitlements  
10 we've asked for, the entitlements we've asked for would  
11 entail a 20-year development agreement with the City of  
12 San Mateo.

13 What that means is we would not be forced to  
14 develop the land immediately but we would have a 20-year  
15 period over which we could choose to start the  
16 entitlements. So there's every prospect that Bay  
17 Meadows will be here for a very long time.

18 In the meantime, for example, we have  
19 participated and committed millions of dollars to the  
20 passage of the slot machine initiative that many of you  
21 may be aware of. We've spent tens of millions of  
22 dollars upgrading Bay Meadows. We have, I think, one of  
23 the finest tracks, jockeys and so forth and we put  
24 capital in this facility regularly.

25 So I would just hope that -- you mentioned you

00103

1 would get an update from Magna on Bay Meadows. Feel  
2 free to do that. But here as well, we're the owners,  
3 I'm general partner, and happy to talk to you at any  
4 time and glad to come back at any time. And we look  
5 forward to having a continuing ongoing relationship with  
6 the CHRB.

7 CHAIRMAN HARRIS: Any questions of Terry.

8 VICE-CHAIRMAN LICHT: I have a general  
9 question for Roy. Is there anything to stop any rule or  
10 law that would stop someone else or Magna asking to race  
11 the traditional Bay Meadows' dates to be run at Golden  
12 Gate in the next year? In other words, if Magna could  
13 not make a deal with Bay Meadows, could some outsider or  
14 Magna ask to race those dates at Golden Gate?

15 EXECUTIVE DIRECTOR WOOD: Yes, they could.

16 CHAIRMAN HARRIS: No one really owns the dates  
17 as I understand it. Anybody could race anyplace any  
18 time that there is racing allowed in the northern zone.

19 MR. FANCHER: Again, Terry Fancher. I would  
20 just say you should certainly expect that you will see  
21 us, Bay Meadows Land Company, working through an  
22 operating team and continue operating Bay Meadows next  
23 year if we don't for some reason enter into an  
24 arrangement with Magna.

25 We've also entered into a cooperation

00104

1 agreement with Magna that prohibits them from taking  
2 steps to damage future racing at Bay Meadows and I would  
3 view an effort by them to consolidate races at Golden  
4 Gate in prohibition of the cooperation agreement that  
5 they have entered into with us.

6 CHAIRMAN HARRIS: Just to clarify things, too,  
7 Roger, I think a side issue would be could someone  
8 operate a race at a fairgrounds? I think fairs are  
9 limited to how many racing dates they could have as I  
10 understand it. But some third party could lease that  
11 facility, such as Capital is doing with Cal Expo, and  
12 conduct a race meet in a northern zone.

13 EXECUTIVE DIRECTOR WOOD: That's right. There  
14 could be an alternative.

15 MR. DARUTY: Scott Daruty with Magna  
16 Entertainment. I'm here today just to stress to the  
17 board Magna's commitment to year-round live racing in  
18 Northern California. We've talked a lot this morning  
19 about ADW and I understand that's a new and growing and  
20 important part of our industry, but at its core our  
21 industry is about live racing, it's about facilities  
22 like this and bringing fans out to see the horses run.

23 I don't stand here and pretend to have all the  
24 answers as to how this puzzle is going to be worked out  
25 but I can tell you that Magna is committed to spending

00105

1 the resources and the money and time necessary to make  
2 sure we have year-round racing in Northern California on  
3 a long, long-term basis.

4 This facility obviously is one piece of that  
5 puzzle and we're going to continue to improve it and  
6 upgrade it and make it the best it can be.

7 As Mr. Fancher indicated, there's a great  
8 likelihood that racing will continue at Bay Meadows in  
9 the future and we have every intention of negotiating in  
10 good faith with Mr. Fancher's organization to reach an  
11 agreement.

12 But our view is he's a very successful real  
13 estate entrepreneur and is very good with what he does  
14 and we think at some point he will be successful in his  
15 entitlements so we're making alternative arrangements.

16 We bought decent land in Dixon and we're going  
17 through the process of having that entitled. We think  
18 if and when Bay Meadows is no longer operated as a  
19 racing facility, then we'll have an alternative in  
20 Northern California.

21 Again, I'm not sure how all the pieces are  
22 going to fit together but we want to be a part of it,  
23 it's important to us. We have a major investment in  
24 live racing and we want to continue to see live racing  
25 grow and be successful up here on a year-round basis.

00106

1 I'd be delighted to answer any questions.

2 CHAIRMAN HARRIS: Can you give us a quick  
3 timeline of the Dixon facility as far as where that is?

4 MR. DARUTY: That's a challenge. And just as  
5 Mr. Fancher indicated with Bay Meadows, any time you're  
6 talking about an entitlement process, there's a lot of  
7 hurdles and a lot of difficulties and a lot of  
8 unexpected things you're going to encounter.

9 We think at this point it's probably a two- to  
10 three-year entitlement process. But, again, there's a  
11 lot of variables in that. We have to go through the  
12 environmental impact report, and depending on how that  
13 turns out, it could either greatly delay things or  
14 possibly not be difficult. But, again, we're spending a  
15 great amount of effort on moving that forward.

16 CHAIRMAN HARRIS: Any questions by the board?

17 MR. DARUTY: Thank you.

18 CHAIRMAN HARRIS: Thank you.

19 MR. CORBY: Thanks for the opportunity to  
20 speak. Chris Corby, California Authority of Racing  
21 Fairs. Since this appears to be a general discussion  
22 type of item, I'd just like to note a couple of matters  
23 for the board's consideration with respect to the fairs  
24 in Northern California.

25 Fairs have a major stake in racing in Northern

00107

1 California. Fairs own and operate seven racetracks in  
2 Northern California and an eighth fair, San Mateo Fair,  
3 leases a facility at Bay Meadows for its racing. We  
4 have a major investment.

5 We're actively reinvesting in those facilities  
6 with the back stretch improvements, racing surface  
7 improvements, new paddocks at our facilities, working  
8 hard to make those facilities work for us into the  
9 future.

10 Racing is an important part of fair  
11 activities, both from an attraction point of view and as  
12 a source of revenues.

13 Racing has a beneficial impact on the  
14 communities in which it's conducted at fairs. There's a  
15 good deal of seasonal employment. There's a whole  
16 spectrum of economic activities that revolves around  
17 fairs and the racing that's conducted with fairs and  
18 it's very beneficial to them.

19 Live racing at fairs takes racing to outlying  
20 communities where it's not really much of a presence  
21 otherwise during the rest of the year. Not only does  
22 that highlight racing and carries the excitement of  
23 racing to people that don't see it very often,  
24 introduces racing to them, it also refreshes public  
25 interest in racing in a way that helps support the

00108

1 satellite network in California. Each racing fair has a  
2 satellite associated with it and that benefits from the  
3 impact of live racing.

4 I just want to note that fairs are committed  
5 to racing for the long-term. We value racing and we  
6 want you to know that. Thank you.

7 CHAIRMAN HARRIS: Thank you.

8 MR. PICKERING: It's still good morning. Rick  
9 Pickering, Alameda County Fairgrounds in Pleasanton, and  
10 thank you for inviting the fairs to come out today and  
11 talk about racing in Northern California, we appreciate  
12 it. We would also like to extend an opportunity to all  
13 state commissioners to once again come out to fair  
14 racing in Pleasanton this summer.

15 On July 1st, Agee Callaran (phonetic), the  
16 state secretary of Food and Agriculture, plans to visit  
17 us at a racing fair and we hope that either you as a  
18 board or absent a subcommittee of the board would like  
19 to come back to Pleasanton and a barbecue again. Our  
20 new commissioner would like to welcome you. Come on up  
21 to Pleasanton and enjoy Northern California racing.

22 Pleasanton hosts the oldest one mile racetrack  
23 in America. We started back in 1848 when California was  
24 becoming a state. We have a very wealthy tradition of  
25 horse-racing here in the Bay Area. I should mention

00109

1 we're debt free. All of our facilities are paid for.  
2 And we are a nonprofit so we receive no tax support from  
3 the feds, the state, local government, county  
4 government, et cetera. So we run horse-racing without  
5 subsidy from the public. Did I mention we're debt free?  
6 I thought I'd mention that again.

7 In addition to being the oldest one mile track  
8 in America, we're the only track in Northern California  
9 that trains thoroughbreds on a year-round basis. We're  
10 the only thoroughbred training facility fairgrounds in  
11 Northern California.

12 The starts generated from Pleasanton starting  
13 in Bay Meadows and Golden Gate exceed thoroughbred  
14 starts generated in Los Angeles County Fair and  
15 (unintelligible) combined so that's the significance  
16 that Pleasanton is to Bay Area horse-racing. We're  
17 accounting for roughly ten percent and it all starts at  
18 Bay Meadows and Golden Gate Fields.

19 Our horsemen pay us \$4 a day to board horses  
20 in Pleasanton and they still choose to board there and  
21 run here. Which is great for the industry. I mentioned  
22 we're debt free.

23 Solar energy, as a nonprofit, we're the  
24 largest generator for solar energy in the nation.  
25 Commissioner Licht last year chaired the board, took

00110

1 some photographs with us when we turned on one megawatt  
2 of solar energy and the predominance of the solar panels  
3 were on top of the horse barns. We've renovated our  
4 barns. We have 700 cinder block stalls. Our stalls are  
5 not metal. They're not wood. They're not falling  
6 apart. They all have brand new roofs on them that help  
7 generate solar energy as well.

8 We also have a 40,000 square foot indoor  
9 covered riding facility during the wintertime so our  
10 horses are definitely babied and pampered. And speaking  
11 of babies, I think we're also the Northern California  
12 sale site for the upcoming yearling sale in September.  
13 So we appreciate that. We've been doing two year old  
14 sales and yearling sales.

15 We had currently designed a turf track, we'd  
16 like someone else to step forward to help pay to build  
17 it. We'll see if anybody is coming up or not.

18 Our golf course contract is coming to the end  
19 of a 30-year lease. We've gone out to competitive bid  
20 and the new contract, we hope to award it in the first  
21 week in April, we'll have a stipulation that if the turf  
22 track comes into the future we have rights to do that so  
23 it will supersede the new golf course contract.

24 On the issue of staying in the business, the  
25 Pleasanton Fairgrounds and the park has put forth a

00111

1 piece of legislation that will allow fairs in Northern  
2 California to run horses 28 days instead of 14 days  
3 which will give you as the board more authority to move  
4 dates around should you need to move dates, should you  
5 need to take pressure off Bay Meadows or even Golden  
6 Gate Fields in the wintertime. The thoroughbred owners  
7 seemed to support that legislation. That legislation  
8 was actively opposed by Magna.

9         So the question was asked if we take some of  
10 those dates and move them to a fair in Northern  
11 California, currently it's a fair that's limited to 14  
12 days, I can take -- I can allow another fair to run in  
13 my facility under contract and we've made that offer to  
14 Stockton, to San Mateo and to Vallejo to run their race  
15 meets in Pleasanton on a 50/50 split of expenses and  
16 revenues. So we're not trying to take money from anyone  
17 that (unintelligible) but we are committed to training,  
18 we're in the business. We have the freeway access.

19         We have given up 15 percent of our race days  
20 over the last ten years. We have given up 15 percent of  
21 our race days over the last ten years. Did I mention we  
22 were debt free? Other than that, we're in the business.  
23 We're in the Bay Area housing market. We're at the  
24 corner of two of the great freeways in the Bay Area.  
25 And I appreciate your patience in having us here today.

00112

1                   We're not going away. We don't have a group  
2 of investors. We're here so we can take pressure off  
3 training, we can take pressure off live raceways.  
4 Unfortunately I think there will be those who will put  
5 pressure on us to run fewer days in the future.

6                   (Short break.)

7                   CHAIRMAN HARRIS: We're ready to resume.  
8 Please take your seats. Okay, we're going to hear from  
9 Jim Moore from Santa Rosa. Sonoma County I guess.

10                  MR. MOORE: My name is Jim Moore, I'm the  
11 manager at the Sonoma County Fair in Santa Rosa. And I  
12 can't say that we're debt free but we do have more  
13 assets than we have debts so we're in good shape.

14                  Anyhow, I'd just like to mention, like Rick  
15 and the Alameda County Fair, we're very proud of our  
16 racing program in Santa Rosa. I think you should all  
17 come there at some time and experience Santa Rosa. I  
18 know Mr. Harris has but Santa Rosa does have a  
19 completely different feeling than you get at most  
20 racetracks. I mean, it always has been a favorite of a  
21 horseman, certainly a favorite of ours.

22                  I do want to mention that of course we're in  
23 the business to stay in business. We'll be there  
24 forever. But we are on the formal announcement what you  
25 have probably already heard but in the next couple of

00113

1 weeks we'll begin pushing dirt to build a new turf track  
2 in Santa Rosa. One of the major improvements in the  
3 racing business in Northern California that we haven't  
4 seen in a while. But we're doing this.

5 I want to mention we're doing this to raise  
6 the level of racing in Santa Rosa. We're not trying to  
7 take anybody else's dates as it's been passed around  
8 some in the industry. We just intend to make racing  
9 better in Santa Rosa.

10 We think that if we're going to stay in the  
11 racing business, then we're going to do it right. And  
12 if we do eventually some day get some extra days, that  
13 will be good, that will be a bonus, but that's not why  
14 we're making this big investment at this time. We're  
15 doing it for the industry, for our fans up there in  
16 Santa Rosa and anybody else in the Bay Area that wants  
17 to come and experience our racing.

18 But that's what we all had to say. Just want  
19 to let you know we're just as proud of our place as  
20 Mr. Pickering is of Alameda.

21 CHAIRMAN HARRIS: Thank you. And Santa Rosa  
22 does have a special flavor to it. I commend you for  
23 that turf course, it's going to be a big addition for  
24 Northern California racing. Any other comments on this  
25 overall Northern California racing issue? Do the

00114

1 horsemen -- they don't really care where they race, do  
2 they? I'm just kidding.

3 Does CTT or TOC have any feelings on the  
4 future of Northern California racing?

5 MR. DOHERTY: Charlie Doherty (phonetic),  
6 California Corporate Trainers. Obviously there's  
7 growing debates as to where we possibly may be running.  
8 And one of the things that I've committed to the people,  
9 to the trainers of Northern California, that we're going  
10 to be putting together a group of trainers to sit down  
11 and analyze the positives and negatives of switching  
12 venues or whatever and really come up with what we feel  
13 would be a complete game plan as to what would best  
14 utilize racing in Northern California.

15 But obviously we're -- you know, whatever  
16 happens is who has dates where, but we would like to  
17 have a voice in the say.

18 CHAIRMAN HARRIS: Obviously you have a big  
19 voice and I think you need to express yourselves and  
20 really do the research to determine what the best  
21 formats are.

22 MR. DOHERTY: We will do it. Thank you.

23 MR. VAN DE KAMP: John van de Kamp, TOC.

24 We're very supportive of Northern California racing and  
25 obviously we want to see tracks that are safe dealing

00115

1 with the weather conditions and certainly look forward  
2 to discussions with the new committee on racing dates  
3 for the coming years. But we need to keep it live and  
4 viable and I think it's great news what they're doing up  
5 in Santa Rosa.

6 EXECUTIVE DIRECTOR WOOD: Mr. Chairman, I just  
7 want to remind everyone that this year we're going to  
8 start the race dates process a little earlier. Our  
9 first schedule race dates meeting is April the 8th, it's  
10 going to be at Cal Expo in Sacramento. And our new race  
11 dates committee is made up of Chairperson Cheryl  
12 Granzella and Marie Moretti.

13 We've sent out a letter to the association of  
14 horsemen to ask for your input for the race dates for  
15 2005. So we're going to start off a little earlier this  
16 year, first meeting being April the 8th in Sacramento.

17 CHAIRMAN HARRIS: And one issue there, too. I  
18 urge everybody to take a look, you know, and the old  
19 definition of insanity is doing the same thing over and  
20 over and expecting different results which is kind of  
21 what we've done with racing. But maybe it's the best  
22 format we have and we've been impacted by a lot of other  
23 different issues. But there are a lot of different  
24 stakeholders in racing, labor, and owners and trainers,  
25 but we want to give the fans what they want and what we

00116

1 can do legislatively to best maximize the revenue coming  
2 in.

3           So it's a big task and the state committee has  
4 but I think they would appreciate any input. And some  
5 of you could talk amongst yourselves, too, and try to  
6 work out some of the things that are sometimes  
7 contentious and it will be a better help.

8           So I commend the dates committee, Sheryl  
9 Granzella and Marie Moretti, for the work they have  
10 ahead of them. And what happened to that study we were  
11 going to do? I thought there was a study that was going  
12 to take a look at this and that seemed to have --

13           UNIDENTIFIED SPEAKER: Mr. Harris, the study  
14 is in a draft form right now. I believe the working  
15 group committee will probably have a meeting regarding  
16 that. At some point we'll work with the group, the  
17 researcher duty men, and we will have a finalized study  
18 rather shortly. We do have right now a draft executive  
19 summary that I have given to the race dates committee  
20 and we will be discussing that later.

21           CHAIRMAN HARRIS: I think it would be good if  
22 the rest of the participants saw that also so they could  
23 see what sort of conclusions they drew.

24           UNIDENTIFIED SPEAKER: I think very soon that  
25 will be public knowledge or common knowledge, yes.

00117

1 There are some very interesting points and they'll be  
2 discussed at the series of race dates committees, I can  
3 assure you.

4 CHAIRMAN HARRIS: Any other comments on this  
5 overall Northern California racing issue? We'll move on  
6 to I think it's the final item is the staff report on  
7 the following concluded race meetings. On Capitol  
8 Racing.

9 UNIDENTIFIED SPEAKER: Yes, Commissioner, this  
10 month we have the one report on Capitol and we have a  
11 summary page, obviously a huge increase in account  
12 wagering and in the second year we expect that to  
13 increase another ten to 20 percent this year. Overall  
14 the handle was up -- with ADW our handle was up almost  
15 three percent, on track down, off track up pretty good.  
16 So this standard mix of ups and downs here, but if you  
17 have any questions, we can certainly address them.

18 CHAIRMAN HARRIS: Any issues here with  
19 Capitol?

20 UNIDENTIFIED SPEAKER: Thank you.

21 CHAIRMAN HARRIS: Any committee reports?

22 VICE-CHAIRMAN LICHT: We had a meeting last  
23 month. When I say we, myself and Commissioner Alan  
24 Landsburg. As you can see from the agenda the members  
25 of the committee have now changed, it's now a three

00118

1 person committee. Everything that we covered has  
2 already been covered in more detail here today.

3           There was a -- there were some members of the  
4 public expressing dissatisfaction with the Xpress Bet  
5 product, principally again dissemination of the product  
6 in television. Commissioner Landsburg was very adamant  
7 about his position that the signal should be shared  
8 among all the different ADWs in California, that what's  
9 important here -- that what's important is the public's  
10 right to see the product and that matter was discussed  
11 again at that meeting.

12           Other than that, everything has been discussed  
13 here already.

14           CHAIRMAN HARRIS: We'll move on to general  
15 business. Any communications, reports or requests for  
16 future action by the board? Anything new?

17           Okay, next, old business. Which are there any  
18 items that were brought up by the board that anybody  
19 would like to revisit? Okay, thank you all for being  
20 here. We thank Golden Gate for hosting this. And we'll  
21 see you at the next meeting in April at Hollywood Park.

22           (Whereupon the meeting concluded.)

23

24

---o0o---

25

00119

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

00120

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

STATE OF CALIFORNIA ) ss.

I, the undersigned, a Certified Shorthand Reporter of the State of California, hereby certify that the foregoing proceedings were taken at the time and place therein stated; that the proceedings were reported by me, a Certified Shorthand Reporter and a disinterested person, and was thereafter transcribed to the best of my ability under my direction into typewriting; that the foregoing is a full, complete and true record of said proceedings.

I further certify that I am not of counsel or attorney for either or any of the parties in the foregoing proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
CERTIFIED SHORTHAND REPORTER

