

MEETING  
STATE OF CALIFORNIA  
HORSE RACING BOARD

In the Matter of:                    )  
  )  
Regular Meeting                        )  
  )

SAN LUIS REY DOWNS TRAINING CENTER  
5772 CAMINO DEL REY  
BONSALL, CALIFORNIA

TUESDAY, AUGUST 21, 2007  
10:00 A.M.

Reported by:  
Troy A. Ray

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

Richard B. Shapiro, Chairperson

John C. Harris, Vice-Chairperson

John Amerman

John Andreini

STAFF

Ingrid J. Fermin, Executive Director

Jacqueline Wagner, Staff Services Manager I

Derry L. Knight, Deputy Attorney General

Richard Bon Smith, Assistant Executive Director

Mike Marten

Roberto Zavala

ALSO PRESENT

Frank DeMarco

Courtney Berlin

Margarette Morgan

Drew Couto

John Barr

Chuck Champion

Mike Harlow

Alan Gutterman

Ron Charles

Jack Liebau

Daniel White

APPEARANCES CONTINUED

ALSO PRESENT

Eual Wyatte

Richard Castro

Steven Puetz

Ed Halpern

Marsha Naify

Steven Shwartz

Ken Kirchen

Terry McWilliams

Joe Hasson

Doug Kempt

Mike Ziegler

Ron Blonien

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

## INDEX

	PAGE
Action Items:	
1. Approval of the minutes of the regular meeting of July 19, 2007.	5
2. Discussion by the Board concerning the future of San Luis Rey Downs Training Center.	6
3. Discussion and action by the Board on the Application for License to Conduct a Horse Racing Meeting of the Oak Tree Racing Association (T) at Santa Anita, Commencing September 26 through November 4, 2007, inclusive.	18
4. Discussion and action by the Board on the Application for License to Conduct a Horse Racing Meeting of the Big Fresno Fair (F) at Fresno, commencing October 3 through October 14, 2007 inclusive.	44
5. Public hearing by the Board on the proposed amendment of CHRB Rule 1486, Term of License, to set the term for the Backstretch Event Personnel license classification.	50
6. Update and discussion by the Board on the legislative bills concerning California's horse racing industry.	54
7. Discussion and action by the Board on the nomination of members to the Board of Directors of the California Thoroughbred Horsemen's Foundation, Inc.	74
8. Discussion and action by the Board concerning granting the Executive Director and the Chairman of the Board the authority to execute and approve settlements involving medication violations for class I, II and III drug substances.	75
9. Discussion and action by the Board concerning host fee compliance as per Business and Professions Code 19604.	89

## INDEX

## PAGE

## Action Items:

10. Discussion and action by the Board on the proposed adoption of the CHRB Conflict of Interest and Ethics Code. 109
11. Discussion by the Board regarding the feasibility of closing wagering early from sites that do not have instantaneous transfers of wagering information to prevent odds changes once the race has begun. 113
12. Staff mid-year track report on the following race meets: 134  
Concluded race meets:
- A. Pacific Racing Association at Golden Gate Fields from December 26, 2006 through February 11, 2007.
  - B. Los Angeles Turf Club at Santa Anita from December 26, 2006 through April 22, 2007.
  - C. Bay Meadows Racing Association at Bay Meadows from February 14, 2007 through April 22, 2007.
  - D. Pacific Racing Association at Golden Gate Fields from April 25, 2007 through July 15, 2007.
  - E. Hollywood Park Racing Association at Hollywood Park from April 25, 2007 through July 15, 2007.
  - F. San Joaquin County Fair at Stockton from June 14, 2007 through June 24, 2007.
  - G. Alameda County Fair at Pleasanton from June 27, 2007 through July 8, 2007.

## INDEX

## PAGE

## Action Items:

12.	In progress race meets through July 31, 2007:	
	A. Sacramento Harness Association at Cal Expo from December 28, 2006 through July 28, 2007.	
	B. Los Alamitos Quarter Horse Racing Association at Los Alamitos from December 28, 2006 through December 23, 2007.	
	C. Sonoma State Wine Country Racing at Solano County Fair from July 11, 2007 through July 15, 2007 continuing at Santa Rosa County Fair from July 18, 2007 through August 6, 2007.	
	D. Del Mar Thoroughbred Racing Association at Del Mar from July 18, 2007 through September 5, 2007.	
13.	Report of the Security and Licensing Committee.	142
14.	Report of the Pari-Mutuel/ADW and Simulcast Committee.	151
15.	Report of the Strategic Planning Committee.	158
16.	Public Comment	158
	Adjournment	169
	Certificate of Reporter	170

1 PROCEEDINGS

2 EXECUTIVE DIRECTOR FERMIN: Ladies and gentlemen,  
3 if the meeting would come to order. This is a regular  
4 meeting of the California Horse Racing Board on Tuesday,  
5 August the 21st, 2007, at the San Luis Rey Downs Training  
6 Center, 5772 Camino Del Rey, Bonsall, California.

7 Present at today's meeting are Chairman Richard  
8 Shapiro, Vice Chairman John Harris, Commissioner John  
9 Amerman, Commissioner John Andreini. And I believe that's  
10 everybody.

11 Before we go on with the meeting I'd like to  
12 remind everybody to please state your name clearly for the  
13 court reporter prior to your addressing the Board. Thank  
14 you.

15 COMMISSION CHAIRPERSON SHAPIRO: Thank you and  
16 good morning to everybody.

17 And before we get started, I would like to make a  
18 special thanks -- where's Leanne? Leanne, where are you?

19 (Applause.)

20 COMMISSION CHAIRPERSON SHAPIRO: It's my  
21 understanding that this was some form of a barn that we were  
22 sitting in. And I don't know if the camera can pick up what  
23 we're all seeing, but Leanne did just an amazing job to  
24 create this facility. It was repainted, carpeting, the  
25 quilts on the wall. Leanne, you're the greatest and we

1 thank you very much, and it's wonderful to see what you did  
2 for us.

3           And for those people that did take the tour, I  
4 wasn't on the tour this year because I took two tours last  
5 year, this is an amazing facility which Leanne does just a  
6 wonderful job of maintaining and overseeing, and I think it  
7 should be well noted about that.

8           I'd also like to make a couple other  
9 announcements. First of all, is Bill Westerman here? Bill,  
10 will you stand up?

11           Bill was honored recently by the Fraternal Order  
12 of Police, which is a national organization of police  
13 departments, awarded its Jack Dudike -- is that right --  
14 Member of the Year Award to our own CHRB Southern  
15 Thoroughbred Supervisor, Special Investigator Bill  
16 Westerman. This is a very prestigious award, Bill received  
17 a plaque at the national conference in Louisville.

18           And I think that we, at the CHRB, rely on Bill for  
19 his professionalism, and his strength of leadership, and  
20 character. So congratulations and appreciate both your  
21 services and the work you do, and congratulations on your  
22 award.

23           (Applause.)

24           COMMISSION CHAIRPERSON SHAPIRO: I would just like  
25 to make one other note and, unfortunately, it's not as happy

1 as the other two. As all of us know in the thoroughbred,  
2 that are in the industry, since our last meeting Warren  
3 Studi passed away. Warren was the epitome of what you would  
4 want to see in the thoroughbred racing business. You know,  
5 he was just such a wonderful man. And not seeing him on his  
6 pony, even when he had to be lifted onto the pony, is  
7 something we're all going to miss in the industry. And I  
8 wish his family well.

9           And as a result, I would like the record to  
10 reflect that we pass our condolences on to Warren's family,  
11 and let everybody know that Warren will be greatly missed in  
12 the industry.

13           Now moving forward, and I know that as you will  
14 note that we are down to four Commissioners today, so it's  
15 Richard and the Johns will have to agree on everything  
16 before any vote, so it does take four votes.

17           And now the part I know you've all been looking  
18 forward to is the opening statement.

19           The Board invites comments from the public about  
20 items on its agenda. It also invites public comment about  
21 items not on the agenda, that are related to horse racing,  
22 during an open comment period.

23           In order to assure that each individual who wishes  
24 to comment will have an adequate opportunity to do so, and  
25 also to assure that the meeting as a whole will be completed

1 in a timely manner, so that individuals wishing to comment  
2 on multiple matters will not be required to stay for an  
3 unreasonable length of time, I will strictly enforce a five-  
4 minute time limit for each person wishing to speak on any  
5 agenda item.

6           The goal of this rule is to assure that each  
7 person's right to make their views known is not disrupted by  
8 another person's conduct. In order to expedite the comment  
9 process, there are public comment cards and they are  
10 located, Jackie?

11           STAFF SERVICES MANAGER WAGNER: On this table,  
12 where Mike Marten is.

13           EXECUTIVE DIRECTOR FERMIN: And also in front.

14           STAFF SERVICES MANAGER WAGNER: And also -- the  
15 table over here, and also in the front.

16           COMMISSION CHAIRPERSON SHAPIRO: Okay, the table  
17 to your right side of the podium and in the back. Thank  
18 you.

19           For each agenda item for which public comment will  
20 be taken, as well as -- well, I've described where they are.

21           Please print your name legibly so that I can read  
22 it. Just prior to our discussion of the item, the comment  
23 cards will be brought to me. After initial statements from  
24 staff and interested parties, I will ask for public comment.  
25 When I call your name, please come to the podium to speak.

1 I will let you know when your time has commenced, when there  
2 is one minute left, and when your time is up.

3 When your time is up, you will be expected to  
4 return to your seat so that I may call the next person  
5 waiting to the podium.

6 When all the names have been called I will ask if  
7 anyone else has a comment on the agenda item, who has not  
8 already spoken. At that point the Board will not take  
9 further comment on an item unless the Board has specific  
10 questions it wishes addressed.

11 If the time is up, I will ask the speaker to  
12 please take his or her seat. If it appears that a speaker  
13 is repeating what has previously been stated, we'll ask the  
14 speaker if he or she has any additional comments to make.  
15 If not, I will ask the speaker to allow the next speaker to  
16 come to the podium, irrespective of the time remaining,  
17 unless a Board member indicates that he or she still wishes  
18 to hear from the individual.

19 If it appears that a speaker is not speaking to  
20 the agenda item or is speaking to another agenda item, I  
21 will ask that the speaker please return to his or her seat  
22 and address his or her comments at the appropriate time.

23 All right, with that we'll move on to the agenda.  
24 The first item on the agenda is approval of the regular  
25 minutes of the meeting from July 19th, 2007. Does anybody

1 on the Board have any comments or corrections to the  
2 minutes?

3 If there are none, may I have a --

4 COMMISSIONER AMERMAN: So moved.

5 COMMISSION CHAIRPERSON SHAPIRO: It's moved. A  
6 second?

7 VICE CHAIRPERSON HARRIS: Second.

8 COMMISSION CHAIRPERSON SHAPIRO: Second.

9 All in favor?

10 (Ayes.)

11 COMMISSION CHAIRPERSON SHAPIRO: It is approved.

12 Item Number 2 is discussion by the Board  
13 concerning the future of San Luis Rey Downs Training Center.

14 As all of us know and as we also know that  
15 tomorrow there will be a meeting of the Strategic Planning  
16 and Race Dates Committee where we, in California, are  
17 looking at how we are going to maintain a viable and vibrant  
18 racing program here in the State.

19 One of those issues that has appeared to have  
20 uncertainty has been this wonderful place we're at, San Luis  
21 Rey Downs. Therefore, I would like for representatives of  
22 San Luis Rey Downs, if they would come forward.

23 MR. DE MARCO: Good morning, Mr. Chairman,  
24 Commissioners.

25 COMMISSION CHAIRPERSON SHAPIRO: One second,

1 please. And please make sure that you state your name --  
2 I'm sorry for the feedback, I'm not sure what else to do, if  
3 the sound person could maybe eliminate some of the feedback  
4 on the microphones.

5 Please make sure you state your name clearly for  
6 the record.

7 MR. DE MARCO: I'm Frank DeMarco and I'll be  
8 speaking for San Luis Rey Downs Training Center.

9 COMMISSION CHAIRPERSON SHAPIRO: Wonderful.

10 MR. DE MARCO: This will be more in the nature of  
11 a title report, than anything else, but I can tell you the  
12 history of the place and where it stands today.

13 Magna Entertainment Corp. bought this lovely piece  
14 of ground in the early spring of 1999 through a subsidiary  
15 they formed called SLRD Thoroughbred Training Center, Inc.,  
16 and all the shares of that company are owned by Magna  
17 Entertainment Corp.

18 Shortly after we bought it, we brought Leanne  
19 Howard in to run the place and I can think you can all  
20 testify, from what you've seen today, that she's done a hell  
21 of a job in the last seven or eight years.

22 COMMISSION CHAIRPERSON SHAPIRO: We'll vote for  
23 her to get a raise.

24 MR. DE MARCO: I beg your pardon?

25 COMMISSION CHAIRPERSON SHAPIRO: We will vote for

1 her to get a raise.

2 MR. DE MARCO: Good, all right. Then earlier this  
3 year, in June, the property was sold by SLRD Thoroughbred  
4 Training Center, Inc. to a subsidiary of MI Developments,  
5 Inc. MI Developments, Inc. is a shareholder of Magna  
6 Entertainment Corp. They are now the fee owner of this  
7 property.

8 All I can tell you is that immediately after the  
9 sale the property was leased back to our company, SLRD  
10 Thoroughbred Training Center, Inc., and we are now in  
11 possession of it, running it as we always have, and the  
12 lease is for three years. It does have what they call an  
13 evergreen clause, that in the absence of anybody giving  
14 anybody notice at the end of the three years, it can be  
15 renewed from year to year.

16 That's basically the situation. I don't represent  
17 MI Development, Inc., nor can I tell you what their plans  
18 are because I don't know.

19 COMMISSION CHAIRPERSON SHAPIRO: Okay.

20 MR. DE MARCO: That's about all I can tell you.

21 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,  
22 I think that all of us -- well, I'll speak for myself, I  
23 certainly would hope to see that this facility remained a  
24 training center for as many years as possible ahead. And I  
25 think, though, that it was just important the Board get some

1 update on what the plans are. Appreciate that, Mr. DeMarco.

2 VICE CHAIRPERSON HARRIS: Yeah, I'd share  
3 everyone's enthusiasm for the facility and the great job  
4 that it does for the industry. But how is this property  
5 zoned, now? If you were going to develop it, what sort of  
6 zones do you have?

7 MR. DE MARCO: Well, it says zoned for what it is,  
8 for the Thoroughbred Training Center.

9 To develop this property you'd have to go through  
10 a tremendous entitlement process. They have sewer  
11 connection problems here. Our information is that many of  
12 the members of the Board of Supervisors don't want the place  
13 developed. My guess, and I've done a lot of research on  
14 that earlier on, my guess would be that this place, even if  
15 somebody wanted to develop it, you're looking at three, to  
16 four, to five years before you ever get entitlements.

17 VICE CHAIRPERSON HARRIS: Well, that's  
18 encouraging, actually.

19 COMMISSION CHAIRPERSON SHAPIRO: Well, thank you,  
20 Mr. DeMarco.

21 COMMISSIONER AMERMAN: From what you said, Mr.  
22 DeMarco, you said it was leased back to SLRD for three  
23 years?

24 MR. DE MARCO: Right.

25 COMMISSIONER AMERMAN: That means it will stay the

1 way it is for three years as a training facility?

2 MR. DE MARCO: As far as I know.

3 COMMISSION CHAIRPERSON SHAPIRO: With an evergreen  
4 clause, so it will be a perpetual three years.

5 MR. DE MARCO: Yeah.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay, if no one  
7 else on the Board has a comment -- thank you, Mr. DeMarco.

8 MR. DE MARCO: Thank you.

9 COMMISSION CHAIRPERSON SHAPIRO: I do have comment  
10 cards and perhaps we can actually get some answers on the  
11 questions that Commissioner Harris raised.

12 I see a Courtney Berlin, who is with Supervisor  
13 Bill Horne's office. Good morning.

14 MS. BERLIN: Good morning, I'm happy to be here,  
15 and thank you for coming down to San Luis Rey Downs. This  
16 is an important meeting and this is my first time at San  
17 Luis Rey Downs. And we got a very nice tour, it's great  
18 facilities. And I just wanted to say that Supervisor Horne  
19 is supportive of San Luis Rey Downs and the equestrian  
20 community. And it's an exciting center and thank you so  
21 much.

22 COMMISSION CHAIRPERSON SHAPIRO: Okay. We also  
23 have a card from Margarete Morgan. Margarete. Did I blow  
24 it? And you're with the -- you're the Bonsall Sponsor  
25 Group.

1 MS. MORGAN: The Bonsall Sponsor Group, which is  
2 the planning and land use arm of the community, and we are  
3 appointed by Supervisor Horne. Our general plan that we  
4 had, both in 1993 and the one that we're working on right  
5 now, which is referred to as the 2020 plan, supports having  
6 the racetrack remain. And, in fact, the three elements that  
7 we have in the community are equestrian, because within the  
8 community there are approximately between three and four  
9 thousand horses, that we would like to continue having the  
10 racetrack here. It is a draw, an attraction, people are  
11 most interested in it.

12 The second is the estate lots, and the third is  
13 agriculture. The zoning in this area is one dwelling for  
14 two, four, or eight acres. There is on small corner on this  
15 property that does, however, have a higher density and it's  
16 the area right out on the corner, and it does have a higher  
17 density for a larger yield.

18 But primarily when you're the surrounding lands,  
19 you're looking at estate lots and much larger.

20 COMMISSIONER AMERMAN: This facility has how many  
21 acres, and the part you were talking about that is zoned for  
22 higher density, how large is that?

23 MS. MORGAN: Leanne, do you have that data?

24 MR. DE MARCO: It's 14 acres.

25 MS. MORGAN: Fourteen acres.

1           COMMISSION CHAIRPERSON SHAPIRO: That's the piece  
2 on the corner, it's 14 acres which is the higher density  
3 piece.

4           MS. MORGAN: We were hoping for a balance here  
5 between having either the high density dwelling or to have a  
6 boutique hotel that would support the owners being here on  
7 property site. We would be able to encourage the change in  
8 the zoning structure so that we could have a boutique hotel.  
9 That's something we don't have here, in the community, and  
10 would really like to have that. And I think the owners of  
11 the horses deserve far better quarters than what they  
12 currently have in this area.

13          VICE CHAIRPERSON HARRIS: Are there any plans in  
14 the works to improve the roads coming into the facility, I'm  
15 not sure if there --

16          MS. MORGAN: Unfortunately not. The roads, as far  
17 as Camino Del Rey, which is the service road that comes into  
18 the training facility, that road is to remain through our  
19 circulation element as a two-lane road with pocket turns.

20          VICE CHAIRPERSON HARRIS: How about like 78, or  
21 76?

22          MS. MORGAN: 78 is proposed to be enlarged, that's  
23 to the south. And the one to the north, which you're coming  
24 off of if you're coming --

25          VICE CHAIRPERSON HARRIS: Is 76.

1 MS. MORGAN: Is 76. And that road is funded right  
2 now with a previous increase in sales tax and we're looking  
3 to that improvement to start. They're doing the  
4 environmental impact studies right now.

5 VICE CHAIRPERSON HARRIS: Is that going to go to  
6 four lanes or something, or what would it go to?

7 MS. MORGAN: It will be four lanes, but it will be  
8 graded out to six because the long forecast is for a six-  
9 lane road.

10 VICE CHAIRPERSON HARRIS: Okay.

11 COMMISSION CHAIRPERSON SHAPIRO: Would I be  
12 correct in my assumption that the general community is  
13 supportive of this use and what is here today?

14 MS. MORGAN: Absolutely.

15 COMMISSION CHAIRPERSON SHAPIRO: So from a horse  
16 racing perspective I think one of the challenges is that  
17 economically it's very difficult for San Luis Rey, in its  
18 current condition, to economically make sense. Are there  
19 any type of subsidies, redevelopment funds, or anything that  
20 could help preserve this property so that it would  
21 economically remain viable?

22 MS. MORGAN: You know, I could look into that for  
23 you, if you'd like me to get back to you on that issue. I  
24 think that we should look into something like that.

25 COMMISSION CHAIRPERSON SHAPIRO: Perhaps with

1 Supervisor Horne's office or something.

2 MS. MORGAN: Yes, uh-hum.

3 COMMISSION CHAIRPERSON SHAPIRO: That, you know, I  
4 think that the owners have obviously done a great job.

5 MS. MORGAN: Right.

6 COMMISSION CHAIRPERSON SHAPIRO: But to save it as  
7 what it is, you know, I don't believe they operate at a  
8 profit and it's difficult.

9 MS. MORGAN: Right. What we'd like to see is if  
10 the funding at the track could remain as the track and the  
11 facilities for training could stay in the community. And if  
12 the outlying edges were to be developed in some way, shape,  
13 or form, that would be pleasing to the community, as well as  
14 generate enough revenue, that would be something that we  
15 would like to support. Because we want to keep the track  
16 and we want to keep the facilities available.

17 It really is quite a tourist destination for  
18 people wanting to know more about horses. They're really  
19 interested in it. And I'm sure that the industry, itself,  
20 needs facilities like this.

21 COMMISSION CHAIRPERSON SHAPIRO: Well, the  
22 industry does and that's why I'm kind of curious to know if  
23 there was some way of creating a public/private partnership,  
24 or something towards that end, that could help keep this  
25 economically viable so that it would be available to horse

1 racing.

2 MS. MORGAN: Right.

3 COMMISSION CHAIRPERSON SHAPIRO: It certainly is  
4 an amenity to the community, but it's not fair to the people  
5 that own it if they're losing money.

6 MS. MORGAN: I would be happy to meet with anybody  
7 that had created ideas in order to support keeping the  
8 facility, and then being able to take that concept on.  
9 There are certain parameters, of course, that we have to  
10 look at within the community plan but, other than that, we  
11 definitely would like to do our best.

12 COMMISSION CHAIRPERSON SHAPIRO: All right, we  
13 would appreciate it perhaps if you do that. And, obviously,  
14 the best person who knows everything is Leanne, and she can  
15 certainly community with our folks.

16 MS. MORGAN: And we're pleased Leanne is also the  
17 President of the Chamber of Commerce here, in Bonsall, and  
18 so she's pushing forward.

19 Yes, sir?

20 COMMISSIONER AMERMAN: Have you had or do you  
21 intend to have conversations with NDI, as to what their  
22 contentions are for the property?

23 MS. MORGAN: Basically, I'm open to conversations  
24 with anyone, we want to see what is the best use to support  
25 the track and facilities. So I haven't had the pleasure of

1 meeting -- I think a couple, three years ago I met with one  
2 group from Canada, and that was it, and I haven't had any  
3 other contact since. So I'm open to any discussion.

4 COMMISSIONER AMERMAN: Yeah, I just thought the  
5 conversation might be helpful because sometimes one party  
6 has different objectives in their mind and it might be  
7 helpful for you to at least know who the people are and to  
8 have constant contact with them.

9 MS. MORGAN: Absolutely. I'd be more than happy  
10 to have telephone conversations or meet them here at the  
11 site.

12 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

13 VICE CHAIRPERSON HARRIS: There's a guy in a black  
14 shirt behind you, here.

15 Would the community here be supportive of a  
16 satellite wagering facility at this facility someplace?

17 MS. MORGAN: That, I would have to review with the  
18 ordinance since I don't have that up on the top of my head  
19 as far as a permitting possibility. I'm really not sure  
20 about that. That goes into a gray area that deals more with  
21 gambling, and things like that, that I don't know if we're  
22 zoned for that.

23 VICE CHAIRPERSON HARRIS: Yeah, I'm not sure of  
24 the economics at work, but it seems that would be a good  
25 auxiliary use for the facility, too.

1 MS. MORGAN: Could be, could be. Anything else?

2 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you  
3 very much.

4 MS. MORGAN: Thank you.

5 COMMISSION CHAIRPERSON SHAPIRO: All right, if  
6 there's no other comment, we'll move forward. Oh, Drew  
7 Couto. Drew turned in a card.

8 Well, I can't -- I know Richard Castro's here,  
9 it's actually there's a lot of glare so it's difficult to  
10 see. There he is, okay, I knew he was here.

11 MR. COUTO: Drew Couto, Thoroughbred Owners of  
12 California. I was in the middle of another conversation so,  
13 unfortunately, I'm embarrassed to say I missed your  
14 question.

15 COMMISSION CHAIRPERSON SHAPIRO: You turned in a  
16 comment card.

17 MR. COUTO: It said "if needed," right?

18 COMMISSION CHAIRPERSON SHAPIRO: Well, how am I to  
19 know if you need it?

20 (Laughter.)

21 MR. COUTO: I'll come forward at the appropriate  
22 time. Sorry.

23 COMMISSION CHAIRPERSON SHAPIRO: Okay. Thank you,  
24 Mr. Couto, for those stimulating remarks. You weren't  
25 needed.

1           Okay. All right, moving on. Item Number 3,  
2 discussion and action by the Board on the application for a  
3 license to conduct a horse racing meeting of the Oak Tree  
4 Racing Association at Santa Anita Park commencing September  
5 26th through November 4th.

6           Would representatives of Santa Anita -- of Oak  
7 Tree be prepared to move forward after Jacqueline Wagner,  
8 CHRB staff, gives us her introduction.

9           STAFF SERVICES MANAGER WAGNER: Good morning,  
10 Commissioners. The application before you is from the Oak  
11 Tree Racing Association. They have filed their application  
12 to race from September the 26th through November the 4th,  
13 2007, which is 31 days. This is five more days than they  
14 raced in 2006.

15           They are proposing to race a total of 266 races,  
16 or 8.5 races per day. They will be racing five days per  
17 week, Wednesday through Sunday, with eight races weekdays,  
18 and nine races on opening day and the weekends, and on  
19 Mondays, October the 8th and the 11th. On Saturday,  
20 November the 3rd, which is Cal Cup Day, they will also be  
21 racing nine races.

22           They will be racing concurrently with Fresno  
23 District Fair and the Bay Meadows Racing Association.

24           The first post time will be 1:00 p.m. on weekdays  
25 and a 12:30 p.m. post time on weekends and holidays.

1           Their advanced deposit wagering providers are TVG  
2 and XpressBet. We do have representatives from the  
3 Association. And staff would recommend that the Board  
4 approve the application.

5           COMMISSION CHAIRPERSON SHAPIRO: Great. I have a  
6 few questions, if they would come forward. I see Mr. Barr  
7 is here. Now, is Mr. Chillingworth not here today, because  
8 he did this last time to us.

9           MR. BARR: I would suggest that you not take that  
10 personally.

11           (Laughter.)

12           COMMISSION CHAIRPERSON SHAPIRO: No, no, it's just  
13 that you're such a nice man that I don't want to put you on  
14 the spot.

15           MR. BARR: I welcome the opportunity to come out  
16 on occasion to see if I can still speak coherently. The  
17 jury is out on that.

18           Hi, my name is John Barr and I'm here representing  
19 Oak Tree Racing Association as regards to the application  
20 that's before you.

21           Mr. Chillingworth is in Colorado all this week,  
22 otherwise detained, and sends his apologies for not being  
23 here.

24           I hope I'll be able to answer your questions. I  
25 have the Director of Marketing here, on my left, Alan

1 Gutterman, who can explore in depth the various marketing  
2 strategies and other innovative ideas we have for our  
3 forthcoming meet.

4 And Mike Harlow, here, is the Director of Racing  
5 of Santa Anita, and he's very familiar with our operating  
6 agreement with TOC.

7 And so between the three of us, let's hope we can  
8 answer your questions. Fire away.

9 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Mr.  
10 Barr. First of all, is Youbet not an ADW provider for the  
11 Oak Tree meeting?

12 MR. BARR: No. It's a contractual thing. I don't  
13 really know the answer as to why, I'm sorry. You know, your  
14 first question we struck out.

15 VICE CHAIRPERSON HARRIS: I would think that  
16 Youbet was a subcontractor of TVG or XpressBet, but usually  
17 they're listed.

18 COMMISSION CHAIRPERSON SHAPIRO: Right.

19 VICE CHAIRPERSON HARRIS: I would hope they are  
20 but they may not be.

21 COMMISSION CHAIRPERSON SHAPIRO: Well, I think  
22 there are representatives of Youbet. Perhaps somebody would  
23 come to the microphone. There's Mr. Champion.

24 Mr. Champion, does Youbet not take wagers on Oak  
25 Tree?

1 MR. CHAMPION: Chuck Champion, CEO of Youbet.com.  
2 We are a sublicensee through the TVG contract. We have not  
3 been notified by either party of any change. And as I stand  
4 here today, it is our intent to take that event and promote  
5 it as best we can during the season.

6 VICE CHAIRPERSON HARRIS: So you are -- I mean,  
7 normally, you did take Oak Tree via TVG. But as I recall  
8 last year XpressBet, even though they're owned by Magna, was  
9 not taking Oak Tree; is that right, or did XpressBet --

10 MR. CHAMPION: It's my understanding that Oak Tree  
11 is an exclusive of TVG. TVG has the contract rights for  
12 that, at least for the internet and for interactive  
13 television. There are certain providers across the -- or  
14 certain host tracks across the United States that have a  
15 caveat in their agreements that allow them to use XpressBet  
16 and other providers for phone wagering, without TVG's  
17 sublicense approval.

18 Whether Oak Tree was doing that, I don't know, on  
19 XpressBet.

20 VICE CHAIRPERSON HARRIS: Yeah. I think there's  
21 some instances where XpressBet was taking wagers out of  
22 California, but not in California. But it would be nice if  
23 they were in California.

24 But I don't know, does someone know if, or not,  
25 California account holders of XpressBet can bet on Oak Tree?

1 MR. CHAMPION: Well, it's usually not just outside  
2 of California. It is the way the exclusion works and those  
3 agreements is any state that TVG is not deployed in. So in  
4 the 12 states that TVG, or 14 states that TVG's deployed in,  
5 then that opportunity is probably not available to XpressBet  
6 and others under the current contracts.

7 But I'd let TVG, if they're here today, explain  
8 that, and/or XpressBet, if they're taking bets someplace  
9 else than --

10 VICE CHAIRPERSON HARRIS: Yeah, that's my question  
11 which, hopefully, XpressBet or somebody can answer.

12 MR. CHAMPION: Again, it is our hope and intent at  
13 this point, until someone tells us otherwise, that we will  
14 be carrying Oak Tree and promoting it.

15 COMMISSION CHAIRPERSON SHAPIRO: Okay.

16 VICE CHAIRPERSON HARRIS: Do we want to hear from  
17 XpressBet?

18 COMMISSION CHAIRPERSON SHAPIRO: Well, perhaps if  
19 there is anybody. Is there anybody from XpressBet,  
20 Tracknet, or TVG in the audience, that could address this  
21 issue?

22 VICE CHAIRPERSON HARRIS: Yeah, it gets pretty  
23 confusing because we get a lot of criticisms that people  
24 have an account set up with one person, but they can't bet  
25 on the tracks.

1           COMMISSION CHAIRPERSON SHAPIRO: Right. I mean,  
2 to me --

3           VICE CHAIRPERSON HARRIS: But I think that's the  
4 way it is. Right, as I recall, TVG was exclusive, except  
5 for their sub-exclusive with Youbet. But I don't --

6           COMMISSION CHAIRPERSON SHAPIRO: Well, isn't Del  
7 Mar an exclusive track with TVG, and isn't Youbet accepting  
8 wagers on that?

9           VICE CHAIRPERSON HARRIS: Yeah, Youbet, but the  
10 issue would be if XpressBet --

11           COMMISSION CHAIRPERSON SHAPIRO: Oh, yeah, because  
12 it's TVG. You're right, the problem is of the --

13           MR. BARR: Oak Tree does have an exclusive with  
14 TVG. And we do not have any arrangements, to my knowledge,  
15 with XpressBet, by virtue of what we're required to do under  
16 the exclusive agreement with TVG.

17           VICE CHAIRPERSON HARRIS: Yeah, it's just that in  
18 your application you say that you do.

19           MR. BARR: It says XpressBet?

20           VICE CHAIRPERSON HARRIS: Yeah, do you read your  
21 application?

22           COMMISSION CHAIRPERSON SHAPIRO: Yes.

23           MR. BARR: Really. Yeah, I read it. As a matter  
24 of fact, I did.

25           VICE CHAIRPERSON HARRIS: It says providers are

1 TVG and XpressBet.

2 COMMISSION CHAIRPERSON SHAPIRO: Mr. Champion?

3 MR. CHAMPION: Yeah, let me see if I can bring  
4 it -- I'm sorry, if I left any confusion. Let me see if I  
5 can bring a little more clarity to this.

6 Let's take Del Mar, for example. Del Mar is an  
7 exclusive TVG track. TVG sublicensed it to Youbet. So  
8 Youbet, through the entire United States, 38 states that  
9 it's available for ADW, we took wagers.

10 TVG took wagers on the states that they're  
11 licensed in, which I believe are 12 to 14. And I'm sorry,  
12 it changes, so I don't recall.

13 XpressBet also took the Del Mar signal. They took  
14 it by phone, only, in the states that TVG was not deployed.  
15 So approximately 20 some odd states XpressBet was also a  
16 carrier of the Del Mar signal.

17 I would expect the same arrangement as in the  
18 past, and I believe this is correct, that XpressBet has  
19 secured phone rights in the non-TVG states, so they would be  
20 a provider to Oak Tree as an advance deposit wagering  
21 company utilizing phones in non-TVG states. Does that make  
22 sense?

23 VICE CHAIRPERSON HARRIS: So the short answer is,  
24 as I understand it, a California resident will be able to  
25 bet on Oak Tree if he has a Youbet account or a TVG account.

1 But if his issue is he's got an XpressBet account, he would  
2 not be able to bet on Oak Tree and Santa Anita.

3 MR. CHAMPION: That is my understanding because,  
4 again, TVG is deployed within the State of California.

5 COMMISSION CHAIRPERSON SHAPIRO: All right, thank  
6 you. I mean that, at least, clarifies what the facts were.

7 Mr. Harlow, in your application you show that the  
8 average purse for the meet will be down from last year's  
9 409,000 to 389,000. Now, I recognize that you're running  
10 more days this year as a result of the flip-flop week that  
11 occurs. Is that the reason that the average is down or is  
12 there some other reason?

13 MR. HARLOW: Mike Harlow, from Oak Tree Racing  
14 Association. No, you're correct. Basically, with the  
15 additional days, it lessens our daily average. However, we  
16 have come up with some new projections, especially  
17 concerning the day before Breeder's Cup, where we're  
18 probably going to be a little bit higher that -- probably  
19 almost equal with last years.

20 COMMISSION CHAIRPERSON SHAPIRO: Okay.

21 VICE CHAIRPERSON HARRIS: Are you going to -- this  
22 is kind of an exciting meet because it will be the first  
23 meet at Santa Anita with the synthetic cushion track. With  
24 that live, are you going to write a different book at all or  
25 are you going to write basically the same book that you've

1 previously written for the Oak Tree meet?

2 MR. HARLOW: To start off we'll probably write the  
3 same book. However, I think we've seen at Del Mar that it  
4 has affected a few of their turf races, as far as numbers  
5 are concerned. I think there's more turf horses that are  
6 trying the polytrack surface. So we'll have to play it by  
7 ear and see what happens at Oak Tree.

8 COMMISSION CHAIRPERSON SHAPIRO: Staying with the  
9 questions here, in it you're requesting the option to  
10 program ten races on opening day, weekends, and October 8th.  
11 One of the things that concerns me is that what we see is  
12 that when we get to these ten race cards it depletes  
13 inventory down the road. And I am concerned that when  
14 we -- that we permit too many of these races that are going  
15 to be ten-race cards, and especially we have the week of  
16 October 7th, a six-day week. And one of the days that  
17 you're talking about would be in that six-day week.

18 Now, I recognize it's a holiday and you're trying  
19 to capitalize on that.

20 MR. HARLOW: Right.

21 COMMISSION CHAIRPERSON SHAPIRO: But I'm wondering  
22 if the Board shouldn't insist that there is at least a  
23 certain number of entries, or something, because we keep  
24 approving these ten-day cards -- these ten-race cards and  
25 the numbers of horses then we find we get a short field, and

1 it seems to be counter productive. And I don't want to see  
2 that, then, as you're meet concludes and Hollywood opens  
3 that the fields for Hollywood have been depleted.

4 MR. HARLOW: On the holiday Monday we'll only run  
5 nine races. And usually, how we play it, just like at Oak  
6 Tree and Santa Anita, if it's not sufficiently filled or we  
7 don't have a sufficient tenth race, meaning a field -- we're  
8 not going to carve another five-horse field just to make ten  
9 races. We'll happily run nine. We're shooting for ten.  
10 But we recognize the fact that we have to protect our field  
11 size and quality, also.

12 VICE CHAIRPERSON HARRIS: Yeah, because it's more  
13 than -- I mean, sometimes it's possible to fill a race, fill  
14 the card, but it impacts cards down the road is the problem.  
15 I mean, I see the merit of a ten-race card because you've  
16 got all the people out there, you've got a chance to really  
17 run up the score. But it is tough if, for instance, you  
18 were to run ten races on that whole weekend of Columbus Day,  
19 that the six, seventh and eighth would be a bit much.

20 COMMISSION CHAIRPERSON SHAPIRO: Right. And so I  
21 guess my concern there is on that weekend can we at least  
22 agree that you're not going to run, I don't think any of us  
23 would want to see that there's ten races on each of those  
24 days.

25 MR. HARLOW: We only have scheduled on the

1 Saturday, nine on the Sunday, nine on the Monday.

2 COMMISSION CHAIRPERSON SHAPIRO: So would it be  
3 okay with you if we limited it to that, where you had of the  
4 three -- I don't want to tell you which day.

5 MR. HARLOW: Uh-hum.

6 COMMISSION CHAIRPERSON SHAPIRO: But that you run  
7 one ten-race card and the others would be two nine-race  
8 cards on those three days?

9 MR. HARLOW: Well, we basically will run nine on  
10 the Monday and --

11 COMMISSION CHAIRPERSON SHAPIRO: That's fine, you  
12 can do it. But if, for some reason, you say, oh, darn, I  
13 wish I'd asked for Sunday, I'm trying to give you that  
14 latitude, that's all.

15 VICE CHAIRPERSON HARRIS: Well, they've always got  
16 the option to request. But I think, basically, the issue  
17 would be that we don't want to approve that, it can be  
18 subject to request, but it's not a blanket option.

19 COMMISSION CHAIRPERSON SHAPIRO: So we will then  
20 amend your -- we will then amend it so that you'll be nine  
21 races on that Monday.

22 MR. HARLOW: Yes, that's what we have scheduled is  
23 nine on the Monday. And we will run ten on Saturday and  
24 Sunday if they sufficiently fill it. If we don't, we're  
25 happy to be nine.

1           VICE CHAIRPERSON HARRIS: In your application you  
2 requested that option. I think the only issue is that you  
3 would withdraw the request for that option on Columbus Day,  
4 which is not -- Columbus Day isn't exactly a --

5           MR. BARR: Monday, yeah. We withdraw the request  
6 for the option on Monday for a ten-race card.

7           COMMISSION CHAIRPERSON SHAPIRO: Thank you. Okay.

8           COMMISSIONER AMERMAN: Does the fact that the  
9 first program is up by 19 percent, is it totally due to the  
10 fact that you've got five more days, which are about 19  
11 percent?

12          MR. HARLOW: Approximately.

13          COMMISSIONER AMERMAN: Yeah. Okay.

14          MR. BARR: And you also have to be somewhat  
15 conservative when you start out, also, because you don't  
16 want to end up overpaying purses.

17          COMMISSION CHAIRPERSON SHAPIRO: And we see that  
18 your horsemen's agreements, both with TOC and CTT, are all  
19 in place. All your ADW agreements are in place. There's  
20 nothing that you foresee, that is on the horizon, that could  
21 interfere in any way with any of your simulcasting, or ADW,  
22 and I'm assuming if there's anybody in the room that could  
23 foresee a problem, I'd ask that they come forward.

24                 I'm assuming Mr. Liebau's not standing there to  
25 say there's a problem in this area.

1           But we just want to make sure that there's nothing  
2 on the horizon that's unresolved.

3           MR. BARR: Correct.

4           COMMISSION CHAIRPERSON SHAPIRO: Okay.

5           MR. BARR: I'm not aware of any problem.

6           COMMISSION CHAIRPERSON SHAPIRO: Okay. Mr.  
7 Gutterman, you've been sitting there, is there something  
8 you'd like to add to this?

9           MR. GUTTERMAN: Alan Gutterman, Oak Tree and Santa  
10 Anita. I just came up to tell you about some of the plans  
11 we have for marketing the meet over the 31 days. And,  
12 actually, I think this season will be marked by a \$1 million  
13 television campaign, which is significant for a six-week  
14 season and reflects our desire to spread the word about  
15 racing at Oak Tree, the opportunity is for fans to make  
16 money and have a good time.

17           COMMISSION CHAIRPERSON SHAPIRO: Is that an  
18 increase over last year?

19           MR. GUTTERMAN: Yeah.

20           COMMISSION CHAIRPERSON SHAPIRO: Would you want to  
21 tell us the percentage increase; would you know?

22           MR. GUTTERMAN: The percentage, I could tell you.  
23 It's probably about \$100,000 over last year.

24           COMMISSION CHAIRPERSON SHAPIRO: Ten percent.

25           MR. GUTTERMAN: Yeah. And we'll support a healthy

1 television presence with broadcast and cable buys for all  
2 six weeks, along with radio promotions and print  
3 advertising. Oak Tree will have two direct mail pieces sent  
4 to about 190,000 established fans, as well as mystery mutuel  
5 vouchers, coupons, free passes, handicapping contests, and  
6 high quality premium items are on the first side of the  
7 meet. We'll continue with the traditional Oak Tree stein  
8 this year, this year saluting winners of Breeder's Cup  
9 Classics at previous Oak Tree Breeder's Cup meets.

10           And the following Sunday we partner with the  
11 Breeder's Cup to present the final round of the Breeder's  
12 Challenge, which will feature the Oak Tree Mile, the Ladies  
13 Secret Stakes, and the Ancient Title Stakes, all grade ones,  
14 as well as a giveaway, similar to what Del Mar gave away  
15 this weekend, a zippered fleece sweatshirt. This one will  
16 be in Oak Tree green.

17           And the day will be television live on ESPN, it  
18 will be the final major preparation day in the country for  
19 potential Breeder's Cup starters.

20           This year the Southern California simulcast of the  
21 Breeder's Cup returns to Oak Tree and we plan to make that a  
22 big day. Everyone attending that simulcast and live racing  
23 will receive an Oak Tree visor, and we're mailing 150,000  
24 mystery mutuel vouchers, good on that day only.

25           And, of course, the end of the meet highlight is

1 Cal Cup Day which will feature a million dollar guaranteed  
2 Pick-Six, a giant infield party, a terrific new giveaway,  
3 and the best horses bred in California.

4 We have two KROC on the agenda. Every Thursday  
5 admission for seniors is absolutely free. Every Sunday is  
6 family fun day in the infield and people under 18 get in for  
7 free. And an event we began last season, which proved very  
8 popular, will return. It's Carnival Days, where we turn the  
9 Santa Anita infield into a midway, with rides, games of  
10 chance, clowns, and food, and carnival days. It's a full  
11 weekend event sponsored by KBAY 104.3.

12 There's guaranteed Pick-Fours on every Saturday  
13 and Sunday and every weekday. This season on Sundays we're  
14 introducing Win, Place and Show Liver, which is a live  
15 version of our popular version of our popular website  
16 handicapping game. And to play you have to show up at the  
17 track on the first Sunday of the meet, sign up, and prior to  
18 the first race successfully pick a horse to show. If you're  
19 still alive for week two return to the track and pick  
20 another horse to show. Week three and four pick a horse to  
21 place, and five and six pick a horse to win. And whoever  
22 has survived and still standing will share in \$25,000 in  
23 cash prizes. And that's just, hopefully, a way to take what  
24 has been a very successful online promotion and turn it into  
25 a live promotion every Sunday, that will keep you coming

1 back as long as you pick your horse to show, place or win.

2 We'll have a dollar day on Columbus Day, with a \$1  
3 admission program, hot dogs, popcorn, beer and soft drinks.

4 And on Sunday, September 23rd, three days before  
5 we open, we'll host the Oak Tree open house at Clapper's  
6 Corner, in which we're inviting all interested racing fans  
7 to come out and inspect the new cushion track, to watch  
8 workouts, and take a little stroll on the new synthetic  
9 surface, themselves, after the horses are finished. And  
10 breakfast will be available. We'll make backstretch tram  
11 tours available, too.

12 And finally, since we're talking about opening  
13 day, I want to bring up a particularly special marketing  
14 promotion, we're giving dirt away. And the first 15,000  
15 fans on opening fans will receive a souvenir keepsake  
16 paperweight with the Oak Tree and Santa Anita logos, and  
17 horses running across the surface of real, honest to  
18 goodness dirt, which was cull sifted from the dirt track  
19 that we've just replaced.

20 And if you're a fan and have wonderful memories of  
21 days at Santa Anita with the all the great horses and riders  
22 who have competed over this track, I think being invited to  
23 take home a chunk of dirt will prove irresistible.

24 It's not necessarily a promotion to bring out  
25 newcomers on opening day, as much as a promotion to provide

1 a tangible memory of the historic Santa Anita dirt surface  
2 to long-time fans and horse players.

3           And this is, right now, the sample that we've got.  
4 This is the only one I've got, but I'd like to pass it  
5 around up there.

6           COMMISSION CHAIRPERSON SHAPIRO: That's great. I  
7 mean, it sounds like it's chock full of good things and I  
8 think that's wonderful.

9           VICE CHAIRPERSON HARRIS: Is the dirt clean?

10          MR. BARR: It may be more than what you wanted to  
11 know, but on the question of the track, why, we're assured  
12 that it will be ready on the 1st of September, and then it  
13 needs to rest for a week. And don't ask me what that means,  
14 because I have no idea. But shortly thereafter we'll be  
15 able to train horses on the track, so we'll be assured of  
16 somewhere between 16 days and three weeks of training before  
17 our meet opens on the 26th.

18          You can go to oaktreeracing.com, right now, and  
19 click on a link where you can see a webcam that's trained on  
20 the track and you can judge for yourselves, and I think  
21 they're right on target.

22          If you watch at midnight, which you're prone to  
23 do, Commissioner Harris --

24          VICE CHAIRPERSON HARRIS: Yeah.

25          MR. BARR: -- you won't see much.

1 (Laughter.)

2 VICE CHAIRPERSON HARRIS: They have lights on.

3 MR. BARR: But if you'll return in the daylight  
4 hours, you'll see them running around and doing their thing.

5 I think this promotion that Alan's just talked to  
6 you is the real -- it's a great one, and we're going to --  
7 somebody said inside, and I think it's worth of a joke for  
8 all of us because they're going to set aside a certain  
9 number of these for Bob Bafford that he can get his own  
10 training track started somewhere.

11 (Laughter.)

12 VICE CHAIRPERSON HARRIS: Yeah, he wants to open  
13 them up and put some water on them.

14 MR. BARR: So if you have anymore questions for us  
15 then --

16 COMMISSION CHAIRPERSON SHAPIRO: You've actually  
17 done such a good job --

18 VICE CHAIRPERSON HARRIS: I've got a question,  
19 though.

20 COMMISSION CHAIRPERSON SHAPIRO: Oh, go ahead.

21 VICE CHAIRPERSON HARRIS: When will your track  
22 actually be -- I was just concerned about the transition of  
23 horses from Del Mar to Santa Anita. Will they be -- when  
24 will they be able to ship in to Santa Anita and start  
25 training on that track?

1           MR. BARR: Well, to start training on track we're  
2 assured no later than the 10th of September. Shipping in,  
3 is --

4           COMMISSION CHAIRPERSON SHAPIRO: He's behind you.

5           MR. CHARLES: Ron Charles, MEC.

6           MR. BARR: Ron Charles is going to tell you that.

7           MR. CHARLES: Sure. Right now we're trying to  
8 have the barns available for training the first week of  
9 September. We're shooting for the 1st, but we feel very  
10 comfortable it will be that first week. We'll keep the  
11 Board informed as to when that will be.

12          VICE CHAIRPERSON HARRIS: Because it doesn't  
13 really -- someone might want to ship in and walk for a few  
14 days or something, but the track may be open as early as the  
15 1st?

16          MR. CHARLES: Well, they can.

17          COMMISSION CHAIRPERSON SHAPIRO: The training  
18 track, is it still available?

19          VICE CHAIRPERSON HARRIS: So they could do that.

20          MR. CHARLES: The training track is available.  
21 However, we're still laying the cushion track because we're  
22 going very far out with the clearance. So the bottom line  
23 is we're staying in touch with Del Mar to make sure that if  
24 they need to keep them another day or two -- we're shooting  
25 for the first, the first week we know we'll be allowing

1 horses in and training.

2 VICE CHAIRPERSON HARRIS: Because Del Mar doesn't  
3 have any barriers to stay open a few extra days if they need  
4 to, right?

5 MR. CHARLES: Yeah, no, they were fine. They were  
6 worried if it was going to go much longer. Right now we're  
7 on schedule, we certainly hope to be in and training  
8 certainly that first week.

9 VICE CHAIRPERSON HARRIS: One question I had. On  
10 Breeder's Cup day sometimes tracks change their post times  
11 but, basically, Oak Tree is going to keep your traditional  
12 post time on that day, your first post?

13 MR. HARLOW: Breeder's Cup they were planning on  
14 probably -- we're still waiting some post times from them,  
15 but we're going to run one race prior to the Breeder's Cup  
16 at 9:15, and we'll keep the Board informed of that, and then  
17 we'll run the Breeder's Cup races, and then we'll continue  
18 with our live card after that.

19 VICE CHAIRPERSON HARRIS: Yeah. It would be a  
20 nice touch to put that in the application.

21 MR. HARLOW: Well, at the time of the application  
22 we were still up in the air as far as post times on  
23 Breeder's Cup Day, as well as the day before Breeder's Cup.

24 VICE CHAIRPERSON HARRIS: Yeah, but they are the  
25 Eastern Time Zone. I guess it's such a big day for racing I

1 think it's good. Also, like your early bird wagering, I  
2 think it would be good to start that a little bit earlier,  
3 too, than your 8:30 time.

4 MR. BARR: That's a good point.

5 COMMISSION CHAIRPERSON SHAPIRO: Mr. Charles, you  
6 actually sat down a little too quick, sorry. I was going to  
7 use the opportunity to back door you and ask you about how  
8 the barn repairs are going, since you were talking about the  
9 track. Maybe you could give us a little update on that  
10 since we've also heard, now, about the track. What's going  
11 on in the barn area?

12 MR. CHARLES: Sure. We've currently got 24  
13 carpenters working six days a week, and the agreement is to  
14 try to do the inside of the stalls with plywood around, with  
15 painting. It's a lot more elaborate job than what we had  
16 thought. We will be continuing to upgrade the barns. It  
17 will probably go through the first part of January before  
18 we're able to finish all of them. But all of the barns,  
19 we're hoping by the end of January we'll have a new interior  
20 for the barns, and they really are much, much safer.

21 COMMISSION CHAIRPERSON SHAPIRO: And you are, in  
22 fact there as a committee that was formed?

23 MR. CHARLES: Yes, there was, with the TOC, CTT.  
24 We've met, George Haines has kept them informed. We're  
25 doing, on a priority basis, what is safest for the horse,

1 working on the inside.

2 COMMISSION CHAIRPERSON SHAPIRO: Great, thank you.

3 Thank you.

4 Mr. Barr?

5 MR. BARR: Yes, sir.

6 COMMISSION CHAIRPERSON SHAPIRO: I like Mr.

7 Chillingworth so much that I'm going to say you did almost

8 as good a job as he did.

9 MR. BARR: Oh, okay, that's wonderful, thank you.

10 COMMISSION CHAIRPERSON SHAPIRO: That was pretty

11 good. Thank you.

12 Mr. Liebau?

13 MR. LIEBAU: Yes, Jack Liebau from Hollywood Park.

14 I'd just like to say that Hollywood park has no objection,

15 or had no objection to the ten-race cards that Santa Anita

16 was proposing. I would hope that the associations would

17 retain the right to go back to the Commission and be able to

18 run those races at Hollywood. Last year we were 8.6, 8.7

19 and one thing that's in Southern California, the racing

20 secretaries really do a pretty good job of policing

21 themselves as far as taking care of the inventory, so to

22 speak. So I really think that that flexibility needs to

23 remain with the racing secretaries. Thank you.

24 COMMISSION CHAIRPERSON SHAPIRO: Thank you. All

25 right, if there are no other --

1           COMMISSIONER AMERMAN: I'd like to go back for a  
2 second on the issue of TVG exclusive and the fact that  
3 Youbet is going to be taking bets, but XpressBet doesn't. I  
4 think we've all read that in the claiming crown races at  
5 Ellis Park there was an exception made and each of them  
6 broadcast and took bets, and they had the largest handle  
7 they've ever had. Now, admittedly, it's a different track,  
8 but the fact is the handle was substantially above.

9           Now, there's nobody here from TVG, but is there  
10 not an opportunity to have XpressBet involved with the Oak  
11 Tree meeting? More as a test to see whether our handle  
12 would go up if we have all these entities.

13           You know, we all know that people tend to bet on  
14 what they can see and, therefore, I think it would be an  
15 advantage if we could somehow do that.

16           MR. BARR: As I recall Chillingworth telling me,  
17 that he approached TVG because we felt advised that we had  
18 to seek their permission because of the exclusivity of our  
19 contract, and we were denied that privilege by TVG. And I  
20 may be misquoting, but I don't believe so.

21           COMMISSIONER AMERMAN: So I guess I'd make a broad  
22 generalization and say we're all trying to do the best thing  
23 for racing. We now have some experience where if we have  
24 broad distribution, we get larger handle. It would seem to  
25 me somehow we could get to TVG and attempt to talk some

1 logic, if we could.

2 MR. BARR: There are a good number of these  
3 exclusive contracts with TVG that will be expiring in the  
4 not too distance future and I would suggest that some of  
5 those conversations are going to take place.

6 COMMISSIONER AMERMAN: My only point is sooner,  
7 rather than later, would be good.

8 MR. BARR: Well, I agree with you, but insofar as  
9 we can --

10 VICE CHAIRPERSON HARRIS: When will these  
11 contracts expire?

12 MR. BARR: I think it's in '08.

13 VICE CHAIRPERSON HARRIS: So this might be the  
14 last.

15 MR. BARR: Oak Tree's, yeah. And I think there's  
16 several others across the country in '09, so it's right  
17 around the corner.

18 COMMISSION CHAIRPERSON SHAPIRO: Perhaps, Mr.  
19 Charles, can you enlighten anything on this?

20 MR. CHARLES: Ron Charles, MEC. Commissioner  
21 Amerman, you were part of the discussions earlier this year,  
22 last year, to try to --

23 COMMISSIONER AMERMAN: I guess I never give up.

24 MR. CHARLES: And you shouldn't give up. Because  
25 the truth of the matter is the industry would benefit.

1 We're still trying, we're trying to make arrangements with  
2 TVG. We'd love to be able to take wagers at Oak Tree. I  
3 mean, they're racing at our racetrack and yet XpressBet  
4 cannot take wagers on their own racetrack, and so it's  
5 frustrating.

6 COMMISSIONER AMERMAN: Great.

7 MR. CHARLES: And so we would love whatever  
8 persuasive powers you have. We agree, it's wrong and,  
9 hopefully, this year we'll be able to fix that.

10 COMMISSION CHAIRPERSON SHAPIRO: When you say this  
11 year, are you talking about through new legislation that  
12 will fix it?

13 MR. CHARLES: Absolutely.

14 COMMISSION CHAIRPERSON SHAPIRO: I mean, you're  
15 not talking about the Oak Tree meeting.

16 MR. CHARLES: Oh, no.

17 COMMISSION CHAIRPERSON SHAPIRO: Yeah. I don't  
18 know where Commissioner Andreini is, but having heard the  
19 remarks of Commissioner Amerman and Commissioner Harris, I  
20 want to echo that, you know, we need to use every possible  
21 wagering source for our product, and I think it's really a  
22 shame that Oak Tree, which is a staple at Santa Anita, isn't  
23 carried on XpressBet.

24 MR. CHARLES: Well, it's the most confusing part  
25 for me to try to explain when they're racing at Santa Anita

1 and you can't wager or watch on HRTV.

2 COMMISSION CHAIRPERSON SHAPIRO: Yeah.

3 COMMISSIONER AMERMAN: Can one or all of us  
4 attempt to talk with TVG one last time, to see if  
5 can --

6 COMMISSION CHAIRPERSON SHAPIRO: Sure. Well, we  
7 can't all do that, we would have to do it as just a couple  
8 of us so we don't violate the laws.

9 COMMISSIONER AMERMAN: Well, I wasn't thinking  
10 about that rule, but you're right.

11 COMMISSION CHAIRPERSON SHAPIRO: But we could  
12 certainly ask to meet, perhaps, with Mr. Nathanson and other  
13 people, again, to try and express how important this is.  
14 But in all reality there is legislation that is pending and  
15 I believe that the industry is grappling with this.

16 And I know that in my personal discussions it  
17 doesn't seem that I've been able to make a dent. I know  
18 that you and I tried to make a dent last year. But we ought  
19 to keep trying.

20 COMMISSIONER AMERMAN: We all wear our teflon, we  
21 all wear our -- what do you call it, keflar?

22 COMMISSION CHAIRPERSON SHAPIRO: Yeah.

23 COMMISSIONER AMERMAN: So let's try again. We'll  
24 have to figure who goes.

25 COMMISSION CHAIRPERSON SHAPIRO: Yeah, okay.

1           VICE CHAIRPERSON HARRIS: Yeah, the whole subject,  
2 we've never discussed where you get into legislation, but it  
3 is a hot area, obviously, and all parties kind of think  
4 they're right. But I think the bottom line, as Richard  
5 pointed out, is we want to expand or we want to get as many  
6 people wagering on California races as we can.

7           COMMISSION CHAIRPERSON SHAPIRO: And I think we  
8 can say a few more things about this at a later agenda item,  
9 when we do get to legislation. So why don't we move on.

10           I'll entertain a motion to approve the Oak Tree  
11 license.

12           COMMISSIONER AMERMAN: So moved.

13           VICE CHAIRPERSON HARRIS: Second.

14           COMMISSION CHAIRPERSON SHAPIRO: All in favor.

15           (Ayes.)

16           COMMISSION CHAIRPERSON SHAPIRO: Good luck, good  
17 racing, and great promotion.

18           MR. BARR: Thank you very much.

19           COMMISSION CHAIRPERSON SHAPIRO: Well, let's see  
20 how Fresno can follow that. Number four, discussion and  
21 action by the Board on the application for license to  
22 conduct a horse racing meeting of the Big Fresno Fair at  
23 Fresno, commencing October 3rd through October 14th, 2007.  
24 Jackie?

25           STAFF SERVICES MANAGER WAGNER: The Fresno

1 District Fair has filed its application to conduct its race  
2 meeting at Fresno. They are proposing to race from October  
3 the 3rd through the 14th, or 11 days, which is the same  
4 number of days that they raced in 2006. The Fair is  
5 proposing to race a total of 94 races, which is one race  
6 less than they raced last year.

7 They will be racing six days the first week, and  
8 five days the second week, with eight races per day on  
9 Monday and Wednesday, eight or nine races on Thursday,  
10 Friday and Saturday, and nine to ten races on Sunday. They  
11 will be racing concurrently with the Oak Tree Racing  
12 Association and Bay Meadows.

13 Their first post time is proposed for 12:37 p.m.  
14 on Saturday and Sunday. They are proposing a 1:30 p.m. post  
15 on Friday, and a 1:15 p.m. post on Mondays, Wednesdays and  
16 Thursdays.

17 Their ADW providers are TVG, XpressBet, and  
18 Youbet.

19 We do have representatives from the Fair. And  
20 staff would recommend that the Board approve the  
21 application.

22 COMMISSION CHAIRPERSON SHAPIRO: Will the  
23 representatives of the Fair come forward? Good morning.

24 MR. WHITE: Good morning.

25 COMMISSION CHAIRPERSON SHAPIRO: I have to admit

1 that last week I had the pleasure of flying to Ferndale with  
2 Mr. White, and so I got quite a bit of insight into what  
3 you're doing up at Fresno, and I think it's really very  
4 impressive with some of the improvements that you're making  
5 at Fresno, and the crowds that you actually get at Fresno.  
6 Which it was enlightening to me to realize how much the  
7 greater Fresno area is growing and becoming truly a very  
8 vibrant community.

9 And as just our visit at Ferndale, where you see  
10 that some of these smaller communities had embraced our  
11 sport so wonderfully, it appears that at Fresno that's  
12 happening, too.

13 And so I thought that perhaps you could explain  
14 some of the improvements that you have made and are  
15 continuing to make at Fresno, which I think are elevating  
16 the racing up there.

17 MR. WHITE: Some of the major improvements  
18 are --

19 COMMISSION CHAIRPERSON SHAPIRO: Please state your  
20 name?

21 MR. WHITE: I'm sorry, Daniel White, Director of  
22 Racing, Big Fresno Fair.

23 We have initiated over half a million dollars in  
24 capital improvements this year, despite the fact we're  
25 completely overlapped. Some of the capital improvements we

1 have made is we have added red pavers to the paddock. This  
2 provides a beautiful viewing for the audience, it's very  
3 aesthetic, and also very comfortable for the horses.

4 We've also added 2.5 miles of irrigation pipe for  
5 a new grass infield.

6 One of my favorite items, this item I'm very  
7 excited about, we've built a VIP deck on our second floor.  
8 This not only, alone, has a view of the finish line, but it  
9 looks down upon our paddock. And this is going to be a very  
10 beautiful area, there will be umbrellas, sit-down dining  
11 outside, it's just going to be quite beautiful.

12 We've also added 1,159 popular trees that surround  
13 our -- they surround our racetrack, and what we're hoping to  
14 do is create a giant green hedge surrounding our facility.

15 We've also, in addition to these projects, we've  
16 renovated our grandstand restrooms with a fresh coat of  
17 paint and beautiful Spanish tile is now on the floors.

18 When you enter our infield you'll be driving this  
19 year underneath a replica of our 1890 grandstand. This  
20 should help to preserve some of our heritage.

21 And as I stated in our strategic plan, that was  
22 forwarded to the Board, over the past five years we have  
23 spent \$2.2 million in capital improvements.

24 And a long story short, we've been racing for 124  
25 years and, with your approval, we would like to continue

1 racing for another 124 years. We just need your assistance  
2 with the overlap, we need to be the host track.

3 If you give us a level playing field, and we'll do  
4 as much -- we'll do much more than previously mentioned.

5 Thank you, Mr. President.

6 COMMISSION CHAIRPERSON SHAPIRO: Thank you. While  
7 you're racing are you the host for Northern California at  
8 any time?

9 MR. WHITE: No, there's two --

10 VICE CHAIRPERSON HARRIS: You're never the host,  
11 even if you have a non-overlap day, the host fees all go to  
12 the association that's racing. So even though it helps the  
13 field size and so forth with the non-overlap days, but  
14 unless they have a completely non-overlap week they are  
15 never the host, unless the legislation gets changed.

16 MR. WHITE: Yeah, back in 2006 we were very  
17 fortunate, our meet closed with the handle up 9 percent over  
18 2005. And again, we're approaching this year with the same  
19 optimism and enthusiasm.

20 As horse numbers continue to decline, we were  
21 blessed last year with a tremendous average of 8.3 horses  
22 per race.

23 VICE CHAIRPERSON HARRIS: It's really growing and  
24 it's a big supporter of the Fair, and it's amazing the  
25 crowds they get in there. They've got a pretty big

1 grandstand it really fills up on weekends. And I think  
2 there's just a lot of future at Fresno. Not just because  
3 I'm there, but I can see the improvements they've done and  
4 the --

5 COMMISSION CHAIRPERSON SHAPIRO: Well, I know that  
6 a couple of years ago we had a meeting there and I was  
7 really surprised. And now that the complexity of our Board  
8 has changed, I think probably should try to go back there so  
9 that -- because what you will see is you will really see  
10 opportunities for growth and building of new fans. And so I  
11 really would urge anybody to get back up there at Fresno.  
12 Because, you know, it was jammed, and I thought it was  
13 terrific.

14 VICE CHAIRPERSON HARRIS: And Fresno, it's a long  
15 ways from any other racetrack. A lot of the fairs are  
16 relatively close to the Bay Area racetracks, but Fresno is  
17 at least a three-hour drive from the closest alternate  
18 track.

19 COMMISSION CHAIRPERSON SHAPIRO: Well, we all  
20 discount you because we know you're Mr. Fresno. But what  
21 I'm saying is not Mr. Fresno, it really was great.

22 Does anybody else have any questions for this  
23 applicant? If not, I'll entertain a motion.

24 VICE CHAIRPERSON HARRIS: I'll move the approval.

25 COMMISSION CHAIRPERSON SHAPIRO: It's moved. Is

1 there a second?

2 COMMISSIONER AMERMAN: Second.

3 COMMISSION CHAIRPERSON SHAPIRO: All in favor?

4 (Ayes.)

5 COMMISSION CHAIRPERSON SHAPIRO: Thank you. Thank  
6 you very much.

7 Item Number 5, public hearing and action by the  
8 Board on the proposed amendment of CHRB Rule 1486, term of  
9 license to set the term for the backstretch event personnel  
10 license classification.

11 I'd also like to thank Mr. Wyatt and Mr. Haines,  
12 who provided information to us on this matter.

13 Jackie, you want to begin?

14 STAFF SERVICES MANAGER WAGNER: As you know, at  
15 the February 2007 meeting, a meeting of the Board, the  
16 proposal to add the new license class for backstretch event  
17 personnel was adopted. The new license class expires on an  
18 annual basis, which made it necessary to add the term of  
19 license to Rule 1486, the rule describes the term of such  
20 one-year licenses.

21 The proposal was subsequently noticed for the 45-  
22 day comment period. During that time we did receive a  
23 comment from Local 1877, of the Service Employees  
24 International Union. They had several concerns with the  
25 proposal. Specifically, they stated that the issue of the

1 backstretch event personnel arose due to the failure or  
2 refusal of racing associations to provide regularly licensed  
3 security personnel to monitor the horses entered in the  
4 stakes races and other special events.

5           They were contending that this was purely an  
6 economic move.

7           Then in response to that concern staff is  
8 suggesting that this proposal, that they are suggesting, is  
9 contrary to the reasoning used to add the license  
10 classification to Board Rule 1481.

11           COMMISSION CHAIRPERSON SHAPIRO: Jackie, hold on a  
12 second, hold on. Okay, go back.

13           STAFF SERVICES MANAGER WAGNER: Racing  
14 associations hire our backstretch event personnel on an as-  
15 needed basis to supplement the existing security officers.

16           The Local 1877 also commented that there was no  
17 "specific jurisdiction that had been made for a one-year  
18 term of license," and intimated that the term is an attempt  
19 to differentiate between the backstretch event personnel  
20 work from the professional security officers on the  
21 racetrack.

22           Staff would again comment that the one-term  
23 license ensures that a private security guard, who has  
24 worked once or twice on the backstretch does not possess a  
25 license that grants three years of access to the enclosure.

1 And we want to reiterate that the backstretch event  
2 personnel are hired on an as-needed basis.

3 The Board, during the discussion on this  
4 particular proposal had instructed Hollywood Park and Santa  
5 Anita to draft and to submit a draft of policies and  
6 guidelines relating to their backstretch personnel. This  
7 has been completed. The draft policy, I believe, is  
8 included in your packages. And it addresses the selection  
9 of the outside security guards company and the criteria that  
10 they would use to provide the backstretch personnel training  
11 and briefing on the event personnel, and the instructional  
12 material and forms that will be used to do this.

13 Staff would recommend that the Board adopt the  
14 amendment to 1486 as presented.

15 COMMISSION CHAIRPERSON SHAPIRO: Thank you. Does  
16 any Board member have any -- as I understand it, we would be  
17 adopting this revision to the rules, which would adopt this  
18 classification. Does any Board member have any comments to  
19 that?

20 VICE CHAIRPERSON HARRIS: Well, I think that, you  
21 know, there possibly are some labor/management issues  
22 involved here. But I think all we're doing is authorizing  
23 this type of license. That's our purview and I don't think  
24 we should get into all the, basically, unionization issues.

25 COMMISSION CHAIRPERSON SHAPIRO: That is my

1 understanding. What we're doing is we are simply adopting a  
2 classification that would allow for this. I did read the  
3 guidelines that were put forward by Mr. Wyatt and Mr.  
4 Haines, I believe, and I thought that they were very  
5 informative and useful so that we could understand exactly  
6 how this is handled.

7 So if the Board doesn't have --

8 VICE CHAIRPERSON HARRIS: I'll move we adopt the  
9 rule.

10 COMMISSION CHAIRPERSON SHAPIRO: Okay, moved. Is  
11 there a second?

12 COMMISSIONER ANDREINI: I'll second it.

13 COMMISSIONER AMERMAN: Second.

14 COMMISSION CHAIRPERSON SHAPIRO: Second. Is there  
15 anybody from the audience that chooses to discuss this? Mr.  
16 Wyatt, please state your name.

17 MR. WYATT: Eual Wyatt, Hollywood Park. I'd just  
18 like to get on the record I agree with Mr. Harris that we  
19 don't need to take the Board's time with management and  
20 labor problems at the moment. But I just want it on the  
21 record that the letter that was sent to you by Union 1877,  
22 signed by Lee Hall, is far, far from the facts. And when  
23 that discussion does take place, we will substantiate that.

24 COMMISSION CHAIRPERSON SHAPIRO: Well, thank you.  
25 First of all, can I ask the people in the back, the room

1 echos and so we're hearing a lot of noise up here, so if you  
2 could keep it down, we'd appreciate it.

3 I agree with Mr. Harris's comments that while we  
4 may hope that you can work an arrangement with a labor  
5 organization, I don't think it's our place to enter that  
6 fray. And, therefore, what we're doing I don't think has  
7 really any bearing on that, we're adopting a classification  
8 of event personnel, I think that you have put through us  
9 what these people will be doing, how they're trained, how  
10 the licensing will work. And so from my perspective, I  
11 agree that we should move forward and adopt this.

12 If there are no other comments, I'll call the  
13 question. Therefore, all in favor?

14 (Ayes.)

15 COMMISSION CHAIRPERSON SHAPIRO: It is approved.

16 EXECUTIVE DIRECTOR FERMIN: I'd just like to  
17 comment. I don't think anyone's here from Del Mar, but the  
18 surveillance that they've had at Del Mar, I've gotten some  
19 very positive comments from horsemen and from -- it's worked  
20 very well with the -- they've worked very well with our CHRB  
21 people, and the official vet, and also the stewards, so the  
22 format has really been exceptional.

23 COMMISSION CHAIRPERSON SHAPIRO: Okay. Item  
24 Number 6, update and discussion by the Board on the  
25 legislative bills concerning California's horse racing

1 industry.

2           This item was put on the agenda because we are all  
3 in a very critical period where there are a number of bills  
4 that are moving through the Legislature. The legislative  
5 session is going to come to a close very quickly and I think  
6 we would like to know what bills that are out there that are  
7 active, and see if there could be some discussion, a general  
8 discussion as to how the industry can improve itself through  
9 legislation that may be pending.

10           In our packets, what we received were a listing of  
11 bills and it only appeared to me that, unless I'm not  
12 understanding it right, that SB 873, which is the Flores  
13 bill, is on suspense file. I read that as meaning it's not  
14 dead, but it's maybe wounded. And so that's the one where,  
15 personally, I think that the industry should be rallying  
16 behind what that bill seemed to contain. That seemed to be  
17 a bill that was pretty far encompassing in terms of to  
18 create some immediate relief, both in terms of economics and  
19 tools that would give the industry a chance to adapt to  
20 changing times.

21           Is there anybody else that would like to comment  
22 on that?

23           VICE CHAIRPERSON HARRIS: Well, that bill's  
24 obviously a good bill, I think. The problem is that it's  
25 going to be a two-year bill because it would require General

1 Fund money to really come -- really, the indians are paying  
2 about 300 million in mitigation that really redirects some  
3 of that, that went into the General Fund, would instead go  
4 to F&E, and it would relieve the -- the license fee money  
5 would go to pursues, which could increase purses by 15  
6 percent or so.

7 But I think that bill would have a chance if the  
8 industry's completely behind it. But, unfortunately, I  
9 don't think it's going to happen this year, but it's  
10 something we do need to get some closure on at some point.

11 COMMISSION CHAIRPERSON SHAPIRO: I guess the  
12 question is maybe people from the industry could tell us  
13 they like it or they don't like it. I mean, yeah, we're up  
14 here trying to find a way to better the industry. You are  
15 the industry, so help tell us what to do to help.

16 Mr. Couto?

17 MR. COUTO: Sure. Drew Couto, Thoroughbred Owners  
18 of California. We'd like to think that 873 is not a two-  
19 year bill. There is still an opportunity this year to push  
20 this bill and push it hard, and I think that there is a  
21 fairly significant component of the industry that is trying,  
22 over the next two weeks, to launch a major campaign and move  
23 that thing forward, hopefully with help beyond the industry  
24 to do so.

25 So we ask that it not yet be viewed as a two-year

1 bill, but if it has to be, it has to be. We'd like to see  
2 what we can do until the Legislature's out.

3 VICE CHAIRPERSON HARRIS: Would it have to be part  
4 of the budget bill? I mean, it would have to be  
5 incorporated into that, somehow, to really make it viable  
6 for the immediate?

7 MR. COUTO: I'm not certain that it has to be made  
8 part of the budget bill. Obviously, there's a correlation  
9 between the two. But I would defer to our legislative  
10 advocates to tell you exactly how they would accomplish  
11 that. But they have told us, and our colleagues, who are  
12 all trying to work on this, that don't give up hope quite  
13 yet and let's get the push going. And again, it may be  
14 helpful to have some outside the industry helping us as  
15 well.

16 COMMISSION CHAIRPERSON SHAPIRO: Well, you came  
17 forward, which I appreciate very much that you had the guts  
18 to step forward. How can we galvanize? I mean, we keep  
19 hearing a lot of talk, and a lot of rhetoric, and everything  
20 else, and I'm not picking on your words, we hear our  
21 legislative advocates are going to get -- who's going to  
22 actually do it? And is there anything that we can done  
23 since, again, we want to see the industry prosper, that's  
24 why we're all sitting up here. What can we do or what makes  
25 it happen rather than it seems there's a lot of talk that

1 just goes around in circles and so forth. What's the  
2 impediment, how do we get off the dime here?

3 MR. COUTO: This is a political process and it's  
4 going to end up, you know, obviously up in Sacramento. And  
5 the keys to having this bill move forward are support from  
6 the Governor's office, and support from Mr. Nunez and  
7 Senator Perata. And that -- getting their support requires  
8 a coordinated effort within the industry.

9 And I know that like minded entities have been  
10 meeting over the past two and a half weeks on how we do this  
11 from a strategic stand point. And, hopefully, you know, we  
12 haven't given up hope yet, and we're hoping to come up with  
13 something bigger here.

14 COMMISSION CHAIRPERSON SHAPIRO: Without  
15 identifying anybody, are there factions of the industry who  
16 are not in favor of this legislation, do you know?

17 MR. COUTO: I don't --

18 COMMISSION CHAIRPERSON SHAPIRO: Without  
19 identifying them?

20 MR. COUTO: I don't know for certain.

21 VICE CHAIRPERSON HARRIS: Well, I think the  
22 problem is that it's just tough to get General Fund money  
23 allocated to racing. I mean, I think that maybe it could  
24 happen if there was money from someplace, like some of the  
25 compacts, that was earmarked for this, but the compacts have

1 passed and all that. So I just think it's -- I mean, a lot  
2 of us have seen the bill, and I know that Flores is driving  
3 behind the bill, and I think the Governor would sign the  
4 bill, hopefully, depending on how he viewed its impact on  
5 the budget. But it sounds like a real task.

6 MR. COUTO: I think everybody recognizes that the  
7 bill is undergoing some changes right now and that it would  
8 largely be contingent on passage of the compacts, that's  
9 where the funding would come from, it won't come out of the  
10 current funding of General Funds. But if these compacts are  
11 in fact passed, then that's the source --

12 VICE CHAIRPERSON HARRIS: These are like new  
13 compacts?

14 MR. COUTO: Correct.

15 VICE CHAIRPERSON HARRIS: I thought we already  
16 passed some compacts, but these are some other compacts.

17 MR. COUTO: It is the compacts. Not the prior  
18 1999 or 2004 compacts, no.

19 COMMISSION CHAIRPERSON SHAPIRO: It's the ones  
20 which are in the news today?

21 MR. COUTO: Correct.

22 VICE CHAIRPERSON HARRIS: But those -- I thought  
23 those compacts were essentially a done deal. I mean, there  
24 might be a referendum on them, but they were a done deal as  
25 far as the State was concerned about this --

1           MR. COUTO: That's correct. But how the monies  
2 that are derived from those compacts are spent is not yet  
3 decided.

4           COMMISSION CHAIRPERSON SHAPIRO: Well, again, if  
5 anybody else wishes to address this, otherwise I think that  
6 those of us up here, that I know, we very much would love to  
7 see that this could be pushed forward and we just want to  
8 help.

9           Mr. Castro?

10          MR. CASTRO: My name is Richard Castro,  
11 representing Pari-Mutuel Employees Guild Local 280.

12          I just have a question. Most of you, I believe,  
13 were appointed by this Governor. What are you specifically  
14 doing, that you can share with us, to help racing gain more  
15 revenue?

16          COMMISSION CHAIRPERSON SHAPIRO: Well, speaking  
17 only for myself, I can just tell you that I certainly, in  
18 any discussions that I have had with anybody, you know,  
19 informally, on staff of the Governor, have tried to explain  
20 that this industry is going through, you know, a very  
21 difficult time and it includes all constituents within the  
22 industry. I believe his office is aware of it, I believe  
23 his office is desirous of helping, and I have yet to meet  
24 anybody that hasn't been receptive to it.

25          But, unfortunately, we are a very small part of

1 California's economy and, you know, they're dealing with a  
2 lot of other difficult issues and so forth. I mean, all we  
3 can do is, if asked, put forward the view of how we would  
4 hope to help the industry. I don't know that -- you know,  
5 we're regulators. We're not policy makers that can do that.  
6 If we're asked, I certainly offer my opinions, I'm never  
7 shy.

8 MR. CASTRO: Oh, I know you're not shy, but I  
9 would have thought that being most of you were appointed by  
10 this Governor that you would have a pretty strong say.  
11 You're not talking about just a little segment industry,  
12 you're talking about 60,000 people, union, non-union, family  
13 farms that are directly dependent on this industry.

14 COMMISSION CHAIRPERSON SHAPIRO: I think they know  
15 that. In fact, every Legislator, when we went up to  
16 Legislative Day and we met people, I think everybody knows  
17 that, okay.

18 MR. CASTRO: Well, in my experience, when I've  
19 gone up there, what I've found is that, yes, you talk, but  
20 you don't get any results. I haven't seen anything  
21 definitive come out of this Governor, willing to put 300,  
22 400 million, whatever, into purses. I'm not even asking it  
23 for myself, I'm asking it for the industry.

24 COMMISSION CHAIRPERSON SHAPIRO: Well --

25 MR. CASTRO: And I can see you're pinching your

1 lips so I'll excuse myself, now.

2 COMMISSION CHAIRPERSON SHAPIRO: No, no, no, I'm  
3 not pinching my lips, Richard. The truth is, you know, I  
4 hate to say this, but there may not be \$300 million that's  
5 possible. On the other hand, we have to look at, well, what  
6 can we get, and can it be done on an incremental basis.  
7 And, you know, I mean, remember, there are other, bigger  
8 issues that the government, Legislators and the Governor's  
9 office have to deal with, whether it be healthcare, prisons,  
10 childcare, all those issues.

11 And when it comes to horse racing, unfortunately,  
12 everybody in this room knows that we're trying to get help.  
13 And I believe that we, as Board members, are trying to  
14 advocate to try and get help for the industry, too. But I  
15 don't think any of us have a magic wand where we can, you  
16 know, make it happen. I certainly don't.

17 But I think we all are speaking the gospel of we  
18 need help because that's true, and we're going to continue  
19 to.

20 But I think that what I have heard is we have to  
21 come united. The one thing I've always heard is, from  
22 everyone I've met with in Sacramento, we all have to go up  
23 hand in hand. And I think that's been the downfall of the  
24 industry.

25 MR. CASTRO: Listen carefully, then. I'm going to

1 turn around and I'm going to face my brothers and sisters  
2 behind me, and I will be willing to bet that virtually every  
3 hand, and every hand had better go up, is there anyone  
4 behind me that thinks that we do not need 300 million into  
5 purses each year, raise your hand?

6 Not one person thinks we need \$300 million into  
7 purses?

8 VICE CHAIRPERSON HARRIS: Well, but you've got to  
9 be realistic. I don't think any of us in this business are  
10 looking for a handout, we've got to make --

11 MR. CASTRO: No one's saying it's a handout.  
12 Who's saying it's a handout?

13 VICE CHAIRPERSON HARRIS: Well, but the  
14 Governor's --

15 MR. CASTRO: We have supplemented schools through  
16 your charity funds, we've supplemented a lot of things. It  
17 used to be the only game in town, we had a monopoly. The  
18 rules have been changed. We're not asking for a handout.

19 VICE CHAIRPERSON HARRIS: Richard, but I think the  
20 bill in question is Flores bill, what this does -- we're not  
21 looking -- my theory is we don't want a handout, we just  
22 don't want to be taxed. I mean, we're taxed on our sales  
23 tax, and income tax, and all that. But there is a license  
24 fee tax that is about 40 million, and that's what we want  
25 back to the industry.

1           And the thing is that goes to the F&E, Fairs and  
2 Expositions and, obviously, they can't afford to lose it.  
3 So the Flores concept was to take \$60 million of the  
4 mitigation money and give it to F&E. And that, you know,  
5 it's a very good concept, it's just if you take money out of  
6 the General Fund, they've been fighting over that budget for  
7 two months already.

8           COMMISSION CHAIRPERSON SHAPIRO: Richard, had you  
9 asked your question how many people want 300 million,  
10 everybody would have raised their hand.

11           I, personally, don't know that we need 300  
12 million. Okay. What we need are tools to grow our business  
13 and fix our business.

14           In addition -- in addition to certain monies  
15 immediately, so that we can jump start the business. Okay.  
16 But I don't believe that this is the place for us to debate  
17 those issues.

18           The bottom line is that we do need to find a way  
19 to improve our business. The Flores bill appears to me as a  
20 good first step towards trying to fix our business and,  
21 therefore, it's the only piece of legislation that I saw,  
22 when I looked at this, that might be the beginning of a  
23 process to revitalize horse racing in California and,  
24 therefore, I'm obviously very supportive of it.

25           How we can take our collective support and muster

1 it so that we can get this bill enacted is really in the  
2 hands of the people in the audience, not us, as Board  
3 members.

4 And so I hope that everyone will move forward to  
5 get either this bill enacted, or a bill that is similar to  
6 it, or a better bill. But rather than what we're seeing is,  
7 once again, it appears that horse racing's going to come up  
8 with zippo if we don't somehow find a way to unite.

9 MR. CASTRO: Well, whether the figure is 100  
10 million, 200 million, 300 million, you're correct, everybody  
11 back here wants to see that money. And here I am, an  
12 advocate for labor, an advocate for workers, and I'm arguing  
13 for racing associations. I want to see that they all stay  
14 in business, I want to see that they all prosper.

15 Yes, I will sit down.

16 COMMISSION CHAIRPERSON SHAPIRO: Thank you, and we  
17 feel the same, at least I feel the same way.

18 Let's move on, if there are no other --

19 VICE CHAIRPERSON HARRIS: The other bill, on the  
20 ADW bill, which I'm not sure exactly what the status of it  
21 is --

22 COMMISSION CHAIRPERSON SHAPIRO: That's the  
23 Portafino Bill.

24 VICE CHAIRPERSON HARRIS: And that's a -- I mean,  
25 there's a lot of ins and outs on the negotiations on that.

1           COMMISSION CHAIRPERSON SHAPIRO: Can somebody  
2 update us on what the status of that piece of legislation  
3 is? I mean, we're all -- we all know that there's a  
4 deadline the end of this year, that ADW is going to sunset.  
5 And, therefore, I am concerned that if ADW sunsets, it will  
6 have, obviously, dramatic effects on the industry. Is there  
7 anybody brave enough to come forward and tell us where that  
8 stands?

9           Somebody's pointing to someone. Drew, I guess  
10 you're the elected spokesman on legislation today.

11           Listen, I know it's warm in here and I'm trying to  
12 move this along as much as I can. And if we need a break,  
13 where everybody can get a break, you know, please speak up.

14           Drew?

15           MR. COUTO: Sure. I believe your question is what  
16 is the status of the current ADW bill?

17           COMMISSION CHAIRPERSON SHAPIRO: Yes.

18           MR. COUTO: As you know -- as you may or may not  
19 know, the industry spent five and a half months working on a  
20 version of the bill that we all agreed to, with the  
21 exception, I think, of TVG. It was submitted to the author  
22 over a series of weeks. There were some changes and the  
23 version that came out of his office essentially gutted the  
24 industry version and presented something that was not, in  
25 our view, favorable.

1           So we have gone back, we've completed amendments  
2 to his bill. He's going to be asked to support the  
3 amendments to his bill. If not, then it will play out in  
4 Sacramento in a way, I'm not sure how it will end up. So we  
5 may or may not have ADW next year.

6           But at least from, again, the majority of the  
7 industry, we're agreed on wording of the bill and it  
8 will --

9           COMMISSION CHAIRPERSON SHAPIRO: Can I ask you two  
10 specific questions?

11          MR. COUTO: Sure.

12          COMMISSION CHAIRPERSON SHAPIRO: In the current  
13 form, would the bill provide for exclusives on wagering and  
14 broadcasts, or would it provide for exclusives on just  
15 broadcast or see neither?

16          MR. COUTO: It does not prohibit any exclusives.  
17 It requires, at least in the language that the industry  
18 submitted, it would require the concurrence of the horsemen  
19 and the racing association in order to have an exclusive,  
20 whether it be for wagering or television, it would require  
21 the concurrence, which is something different.

22          COMMISSION CHAIRPERSON SHAPIRO: And would  
23 horsemen -- in the past, this Board has heard a lot about  
24 horsemen are not seated at the table when these contracts  
25 are entered into. Would the horsemen's representatives now

1 be part of the decision making process?

2 MR. COUTO: We believe we would, yes, according to  
3 the current language, correct.

4 COMMISSION CHAIRPERSON SHAPIRO: Okay. John?

5 VICE CHAIRPERSON HARRIS: Yeah, and the other  
6 section of the bill, because this area is one of the few  
7 real large growth areas we have in the industry, and I  
8 realize there needs to be equity, and I'm just concerned  
9 that we don't enter into some kind of a suicide pact, or end  
10 of the Legislature adjourns and we don't have any ADW bill  
11 at all. But then, again, I guess it's a poker game, you've  
12 got to negotiate well.

13 MR. COUTO: I think it's obvious none of us would  
14 like to go into next year without an ADW bill. But if the  
15 bill is not fair to the industry, doesn't return a correct  
16 percentage to the industry, or denies the largest  
17 stakeholder in the industry a seat at the table, I don't  
18 think it's wise to go ahead with a bill that has all these  
19 holes. But we're trying to get a bill out there, our  
20 colleagues agree with the language we've put forward, we  
21 think we'll be better off, all of us will be better off if  
22 we do.

23 VICE CHAIRPERSON HARRIS: Yeah, because a key  
24 player is obviously TVG. And my concern is that if there  
25 are negotiations going on, that they're good faith

1 negotiations on both sides, and everyone really pursues  
2 trying to work out a deal for at least some extension.

3 MR. COUTO: Five and a half months we've tried to  
4 do that, and we've tried to continue it, and we'll go down  
5 to the wire, so we'll see what happens.

6 COMMISSION CHAIRPERSON SHAPIRO: There are some  
7 other pieces of legislation that --

8 MR. CASTRO: Excuse me, can I take a shot at this?

9 COMMISSION CHAIRPERSON SHAPIRO: Go ahead.

10 MR. CASTRO: Regarding the ADW -- my name is  
11 Richard Castro, representing the Pari-Mutuel Employees Guild  
12 Local 280.

13 Regarding ADW, is there anything that the  
14 Commissioners are doing to help Local 280 get live telephone  
15 operators in the State of California?

16 COMMISSION CHAIRPERSON SHAPIRO: Mr. Castro, we  
17 really aren't the body that is -- you know, we're not  
18 legislative advocates, unfortunately. And we are looking to  
19 regulate the industry, support the industry, find ways to  
20 improve it, but I don't think that we are the source that is  
21 really intended to advocate the legislation that comes  
22 before the Legislature.

23 MR. CASTRO: Even though that was the original  
24 intent when the law came into California? That was one of  
25 the factors.

1           COMMISSION CHAIRPERSON SHAPIRO: Well, I  
2 understand when the bill was originally came forward, I was  
3 not on the Board at the time, and from what I heard that the  
4 hubs were going to be located in California.

5           And if somebody said to me, hey, Richard, do you  
6 think it should be, I would answer in the way I felt it  
7 should be. But I think that's probably the pitch you need  
8 to be making with the Legislature, not us.

9           MR. CASTRO: You're the licensing agency and I  
10 seem to recall, and I won't mention any names, so people can  
11 relax, I seem to recall some of the people in this room  
12 making a commitment to me that we would be getting live  
13 telephone operators, and I thought it was in the year 2007.  
14 Again, I'm not going to mention any names, I'm just going to  
15 make the remark.

16           COMMISSION CHAIRPERSON SHAPIRO: Thank you. There  
17 are other pieces of legislation that appear to be active and  
18 I don't know if anybody chooses to comment on them. I don't  
19 know if I have them all. There appears to be a bill that is  
20 moving forward with respect to increasing the minimum jockey  
21 riding fees on losing mounts.

22           Again, I'm hoping that I'm current. There is a  
23 bill that is moving forward, which would authorize certain  
24 fairs to have simulcast facilities, additional simulcast  
25 facilities.

1           Then there is another bill that would -- let's  
2 see, this one was -- I didn't really understand what this  
3 Turico bill is that's out for third reading, that would  
4 authorize the Thoroughbred Association of Fairs to deduct  
5 pari-mutuel pull for any type of a wager, a specified  
6 percentage for the meeting for the thoroughbred association  
7 that accepts the wager. I don't know what that is.

8           And then I know that we have a bill that would  
9 change the way - the Garrick bill, which would be our bill,  
10 which is sponsored by the CHRB, which is an effort to try  
11 and improve our judicial or adjudication system, so that we  
12 can deal with hearings in a better and faster approach.

13           Where does that bill stand, the Garrick bill?

14           EXECUTIVE DIRECTOR FERMIN: It's scheduled,  
15 Senator Denham is supposed to jockey it in the Senate for  
16 us. We have the support for the CTT and the TOC. We've  
17 been working on final wording. I think everybody is  
18 satisfied that this is kind of going back to pre-2001, when  
19 we had hearing officers hear our medication issues of Class  
20 ones, twos and threes. So I think we're all in agreement  
21 and we've been working on it.

22           COMMISSION CHAIRPERSON SHAPIRO: All right.  
23 I, obviously, very much favor that bill and would love to  
24 see that bill get enacted. I think it will make our jobs  
25 and the industry well served.

1           And there's a State Fair leasing authority bill  
2 that appears still to be moving. And then I guess the last  
3 one is a bill which deals with the California Horse Racing  
4 Board and reforms to the California Horse Racing Board,  
5 which I believe is the Yee bill. And I have no comment on  
6 that bill.

7           VICE CHAIRPERSON HARRIS: You support that bill?  
8 You know, the Yee bill I think is bad legislation, even if  
9 it would impact negatively, but that's not the reason I'm  
10 opposed to it. It would limit who the Governor could  
11 appoint to the Board, where now he can appoint anybody.  
12 This would say he cannot appoint more than three members.  
13 It also has a particularly bad part of it, that has been  
14 inserted, that any Governor could remove any or all members  
15 of the Racing Board at any time. And so it would be -- you  
16 know, give a Governor, regardless of who it was, a party  
17 could go different ways but, basically, it would allow a  
18 Governor to completely micromanage the Board, which I think  
19 is bad public policy.

20           COMMISSION CHAIRPERSON SHAPIRO: Well, you could  
21 do it, actually, if you voted a certain way, and you didn't  
22 like the way you voted on any issue, they can say you're  
23 off.

24           VICE CHAIRPERSON HARRIS: Yeah, you might have to  
25 make an announcement during the middle of a meeting that the

1 Board's just been dismissed.

2 COMMISSION CHAIRPERSON SHAPIRO: Right. So, all  
3 right, does anybody have any other comments on the  
4 legislation?

5 Yes, please state your name?

6 MR. PUETZ: Steven Puetz, from Assemblyman  
7 Garrick's office. He is the proud author of 1616 and he has  
8 been working with you folks. Particularly, I know Ingrid  
9 has been in our office a couple of times. He is a freshman  
10 and as it stands now, hopefully, he'll have another five  
11 years working as an advocate for the thoroughbred owners of  
12 California, and the California Horse Racing Board.

13 He grew up pretty close to here in Bonsall, had a  
14 family ranch, and he understands how important San Luis Rey  
15 Downs is and, of course, the Del Mar track is to not only  
16 our community, but to the industry, and also to tourism, and  
17 tax dollars, and whatnot.

18 So thank you for sponsoring this bill and he looks  
19 forward to getting it through.

20 COMMISSION CHAIRPERSON SHAPIRO: Well, thank you,  
21 and thank you for carrying the bill, I think it will help  
22 the industry immensely.

23 VICE CHAIRPERSON HARRIS: It has to be a  
24 bill -- we need to get the industry's support in getting  
25 that through, it has a lot of merit.

1 EXECUTIVE DIRECTOR FERMIN: And I just want to say  
2 that Assemblyman Garrick's office has been very helpful, and  
3 very hospitable, and helped us along the way, too, so we  
4 appreciate his help.

5 COMMISSION CHAIRPERSON SHAPIRO: Okay.

6 EXECUTIVE DIRECTOR FERMIN: He has a horse racing  
7 background, and has owned horses, and so he's very  
8 interested.

9 COMMISSION CHAIRPERSON SHAPIRO: All right. Item  
10 Number 7, discussion and action by the Board on the  
11 nomination of members of the Board of the Directors of the  
12 California Thoroughbred Horsemen's Foundation, Inc.

13 Good morning.

14 MR. ZAVALA: Good morning, Chairman. This is  
15 Roberto Zavala, CHRB staff.

16 In front of you, you have a request to approve a  
17 certain number of Board members to the CTHF. CHRB Rule 2049  
18 allows a minimum of five and a maximum of nine directors or  
19 trustees, subject to Board approval.

20 The charitable organization may not be a  
21 subsidiary or a division of the horsemen's associations.  
22 The directors or trustees of the charitable corporation may  
23 be common directors of the horsemen's organization if at  
24 least 40 percent of the directors or trustees of the  
25 charitable corporation have no financial interest in horse

1 racing as a licensed owner, trainer, or assistant trainer,  
2 and are not a current member of the horsemen's association.

3 The term of the director or trustee is two years.  
4 A director or trustee may serve succeeding terms.

5 Before, like I mentioned earlier, before you is a  
6 request from CTHF for a proposal of including the following  
7 nominations: Noble Threewitt, Ken Smole, Cliff Goodrich,  
8 George Nicholaw, and Lynda Ross.

9 After reviewing this, our recommendation is to  
10 approve this request.

11 VICE CHAIRPERSON HARRIS: I know most of these  
12 people and it's a good Board. I'll move that we approve the  
13 request.

14 COMMISSION CHAIRPERSON SHAPIRO: Is there a  
15 second?

16 COMMISSIONER AMERMAN: Second.

17 COMMISSION CHAIRPERSON SHAPIRO: All in favor?

18 (Ayes.)

19 COMMISSION CHAIRPERSON SHAPIRO: It is approved.  
20 Item 8, discussion and action by the Board concerning  
21 granting the Executive Director and the Chairman of the  
22 Board the authority to execute and approve settlements  
23 involving medication violations for classes I, II, or III  
24 drug substances.

25 This matter is, as you know, we try to adjudicate

1 settlements as quickly as possible. This would delegate, to  
2 the Executive Director and the Chairman, the authority, and  
3 of course approved by the Board of Stewards, so that we can  
4 approve settlements that are deemed in the best interest.

5 Is there any discussion on this item?

6 VICE CHAIRPERSON HARRIS: I think it really  
7 ratifies what the policy has been. The only thing I would  
8 see is if it's like a class I, or something like that, that  
9 maybe the Board should be informed and have a due diligence  
10 period to see if they approve the settlement. And also,  
11 that if the settlement is approved, that the Board is -- I  
12 mean, if a settlement is made, the Board is notified that it  
13 was resolved and what the criteria was for resolving it.

14 COMMISSION CHAIRPERSON SHAPIRO: All right. What  
15 I would recommend is, and I'm getting held cards here. My  
16 view on this is that I think it's important that, you know,  
17 unfortunately, RMTC guidelines have not yet been adopted,  
18 and we're waiting for that to occur. But I know that there  
19 are some settlements that have been entered into and I feel  
20 that there should be representatives on the Board so that we  
21 know what's going on. And I fully agree with you that all  
22 Board members should be made aware of those so that the  
23 spirit of the Board is being made in the decisions that are  
24 being made. I don't have a disagreement with that.

25 VICE CHAIRPERSON HARRIS: And as I understand it,

1 the settlement also goes back to the stewards, and the  
2 stewards have to also approve it?

3 COMMISSION CHAIRPERSON SHAPIRO: Yes.

4 EXECUTIVE DIRECTOR FERMIN: Correct. What happens  
5 is that if the parties indicate that they want to try to  
6 settle, generally that's been handled by one of our staff  
7 members in Sacramento, who's one of the investigators, or if  
8 there are DAGs involved, and such. So that a settlement has  
9 to be something that's, obviously, good for both parties.

10 Then if it has been something that has been  
11 agreeable, it is written up and it goes back to the  
12 stewards. The stewards need to approve that.

13 And if they don't approve of it, and we had one  
14 incident a couple of months ago where they didn't, and then  
15 they brought that to the full Board and the full Board was  
16 presented with the facts.

17 So it doesn't change anything as far as what we've  
18 probably been doing, but it does bring the Chairman into the  
19 loop of being informed prior to the finalization of  
20 anything.

21 VICE CHAIRPERSON HARRIS: Yeah, it clarifies the  
22 situation, because right now it's kind of happening. But we  
23 do need to make sure that the Board does stay in the loop.  
24 And I think it should exclude class I violations, and if  
25 some settlement proposal is made there, that that just comes

1 to the board and we decide on it.

2 And it's really pretty unlikely, they don't have  
3 really any class I's, anyway.

4 EXECUTIVE DIRECTOR FERMIN: Most of them have been  
5 a class III violation.

6 COMMISSION CHAIRPERSON SHAPIRO: Say it on the  
7 microphone.

8 EXECUTIVE DIRECTOR FERMIN: If the Chairman has  
9 been involved in the settlement at all, that if it comes  
10 before the Board then whoever the Chairman is at the time,  
11 would have to recuse themselves from any kind of  
12 participation.

13 COMMISSION CHAIRPERSON SHAPIRO: But the Chairman  
14 would not be taking part in the negotiations, that's not  
15 what the role is.

16 EXECUTIVE DIRECTOR FERMIN: No, absolutely not.  
17 Yeah.

18 VICE CHAIRPERSON HARRIS: Well, I thought it sort  
19 of is.

20 COMMISSION CHAIRPERSON SHAPIRO: Approving it.

21 VICE CHAIRPERSON HARRIS: Well, you're taking part  
22 in it, if you're approving it.

23 COMMISSION CHAIRPERSON SHAPIRO: But you're not  
24 necessarily negotiating anything.

25 VICE CHAIRPERSON HARRIS: Yeah, but hopefully,

1 you're aware of the facts if you approve it.

2 COMMISSION CHAIRPERSON SHAPIRO: Yes.

3 DEPUTY ATTORNEY GENERAL KNIGHT: Yeah, and the  
4 point I wanted to just clarify would be that to the extent  
5 that the Chair participates in the earlier decision or  
6 recommendation to settle before the Board of Stewards, the  
7 Chair would then -- assuming the Board of Stewards didn't  
8 accept that settlement and the matter ultimately came to the  
9 Board, the Chair would then, that participated at that  
10 earlier stage, would have to recuse himself when it came to  
11 the Board.

12 COMMISSION CHAIRPERSON SHAPIRO: Right.

13 VICE CHAIRPERSON HARRIS: That would be okay.

14 COMMISSION CHAIRPERSON SHAPIRO: Okay.

15 VICE CHAIRPERSON HARRIS: And actually, I guess  
16 these are just on medication violations, this doesn't really  
17 infer any latitude on purse redistributions.

18 COMMISSION CHAIRPERSON SHAPIRO: Correct, this is  
19 just on classes I, II, and III.

20 Now, are you suggesting it just be II and III?

21 VICE CHAIRPERSON HARRIS: Well, I'd feel more  
22 comfortable if it was II and III. I mean, it's pretty  
23 unlikely, but I think just as a protocol anything that was a  
24 I, which I don't recall we've had very many at all, I'd just  
25 feel more comfortable, if there was a settlement made, that

1 that come before the full Board.

2 COMMISSION CHAIRPERSON SHAPIRO: All right, so we  
3 could change this to be II and III, and any settlements for  
4 a class I would come before the full Board.

5 EXECUTIVE DIRECTOR FERMIN: That's fine.

6 COMMISSION CHAIRPERSON SHAPIRO: That's fine with  
7 me.

8 I have two comment cards. Ed Halpern, go ahead.

9 MR. HALPERN: Ed Halpern, California Trainers. I  
10 would -- I guess this is just an attempt to codify or make a  
11 regulation out of what's the current practice, although I  
12 would say the current practice has some problems with it, I  
13 know the Medical Director is intimately involved, I believe,  
14 with current settlements, at least that's the impression  
15 I've been given. If that's the case, although he's my  
16 friend and I have nothing personal against it, I think it's  
17 bad procedure to have the Medical Director involved in  
18 settlements, it should not be their role.

19 I would also just request that if you're going to  
20 make a regulation out of this, that it is important that the  
21 regulation include the provision that it is subject to the  
22 approval of either the stewards or the hearing officer,  
23 depending on which route the offending party has chosen to  
24 defend his case, and that brings in at least an  
25 independent -- if the use the hearing officer, an

1 independent legal voice to review this and would make it  
2 more in line with what's done in the court system on these  
3 kinds of matters.

4 I don't think you want it without that because of  
5 the fact that you're subject to the whim or the current  
6 philosophy of whoever has to be the current Executive  
7 Director. And nothing in regards to the current Executive  
8 Director. But as we go on, through time, you don't want to  
9 leave it open to the philosophy of the individual who is in  
10 that job or the individual who's the head of the CHRB, and  
11 that's why you want the third independent party and,  
12 hopefully, someone who's familiar with legal proceedings.

13 VICE CHAIRPERSON HARRIS: I think they always went  
14 back to the stewards. I'm not sure if it would go back to  
15 the ALJ unless he had already heard it, because I thought  
16 the concept was that --

17 COMMISSION CHAIRPERSON SHAPIRO: These are  
18 settlements.

19 VICE CHAIRPERSON HARRIS: It's a settlement, but  
20 the settlement --

21 COMMISSION CHAIRPERSON SHAPIRO: I don't think it  
22 goes there. But I agree with you that it goes back to the  
23 Board of Stewards, I totally agree with you. And from my  
24 perspective, I'm not looking to vest -- I think we're on the  
25 same wavelength, I don't want to see too much power vested

1 with any entity or any individual. I agree that there needs  
2 to be concurrence and that's really the purpose, in my mind,  
3 of doing this is so that one party isn't so powerful that  
4 they get to act without some concurrence from another  
5 entity. And I do believe it goes back to the Board of  
6 Stewards.

7 MR. HALPERN: Well, I'd just like that included.  
8 But you do have to go a step further, just from a technical  
9 point of view. If the offending party has already chose,  
10 and no settlement is made and the offending party has  
11 already decided to go to an ALJ or the hearing officer, if  
12 the law is changed, you want the option at any point prior  
13 to the hearing to have that hearing officer determine  
14 whether or not he'll accept the settlement, so it would be  
15 either.

16 VICE CHAIRPERSON HARRIS: Well, if it has not gone  
17 to the hearing officer, it's got to go to the stewards, I  
18 think.

19 MR. HALPERN: It doesn't necessarily go to the  
20 stewards at any point, though.

21 EXECUTIVE DIRECTOR FERMIN: We just had a  
22 situation where the party had chosen that it go to an ALJ,  
23 settled in theory late, decided to settle very late, and it  
24 went ahead and went to the ALJ, who presented the proposed  
25 decision as the settlement that was agreeable with the ALJ,

1 and then that is going to be going to the Board.

2 MR. HALPERN: Yeah, I agree with that process, I  
3 just think it should be as part of the regulation.

4 VICE CHAIRPERSON HARRIS: Yeah. If I was looking  
5 at it from an expense stand point, if we could do it through  
6 the stewards it would be cheaper.

7 MR. HALPERN: Yeah, I have my concerns about that,  
8 though.

9 VICE CHAIRPERSON HARRIS: Yeah. Well, I guess  
10 there's an issue with the stewards, too. I think it's got  
11 to be clear, when these do go to them, that any  
12 recommendation that the Chair and the Executive Director  
13 make does not -- you know, they're not making any decision  
14 under duress, it's just a wide open decision for them to  
15 make.

16 DEPUTY ATTORNEY GENERAL KNIGHT: Mr. Chairman, can  
17 I just clarify? Yeah, I think what's important here is that  
18 no delegation by the Board can give up their decision making  
19 authority. All they're doing is giving -- they have to have  
20 somebody who can negotiate these settlements is the bottom  
21 line. And default, it's the Executive Director. I mean,  
22 that's what the Executive Director does, obviously, or the  
23 enforcement chief, if the Board has an enforcement chief.

24 In this instance the Board has -- at least the  
25 proposal that's before the Board right now would be to add

1 the Chair as a participant in that negotiation strategy, if  
2 you will.

3 The final decision will never go away from -- it's  
4 either going to be -- whichever body has jurisdiction, it's  
5 either going to be the Board of Stewards or the Board,  
6 itself. It will never be -- the two of you will never be the  
7 final decision makers, you cannot do that, you cannot  
8 delegate that authority to these two people, either one, or  
9 two, or three.

10 So the bottom line is it's either going to have to  
11 be approved by the Board of Stewards, if that's where the  
12 matter is, or if the Board of Stewards rejects it, then it  
13 would have to come to the Board, and the full Board would  
14 have to act on it, again with my earlier comments, excluding  
15 the participation of whoever participated in the settlement  
16 negotiations. Does that help or --

17 MR. HALPERN: I'm sorry. I think we're all in  
18 agreement with that. I'm just a very strong believer in the  
19 ALJ system or the hearing officer system, and I think that  
20 party should be included, if possible.

21 DEPUTY ATTORNEY GENERAL KNIGHT: But just so it's  
22 clear, the ALJ or the hearing officer doesn't make a  
23 decision, either. All they can do is make a recommendation.  
24 Even the ALJ's decision has to come to the Board for a final  
25 decision. So the ultimate decision makers are the Board.

1           VICE CHAIRPERSON HARRIS: The Board, though, if  
2 the stewards make the decision, and it's not appealed, then  
3 it's --

4           DEPUTY ATTORNEY GENERAL KNIGHT: That's correct.  
5 If there's not an appeal from the stewards decision, that's  
6 the final decision.

7           VICE CHAIRPERSON HARRIS: I think the key with the  
8 stewards is that there needs to be some advisory to them of  
9 how they do that, that they realize that this is not a  
10 rubber stamp type thing, that they really give it some  
11 analysis and make a just decision, that it's not based on,  
12 well, my superiors recommended it so I better go along with  
13 it.

14          DEPUTY ATTORNEY GENERAL KNIGHT: My understanding  
15 is that it's not uncommon for them to reject these.

16          COMMISSION CHAIRPERSON SHAPIRO: And again, what I  
17 think we're doing is we're simply adding another set of eyes  
18 that hopefully will reflect the Board's input and not  
19 vesting so much authority in fewer sets of eyes.

20          MR. HALPERN: I don't think any of us have any  
21 problems with that.

22          COMMISSION CHAIRPERSON SHAPIRO: Okay, that's  
23 mine.

24                 We have another card from Marshy Navy -- Naify.  
25 Sorry, Marsha.

1 MS. NAIFY: Hi, Marsha Naify, TOC Board. I just  
2 want a clarification, when the new medication rules go into  
3 effect and maybe you could tell us exactly when that is  
4 again, there are still going to be settlements because if  
5 there are mitigating circumstances involved that's when a  
6 settlement will be reached?

7 COMMISSION CHAIRPERSON SHAPIRO: I believe that  
8 there will be aggravating and mitigating circumstances.

9 MS. NAIFY: Correct.

10 VICE CHAIRPERSON HARRIS: But, plus, those are  
11 guidelines, those aren't chiseled in stone, those are  
12 guidelines.

13 COMMISSION CHAIRPERSON SHAPIRO: Correct, those  
14 are guidelines.

15 MS. NAIFY: Right.

16 COMMISSION CHAIRPERSON SHAPIRO: They're not law,  
17 they're not rule.

18 MS. NAIFY: I think the hope is that there will be  
19 more consistency with guidelines, whether they go in front  
20 of an ALJ, a hearing officer, or a Board of Stewards, and  
21 they will take -- whoever that entity is will take into  
22 consideration mitigating or aggravating circumstances and,  
23 you know, we're just trying to look for consistency. I  
24 think we've become more consistent recently, but I think  
25 we're probably, for our performance altering drug

1 violations, light.

2 And are those settlements made public?

3 EXECUTIVE DIRECTOR FERMIN: Yes. Yeah.

4 MS. NAIFY: Okay. And do we know when the new  
5 rules will be going into effect, do we have an update on  
6 that?

7 EXECUTIVE DIRECTOR FERMIN: We got a response from  
8 OAL and they had a number of questions. We answered all of  
9 those questions and we resubmitted it for another 15-day  
10 period and, hopefully, we're going to hear something within  
11 the 30 days.

12 Jackie, is my time frame correct there, or almost  
13 correct?

14 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,  
15 CHRB staff. It's almost correct. We have heard back from  
16 the Office of Administrative Law. The text has been revised  
17 in order to comply with the concerns that they had. That  
18 will necessitate another comment period. So we're going to  
19 have to send that text out with the changes, so the public  
20 will know what the changes are, and then we'll come before  
21 the Board, again, for the final adoption. So we're almost  
22 there.

23 MS. NAIFY: And they've been resubmitted, and they  
24 didn't request anything that really changed the concept of  
25 what the industry's trying to do.

1           STAFF SERVICES MANAGER WAGNER: That's correct,  
2 most of the changes are just clarifying terms.

3           MS. NAIFY: All right, thank you.

4           COMMISSION CHAIRPERSON SHAPIRO: All right. I  
5 would suggest, then, that the Board move forward and adopt  
6 this policy, excluding any class I settlements, which should  
7 come before the full Board before any settlement is entered  
8 into. If that would be acceptable, I would entertain a  
9 motion to that effect.

10          COMMISSIONER ANDREINI: I'll make that motion.

11          VICE CHAIRPERSON HARRIS: Second.

12          COMMISSION CHAIRPERSON SHAPIRO: John Andreini has  
13 made it, second by John Harris.

14                 All in favor?

15                 (Ayes.)

16          COMMISSION CHAIRPERSON SHAPIRO: It's approved.

17                 Item Number 9. Are we okay to move forward, does  
18 anybody need a break? Otherwise, I just think we're better  
19 off trying to go through this.

20          VICE CHAIRPERSON HARRIS: Can we skip some of  
21 these items, I'm getting hungry for lunch.

22          COMMISSION CHAIRPERSON SHAPIRO: Well, you'll get  
23 lunch, don't worry about it, Harris.

24                 Okay, Item Number 9, discussion and action by the  
25 Board concerning host fee compliance as per Business and

1 Professions Code 19604.

2 This matter is one that I think will take some  
3 discussion and, frankly, I'm very confused over, and I'm  
4 very interested in the people participating in this.

5 Robert -- Roberto, sorry.

6 MR. ZAVALA: Roberto Zavala, CHRB staff. Thank  
7 you, Chairman.

8 The item you have in front of you, it's a  
9 discussion about ADW. Section 19604 of the California Horse  
10 Racing Law authorizes ADW. Specifically, section 19604(b)  
11 states that California ADW licensee may conduct up to six  
12 and a half percent of amount handled on a race or races  
13 providing their service, and they also deduct up to three  
14 and a half percent as a host fee if they contract with an  
15 out-of-state track, to use that track's signal in their ADW  
16 program for California patrons.

17 An issue has -- an issue of how much an out-of-  
18 state host can charge a California ADW for host fees has  
19 been presented. At this time the Board has received a  
20 complaint that an out-of-state host has requested host fees  
21 greater than three and a half percent from an approved  
22 California ADW licensee. This issue raises a concern that  
23 the Board needs to address.

24 This item is for discussion and action, and the  
25 Board may wish to hear from representatives of the industry.

1           COMMISSION CHAIRPERSON SHAPIRO: Thank you,  
2 Roberto. I would like to ask, I know that Mr. Shwartz is in  
3 the audience, representing Breeder's Cup Limited. Mr.  
4 Champion is here on behalf of Youbet, and I would ask that  
5 the two of you come forward, first.

6           And I don't know if TOC or anybody else feels that  
7 they can add to their discussion.

8           VICE CHAIRPERSON HARRIS: I guess the issue is  
9 Breeder's Cup. Who has the, basically, ADW rights for that?

10          COMMISSION CHAIRPERSON SHAPIRO: Well, I don't  
11 know that it's a matter of who has the rights. I mean,  
12 maybe that's just a matter of information.

13          But can I just ask if I'm understanding the issue  
14 correctly, and please do correct me. The Breeder's Cup  
15 charges somewhere in the neighborhood of 9 percent for its  
16 signal.

17          MR. SHWARTZ: And for the record, I am Steve  
18 Shwartz, I'm appearing here on behalf of Breeder's Cup,  
19 Limited.

20          COMMISSION CHAIRPERSON SHAPIRO: Correct.

21          MR. SHWARTZ: Your understanding is correct.

22          COMMISSION CHAIRPERSON SHAPIRO: Okay. And it has  
23 been my impression that we have law that limits the amount  
24 that an ADW provider can pay for that signal to three and a  
25 half percent.

1           MR. SHWARTZ: Your interpretation of 19604(b), in  
2 my opinion, is incorrect. The law, the purpose of that  
3 regulation is not what you say it is, and it doesn't mean  
4 what you think it says.

5           COMMISSION CHAIRPERSON SHAPIRO: Okay. Then  
6 besides my being very stupid, obviously, in reading the part  
7 that I looked at, it said that "in the case of a race or  
8 races conducted in another jurisdiction may" -- which I  
9 believe is talking about the ADW company -- "may be  
10 compensated in an amount not to exceed six and a half  
11 percent, plus a fee to be paid to the host racing  
12 association, not to exceed three and a half percent."

13           Now, is the Breeder's Cup Limited the host in that  
14 case?

15           MR. SHWARTZ: Not by pure definition. Although,  
16 because of contractual relationships between the racing  
17 association hosting the Breeder's Cup events and Breeder's  
18 Cup, Breeder's Cup receives the vast majority of the revenue  
19 save and except some money that's paid to the host to defray  
20 their costs.

21           COMMISSION CHAIRPERSON SHAPIRO: So let's try to  
22 cut out superfluous words and say Monmouth Park is the  
23 racetrack, but Breeder's Cup is acting as the host in some  
24 contractual agreements.

25           MR. SHWARTZ: That's right.

1           COMMISSION CHAIRPERSON SHAPIRO: Because Mr.  
2    Youbet, sitting next to you, he's being asked to pay  
3    Breeder's Cup nine percent. Now, when I read this --

4           VICE CHAIRPERSON HARRIS: It's more than that to  
5    this. I mean, we need to almost have a chart up of exactly  
6    who gets what, status quo versus whatever the proposal is.

7           COMMISSION CHAIRPERSON SHAPIRO: So perhaps, why  
8    don't we start there, then.

9           Mr. Champion, can you, after you identify  
10   yourself, could you tell us exactly what you, as an ADW  
11   provider, are charged and pay in the normal course pursuant  
12   to our law, and then what you're being asked to pay. Maybe  
13   we can frame the issue that way.

14          MR. CHAMPION: Chuck Champion, I'm the Chairman  
15   and Chief Executive officer of Youbet.com. And you want me  
16   to take off my jacket.

17          COMMISSION CHAIRPERSON SHAPIRO: I'm saying relax,  
18   it's hot in here.

19          VICE CHAIRPERSON HARRIS: We've got air  
20   conditioning.

21          MR. CHAMPION: I think that we're dealing with an  
22   issue that has a number of complexities to it, so let me see  
23   if I can try to get the Board to understand, at least from  
24   our perspective, and then allow Breeder's Cup to give their  
25   opinion on it.

1           There's been a long-standing tradition in  
2 California to limit the amount of the host fees that are  
3 paid to host tracks, and I believe that other track  
4 operators in here will tell you that their fees that are  
5 paid to the Breeder's Cup do not exceed three percent, maybe  
6 three and a half.

7           So Breeder's Cup for, I believe as long as it's  
8 been around, has recognized California and recognized a  
9 three percent cap on wagers coming from California wagers.

10           In previous years they have charged us varying  
11 rates. This year, the rate was nine percent. Along with  
12 that, they asked us to sign, for the first time, an  
13 agreement that basically said you won't violate any laws in  
14 any way, shape, or form. A very reasonable request, of  
15 which our CFO signed and gave them.

16           It was clear to us that 19604(b) said what it  
17 said, that we are given a hub fee that we negotiate with the  
18 horsemen and the tracks, for which we're paid for the bet we  
19 take in California. However, under no conditions are we to  
20 give anyone in excess of 3.5 percent.

21           Everyone else in the United States recognizes  
22 California and 3.5 percent with us, all of our contracts,  
23 simulcast agreements include that, including Churchill  
24 Downs, who's administering this issue on behalf of Breeder's  
25 Cup.

1           COMMISSION CHAIRPERSON SHAPIRO: Can I just stop  
2 you there. So the six and a half percent is the hub fee; is  
3 that correct?

4           MR. CHAMPION: Well, it's not to exceed six and a  
5 half percent. It's negotiated down from that, always has  
6 been, we've never received six and a half to take a bet in  
7 California, it's always been less.

8           COMMISSION CHAIRPERSON SHAPIRO: Okay.

9           MR. CHAMPION: And, you know, and so that is, in  
10 essence, what we're compensated to take the bet.

11           Those are two separate issues, not to be  
12 commingled, and I think they're clearly outlined, at least  
13 to this lay person, in the statute that, again, we're not  
14 supposed to be paying over 3.5 percent.

15           VICE CHAIRPERSON HARRIS: Now, is that the total  
16 that the Breeder's Cup would get from the California bets or  
17 is there some other promises that --

18           MR. CHAMPION: Simply for California. In the  
19 other states, where this is not applicable, we pay nine  
20 percent.

21           The amount, by the way, that's outstanding and in  
22 dispute is about 48 to 50 thousand dollars. Let me go on  
23 the record that I will write a check tomorrow, okay, for  
24 that amount, if in fact this Board gives me permission and  
25 alleviates me from the business reg. 19604(b).

1           So it's not a dispute about me not wanting to pay  
2 the Breeder's Cup, or that the Breeder's Cup may be  
3 deserving of it, it seems to be in clear violation of that  
4 statute and I have a document that says, most assuredly this  
5 year, I won't breach any of those.

6           So we're kind of stuck in a Catch 22. If the  
7 Breeder's Cup wants to be paid nine percent from Youbet  
8 then --

9           VICE CHAIRPERSON HARRIS: Do we have the latitude?

10          COMMISSION CHAIRPERSON SHAPIRO: Well, this Board  
11 cannot overrule --

12          VICE CHAIRPERSON HARRIS: There's nothing in the  
13 law that says -- is there anything in the law that says it's  
14 changeable? I mean, I would assume not.

15          COMMISSION CHAIRPERSON SHAPIRO: I mean, we're not  
16 talking about one of our rules, we're talking about a  
17 statute here.

18          DEPUTY ATTORNEY GENERAL KNIGHT: This particular  
19 statute does give you the authority to interpret the  
20 application of this particular statute, it actually does  
21 provide for that, and so you do have a role if there's a  
22 dispute about what the statute means, and I think there may  
23 be in this case.

24          I think the issue is -- the issue, at least as I  
25 see it, is whether the statute limits the fee to three and a

1 half percent or whether it allows the compensation that the  
2 hub is able to retain from the fee, the three and a half  
3 percent. And, you know, I think that's up for grabs, I  
4 think that can go either way.

5 In other words, the statute may or may not be a  
6 three and a half percent cap on what is allowed in their  
7 contracting, but what I think that more likely it means and,  
8 you know, we haven't looked into this at all, I have no --  
9 this might take some legislative history or something to see  
10 if there's some history, that some light can be shed on  
11 this.

12 But I think the question is whether the three and  
13 a half percent caps what you can contract, which is your  
14 concern, or whether it just simply limits the amount that  
15 you can retain out of the monies to reimburse you for  
16 whatever you pay, whether it's three and a half or ten  
17 percent.

18 And I think that, and I suspect, that's Breeder's  
19 Cup position is that it simply is the -- well, I don't know,  
20 I can't speak for you, but that's --

21 VICE CHAIRPERSON HARRIS: Well, I assume you could  
22 take your other six percent and put that in there, which  
23 would be about nine, anyway. It's the three and a half  
24 seems like it is in statute, but you could pay them more.

25 COMMISSION CHAIRPERSON SHAPIRO: Well, if you read

1 the language, okay -- and, again, I mean, picking up --  
2 "when the Board approves a licensee, a betting system, or a  
3 multi-jurisdictional wagering hub, whether located within  
4 California or outside of California, outside the State, to  
5 accept advanced deposit wagering on any race or races from  
6 California residents, the licensing betting system, or  
7 multi-jurisdictional may be compensated pursuant to a  
8 contractual agreement with the California licensee in an  
9 amount not to exceed six and a half percent of the amount  
10 handled on a race or races conducted in California. And in  
11 the case of a race or races conducted in another  
12 jurisdiction, may be compensated in an amount not to exceed  
13 6.5 percent plus a fee to be paid to the host of the racing  
14 association not to exceed three and a half percent."

15 So is that saying that there's a total of 10  
16 percent?

17 MR. SHWARTZ: What it says, Mr. Chairman, is that  
18 in an advanced deposit wagering contract, which is something  
19 separate and distinct from a contract by a host, for  
20 compensation for providing its races, this statute limits  
21 what can be taken out of a wagering dollar from a California  
22 resident to a certain amount, for the purpose of making sure  
23 that there's sufficient money left over in the form of  
24 market access fees to pay California associations, to pay  
25 California horsemen for purposes, to pay simulcast wagering

1 facilities a mitigation fee for the business they're losing.  
2 And there are also provisions to provide for small amounts  
3 from the ADW wagering dollar to go to the backstretch  
4 worker's pension fund, for the Industrial Relations Board  
5 for auditing fees, et cetera.

6 This statute could not reasonably be interpreted  
7 to say that California, or the California Horse Racing Board  
8 has the authority to step in between an association, such as  
9 Churchill downs, or Monmouth Park, or Woodbine, or wherever  
10 the Breeder's Cup races may be held in the future, and tell  
11 them that they are limited to a certain amount or a certain  
12 percentage of what they can negotiate in an independent  
13 contract with an independent ADW service provider.

14 And I can't imagine for a minute that anyone could  
15 rationally think that the California Legislature's intent  
16 was to provide California with veto authority over every  
17 racing jurisdiction in this country to determine what they  
18 can sell their product for.

19 COMMISSION CHAIRPERSON SHAPIRO: Well, I don't  
20 disagree with you in that. But the question is have we  
21 handcuffed our ADW providers to where if they're being asked  
22 to pay nine percent, and they can only receive three and a  
23 half percent, to take the signal, they're going to lose  
24 money. That's my concern here.

25 MR. SHWARTZ: No, it doesn't work that way. In

1 this case, this statute provides ten cents out of every  
2 California wagering dollar can be used for something other  
3 than paying winning wagers and providing market access fees  
4 to California.

5 Out of that ten percent, the statute says that the  
6 service of the ADW provider can only receive six and a half  
7 cents out of that dollar as a max, that's the cap.

8 It also provides that out of that specific  
9 California wagering dollar three and a half cents is -- up  
10 to three and a half cents can go to the host association.  
11 There's nothing in this legislation that says that the ADW  
12 service provider is precluded from negotiating part of that  
13 revenue and putting it into an agreement to pay compensation  
14 to the host association outside of California for the  
15 privilege of accepting the program that that outside  
16 association is --

17 COMMISSION CHAIRPERSON SHAPIRO: But it's usually  
18 numbers. If you just use your numbers --

19 MR. SHWARTZ: Yeah, nine percent is one percent  
20 less than ten percent.

21 COMMISSION CHAIRPERSON SHAPIRO: Okay, but how are  
22 they going to, out of the one cent that's left -- if they're  
23 going to pay Breeder's Cup nine cents, of the ten cents --

24 MR. SHWARTZ: Yes.

25 COMMISSION CHAIRPERSON SHAPIRO: -- and they've

1 got one cent left --

2 MR. CHAMPION: Now, just to be clear, that's  
3 assuming we had a six and a half percent hub fee. We do  
4 not. We're under water by several points before -- if in  
5 fact that interpretation is correct, I lose money on every  
6 bet I take off the Breeder's Cup from a California resident.

7 VICE CHAIRPERSON HARRIS: Yeah, I'm not sure, is  
8 Breeder's Cup -- has anybody sat down with all the different  
9 parties, because you really need -- because the parties, you  
10 know, we need to get everyone's opinion on this.

11 COMMISSION CHAIRPERSON SHAPIRO: This past weekend  
12 I did see Greg Gambioli, briefly spoke to him, and he told  
13 me that Mr. Shwartz would be here. And he also did say that  
14 he was willing to sit down with us, but the --

15 VICE CHAIRPERSON HARRIS: I think we need to get -  
16 - I don't know, maybe we need to defer it to another meeting  
17 or something, because it seems like TOC, and the tracks, and  
18 other ADW providers and everybody needs to see if we can  
19 work out a compromise. I don't think we're going to get it  
20 worked out right here.

21 COMMISSION CHAIRPERSON SHAPIRO: Well, I don't,  
22 either, but I'd like to at least try to understand it, if we  
23 could. Because what I'm still not seeing is where there's  
24 enough money, from what's being deducted, to make sure that  
25 California gets purses, purse benefits from this, where the

1 ADW companies can take this and make a penny or not losing  
2 money, and pay the Breeder's Cup what they're asking to be  
3 paid.

4 MR. CHAMPION: But what I'm confused by, and  
5 someone else will have to help me in the audience, or maybe  
6 someone on the Board, Mr. Knight, is that there's other  
7 regs, that I understand exist within California, that speak  
8 to this again on the amount of host fees that can be paid by  
9 racetracks.

10 And if I'm not mistaken, the Breeder's Cup charged  
11 California racetracks not in excess of three and a half  
12 percent, but they are charging the ADW companies in excess  
13 of three and a half. And, for the life of me, I don't  
14 understand that.

15 VICE CHAIRPERSON HARRIS: Is this a different -- I  
16 mean, basically, we've had the Breeder's Cup and we've had  
17 ADW for the last several years. Is this a new problem or  
18 has this -- I mean, has it been going on before, with the  
19 three and a half?

20 MR. SHWARTZ: This problem has arisen out of the  
21 agreement that was entered into for last year's Breeder's  
22 Cup, where Youbet has not paid the difference between the  
23 price in the contract and 3.5 percent.

24 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,  
25 I don't think we want to get into dispute resolution.

1           Mr. Couto, do you want to try to shed some light  
2 on this?

3           MR. COUTO: Sure. I'd just add one thing. Mr.  
4 Liebau mentioned there is -- when the Breeder's Cup is held  
5 in California there is a provision that provides for three  
6 percent to the Breeder's Cup. It's called the Liebau rule,  
7 I think we refer to it and Mr. Liebau refers to it, that's  
8 the only cap on when the Breeder's Cup makes and that's only  
9 when it's here.

10           With regard to Youbet, Youbet operates at a four  
11 and a half percent hub fee and if they were paying three and  
12 a half percent, my math tells me that's eight, they are  
13 short in the total compensation as to what is to be paid to  
14 the Breeder's Cup, and the rest does go to source market  
15 fees and the other distribution.

16           So Mr. Harris was correct in saying to resolve  
17 this, you would need everybody to sign off on something  
18 different.

19           I will tell you the good news, though, is in the  
20 pending legislation for ADW this particular subject has been  
21 addressed and we think we can deal with it there. But right  
22 now, under the current law and the current contracts,  
23 Youbet's limited to eight percent. And that's assuming it's  
24 entitled to keep all four and a half percent of its hub fee  
25 and doesn't have to pay anybody else under a sublicense

1 agreement.

2 COMMISSION CHAIRPERSON SHAPIRO: What happens this  
3 year?

4 MR. COUTO: This year, they are unable, in my  
5 opinion, based on the contracts and the statute, to pay more  
6 than eight percent, they don't have that, barring some  
7 change in hub fee, and concurrence by tracks, and all the  
8 statutory distribution recipients.

9 VICE CHAIRPERSON HARRIS: I'm not clear if the  
10 same problem Youbet has is also shared by TVG and XpressBet?

11 MR. COUTO: It's shared by XpressBet, not TVG,  
12 because they have a different hub fee.

13 COMMISSIONER AMERMAN: How is this any different  
14 than last year at Churchill? And we're now at Monmouth, why  
15 is it any different than what we did last year?

16 MR. CHAMPION: It's not a Monmouth issue or a  
17 Churchill issue, it's a California issue. And right now we  
18 haven't gotten a contract to carry the Breeder's Cup from  
19 Monmouth, to my knowledge.

20 COMMISSIONER AMERMAN: Did you carry the Breeder's  
21 Cup from last year?

22 MR. CHAMPION: Yeah, Breeder's Cup before, from  
23 Lonestar, and from Santa Anita, and all those other places.  
24 What happened is that the issue has come up because the  
25 simulcast coordinator in Youbet signed the agreement, paid

1 the agreement. What happened was, again, rightfully,  
2 Breeder's Cup came to us and said, look, we'd like this  
3 affidavit that all the laws and regulations of every state,  
4 and it was very broad and very encompassing, needed to be  
5 signed and attested to, obviously to have some kind of an  
6 indemnification from their providers taking bets.

7 So what happened is that, of course, rose to a  
8 different level within the organization, it wasn't being  
9 handled by a simulcast coordinator, it was being handled by  
10 the general counsel, the CFO, and eventually got to my  
11 basket. So, you know, in the past we probably have, in  
12 fact, violated 19604(b), we probably have paid them more  
13 money. But absent the document, absent the review, that's  
14 why we're here.

15 And now we're being threatened by Churchill Downs,  
16 as an agent for Breeder's Cup, that they intend to file a  
17 lawsuit, actually the date has passed, for the \$50,000.

18 All we're looking for at this point is for this  
19 group to opine and to tell them if you pay them 3.5 percent  
20 you're not in violation of California law and we're okay.  
21 I'll pay it, and then what we'll do is we'll negotiate an  
22 agreement and decide whether we're going to carry it or not  
23 carry it to California customers in this year. I mean, it's  
24 a business negotiation.

25 MR. KIRCHENER: Mr. Chairman, my name is Ken

1 Kirchner, and I represent Breeder's Cup, also. For the  
2 last 11 years I have managed all of the Breeder's Cup  
3 simulcasting and wagering operations, domestically and  
4 internationally. I've been intimately involved in the  
5 contractual process, setting the rates, everything to do  
6 with the wagering and simulcasting, so I'm very aware of the  
7 issues that we're discussing here.

8           With regard to the statement that the California  
9 racetracks only pay three and a half percent, that is wrong.  
10 We have a set formula that we apply to every racetrack, ADW,  
11 et cetera, in the country, and I can say that California  
12 fits that model. We charge a basic 50 percent of net  
13 revenues, we take gross handle, normal commissions are 20  
14 percent out of every wagered dollar. We subtract the state  
15 tax, here in California, two or three percent, leaving 18  
16 percent as your net commission. We charge 50 percent of  
17 that, which is how we arrived at the nine percent.

18           Now, when you come back to the issue of what they  
19 can pay us, they pay us nine percent, there's still nine  
20 percent on the other side of that equation that remains in  
21 California, remains in Youbet's hand, which goes to pay  
22 purses and other accounts here, in California. We are not  
23 taking the entire 20 percent commission.

24           I think that what's happened here, that since this  
25 law was passed in 2001, we have been paid, we have had

1 contracts with the California racetracks, scottwink,  
2 northwink, the ADWs every year since this law was passed,  
3 that continually paid us more than 3.5 percent, the  
4 precedent has been there.

5 If, all of the sudden, Youbet is now, for whatever  
6 reason, decided to read the ADW law and interpret it in such  
7 a way, for whatever reason, that they feel that they cannot  
8 pay more than three and a half percent, they clearly have  
9 set the precedent, the precedent has been there, and we  
10 feel, as Counselor Shwartz has argued, we're allowed to  
11 receive, based on this law, to a possible ten percent. So  
12 we feel everything's been very clear, very copacetic, very  
13 up front, both through the contractual process and the  
14 letter of the law. And this is something that's even gone  
15 back to your predecessors before CHRB, many years ago.

16 MR. CHAMPION: Well, again, if I misrepresented  
17 anything I apologize to Mr. Kurtchener and the Breeder's  
18 Cup. That was my understanding and thanks for the  
19 clarification.

20 The only thing, again, that Youbet's attempting to  
21 do is to make sure that it operates within the laws of the  
22 State of California.

23 So, again, if the Board chooses to, you know,  
24 interpret the law the way that Mr. Kurtchener and his  
25 representative have suggested, you'll have no objection from

1 us and we'll pay, and then simply move forward. And that's  
2 the only reason that we're here today.

3 COMMISSION CHAIRPERSON SHAPIRO: Well, perhaps,  
4 Derry, you could give us some advice and counsel in this  
5 area, and perhaps research this and tell us what we, as a  
6 Board, what we have the flexibility to do within the law.  
7 And we're interpreting this language so that we can then  
8 disseminate that and make the right decision here.

9 I'm unclear, frankly, as to what these provisions  
10 are saying because when I read it, it appears to me to be  
11 limiting, because when I read it, it says "plus a fee to be  
12 paid to the host racing association not to exceed three and  
13 a half percent." But I may be reading it wrong, too.

14 VICE CHAIRPERSON HARRIS: Yeah, if Derry can go  
15 back and give us a legal opinion that we have the latitude,  
16 I wouldn't have a problem with exercising that latitude.  
17 But we need to know. We just flat don't know, now.

18 COMMISSION CHAIRPERSON SHAPIRO: Right. Derry, is  
19 that okay?

20 DEPUTY ATTORNEY GENERAL KNIGHT: Sure.

21 COMMISSION CHAIRPERSON SHAPIRO: All right, and  
22 perhaps you can do that rather quickly because, I mean, time  
23 is -- we're up against the time here.

24 DEPUTY ATTORNEY GENERAL KNIGHT: Right.

25 MR. SHWARTZ: And perhaps if I may inquire, Mr.

1 Chairman, if it would be all right with Mr. Knight that I  
2 provided him with a brief expressing my interpretation of  
3 the rule.

4 DEPUTY ATTORNEY GENERAL KNIGHT: I'd appreciate  
5 that.

6 VICE CHAIRPERSON HARRIS: Actually, any parties  
7 that feel interested in the issue should provide whatever  
8 their thoughts are to Derry Knight.

9 COMMISSION CHAIRPERSON SHAPIRO: Again, I just  
10 hope that we don't see that one of our ADW providers is not  
11 carrying the Breeder's Cup in California. I mean, that's my  
12 motivation here.

13 MR. SHWARTZ: And I understand that. But as Mr.  
14 Champion, I think correctly pointed out, it becomes a  
15 business decision for them whether they want to pay the  
16 price to receive it, you know, with the clear understanding  
17 that on Breeder's Cup day there's a lot more happening in  
18 the horse racing wagering than just the Breeder's Cup races,  
19 where they have substantially different fee schedules.

20 MR. CHAMPION: And I would suggest to you that it  
21 is also an economic issue for the Breeder's Cup, that we do  
22 not want to do anything, anything that disenfranchises the  
23 fan any further from this sport.

24 COMMISSION CHAIRPERSON SHAPIRO: Yeah, I agree  
25 with that. And I also think, as a business consideration,

1 that it would -- I just have a tough time thinking that  
2 we're asking somebody to go in and do a loss leader and lose  
3 money on racing's biggest day.

4 But, again, let's get an opinion from our attorney  
5 and then we can come back to this, if that's okay.

6 MR. SHWARTZ: Very good.

7 MR. CHAMPION: Terrific, thank you.

8 COMMISSION CHAIRPERSON SHAPIRO: Thank you, both.  
9 Thank you, Leanne, the fan's working.

10 All right, Item Number 10, discussion and action  
11 by the Board on the proposed adoption of CHRB conflict of  
12 interest and ethics codes.

13 Go ahead, Bon. And nice to see you.

14 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Chairman,  
15 members of the Board, the horse racing law, Business and  
16 Professions Code section 19423, et seq., provides guidance  
17 and specifics for the conduct of Commissioners relative to  
18 the industry. The State Fair Political Practices Commission  
19 oversees laws and rules that govern how Commissioners report  
20 their financial interest and obligations. And a long-  
21 standing Governor's Executive Order, 66-2, I believe this is  
22 a Pat Brown era, establishes a code of ethical standards  
23 which is applicable to gubernatorial appointees, such as  
24 CHRB members.

25 As you know, recently, and in an existing piece of

1 legislation from Senator Yee, the question of conflict of  
2 interest in the Board members has been raised, and  
3 thoroughly discussed in public forums.

4           The Board has long had an existing conflict of  
5 interest policy that dates back at least to 1981, has been  
6 updated as recently as 2003. Earlier this year, Department  
7 of Consumer Affairs Legal and Administrative staff presented  
8 a half-day session to the CHRB Commissioners that included  
9 sections on conflicts of interest and ethics. The legal  
10 framework, practical application, and continuing education  
11 demands thereon.

12           Subsequently, staff distributed to all  
13 Commissioners copies of the draft ethics and conflicts of  
14 interest section of a proposed Commissioner's manual. All  
15 of the Commissioners responded in positive that they had  
16 received, read, and understood those sections.

17           Subsequent to that effort, we were reminded by  
18 Board counsel that an earlier issue discussion package, and  
19 that's pages 10-5 through 6 of the Board package, had been  
20 issued for discussion, I believe in March of '06, and was  
21 revisited in August of this year.

22           Because we did not have an opportunity to  
23 completely incorporate that into today's presentation and  
24 package in advance, we would like at this time to recommend  
25 that the Board direct staff to complete a final draft of

1 CHRB ethics and conflict of interest policy for ratification  
2 at the next Board meeting.

3 COMMISSION CHAIRPERSON SHAPIRO: Thank you. I  
4 think we certainly do want you to move forward and complete  
5 it for our next Board meeting.

6 And I should add that I know when I was appointed  
7 to the Racing Board, I was required to submit a  
8 conflict -- or agree to the conflict of interest codes. I  
9 believe all Commissioners are required to do that when they  
10 are appointed.

11 It is my understanding that we do have these  
12 conflict of interest protections in place, and that all  
13 Board members have, in fact, executed and agreed that they  
14 are in place.

15 ASSISTANT EXECUTIVE DIRECTOR SMITH: In the CHRB  
16 rules and regs, section 20, article 2000, is specifically  
17 our conflict of interest code.

18 VICE CHAIRPERSON HARRIS: They wanted to  
19 acknowledge that all of the current directors have read the  
20 materials and feel they can be in compliance with them. The  
21 thing is we've got to put together like more of a formal  
22 draft, this is kind of a compilation of things.

23 COMMISSION CHAIRPERSON SHAPIRO: Right.

24 VICE CHAIRPERSON HARRIS: More of my concerns is  
25 there has been a lot of misinformation alleging that we do

1 not have a conflict of interest policy, which we do, it's  
2 pretty extensive, really.

3 And if anyone in the audience feels that there is  
4 something we should have in our conflict of interest policy,  
5 that we do not, I think they need to let us know and that  
6 way we can take it under advisement. But I think we've got  
7 a pretty complete package.

8 COMMISSION CHAIRPERSON SHAPIRO: I agree with  
9 that. Is there anybody that does feel that the Board,  
10 having read the current ethics and conflict of interest  
11 sections, is there anybody that feels that there's something  
12 that should be added?

13 VICE CHAIRPERSON HARRIS: As I recall, at Senator  
14 Yee's hearing, Rod Blonien had some concerns, but he doesn't  
15 seem to be coming forth.

16 COMMISSION CHAIRPERSON SHAPIRO: Well, Mr.  
17 Blonien's in our audience. Mr. Blonien, do you have any  
18 comment? No, he doesn't.

19 All right, well, I think the Board directs you to  
20 bring it back to the Board meeting so that we can officially  
21 adopt it and incorporate it, even though I believe we  
22 already have many conflict of interests and ethics that have  
23 been adopted by each of the members of the Board.

24 Thank you very much.

25 ASSISTANT EXECUTIVE DIRECTOR SMITH: Thank you.

1           COMMISSION CHAIRPERSON SHAPIRO:  Item Number 11,  
2   discussion by the Board regarding the feasibility of closing  
3   wagering early from sites that do not have instantaneous  
4   transfers of wagering information, to prevent odds changes  
5   once the race has begun.

6           This issue is one that we hear periodically, and  
7   rather consistently from people that see odds drops after  
8   the start of a race.  And as I understand it, this is not  
9   necessarily past posting that's going on, but some of our  
10  patrons and people wagering on our product feel it is.  But,  
11  rather, it's the transmission of wagers into our pools that  
12  are simply not hitting them before -- hitting the tote board  
13  before the race goes off.  And this appears to be a very  
14  concerning issue to the wagering public.

15           And so this is brought up for discussion as to  
16  what we can do.  Now, one school of thought is that we  
17  could -- you know, I don't know if we can continue, we don't  
18  have a quorum, Commissioner Harris stepped out.

19           DEPUTY ATTORNEY GENERAL KNIGHT:  You just can't  
20  take a vote.

21           COMMISSION CHAIRPERSON SHAPIRO:  All right, well,  
22  we can continue the discussion.

23           COMMISSIONER AMERMAN:  Let's talk, yeah.

24           COMMISSION CHAIRPERSON SHAPIRO:  Okay.  One of the  
25  issues here is that we could look at shutting out wagering

1 when the first horse goes in the gate, but I think that  
2 would cause an uproar with certain wagering interests. So  
3 the real question is what can tote do so that we can get  
4 instantaneous transmission of wagers into our pools.

5 And I would ask people in the audience, who have  
6 any knowledge of this, that perhaps they could assist with  
7 this problem. And I'm pleased to see that we have people  
8 from Scientific Games, Youbet, and others that are willing  
9 to come forward.

10 MR. MC WILLIAMS: Good afternoon, Terry  
11 McWilliams, Scientific Games.

12 MR. HASSON: Joe Hasson, United Tote, Youbet.

13 MR. CHAMPION: Chuck Champion, United Tote and  
14 Youbet.

15 MR. MC WILLIAMS: I'm in the middle, I'll start  
16 off, I guess.

17 COMMISSION CHAIRPERSON SHAPIRO: Why don't you  
18 start since you're Scientific Games.

19 MR. MC WILLIAMS: This is an issue that has been  
20 long discussed and most recently at the PMOC Committee  
21 meeting last month. And, unfortunately, it is a problem  
22 that is a result of rather old technology in the manner by  
23 which we transmit wagering pools into the host track, we  
24 commingle the funds under a protocol called ITSP, and you've  
25 heard this speech before. It stands for Inter-Track System

1 Protocol.

2 And basically what it does is each one of the  
3 various tote systems that the guests have, are connected to  
4 directly, will assemble all of these wagers and then at an  
5 interval of, most of the time, 60 seconds, will ship the  
6 pools to the host track.

7 COMMISSION CHAIRPERSON SHAPIRO: They're batching  
8 them.

9 MR. MC WILLIAMS: Yes, exactly. And that, in  
10 fact, creates this latency of odds changes past post time.  
11 Not post time, past the off time.

12 So it is a function of the technology. There are  
13 some mitigating factors that can be addressed and, Mr.  
14 Chairman, you talked about one of them being the fact that  
15 individual guest tote systems can be shut off, if you will,  
16 at an earlier time if, in fact, to get those pools in on  
17 time. I'm not sure that's a great solution but,  
18 nonetheless, it is one, because there are some financial  
19 repercussions that certainly the tracks would be concerned  
20 about.

21 COMMISSION CHAIRPERSON SHAPIRO: Okay, if I heard  
22 you right, you said that the batching is transmitted every  
23 60 seconds?

24 MR. MC WILLIAMS: Well, actually, we have  
25 actually, since this discussion has gone on with the TRA2020

1 Committee, and a number of industry committees we are  
2 actually, now, I think from one minute to post to the off  
3 bell, we have actually sped that up and I think it's  
4 somewhere between 10 and 20 seconds. Now, for the win pool,  
5 only. Okay.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay, let me stop  
7 you there.

8 MR. MC WILLIAMS: And that's what we're talking  
9 about.

10 COMMISSION CHAIRPERSON SHAPIRO: All right, why  
11 couldn't we speed it all up so that it's always as fast as  
12 possible, and is ten seconds the fastest possible?

13 MR. MC WILLIAMS: Well, you have -- I'm not super  
14 technical here, but you have band width issues, you know,  
15 the pipeline on the circuits, the connectivity that you're  
16 maintaining between the tote systems, that is an issue. So  
17 I'm not sure I can totally answer your question, other than  
18 all three tote companies did do some work to speed up these  
19 last few cycles so that it would mitigate it to some certain  
20 degree, and I think it has.

21 There remain to be some other things that can be  
22 looked at, in my opinion, that can help mitigate this issue  
23 even further.

24 COMMISSION CHAIRPERSON SHAPIRO: What are those  
25 things?

1           MR. MC WILLIAMS: Okay. Well, one is, for  
2 example, and we talked about this at the PMO Committee  
3 meeting, is double hops. There's still two states, Florida  
4 and Arizona, that actually double hop. And by that I mean  
5 there is an in-state system, there are actually two in-state  
6 systems in Arizona. But it goes from the guest system into  
7 the designated in-state system in the same state, and then  
8 from there into the host system. Okay.

9           COMMISSION CHAIRPERSON SHAPIRO: Right.

10          MR. MC WILLIAMS: So there's an extra tote in  
11 between what is normally just a handshake between two totes,  
12 there is now a third party in between. That creates some  
13 latency.

14          One of things that you could do, and I recommended  
15 to the Chairman of the PMO Committee meeting, would be as  
16 the CHRB, you could go to these various states' gaming  
17 commissions, racing commissions and talk about -- raise this  
18 issue with them.

19          Because from a technical stand point, and I think  
20 the gentleman from United Tote here would agree, there's no  
21 reason to have double hops, it's an arcane situation that  
22 probably has more to do with old rules and legislation, than  
23 anything else, that just haven't gotten changed. So that's  
24 one thing that can be done.

25          COMMISSIONER AMERMAN: And you're correct, though,

1 when you're talking about Arizona and Florida, obviously  
2 there's many other states and we do have problems with them.  
3 So the question is what needs to be done, how much cost to  
4 solve the problem from all the states, very simple.

5 MR. MC WILLIAMS: Okay. Well, I won't monopolize  
6 the time here, but let me just mention, I mean, the solution  
7 is an issue that is technology that is being discussed by  
8 the industry, itself, and it's through the TRPB -- I'm  
9 sorry, the TRA2020 Committee, and it's what they call WTP,  
10 and it's Wager Transaction Protocol. And that is a new way  
11 of communicating wagers that does not involve batching.  
12 Each wager is directly sent into the host tote. And, you  
13 know, you have to --

14 COMMISSION CHAIRPERSON SHAPIRO: It was my  
15 understanding that when the new wagering hubs were built in  
16 California, by Scientific Games, and the new technology was  
17 in place, that we were going to go to the newer process  
18 where there was not going to be this batching.

19 VICE CHAIRPERSON HARRIS: Everything in California  
20 is, including the ADW, but it's these other states that are  
21 the problem.

22 COMMISSION CHAIRPERSON SHAPIRO: Yeah.

23 VICE CHAIRPERSON HARRIS: Everything in  
24 California, there's no bet in California, and correct me if  
25 I'm wrong, that is not instantaneously recorded in

1 California.

2 COMMISSION CHAIRPERSON SHAPIRO: Is that correct?

3 MR. MC WILLIAMS: Well, right now we have two  
4 systems at the QDC in Sacramento, okay, one handles the  
5 north, one handles the south. And yes, they are  
6 instantaneous to the degree that there is no handshake,  
7 there's no system in the middle, okay. So those terminals,  
8 all the terminals in California are connected directly to  
9 one of two systems both located at the Sacramento QDC.

10 COMMISSION CHAIRPERSON SHAPIRO: And, therefore,  
11 they are instantaneous?

12 MR. MC WILLIAMS: Yes, yes, yes.

13 MR. CHAMPION: But that does not include the ADW  
14 company.

15 COMMISSION CHAIRPERSON SHAPIRO: Correct.

16 VICE CHAIRPERSON HARRIS: Does ADW --

17 COMMISSION CHAIRPERSON SHAPIRO: That is true, and  
18 ADW companies represent a huge portion of our wagering, as  
19 well as out of state.

20 VICE CHAIRPERSON HARRIS: But I'm not clear if the  
21 ADWs have the capabilities to be instantaneous or not.

22 MR. CHAMPION: The ADW companies, most ADW  
23 companies right now are transacting their business through  
24 the hub in Oregon. So it's instantaneous, it goes there,  
25 then it comes into whatever the hosts are at the racetracks.

1 If I'm not mistaken, Joe, is that correct?

2 MR. HASSON: Yes, that's correct.

3 MR. CHAMPION: So I think what's important for the  
4 Commission to understand is that we, as at least one tote  
5 company, and I think I speak for the other two, as well, are  
6 very concerned about the State condition of the totalizator  
7 system in the United States. But more importantly the  
8 integrity issues that appear to the general public. You  
9 know, these odds that change, obviously, after the gate's  
10 open, is something that has to be addressed, and it's going  
11 to require forward thinking people, such as yourself.  
12 There's not going to be a perfect solution.

13 VICE CHAIRPERSON HARRIS: No.

14 MR. CHAMPION: We're going to have to make some  
15 decisions regarding this, at least in the short term, until  
16 technology can be paid for and brought on board to give you  
17 what it is that you want.

18 Right now tracks dictate when the tote closes.  
19 That's track controlled. And when the track closes the  
20 tote, no bets after that are taken. But what you're seeing  
21 is the latency in the system, up to minutes later, of all of  
22 the totals coming in being totalized, and then being  
23 displayed on, again, technology in certain cases that's  
24 antiquated, because of the time it's totalized to the time  
25 it shows up on the tote board in the infield.

1           VICE CHAIRPERSON HARRIS: Yeah, there's definitely  
2 a perception problem. But my concern is if it's not in  
3 California, I just don't want to penalize wagerers in  
4 California, where they get shut off just to help some guy in  
5 Florida or someplace that --

6           MR. CHAMPION: But again, working with -- in the  
7 two situations that you're talking about specifically, of  
8 Texas -- or I mean of Arizona and Florida, by letting  
9 Florida and Arizona know that California racing is not going  
10 to allow a double hop situation, and there really is, to the  
11 point that was made earlier, there's no practical or  
12 legitimate reason for that to exist today.

13          VICE CHAIRPERSON HARRIS: I guess we can do that.  
14 When we approve these licenses, I would suggest that we do  
15 not approve any licenses for exporting races that include  
16 double hops.

17          MR. CHAMPION: Well, your tote providers can  
18 control that by simply telling these people -- and another  
19 problem with double hopping is what you're doing is, is  
20 you're getting a batched total of commingled bets from two,  
21 or three, or five, or ten different entities coming through.

22          COMMISSION CHAIRPERSON SHAPIRO: Well, I'm going  
23 to suggest that we instruct staff to contact those venues  
24 that are double hopping and tell them that we have serious  
25 concerns about accepting their wagers that are being double

1   hopped, and that we ask that they eliminate that process.

2   And if they're not willing to, that we may consider --

3           VICE CHAIRPERSON HARRIS:  Yeah, I think the  
4   states, yeah, we definitely want to get the states.  But I  
5   think we also need to get our racing associations and fairs  
6   to put pressure on whoever they're selling these signals to  
7   that this double hop situation is not tolerable.

8           COMMISSION CHAIRPERSON SHAPIRO:  Now, so maybe  
9   that will help with Arizona and with Florida.  But I can  
10  just tell you, of all the e-mails that we get and all the  
11  contacts that we get, and it's been particularly prevalent  
12  down here at Del Mar because, for whatever reasons, you  
13  know, you walk through the stands and somebody stops you and  
14  says, did you see that, and then, you know, a horse that was  
15  two to one entering the gate, he drops down to, you know,  
16  three to five.  And yet, if he got a bad start, he goes up  
17  to, you know, two to one or something.

18          VICE CHAIRPERSON HARRIS:  It works out pretty  
19  well, the tracks are slow at Del Mar and all the hops make  
20  it --

21          COMMISSION CHAIRPERSON SHAPIRO:  All right, thank  
22  you very much, Mr. Harris.

23          You know, it's accentuated and somehow, you know,  
24  I know that people don't want us to shut off wagering when  
25  the first horse goes into the gate, and I'm mindful of not

1 wanting to hurt any of our tracks and our purses, and  
2 certainly don't want to put California as an island, but the  
3 truth of the matter is that if we can't find a solution to  
4 this, you know, it's something that we may have to consider,  
5 which will further disenfranchise us, unfortunately, if  
6 other states don't follow.

7           And in that regard I would say that maybe on-track  
8 we bet all the way through, where we know it's  
9 instantaneous, but if there's going to be delay it raises  
10 into question our integrity.

11           VICE CHAIRPERSON HARRIS: Well, I don't want to  
12 see the delay happen in the ADWs, though, unless there's  
13 some reasoning that the ADWs are a problem which, as I  
14 understand it, they're not. Because I do know, just from my  
15 personal experience, that a lot of bets do get made during  
16 the last minute or so before the horses break. And I think  
17 if we just arbitrarily, you know, took that option away,  
18 even for the people that have instantaneous, that would be a  
19 serious impact on total handle.

20           COMMISSION CHAIRPERSON SHAPIRO: Well, how long  
21 that impact would exist, once the policy is in place, that's  
22 the question.

23           VICE CHAIRPERSON HARRIS: Well, quite a while, I  
24 think.

25           MR. CHAMPION: But understand, also, setting aside

1 what has been termed "computer robotic wagering," which are  
2 large sums of money entering our pools through very  
3 sophisticated handicappers and mathematicians, that are  
4 placed within minutes of post, you're also dealing now in a  
5 technology world that allows the average guy to be able to  
6 place an enormous number of wagers through the electronic  
7 means closer and closer to those gates opening. And we're  
8 seeing those bets come in later and later.

9           So, again, as a group, I would strongly suggest  
10 that, you know, that the issue be studied. There is a  
11 technology solution, but there's got to be a regulatory  
12 solution to it, as well, that can be, you know, uniformly  
13 presented to this industry, and saying this is when people  
14 can wager up to this point, and then after this point they  
15 cannot wager any longer.

16           VICE CHAIRPERSON HARRIS: Yeah, I think we'd be  
17 making a mistake if we suspended wagering before the gates  
18 open, because there's just a lot of money that gets bet in  
19 the last little bit there.

20           COMMISSION CHAIRPERSON SHAPIRO: Well, I think  
21 it's something that we should -- I'd like to hear what can  
22 be done from a tote perspective, and so that we can lessen  
23 the problem. And I think that for the integrity of the game  
24 it's something that we should at least look at to see what  
25 our options are. I'm not looking to harm anybody but,

1 again, it's calling into question that people think that  
2 there's cheating going on. And I think that that threatens  
3 our total existence.

4 VICE CHAIRPERSON HARRIS: Yeah. No, it's  
5 definitely something we need to look at, although I think  
6 people always sometimes thought that there was -- I mean,  
7 thinking there's cheating going on and having cheating going  
8 on are two different issues.

9 COMMISSION CHAIRPERSON SHAPIRO: Mr. Charles, do  
10 you want to add something to this enlightening discussion?

11 MR. CHARLES: Sure. Ron Charles, MEC. Just to  
12 clarify, I said I'm going up to TRPB, and we've really taken  
13 a look at this. And in almost every instance of the large  
14 bet downs you're not looking at the double hub issue, as  
15 much as you are the large robotic players, as Chuck referred  
16 to, who happen to merge or have these wagers and they align  
17 on the same horse, and they're coming in very late, and you  
18 have two guys who are very bright, who see a mathematical  
19 edge, don't know that the other guy is also playing four or  
20 five thousand dollars, they're both hitting at the same time  
21 so you're seeing these huge swings.

22 I think we need to look at how we can, from a  
23 technology stand point, improve that. Because I will say in  
24 90 percent of the instances that's what's causing these huge  
25 bet downs. You cannot go to a teller and bet enough money

1 in the last minute to alter the odds. But you can, and they  
2 have the ability, these very, very large gamblers, and  
3 they're all looking at the same type of information, and  
4 they're finding the edge, and often, often times they land  
5 on exactly the same horse.

6 What we need to do is look at how we can get that  
7 money into the final pool, onto the board, where the bettor  
8 believes that what he's looking at are the final odds.

9 We have another problem where TVG is basically  
10 showing the race on almost a somewhat delayed basis, they're  
11 seeing an older odds, now all of a sudden they really  
12 believe that they're seeing that this horse has dropped  
13 dramatically.

14 But what I would encourage this Board, in working  
15 with the tote companies, is to see how we can get these  
16 large sums of money into the pool sooner. I think that  
17 would stop the problem.

18 VICE CHAIRPERSON HARRIS: Yeah, and I think  
19 couldn't we --

20 COMMISSIONER AMERMAN: Is there a delay between it  
21 coming into the system and showing up on the board?

22 MR. CHARLES: Yeah, TVG runs, and I can't speak  
23 for TVG, but I'm going to guess five seconds, ten seconds  
24 behind. You generally don't see it live.

25 COMMISSIONER AMERMAN: Yeah.

1           MR. CHARLES: And so when those odds are showing,  
2 going around, you're seeing the odds that are even farther  
3 behind what's being showed on the totalizator board.

4           MR. MC WILLIAMS: And, Mr. Amerman, that's  
5 correctable to the extent that if TVG, Youbet, and XpressBet  
6 make sure that they're synchronized. In other words, when  
7 they receive the feed, the data feed from us, and then they  
8 regenerate that for their own purposes, for their own  
9 virtual field boards, to make sure that that's synchronized  
10 so that they're generating right upon receipt, and they're  
11 not waiting five seconds, ten seconds to get it, and then  
12 regenerate it.

13           VICE CHAIRPERSON HARRIS: Yeah, that would be an  
14 easy thing to fix, if it's something. Because I think  
15 that's a lot of it is not so much the money isn't getting  
16 there, it's just the odds aren't changing on the odds board.

17           MR. HASSON: But as Mr. McWilliams said earlier,  
18 that on TRA, through the 2020 Committee, has been working  
19 with the tote companies to get the final merge down to ten  
20 seconds and that's been rolled out, it started this spring.  
21 And I think if we can get your assistance in getting rid of  
22 the double hop, then I think all of the technical issues  
23 that can be put to bear on this will have been done, and I  
24 think we'll have made a lot of progress. But it's important  
25 that we get rid of the double hop.

1 COMMISSION CHAIRPERSON SHAPIRO: Mike.

2 MR. MARTEN: Mike Marten, on the California Horse  
3 Racing Board staff, just wanted to clarify one issue. I,  
4 personally, timed the TVG wager delay and it's been up to 50  
5 seconds, 5-0 seconds, and that's documented.

6 We've spoken to Mr. McWilliams, and to George  
7 Brannon, and they indicate they're trying to do things to  
8 speed that up. And I hope that they're continuing that  
9 effort.

10 COMMISSION CHAIRPERSON SHAPIRO: Well, again, I  
11 would again ask staff, and Mike, perhaps you can do it, is  
12 again reinforce our concern about this, we have got to  
13 somehow find a way to eliminate this as much as possible.  
14 Otherwise, we're going to have to look at what measures we  
15 can take. Because I believe it does cut right to the  
16 question of what the integrity of our game looks like.

17 VICE CHAIRPERSON HARRIS: Obviously, we've got to  
18 have integrity. What's an interesting phenomenon, though,  
19 because generally when you think about past-posting, I  
20 remember in the old days people would bet on a horse that  
21 was in front after going a quarter of a mile, which gave  
22 them maybe 20 seconds. Now, that's the one you want to  
23 throw out.

24 MR. HASSON: Mr. Chairman, if I could just make  
25 one suggestion and that would be this issue is very

1 important, obviously, and what I would suggest is that  
2 possibly your participation, or the participation of one of  
3 your members or staff with this TRA committee would really  
4 help drive home the immediacy of this. Because, frankly,  
5 the WTP project has dragged on for some time and it's just  
6 like everything else, trying to get the industry wrapped  
7 around a similar protocol, if you can help push that.

8 COMMISSION CHAIRPERSON SHAPIRO: Well, we'd be  
9 happy to do that because, you know, it's not fair, it  
10 doesn't look good, and that's hurting our game. And I don't  
11 know if the problem's a technology problem. And, again, I  
12 don't want to take draconian measures to fix it, if it can  
13 be fixed, but otherwise we have got to do something.

14 Mr. Champion?

15 MR. CHAMPION: Yeah, I was just going to say that  
16 this may come very odd from an ADW provider but, you know,  
17 it's principally where you see this problem the most is not  
18 online, because people is accustomed to latency, and I can  
19 tell you that in the five years that I've been at Youbet  
20 I've never had a person complain to me about past-posting.  
21 You principally see it and hear it at the racetrack.

22 And there are certain jurisdictions that give the  
23 betting public an advantage when they're physically in the  
24 stands.

25 COMMISSION CHAIRPERSON SHAPIRO: Well, and I

1 happen to be one of the people that thinks that we need to  
2 find ways to reward people for being physically in the  
3 stands, and this may be one of them.

4 MR. CHAMPION: Right. I'd only suggest that we  
5 ensure that that's done uniformly across the board, so that  
6 one electronic means does not have an advantage over the  
7 other.

8 COMMISSION CHAIRPERSON SHAPIRO: I think we would  
9 do that.

10 MR. CHAMPION: But I honestly believe, and I  
11 think -- I know the Commission feels the same way, and that  
12 is -- or this Board, is that integrity in racing is  
13 critical.

14 COMMISSION CHAIRPERSON SHAPIRO: Correct.

15 MR. CHAMPION: And we are on the very edge of it  
16 as we speak. The betting public needs to know that there's  
17 more integrity in this sport.

18 COMMISSION CHAIRPERSON SHAPIRO: I couldn't say it  
19 better, I appreciate it, thank you.

20 In terms of other comments, I have two comment  
21 cards, they're both from Local 280.

22 So either/or Mr. Kempt or Mr. Castro, do you  
23 choose to weigh in on this issue and, if so, I do ask that  
24 it be brief because we're getting close to the time where  
25 we're going to try to move the meeting along. But go ahead,

1 Doug.

2 MR. KEMPT: Thank you, Mr. Chairman. Yes, my name  
3 is Doug Kempt, I am with Local 280. I know this issue's  
4 been discussed in the committee and, you know, the issue of  
5 a four-second cancel delay came up in the committee. I  
6 haven't heard it here today and I appreciate that, we would  
7 be against something like that.

8 I only have a question about the hubs in the ADW  
9 companies, and I didn't exactly hear Mr. Champion --

10 COMMISSION CHAIRPERSON SHAPIRO: One second, I'm  
11 sorry to interrupt you. Can I ask the people in the back to  
12 step out of the room, it's simply too loud.

13 Would those people in the back of the room, Mr.  
14 Charles, Mr. Halpern, Mr. Couto, Mr. Guy Lamothe, would you  
15 guys step out so that we can hear up here? It's the sound's  
16 bouncing up here. Thank you.

17 Go ahead, Doug.

18 MR. KEMPT: Thank you, Mr. Chairman. My question  
19 was, and I didn't hear the answer, maybe you could help me,  
20 was about the ADW hubs being located in Oregon, does that  
21 create a double hop or is that something I missed? Does  
22 that slow the actual transaction down?

23 COMMISSION CHAIRPERSON SHAPIRO: That question was  
24 not specifically asked or answered. What I will tell you is  
25 we heard we should eliminate the double hops.

1 MR. KEMPT: Right.

2 COMMISSION CHAIRPERSON SHAPIRO: And, therefore,  
3 we've asked staff to contact anywhere where there is a  
4 double hop occurring, and trying to make sure that that no  
5 longer exists.

6 MR. KEMPT: Okay, and just one final thing for the  
7 record. I do agree with Mr. Charles and his statement that,  
8 you know, bets with a live clerk are not going to be  
9 influencing the odds at the last minute, that's not the area  
10 of the problem.

11 COMMISSION CHAIRPERSON SHAPIRO: I think we know  
12 that and we appreciate that.

13 MR. KEMPT: Thank you.

14 COMMISSION CHAIRPERSON SHAPIRO: Mr. Castro, is  
15 there something you wanted to add to this? I don't want to  
16 cut you off, you're my friend.

17 MR. CASTRO: I'm going to sit down this time  
18 because I almost fell last time.

19 My name is Richard Castro, I'm with the Pari-  
20 Mutuel Employees Guild Local 280.

21 I wanted to underline that my understanding on  
22 this issue is that we have a verbal contractual arrangement  
23 with the day tracks for the four-second delay. And it's  
24 verbal, but there's a reason for it.

25 And I don't want to pick on the tote company, but

1 the tickets with delay -- one of our problems over the years  
2 is the tickets with delay coming out. So you would come to  
3 my window, I would punch your bet, the race would go off you  
4 would walk away, up pops a ticket. We have no way of  
5 canceling that without that four-second delay.

6 Actually, the delays on some of these, lately,  
7 have been even longer than four seconds.

8 The other thing where it has been very beneficial  
9 and many people have complimented us, is the ticket would be  
10 pushed in error. They would want one track, whether it was  
11 the patron of the clerk that make the error, they have a  
12 chance to get that ticket back down in the chute and the  
13 clerk doesn't go short. That's all I have to say.

14 COMMISSION CHAIRPERSON SHAPIRO: All right, Mr.  
15 Castro, thank you. And I don't think any of us believe that  
16 this is a problem that's occurring on the track. I think  
17 that we all know that this is an electronic problem that's  
18 probably occurring off track. So I don't think that the  
19 question about the four-second delay is something that's  
20 called into question.

21 VICE CHAIRPERSON HARRIS: That's an issue, but not  
22 here.

23 MR. CASTRO: Well, I'm continuing from the  
24 industry what can we do to get you to change your position.

25 COMMISSION CHAIRPERSON SHAPIRO: Okay. I don't

1 know what you're hearing from the industry, but I think that  
2 we need to do --

3 MR. CASTRO: And these are all my friends back  
4 here, I don't want to leave it that I have an enemy in the  
5 room.

6 COMMISSION CHAIRPERSON SHAPIRO: I don't think you  
7 do have an enemy in the room.

8 MR. CASTRO: I don't have an enemy.

9 COMMISSION CHAIRPERSON SHAPIRO: I think everybody  
10 loves you.

11 MR. CASTRO: I'm sure they do.

12 COMMISSION CHAIRPERSON SHAPIRO: Okay. All right,  
13 Item Number -- I certainly love you, Mr. Castro.

14 VICE CHAIRPERSON HARRIS: If we stay around  
15 another hour, he may have some enemies.

16 COMMISSION CHAIRPERSON SHAPIRO: Okay, Item Number  
17 12, staff mid-year report -- mid-year track report on the  
18 following race meets: Pacific Racing Association, Los  
19 Angeles Turf Club, Bay Meadows Racing Association, Pacific  
20 Racing Association, Hollywood Park Racing Association, San  
21 Joaquin County Fair, Alameda County Fair.

22 And in-progress race meets through July 31st,  
23 2007: Sacramento Harness Association, Los Alamitos Quarter  
24 Horse Racing Association, Sonoma/Solano Wine Country Racing,  
25 and Del Mar Thoroughbred Racing.

1 Roberto?

2 MR. ZAVALA: Roberto Zavala, CHRB staff. Thank  
3 you, Chairman Shapiro.

4 I wanted to bring to everyone's attention that  
5 this is a track report and not a host report. The main  
6 difference between the two would be that if the specific  
7 question that was asked by the Commissioners was that we'd  
8 like to know how our live product is doing on a specific  
9 track, and this best represents that.

10 The host report would represent, for example, a  
11 situation where you are getting handle on a horse that's not  
12 run on your track, and that would not represent what the  
13 Commissioner's have asked.

14 COMMISSION CHAIRPERSON SHAPIRO: So what this is  
15 telling us is what the live product is doing when -- I'm  
16 picking the first one. When Alameda County Fair, in 2006,  
17 ran 11 days of live racing at their venue, when compared to  
18 2007, 11 live days, what they did with live people on track.

19 MR. ZAVALA: Yes, that is correct.

20 COMMISSION CHAIRPERSON SHAPIRO: Therefore,  
21 whatever promotions they ran, whatever advertising they did,  
22 it would indicate how they did in attracting business.

23 MR. ZAVALA: That is correct.

24 VICE CHAIRPERSON HARRIS: Would that also include  
25 bets made on other tracks, but they've got to be live on

1 track, say, at Alameda.

2 MR. ZAVALA: Yeah, in other words, what this is  
3 saying, Commissioner Harris, is that if there's a bet that's  
4 happening, for example in Southern California, and you're in  
5 Northern California making that bet, that this track down  
6 here is getting credit for that bet. It's not getting  
7 credit for it unless you run a host report, which shows the  
8 distribution of monies coming to that host.

9 And there's a lot of discrepancies in the two  
10 reports, and I really wanted to make sure that everybody  
11 understood that because the CRIMS is a fabulous machine, or  
12 a fabulous database, however, it does have a lot of  
13 intricacies that people don't recognize until they start  
14 running different reports.

15 So this is a true identifier of how that horse ran  
16 on that track, or that meet. In other words, you're saying  
17 I want to know how well my race meet did for a particular  
18 time which, in this case, is the first seven months of 2006  
19 versus 2007. So in this case, I'll just take an example,  
20 San Joaquin County Fair did a 52 percent increase compared  
21 to the previous year.

22 If you were to run a different report, which is a  
23 host report, they would actually show different numbers,  
24 meaning that they would get additional monies from other  
25 venues, that were not necessarily from their specific track

1 on that horse.

2 COMMISSION CHAIRPERSON SHAPIRO: But let's use  
3 that one as an example, okay?

4 MR. ZAVALA: Okay.

5 COMMISSION CHAIRPERSON SHAPIRO: In 2006 they were  
6 overlapped.

7 MR. ZAVALA: Yes.

8 COMMISSION CHAIRPERSON SHAPIRO: In 2007 they were  
9 not overlapped.

10 MR. ZAVALA: Yes.

11 COMMISSION CHAIRPERSON SHAPIRO: Okay, they ran  
12 one fewer day in 2007. All right, if I just sat down and I  
13 looked at these numbers, I'd say, wow, they really -- by not  
14 being overlapped and, again, there are a lot of other  
15 reasons, it would appear that they did 50 percent better, no  
16 other factors being considered. Like last year was 115  
17 degrees and this year it was not. Is that correct?

18 MR. ZAVALA: Yes, that is correct.

19 COMMISSION CHAIRPERSON SHAPIRO: Okay. And the  
20 other thing to note though is that in looking at this, and  
21 this is only handle, this is not attendance, this is only  
22 handle that we're looking at.

23 MR. ZAVALA: Yes, this is the -- yeah, exactly,  
24 correct.

25 COMMISSION CHAIRPERSON SHAPIRO: On-track live

1 handle.

2 MR. ZAVALA: On-track live handle for only  
3 California tracks.

4 COMMISSION CHAIRPERSON SHAPIRO: Right. But Bay  
5 Meadows, they ran during the same period, 11 fewer days this  
6 year, and they also --

7 VICE CHAIRPERSON HARRIS: Well, yeah, but Bay  
8 Meadows and Golden Gate are not really comparable because  
9 they're both in different --

10 COMMISSION CHAIRPERSON SHAPIRO: That's my point.

11 VICE CHAIRPERSON HARRIS: -- date periods and all  
12 that.

13 COMMISSION CHAIRPERSON SHAPIRO: I was saying  
14 that.

15 VICE CHAIRPERSON HARRIS: A little quicker.

16 COMMISSION CHAIRPERSON SHAPIRO: Yeah, we know  
17 you're quicker than me.

18 So that's not a factor that's weighed into this,  
19 this is a pure mathematical, statistical --

20 VICE CHAIRPERSON HARRIS: It's encouraging,  
21 though, if you just take the whole State, that it was up,  
22 because we get a lot of gloom and doom in the industry about  
23 how terrible it's going to be, and how we've got to get a  
24 handout and all this stuff, which maybe we do, but it's  
25 encouraging that the total handle was up about eight

1 percent.

2 COMMISSIONER AMERMAN: Yeah, and I think that's an  
3 important point. There's all variations in what we can do  
4 and look at, and so forth.

5 But across the board, 8.5 percent up must mean  
6 that we're doing something correct. The question that I'd  
7 ask is what is that something?

8 MR. ZAVALA: I don't have any answers to that,  
9 sorry.

10 COMMISSIONER AMERMAN: Why are we doing so well,  
11 then?

12 VICE CHAIRPERSON HARRIS: It might just be the  
13 economy. Some of it's the economy, some of it, I think, are  
14 fields not --

15 COMMISSIONER AMERMAN: The economy was good in  
16 2006. There's something else that's in here.

17 COMMISSION CHAIRPERSON SHAPIRO: And the question  
18 is can we use this data to figure out what it is.

19 COMMISSIONER AMERMAN: Absolutely. I mean, I  
20 think we're remiss if we don't analyze this to find out what  
21 we're doing right because the numbers look pretty good.

22 VICE CHAIRPERSON HARRIS: Yeah. What happened to  
23 the -- I didn't understand on Wine Country Racing, which I  
24 thought that was like four weeks, one at Vallejo and three  
25 at Santa Rosa, but you're just showing three total?

1           COMMISSIONER AMERMAN: Yeah, Commissioner Harris,  
2 the report for last year, for CRIMS, it did show the  
3 difference between the two race meets. However, this year,  
4 it only shows it as Wine Country Racing, so I couldn't -- I  
5 had to combine 2006, two meets together to be able to be  
6 comparable to 2007.

7           VICE CHAIRPERSON HARRIS: But the 17 days, I  
8 think, were all at Santa Rosa, though, wasn't it? It  
9 wouldn't have been no later. But I was just trying to  
10 figure out if that experiment was, in fact, successful,  
11 which I think it was, but we can go back and see.

12           COMMISSION CHAIRPERSON SHAPIRO: Right. And,  
13 Roberto, and I think the Board would like it, and this is  
14 great and appreciate it, that perhaps now you can dig  
15 deeper -- now that you get a flavor of what we're trying to  
16 do, I think Commissioner Amerman said it correctly, okay,  
17 the bottom line here appears to be positive, eight and a  
18 half percent overall, but if we can dig deeper and we can  
19 try to find what factors made it better, and what factors  
20 that we should considering, and our racing associations  
21 should be considering to try and glean information from  
22 this, that's where we're going to truly benefit from this.

23           VICE CHAIRPERSON HARRIS: Well, back to John's  
24 question, I think I was being glib, but essentially at  
25 Hollywood Park, I think their field size was up

1 substantially due to the cushion track. I mean, that had to  
2 have something to do with that uptake.

3 COMMISSION CHAIRPERSON SHAPIRO: Right, and if we  
4 can identify the variances --

5 COMMISSIONER AMERMAN: Well, if we could come to  
6 some general conclusions, at least it will help us as we  
7 look forward because we obviously want this to continue.

8 COMMISSION CHAIRPERSON SHAPIRO: Correct.

9 MR. ZAVALA: I agree, I think there's a lot of  
10 hierarchial, very high level information here, without  
11 drilling down and getting to more specifics.

12 COMMISSIONER AMERMAN: Right.

13 MR. ZAVALA: Commissioner Harris, I just want to  
14 answer your question regarding last year for Sonoma versus  
15 for the Wine Country. Solano County Fair ran 11 days and  
16 Sonoma County ran six days for 2006.

17 And during this period, by the way, from --

18 VICE CHAIRPERSON HARRIS: Well, maybe -- because I  
19 thought the combination, I thought, ran four weeks.

20 MR. ZAVALA: Yeah, but understanding this is  
21 through July 31st, it isn't through the -- it isn't through  
22 like last week.

23 VICE CHAIRPERSON HARRIS: Oh, that's what confused  
24 me.

25 MR. ZAVALA: Yeah, yeah.

1           COMMISSION CHAIRPERSON SHAPIRO: All right, thank  
2 you. If you would, though, please put on your thinking cap  
3 and try to help us think of ways with which to use this  
4 data.

5           MR. ZAVALA: Okay.

6           COMMISSION CHAIRPERSON SHAPIRO: Thank you,  
7 Roberto.

8           Mike Ziegler?

9           Do you want to reemphasize the point I made for  
10 you?

11          MR. ZIEGLER: Mike Ziegler here, to defer to you  
12 guys, made the point that the days don't compare from year  
13 to year, is all I want to say.

14          COMMISSION CHAIRPERSON SHAPIRO: We tried to do  
15 that for you. Harris was, of course, quicker.

16          Okay, Item Number 13 is a report from the Security  
17 and Licensing Committee.

18          VICE CHAIRPERSON HARRIS: They're not here.

19          COMMISSION CHAIRPERSON SHAPIRO: Pardon me,  
20 they're not here?

21          Okay, Jackie, go ahead. Mike, you can have a  
22 seat, you're next.

23          VICE CHAIRPERSON HARRIS: Yeah, stay there.

24          STAFF SERVICES MANAGER WAGNER: A brief report on  
25 the Security and Licensing Committee meeting.

1           We met last month, primarily to discuss one issue  
2 that concerned licensing. Specifically, how we could revamp  
3 and address the licensing of what we're calling partnership  
4 groups.

5           COMMISSION CHAIRPERSON SHAPIRO: Okay, hold on.  
6 Can we please have it quiet in the back, the sound just  
7 bounces right up here and we just can't hear. Obviously, it  
8 doesn't bounce that way because they don't react.

9           Okay, Jackie, try again.

10          STAFF SERVICES MANAGER WAGNER: We looked at the  
11 possibility of amending the Board's rules pertaining to  
12 licensing, particularly as it pertains to licensing  
13 partnership groups. We have a licensee of Little Red  
14 Feather Stable, who had approached the Board and asked us to  
15 take a look at our rules as they addressed the particular  
16 licensing qualifications for this particular licensing  
17 category.

18          We had a proposal that we looked at. I thought  
19 the meeting was very productive because it was a step  
20 forward. We did have a proposal that we looked at, that we  
21 basically came into agreement on most of the components of  
22 it. We are in the process of amending and looking at one  
23 particular area that has to be addressed.

24          I have spoken with -- Mr. Billy Koch is the  
25 licensee for Little Red Feather. We have been in contact

1 and we hope to have a revised proposal for the Committee,  
2 for the September meeting.

3 VICE CHAIRPERSON HARRIS: Yeah, I'd keep in mind  
4 that all of Little Red Feathers, the stakeholder's group,  
5 there are numerous partnerships. I mean, there's literally  
6 probably a thousand or more partnerships.

7 STAFF SERVICES MANAGER WAGNER: Absolutely.

8 VICE CHAIRPERSON HARRIS: And we need to get input  
9 from a whole cross section of people on how they feel it  
10 should be.

11 STAFF SERVICES MANAGER WAGNER: Right, and that  
12 will be part of the final proposal, we're just looking at  
13 the language right now.

14 COMMISSION CHAIRPERSON SHAPIRO: We'll make sure  
15 that is well noticed to the public.

16 VICE CHAIRPERSON HARRIS: Try to talk to more than  
17 just Billy.

18 STAFF SERVICES MANAGER WAGNER: We'll do that.

19 COMMISSION CHAIRPERSON SHAPIRO: When we do come  
20 up with something, we want to make sure it's disseminated  
21 widely, so we can get input from everybody.

22 STAFF SERVICES MANAGER WAGNER: Sure.

23 COMMISSION CHAIRPERSON SHAPIRO: On this issue, I  
24 would also like to suggest that we consider licensing as  
25 part of the national racing compact or license. I think

1 that we see that you can get a national license, and it  
2 troubles me that if somebody's shipping in for a big race,  
3 or coming over here for a very short period, they have to go  
4 through a pretty rigorous procedure to race a horse in  
5 California.

6 I know, as part of RCI, we have the ability, and I  
7 believe we have the law that would allow us to be part of a  
8 national licensing compact, yet we don't avail ourselves of  
9 it. And I believe that what we should look to is in fact  
10 either joining it and using it.

11 Now, the argument that I've heard in the past is  
12 that we do a better job of fingerprinting, or background  
13 checks, and so forth. Well, I don't know if that outweighs  
14 that when somebody wants to ship a horse into our State, if  
15 they have a license from Kentucky, or New York, or wherever,  
16 they should be able to use that license here if they've been  
17 authorized by that jurisdiction for at least some short  
18 period of time, so that we can make it more welcoming to  
19 come to California and race your horse.

20 STAFF SERVICES MANAGER WAGNER: You know,  
21 Commissioner Shapiro, we do recognize the national licensing  
22 compact to a certain extent. We will take a look at  
23 revamping what we're doing currently. However, in the past,  
24 the question has been, in terms of, again, like you said,  
25 the background checks, and the revenue, and the fact that we

1 do charge a fee for our licenses. So there are some issues  
2 that we need to look at.

3 COMMISSION CHAIRPERSON SHAPIRO: Well, I guess  
4 what I'm saying is if somebody's licensed in the State of  
5 Kentucky, and they want to ship out here and run in a race,  
6 do we not require that they get a California license?

7 STAFF SERVICES MANAGER WAGNER: Yes, the law  
8 requires that they have a California license.

9 VICE CHAIRPERSON HARRIS: I think we need to take  
10 a look at that, though, because there's an expense  
11 associated with us just issuing all these licenses. I think  
12 we need to make it, within reason, pretty easy for people to  
13 achieve a license here.

14 COMMISSION CHAIRPERSON SHAPIRO: I agree with you.  
15 I mean, John --

16 COMMISSIONER AMERMAN: I was just going to say you  
17 have to have a license in any other state, you have to have  
18 a license to race in Kentucky, or New York, or Delaware, or  
19 whatever.

20 COMMISSION CHAIRPERSON SHAPIRO: And do you have  
21 to get a license in every state from that state?

22 COMMISSIONER AMERMAN: Yes, we do.

23 STAFF SERVICES MANAGER WAGNER: Yes, you do. The  
24 law requires that they have a license.

25 COMMISSIONER AMERMAN: It is a pain in the neck.

1           VICE CHAIRPERSON HARRIS: I think that was the  
2 whole idea of the national licensing, though, that there  
3 would be --

4           COMMISSIONER AMERMAN: It doesn't work.

5           STAFF SERVICES MANAGER WAGNER: It doesn't work.

6           COMMISSIONER AMERMAN: You get the national  
7 license, hooray, and then you still have to go through the  
8 states.

9           STAFF SERVICES MANAGER WAGNER: Absolutely.

10          VICE CHAIRPERSON HARRIS: These guys are  
11 advertising them on TV as just a wonder thing.

12          COMMISSION CHAIRPERSON SHAPIRO: I'm trying to say  
13 couldn't we, in California, say if you have that license and  
14 you're licensed by another state --

15          COMMISSIONER AMERMAN: I think it's absolutely  
16 great, we're trying to get more horses into California, make  
17 it as simple as possible.

18          COMMISSION CHAIRPERSON SHAPIRO: Right.

19          STAFF SERVICES MANAGER WAGNER: Well, what I'm  
20 suggesting is that we give staff an opportunity to look at  
21 it and see what we can do to revamp it. It's my  
22 understanding that you have to have a California license in  
23 order to race in California.

24          COMMISSIONER AMERMAN: How do we change it?

25          VICE CHAIRPERSON HARRIS: What sort of hoop do you

1 go through to get that? I mean, ideally, if you could just  
2 show someone, look, here's my national license, then you're  
3 deemed to have a California license. Maybe there's some  
4 competency issues for trainers and things like that. But  
5 for an owner, it should be if you've got a national license  
6 and you pay your hundred bucks, you're in.

7 COMMISSIONER AMERMAN: It would be a breakthrough,  
8 I tell you.

9 COMMISSION CHAIRPERSON SHAPIRO: And, I mean,  
10 again, we -- you know, we can have our staff, our license  
11 officers call the state they got and say does Joe Blow have  
12 any warrants or is there a problem with his license? They  
13 can say, no, he's in good standing, and if he's out here to  
14 race, let him race.

15 And maybe Mr. Blonien can help me out here.

16 VICE CHAIRPERSON HARRIS: See the problem  
17 is --

18 COMMISSION CHAIRPERSON SHAPIRO: One second, one  
19 second. Maybe Mr. Blonien's going to help me, because it  
20 was my understanding the law provided that we could honor a  
21 national racing license. Is that not true?

22 MR. BLONIEN: That is absolutely true, Mr.  
23 Chairman. It's pursuant to Business and Professions Code  
24 Section 19527, entitled "Interstate Compact and Horse Racing  
25 Occupational Licensing." It's on page 37.

1           And this is a law that I wrote a number of years  
2 ago on behalf of TOC, for the very thing that you're talking  
3 about. And I'll direct your attention to subparagraph two,  
4 "purpose is to facilitate the growth of the horse racing  
5 industry in each party, state, and nationwide by simplifying  
6 the licensing process for participants in the live racing  
7 industry, reduce the duplicative and costly process of  
8 separate licensing by the applicable regulatory agency in  
9 each state."

10           And so we had it put in the law and I don't know  
11 whether we, in fact, are signatory to the interstate compact  
12 or not.

13           COMMISSION CHAIRPERSON SHAPIRO: Well, we are  
14 through RCI, I know that because we pay our dues to RCI, and  
15 I know they use it. And I think we're in agreement.

16           And, frankly, I don't see why we're not doing this  
17 and make it easy on people.

18           VICE CHAIRPERSON HARRIS: Yeah, it seems like  
19 we're still getting the fees. Even if someone comes in now  
20 and they get fingerprinted, we're not going to get  
21 instantaneous background checks on them anyway, so we're  
22 giving them the license, really, without having all the  
23 stuff. It just seems to me that we need to move people  
24 through the process, that we just create a bureaucracy we  
25 don't need.

1           COMMISSION CHAIRPERSON SHAPIRO: Put the welcome  
2 mat out from California.

3           DEPUTY ATTORNEY GENERAL KNIGHT: Can I just  
4 comment. Rod is correct that we do have the authority. In  
5 fact, the Board did join the compact. The Board took  
6 action, during Roy Wood's tenure, to join the compact.

7           The catch is the next section, which specifies  
8 that the licensing standards cannot be reduced in  
9 California. So it would take legislative action to reduce -  
10 - the problem you have with interstate licensing, and this  
11 is a problem with all licensing boards, is you get into the  
12 issue of the lowest common denominator. How are you going  
13 to define what are the requirements.

14           And right now you're statute, 19528, requires that  
15 you cannot reduce your standards for people coming into the  
16 State from another state, under the compact.

17           EXECUTIVE DIRECTOR FERMIN: Actually, as far as  
18 background check, my understand is that RCI has a more  
19 extensive background check than we actually do. Ours is  
20 State and RCI does FBI, as well as state.

21           COMMISSION CHAIRPERSON SHAPIRO: I agree.

22           COMMISSIONER AMERMAN: Yeah.

23           COMMISSION CHAIRPERSON SHAPIRO: Yeah, I think  
24 that we're okay there. So I would again ask that staff move  
25 forward to look if we can't join with the national racing

1 licensing compact, and we can't find ways to simplify this  
2 and not create duplicative efforts, and make it easier for  
3 everybody. Okay?

4 STAFF SERVICES MANAGER WAGNER: Okay.

5 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

6 Mike, the next is a report on the Pari-Mutuel  
7 ADW/Simulcast Committee, and I guess Mike Marten is going to  
8 give the report on behalf of the Committee.

9 MR. MARTEN: Mike Marten, of the Horse Racing  
10 Board staff. Yes, the Committee met July 20th, that's  
11 Commissioners Andreini, Choper, and Moss, and there was a  
12 great deal of input from the public and the industry.

13 COMMISSION CHAIRPERSON SHAPIRO: Hey, Mike, move  
14 away from the mike.

15 MR. MARTEN: Okay.

16 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

17 MR. MARTEN: A major item on the agenda was the  
18 mold issue that you're aware of, this was before the Board a  
19 year ago. Several years ago there was some mold at the  
20 Surfside Room, the simulcast facility at Del Mar.

21 There have been a couple of industrial hygienists  
22 come in and essentially give that a clean bill of health in  
23 their reports. But it's not the same as absolute proof.  
24 They measure the air one day, there still is some concern  
25 that there could be some there, particularly from the Pari-

1 Mutuel Guild.

2           The Cal-OSHA people were there. They didn't speak  
3 to the mold issue directly. They said they don't have a way  
4 of registering mold. But they did say the underlying issue  
5 of water intrusion has been corrected, so there shouldn't be  
6 any new mold created, according to Cal-OSHA.

7           The 22nd Ag. District, which runs that facility,  
8 agreed to inspect that facility, to take their air  
9 measurements at least every six months, more often during  
10 the winter.

11           We thought, when we left that meeting, that  
12 everyone was sort of okay with that, but I understand that  
13 the Pari-Mutuel Guild has since written a letter, which I  
14 have not seen, and it suggests that the issue may not be  
15 gone after all. That's the status of that.

16           The Committee came up with several recommendations  
17 designed to benefit bettors. One is this gelding issue. On  
18 44 occasions last year the trainer failed to report that the  
19 horse had been gelded at the time of -- failed to report at  
20 time of entry that the horse has been gelded. The average  
21 fine in all of those was like \$300.

22           I believe just over the weekend there was a major  
23 winner at Del Mar, it was announced in the Post Parade that  
24 the horse had been recently gelded.

25           The Committee feels that something has to be done

1 and they're recommending that the average fine be up to a  
2 thousand. They can't dictate to the stewards what to do,  
3 the stewards have to retain that authority. But the  
4 suggestion would be to step up the fines.

5 VICE CHAIRPERSON HARRIS: And we also have the  
6 latitude to scratch the horse. I mean, it seems to me it's  
7 like an equipment change, unannounced, that the horse should  
8 just be scratched. Because especially with so many wagers  
9 made well in advance of the Post Parade, it creates a  
10 problem.

11 If the word got out that if you don't have your  
12 gelding report in, your horse is going to get scratched,  
13 would be a way to solve it.

14 MR. MARTEN: The PMO Committee, several months  
15 ago, met and made exactly that recommendation. That  
16 recommendation then went to the Steward's Committee, which  
17 you attended, and the stewards almost unanimously rejected  
18 that suggestion because they say when the paddock judge  
19 determines that the horse has been gelded, they can't  
20 determine in a matter of two or three minutes whether the  
21 trainer failed to report that at time of entry or if it was  
22 the --

23 VICE CHAIRPERSON HARRIS: Well, it's immaterial  
24 whose fault it was, it could be all kinds of faults. But  
25 it's just life if you -- if a horse is supposed to run in

1 blinkers and somehow you can't find any blinkers, you're got  
2 to scratch the horse.

3 MR. MARTEN: We're going to address blinkers in  
4 the next paragraph.

5 But the stewards just felt very strongly that you  
6 could not scratch horses over gelding issues, because they  
7 couldn't determine -- the trainer may have done everything  
8 correctly --

9 VICE CHAIRPERSON HARRIS: Well, let's put it on  
10 the agenda for a meeting.

11 COMMISSION CHAIRPERSON SHAPIRO: You know what, I  
12 think that unfortunately, and I do agree with you, I think  
13 that we'll add to our Board meeting next month the  
14 discussion on disposition or procedures with respect to  
15 first-time geldings, and see what the Board wants to do.

16 I mean, this is an issue that since I've been on  
17 the Board we've been talking about. And you know what, it  
18 clearly seems to be the ultimate equipment change, and  
19 you're right, it was announced in the paddock this week, or  
20 this past week, that horse went off and won and it just  
21 looks terrible.

22 VICE CHAIRPERSON HARRIS: Yeah.

23 COMMISSION CHAIRPERSON SHAPIRO: And it's not  
24 fair, and we get enough of an outcry, so we're going to add  
25 that to the agenda.

1           VICE CHAIRPERSON HARRIS: Yeah, because I think,  
2 you know, maybe it might be though as draconian, but  
3 sometimes you'd have to do something dramatic to get  
4 people's attention. And I guarantee you, once you did this  
5 you'd probably get two or three scratches the first month,  
6 and then the light bulbs would go off.

7           COMMISSION CHAIRPERSON SHAPIRO: Okay.

8           MR. MARTEN: Okay. You had mentioned blinker  
9 changers. There's a couple of directives that the stewards  
10 have, going back numbers of years, and one says that if a  
11 horse returns after six months, the stewards have the  
12 authority to either make the horse wear the same equipment  
13 or not.

14           And then there's another directive, apparently out  
15 there, that says that they will wear the same equipment as  
16 the last.

17           And the Committee felt that for consistency, it  
18 would just like the equipment to remain the same. So if a  
19 horse shows up in the paddock without blinkers, and seven  
20 months ago it did have blinkers, they'll have to add the  
21 blinkers. But the Committee would like your concurrence on  
22 that.

23           I guess the Committee was actually asking for some  
24 concurrence on that, so that a directive could be issued.

25           COMMISSION CHAIRPERSON SHAPIRO: I don't have a

1 problem with it.

2 VICE CHAIRPERSON HARRIS: I mean, the issue is  
3 that the horse could be entered, it was just that if the  
4 trainer didn't enter it -- he wanted to take the blinkers  
5 off, but he didn't put blinkers off on his entry, which is  
6 not rocket science. But I think if the public thinks the  
7 horse wears blinkers, he should wear the blinkers.

8 MR. MARTEN: That's exactly what the Committee's  
9 asking for.

10 COMMISSION CHAIRPERSON SHAPIRO: I really don't  
11 have an opinion on that.

12 COMMISSIONER AMERMAN: I don't have a problem with  
13 that.

14 COMMISSION CHAIRPERSON SHAPIRO: I don't think  
15 anybody has a problem with that.

16 MR. MARTEN: Okay, good.

17 COMMISSIONER AMERMAN: What happens is in the  
18 program, like it says blinkers on or blinkers off?

19 MR. MARTEN: No, if it's announced, that's fine,  
20 but we're talking about the ones that aren't announced.

21 COMMISSIONER AMERMAN: Okay, all right. Okay, I'm  
22 sorry.

23 MR. MARTEN: Okay. We looked at the Pick-Four,  
24 Pick-Six, and Pick-Nine dead heats. I don't know if all you  
25 might not be aware of this, but if there's a dead heat,

1 regardless of the odds of the horses, there's an equal  
2 payout. Yes, in the Pick-Fours, Pick-Sixes, there's an  
3 equal payout if there's a dead heat.

4 So what we'd like to do is adopt a rule, make a  
5 rule change so that the payoffs are proportionate to the  
6 odds of the horses in the dead heat.

7 COMMISSION CHAIRPERSON SHAPIRO: I'm stunned it  
8 isn't that way, I would have thought it was that way. That  
9 makes sense, I think.

10 VICE CHAIRPERSON HARRIS: Is this for doubles?

11 COMMISSION CHAIRPERSON SHAPIRO: Yeah, it should  
12 be that way.

13 MR. MARTEN: Correct, okay.

14 COMMISSION CHAIRPERSON SHAPIRO: Wow.

15 MR. MARTEN: We discussed late odds changes, which  
16 we've already discussed at this meeting, we don't need to go  
17 into that. There's been a proposal to lower the number of  
18 horses required to start to make Trifecta and Superfecta  
19 wagers. And Ron Charles has agreed to discuss this with his  
20 Fans Committee, to get fan input on this, and the  
21 Committee's waiting for that report back.

22 And finally, the Pari-Mutuel Guild discussed a  
23 number of issues and there seemed to be good dialogue  
24 between the Guild and the Scientific Games people, and I  
25 would call that productive discussion.

1 And that would conclude the report.

2 COMMISSION CHAIRPERSON SHAPIRO: Thank you. The  
3 last item on the agenda is a report from the Strategic  
4 Planning Committee. We're not actually going to have --  
5 hold on. Hold your horses. Richard Castro.

6 MR. CASTRO: I think I got a free -- Richard  
7 Castro, Pari-Mutuel Employees Guild. And I'll try and do it  
8 right this time.

9 Chairman Shapiro, Commissioners, my name is  
10 Richard Castro, representing Pari-Mutuel Employees Guild.

11 I think I got a freebie the last time, I don't  
12 think I had a card in for Number 11, I think I had it in for  
13 14, but I very well could have made a mistake. And I might  
14 as well tell you why.

15 COMMISSION CHAIRPERSON SHAPIRO: Go ahead.

16 MR. CASTRO: I was operated on yesterday morning  
17 and I got an awful lot of drugs in me, and that's -- but I'm  
18 not apologizing for my attitude or my words, it's I'm shaky  
19 here.

20 I'd like to talk about Surfside. That's correct,  
21 we're not satisfied. The Pari-Mutuel Committee meeting that  
22 we had regarding Surfside and the tote issues was excellent,  
23 it's one of the best meetings in 20 years that I ever  
24 attended. I walked away from that meeting absolutely elated  
25 at the progress that we made at that meeting.

1           However, keep in mind that this item, this black  
2 mold issue came to my attention in 2004, and this is now  
3 2007. And I asked one question, I asked when would all my  
4 workers be able to go back to work? I wanted the date.  
5 That was the important part for me, because once I got the  
6 date of when that person could go back to work that place,  
7 in my eyes, would be safe. I do not have that date.

8           At that meeting Commissioner Choper even remarked  
9 that he thought they were writing the conditions behind me  
10 and were going to be forthcoming with it at that meeting.  
11 That never happened, we got a --

12           VICE CHAIRPERSON HARRIS: Is the issue that you've  
13 got one of your members out on Worker's Comp and he's got to  
14 get a doctor's approval to get back to work?

15           MR. CASTRO: That's correct, and it's the company  
16 doctor -- it's the company doctor that's keeping these  
17 people off of work.

18           VICE CHAIRPERSON HARRIS: Which company?

19           MR. CASTRO: It's the company, the Workman's Comp  
20 carrier is with Surfside or Scottwink.

21           VICE CHAIRPERSON HARRIS: Yeah, usually after some  
22 amount of time the individual's free to go to whatever  
23 doctor they want.

24           MR. CASTRO: Yeah, and we've stayed with the  
25 company doctor, that's why this is important.

1           VICE CHAIRPERSON HARRIS: Well, yeah, it sort of  
2 misstates the case to say it's the company doctor,  
3 it's --

4           MR. CASTRO: And had everyone read the letter from  
5 Renee Nelson, that's the doctor, she said that she felt that  
6 it should be testing every six months and after every heavy  
7 rain. I think in my letter I said moderate rain, she said  
8 heavy rain.

9           It's agreed that they have not agreed to that  
10 condition, as far as I know.

11           Your staff is aware of this, I don't think they're  
12 happy with this, either. I don't want to put words in their  
13 mouth, but I've been led to believe that they're not happy  
14 with what hasn't been done, as well.

15           What did not get picked up on the transcript, and  
16 I heard distinctly, was that Cal-OSHA said that you did have  
17 the right to shut them down. It is correct, they follow  
18 water damaged.

19           No one is saying we want the facility shut down,  
20 we want to keep the facility going. We don't want to put  
21 anybody out of business, we don't want to stop the --

22           VICE CHAIRPERSON HARRIS: So we just need to  
23 quantify what level of mold they've got, and there's got to  
24 be some way to do that.

25           MR. CASTRO: It's not a little bit of mold, it's a

1 health hazard.

2 VICE CHAIRPERSON HARRIS: Well, I don't know how  
3 much is --

4 MR. CASTRO: Listen, Mr. Harris, listen very  
5 carefully, you may not know this. Between -- I think it was  
6 in the year 2005, two people have died. I'm not saying they  
7 died of black mold, they died of pneumonia, that's what's on  
8 the birth [sic] certificate.

9 VICE CHAIRPERSON HARRIS: No, it's a serious  
10 issue, we just need to quantify how we get it under control.

11 MR. CASTRO: But I believe that black mold was a  
12 factor, it's a health hazard. The doctor has cited, once  
13 you get infected with this, or inflicted with it, or into  
14 your system, you're in a weakened state, and that's what's  
15 happened to these workers. Another has had nasal surgery.  
16 It's not a laughing matter and nobody's laughing.

17 VICE CHAIRPERSON HARRIS: No, it's a serious  
18 matter. I think that Del Mar, I mean, and they're employer  
19 is Scottwink, if I was Del Mar, I'd be concerned about third  
20 party liability and all of that.

21 MR. MARTEN: I could clarify two things, Mike  
22 Marten, again. George Bradvica, and the other person from  
23 the 22nd District, did stand up at that meeting, under  
24 questioning, and say they would agree to test that facility  
25 every six months and more often during rain. That was

1 stated.

2 Secondly, the two official laboratory reports  
3 indicated that the mold inside the public areas is no  
4 greater than it is in the outside.

5 COMMISSION CHAIRPERSON SHAPIRO: Than the what?

6 MR. MARTEN: In outside, just what you get walking  
7 outside the door. So that's the two official reports.

8 COMMISSION CHAIRPERSON SHAPIRO: And Mr. Castro,  
9 perhaps -- would it satisfy you if we required or asked them  
10 to test for black mold every six months, would that satisfy  
11 you, if we got that in writing?

12 EXECUTIVE DIRECTOR FERMIN: Chairman Shapiro, I  
13 spoke with George Bradvica after the meeting to verify, and  
14 he's agreed, again, that they will test every six months,  
15 and they will test after every significant rain.

16 COMMISSION CHAIRPERSON SHAPIRO: Fine, will he put  
17 that in writing?

18 EXECUTIVE DIRECTOR FERMIN: I'll ask him.

19 COMMISSION CHAIRPERSON SHAPIRO: All right, we  
20 will get that in writing.

21 MR. CASTRO: We don't have that in writing.

22 COMMISSION CHAIRPERSON SHAPIRO: No, I just -- Mr.  
23 Castro, I just said we will request that he put that in  
24 writing.

25 MR. CASTRO: That's appreciated.

1 COMMISSION CHAIRPERSON SHAPIRO: Okay.

2 MR. CASTRO: May I make a comment about the  
3 outside of the building because the public does have access  
4 to the outside concession stands, and that's the two areas  
5 that they did not say were cleared. Now, I will rest.

6 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,  
7 we appreciate your passion, we appreciate your  
8 understanding. I don't think anybody finds this a laughing  
9 matter.

10 And I also had a very brief conversation with  
11 Mr. Bradvica. He also told me that they were going to test  
12 every six months. I know that they are doing extensive  
13 improvements and repairs to the facility as we speak. And I  
14 think that he is in earnest, working diligently. I spoke to  
15 you after your meeting, I believe that they meant everything  
16 that they said when you did have your meeting with them, and  
17 I think that everybody is trying to solve this problem.

18 MR. CASTRO: He is a very earnest person. I'm  
19 glad that he's in the facility. There have been many  
20 changes that have been at a much quickened pace since he  
21 came aboard, it's acknowledged and appreciated.

22 COMMISSION CHAIRPERSON SHAPIRO: All right, we  
23 will try and stay on it. Thank you.

24 The last item on the agenda is listed as a report  
25 of the Strategic Planning Committee. I had not planned on

1 making a report of this Committee because we have another  
2 Strategic Planning meeting tomorrow. But I see Mr. Blonien  
3 may want to comment on it, you were at the meeting.

4 VICE CHAIRPERSON HARRIS: Let's do that.

5 COMMISSION CHAIRPERSON SHAPIRO: I would like to  
6 encourage everybody that has remained through this meeting,  
7 to attend tomorrow's meeting. And I also would hope that  
8 everybody be prepared to work through some of the issues  
9 that are facing California.

10 VICE CHAIRPERSON HARRIS: I think that this item  
11 should be sorted out at tomorrow's meeting, because we're  
12 going to have essentially a similar group here and rather  
13 than --

14 COMMISSION CHAIRPERSON SHAPIRO: Mr. Blonien, you  
15 just handed a letter that's addressed to me, which I've  
16 never seen.

17 MR. BLONIEN: Well, yes.

18 COMMISSION CHAIRPERSON SHAPIRO: And I kind of  
19 find it odd that we're in the middle of a public meeting and  
20 a letter that's addressed to me is handed out to everybody,  
21 and I've never even had a chance to see the letter.

22 MR. BLONIEN: Well, the letter was written  
23 yesterday by doctor -- well, actually, late last night by  
24 Dr. Allred, e-mailed to me this morning.

25 And what the letter speaks to is the issue and the

1 concern of Dr. Allred with respect to the possibility that  
2 we would have less than 51 weeks of racing and the impact  
3 that that will have in the satellite world.

4 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,  
5 again, we have a strategic --

6 COMMISSIONER AMERMAN: Is it possible to take two  
7 minutes to read the letter before we comment?

8 COMMISSION CHAIRPERSON SHAPIRO: Yes, we can do  
9 that but, frankly, I'm assuming that this is a letter that  
10 would be dealt with or considered at tomorrow's meeting,  
11 which is a Strategic Planning meeting.

12 MR. BLONIEN: And neither Dr. Allred or I can be  
13 there tomorrow, and I just wanted to take two minutes to  
14 discuss the letter.

15 VICE CHAIRPERSON HARRIS: But just to clarify, he  
16 is not talking about quarter horse racing, he's talking  
17 about thoroughbred racing?

18 MR. BLONIEN: That's correct. And the point that  
19 Dr. Allred wants to make is that we are one racing industry  
20 and that if, for example, you take breaks in between meets  
21 that that has an impact on --

22 VICE CHAIRPERSON HARRIS: What proposal does he  
23 have that suggests we're going to have this thing he's  
24 afraid of?

25 MR. BLONIEN: What we understand is that the

1 calendar for '09 would not have breaks, but we understand  
2 that the --

3 COMMISSION CHAIRPERSON SHAPIRO: How can you  
4 understand that when we don't know that. Where does that  
5 come from?

6 VICE CHAIRPERSON HARRIS: We don't even understand  
7 it.

8 MR. BLONIEN: Well, in terms of what I understand  
9 the preferred calendar for thoroughbred racing in the  
10 south --

11 COMMISSION CHAIRPERSON SHAPIRO: What preferred  
12 calendar.

13 VICE CHAIRPERSON HARRIS: We're trying to get this  
14 darned thing straightened out, and the you give us a letter  
15 today because you can't be there tomorrow and, you know,  
16 it's 1:45 in the afternoon. I mean, this is not very  
17 business like.

18 COMMISSION CHAIRPERSON SHAPIRO: Well, you know,  
19 frankly --

20 MR. BLONIEN: Mr. Chairman, it was not my idea to  
21 cause a brouhaha, which obviously has happened. And let me  
22 just say that the letter speaks for itself.

23 COMMISSION CHAIRPERSON SHAPIRO: Yeah, the letter  
24 speaks for itself. We are dealing with the Strategic  
25 Planning Committee meeting tomorrow. I certainly have no

1 assumptions on whether there will be breaks in 2009 or 2008,  
2 for that matter, we haven't even dealt with it.

3           And I think the Board has tried to request that we  
4 are welcome to all communications. We sent out  
5 questionnaires to everybody. I don't believe Los Alamitos  
6 completed a questionnaire and returned one, at least as of  
7 yesterday I had not seen one from Los Alamitos. I  
8 appreciate Mr. Allred's input -- or Dr. Allred's input. I  
9 welcome his input and his thoughts. But at the middle of a  
10 meeting, to drop a letter on us, which we have neither had  
11 time to read, nor is pertinent to what we're discussing, I  
12 find is just not timely.

13           And I will be more than happy and would encourage  
14 everybody to read this. And as we discuss the issues moving  
15 forward at the Strategic Planning Committee meeting, that's  
16 when I think we should deal with whatever's contained in  
17 this letter.

18           MR. BLONIEN: Wonderful, that's our request.

19           COMMISSION CHAIRPERSON SHAPIRO: Thank you.

20           MR. BLONIEN: And the other thing, in terms of  
21 this survey, we weren't aware that we were supposed to  
22 respond to the survey since our impression was it was for  
23 thoroughbreds, only.

24           And in terms of your Strategic Planning meeting,  
25 it generally says it's related to thoroughbred racing, only.

1 COMMISSIONER AMERMAN: Harness people replied.

2 MR. BLONIEN: Did they?

3 COMMISSION CHAIRPERSON SHAPIRO: Yes, the Harness  
4 Association replied, the harness horsemen replied and it was  
5 certainly sent to Los Alamitos as well.

6 MR. BLONIEN: Okay.

7 COMMISSION CHAIRPERSON SHAPIRO: All right, thank  
8 you, Mr. Blonien.

9 Unless there is anything else to come before --

10 VICE CHAIRPERSON HARRIS: I might mention that  
11 Scoop and Bonnie Vessels are hosting a tour of their farm  
12 and a luncheon over at their ranch following this.

13 I also might mention that we had a delegation,  
14 John Andreini, and Roberto, and Ingrid, and me go to  
15 Caliente, yesterday, to see how they handle their facility  
16 down there. Basically, they're buying the signal and they  
17 have their own book, basically. But it does bring about \$3  
18 million a year back to California. And from my observation,  
19 at least, I thought it was a well run facility and,  
20 actually, I was impressed that Tijuana is doing -- there was  
21 a lot of new construction and I was favorably impressed with  
22 my visit.

23 COMMISSION CHAIRPERSON SHAPIRO: All right. Thank  
24 you, Commissioner Harris.

25 VICE CHAIRPERSON HARRIS: I didn't check the load

1 levels, though.

2 COMMISSION CHAIRPERSON SHAPIRO: And, again,  
3 tomorrow's meeting is at the 22nd Ag. offices on the grounds  
4 of Del Mar Racetrack. So if you don't know where those are,  
5 you know, please ask staff or anybody else that you'll be  
6 able to find the location.

7 EXECUTIVE DIRECTOR FERMIN: And it starts at nine  
8 o'clock, it's starting early.

9 COMMISSION CHAIRPERSON SHAPIRO: It's starting at  
10 nine o'clock and it will go for a couple days.

11 Okay. Again, thank you. And, again, thank you to  
12 Leanne Howard for doing this for us, and we very much  
13 appreciate it. The meeting is adjourned.

14 (Thereupon the California Horse Racing  
15 Board Regular Meeting was adjourned at  
16 1:35 p.m.)

17 --oOo--

18

19

20

21

22

23

24

25

## CERTIFICATE OF REPORTER

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of August, 2007.

Troy A. Ray

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345□