

0001

01
01
02
02
03
03
04
04
05
05
06
06
07
07
08
08
09
09
10
10
11
11
12
12
13
13
14
14
15
15
16
16
17
17
18
18
19
19
20
20
21
21
22
22
23
23
24
24
25
25
26
26
27
27
28
28

BEFORE THE CALIFORNIA HORSE RACING BOARD

STATE OF CALIFORNIA

ALAN W. LANDSBURG, CHAIRMAN

In the Matter of:)
)
The Regular Board Meeting of the)
California Horse Racing Board)
_____)

TRANSCRIPT OF PROCEEDINGS

Del Mar, California

Wednesday, August 21, 2002

Reported by:
LAUREEN BADAR, RMR
CSR No. 12047
Job No.:
CHBM618

0002

01
01
02
02
03
03
04
04
05
05
06
06
07
07
08
08
09
09
10
10
11
11
12
12
13
13
14
14
15
15
16
16
17
17
18
18
19
19
20
20
21
21
22
22
23
23
24
24
25
25
26
26
27
27
28
28

BEFORE THE CALIFORNIA HORSE RACING BOARD

STATE OF CALIFORNIA

ALAN W. LANDSBURG, CHAIRMAN

In the Matter of:)
)
The Regular Board Meeting of the)
California Horse Racing Board)
_____)

TRANSCRIPT OF PROCEEDINGS, taken
at the Del Mar Satellite Wagering Facility,
2260 Jimmy Durante Boulevard, Del Mar,
California, commencing at 9:48 a.m., on
Wednesday, August 21, 2002, heard before
ALAN W. LANDSBURG, Chairman, reported by
LAUREEN BADAR, RMR, CSR No. 12047, a Certified
Shorthand Reporter in and for the State of
California.

0003

01 APPEARANCES:

01

02 Chairman: Alan W. Landsburg

02

03 Vice Chairman: Roger H. Licht

03

04 Member: William A. Bianco

04

05 Member: John C. Harris

05

06 Member: Marie G. Moretti

06

07 Member: John C. Sperry

07

08 Deputy Attorney General: Thomas A. Blake

08

09 Chief of Administration: Paige Noble

09

10

10

11

11

12

12

13

13

14

14

15

15

16

16

17

17

18

18

19

19

20

20

21

21

22

22

23

23

24

24

25

25

26

26

27

27

28

28

0004

01

I N D E X

01

02

AGENDA ITEM NUMBER:

PAGE

02

03

1 - Approval of the minutes of the
regular meeting of June 26, 2002

7

04

04

2 - Discussion and action by the
Board on the Application for
License to Conduct a Horse Racing
Meeting of the Oak Tree Racing
Association at Santa Anita, commencing
October 2 through November 3, 2002,
inclusive

9

08

08

3 - Discussion and action by the
Board on the Application for
License to Conduct a Horse Racing
Meeting of the Fresno County Fair,
at Fresno, commencing October 2 through
October 13, 2002, inclusive

11

11

12

4 - Public hearing on the adoption
by the Board of the proposed
Regulatory addition of CHRB
Rule 1867 - Prohibited Veterinary
Practices, to establish criteria and
list those drugs, substances, or
medication whose use or possession of
constitutes a prohibited veterinary practice

13

16

16

5 - Discussion and action by the
Board on the request of the Bay
Meadows Foundation to distribute
charity racing day proceeds in the
amount of \$105,000 to 44 beneficiaries

18

19

19

6 - Staff report on the following
concluded race meetings

24

20

21

A. Churchill Downs California Company

21

B. Alameda County Fair

22

C. Solano County Fair

22

D. Sonoma County Fair

23

23

24

24

25

25

26

26

27

27

28

28

0005

I N D E X (Continued)

02	AGENDA ITEM NUMBER:	PAGE
03	7 - Staff update on the	41
03	Advance Deposit Wagering handle	
04		
04	8 - Report on the implementation	41
05	of Advance Deposit Wagering	
05		
06	A. Report by XpressBet	41
06	B. Report by TVG	44
07	C. Report by YouBet	60
07		
08		
08	9 - Report from the Race Dates Committee	77
09		
09	10 - General Business	81
10		
10	11 - Old Business	94
11		
11		
12		
12		
13		
13		
14		
14		
15		
15		
16		
16		
17		
17		
18		
18		
19		
19		
20		
20		
21		
21		
22		
22		
23		
23		
24		
24		
25		
25		
26		
26		
27		
27		
28		
28		

0006

01 Del Mar, California, Wednesday, August 21, 2002
02 9:48 a.m.

03

04

05 MR. NOBLE: Ladies and gentlemen, the meeting will
06 please come to order.

07 No, I am not Roy Wood.

08 MR. LANDSBURG: Oh, no.

09 MR. NOBLE: This is a regular meeting of the
10 California Horse Racing Board on Wednesday, August 21st,
11 2002, at the Del Mar Satellite Wagering Facility,
12 2260 Jimmy Durante Boulevard, Del Mar, California.

13 Present at today's meeting are Chairman Alan
14 Landsburg, Vice-Chairman Roger Licht, Commissioner William
15 Bianco, Commissioner John Harris, Commissioner Marie
16 Moretti, and Commissioner John Sperry.

17 Before we go on to the business of the meeting, I
18 would like to ask everyone to please state your name and
19 organization clearly for our court reporter.

20 Mr. Chairman?

21 MR. LANDSBURG: I would just add to that "each time
22 you're at the microphone." It just makes it a little bit
23 easier for the transcription.

24 Before we go to the agenda, I wanted to make note
25 of the only service we have received from our legal
26 counsel, Tom Blake. This is his ultimate meeting with us,
27 and we are sorry to see him go but happy to welcome his
28 replacement.

0007

01 I wonder, Derry Knight, if you would stand up and
02 just show your face to the audience so they get some idea
03 of who will be sitting at that end chair at our next
04 meeting.

05 With that, I would like to open the agenda.

06 The first item is the approval of the minutes of
07 the regular meeting of June 26th, 2002.

08 Are there any comments on the minutes?

09 MS. MORETTI: I would move that we approve them.

10 MR. LANDSBURG: I'm sorry?

11 MS. MORETTI: I would move that we approve them.

12 MR. LANDSBURG: I'm sorry. There's a comment.

13 MS. MORETTI: I'm sorry. Oh.

14 I didn't see you, Chilli. I'm sorry.

15 MR. CHILLINGWORTH: Commissioners, Chairman, I do very
16 thoughtfully point out there is an error, in my view, on
17 page 3 of the minutes, about two thirds of the way down.

18 MR. LANDSBURG: What is your amendment, please?

19 MR. CHILLINGWORTH: And right now it reads
20 "Mr. Chillingworth says one of the original arguments was
21 that this facility is more than 20 miles."

22 And I would amend the next sentence to read
23 "Since it has been determined the distance is less than
24 20 miles, the argument that it should continue as a
25 satellite facility is in question."

26 And as you recall, Jack Leibau and I were into
27 whether we had on our odometer (inaudible).

28 MR. LANDSBURG: I just wanted to get your change.
0008
01 MR. CHILLINGWORTH: You did.
02 MR. LANDSBURG: You needn't apologize for it, sir.
03 MR. CHILLINGWORTH: Thank you.
04 MR. LANDSBURG: Are there any other comments on the
05 items contained in the minutes of the regular board
06 meeting of June 26th?
07 If not, I entertain a motion.
08 MS. MORETTI: I will move it.
09 MR. LANDSBURG: Commissioner Moretti has moved to
10 approve.
11 MR. BIANCO: I second.
12 MR. LANDSBURG: Seconded by Mr. Bianco.
13 The minutes of the regular meeting of June
14 26th --
15 MR. HARRIS: That's as amended?
16 MR. LANDSBURG: I'm sorry?
17 MR. HARRIS: As amended?
18 MR. LANDSBURG: -- as amended have been approved.
19 Thank you, John.
20 Item 2 on the agenda, "Discussion and action by
21 the Board on the Application for License to Conduct a
22 Horse Racing Meeting of the Oak Tree Racing Association at
23 Santa Anita, commencing October 2 through November 3,
24 2002, inclusive."
25 MS. WAGNER: Jackie Wagner, CHRB staff.
26 The application before you is from the Oak Tree
27 Racing Association.
28 MR. LANDSBURG: Excuse me, Jackie.
0009
01 Can everyone hear her?
02 Fine.
03 MS. WAGNER: They are proposing to race from October
04 the 2nd through November the 3rd, which is 26 days, which
05 is six days less than they raced in 2001. They are
06 proposing to race 223 races, or 8.6 races per day. They
07 meet the 10 percent requirement of stakes purses paid for
08 Cal-breds. They will be racing five days per week,
09 Wednesday through Sunday, with eight races on weekdays,
10 nine races on opening day and weekends, and Monday,
11 October the 14th.
12 Their first post time will be 1:00 p.m. weekdays
13 and a 12:30 p.m. post on weekends and holidays. They also
14 have a 12:30 post on Columbus Day; a 9:30 post on
15 Saturday, October the 26, which is Breeders' Cup; and a
16 12:00 noon post time on November the 2nd, which is the Cal
17 Cup.
18 Their wagering program will utilize CHRB rules.
19 We have received the horsemen's agreement, and
20 the only item missing from this application is the fire
21 clearance. Staff would recommend that the Board adopt the
22 application conditioned upon us receiving that
23 information.
24 MR. LANDSBURG: There is one comment. On page 2, I
25 guess, of this -- the second page of -- third page of the
26 license -- it's just a misstatement, I think.

27 If you look at the five-day exception, the
28 five-day exception is really, as this indicates, 9, 10,
0010
01 11, 12, 13, and 14, which is six days; not 14th through
02 the 20th, which is not six days.
03 MS. WAGNER: Okay.
04 MR. LANDSBURG: It's the 16th through the 20th.
05 Do you see what I'm saying, Jackie?
06 MS. WAGNER: Yes.
07 MR. LANDSBURG: It's just a small technicality.
08 MS. WAGNER: Absolutely.
09 MR. LANDSBURG: But we don't want to get caught on it.
10 MR. HARRIS: Also, let me get technical here. On this
11 backstretch employee housing, I don't see any attachment
12 to join that inspection. Shouldn't that be part of the
13 application?
14 MS. WAGNER: The inspection has been done. The
15 attachment -- I believe we have that at the office.
16 MR. HARRIS: I think it would be good in the future
17 applications of this association to include that since
18 that's an item we need to focus on.
19 MS. WAGNER: Thank you.
20 MR. HARRIS: Also, in the insurance documents there, I
21 think they show -- all the association has been doing is
22 showing about a million dollars in the workers' comp total
23 liability. But I think that workers' comp liability is,
24 you know, unlimited, basically. There should be another
25 policy there that would show there is no draw on top of
26 that.
27 MR. LANDSBURG: Is there further discussion on the
28 application to conduct a race meeting at Oak Tree Racing
0011
01 Association? If not, I'll entertain a motion to approve.
02 MR. SPERRY: So moved.
03 MR. LANDSBURG: John Sperry -- Commissioner Sperry has
04 moved.
05 MR. LICHT: Second.
06 MR. LANDSBURG: Commissioner Licht has seconded.
07 All in favor?
08 MEMBERS: Aye.
09 MR. LANDSBURG: Opposed?
10 It is carried unanimously. The application for
11 license to conduct a horse racing meeting of Oak Tree
12 Racing Association has been approved with the small
13 amendment we asked for.
14 Item 3, "Discussion and action by the Board on
15 the Application for License to Conduct a Horse Racing
16 Meeting of the Fresno County Fair, at Fresno, commencing
17 October 2 through October 13, 2002, inclusive."
18 MS. WAGNER: Jackie Wagner, CHRB staff.
19 The Fresno District Fair is proposing to race
20 from October the 2nd through October the 13th, which is
21 ten days, one day less than they raced in 2001.
22 They're proposing to race a total of 98 races,
23 which is four races less than they raced in 2001. They
24 will be racing five days per week, Wednesdays through
25 Sunday, with eight races per day Wednesday and Thursday,

26 and 11 races on Friday, Saturday, and Sunday.
27 The first post time is 12:37 p.m. on Saturday and
28 Sunday, a 12:45 p.m. post on Friday, and a 1:37 p.m. post
0012
01 on Wednesday and Thursday.
02 Their wagering program will use CHRB rules.
03 We are just missing the fire clearance from this
04 application, and staff would recommend that the Board
05 approve the application contingent upon us receiving that.
06 MR. LANDSBURG: Is there a discussion on the Fresno
07 license application?
08 MR. HARRIS: It's the same question of the employee
09 housing. Has an inspection been done there?
10 MS. WAGNER: Yes.
11 MR. HARRIS: How do they do an inspection if --
12 MS. WAGNER: You know what? Fresno has not been done.
13 It will be scheduled to do before the fair commences.
14 MR. HARRIS: Now, who does this inspection?
15 MS. WAGNER: Our -- it's done by staff right now.
16 Typically, Roy Minami does the Fresno inspections. We are
17 anticipating him being available to do that. If not, we
18 will have a staff person do that.
19 MR. LANDSBURG: Is there further discussion of the
20 Fresno license application?
21 If not, I'll approve a motion to approve --
22 entertain a motion to approve.
23 MS. MORETTI: I'll move to approve it.
24 MR. LANDSBURG: So moved by Commissioner Moretti.
25 MR. HARRIS: Second.
26 MR. LANDSBURG: Seconded by Commissioner Harris.
27 All in favor?
28 MEMBERS: Aye.
0013
01 MR. LANDSBURG: Opposed?
02 The application is approved unanimously for a
03 license to conduct a horse racing meeting for the Fresno
04 County Fair, Fresno, commencing October 2nd through
05 October 13th, 2002.
06 Our next item is "Public hearing on the adoption
07 by the Board of the proposed regulatory addition of CHRB
08 Rule 1867 - Prohibited Veterinary Practices, to establish
09 criteria and list those drugs, substances, or medication
10 whose use or possession of constitutes a prohibited
11 veterinary practice."
12 Is there discussion of this item from Dr. Jenson?
13 DR. JENSEN: Dr. Ron Jensen, Equine Medical Director
14 for the California Horse Racing Board.
15 Rule 1867 is an addition to the rules dealing
16 with prohibited veterinary practices. The first two
17 practices to be included as prohibited practices deal with
18 the use and/or possession of erythropoietin or Darbepoetin
19 within the confines of a facility under the direction of
20 the Board.
21 It also includes -- makes a prohibited practice
22 of the use and/or possession of any medication that's not
23 been approved by the FDA in the United States.
24 The Board approved this rule in the June meeting

25 and directed the staff to begin the rulemaking process.
26 That process has been completed. No negative -- no
27 comments have been received from the public concerning
28 this rule.

0014

01 And I would add that since June there have been
02 seven racing jurisdictions in the United States who have
03 either adopted or who have begun the rulemaking process
04 for a similar prohibited practices rule. That includes
05 Kentucky, Ontario, Pennsylvania, Maryland, New Jersey, and
06 the New York Racing Association.

07 MS. WAGNER: Jackie Wagner, CHRB staff.

08 Staff would recommend that the Board adopt this
09 rule as it is presented.

10 MR. LICHT: Dr. Jensen, is there a test for Epogen?

11 DR. JENSEN: There is. There is a screening test.
12 It's fairly new. It's not been regularly tested. The
13 difficulty is in the confirmation.

14 MR. LICHT: So are we just putting ourselves in a
15 corner here? If we do get a positive test for Epogen,
16 then how are we going to proceed?

17 DR. JENSEN: I don't think so. I think that would
18 still be a prohibited medication, as well as a prohibited
19 practice.

20 MR. LICHT: I understand. But if you say that the
21 test can't be confirmed yet, can't definitely be
22 confirmed --

23 DR. JENSEN: Yes. That is part of the reason for the
24 adoption of this rule, is that it is difficult to confirm.
25 Different folks are working on trying to develop a good
26 confirmation method, but it's still in process.

27 MR. LICHT: So explain to me how this rule would work
28 to prohibit the use of Epogen.

0015

01 DR. JENSEN: It would work to the effect -- in the
02 event that anyone was found on the premises of the race
03 track or a training facility under the Board in the
04 possession of erythropoietin, it would be a violation of
05 the rule. At this point in time that is not the case.

06 MR. LICHT: I understand. But it seems to me that
07 this is a drug that is at least rumored to be running
08 somewhat rampant on the back side, causing major problems,
09 including death of horses. Correct?

10 DR. JENSEN: That's correct. And, again, that's the
11 reason for the proposal to have a prohibited practices
12 rule, so we do have something to hang our hat on, so to
13 speak.

14 MR. HARRIS: I think there have been rumors, although
15 the facts -- maybe Dr. Jensen could explain it. The
16 action of the horses is really different than the actions
17 of people. It's probably more rampant in human athletes
18 than equine.

19 DR. JENSEN: The big difference between a horse and
20 human is that the horse has a huge reserve of red blood
21 cells in the spleen. And whenever the horse is excited or
22 frightened or stimulated in some fashion, he contracts the
23 spleen. And that adds up to a 25 percent increase in the

24 red blood cells of the horse.

25 In the humans, that doesn't happen. So there
26 is -- the bottom line is it probably works more
27 effectively in increasing red blood cells and, therefore,
28 in theory, increasing stamina in humans as opposed to

0016

01 horses, as the horse has this reserve and he already has a
02 mechanism to increase his red blood cell supply, his
03 oxygen-carrying capacity, already in place.

04 And, in fact, if you increase red blood cells to
05 such an extent that the heart actually has difficulty
06 pumping the blood, that's when you may indeed get in
07 some -- the old horse may get in deep trouble.

08 MR. LANDSBURG: It thickens the blood considerably,
09 doesn't it, if it's added to a horse?

10 DR. JENSEN: That's correct. In theory, that's the
11 thought. And, really, that's the definite use of it.

12 In addition, it's a human product.
13 Erythropoietin and Darbepoetin are human products; and the
14 horse does recognize that as a foreign substance and
15 develops antibodies towards that.

16 So it may also -- in addition to attacking, so to
17 speak, erythropoietin that has been produced by injection,
18 with the horse's own natural erythropoietin in destroying
19 red blood cells, ends up eliminating the production of red
20 blood cells to the point the horse becomes very anemic and
21 often requires treatment.

22 MR. LICHT: So this rule involves, if one of our
23 investigators should search a truck of a vet for some
24 other purpose and found it, found Epo on the truck, that
25 would be what we would have to look for?

26 DR. JENSEN: That's correct.

27 MR. LICHT: And that's actually important? You think
28 that's a possibility?

0017

01 DR. JENSEN: Yes, I think so. You don't have to limit
02 it to veterinarians. Anybody can obtain it on the black
03 market, have it in their possession.

04 MR. HARRIS: I think, too, as I understand it, tests
05 are being developed. But one of the problems is you
06 really have to have two labs to do them, so you get the
07 confirmation from the labs. And I don't know if we in the
08 public want to announce we have a test for it because, as
09 I understand it, there is a likelihood of that coming
10 along.

11 DR. JENSEN: Yes. The split-sample rule requires if a
12 California laboratory detects the presence of
13 erythropoietin, it has to be confirmed. The owner/trainer
14 has the option to have that sample sent to a referee
15 laboratory as a split sample, where the laboratory would
16 also have to have that capability to do the testing.

17 MR. LANDSBURG: Is there any further comment or
18 discussion?

19 If not, we will entertain a motion to adopt the
20 proposed regulatory issue of CHRB Rule 1867.

21 MR. BIANCO: So be it.

22 MR. LANDSBURG: Moved by Commissioner Bianco.

23 MR. LICHT: Second.
24 MR. LANDSBURG: Seconded by Commissioner Licht.
25 All in favor?
26 MEMBERS: Aye.
27 MR. LANDSBURG: Opposed?
28 The adoption by the Board of the proposed
0018 regulatory addition of CHRB Rule 1867 is approved
01 unanimously.
02 Our next item is "Discussion and action by the
03 Board on the request of the Bay Meadows Foundation to
04 distribute charity racing day proceeds in the amount of
05 \$105,000 to 44 beneficiaries."
06 MR. REAGAN: Commissioners, John Reagan, CHRB staff.
07 Commissioners, we have before us a request for
08 distribution. The distribution has exactly 20 percent of
09 the moneys for the racing industry that meets the legal
10 requirement. And we recommend that you approve this
11 request.
12 MR. LANDSBURG: I'm not suggesting we don't approve
13 it. I would like to make a comment that it is the legal
14 and statutory limit, but we are all in racing; we are all
15 involved in racing; racing is providing the funds.
16 And most of the charity returns are much nearer
17 the 50 percent margin for racing-associated charities.
18 It's simply a recommendation that I would like to put on
19 the record that while we have no control over it nor seek
20 control over it except that the statutory limit is
21 reached, I would hope that in the future we see more
22 output toward racing.
23 MR. LICHT: I have a comment, also.
24 I'm very happy to see -- I agree with Alan, that
25 I'd like to see more going to horse racing. But I'm very
26 happy to see that the horse-racing charities are people
27 charities as opposed to horse charities. I think that's a
0019 much better -- personally, much better use of the money.
01 MR. DE MARCO: Mr. Chairman, Frank DeMarco, speaking
02 for Bay Meadows.
03 We should point out that the distribution of
04 charity funds at Bay Meadows is subject to the existing
05 order of the Superior Court in San Mateo County. The
06 foundation is completely independent of Bay Meadows'
07 administration. The directors do not make that
08 determination; the foundation makes it. The court order
09 does provide that we get to designate where the 20 percent
10 goes. That's the only control we have.
11 MR. LANDSBURG: Thank you. I recognize that, which is
12 why I pussyfooted around it, simply wanting to make a
13 recommendation to the foundation to make that a
14 consideration, but it's only a recommendation.
15 MR. LICHT: Again, I'm glad to see, Frank, the
16 proceeds do go to people like winners and problem gaming
17 and stuff like that, as opposed to horses.
18 MR. DE MARCO: Well, we do our best for the industry.
19 That's for sure.
20 MR. LICHT: Thank you.

22 MR. LANDSBURG: Is there further discussion?
23 MR. BIANCO: Alan, could I add something?
24 MR. LANDSBURG: Sure.
25 MR. BIANCO: Last year, when Roger and I were up to be
26 affirmed by John Burton's committee, the legislative
27 people that we met didn't know anything about any of the
28 tracks and what they gave to charities.

0020

01 And we were asked -- I'm trying to find out if
02 the public relations department can send to Burton's
03 committee a listing of, you know, what each track has
04 given. Because to go up there and have them not know
05 what's happening -- there's no communications, I don't
06 believe. I'd like to see some communications, because
07 whoever gets to go up there to be confirmed -- it makes
08 their life a little bit easier.

09 MR. REAGAN: Absolutely.

10 MR. CHILLINGWORTH: Sherwood Chillingworth of Oak Tree
11 Racing.

12 Anticipating that this issue was going to come up
13 sometime in the future, we have compiled the last ten
14 years, all the money we've given to charitable
15 organizations, segregated according to equine, to entities
16 in the San Gabriel Valley, and other classifications. And
17 it's all collated.

18 And it's something we can give to somebody to
19 demonstrate that there is an outstanding giving program in
20 the industry. And if someone would direct me as to whom
21 would like to receive this, we'll be happy to do that.

22 MR. LANDSBURG: I believe the starting point would be
23 Mr. Mike Marten, who is in public affairs, an operative
24 within the CHRB. So when you have that information, if
25 you would like to give it to Mike --

26 MR. LICHT: Also, Chilli, Gloria Romero, who is from
27 very near Santa Anita, was one of the people who was
28 really interested in this. And she wanted some kind of

0021

01 communication from the tracks. So that would be a good
02 person --

03 MR. CHILLINGWORTH: Very good, Commissioner. I'll
04 make sure that she gets a copy.

05 MR. LICHT: She's on that committee, the Burton
06 committee.

07 MR. CHILLINGWORTH: My pleasure.

08 MR. MARTEN: Mike Marten, CHRB staff.

09 About two or three months ago, after Commissioner
10 Bianco mentioned that the first time, I contacted -- I
11 sent e-mails to all of the racetracks, indicating the
12 Board would help organize any effort to do as Commissioner
13 Bianco requested, and didn't really get a warm reception
14 from the tracks. I think Hollywood Park responded, was
15 the only one.

16 So I'm glad to hear from Mr. Chillingworth. And
17 I'll pursue this again.

18 MR. LANDSBURG: Thank you, Mike.

19 Further comment or discussion?

20 MS. MORETTI: Yeah. I would like to ask that all of

21 the tracks, on behalf of the Board, submit -- it might
22 take a little time, but I think if we just go back to the
23 minutes of all of our meetings and -- let's say five
24 years; it doesn't have to be ten years -- then I'd be
25 happy to work with Mike, since I'm in Sacramento anyway --
26 to make sure it gets delivered to the legislators that are
27 represented in those districts where the racing
28 associations are, and to the rules committee that asks the

0022

01 same question of Commissioner Bianco.

02 MR. LANDSBURG: Great. Thank you.

03 MR. REAGAN: Commissioners, on that point, also, in
04 the last month or so, at various times I've also been
05 asked to put together money regarding the backstretch
06 welfare funds, the money we give to the jockeys, and other
07 moneys that are also collected and given by the industry
08 in various cases. So I think there's a lot of money
09 there.

10 MR. HARRIS: I think it would be good to get a report,
11 because there's so many little cash contributions and
12 funds and things, that show where all this money goes.

13 MR. REAGAN: I think that Mr. Marten and I have been
14 kind of working in that direction. I think he will have
15 some summary report.

16 I see he wants to make another comment on it.

17 MR. MARTEN: Yeah. Most of the newsletter that's
18 about to come out is focusing on these issues of charity
19 and cash tickets and so forth. And then we'll take that
20 information from the newsletter and incorporate it in
21 whatever we prepare for the legislature.

22 MS. MORETTI: Well, I think, also, just very frankly,
23 it's obviously to the horse racing industry's benefit to
24 do this because, I guarantee you, legislators are very
25 much aware of how much money is being contributed by other
26 gaming organizations in this state, i.e. the Indians and
27 such, and what charities those would be. So I think that
28 it behooves us to speak up for ourselves.

0023

01 MR. LANDSBURG: Are there further comments?

02 I would entertain a motion to approve the request
03 of the Bay Meadows Foundation to distribute charity racing
04 day proceeds.

05 MS. MORETTI: So moved.

06 MR. LANDSBURG: Commissioner Moretti has moved.

07 MR. SPERRY: Second.

08 MR. LANDSBURG: Commissioner Sperry has seconded.

09 All in favor?

10 MEMBERS: Aye.

11 MR. LANDSBURG: All opposed?

12 It's unanimous, approval of the Board to the
13 request of the Bay Meadows Foundation to distribute
14 charity racing day proceeds.

15 We're now at item 6 on the agenda, "Staff report
16 on the following concluded race meetings."

17 MR. REAGAN: Commissioners, John Reagan.

18 This group of reports includes one at Hollywood
19 Park and the three fairs. Obviously with these records

20 we're watching very carefully -- this year we're watching
21 the impact of cannibalization from ADW and other factors.
22 For Hollywood Park it looks like they had a pretty good
23 meet overall. On-track, down 4 percent.

24 But looking at the fairs, the last month we
25 reported to you the results from Stockton, the first fair
26 of the summer. And ADW had not really been cranked up to
27 any level with Stockton, but we noticed that Stockton was
28 down 3 to 5 percent in various categories.

0024

01 So in comparing the three fairs here, Alameda is
02 a little bit more than that; but nothing serious.

03 The big hit on-track was at Solano. And then the
04 Sonoma County Fair at Santa Rosa is pretty much the same
05 as Stockton when the ADW wasn't a big deal. And we were
06 going pretty good with the ADW during Sonoma County Fair.
07 So, overall, I don't think I can make any conclusions for
08 you here saying that we are or we're not.

09 Obviously, there has to be some decrease in
10 handle from on-track or off-track, maybe from ADW. But,
11 also, there could be a benefit. Maybe we're getting
12 people interested in watching the races and going to the
13 track.

14 So I can only say at this point that it's too
15 soon for me to make any hard conclusions regarding the
16 impact or nonimpact. But the numbers are there. And if
17 you have any questions or comments, we'd certainly be
18 interested in taking them.

19 MR. HARRIS: When we look at these numbers, referring
20 to average off-track, does that include -- is ADW in the
21 off-track handle?

22 MR. REAGAN: No. Actually, these numbers are
23 exclusive of ADW.

24 MR. HARRIS: Is ADW anywhere in these numbers?

25 MR. REAGAN: Not in these numbers no, no.

26 MR. HARRIS: Is there a reason for that?

27 MR. REAGAN: Well, at this point, in order to keep the
28 CHRIMS database operating efficiently, we're maintaining

0025

01 the prior handle -- the prior handle -- the on-track,
02 off-track, out-of-state handle in one part of it. And
03 until we get the ADW working efficiently and where we can
04 audit it and determine those numbers are accurate -- at
05 some point we will probably be merging that handle
06 information, but I think we'll always keep the ADW as a
07 separate item.

08 MR. HARRIS: How are you going to keep ADW as a
09 separate item? We're kind of flying blind now if we don't
10 know what that is. Maybe we can assume that ADW would be
11 something. It would mitigate that off-track --

12 MR. REAGAN: I think for the first -- for Alameda,
13 we're talking around 450,000; for Solano, probably
14 400,000; and I think we jumped up to about 750,000 at
15 Sonoma in an ADW sense.

16 But as you know, it's an interesting situation
17 with these fairs. We don't have an exclusive situation.
18 All three of the ADW companies are servicing these fairs.

19 So we have an interesting opportunity to watch that.

20 And I think we'll probably be better off a year
21 from now, when we can actually look back at 18 months --
22 or a year and a half, two years' worth of data, and try to
23 see what's going on with ADW.

24 MR. HARRIS: Yeah, we could. It gets pretty
25 complicated with all the different percentages depending
26 on where the bet is being made. But if we can see
27 really -- what we're really interested in is how much is
28 generated from purses, commissions, and license fees --

0026

01 MR. REAGAN: Yes.

02 MR. HARRIS: -- and see that from going forward or
03 backward.

04 MR. REAGAN: Absolutely. In fact, with the CHRIMS
05 database now regarding the ADW handle -- which I think
06 we'll still keep track of separately in a special way -- I
07 believe probably by the first part of September I will be
08 able to access -- through my own system there in
09 Sacramento I'll be able to access the ADW handle like I do
10 any other handle and, I'd like to say, slice and dice
11 it -- how much per breed, per location, out-of-state,
12 in-state, on-track, off-track, and so on and so forth --
13 be able to access that, as well as all the distributions.

14 So I think we will be able to give you similar
15 type reports to this within a month or two regarding ADW.
16 So we will actually have one or two reports where you can
17 actually see each meet will have the standard historical
18 handle as well as the ADW.

19 MR. LANDSBURG: At some point, perhaps at the end of
20 the year, as a summary of that -- I know it would probably
21 eat up time and paper, but once a year to be able to
22 see -- averages are a little bit difficult for me to deal
23 with.

24 I'd love to see the daily handle and the daily
25 audience and see what that looked like over the year for
26 each of the associations; plus, it would begin to tell us
27 whether more racing days, less racing days, less racing
28 days in midweek.

0027

01 There are certain things I know. Wednesday is
02 smaller than Saturday. Thursday is smaller than Sunday.
03 Friday would be a wash. I'd like to know that so that we
04 can make some broader determinations about numbers of days
05 and how to make the most of profitability for the tracks.

06 MR. REAGAN: That's a very interesting point you
07 brought up, because in the next item I was going to
08 mention about trying to keep track of the average daily
09 California handle of the accounts in ADW.

10 There's a huge variation just within a week.
11 Monday and Tuesday you see the big withdrawals, and so on
12 and so forth, special events, you know, big deposits.
13 It's very difficult to actually say that we have any kind
14 of average handle or average account balance. Yes, I
15 understand.

16 MR. LANDSBURG: Yeah. I think to ask for it every
17 month is simply a waste of paper and energy; but once a

18 year, to have a layout of the year, so that we can go back
19 and see on a year-by-year basis what the daily spirals are
20 in attendance and handle and ADW --

21 MR. REAGAN: Or you can break it out on a daily
22 basis -- average Monday, average Tuesday -- a number of
23 ways. We can certainly do that.

24 MR. LANDSBURG: Mr. Fravel?

25 MR. FRAVEL: Mr. Chairman, Craig Fravel. I'm speaking
26 to you as a Board member of CHRIMS.

27 As you know, and as John has alluded to, this
28 software development process, inherent processing of the
0028

01 ADW information, has proven to be a very difficult
02 process, particularly given some personnel transition
03 issues at CHRIMS.

04 But I think I'm comfortable -- I think John is
05 getting more and more comfortable that we're nearing the
06 end of that transition process; and within the next month
07 we're going to have daily information that we can all rely
08 on.

09 I have asked Jenny Lind, who is the new executive
10 director of CHRIMS, to develop a report format that can
11 come out monthly that has a simple but comprehensive, if
12 that's possible, detail of not just ADW handle, but
13 comparing virtually every component of the year-to-date
14 activity, so that we all have the same information to deal
15 with when we're making planning decisions for our next
16 racing meet, for example, or when you're analyzing whether
17 on-track handle is up or off-track handle is, or all these
18 factors.

19 I think that's something that's been missing in
20 the mix here, is a monthly report coming out of CHRIMS so
21 that everybody is dealing with the same information.

22 So I think within the next month to two months
23 you'll begin to start seeing a report that will probably
24 be available to you either by logging on to the CHRIMS web
25 site or actually e-mailed out to people, if they want to
26 get ahold of that. And I think Jenny is working on coming
27 up with a format for that that will be very helpful.

28 MR. LANDSBURG: That's very encouraging.
0029

01 Has Del Mar continued its great move? The
02 opening-week crowds and the crowds that I see on
03 television seem to be.

04 MR. FRAVEL: We had, I think, one of the best weekends
05 we've had in my memory for a non-Pacific Classic or
06 opening-day event. This past weekend we had 30,000 people
07 on Saturday for the Microbrew Festival and the Violent
08 Femmes concert in the infield and followed up,
09 encouragingly -- I think it was the most encouraging thing
10 to me -- close to 19,000 people the next day.

11 Past experience will tell you you're going to
12 have a soft day following a really big one. And, you
13 know, keeping our fingers crossed for this weekend, we
14 have what seems to be shaping up to be a great race.

15 So, so far this meet has been very encouraging;
16 and I would continue to hope. And we have not seen any

17 signs of softening at this point, so we're still
18 encouraged.

19 MR. LANDSBURG: Del Mar certainly has been encouraging
20 for all of racing.

21 MR. HARRIS: Looking at the figures John presented
22 here, it is disconcerting that Hollywood Park, which, I
23 think, they're not that atypical from the Del Mar
24 example -- before we had this license fee relief, back in
25 '98, which was still on the books there, that now the
26 state effectively, in 2002, got about \$6.8 million less
27 out of license fees.

28 And the theory was the license fees was supposed
0030
01 to go to enhance commissions and purses. But, really,
02 commissions and purses are only up about 2 million,
03 2.2 million. And so, really, there's been attrition of
04 the whole game.

05 The pie is getting smaller. And it's really
06 bothersome, for the outlook of racing, that -- somehow we
07 need to figure out how we can make the pie bigger, which
08 we're not at this juncture doing.

09 MR. LICHT: I have a couple of comments on the staff
10 report. Number one, I had the pleasure of visiting the
11 Solano Fair and had a great time. I think there was a
12 tremendous enthusiasm for racing there. And Chris Korby
13 and Kim Myrman made very good (inaudible) in terms of
14 their work, and I was very impressed.

15 Number two, Hollywood Park, two comments that
16 I've heard -- being there most of the meet and being on
17 the back side virtually every day, the two biggest
18 comments I've heard about racing in general is, one,
19 problems with Hollywood Park's main track -- that's
20 number one -- and, number two, the problem with Hollywood
21 Park's turf course.

22 And I'd like to know whether Hollywood Park has
23 also heard those comments and whether there are any plans
24 to make any changes to either of those two tracks.

25 MR. WYATT: Eual Wyatt, Hollywood Park.

26 We have heard those comments, and they are
27 disconcerting. We have just finished resodding the turf
28 course. We did some work on the growing medium.

0031
01 Hopefully it will make it a kinder course. It's been down
02 about two weeks. We are in the process of determining
03 what steps to take on the main track, and we will do
04 something before the meet begins.

05 MR. LICHT: Is there any consideration of eliminating
06 the synthetic fiber completely from the track?

07 MR. WYATT: We've heard that, but that is a concern.
08 I will tell you, frankly, we're not 100 percent sold that
09 it is -- that it should be taken out. But we are
10 certainly looking at it. It is an option.

11 MR. HARRIS: Is there any attempt to work closer with
12 Santa Anita to try to get two tracks that are more
13 similar? I'm not sure which -- what they should be; but
14 it seems to me that it's a problem of racing in Southern
15 California, if you've got two different kinds of tracks

16 and horses training on both of them at different times,
17 when they're racing on the other one.

18 And just for handicappers and the horses
19 themselves, is there any attempt to try to have
20 similarities in both tracks?

21 MR. WYATT: I don't know, frankly, if that's possible.
22 Santa Anita Racing, when -- they do have a genuine threat
23 of heavy rain, and we don't, in the summer. It's worth
24 looking at, obviously. But, again, I don't know if it's
25 possible.

26 MR. HARRIS: Well, do your track superintendents ever
27 sit down together and talk about it?

28 MR. WYATT: They communicate a lot, but I don't know
0032

01 if they talk about having the same racetrack.

02 MR. HARRIS: What do they talk about?

03 MR. WYATT: I don't know.

04 MR. LANDSBURG: Are there any statistics, in fact, on
05 horse injuries during the -- I think what's key to this is
06 trainers, it seems to me, always complain about factors
07 that they can't control; therefore, it's not a part of
08 their world. But have we seen an increase in injuries at
09 Hollywood Park as a result of the track as it was during
10 the spring meet?

11 MR. WYATT: I don't have those numbers right off the
12 top of my head, but my recollection is that -- in
13 reviewing them for the past three years, that there was no
14 dramatic difference this summer.

15 MR. LANDSBURG: I always wonder when I hear, yes,
16 perhaps the tracks can increase injuries, perhaps they
17 can't. There are so many other factors involved, I'm not
18 sure that we've ever had a totally satisfactory track
19 anywhere.

20 There's always something. It's whether the tides
21 come in at Del Mar, or there's too much rain in Santa
22 Anita, or there's no rain in Hollywood Park. There's
23 always factors that enter into this thing. And it makes
24 me wonder, with all due respect to the trainers, whether
25 the backstretch chatter has any real import contained in
26 it.

27 MR. LICHT: I think the trainers at least informally
28 have some statistics, I believe -- right? -- with respect
0033

01 to the recently concluded meet.

02 MR. HALPERN: Ed Halpern, California Thoroughbred
03 Trainers.

04 Commissioner Licht, informally, I do at every
05 meet hear from different trainers about their concerns
06 about the track or tracks. And we hear different comments
07 from different trainers and a very wide spread on feelings
08 about the condition of the track being good or bad. So
09 it's hard to be specific about what goes on.

10 But I can tell you this, that at Hollywood Park
11 in its most recent meet, and since then, during the
12 training period, I have heard an unusual number of
13 comments from an unusual number of trainers about the
14 problems they've had.

15 One of the reasons that statistics are so hard to
16 follow is that even with the statistics the track may have
17 on breakdowns, it doesn't give you information on the
18 lesser problems that we have like tendon problems or joint
19 problems or feet problems that affect horses. And so the
20 track doesn't necessarily know about that, other than
21 these anecdotal comments from trainers.

22 As I said, we have heard more and more comments
23 recently about the Hollywood Park surface. I have talked
24 to Hollywood Park about it. They have been cooperative.
25 And the problem they have is the same problem we have --
26 and that is qualifying and quantifying exactly what the
27 problem is and how to fix it. Taking care of a mile of
28 dirt apparently is not a perfect science.

0034

01 MR. HARRIS: It seems to me that's one of the key
02 points -- is it an art or a science -- which it's probably
03 a combination. But it seems there would be some way to
04 quantify the hardness or the degree of moisture or
05 different factors like that. I mean, we do agriculture.
06 Is there any attempt at all -- is there any science at all
07 involved in looking at these tracks as far as trying to
08 quantify what the hardness is and all those things, what
09 those things are?

10 MR. HALPERN: Mr. Wyatt can tell you more about that.
11 They do have extensive types of tests that they do to
12 measure those things, and I'm sure he will.

13 But I will mention one thing. With all the
14 science that's involved in all the testing they do, last
15 year at Santa Anita, when we were having a significant
16 number of complaints, the parties got together with the
17 jockeys and the trainers and the trackman. And basically
18 the jockeys said, taking it back to its simplest level,
19 that "We feel the dryness of the track. We feel it
20 because of the clods that hit us. And we know how hard
21 they are. And we think the track needs more water."

22 And the Santa Anita trackman who had tried to
23 avoid that scenario went along with that scenario. And
24 then it was agreed by all that adding a lot more water to
25 the track fixed the problem. So even with all the science
26 we have, sometimes it just comes down to a simple answer.

27 MR. HARRIS: That's really a sort of lack of science
28 that they could have been measuring the degree of

0035

01 moisture. It sounds like maybe the jockeys were aware of
02 it just intrinsically, but I don't see that as a lack of
03 science.

04 MR. WYATT: Excuse me.

05 We do have equipment that measures the moisture
06 in the track on a daily basis. We also have what is
07 called a clay hammer, which gives you readings on the
08 hardness of the course. And the quandary is that these
09 tests or these methods that we've used tell us that the
10 track has not changed from last year.

11 So as Mr. Halpern pointed out, we're trying to
12 determine what the problem is. And we will continue to
13 work with the trainers and, hopefully, come up with a

14 solution.

15 MR. HARRIS: It seems like it would be continually
16 changing. I mean, it would be different at 6:00 o'clock
17 in the afternoon than it would be at 6:00 in the morning,
18 depending on moisture and all the things you put on it. I
19 mean, it's not a static thing; it's always changing.

20 MR. WYATT: The moisture during racing is fairly
21 consistent.

22 MR. HARRIS: I've been there Friday nights, and it
23 always seems a lot damper because you're putting on much
24 more water on Friday nights because there's no sunshine.
25 I mean, could you put less water on on Friday nights?

26 MR. WYATT: Yes, we could put on less water.

27 MR. HARRIS: It seems to me like it's a little faster.

28 MR. LANDSBURG: Ed, before we leave this, I just want
0036

01 you not to take back any disparaging remark. I didn't
02 mean it about trainers; but there's always an excuse for a
03 horse, and there's always lots of reasons why horses don't
04 do well. It wasn't the trainers themselves that I was
05 trying to attack in any way.

06 MR. HALPERN: I appreciate that. Thank you.

07 MR. LANDSBURG: Going through that --

08 MR. CHILLINGWORTH: Sherwood Chillingworth -- I'm
09 sorry.

10 MR. LANDSBURG: I'm sorry, Chilli.

11 MR. CHILLINGWORTH: Sure.

12 I just got back from Saratoga. And they have a
13 track there that's -- I don't know what's wrong with it,
14 but you get a 15-minute shower, maybe you get an eighth of
15 an inch of rain, and you have eight horses scratch out of
16 a, you know, 14-horse field. And I can't understand why
17 they do it. They must think it's unsafe.

18 At Santa Anita this year, I've been advised by
19 Steve Wood that he's putting more bark to the track and it
20 will have a black look. And supposedly -- as you know,
21 Steve is supposedly the guru around the world, improving
22 many tracks -- this will help the situation there.

23 MR. KORBY: Chris Korby, California Authority of
24 Racing Fairs. I just wanted to make a couple of notes
25 about some of these statistical discussions.

26 At the presentation here and in the packet, I
27 note that the fairs have generally trended up this summer
28 in terms of their attendance. I think what we're seeing
0037

01 with the horse racing handle probably reflects a downturn
02 in the regional economy and maybe less disposable income.

03 Attendance at the fairs, as I say, has been
04 trending up, which means that we think more people are
05 introduced to racing by attending fairs. And we've also,
06 I would note, bolstered our outreach promotion program
07 that is operated at the fair grandstands to reach out to
08 new fair patrons.

09 We're working this year with Golden City in a
10 program that's through the CMC. And we think we're seeing
11 some good results in that. So I would like to draw that
12 to the attention of the Board.

13 And I would also note one statistic with respect
14 to Solano County Fair. Their on-track attendance took
15 quite a dip this year when compared with the prior year.
16 I think that reflects a significant change in the calendar
17 between last year and this year.

18 Solano County Fair previously coincided with the
19 closing week of the Hollywood Park and opening of Del Mar,
20 which meant they had 12 days of racing which overlapped
21 with Southern California. This year they ran on Monday,
22 which was starting in Southern California, and they saw a
23 dip in on-track attendance, which I think is reflected in
24 these numbers. So that may be a 2002 anomaly that you're
25 seeing here.

26 We are also very interested in seeing what the
27 results of the ADW handle are and gauge whether or not
28 that has any impact on on-track handle or off-track handle
0038 during the fairs from that.

01 From the preliminary data we're seeing coming
02 back, there has been a steady growth since the three ADW
03 vendors have come on board for the fairs, which happened
04 toward the end of the Alameda County Fair. So we're
05 tracking that, and we'll share that information with you
06 when we have it.

07 MR. LANDSBURG: Steady growth meaning -- steady growth
08 in handle or steady growth in attendance?

09 MR. KORBY: Steady growth in ADW handle.

10 MR. LANDSBURG: I didn't know where, the growth.

11 MR. KORBY: From somewhere in the vicinity of \$100,000
12 in Stockton and close to \$750,000 at Santa Rosa.

13 MR. HARRIS: On the attendance figures, you indicated
14 that they had gone up. It looks to me like Sonoma, which
15 is one of the county fairs, went down.

16 MR. KORBY: I was referring to the fair attendance,
17 which has trended up. It hasn't been up at every fair,
18 but the trend has been up. The attendance you see here is
19 the grandstand attendance.

20 MR. LANDSBURG: Thank you.

21 I don't think we have any more --

22 John, do you have more on this particular item of
23 concluded race meetings?

24 MR. REAGAN: I have nothing more.

25 MR. LANDSBURG: We will then move on to item 7 on the
26 agenda, "Staff update on the Advance Deposit Wagering
27 handle."
28

0039

01 John, did you do that?

02 MR. REAGAN: Yes, we did.

03 Commissioners, I'm sure by now the ADW handle is
04 over 90 million; but at the time of putting this report
05 together it was 82.6 million since inception. I think the
06 real important number here is the 6.25 percent of the
07 total California handle at this point.

08 When we started off, it was 3.5. It went to 4,
09 4.5, 5, 5.7 last month, and now it's 6.25. So we're
10 certainly seeing a growth in ADW not only in total but as
11 a percentage of the entire California handle.

12 So that's the interesting news. And like I say,
13 what that means -- we'll have to sort it out later, when
14 we have more information.

15 But you have the chart of the three hub operators
16 and the interesting ups and downs within that, somewhat of
17 a level approach, but, once again, weekly variations that
18 we'll have to look at on a yearly and bi-yearly basis and
19 try to determine what the full cycle is all about.

20 One addition in this item here is the attempt at
21 kind of an average daily California account balance. And
22 I looked through several numbers, several sheets of paper,
23 once again trying to be very conservative, because there
24 are backstretch welfare funds and pension funds that rely
25 on this money.

26 So we only have six, seven months of activity so
27 far. And, of course, near the beginning of the ADW the
28 account balances were very low; and they have continued to
0040 grow. And I think, right now, looking at a
01 million-dollar-per-day average is very conservative. And
02 when we have more data, we can try to be more precise on
03 that.

04 But I think with the low interest rates I
05 certainly don't want to try to calculate any balances or
06 any annual amounts that would encourage people to expect
07 more money than they might get this first year.

08 After the first year or two, I think we'll
09 probably try to see some levels of moneys and account
10 balances and interest rates that we can calculate more
11 carefully and a little more accurately in terms of
12 projections. But right now I think these are accurate and
13 very conservative estimates right now.

14 And, once again, this is taken care of on an
15 annual basis. So we'll also be taking care of that next
16 January as we look at the first of the year.

17 That's what I have for now.

18 MR. LANDSBURG: Thank you.

19 Is there any question, comment, of Mr. Reagan?
20 Because we're moving on to Advance Deposit Wagering from
21 the horses' mouths, as we say.

22 "Report on the implementation of Advance Deposit
23 Wagering" is next on the agenda. We'll start with
24 XpressBet.

25 Good morning.

26 MR. HANNAH: Ed Hannah, Vice President, General
27 Counsel, Magna Entertainment Corporation, as well as
28

0041 XpressBet, Inc.

01 I'll start off going through the usual litany of
02 statistics that I've provided an update on at each
03 meeting. I would like to point out again, as I have
04 before, that these statistics relate only to the
05 California hub operations of Magna Entertainment
06 Corporation. We do have our Pennsylvania hub, which is
07 our Call-A-Bet operation, also branded XpressBet. That is
08 not XpressBet, Inc. So these are the California hub
09 specifics, and they are through to until August 4th.
10

11 Wagering by California residents since the
12 inception of our California hub is 90 percent of the
13 wagers that have been placed through the system. The
14 total number of accounts that we have in the California
15 hub is 11,169. Of those accounts, 9,477 are with
16 California residents. That's 84.9 percent of the
17 aggregate number of accounts.

18 Total wagering since inception in January through
19 the California hub is just under 25 million as of
20 August 4.

21 The location of the account acquisitions --
22 74 percent of them have come in through our call centers.
23 So that means people have opened their accounts by
24 telephone, by fax, or by Internet. 16 percent were opened
25 at Santa Anita at the XpressBet account wagering centers,
26 and 5 percent at each of the Bay Meadows and Golden Gate
27 XpressBet account wagering centers.

28 The handle per track, as we've usually broken it
0042 down, is 36 percent of the handle was bet on Santa Anita.
01 Of course, that's declining since Santa Anita hasn't been
02 running for a while. 9 percent has been bet on Bay
03 Meadows, 8 percent on Golden Gate Fields, and 47 percent
04 on -- 47 percent on the other tracks which are available
05 on the XpressBet system.
06

07 Handle by week for the California hub has
08 stabilized in the 200,000 to 300,000 range. These numbers
09 are low as a result of, other than the fairs, we do not
10 have any California content. We do not have Hollywood
11 Park for the Hollywood Park meet. We do not have Del Mar
12 for the Del Mar meet. Once again I remind you that these
13 low numbers reflect only the California hub. Numbers are
14 much, much higher with respect to the Pennsylvania hub.

15 Mr. Reagan referred to the interest which accrues
16 to the benefit of backstretch charities and welfare funds.

17 I would like to report that the interest that has
18 been realized on our California accounts to August 4th is
19 \$6,197. So we think that Mr. Reagan's estimate of 18,000,
20 hopefully, will be conservative and will be low.

21 Our people at our cash management system I
22 believe are working with Mr. Reagan to report to him. We
23 can report either on a monthly or a quarterly basis. As
24 Mr. Reagan mentioned, the requirement to remit the funds
25 is on an annual basis; so we'll be remitting those funds
26 in January, as required.

27 The final item I'd like to address in the
28 update -- and I'll also be doing it tomorrow at the
0043

01 Pari-Mutuel Operations Committee meeting -- and that's the
02 TV update.

03 As I've reported earlier, we are in negotiations
04 with KDOC to broadcast a one- or two-hour show through the
05 Santa Anita meet, which will be a replacement for the
06 Santa Anita Alive show which used to be available on
07 FOXSports West. Those negotiations are fairly advanced.

08 We are also engaging in similar type negotiations
09 in Northern California to attempt to show a similar type

10 product on similar type stations in the San Francisco and
11 Sacramento markets vis-a-vis broader distribution through
12 cable carriage or satellite distribution contracts. We
13 are still in active negotiations with a majority of the
14 top ten cable operators. There are a number of them that,
15 because of either turmoil in the industry or because of
16 prospective mergers, it's difficult to advance
17 negotiations with right now.

18 We are focusing -- we regard California as a key
19 strategic market not just for Magna Entertainment and our
20 account wagering operations but for the North American
21 Horse Racing Industry. So right now we are focusing
22 100 percent of our efforts in California. And we believe
23 that we will be on some systems on or soon after
24 January 1st. We're very optimistic these targets will be
25 met.

26 But once again, as I stated before, in this
27 industry negotiations seem to drag out forever. Hopefully
28 "forever" means January 1 for us.

0044

01 MR. LANDSBURG: It is an industry in flux.

02 MR. HANNAH: That effectively concludes my update. If
03 there are any questions --

04 MR. LANDSBURG: You emerged relatively unscathed.

05 MR. HANNAH: Thank you.

06 MR. LANDSBURG: TVG, please?

07 MR. HINDMAN: Good morning, Mr. Chair, Commissioners.
08 John Hindman, Vice President, General Counsel, TVG.

09 I just wanted to give you an update from some of
10 the developments that you've been hearing about in the
11 past meetings and go over a little bit of our progress
12 today.

13 So far today in California TVG has nearly
14 \$50 million in California handle. We currently have
15 nearly 16,000 subscribers and have signed up nearly 2,000
16 new subscribers since the start of the Del Mar race
17 meeting, which we find very encouraging.

18 And the important part of our growth this year is
19 the growth is continuing. To give you a few numbers, our
20 average monthly growth rate in handle from February to the
21 present is 53 percent a month. And our average growth
22 rate in subscribers is just 48 percent a month.

23 Following up on that, for the Hollywood Park
24 meet, TVG handled \$16 million on Hollywood Park.

25 MR. LANDSBURG: 16?

26 MR. HINDMAN: Yes.

27 MR. LANDSBURG: Okay.

28 MR. HINDMAN: And so far for the Del Mar meet we've

0045

01 handled nearly \$8 million. That's impressive growth that
02 we're very pleased with. Del Mar is four weeks old
03 through last Sunday's results.

04 TVG is now on FOXSports West, too, with a
05 two-hour show every day. We started a show for the
06 Saratoga meet on FOXSports New York for the past three
07 weeks, and it's being offered three more weeks.

08 Right now on Saturdays and Sundays the TVG

09 programming is available, combined TVG and the two Fox
10 regionals, in 18 million households. So the distribution
11 for the product is growing. And we are also pursuing
12 additional carriage agreements with DBS and cable
13 providers, and I would echo Mr. Hannah's comments about
14 the state of the industry right now.

15 Video streaming was successfully launched since
16 the last meeting. It's proven to be very popular for our
17 subscribers. The usage of the video streaming is a bit
18 higher than we anticipated, which we view as a positive,
19 and the relationship of FOXSports.com is generating new
20 subscribers. So we're very happy with the relationship.

21 Our wagering systems continue to perform very
22 well, with a 99 percent success rate in processing wagers
23 and less than 1 -- .1 percent of down time.

24 And I think that's about all I had for the
25 numbers.

26 Again, we're very pleased with the numbers for
27 the Del Mar meet, continued growth, continued growth
28 throughout the year.

0046

01 And that's about all I have today.

02 MR. LANDSBURG: There was -- I have a brief memo I
03 want to read into the record after you're done. And it
04 does not necessarily relate directly to TVG.

05 But Oregon has changed its rule concerning -- or
06 changed its policy toward the tax. That has become a
07 central issue. Could you explain that for us, sir?

08 MR. HINDMAN: Sure.

09 The Oregon Racing Commission, as I understand it,
10 passed a rule that basically stated, for wagers processed
11 at a licensed Oregon hub from residents of a state where
12 the hubs located in that state are subject to -- wagers
13 through hubs located in that state are subject to lower
14 tax rates, then the tax rates through the Oregon hub will
15 then be reduced to whatever that state is.

16 So in the case of California, where there is no
17 tax rate on ADW wagers, there will be no -- there is --
18 starting on July 24th, there has been no tax rate for
19 wagers by California residents through TVG or YouBet.com,
20 the two licensed entities that accept wagers from
21 California residents.

22 MR. LANDSBURG: That's encouraging to hear. Where is
23 that quarter percent going? Directly to horsemen now?

24 MR. HINDMAN: It's going straight into the market
25 access fees, which are split between racetracks and
26 horsemen, according to statute.

27 MR. LANDSBURG: Right.

28 MR. HINDMAN: And the one thing that I would say,

0047

01 touching on what Commissioner Harris talked about earlier
02 about the impact of ADW -- just back-of-the-envelope math,
03 if you look at our results from inception to date, it's
04 generated in the ballpark of 5.5 to \$6 million in
05 commissions to racetracks and horsemen.

06 MR. HARRIS: I notice that the data we have just goes
07 through the first week, I guess, of the Del Mar meet.

08 Then it looks like that week was an all-time high of about
09 3 million. Has that continued to go up or stabilized
10 there?

11 MR. HINDMAN: It's continued to improve. As I said, I
12 can give you a stat for August.

13 August 1st through August 18th, the handle is
14 36 percent higher than the handle was for the entire month
15 of July. So we're having a very good month.

16 MR. LICHT: John, has that default from the Del Mar
17 web site helped you open accounts? Has that been an
18 increase?

19 MR. HINDMAN: Yes. The default from the Del Mar site
20 in terms of to our site -- I don't have the exact numbers.
21 We were in a marketing meeting yesterday, and our vice
22 president of marketing was speaking about it. And she was
23 very pleased with the number of people that they have that
24 linked to our site after visiting the Del Mar site.

25 MR. LICHT: I would assume a lot of those are dormant
26 and are never-funded accounts. That's the downside?

27 MR. HINDMAN: In terms of the video streaming?

28 MR. LICHT: In order to get access to Del Mar's video,
0048
01 people open an account, but they don't have to put money
02 in it. So they have an account, but there's nothing in
03 it.

04 MR. HINDMAN: We have not experienced -- we're keeping
05 a very close eye on that because, obviously -- you know,
06 when we were working with FOXSports.com, we told them that
07 as well; if that is the case, then it's not worth it for
08 us or our credit-card partners to supply the service.

09 We're keeping a very close eye on that, and today
10 we have not found that to be the case. We have found that
11 the people who have used that mechanism to sign up did
12 deposit money and are wagering.

13 MR. LICHT: And what about -- is there any plan to
14 make the video -- actually, the TVG programming, or are
15 there any contractual problems with doing that?

16 MR. HINDMAN: The TVG programming -- well, there's a
17 couple of reasons why we are not doing that. One is
18 it's -- we want to keep our television programming
19 separate and distinct and on television. And two is you
20 have a variety of issues relating to music licenses and
21 performance licenses and things like that when you extend
22 it to other media. So we've refrained from doing that.

23 MR. LICHT: And one last thing. What about increasing
24 the capacity of that video streaming? It seems to put a
25 strain on your computer.

26 MR. HINDMAN: Oh, excuse me?

27 MR. LICHT: Are you going to increase the capacity for
28 your video streaming?

0049
01 MR. HINDMAN: Yes.

02 MR. LICHT: Because it seems like there's a lot of
03 buffering and so forth.

04 MR. HINDMAN: Yes, yes. Like I said, early on it
05 exceeded our expectations somewhat, the amount of usage.
06 So that's been adjusted, and I believe it's being redone.

07 MR. HARRIS: I think the video streaming is a good
08 idea because oftentimes you want to watch a race that's
09 not really on your TV programming, and you can do it that
10 way.

11 But one thing that I know YouBet does -- and I'm
12 not sure if you did it or XpressBet does it. If you
13 switch tracks, do you switch video streaming, too? Or do
14 you have to redo it?

15 MR. HINDMAN: I think --

16 MR. LANDSBURG: You have to redo it.

17 MR. HINDMAN: Yes.

18 MR. HARRIS: YouBet has got a nice feature that you
19 can just -- it's an automatic backup on whatever you want.

20 MR. HINDMAN: Oh, really?

21 MR. LANDSBURG: It's only two buttons to press.

22 MR. HINDMAN: You click it off; then you go and click
23 on the --

24 MR. LANDSBURG: You take one away or you lose it, and
25 it gets confusing. A week of recovering from the flu has
26 given me a long look at the TVG signal. And when it's
27 complemented by your own computer, so that you don't have
28 to wait quite as long for the result and payoff of the

0050

01 race -- it's on your computer before it's on your
02 television screen about half the time.

03 MR. HINDMAN: Uh-huh.

04 MR. LANDSBURG: Which is always your problem of
05 covering other races and delaying some races. I've always
06 wondered why you didn't just go to quad screens at times
07 and let it happen. It's just a sideline.

08 MR. HINDMAN: Sure. Absolutely.

09 MR. LANDSBURG: I think we have --

10 MR. HANNAH: Yeah. Ed Hannah, Magna Entertainment
11 representative.

12 It's not a TVG-specific question; it's something
13 Mr. Hindman said in his presentation. So I don't want to
14 interrupt the TVG presentation.

15 MR. LANDSBURG: Oh, I'm sorry.

16 MR. HANNAH: I'll wait until Mr. Hindman has
17 concluded.

18 MR. LANDSBURG: Thank you.

19 John, do you have more?

20 MR. HINDMAN: Yes.

21 MR. LANDSBURG: Or were you finished?

22 MR. HINDMAN: Oh, okay.

23 MR. LANDSBURG: Are you? I don't mean to cut you off.

24 MR. HINDMAN: No, I am finished. I was just answering
25 any more questions you might have.

26 MR. HANNAH: The question I have may relate to the
27 comments made earlier by Mr. Fravel, because when John was
28 referring to the distribution of our access fee,

0051

01 Mr. Fravel was talking about the CHRIMS system and getting
02 the CHRIMS system worked out.

03 My understanding -- and I may be wrong here -- is
04 that the market access fee has not yet been distributed to
05 any of the tracks. And I just wondered if someone could

06 provide an update as to when that information would be
07 available and the moneys would be distributed.

08 MR. HINDSMAN: To my knowledge, distributions were made
09 for -- I believe through -- John? -- April.

10 MR. REAGAN: Yes. Commissioners, John Reagan.

11 Money was received in some cases through May, and
12 those distributions were made within the last couple of
13 weeks. The money was received by the various racetracks.
14 And after audit and review by myself and others and
15 discussions about those funds and the proper
16 distributions, money was sent and put in purses, so on and
17 so forth. So we have had our first major distribution.

18 MR. LANDSBURG: Okay. This is a follow-up note, if
19 you will, John, to your comment on Oregon and the change
20 in the Oregon ruling. But I feel on behalf of this
21 Board -- I made some notes that I want to read into the
22 record.

23 "In the minutes of the Oregon Racing
24 Commission dated June 21st, 2002, an amendment to
25 the pari-mutuel racing regulations was discussed.
26 In the course of that hearing the ORC took this
27 Board to task. The CHRB position on ADW taxes
28 paid to Oregon was described as, quote '...the

0052

01 CHRB jumped into this issue with all four feet.'" "

02 I'm not quite sure I know what that meant.

03 "'The only thing I can say about the
04 transcript is that the arrogance and demagoguery
05 are breathtaking,' unquote, describing the CRB
06 discussions of the Oregon tax. Those words set
07 the tenor for a slash and burn attack on this
08 Board. Our fellow Commissioners in Oregon chose
09 a tunnel vision reading of this Board's
10 Pari-mutuel Committee hearings and certain
11 deliberations of the full Board. Naturally, I
12 feel a need to respond."

13 "The CHRB is frankly territorial. So is the
14 Oregon Racing Commission. Each of the
15 Commissions is charged with protecting the
16 interests of racing in our own states.
17 Apparently, the hub tax paid on California ADW
18 contributes to the support of 'Fair Racing' in
19 Oregon. So the quarter percent tax derived from
20 TVG is the focal point of Oregon's attack. It
21 was levied long before ADW was legalized in
22 California. In fact, it helped foster the
23 efforts of TVG. The Board has never stated
24 opposition to Oregon receiving that payment. The
25 Board's position is and was clearly stated. We
26 have loudly objected to TVG's insistence that the
27 tax be taken from the horsemen's share and the
28 racing association's share of available revenues,

0053

01 rather than be part of TVG's operating expenses.
02 If TVG insists on operating its California hub in
03 Oregon, then it should be their dollar. Were TVG
04 to operate the hub in California, there would be

05 no State tax. The horsemen's share and racing
06 association's share would flow to purses - adding
07 viability to California racing and helping
08 support California workers. To our fellow
09 Commissioners in Oregon, let me say that I hope
10 you'll place the blame where it belongs."

11 "For the record, the other complaint is that
12 this Board's response to the quarter percent was
13 prompted by complaints of, quote, 'a competitor
14 who shall remain nameless.' Amidst some angry
15 verbiage and draconian portraits of the Board is
16 the charge that we are trying to create a level
17 playing field for ADW hubs. Essentially we have
18 been accused of trying to eliminate competition.
19 In answer, may I say that the Board is only
20 trying to raise the level of return for the
21 efforts of all those people laboring in racing
22 and paying its freight. Asking the low end to
23 meet a higher goal creates a greater good for
24 California racing. This is why our Board
25 exists."

26 "Finally, to our fellow Commissioners in
27 Oregon, we have no grievance with you. It
28 behooves us to work together. The four West

0054

01 Coast racing states form an island in a national
02 industry. I suggest to you and to our
03 compatriots in Washington and Arizona that we
04 form a sub-strata of racing Commissions which can
05 deal with the specific problems we each face
06 supporting our local racing industries. Perhaps,
07 then, we can find opportunities and the means to
08 flourish instead of argue, support instead of
09 denigrate, and thus strengthen all our causes."

10 So it was -- for the record, it was not an attack
11 leveled at you. And I'm glad to know, as of July 24th,
12 the tax will go, because of the Oregon Racing Commission,
13 to our racing association and horsemen.

14 Are there any more comments?

15 MS. MORETTI: John, I just have one question.

16 Are you aware that in the new, at this moment,
17 version -- proposed version of the California state budget
18 by the Assembly there is a proposed 5 percent satellite TV
19 tax?

20 And I was just wondering, as this discussion is
21 going on, if they have -- if (inaudible) has talked about
22 it at all in terms of how they're going to try and recoup
23 that tax. And would it possibly affect what the horse
24 racing industry does vis-a-vis a satellite?

25 MR. HINDMAN: I haven't heard any discussions from
26 Echo Star, from Dish Network, related to that and honestly
27 couldn't answer your question. I can look into it.

28 MS. MORETTI: I'm just curious. It hasn't gotten a
0055
01 lot of play, but it certainly could affect -- because
02 they're going to -- if they get taxed, they're going to
03 get it from somebody.

04 MR. HINDMAN: We'll certainly look into it. Thank
05 you.

06 MR. SPERRY: John, on a personal note, if I might add,
07 I've watched, with interest, TVG progress and benefit with
08 its television show; and it's helped racing considerably
09 up until last week. And then you had a spectacular
10 spectacle on of wrestling, of a challenge that really, in
11 my personal opinion, didn't benefit racing at all. In
12 fact, it took away from the program, three live races that
13 one could have watched.

14 I would think that whoever put it on is the one
15 that should have been dropped on his head, rather than the
16 guy you had on television.

17 MR. HINDMAN: I'll bring Tony next month -- no.

18 But that -- just to address your concern,
19 Commissioner Sperry, I think in the aftermath of that,
20 there was some concern at the length of time that it took.

21 We always look at both sides of the equation, and
22 those types of things we do every now and again to
23 increase viewership among non-traditional audiences. And,
24 you know, we understand. We got cooperation from Los
25 Alamitos and let them know ahead of time that we were
26 going to be doing that. And it was something we don't do
27 very often, don't plan to do very often. And we try
28 occasionally to, A, have a little fun and, B, like I said,
0056 reach out to non-traditional audiences.

01 reach out to non-traditional audiences.
02 MR. LANDSBURG: It wouldn't have gone far on any
03 television. I happened to see it, and it caused me within
04 80 seconds to turn off the TV.

05 Is there any further discussion of TVG? ADW?

06 Then we'll move on and allow YouBet to make its
07 presentation, and I will recuse myself.

08 It's all yours, Roger.

09 MR. CHAMPION: I'm Chuck Champion, President, Chief
10 Operating Officer, of YouBet.com. I'm joined today by Joe
11 Hasson, our Vice President of Business Development. Thank
12 you very much for having us here today. Good morning,
13 Commissioners.

14 I've asked Mr. Hasson today, along with the
15 normal briefing, to drill a little bit deeper into the
16 data. And I think that some of the data that we will be
17 presenting today will help answer, actually, some of the
18 questions that had arisen earlier in the session.

19 Once Mr. Hasson has completed the presentation,
20 I'll be more than happy to answer any questions.

21 MR. HASSON: Good morning, Chairman, and Board
22 Members.

23 Just a note, the page on Hollywood Park -- it's
24 also my understanding that those figures included ADW. So
25 I did some quick calculations during TVG's presentation,
26 and I'll update those figures on that page.

27 Just a quick update on some YouBet statistics
28 since our last meeting. We processed over 11,000 calls in
0057 the month of July, from July 28th through August 18th.
01 the month of July, from July 28th through August 18th.
02 Our average time to answer it was 18 seconds. We

03 processed over 1.2 million in wagers. Our customers used
04 our system for a total of 445,000 hours. We offered 6,262
05 races. And we offered 100 percent of California tracks
06 offered.

07 MR. SPERRY: Excuse me. Bring the microphone a little
08 closer, will you?

09 MR. HASSON: We continued to add customers at a record
10 rate in the month of July, with an additional 1,000
11 California customers added to our existing customer base.
12 Since our licensing in February, we've added an additional
13 5,000 customers to the YouBet family.

14 An update on our Live Operator Project: Local
15 280 voted on our labor contract yesterday; and from what
16 we understand, it was ratified. We've set up the Live
17 Operator workstations in our offices, and we've submitted
18 to the CHRB a test plan for Live Operator. We estimate
19 that we should be able to launch our Live Operator Program
20 in the month of September.

21 An update on the California Racing Fairs: As you
22 can see, there's been steady growth in the handle from
23 fair to fair. And I would like to note that the Bay
24 Meadows Fair and the Ferndale Fair went concurrently. And
25 we believe that's the reason for the low number on the
26 Ferndale Fair.

27 At the conclusion of the Fresno Fair we plan to
28 provide a complete analysis and report to the Board on our
0058 comarketing efforts with CARF.

01 The next series of slides contain data obtained
02 from TOC and CHRB. This slide has an update on YouBet's
03 California handle since we were licensed in February.

04 The first slice, which represents \$6 million, is
05 for out-of-state wagers on California tracks. It is
06 roughly \$6 million. The second slice, which represents
07 \$5.8 million, is for California residents wagering on
08 California tracks. The third slice, which is
09 \$9.5 million, represents California residents wagering on
10 out-of-state tracks.

11 The net impact of YouBet's operations in
12 California is an increase of 2.3 million in wagers on
13 California tracks versus out-of-state tracks.

14 On the next slide we'd like to further dig into
15 the out-of-state residents wagering on California tracks.
16 And let me explain the slide first, before we dig in.

17 The purse proceeds are based on a \$100 wager,
18 using the average take-out of 19.26 percent and using the
19 rules defined in the CHRB rules for distributing
20 out-of-state handle to the horsemen and associations and
21 the California tax.

22 In the first slide, which represents 50 percent
23 of our handle, and upon Hollywood Park, Los Alamitos, and
24 Del Mar on the following source markets, the purse
25 proceeds are approximately \$1.56 for \$100 wagered. On the
26 second slice, directly below, which represents the same
27 tracks and 18 percent of our handle, is a source of
28 markets from all the other states that YouBet has

0059
01 markets from all the other states that YouBet has

02 customers and represents purse proceeds of approximately
03 \$4.45 based on a \$100 wager. The third slice represents
04 all the other tracks in the state from all YouBet source
05 markets outside of the state. And that's 32 percent of
06 our handle. And the purse proceeds, depending on the
07 track contract, range from \$3.12 to \$4.45. And our
08 understanding in the industry in California is the average
09 purse money generated from both on-track and off-track
10 bets is approximately \$3.88.

11 On the next slide we would like to dig into
12 YouBet's results and impact on Hollywood Park. And as I
13 noted, it was our understanding that the Hollywood Park
14 numbers included ADW. So let's first make some
15 adjustments.

16 Based on the \$16.5 million in ADW handle from
17 California residents on Hollywood Park -- actually,
18 Hollywood Park's off-track handle increased, we estimate,
19 by approximately \$200,000 a day. I just did these
20 calculations, so they're not spot on.

21 So for the state, both on-track and off-track,
22 ADW has added an additional \$100,000 a day through the
23 Hollywood Park meet.

24 What's most interesting is the increase in
25 interstate exports, which are up by approximately
26 \$20 million in the state. We did a quick calculation.
27 YouBet's exports to Hollywood Park represent \$3.1 million,
28 roughly 12 percent of that increase. And we would also

0060
01 like to note this is the first YouBet has been able to
02 offer wagering online at Hollywood Park.

03 And the next slide, we're going to dig in further
04 and look at host fees and purses. And let me first
05 explain why YouBet is on this chart twice.

06 YouBet operates under different contracts with
07 the horsemen; one covering TVG source markets, which is
08 represented by YouBet-2, and the other represented by what
09 we call YouBet source markets that are not TVG source
10 markets. And you can see that, for the Hollywood Park
11 meet, our average host fee rate of pay of Hollywood Park
12 is 10 percent.

13 MR. HARRIS: Could you give me some examples of what
14 sort of markets those are?

15 MR. HASSON: Sure. YouBet markets are like West
16 Virginia and Texas. And examples of some of the --

17 MR. HARRIS: How about -- would the fairs be --

18 MR. HASSON: The fairs would not be -- would be
19 considered in the YouBet column, not the YouBet-2 column.

20 MR. HARRIS: The fairs are 10 percent?

21 MR. HASSON: On average, yes.

22 Our agreement with the horsemen for non-TVG
23 tracks is that we pay a 6.5 percent host fee. We pay a
24 5 percent hub fee. And then after we pay any other source
25 market fees required, we retain 25 percent of the
26 remainder. And the horsemen or the tracks get 75 percent
27 of the remainder. So, on average, it's approximately
28 10 percent.

0061

01 We also added some examples of some other
02 competitors and like entities doing business and merging
03 their wagers into the California pools.

04 On this slide we've overlaid the actual purse
05 moneys generated for California horsemen on top of the
06 host fees. And, in total, YouBet generated approximately
07 \$100,000 in purse moneys for out-of-state residents
08 wagering on Hollywood Park during the spring meet.

09 MR. HARRIS: These are just out-of-state residents?

10 MR. HASSON: Just out-of-state residents. We're only
11 looking -- these slides following the first pie chart only
12 cover out-of-state wagers on California tracks, and
13 specifically Hollywood Park in this case. And the reason
14 why we focused here is that we feel that to date, although
15 there has been a slight increase in in-state wagering, the
16 moneys that go to the horse racing industry are pretty
17 much the same as -- the way the moneys are distributed
18 based on the ADW law, the amount going to the associations
19 and to the horsemen is approximately the same as if a
20 customer placed a wager on-track or through a simulcast
21 facility. So, really, the opportunity for growth for
22 California racing is bringing in more exports.

23 MR. LICHT: Can you stay on this one for one second?

24 MR. HASSON: Yes.

25 MR. LICHT: Why don't you explain what RGS is for
26 everybody and make sure everybody understands, because I'd
27 be really interested in pursuing this angle, whether
28 people like RGS are impacting not only your business but
0062

01 XpressBet and TVG as well, and whether or not it's in the
02 best benefit of the game to continue our relationship
03 with -- and I'm not pointing a finger at RGS -- but other
04 entities like that.

05 MR. HASSON: Well, you know, these charts were
06 developed to provide a comparison and show the value that
07 YouBet is bringing to California horse racing, to show our
08 contribution, not necessarily to point out other entities.

09 RGS is based out of the British Virgin Islands, I
10 believe; out of St. Kitts, I believe. And from what we
11 understand, they have both a brick-and-mortar operation,
12 and they also provide account wagering over the telephone
13 and, our understanding is, at Sanford (phonetic), Phili
14 Park. Although we don't have any hard facts, that's what
15 we've been told by some of our members who have ceased
16 wagering with our service.

17 MR. LICHT: Would you agree that these services could
18 be fulfilled by yourself, TVG, and XpressBet, in other
19 words, would be more beneficial for the game if they were
20 eliminated completely?

21 MR. HASSON: We could absolutely fulfill the --
22 provide the same -- better service than they are
23 providing. As you know, YouBet provides online streaming
24 and results and a lot of information to the customers. We
25 also contribute a significant amount of money to TVG to
26 help fund the TV show.

27 RGS is not doing any such thing for the horse
28 racing industry in California. And although they are

0063

01 bringing in a lot of handle, if you look at the purse
02 proceeds that go to the horsemen, it's pretty low;
03 \$375,000 on \$16 million of wagers, versus our 100,000 on
04 3 million.

05 MR. LICHT: RGS has convinced us that they aren't
06 taking any wagering from California residents, that
07 particular entity.

08 But I just wonder -- they claim that we would not
09 be seeing their handle if it weren't for the fact they are
10 able to rebate substantial sums to their players and that
11 their players are edge people, as opposed to horse people,
12 and if they couldn't receive 10 percent back on their
13 wagering dollar, we'd lose that handle completely.

14 To me, it seems like when you say it's not a
15 great addition of extra bottom-line dollars to the
16 industry -- and these people are taking advantage not only
17 of your video streaming and XpressBet and TVG's television
18 broadcasting --

19 MR. HASSON: Well, we represent, approximately, I
20 believe, 28 percent of the total California market. But
21 our exports that we're bringing into the California
22 market, I believe, are close to 50 percent.

23 In fact, I believe we're basically bringing in
24 the same exports that TVG is. And America TAB is bringing
25 in significantly less than us. And I believe we're the
26 only three doing online wagering in Hollywood Park in this
27 example.

28 So if we were able to get approximately 25 to 50

0064

01 percent of that business, that would significantly help
02 our operation and allow us to contribute even more to
03 California horse racing.

04 MR. LICHT: But what they say -- what RGS says and
05 what I assume the other people we're going to meet with
06 are going to say is that business wouldn't exist at all if
07 it weren't for their rebate structure and so forth;
08 because in my mind, clearly, the service that not only
09 YouBet provides but also that your two competitors provide
10 is vastly superior to what these other people provide.
11 You have video streaming; other people have TV.

12 MR. HASSON: We agree. And what we would recommend to
13 the Board is that they seriously consider looking into
14 methods to actually cut off offshore gambling; because
15 basically what the customers are doing is they're
16 transferring money into offshore account wagering accounts
17 and then wagering back into the States. And from what we
18 understand, this is not a legal activity.

19 MR. LICHT: No, but RGS is going through our pools.
20 RGS is not just a bookmaker. For instance, RGS is
21 somebody who puts the money through the pool.

22 MR. CHAMPION: I think the questions are appropriate;
23 I think your concerns are appropriate. I think our
24 concerns relating around the customers that are currently
25 using our system and wagering offshore are legitimate
26 concerns.

27 I want to be careful though not to represent

28 ourselves as being experts on offshore gaming or RGS's
0065
01 activities and how they contribute or do not contribute to
02 California horse racing.
03 What we do want to establish is what YouBet is
04 contributing to California horse racing and specifically
05 what we're importing and exporting from the state and how
06 those contributions affect purses.
07 The reason I make that qualifier is that we're
08 just beginning to dig in deeper as to how these entities
09 affect us from a competitive position and also, frankly,
10 how -- there's a body of thought and some data that would
11 suggest that there is a duplication of YouBet customers
12 with offshore wagerers that basically use our system to
13 facilitate their handicapping; downloading products,
14 watching video, and then wagering offshore to get the 9 or
15 13 or greater percent in rebates.
16 MR. LICHT: Again, I think that's probably very
17 similar to what your two competitors experience. It's not
18 unique to YouBet.
19 MR. CHAMPION: Yeah. I'm not entirely sure. I
20 haven't had any conversations with TVG or XpressBet on
21 this specific subject.
22 MR. LICHT: Well, I think we need to move, personally,
23 to either competing within the state by allowing rebates
24 or cutting off places that do rebate because it's not --
25 it's just not fair.
26 MR. CHAMPION: Yeah. Again, I think those are
27 absolute options that the Board has. I think we should
28 collectively do some more research to ascertain exactly
0066
01 how it affects. We could be prepared at a future meeting
02 to have a more substantive conversation with greater
03 detail, frankly.
04 I'm just a little reluctant, in the early stages
05 of this, to kind of speak as an authority on how RGS is
06 affecting you or specifically affecting us. I mean, on
07 the surface, it would look -- with a \$16 million handle
08 and only \$375,000 contribution for that handle, I would
09 certainly have questions.
10 MR. LICHT: Especially when their share of the
11 proceeds -- "theirs" being the rebate; and the rebater is
12 probably five times that.
13 MR. CHAMPION: Right. But, again, I have no idea of
14 how it might affect. And all of you, of course, have a
15 greater understanding of this in how it affects tracks and
16 horsemen, all the way up and down the line, as to what
17 their contribution is or isn't to the industry as a whole.
18 And so I just -- I would be reluctant for YouBet
19 to sit here as an expert on that subject today.
20 MR. HARRIS: I think one of the concerns, too, is, as
21 a Racing Board, that we are charged with enforcing the law
22 which says if we're wagering on account wagering in
23 California, California residents have to do it through
24 someone who is licensed through the Racing Board. And,
25 clearly, some of these are not. They're able to do it
26 because they're just taking bets from out-of-state

27 residents, and it's a different scenario.

28 MR. LICHT: Right. But I think the long-term thing we
0067

01 have to look at is whether we should allow our licensees
02 to compete with these people in some way or to cut off
03 these offshore places. I just don't think it's fair.
04 These guys are really providing product: YouBet,
05 XpressBet, and TVG.

06 MR. HARRIS: I agree. I think the problem is it's
07 such a national issue, that they don't -- I think everyone
08 is going to say "If we don't do it, Saratoga or someone
09 else will."

10 MR. LICHT: But we have the best product. We have the
11 best racing, and we have the best place to bet, because we
12 have the deepest pools that allow the size of the bettors
13 to bet. They can't bet like that in many other areas.

14 MR. CHAMPION: Well, we would certainly support the
15 concept that those of us who have made contributions in
16 and to California racing, whether it's through our handle
17 and purse generation or whether it's through the
18 commitment we made to California in terms of jobs and
19 other things, that we may not have the right to enjoy a
20 greater advantage, but certainly we shouldn't be
21 disadvantaged by that either. And, clearly, by what we
22 see up there, there are people that are not licensed in
23 this state that have deals better than the deals that we
24 have. And that is a concern to us.

25 MR. LICHT: And even worse than these people are the
26 bookmakers that are being allowed to advertise in our
27 trade publications. That really takes our clients, our
28 patrons, away from us.

0068

01 Ed?

02 MR. HANNAH: Ed Hannah, XpressBet, Inc.

03 I came up only to, I think, echo the sentiments
04 that have been expressed by Mr. Champion as well as by
05 Commissioner Licht.

06 At Magna Entertainment and XpressBet -- first of
07 all, at XpressBet, we're experiencing -- we believe that
08 there are a lot of wagerers who are deriving their
09 handicapping information from our available product or
10 other industry-available product and then using their
11 telephone or computer to place their wagers through an
12 offshore entity in order to avail themselves of the
13 rebate.

14 Secondly, at the Arizona conference last year,
15 Jim McAlpine spoke to this very issue. And he actually
16 produced some statistics to where he believes -- there's
17 no hard statistics available because no one knows
18 precisely what's being generated through these offshore
19 rebaters. But he gave an example that was not a
20 pie-in-the-sky example, that actually showed the moneys
21 available to these rebaters -- either to put into their
22 pockets or to rebate back to the bettors -- is probably in
23 excess of the combined after-tax income of both Magna
24 Entertainment Corporation and Churchill Downs. So we
25 think this is a serious issue for the entire industry.

26 Mr. Licht referred to one possible solution, is
27 allowing the three licensed California entities to rebate;
28 but I would like to point out that there's a lot more room
0069

01 available for the offshore rebaters to rebate.

02 If you took a 20 percent takeout rate, if you
03 look at the offshore rebate or the RGS example that's up
04 there, they're paying a 5 percent host fee. So,
05 basically, you subtract that 5 percent from the 20, and
06 you've got approximately -- or you've got 15 percent
07 that's available either to go into their pockets or to be
08 rebated.

09 For each of the three licensed California
10 entities, we would only be able to rebate out of the host
11 fee that we had approved through our contract with the
12 TOC. So in TVG's case it would be under 5.5 percent;
13 under YouBet's, 5 percent; and for us, it's 4 percent.

14 MR. LICHT: The problem is, I think, as far as
15 Magna -- that may be your right hand talking. What your
16 left hand may be saying is "I don't want to take a chance
17 losing all this handle if we cut off some of these
18 places."

19 MR. HANNAH: As you pointed out, it's a very difficult
20 issue. I know the rebaters argue it's all incremental
21 money; these are edge players; if they weren't getting the
22 type of rebates that they were getting, they would be
23 placing their dollars in some other type of gambling
24 opportunity.

25 No one knows the true answer. To me, it's
26 neither zero nor 100; it's somewhere in between. Some of
27 it is incremental; but some of it, I do believe, is being
28 taken out of the pockets of the industry.

0070
01 MR. HARRIS: For that particular reason I think it's
02 bothersome that both Magna and Churchill haven't really
03 followed up on the Racing Form, the ads they're running
04 and (inaudible) other places in California.

05 But it seems like it's really aimed at a
06 California market. It's got to be a vast proportion of
07 the western addition is in California. It seems to me
08 that the Racing Form is usually taken to task that this is
09 really advertising illegal activity.

10 MR. LICHT: At the very least have a banner saying
11 this is not legal in California.

12 MR. FRAVEL: Mr. Chairman, Craig Fravel.

13 I just wanted to (inaudible) Charlie Haworth, who
14 is the executive editor/publisher, two weeks ago. And we
15 discussed that very issue. He indicated a willingness to
16 revisit your policy on that subject and actually talked
17 about forming a committee of people around the country
18 from racetracks and horsemen's groups to discuss that with
19 them. So they are aware of it.

20 Obviously, it's a source of revenue for them.
21 I'm not sure it's as high as a lot of us might think, so
22 that I think there is an opening there to work with the
23 Form on getting that taken care of.

24 MR. LICHT: What is there to discuss? I don't

25 understand.

26 MR. HARRIS: It's not like this is dancing off and
27 we're trying to put you off.

28 MR. LICHT: What's there to discuss is whether they
0071

01 should or shouldn't take betting from illegal --

02 MR. FRAVEL: Whether they should take advertising --

03 MR. LICHT: Right.

04 MR. HARRIS: It seems to me that advertising something
05 that is clearly illegal would be illegal.

06 MR. LICHT: But that doesn't mean --
07 (Multiple speakers, unreportable)
08 (Laughter)

09 MR. LANDSBURG: I believe under the Freedom of
10 Speech --

11 MR. BLAKE: The First Amendment is still with us. We
12 have looked at those issues, and Mr. Landsburg has taken
13 the initiative to point out to people their obligations as
14 good citizens. But that's pretty much the limit of what
15 you can do about restraining people from accepting
16 advertising.

17 MR. HARRIS: Well, the tracks, in total, have quite a
18 bit of clout with the Racing Form. As they are their
19 major seller of forms, I would think there should be more
20 than just lip service paid to their thoughts.

21 MR. CHILLINGWORTH: Sherwood Chillingworth from Oak
22 Tree Racing.

23 I attended a conference in Cincinnati about two
24 months ago; and there were about 26 people there,
25 representatives from the Churchill Group, Magna Group, Mid
26 Atlantic Group. Just about every track in the country was
27 there. And the discussion was had: How do we handle this
28 rebating issue? Do we rebate, ourselves, to compete; or
0072

01 do we try and eliminate the rebaters?

02 And, surprisingly enough, Bob Green, who is, as
03 you know, from Phili Park -- and they do a lot of
04 telephone betting -- his conclusion was, and I think
05 everybody else agreed, that you have to keep cutting off
06 the sources of this signal to people who are not -- who
07 are rebating, are not paying their fair share back to the
08 industry.

09 And the TRA is coming out with a supposedly
10 definitive report of this -- not the NTRA, but the TRA --
11 next month on how we should handle this situation.
12 Whether everybody agrees with that, I don't know. But the
13 idea is we should be cutting off these people and not try
14 to rebate ourselves.

15 MR. HASSON: I might add maybe one of the possible
16 solutions to look at is leveling the playing field so that
17 companies such as RGS would be paying the correct share
18 under the horse racing industry, so that we could all
19 compete on a level playing field.

20 MR. LANDSBURG: Does that wrap up the conversation and
21 comment?

22 MR. HASSON: Yeah.

23 MR. LANDSBURG: We have a Pari-mutuel Committee

24 meeting where we can carry this on.
25 We're almost through. We normally take a
26 break --
27 I'm sorry. I didn't want to cut you off. Ron?
28 MR. LICCARDO: Ron Liccardo.

0073

01 Joe Hasson was correct that we did ratify a
02 contract with YouBet last night, and also one with
03 XpressBet.
04 MR. LANDSBURG: Congratulations to both you and both
05 of those organizations.
06 Moving on, we normally take a break at this
07 moment; but I think, since there are only three items left
08 on the agenda, if you don't mind, let's just press on
09 through.

10 The first of the committee reports is due from
11 the Race Dates Committee. John Harris is the chairman.

12 MR. HARRIS: Yes. The Race Dates Committee met the
13 day after our Board meeting, on July 26th, and received
14 comments on the proposed schedule for 2003.

15 The (inaudible) went first and basically wanted
16 to keep the status quo, which seemed to be agreeable to
17 all concerned.

18 The Southern Thoroughbred Fair racing schedule
19 was discussed next; and it was determined that the
20 committee's proposal would be to have the LA County Fair
21 run its 17-day meet at the stadium at Pomona, and that
22 would be the way the dates for 2003 would be arranged. I
23 guess they could always come in and try to amend that at
24 some later date, but that would be what the Board would
25 assume.

26 I think one of the issues would be if they ran 17
27 days; secondly would be that format should clearly be at
28 Fairplex, Pomona, because that was -- the justification

0074

01 for the consecutive dates was the facility was not used
02 very much. But if the facility was used a lot, then the
03 17 days should clearly be revisited.

04 Oak Tree had proposed -- the Committee had
05 proposed to have Oak Tree run 30 days, basically all
06 five-day weeks; but Oak Tree's general manager, Sherwood
07 Chillingworth, made a passionate plea to get back one
08 extra day. And in a soft moment, we thought that that may
09 be okay. All of this will have to be approved by the full
10 Board when we meet in September, I guess.

11 But the rest of the proposed dates for Southern
12 California remain unchanged as compared to a total for
13 2002.

14 The Northern Thoroughbred Fair Schedule was
15 discussed. Solano County Fair at Vallejo has now modified
16 its request for 12 days to go to 10 days, which probably
17 makes sense because they had a couple days that they were
18 not overlapping Hollywood Park. And their meet hasn't
19 done that well anyway. So the 10 days there, I think, is
20 a responsible move on their part.

21 And the final issue is the conflict with Bay
22 Meadows on overlap with Stockton and Sacramento. And

23 there's really been no resolution on this, and we will
24 resolve that at the final meeting.

25 MR. LANDSBURG: Thank you.

26 Items of general business -- this is an important
27 one that I would ask Commissioner Harris to comment on
28 since he had made a public comment on it, which is the

0075

01 refusal or recusal or oversight involving a race in which
02 the mule Black Ruby took part.

03 John, do you want to comment?

04 MR. HARRIS: Yes. Thank you, Alan.

05 Well, just to give a little background, I think
06 most people are familiar with Black Ruby, who is a
07 ten-year-old mule, female mule, that has now won 47 races
08 out of like 52 or -3 and has been widely publicized in the
09 media. There was an article in Sports Illustrated,
10 New York Times.

11 She was entered on Sunday at Ferndale. The LA
12 Times, in their little column on racing, described that as
13 the race of the day.

14 Ferndale, at the time she was entered, requested
15 the CHRB to limit wagering to win and exotic wagering
16 only. This was approved by the CHRB. The problem then
17 was that, sort of unbeknownst to anyone other than Del Mar
18 management, Del Mar decided to not take that particular
19 race and not even put it in the program and not allow any
20 kind of wagering on it, even though wagering at Ferndale's
21 format was win only and exotics. The thought would be
22 that with win only and exotics, the chance of a minus pool
23 would be very negligible. And it turns out there was no
24 minus pool.

25 I just felt that Del Mar was, how to put it, both
26 arrogant and misinformed, I guess would be terms I would
27 use, in not willing to take a race like this and put it in
28 their program, that had significance to a lot of horse

0076

01 people and fans in California. And Black Ruby has gotten
02 such a reputation.

03 Furthermore, it may not be in compliance with the
04 law. You cannot pick and choose which races you take or
05 don't take without approval of the CHRB, and the CHRB was
06 not contacted.

07 I admit that minus pools are a concern and that
08 they do need to be looked at. Clearly, the problem would
09 have existed and taken place to be shown (inaudible)
10 wagering where they did not. In fact, Del Mar did have a
11 minus pool that day; but it was on their own horse race.
12 (Inaudible).

13 So I think we just need to work closer together
14 and be more sensitive to what the public wants and what,
15 you know, we can all do to help publicize racing. Even
16 though in this case it was a mule, it was still an animal
17 that had a lot of fan interest. And I would hope that --
18 going forward, that Del Mar will be a little more
19 sensitive to things like this.

20 MR. LANDSBURG: There is a general rule that all races
21 in California must be carried, all breeds. Now, the mules

22 sit perhaps in a slightly different group, but they are
23 part of the racing scene. And it seems to me there is an
24 obligation to carry those races as part of the contract.

25 MR. FRAVEL: Mr. Chairman, maybe I can give you a
26 little background on this. And I certainly welcome the
27 Board's input and --

28 MR. SPERRY: Identify yourself.

0077

01 MR. FRAVEL: I'm sorry. Craig Fravel, Del Mar
02 Thoroughbred Club.

03 This issue dates back to the 2001 race meet at
04 Del Mar. And we were confronted, candidly, with a
05 situation we, frankly, never encountered before in racing,
06 with a series of races primarily centered around Black
07 Ruby coming from Northern California.

08 And, in particular, I think, because we hadn't
09 experienced it before, the Racing Board hadn't experienced
10 it before, and there wasn't a sufficient level of focus on
11 the issue -- but the result last year was that we had
12 close to a half-a-million-dollar overall net impact as a
13 result of minus pools in the Southern zone on race wagers
14 on minor breed races from the Northern pool.

15 MR. HARRIS: Were any of those on races that only had
16 win and exotic betting?

17 MR. FRAVEL: Let me just kind of go through the litany
18 of it a little bit, if I may.

19 The first race that hit us was an Arabian race
20 that had two to five horses in a total field of six. And
21 that was a million-dollar pool one day. A total minus
22 pool followed the next day, followed by a Black Ruby race,
23 which we hadn't been as sensitive to at that time, which
24 was another half-a-million-dollar minus.

25 So the next time the issue came up, we were in
26 contact with both the Racing Board and the fair that was
27 running the next Black Ruby race. And the Racing Board or
28 the fair -- I forget which one it was on -- asked to have

0078

01 the wagering pool limited to win, place, as well as exotic
02 wagers. And lo and behold, to all of our surprise, there
03 was a minus place pool of a half-a-million dollars.

04 When all is said and done, by the time we decided
05 we had to take some kind of action at that point, we were
06 out a quarter-million dollars in commission revenues and
07 the horsemen were out a quarter-million dollars in purse
08 revenues.

09 And I would be happy, at a subsequent meeting or
10 committee meeting, to sit down and all go through the
11 numbers on these things and see what the proper approach
12 to it is.

13 And I'm not saying we have the right answers; but
14 last year, having been faced with that, already a
15 quarter-million dollars in the hole, I went to the
16 stewards, and I went -- we got Mr. Blake on the phone, and
17 Mr. Wood, and we discussed what our options are, were.

18 And my reading of the law -- and I continue to
19 believe it's accurate -- was that we were -- the law, with
20 respect to Northern races being wagered on in the South,

21 is it's permissive and not mandatory and that we had the
22 option of refusing to take wagers on some races. And I'd
23 be happy again to sit down with Mr. Blake and review all
24 that.

25 So I only tell you that so that it's understood.
26 And we subsequently, I think, last year, had two instances
27 where we didn't take wagers. And we've continued to do
28 that on occasion and attempted to do it judiciously.

0079

01 And in this particular case, you know, you could
02 argue both ways whether we made the right decision or not.
03 I would tell you, just for -- you know, it's not an issue
04 of arrogance. We're planning on holding a match race with
05 Black Ruby and Taz here the week after Labor Day. So we
06 certainly intend no disrespect to Black Ruby, who has been
07 a superstar in Sports Illustrated, and intend to take
08 advantage of that. But I did want to give you the
09 background on that.

10 And I think, as a thoroughbred track, our primary
11 interest is in making sure that we don't have a major
12 impact on thoroughbred purses. And that's, candidly, why
13 we did what we did.

14 MR. LANDSBURG: But when you say 500,000, the maximum
15 that cost you is 25,000, less whatever commission you
16 generated, right?

17 MR. FRAVEL: That's correct. But net -- it all came
18 down to last year, netted against breakage, we were out a
19 quarter-million dollars.

20 MR. HARRIS: It couldn't have been that much because
21 you had to bet 10 million or something.

22 MR. FRAVEL: Again, I'd be happy to go through the
23 numbers with you and see, since they're a lot better at
24 analyzing that than I am.

25 MR. HARRIS: I wasn't clear on your statement to the
26 press that you said that the Ferndale menu offered win,
27 place, and show wagering. What was that based on?

28 MR. FRAVEL: I'm sorry. I didn't -- I was in Saratoga
0080

01 this weekend, so I didn't see what my quote was.

02 MR. HARRIS: This was after Saratoga, but it said
03 "Craig Fravel said the Ferndale menu offered win, place,
04 and show betting."

05 MR. FRAVEL: That's not what -- no, I mean I was aware
06 after the fact that it was win only. So if I said that, I
07 was mistaken. But I don't believe I ever thought that,
08 so --

09 MR. HARRIS: Okay. Because it just seemed to me that
10 win -- at worst, I think you could have worked with
11 Ferndale just to have exotic wagering and not even have
12 win wagering.

13 MR. FRAVEL: And that would have been, I think, a very
14 good solution. And I don't have a problem from that
15 standpoint in terms of it. I think Black Ruby is an
16 exceptional case. I mean, she never loses. I mean, if
17 you watch one of these races, she's the only one who runs
18 straight; and the rest of them are running around in
19 circles behind her. I believe there was even a minus win

20 pool.

21 MR. HARRIS: I don't think so.

22 MR. FRAVEL: Well, I asked the state auditor the
23 question, and he said they paid two-tenths on it. I can
24 follow up on that.

25 And the position I've taken with respect to the
26 law is while it's permissive in terms of whether we take
27 it or not, once we decide to take it, we're stuck with the
28 wagering format that the host association has agreed upon
0081
01 with the Racing Board; and they do have to get a waiver
02 with the Racing Board on that.

03 So, you know, this isn't just a Del Mar issue. I
04 think the other tracks and the horsemen have an equal
05 interest in that because we all -- unfortunately, or
06 fortunately, however you want to look at it, we're up
07 against most of the fair racing in the North. So we tend
08 to get more of the mules and the Arabians and Appaloosas.

09 And in a short field, I think it's an issue that
10 the Board should take an active interest in and advise us,
11 you know, more specifically on how we can all do this
12 correctly; because you do end up in a lot of situations
13 with an Arabian or Appaloosa race with a one-to-five
14 favorite and four other entries. And the fair feels
15 compelled to run those races even though they end up
16 subsidizing the purses. So it's a larger issue than just
17 whether we made a mistake in one race. And I would invite
18 your input on that.

19 MR. LANDSBURG: I think something is needed just so
20 that we can clear the decks. And it behooves the Board to
21 create a regulation that the North may not be permissive.
22 That's your interpretation. There is another
23 interpretation which says you are obliged to carry all
24 California racing.

25 MR. FRAVEL: Not to argue on that, but I did clear
26 that with Mr. Blake. And I specifically discussed that.
27 And I realize he doesn't give opinions to, you know,
28 private parties; but it wasn't without some considered

0082
01 input.

02 MR. LANDSBURG: I wasn't arguing with you. In fact, I
03 was supporting your general point.

04 MR. FRAVEL: Okay. Thanks.

05 MR. LANDSBURG: I wasn't arguing the need for this
06 Board to consider a regulation.

07 MR. HARRIS: I think minus pools do occur which -- I
08 think, exclusive of this race, that we have an issue. It
09 just seems like there's too much emphasis on trying to
10 scratch this race. But in minus pools in general, I think
11 there is some flexibility. If you've got a five-horse
12 field and two scratches, like now, you've already got your
13 program (inaudible).

14 MR. FRAVEL: Yeah. And my only -- my understanding on
15 this is -- I may be wrong on this, but my view -- and I've
16 stated this within the company -- is that once we decide
17 to take the race, not just for legal reasons but for
18 compatibility and other reasons, I feel that we're

19 compelled to accept the wagering format offered by the
20 host association. Now, maybe I could be wrong on that.
21 That may not be an option.

22 The difficulty here -- and just -- that's why I
23 think a separate meeting on the subject is worthwhile. I
24 don't want to belabor the point, but the difficulty is
25 that when we take a wager on a Northern race, it's our
26 money and -- our purse money that is at risk, if you will.

27 And there doesn't seem to be a lot of attention
28 by these big show players or bridge jumpers, as we like to
0083

01 call them, in moving their action up to Northern
02 California; so that the incentives -- the disincentives,
03 if you will, to carrying those particular races -- and I'm
04 not accusing the fair of laying it all on us. The
05 disincentives are not going to -- because they know
06 exactly where the minus pool is going to fall off and hit.
07 It's going to be down here or hopefully in Las Vegas,
08 which is even better.

09 So I think there's a lot of things we need to
10 discuss as a group and go through what the best approach
11 is.

12 MR. HARRIS: The same issue would be on the -- if
13 there is a race in New York, say, here you would have the
14 same problem.

15 MR. FRAVEL: Yes. And our simulcast programs are
16 charged with looking at things that come up on a regular
17 basis. If there were races that totally fell outside of
18 the envelope on that, we would be taking a look at each
19 one of them.

20 MR. LANDSBURG: The only thing I'm concerned about is
21 California at the moment, and California racing, and the
22 general rule that all races should be carried as part of
23 the license agreement. So whether we write some kind of
24 new regulations based on a good and solid discussion of
25 what the problem is for racing -- but I think it needs
26 some clarification, because it's willy-nilly at this
27 point, apparently. And we do call for all races to be
28 carried that are run in California. You can make

0084
01 exceptions. You've made exceptions or had discussions
02 with Roy.

03 MR. FRAVEL: From Roy's standpoint, he ultimately said
04 to me "Well, it's going to be your decision."

05 And I accepted that as, you know, fair; that the
06 Board wasn't sanctioning any of the action.

07 MR. LANDSBURG: I just bring it up and I think John is
08 bringing it up so we don't run into this kind of thing in
09 the future.

10 MR. HARRIS: I did talk to Roy about it. Maybe he
11 said that at some point in the past. But in the days --
12 few days leading up to the thing, he said that, clearly,
13 they weren't getting any communication from you that you
14 were thinking about not taking wagering on this.

15 MR. FRAVEL: No. Typically what we've done this year
16 is -- we had the discussions last year -- was we notified
17 the stewards, when we were printing the program, of the

18 action. And it's mainly notification of the action. And
19 I don't think it's been their practice to call Roy each
20 and every time it's been done.

21 MR. HARRIS: So you did notify the stewards?

22 MR. FRAVEL: At least that was my instruction.

23 Whenever we've done it, we've notified the stewards. But
24 whether -- I was out of town for this particular race, so
25 I don't know that that action was taken. But I can check
26 on that.

27 MR. HARRIS: Can you check on that?

28 MR. LANDSBURG: We'll put it on the agenda then for
0085

01 the next meeting, to begin that discussion and a public
02 discussion of the need for some kind of adjustment to
03 regulations.

04 Are there more comments on this?

05 MR. FRAVEL: Thank you.

06 MR. LANDSBURG: A bit of old business.

07 Under old business, during our discussions and
08 the reading of the proceedings of the Board meeting of
09 June 26th, there were three separate suggestions that we
10 undertake a future discussion or examination of the
11 LACF -- the movement of Fairplex, or Fairplex's desire to
12 move to Santa Anita. And we would take it under further
13 discussion and under further consideration.

14 How we go about this, I'm not quite sure. A, is
15 there a feeling of the Board that we should discuss this
16 further? And -- because it has been part of the minutes
17 and part of the things suggested by Mr. Siegel, by
18 Commissioner Moretti, by myself.

19 We had discussed in our minutes that we would
20 look further and begin to examine this. Where is that
21 examination going to take place is my question for
22 further -- for Board members and for anyone in the
23 audience.

24 MR. LICHT: I think the next place would be maybe the
25 Dates Committee, where we see what happens to Fairplex's
26 dates and where they ask -- what they ask.

27 MR. LANDSBURG: Their 17 days is requested in the
28 Dates Committee.

0086
01 MR. HARRIS: The current request is for 17 days at
02 Pomona Fairplex.

03 MR. LANDSBURG: Right. But in questioning folks both
04 at Santa Anita and Fairplex, that second-hand information
05 is they do want to continue this contractual arrangement
06 since they have a two-year operation proceeding.

07 I think it behooves us simply to follow the
08 recommendations that have been made before this Board and
09 find a way to see whatever exists, both pro and con, and
10 make some kind of determination during our spring
11 meetings.

12 Is there a suggestion of how we can -- what
13 committee should handle it and how it should go further?
14 Or is this just a staff recommendation that is --

15 MR. LICHT: I remember somebody mentioning they wanted
16 to see the results of this Fairplex meeting before we

17 discussed that. I think that was one of the things that
18 was mentioned.

19 MR. LANDSBURG: I think it was a need for more
20 information. I don't know what more information, but I
21 think it's going to be a problem that will come back to
22 us. And let's be prepared this time, instead of getting
23 it in all at the last minute.

24 Yes, sir?

25 MR. HARRIS: Yes, sir. I think one of the big items
26 of discussion would be if there was some old
27 reconstitution of the states, the different associations,
28 for that to happen. I think it would really take a lot of
0087 negotiations between them, if we could facilitate it,
01 possibly. But it's not our issue.

02 MR. LANDSBURG: No, I'm just trying to follow up on
03 what was said. We need more information and
04 consideration. Therefore, do we want to request an ad
05 hoc, if you would, committee to try and come back to us
06 with firm proposals on how this could or could not work
07 and why and how?

08 MR. HARRIS: I'm not sure what it could or could not
09 do. Moving Fairplex to someplace else or
10 reconstituting --

11 MR. LANDSBURG: Once again, it seems to me in our
12 June 26th meeting there was great discussion of it. I
13 wanted to try and follow up on it before it got lost and
14 we wound up sometime in May or June arguing again about
15 this question.

16 I've been asked at the October meeting to carry
17 an agenda item on further discussion and examination of
18 the application to move the Fairplex meeting to Santa
19 Anita.

20 MR. HARRIS: It seems like there should be some
21 request by Fairplex to do that. I don't think we want to
22 compel them to move if they don't want to move.

23 MR. LANDSBURG: No, no. What I'm saying is in
24 questioning they have indicated to me from Santa Anita and
25 secondhand from Fairplex that they do want to continue
26 this request.

27 MS. MORETTI: Mr. Chairman, I don't see anyone here
0088 from Pomona at the moment.

01 MR. LANDSBURG: We do have someone --

02 MS. MORETTI: Sorry.

03 But what I was going to say is because of the
04 money and complex issues that were raised during the two
05 or three meetings that we had on this issue, I'm not so
06 sure it fits within the agenda of a regular meeting. And
07 I think, going back to your first idea, if Pomona wants to
08 carry on this discussion with the various parties
09 involved, perhaps it should be set as a separate meeting.
10 Now, whether that comes under the Dates Committee or
11 another ad hoc committee, but I would --

12 MR. LANDSBURG: That's what I'm fumbling around with.

13 MS. MORETTI: I think that makes sense.

14 MR. LANDSBURG: I think we should have some indication

16 of where we want to go, so we don't get into that same
17 three-hour meeting and wind up nowhere.

18 MR. SEDER: Yes, Commissioners. Mike Seder with
19 Fairplex.

20 We'd be happy to work in any way that we can with
21 the Board on this issue. We haven't abandoned our
22 interest in the concept. We still are interested in doing
23 what we would like to think is in the best interests of
24 the industry.

25 During our meet we anticipate doing some
26 surveying to try to get some survey of patriot interest
27 and horsemen interest again. So we're hopeful that at the
28 end of the meet we'll have more information to be able to
0089
01 share with you.

02 MR. LANDSBURG: Thank you.

03 Under general business --

04 MR. HARRIS: I just had one item I'd like to discuss,
05 is workouts. I think there's a lot of concern on the
06 backstretch and also on the fan's part on the accuracy of
07 reporting for workouts. It's pretty widely felt that
08 oftentimes workouts are missed or incorrect. And I think,
09 in looking through our rule book, we really don't have
10 much on workouts.

11 It says: "No trainer shall permit a horse
12 in his charge to be taken on the track for
13 training or a workout except during hours
14 designated by the association, and a trainer
15 desiring to engage a horse in a workout shall
16 prior to such workout identify the horse by name
17 when requested to do so by the stewards or their
18 authorized representative."

19 It seems to me there should be a little more of a
20 compulsion, that any horse that works out -- there is more
21 effort made to insure that that horse is identified and
22 that if there is a mistake made, that it's rectified. And
23 I think we need to get comments from various interests of
24 people to see if this rule is really an adequate rule.

25 MR. LANDSBURG: So noted.

26 You know, I couldn't agree more. We talked about
27 the chips, and the horse -- electronic chips that would
28 measure the horse in its workout; but it's never come
0090

01 about. It is part of the Board's oversight though; that
02 there are Board employees, in a sense, who -- the official
03 clockers are part of our staff.

04 MR. HARRIS: It's clearly an oversight. I think, as
05 it is now, if a trainer works a horse and is really not
06 necessarily trying to hide a workout, but just doesn't get
07 caught, there really is no obligation on his part or her
08 part to correct it; where I think there should be some
09 feeling that we're trying to get the public the correct
10 workout.

11 MR. LANDSBURG: Once you sit in the booth with them,
12 you realize how hectic and almost impossible it is to
13 track every horse positively and know that that's the
14 exact workout. It's a stunning array of information

15 pouring into you guys who are expert at trying to track
16 it.

17 MR. HARRIS: They do a good job probably 80 percent of
18 the time, but I think that's not quite enough.

19 MR. CHILLINGWORTH: Sherwood Chillingworth.

20 I came up here for another reason, but I might be
21 able to throw a little information your way with regard to
22 what is being done to record race times and workout times
23 more precisely.

24 I'm on the management committee of the Equibase
25 Corporation, and they are working with a company that does
26 a system whereby they use satellites to position -- they
27 do it now with NASCAR racecars. And they follow every car
28 around, know exactly where they are relative to each

0091

01 other, first, second or third, what their speeds are, and
02 all that sort of thing.

03 They're now doing a study, for two months now;
04 and they think by the end of the year they'll have a pack
05 that the jockey can put on his back that will weigh
06 something in the nature of 12 ounces, and you can track
07 every horse, know what the splits are, where they are in
08 the track, whether they're running 3 feet from the rail or
09 4 feet from the rail or on the rail. So that technology
10 is coming forth.

11 But one of the problems, of course, in doing
12 workouts is making sure that the right transmitter is on
13 the right horse. You can do that if you're -- during the
14 races because you can set them up on the jockey's uniform.
15 But during the morning, when you have people go on the
16 tracks at various times for three hours, it's very
17 difficult to do.

18 What I originally came up here to ask was if we
19 are going to reconsider -- if some reconsideration is
20 being made for the Pomona race dates being raced
21 somewhere, that we look at racing them not only at Santa
22 Anita, but allocating those race dates to other tracks in
23 some equitable manner and pay Pomona for their not having
24 those race dates.

25 Santa Anita is going to make them -- it's not
26 unreasonable to expect we split the dates up among all the
27 tracks and all the races reimburse Pomona for what the
28 races are worth.

0092

01 The other thing I'd like to bring up is we asked
02 at that hearing for a copy of the agreement between Pomona
03 and Santa Anita. And Mr. Blake opined that that was a
04 public document and available to everybody.

05 I called Roy Wood up. And I said "Roy, as soon
06 as you get that document, I'd like to see it."

07 And he said "Well, I didn't receive it."

08 I called him back a week later. He said -- well,
09 I called Mr. Blake again to be sure if that's correct, and
10 he assured me, yes, it is a public document.

11 So I went back to Roy and said "Roy, where is it?
12 It's a public document. I checked on this twice."

13 He said "I sent it back to Santa Anita." He said

14 "I don't have it anymore."

15 That's an interesting way around the problem.

16 And, personally, I think we're entitled. I'm not the only
17 track who would like to see that document. And it's
18 declared a public record, and we've asked the parties
19 involved for copies of it. We have not received them, and
20 I think we should.

21 Thank you.

22 MR. LANDSBURG: So noted.

23 MR. DE MARCO: Mr. Chairman, Frank DeMarco for Santa
24 Anita.

25 The distinction -- the rule that Mr. Blake made
26 at that hearing was that the lease between Oak Tree and
27 Los Angeles was a public record. The Pomona thing did not
28 come up in connection with an application; it came up in

0093

01 connection with a request for Pomona to run its dates in a
02 change of venue. And the statute is very clear, there has
03 to be an application and a document related to an
04 application.

05 I wrote a brief little memo to Mr. Blake about
06 that. I've had no reply. My understanding is it is still
07 a private confidential document, and we welcome it.

08 MR. LANDSBURG: Mr. Knight, welcome to the CHRB.

09 MR. BIANCO: Did he resolve it for you?

10 MR. CHILLINGWORTH: I don't want to belabor this, but
11 my recollection -- I think the record will show there was
12 no discussion by asking Mr. Blake whether the Oak Tree/
13 Santa Anita document was a public document. The question
14 was: Is the proposed agreement between Santa Anita and
15 the County -- Pomona County Fair a public document? He
16 said "yes." And I have an understanding he since
17 confirmed that opinion.

18 MR. LANDSBURG: Excuse me. I think what we best do
19 now is, as Mr. Knight takes over for Mr. Blake, relieve
20 him of this particular burden. Let us check the record,
21 because we have a specific -- we have a specific
22 transcript of that record -- and look at the further
23 documents that have been submitted by Mr. DeMarco and see
24 where this request falls.

25 I'm going to ask staff to do that primarily
26 through our Mr. Knight, who should be able to rule on the
27 legalities of this.

28 Is that satisfactory to you?

0094

01 MR. CHILLINGWORTH: Well, my contention is we've
02 already had an opinion from the Attorney General's office.
03 Now you're asking, in essence, to give another opinion.
04 That was done at a public meeting; called, you know, in a
05 proper manner. And do we now go back and find someone
06 else who has a different opinion?

07 MR. LANDSBURG: I only ask that he go back through the
08 record and determine whether that record is accurate and
09 whether or not Mr. DeMarco's plea to that record is
10 applicable in this case. Not being a lawyer, that's the
11 best I can do for you at this moment. We should have some
12 answer for you within the month.

13 MR. CHILLINGWORTH: Thank you.

14 MR. HARRIS: It would be helpful as a Commissioner to
15 know what is public record and what isn't. I would assume
16 almost everything that we have would be; perhaps not
17 personal records and things like that. But could
18 someone --

19 MR. BLAKE: Let me just speak to that.

20 The question is if there is a request under the
21 Public Records Act for a record held by the Board, the
22 assumption -- or the presumption is that it's a public
23 record and it will be provided.

24 There is an exception in the Public Records
25 Act -- there are a number of exceptions in the Public
26 Records Act. And in each request we review the request;
27 then we review the documents for the request to see if it
28 comes within one of the exceptions.

0095

01 There is also a CHRB rule -- I believe it's
02 1487 -- that provides that certain personal financial
03 information that's submitted in with applications are
04 exempt from the Public Records Act disclosure.

05 And so on a case-by-case basis, when a request is
06 made for a document, we look to see whether it is within
07 one of the exceptions or whether it's personal financial
08 information in support of an application.

09 I believe in the case that's been discussed --
10 and Mr. Wood isn't here, and I really can't speak to what
11 his dealings with the parties were -- there was a question
12 of whether information could be submitted in confidence;
13 and where it was decided that it could not be kept in
14 confidence, the information was withdrawn.

15 So if the Board is not in possession of a
16 document, then, of course, there is no application of the
17 Public Records Act; the Board doesn't have it. I believe
18 in this case information that was going to be submitted,
19 made part of the record, was decided not to be submitted;
20 and, therefore, it was returned.

21 In the future, if documents are submitted to the
22 Board, we'll have to look at them one at a time to
23 determine whether they're personal financial information
24 in support of an application that comes within our rule
25 and, if not, whether it comes within some other exception
26 to the Public Records Act. And if it doesn't, then it
27 will be made available to whoever requests it.

28 MR. LICHT: One more item of general business.

0096

01 MR. LANDSBURG: One more item of general business.

02 MR. BLAKE: And Mr. Knight will do all that for you.

03 MR. LICHT: I talked to Ron Liccardo before the
04 meeting about upcoming major events like a Pacific
05 Classics specifically and certainly in the future the
06 Breeders' Cup next year. I think it would be a bad mark
07 on horse racing if people come to the track for their
08 first experience or their first experience in a long time
09 and they're unable to get proper treatment at the
10 pari-mutuel windows.

11 As we all know, every event we're shut out of is

12 a winner. And it would be very helpful if we trained some
13 new people. I talked to Craig Fravel and to Chilli, and
14 both indicated a willingness to work on that. And maybe
15 the other two tracks could cooperate, so that we'll have a
16 major commitment to training a significant amount of
17 potential pari-mutuel clerks for the upcoming big events.

18 MR. LANDSBURG: That's interesting, and a very good
19 idea.

20 Is there any further old business?

21 General business?

22 If not, this part of the public meeting is now
23 completed. We will go into executive session.

24 MR. HALL: My name is Lee Hall from SEIU. I'm here to
25 speak on the subject of New World Services at Hollywood
26 Park.

27 MR. LANDSBURG: I really can't wait until the end of
28 the meeting to have this discussed. We've discussed this

0097
01 any number of times. Would you do your report quickly,
02 please?

03 MR. HALL: Yes. We have submitted some new
04 information, and we are waiting for the outcome. And we
05 are waiting for the new meeting with you. So if you could
06 let us know if they're going to be approved or not --

07 MR. LANDSBURG: Meaning a new meeting with the Board?

08 MR. HALL: No, with --

09 MR. MARTEN: Mike Marten of the CHRB staff.

10 Yeah, I received in the mail three weeks ago some
11 documents from the union alleging some improprieties on
12 the part of the New World Services. And I have meetings
13 set up next week with the general manager of New World
14 Services to discuss those allegations.

15 MR. LICHT: Could you circulate those documents to us?

16 MR. MARTEN: No.

17 MR. LICHT: You cannot circulate them?

18 MR. MARTEN: Did you say "did you" or "could you"?

19 MR. LICHT: No, could you?

20 MR. MARTEN: Oh, yeah, I could give you those.

21 MR. HARRIS: It seems like we do need to get to the
22 bottom of this, because this was brought up a couple
23 meetings ago.

24 MR. MARTEN: We did get to the bottom of the issues
25 that were raised a couple meetings ago in a memo to Roy
26 Wood. We resolved those. These are brand-new allegations
27 that I received three weeks ago and submitted them to New
28 World Services and asked them to prepare for a meeting

0098
01 with me. And that's going to occur next week.

02 MR. LICHT: I think you should send us copies of all
03 those documents.

04 MR. MARTEN: Okay. I'll send you a copy of the memo
05 regarding the first allegations, and then I'll send you
06 the copy of the most recent allegation.

07 MR. LICHT: Okay.

08 MR. SPERRY: And the resolve, Mike? You said you
09 resolved the first issue?

10 MR. MARTEN: Well, I made a recommendation in the

11 memo. I don't know how you measure that. Whether
12 Mr. Wood thinks that's resolved or not, I don't know. But
13 I'll send you that memo.

14 MR. SPERRY: Okay.

15 MR. HALL: Thank you.

16 MR. LANDSBURG: Thank you.

17 And this part of the meeting is now closed. We
18 will go into executive session as soon as the room is
19 cleared.

20 (Meeting concluded at 12:00 p.m.)

21

22

23

24

25

26

27

28