

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
)

I. M. GARY GOURLEY LABORATORY
ROOM 1002
UNIVERSITY OF CALIFORNIA, DAVIS
DAVIS, CALIFORNIA

THURSDAY, NOVEMBER 29, 2007
9:30 A.M.

Reported by:
Ramona Cota

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

Richard B. Shapiro, Chairperson

John C. Harris, Vice Chairman

John W. Amerman

John Andreini

Jesse H. Choper

Marie G. Moretti

Jerry Moss

STAFF

Ingrid J. Fermin, Executive Director

Rick M. Arthur, DVM, Equine Medical Director

Derry L. Knight, Deputy Attorney General

Michael Marten, Public Relations Analyst

Richard Bon Smith, Assistant Executive Director

Wendy Voss, Assistant Chief of Administration

Roberto Zavala, Audit Manager

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES CONTINUED

ALSO PRESENT

Ron Charles, Los Angeles Turf Club

Allen Gutterman, Los Angeles Turf Club

George Haines II, Los Angeles Turf Club

Richard Castro, Pari-Mutuel Employees Guild

Drew Couto, Thoroughbred Owners of California

Rodney J. Blonien, representing Los Alamitos Horse Racing Association

Brad Blackwell, Churchill Downs Technology Initiatives Company

Barry Broad, Broad & Gusman, counsel to the Pari-Mutuel Employees Guild and the Jockeys Guild

David Nathanson, TVG

Cathy Christian, Nielsen, Merksamer, Parrinello, Mueller & Naylor, counsel to TVG

Jack Liebau, Hollywood Park

Charles Champion, Youbet.com

Lonny Powell, Youbet.com

Gregg A. Scoggins, Magna Entertainment Corporation

Gene Chabrier, Magna Entertainment Corporation

Michael Power

Scott Stanley, DVM, University of California, Davis

Jim Henwood, Los Angeles County Fair Association and Barretts Equine Limited

Ron Warren, Jockey Guild

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

INDEX

	PAGE
Action Items:	
1. Approval of the minutes of the regular meeting of October 18, 2007	5
2. Approval of the minutes of the regular meeting of September 27, 2007	5
3. Discussion and action by the Board on the Application for License to Conduct a Horse Racing Meeting of the Los Angeles Turf Club (T) at Santa Anita, commencing December 26, 2007 through April 20, 2007, inclusive	6
4. Discussion and action by the Board on the Application to conduct a Horse Racing Meeting of the Pacific Racing Association (T) at Golden Gate Fields, commencing December 26, 2007 through February 3, 2008, inclusive	31
5. Discussion and action by the Board on the Application for License to Conduct a Horse Racing Meeting of the Los Alamitos Quarter Horse Racing Association (Q) at Los Alamitos, commencing December 27, 2007 through December 21, 2008, Inclusive	46
6. Discussion and action by the Board on the Application to Conduct a Horse Racing Meeting of the Sacramento Harness Association (H) at Cal-Expo, commencing December 27, 2007 through July 31, 2008, inclusive	--
7. Report of the Pari-mutuel/ADW and Simulcast Committee	88
8. Discussion and action by the Board regarding the proposed amendment to CHRB Rule 1865, Altering of Sex of Horse, to provide that a horse be scratched if the true sex of the horse is not reported to the racing office by scratch time for the race in which the horse is entered	99
9. Report of the Medication Committee	108

INDEX CONTINUED

	PAGE
Action Items:	
10. Discussion and action by the Board regarding the proposed amendment to CHRB Rule 1844, Authorized Medication, to establish levels and add stanazolol, nandrolone, boldenone and testosterone to the list of drug substances, one of which may be permitted in the official urine test sample	111
11. Discussion and action by the Board on the proposed amendment to CHRB Rule 1632, Jockey's Riding Fee, to revise the jockey riding fee structure to comply with AB 649 Statutes of 2007	131
12. Discussion and action by the Board regarding the request for approval from Southern California Off-Track Wagering, Inc. to change the current 1.06 percent of-site stabling and vanning fund takeout up to the maximum 1.25 percent pursuant to Business and Professions Code Section 19607.1(f)	--
13. Discussion and action by the Board to approve proposals from the Thoroughbred Owners of California and the Jockey Guild that would establish the California Jockeys Trust and provide health, safety and welfare benefits to California licensed jockeys, former California licensed jockeys and their dependents	134
14. Discussion and action by the Board on the Application for Approval to Conduct Advanced Deposit Wagering (ADW) of Churchill Downs Technology Initiatives Company dba Twinspires.com, Winticket.com, BrisBet.com and tsnbet.com for an out-of-state multi-jurisdictional wagering hub, for a period of up to but not exceeding two years	52
15. Discussion and action by the Board on the Application for Approval to Conduct Advanced Deposit Wagering (ADW) of ODS Technologies, LP, dba TVG, for an out-of-state multi-jurisdictional wagering hub, for a period of up to but not exceeding two years	70

INDEX CONTINUED

	PAGE
Action Items:	
16. Discussion and action by the Board on the Application for Approval to Conduct Advanced Deposit Wagering (ADW) of Youbet.com, Inc. for a California multi-jurisdictional wagering hub and approval for an out-of-state multi-jurisdictional wagering hub, for a period of up to but not exceeding two years	78
17. Discussion and action by the Board on the Application for License to Conduct Advanced Deposit Wagering (ADW) of XpressBet, Inc. for a California multi-jurisdictional wagering hub, for a period of up to but not exceeding two years	84
18. Presentation of the California Horse Racing Board Resolution to William Bianco	5
19. Election of Board Chairman and Vice Chairman	--
20. Discussion and action by the Board pertaining to recruitment for executive director for the CHRB, including matters such as Board's expectations concerning roles and responsibilities, desirable qualifications, salary, office location, scope of search, timing, screening of applicants, role(s) of staff, role(s) of commissioners and role(s) of the Board itself	145
21. Public Comment: Communications, reports, requests for future actions of the Board	152
18. Closed Session: For the purpose of receiving advice from counsel, considering pending litigation, reaching decisions on administrative licensing and disciplinary hearings and personnel matters, as authorized by Section 11126 of the Government Code	153
Adjournment	153
Reporter's Certificate	154

1 PROCEEDINGS

2 EXECUTIVE DIRECTOR FERMIN: Ladies and gentleman,
3 will the meeting come to order. This is a regular meeting
4 of the California Horse Racing Board on Thursday, November
5 27, 2007, at the University of California, Davis, I. M. Gary
6 Gourley Laboratory, Davis.

7 Present at today's meeting are Chairman Richard
8 Shapiro, Vice Chairman John Harris, Commissioner John
9 Amerman, Commissioner John Andreini, Commissioner Jesse
10 Choper, Commissioner Marie Moretti. And I believe
11 Commissioner Jerry Moss is going to be coming.

12 Before we go on to business I'd like to remind
13 everybody to please make sure that you state for the record
14 your name for the court reporter clearly so that our minutes
15 will reflect proper representation. Thanks you.

16 Mr. Chairman.

17 CHAIRPERSON SHAPIRO: Good morning, as people are
18 slowly coming in.

19 We have a very long agenda. There are a few
20 changes to the agenda. So my hope is desire is that we will
21 be able to get this over with before the sun goes down.
22 Kidding aside, I'm going to try to shoot -- we will not take
23 a lunch break so that we can just plow through and try to
24 get this done. If possible I'd like to see the meeting over
25 with by no later than two o'clock.

1 The Board invites comments from the public about
2 items on its agenda. It also invites public comment about
3 items not on the agenda that are related to horse racing
4 during the public comment period.

5 Please note that any unduly repetitive comments or
6 extended discussion or irrelevancies disrupt the meeting and
7 prevent the Board from accomplishing its business in a
8 reasonably efficient manner.

9 In order to assure that each individual who wishes
10 to comment will have an adequate opportunity to do so, and
11 also to assure that the meeting as a whole will be completed
12 in a timely manner so that individuals wishing to comment on
13 multiple matters will not be required to stay for an
14 unreasonable length of time I will strictly enforce a three-
15 minute time limit for each person wishing to speak on any
16 agenda item.

17 The shorter three-minute limit is necessary today
18 because of the lengthy agenda of 21 open session items. The
19 goal of this rule is to assure that each person's right to
20 make their views known is not disrupted by another person's
21 conduct.

22 In order to expedite the comment process there is
23 a public comment sign-in sheet or cards for each agenda item
24 on which public comment will be taken, as well as a sheet or
25 cards for comment about anything related to horse racing

1 that is not on the agenda. The cards sheets are located --

2 PUBLIC RELATIONS ANALYST MARTEN: Here.

3 CHAIRMAN SHAPIRO: If Mike doesn't throw them all
4 on the ground they're up here in the front with Mike. Okay.

5 Please print your name legibly so that I don't
6 mangle it. Just prior to our discussion of the item the
7 comment sheet will be brought to me, or the cards.

8 After initial statements from staff and interested
9 parties I will ask for public comment. When I call your
10 name please come to the podium to speak. I will let you
11 know when your time has commenced, when there is one minute
12 left and when your time is up. When your time is up you
13 will be expected to return to your seat so that I may call
14 the next person waiting to the podium.

15 When all the names have been called, I will ask if
16 anyone else has a comment on the agenda item who has not
17 already spoken. At that point the Board will not take any
18 further comment on any item unless the Board has specific
19 questions it wishes addressed.

20 If the time is up I will ask the speaker to please
21 take his or her seat. if a speaker is repeating himself or
22 herself I will ask the speaker if he or she has any new
23 comments to make. If not I will ask the speaker to allow
24 the next speaker to come to the podium, irrespective of the
25 time remaining unless a Board Member indicates that he or

1 she still wishes to hear from the individual.

2 If it appears that a speaker is not speaking to
3 the agenda item or speaking to another agenda item I will
4 ask the speaker please return to his or her seat and address
5 his or her comments at the appropriate time, either on the
6 specific items or at public comment.

7 Okay. Now that's all I'm sure completely been
8 memorized by everybody.

9 (Commissioner Moss entered the
10 meeting room.)

11 VICE CHAIRMAN HARRIS: Could we put that in a
12 prologue to the meeting in the future so everyone is aware
13 of that.

14 CHAIRPERSON SHAPIRO: Well it wouldn't bother me.

15 VICE CHAIRMAN HARRIS: You read very well though,
16 you're an excellent reader.

17 (Laughter)

18 CHAIRPERSON SHAPIRO: I don't know, we'll have
19 Derry advise us if there is another way to do that.

20 But nonetheless, everybody has got the rules of
21 how it's going to work.

22 All right, let me go through just a few of the
23 changes on the agenda if everybody wants to follow along so
24 we can see what we're going to do. I will be skipping
25 around to try -- there are people that have planes to make

1 and time pressures so I'm going to skip around. But in
2 terms of looking at the agenda, Item number 6 will be
3 deferred to next month. Item number 12 will be deferred to
4 next month. Item number 19 will be deferred to next month.

5 And Item number 18, unfortunately Bill Bianco was
6 unable to be here because his wife is ill. We have a
7 resolution to give to him. But let the record show that we
8 are all very appreciative for the service that he provided
9 to the California Horse Racing Board and the racing industry
10 and I'd like the record to reflect that. And that all of
11 you gave him also a standing ovation, thank you.

12 (Applause)

13 That being said, I will now entertain approval of
14 the minutes of the regular meeting of October 18, 2007.

15 COMMISSIONER AMERMAN: So moved.

16 CHAIRPERSON SHAPIRO: It's moved. Is there a
17 second?

18 COMMISSIONER MORETTI: Second.

19 CHAIRPERSON SHAPIRO: All in favor?

20 (Ayes)

21 CHAIRPERSON SHAPIRO: All right, we'll do the
22 minutes of September 27, 2007. Any comments? If not I'll
23 entertain a motion to approve them.

24 COMMISSIONER AMERMAN: So moved.

25 CHAIRPERSON SHAPIRO: Second?

1 COMMISSIONER ANDREINI: Second.

2 CHAIRMAN SHAPIRO: All in favor?

3 (Ayes)

4 CHAIRPERSON SHAPIRO: It's approved. Look at how
5 fast we're going.

6 Okay, we'll move now to Item number 3 which is
7 discussion and action by the Board on the Application for to
8 Conduct a Horse Racing Meeting of the Los Angeles Turf Club
9 at Santa Anita, commencing December 26, what other date,
10 through April 20, 2007. If there are representative here
11 I'd suggest they come forward.

12 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Chairman,
13 Commissioners. As you probably have noticed already CHRB
14 staff Jackie Wagner is not sitting in this seat, instead
15 it's me, Bon Smith, CHRB staff. Jackie is not available.
16 She is tending to family and loved ones with the passing of
17 her father.

18 CHAIRPERSON SHAPIRO: Let us give our condolences.
19 I didn't know. I'm sure we are all very sorry at this time
20 of her loss and please extend our condolences to Jackie.

21 ASSISTANT EXECUTIVE DIRECTOR SMITH: With that in
22 mind I would beg your indulgence as I am not used to doing
23 this side of the presentation and she certainly has very
24 large high-heels to fill.

25 CHAIRPERSON SHAPIRO: Okay.

1 ASSISTANT EXECUTIVE DIRECTOR SMITH: With that
2 said, the application for licensure by LA Turf Club is up
3 before you. Eighty-five days. I believe the calendar will
4 show the proposal is to move to a Thursday/Monday schedule
5 for the coming meeting and adds one additional new wager, a
6 pentafecta, which is inaccurately shown on our enclosure as
7 the final five finishers in the same race. It means the
8 first five finishers in the last race.

9 CHAIRPERSON SHAPIRO: Right, that was one of my
10 very first questions, what do you mean by the final five?
11 It is the first five finishers in the final race --

12 ASSISTANT EXECUTIVE DIRECTOR SMITH: Yes.

13 CHAIRPERSON SHAPIRO: -- there will be wager.

14 ASSISTANT EXECUTIVE DIRECTOR SMITH: Yes.

15 CHAIRPERSON SHAPIRO: In exact order?

16 ASSISTANT EXECUTIVE DIRECTOR SMITH: Yes.

17 CHAIRPERSON SHAPIRO: Okay.

18 COMMISSIONER AMERMAN: It would be a lot more
19 difficult if we could place the last five.

20 CHAIRPERSON SHAPIRO: Not if they were my horses.

21 COMMISSIONER AMERMAN: You should have brought
22 that up before.

23 CHAIRPERSON SHAPIRO: If they were my horses it
24 would be easy.

25 ASSISTANT EXECUTIVE DIRECTOR SMITH:

1 Representatives of the LA Turf Club are here to speak to
2 their application.

3 CHAIRPERSON SHAPIRO: I see that Mr. Gutterman
4 thankfully is here, Mr. Haines is here and Mr. Charles is
5 here. Do you want to describe -- Why don't you start with
6 the -- Mr. Charles, perhaps you could give us -- The major
7 departure obviously is that you are adopting a new schedule
8 which is Thursday to Monday and I think we'd like to hear
9 about the reasons for that. Background and tell us why
10 you're doing it.

11 MR. CHARLES: Sure, I'd be glad to. Last year we
12 started a pretty serious campaign to try to improve the
13 racing during the week, Wednesday, Thursday, Friday. We
14 threw about every promotion we had at Wednesday, Thursday,
15 Friday and were really ineffective as far as drawing people
16 to the races on Wednesday, Thursday, Friday. Saturday and
17 Sunday we were pretty successful in getting people to the
18 racetrack.

19 It just seemed like we needed to take another look
20 and to try something different. We polled a number of horse
21 racing fans, we polled some of our ADW members, some of the
22 players, a lot of the fans, and we threw out the idea about
23 possibly racing on Monday, racing Thursday through Monday.
24 It seemed to be very well received.

25 We plan to do a lot of promotions on Monday. We

1 plan to do Free Monday every Monday other than the two
2 holiday Mondays.

3 And what in essence it really is is taking a
4 chance to do something different. Because what we are doing
5 isn't working. No matter how hard we have tried on
6 Wednesday, Thursday, Friday to get fans out to the
7 racetrack, whether it's traffic or whatever it is. We can
8 even have a double carryover on a Wednesday, Thursday or
9 Friday and we can't see a spike in attendance.

10 We believe that trying to promote Monday through
11 our heavy television advertising, we can promote Saturday,
12 Sunday and Monday throwing in free Mondays. Trying to get
13 people out to the racetrack on Monday. Trying to bring back
14 people to the racetrack is a step that is at least worth
15 trying.

16 CHAIRPERSON SHAPIRO: Okay.

17 COMMISSIONER AMERMAN: Mr. Charles, have there
18 been any other tracks that have tried this similar type
19 thing and do you know what the results might have been?

20 MR. CHARLES: There are some tracks that do run on
21 Monday, primarily they run six day weeks.

22 COMMISSIONER AMERMAN: A little different.

23 MR. CHARLES: You know, we're in some uncharted
24 territory. Again, if we were just changing weekdays, you
25 know. We have a concern anyway. We don't know if this is

1 going to work. But I think when you make the change and you
2 throw as many promotions and potential reasons why we should
3 be able to attract the fans on Monday it's just worth
4 trying.

5 VICE CHAIRMAN HARRIS: What aspect is all the
6 simulcasting around -- which I like the concept of the
7 Thursday through Monday as a fan in California. But have
8 you have looked at that? Do you expect to see much of a
9 fall-off on that Monday if you don't have other tracks that
10 are operating?

11 MR. CHARLES: We carefully went over that. In
12 fact we talked to Gulfstream. Gulfstream doesn't usually
13 start until later in the year. Gulfstream as far as racing
14 on Mondays. Gulfstream will begin racing with us on
15 Mondays, which is really an important signal. We'll have
16 Gulfstream, we'll have Fairgrounds, we'll have Golden Gate,
17 Bay Meadows and possibly Turf Paradise. So we've got a
18 pretty strong simulcasting schedule.

19 VICE CHAIRMAN HARRIS: That's good.

20 CHAIRPERSON SHAPIRO: I think it's great that
21 you're trying something new and different to bring back
22 fans, obviously, so I think that that's a good step. We
23 wish you luck.

24 MR. CHARLES: Thank you.

25 CHAIRPERSON SHAPIRO: Hopefully it will show

1 something for the rest --

2 VICE CHAIRMAN HARRIS: Did you have some internal
3 numbers or projections on how much you think this will help?

4 MR. CHARLES: I wish we did. You know, it's
5 pretty much, it's something that the fans -- it's
6 reeducating the fans. We're going to be doing a lot of
7 promotions. We're going to be getting the word out.

8 Also what is a concern to us also is SatLink. We
9 need to get the traditional racing fans who for 50 years
10 have been coming Wednesday through Sunday. We need to have
11 them aware that we are going to be racing Monday. So we're
12 going to be working with the satellites, working with the
13 fairs and the ADW companies to make sure everyone is aware
14 we're racing on that Monday and trying to get the word out
15 the best we can.

16 CHAIRPERSON SHAPIRO: In looking at your
17 application right now we have the new ADW experiment taking
18 place where there is going to be TVG wagering on Santa Anita
19 for the first time. And I am curious to know, in looking at
20 your purses and your purse program did you make any
21 allowances for what you expected to come from this new
22 wagering of ADW?

23 MR. CHARLES: When we submitted this application
24 it really hadn't been decided that it was going to be --

25 CHAIRPERSON SHAPIRO: It predated that?

1 MR. CHARLES: Exactly. So we really haven't. I
2 will tell you if in the first book or two we start to see an
3 increase in handle we will immediately adjust our purses and
4 keep the Board informed. We're seeing -- and I can let
5 Hollywood Park talk about that. We're seeing some increase
6 in ADW. The rates certainly affect the amount of revenue
7 coming back to the tracks and to the horsemen. But what
8 we've done is pretty much based our purses on last year and
9 then we'll probably evaluate that after the first two or
10 three weeks.

11 CHAIRPERSON SHAPIRO: Okay. I also note that in
12 your stable accommodations it says that you have 1950
13 stalls. Is that correct?

14 MR. CHARLES: Correct.

15 CHAIRPERSON SHAPIRO: Okay. Because one of the
16 things, and this is going to come up later. I'm trying to
17 get a feel for how many stalls there are both north and
18 south. And it says Hollywood Park has 1500 but I thought
19 Hollywood Park had more like 1900 or 2,000.

20 MR. CHARLES: It is my understanding and they can
21 answer that. But I'm pretty sure Martin usually uses the
22 number of 1900.

23 CHAIRPERSON SHAPIRO: Okay. In the future for
24 everybody if you could try -- because I think we're going to
25 see when we come to Golden Gate I think it shows that Bay

1 Meadows has 900 stalls and for some reason I thought they
2 had 600 stalls. I'm just confused and I'm trying to at
3 least -- so that the Board really knows what our stall
4 population is at each of these venues. If we could get more
5 accurate counts I think it would be helpful.

6 MR. CHARLES: That 1950 is an accurate count.

7 CHAIRPERSON SHAPIRO: Okay, all right. Obviously
8 I don't think it would be prudent if I didn't ask about your
9 track. I understand that, you know, there is some concerns
10 you have with drainage. I think everybody would be
11 interested just to get an update on that if you could.

12 MR. CHARLES: Sure. Going back we had about --
13 about halfway through our meet we had about a third of an
14 inch of rain. With only a third of an inch of rain we found
15 there were areas of the track that clearly weren't draining.
16 We went out, worked those areas and weren't really satisfied
17 with the maintenance program that we had to try to have the
18 water drain vertically, which is what the synthetic surfaces
19 are supposed to do. We continued to work those areas. That
20 area really didn't come back as fast as we thought.

21 That being said we decided to go back into the
22 seven/eighths shoe, which would allow training to go every
23 morning and begin working different maintenance programs,
24 all types of programs, to see what we could do to get the
25 water to drain. Not only through the seven inches of

1 cushion track but also through the asphalt.

2 We tried numerous, numerous programs. This is an
3 entire Santa Anita management racing superintendent and the
4 Cushion Track representatives. It's clear the water is not
5 draining properly.

6 We have racing surface specialists, we have soil
7 engineers. We've brought probably ten people in the
8 industry out there to take a look at it to see what we need
9 to do. I believe within the next two days we will have a
10 decision as to how we're moving forward. The problem
11 primarily appears to be in the silica sand. It just seems
12 as if it is not draining through the sand and it is somewhat
13 also clogging up the asphalt underneath the Cushion Track.

14 So the representatives from Cushion Track are back
15 here. I'll be leaving here going back down there. We have
16 been meeting for the last two weeks ever since we've closed
17 on a daily basis. We've been doing everything we could to
18 see what we needed to do because we need to get this fixed
19 prior to our December 26 meeting.

20 And I can tell you, there hasn't been a day out
21 there where we haven't tried something different in order to
22 see if the water would go through. But we're having a
23 combination of problems. We're having a problem of getting
24 the water through the Cushion Track itself. Once it gets
25 through the Cushion Track, getting it through the asphalt.

1 We have some confidence right now that we are very
2 close in achieving certainly the asphalt part. Talking to
3 them this morning we are looking at some additional sand and
4 additional rubber that we have done some preliminary testing
5 on that seems to be working pretty successfully. That's one
6 area. The other area is once we get it to drain it is
7 critical that we remain and obtain the original objection of
8 having a very safe surface.

9 So all those things being considered, we have a
10 problem, we're working on it. We will probably be closing
11 either next Monday or Tuesday, bringing in the amount of
12 supplies that we need to change the track to allow it to
13 drain but also bring back a track that is considered very
14 safe.

15 CHAIRPERSON SHAPIRO: All right. Well I'm sure
16 you'll keep us informed.

17 COMMISSIONER AMERMAN: Hollywood Park has Cushion
18 Track as well. Is there any difference between -- And I've
19 never heard this issue at Hollywood Park. Is there any
20 difference between the Cushion Track or the sub-surface that
21 was put into Santa Anita versus Hollywood?

22 MR. CHARLES: Yes there is. The surface that was
23 put in at Santa Anita was put in with the knowledge that we
24 needed to address the heat.

25 COMMISSIONER AMERMAN: Yes.

1 MR. CHARLES: So the two different areas that
2 Cushion Track decided to take it upon themselves to try to
3 remedy that problem was number one, a more heat-resistant
4 wax, and number two, a different sand.

5 COMMISSIONER AMERMAN: Well aren't there also --
6 You have an asphalt base. I think Hollywood Park has a felt
7 layer and not an asphalt base.

8 MR. CHARLES: Right. That is correct.

9 COMMISSIONER AMERMAN: Isn't your rubber ground
10 more than their rubber also?

11 MR. CHARLES: Our rubber particles are finer.

12 COMMISSIONER AMERMAN: That's right.

13 MR. CHARLES: Yes.

14 COMMISSIONER AMERMAN: That's right.

15 MR. CHARLES: But the primary difference, speaking
16 to Mr. Amerman's question and what we think, is the
17 difference I think what you're asking.

18 COMMISSIONER AMERMAN: Right.

19 MR. CHARLES: Why is Hollywood draining --

20 COMMISSIONER AMERMAN: Why were we successful
21 there?

22 MR. CHARLES: Yes, exactly.

23 COMMISSIONER AMERMAN: And not so successful in
24 this aspect.

25 MR. CHARLES: And it does appear to be, number

1 one, the sand, and number two, the wax. Again, with the
2 testing that we've done and the scientists that have taken a
3 look at this there is a confidence level right now that we
4 will be able to get this fixed, hopefully within the next 10
5 to 12 days. We'll just keep the Board informed but we're
6 going to be doing everything we can to not -- Again, there's
7 two important parts. One is the drainage and two, to get
8 back a very, very safe racetrack.

9 CHAIRPERSON SHAPIRO: I do appreciate if you'll
10 keep us advised on that. I do know that you're working
11 around the clock on it. It's more important to you than
12 anybody right now. So Mr. Gutterman, what's on tap for this
13 meeting in terms of all the exciting promotions?

14 MR. GUTTERMAN: You know, I'm glad you asked,
15 Commissioner. Do I have to move over to this?

16 CHAIRPERSON SHAPIRO: We'd like the people who are
17 watching by the webcast to be able to hear this so that
18 they'll get excited. Consider it like free advertising.

19 VICE CHAIRMAN HARRIS: Yes, Allen has a big
20 following.

21 CHAIRPERSON SHAPIRO: And if you're going to be
22 Carol Merrill you may have to get into the view of where the
23 camera is.

24 MR. GUTTERMAN: Commissioners, good morning. Our
25 primary goal at Santa Anita for 2008 is to provide

1 compelling reasons for fans to return to watch live racing
2 at the track. That is always our number one objective. And
3 we think we can continue doing that with lively, fresh
4 promotions and what I believe is the most extensive
5 advertising budget and campaign in horse racing today.
6 Approximately \$1 million a month is what we'll be spending
7 on marketing.

8 Ron mentioned the Monday program. In addition to
9 what he said about free admission we are also going to be
10 offering all of our Thoroughbred Club members the
11 opportunity to get a free box seat on Mondays with free
12 admission. So it's kind of a free seat, free upgrade into
13 the clubhouse if they're a Thoroughbred member. We'll also
14 be introducing a meet-long handicapping contest on Mondays
15 that will encourage frequency and will have case prizes and
16 also an opportunity to win your way into the NCRA Las Vegas
17 tournament in 2009. You know, it's just not opening on
18 Mondays, we're really making an effort to get people out on
19 Mondays.

20 Also Santa Anita intends to introduce a new bet
21 for the new season. It is based on the belief that racing
22 fans around the country, but particularly in the
23 metropolitan LA area, are always looking for life-changing
24 wagering opportunities.

25 We have studied, surveyed and scoured the world

1 for interesting games, contests and bets to determine that
2 the best prospect for a new wager is the Santa Anita High
3 Five. The High Five is basically a Superfecta Plus One.

4 In the final race every day fans must select the
5 first five finishers in order. It will be sold as a \$1
6 wager that will automatically carry over following any day
7 that it is not hit. And like the Pick Six there will be no
8 consolation payoffs tied to the order finished. All five
9 numbers must be hit in exact order or the pool carries. The
10 takeout is the usual 20.68 percent. We feel that the
11 potential is strong for great interest in the results of
12 this wager every afternoon and should provide for an
13 exciting end to the racing day.

14 VICE CHAIRMAN HARRIS: Do we need a rule for that
15 or do we just do it?

16 MR. CHARLES: It's a wager that has been called a
17 Pentafecta, which we really like the name.

18 CHAIRPERSON SHAPIRO: They're branding it
19 differently.

20 COMMISSIONER MORETTI: I like High Five.

21 VICE CHAIRMAN HARRIS: High Five is a good name.

22 VICE CHAIRMAN HARRIS: That's good.

23 CHAIRPERSON SHAPIRO: Allen thought of it.

24 MR. GUTTERMAN: No, actually I think Ron thought
25 of it. I hate to admit it. It really bothers me that he

1 thought of it.

2 CHAIRPERSON SHAPIRO: I knew he was going to take
3 credit for it so I'm trying to throw it to you. Play along.

4 MR. GUTTERMAN: Actually I thought I'd give him
5 the credit for it.

6 CHAIRPERSON SHAPIRO: Play along.

7 MR. GUTTERMAN: Within the world of potential
8 life-changing wagers Santa Anita will present a new dynamic
9 to the daily Pick Six. If the Pick Six is hit on only one
10 winning ticket and the holder of that ticket made his bet at
11 Santa Anita that person will also will a new 2008 luxury
12 vehicle that is still be determined. And this will happen
13 up to two times during the 2007-2008 season. So basically
14 you have to be at the track and be the only winner of the
15 Pick Six that day, the sole winner. But you have to buy
16 your ticket at the track.

17 VICE CHAIRMAN HARRIS: You can just give them
18 whatever Ron is driving that day.

19 MR. GUTTERMAN: We're getting close on the cars
20 but we'll have that soon.

21 On the advertising front we'll once again have a
22 prominent Los Angeles marketplace presence for all of our
23 major events, Opening Day, Sunshine Millions, Santa Anita
24 Handicap and the Santa Anita Derby as well as a local
25 presence in the metropolitan area all the other weeks of our

1 meet. That's 18 weeks of advertising all together.

2 This year too we will have prominent billboard
3 placement actually on Route 210 promoting the first two
4 months of the season. We handed out just some samples of
5 the billboards, what they'll look like, I think. Didn't we,
6 Mike? Not that one, the billboard. Yes, that's it.
7 They're kind of like -- these are just kind of mock-ups. I
8 don't know if you want to pass them along. But the actual
9 one has been chosen and it goes up December 1 or 2. So as
10 you're getting closer it'll just say, Santa Anita next three
11 exits and let you know that we open December 26.

12 Carol, get ready. Finally I did want to tell you
13 that under the category of what is new we are declaring 2008
14 as the year of the jockey. The ability to promote
15 individual horses at American racetracks, as we all know, is
16 an arduous exercise. We rarely see star horses with the
17 ability to draw and when one does catch fire they're gone
18 pretty quickly.

19 We have great human stories. A very attractive
20 group of athletes who do not get enough attention in the LA
21 marketplace. And this year we will promote our jockey
22 colony which happens to be shaping up as the greatest group
23 of riders in one place in more than a decade.

24 We have finished shooting new television
25 commercials for the 2008 season. A two-day shoot which

1 features the riders David Flores, Victor Espinoza, Tyler
2 Baze, Michael Baze and Joe Talamo. The raw footage is
3 terrific. They're being edited now and will start running
4 soon.

5 We are creating promotions and giveaways revolving
6 around our jockeys. The 2008 Santa Anita collectors
7 calendar will feature the leading riders of 2007, each with
8 their own page. A premium giveaway item in January will
9 highlight 20 riders on 20 individual drinking coasters, some
10 of which I think are on your desks right now. These are the
11 top 20 riders from the past year. If you want to hold that
12 up and --

13 CHAIRPERSON SHAPIRO: Gee, Mr. Stronach's colors.

14 VICE CHAIRMAN HARRIS: What a coincidence.

15 CHAIRPERSON SHAPIRO: Who knew?

16 MR. GUTTERMAN: We would have used yours if we --

17 MR. CHARLES: Purely coincidental.

18 MR. GUTTERMAN: We would have used yours if we
19 could have found one coming back to the winner's circle.

20 (Laughter)

21 MR. GUTTERMAN: But there's 20 different ones,
22 they come in sets of four. They're individually packaged
23 and there's five sets of four. Everybody will get one set.
24 We kind of split them up where we had a Garrett Gomez and
25 maybe a guy who is not so big. You get one free when you

1 come in and you can buy another set, which we will split the
2 revenues, any profits we make to the disabled riders fund.

3 But, you know, we think there's an opportunity
4 here to make better use of our human stars. We're competing
5 every day with the LA Lakers, the LA Dodgers, everything. I
6 think we have some great, great stories to tell.

7 CHAIRPERSON SHAPIRO: I think it's great.

8 MR. GUTTERMAN: We're going to do, also a premium
9 item in February will highlight the entire Santa Anita
10 jockey colony in a spectacular wrap-around photo that will
11 kind of go on a basket like a wastepaper basket. The NBA
12 does it, the NHL does it. That was taken on closing day of
13 the Oak Tree meet and it is a pretty impressive picture.
14 They're all listed on there and that's going to be something
15 we're going to give to everybody.

16 So we want to get -- we're going to have -- On our
17 website we're going to have little pictures and features of
18 all the jockeys. I think it's time horse racing did a
19 better job of acknowledging these great performers who risk
20 their lives every time they step out on the track. We want
21 to lead the charge in promoting their proper place in the
22 world of high-profile athletes performing in Los Angeles.

23 Real quickly, this coming year too we will
24 acknowledge and remember the great Affirmed on the 30th
25 anniversary of his Santa Anita Derby victory that propelled

1 him into his Triple Crown victories. Affirmed was the last
2 Triple Crown winner in American thoroughbred history. And
3 going into that he won the Santa Anita Derby and this is the
4 30th anniversary derby.

5 So as we close in on the new season and year we
6 intend to make an extraordinary effort to promote
7 thoroughbred racing in Southern California and live racing
8 at Santa Anita Park.

9 CHAIRPERSON SHAPIRO: Well, it's all very
10 impressive. Mr. Haines, I know you were hoping that I
11 wouldn't ask you any questions but --

12 VICE CHAIRMAN HARRIS: You know, just on the
13 marketing. One key part of marketing I think is just people
14 come into the plant, they know where they're going. I think
15 all tracks, not just Santa Anita, need help on their
16 signage. It's hard when you come into a track to really
17 know if you want to go to the clubhouse or the grandstand or
18 the turf club or the front runner, all these little places
19 you've got. Maybe you're looking at but I'd urge you to
20 look at that.

21 MR. CHARLES: We are. We are going to have an
22 additional information booth. Because you're right, the new
23 people coming in to the track, they don't have the slightest
24 idea of where to go and where they can go for what they paid
25 for. So we need to do a better job of informing the new fan

1 once he walks in where to go and what he has, what the
2 options are to have.

3 If I can touch on just a couple of those items
4 that Allen touched on. Our marketing this year is really
5 based on trying to bring the racing fan back to the track.
6 That's what Santa Anita is all about. The car giveaway on
7 the incentive for the Pick Six. Why someone who is going to
8 be putting in any type of sizable Pick Six ticket might not
9 try to get that ticket in on Santa Anita where the horsemen
10 and the racetrack both share in a much higher rate just
11 seems like it's going to make some sense. The car will be
12 out there on display.

13 I think these are the type of things we need to do
14 to try to make fans realize coming to the track is fun
15 again. It's something where if we can get people to the
16 track we have a chance to bring them back. We're not going
17 to bring them back through television, we're not going to
18 bring them back through satellites. We need to get them to
19 the track the first time. So everything we're doing here is
20 an incentive to try to increase on-track attendance.

21 CHAIRPERSON SHAPIRO: I think it's terrific.

22 COMMISSIONER MORETTI: I applaud your use of the
23 jockeys. It's about time that they get their due and we
24 should support them.

25 MR. CHARLES: And I can't tell you how -- and

1 Allen was out there. They were so cooperative. It was just
2 so refreshing. We couldn't get them to shut up. They had a
3 lot of stories to tell, very funny, and I think you're going
4 to see some great commercials. The one thing we do do is a
5 lot of television commercials and you're going to be seeing
6 these jockeys. And hopefully some of these are going to
7 become household names.

8 COMMISSIONER AMERMAN: You had a terrific year
9 last year in many respects. You know, crowds of 50,000,
10 many over 30,000. Looking through the marketing plan, you
11 seem to do the big events very well, you do the small events
12 well. There's good blocking and tackling so to speak. What
13 have you built into your plan for upside after this
14 conversation of all the things you're doing better this
15 year? What kind of increase have you built in? What are
16 you trying to do, let's put it that way, versus last year?

17 MR. GUTTERMAN: Well, you always want to improve
18 on your numbers.

19 COMMISSIONER AMERMAN: Yes. So you have no
20 specific like up five percent, three percent?

21 MR. GUTTERMAN: Well it's kind of interesting.
22 Two years ago we had a very big year and it was also coming
23 off of the previous year when there was a lot of bad weather
24 and we were off 15 percent. This past year we were up one
25 percent over last year, which is not an easy thing to do in

1 this marketplace. We're hoping, I'm hoping that we can be
2 up at this point.

3 COMMISSIONER AMERMAN: Okay.

4 MR. GUTTERMAN: The most difficult thing is the
5 weekdays. That's why we're willing to try Mondays and see
6 if we can liven things up a little bit there.

7 COMMISSIONER AMERMAN: You're doing a lot of
8 things differently and that's why I thought you might say to
9 yourselves, well we should be up two percent or whatever the
10 number might be, after all these things are accomplished.
11 It always becomes a bar out there if you can look to
12 yourself and say, well we're lagging behind it, maybe we
13 have to do a little bit more to get there. And you've said
14 it to yourselves.

15 MR. CHARLES: No, and that's true, we did.
16 Because what we also took a look at during the Oak Tree
17 meeting, again looking at Wednesday and Thursday and Friday.

18 COMMISSIONER AMERMAN: Right.

19 MR. CHARLES: Disappointing crowds. I think we're
20 all disappointed whether we're at Oak Tree, Santa Anita or
21 Hollywood or whatever.

22 COMMISSIONER AMERMAN: Right.

23 MR. CHARLES: We think we can do better. We think
24 this is an opportunity to do better. But we are seriously
25 also looking at trying to increase the handle, the overall

1 handle. And primarily on-track handle.

2 COMMISSIONER AMERMAN: Amen.

3 MR. CHARLES: That serves the industry well and
4 that's where we're pointed.

5 CHAIRPERSON SHAPIRO: Okay. All of your ADW
6 contracts with the horsemen, are your horsemen's agreements,
7 your ADW contracts, they are all executed, they're all done?
8 There is nothing in any way that could result in a problem
9 with any of those, to your knowledge?

10 MR. CHARLES: To my knowledge, yes.

11 CHAIRPERSON SHAPIRO: To your knowledge.

12 MR. CHARLES: We always know at the last meeting
13 something could come up.

14 CHAIRPERSON SHAPIRO: I don't want that.

15 MR. CHARLES: As of right now as we sit here --

16 CHAIRPERSON SHAPIRO: I don't want that last
17 minute so that's why.

18 MR. CHARLES: But we usually are sitting there at
19 the last minute.

20 CHAIRPERSON SHAPIRO: I know.

21 MR. CHARLES: As of right now everything is in
22 place.

23 CHAIRPERSON SHAPIRO: I've actually told my wife
24 that Christmas Eve I'll be home. So I'm hoping not to be
25 where we were last year.

1 MR. CHARLES: And we'd all like for you to be home
2 with your wife.

3 CHAIRPERSON SHAPIRO: George, the barn area
4 repairs. I've been back there and I've seen some that look
5 terrific. I just thought -- We've heard about all the money
6 that was being invested in the back side. I'd like to get
7 an update on that.

8 MR. HAINES: We continue with the barn area
9 repairs. They have been greatly appreciated by the
10 horsemen, many comments regarding them. We will be working
11 straight through, probably into January or February before
12 we complete them. We're doing them right. We're taking our
13 time. We're going through and fixing everything that needs
14 to be fixed and then we'll come back. After we finish this
15 we'll come back and get together with our horsemen's group
16 that proposed these changes in the first place. We'll get
17 together with them and spend what money we have remaining
18 out of the original allotment of funds.

19 CHAIRPERSON SHAPIRO: For anybody that is curious
20 and hasn't seen them actually they really are doing a really
21 nice job. It's amazing. It's rebuilding the interior of
22 stalls and it is just night and day. The ones that I saw
23 were just terrific. I just hope there will be enough money
24 to go through and get it all right.

25 MR. HAINES: And you haven't said anything about

1 the rodent problem because we have -- I'm confident we have
2 that under control right now. We spent a lot of money and
3 did a great job and taken care of that.

4 CHAIRPERSON SHAPIRO: Okay.

5 MR. HAINES: We hope that's the end of that.

6 CHAIRPERSON SHAPIRO: All right. Are there any
7 other questions for this applicant? I do have two comment
8 cards. One is from a person that wants to speak to Item 3,
9 4, 11, 12, 13, 14, 15, 16 and 17 but didn't put their name
10 on it so I'm not calling them. Richard Castro. Richard.
11 Here's not here?

12 VICE CHAIRMAN HARRIS: He was here.

13 COMMISSIONER MORETTI: He was.

14 CHAIRPERSON SHAPIRO: Richard, did you want to
15 comment on this?

16 MR. CASTRO: Actually I did.

17 CHAIRPERSON SHAPIRO: Okay. Well you're up.

18 MR. CASTRO: My name is Richard Castro
19 representing Pari-Mutuel Employees Guild. I want you to
20 know first and more important we do support the application,
21 we want to see this application get approved.

22 The reason I want to speak on this, and it applies
23 to all the racing associations, part of advanced deposit
24 wagering there's a side letter. And I don't want the
25 industry to lose sight that in part of that side letter

1 there is a provision to negotiate a contract for a new
2 classification of workers. There have been no meetings set
3 to negotiate that contract.

4 And I just want to bring it to the Board's
5 attention, bring it to the industry's attention, that we
6 would like to see those negotiations go forward. However,
7 we want to see all these applications get approved. Thank
8 you.

9 CHAIRPERSON SHAPIRO: All right, thank you,
10 Richard. All right, with that I'll entertain a motion to
11 approve.

12 COMMISSIONER MORETTI: So moved.

13 CHAIRPERSON SHAPIRO: Moved. Second.

14 VICE CHAIRMAN HARRIS: Second.

15 CHAIRPERSON SHAPIRO: All in favor?

16 (Ayes)

17 CHAIRPERSON SHAPIRO: It's approved, thank you.

18 MR. CHARLES: Thank you.

19 CHAIRPERSON SHAPIRO: Item number 4 will be
20 Pacific Racing Association for their meeting. And perhaps
21 Mr. Tunney and Mr. Hartman can move forward as -- Bon, this
22 is discussion and action to consider the racing license of
23 Golden Gate Fields commencing December 26 through February
24 3.

25 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Chairman

1 and Commissioners, you have before you the application of
2 the Pacific Racing Association. Excuse me, Bon Smith, CHRB
3 staff. The application of Pacific Racing Association to
4 conduct a horse racing meeting at Golden Gate Fields on the
5 dates Richard just mentioned. Running parallel to Santa
6 Anita on a Thursday to Monday schedule.

7 CHAIRPERSON SHAPIRO: So the license application
8 is being modified. No, it is correct and it is, again,
9 concurrent with the same Thursday to Monday schedule.

10 ASSISTANT EXECUTIVE DIRECTOR SMITH: Yes.

11 CHAIRPERSON SHAPIRO: Okay.

12 ASSISTANT EXECUTIVE DIRECTOR SMITH: This meeting
13 would be 30 days. A total of 258 races or 8.6 races per
14 day. Essentially the same as last year's schedule wherein
15 8.65 races per day were run.

16 CHAIRPERSON SHAPIRO: Okay.

17 ASSISTANT EXECUTIVE DIRECTOR SMITH: And also it
18 would be the first, full winter meeting on a synthetic
19 surface in Northern California.

20 CHAIRPERSON SHAPIRO: Right, okay. Gentlemen,
21 you're going to need to sit near that microphone.

22 ASSISTANT EXECUTIVE DIRECTOR SMITH:
23 Representatives from Pacific Racing are in attendance.

24 CHAIRPERSON SHAPIRO: Thank you.

25 VICE CHAIRMAN HARRIS: Is the horsemen's agreement

1 in hand already?

2 ASSISTANT EXECUTIVE DIRECTOR SMITH: As of
3 publishing date we had no CTT or horsemen's agreements.

4 CHAIRPERSON SHAPIRO: No, I think you had --

5 VICE CHAIRMAN HARRIS: There's a CTT in agreement,
6 there's no TOC.

7 CHAIRPERSON SHAPIRO: You didn't have TOC.

8 MR. COUTO: We have it in hand.

9 VICE CHAIRMAN HARRIS: Is it signed?

10 MR. COUTO: No, no.

11 VICE CHAIRMAN HARRIS: No signed --

12 CHAIRPERSON SHAPIRO: All right. So is there now
13 a TOC agreement in place with Golden Gate Fields?

14 MR. HARTMAN: We have an agreement in principal
15 with the TOC but we do not have an executed agreement.

16 CHAIRPERSON SHAPIRO: Okay. Perhaps TOC will then
17 come forward because I want to hear that there is not going
18 to be a problem. Again, we keep asking that these
19 agreements get executed and put in our packets. You know,
20 we could -- I don't want to defer the application.

21 MR. COUTO: We couldn't agree more.

22 CHAIRPERSON SHAPIRO: But it is unfair to the
23 Board, it's unfair to our staff that here we are with
24 another application and it is not done. And the truth is
25 you know, I don't know. We can defer this if we have to to

1 December because we will be having a December meeting. Why
2 don't we have an agreement in our booklets.

3 MR. HARTMAN: The reason we don't, we have it in
4 principle. We've traded recent copies. We're in agreement
5 with the exception of one issue that we're going to meet on
6 which came up last week. Just on scratches. So other than
7 that --

8 CHAIRPERSON SHAPIRO: What happens if you can't
9 agree on scratches?

10 MR. HARTMAN: We will agree on scratches.

11 CHAIRPERSON SHAPIRO: Okay.

12 VICE CHAIRMAN HARRIS: Because one of the issues,
13 as I understand the scratches, is a consistency between
14 north and south.

15 CHAIRPERSON SHAPIRO: Correct.

16 VICE CHAIRMAN HARRIS: Which I think we need in
17 all these agreements, regardless of which track is involved
18 that there be consistency. Because it's pretty confusing.

19 MR. HARTMAN: The truth is nobody knew until last
20 week about the inconsistency of the scratches north and
21 south. It hasn't ever been a term of the contract. And
22 when we discovered it was inconsistent north and south we
23 brought it their attention and I think we'll get this worked
24 out. But all other issues are resolved, it is just a matter
25 of signing the agreement.

1 COMMISSIONER MORETTI: What is it dependant on?

2 It is just literally --

3 MR. HARTMAN: It just needs to be signed.

4 VICE CHAIRMAN HARRIS: Well it's not worked out.

5 I mean, have you got an agreement of what you can scratch

6 down to?

7 MR. HARTMAN: Again, scratches have never been
8 part of the contract so all of the terms of the contract are
9 negotiated and agreed to. We have had trouble just
10 coordinating the signature process because we have both been
11 at different locations and haven't been able to do it.

12 We had an issue come up last week regarding
13 scratches and that is the only open issue but it is not a
14 contract issue. That's what I'm trying to say.

15 CHAIRPERSON SHAPIRO: So the contract will be
16 signed, the meet will go on, even if you can't agree on the
17 scratch issue?

18 MR. HARTMAN: Correct. It has not been a contract
19 issue up to this point.

20 VICE CHAIRMAN HARRIS: But did the five day or ten
21 day -- the vet scratch rule as I recall is a five day rule
22 in the north and ten day in the south. Which -- It's not?

23 MR. HARTMAN: No, it's a ten day. That is also
24 not a contract issue. But it's a ten day rule statewide.

25 VICE CHAIRMAN HARRIS: Because it seems like both

1 of those things should be part of the contract, whatever you
2 work out.

3 MR. HARTMAN: It likely will be going forward
4 given sort of what happened recently.

5 MR. TUNNEY: The good news, Mr. Harris, is that in
6 Northern California we haven't had to institute a policy of
7 scratch, you entered to run. But the fact is that this new
8 racing surface has caused a plethora of horses in Southern
9 Cal. Also eligibles and big field sizes so we haven't had
10 the scratch issue before. That's good news.

11 VICE CHAIRMAN HARRIS: That's good news. No, you
12 just have to adapt to it.

13 CHAIRPERSON SHAPIRO: So why don't we, why don't
14 we start with that and why don't you tell us how you're
15 doing on Tapeta footings and what you've seeing as a result
16 of it.

17 MR. HARTMAN: Yes, the surface --

18 CHAIRPERSON SHAPIRO: Robert, introduce yourself.

19 MR. HARTMAN: Robert Hartman, General Manager of
20 Golden Gate Fields. The surface has exceeded our
21 expectations. On a Saturday during the meet we got 11 hours
22 of straight rain and the track handled it like a champ.
23 There was not one puddle anywhere around the surface, it
24 drained right through. The trainers universally love the
25 surface.

1 We are still tweaking with the maintenance
2 procedures and sometimes making the track a little deeper,
3 sometimes a little tighter and just seeing what works best.
4 Colder weather tends to tighten up the track a little bit.
5 So we're just tinkering with it a little bit but overall
6 it's received universal praise. Even from trainers that
7 have run on surfaces in the south on all three southern
8 surfaces have come up north and have told me that they think
9 it's the best surface in the state. So it's very positive.

10 CHAIRPERSON SHAPIRO: And what are you seeing from
11 a business perspective in terms of your field size and
12 wagering?

13 MR. HARTMAN: Field size we're averaging eight and
14 a half horses per race.

15 CHAIRPERSON SHAPIRO: And what did you do last
16 year?

17 MR. HARTMAN: Well just to give you a comparison,
18 Bay Meadows, the recently concluded meet, they averaged 6.6.
19 So we're getting two more horses per race for every race of
20 the meet so far. And it's only 15 days worth of data so
21 it's limited but it's very positive.

22 As you all know the product was our main issue in
23 the north and four horse fields and unbettable races with
24 one to five shot favorites. Now we're talking about
25 problems because we have too many 12 horse fields. So those

1 are good problems to have.

2 Our number of Pick Six carryovers we've had for
3 the meet is also indicative of the increased field size. We
4 have a two day carryover today. You know, our pool up there
5 got up to -- they bet about \$230,000 into it one day which
6 is very significant for the north after a number of
7 carryovers. So very positive on all fronts.

8 CHAIRPERSON SHAPIRO: That's great.

9 EXECUTIVE DIRECTOR FERMIN: What was the --

10 COMMISSIONER CHOPER: I can tell you that a
11 totally unscientific sample of some bettors, you know, it's
12 a day and night difference.

13 MR. HARTMAN: Yes, and it's a very fair surface.
14 That's the other thing I want to point out. There is no
15 bias. Horses can win on the lead. If they go too fast they
16 get caught speeding and horses could come from way out of
17 it. So it's a fair surface. I think the bettors, the
18 bettors enjoy that as well. We used to have a track that
19 was very speed favoring and had a pretty strong bias.

20 EXECUTIVE DIRECTOR FERMIN: What was the
21 measurement of rain that you got? You said you had some.
22 Was it one day?

23 MR. HARTMAN: It was over an inch of rain. Yes,
24 trackmen will tell you that the slow steady rains are the
25 ones that really hurt them on the old, conventional dirt

1 tracks. That really, that's really tough to maintain. So
2 for it to rain 11 hours straight and that track continue to
3 take on water, it just couldn't have handled it any better.

4 CHAIRPERSON SHAPIRO: In your application in your
5 ADW providers it doesn't list TVG but I'm assuming that TVG
6 will be one of your ADW providers, you're accepting wagers
7 from all the licensed ADW providers.

8 MR. HARTMAN: Correct.

9 CHAIRPERSON SHAPIRO: Okay. Does anybody else
10 have any comments? We did see your marketing program, which
11 I think was very good and interesting. I don't know if
12 anybody has any comments to it?

13 COMMISSIONER AMERMAN: It was very good and
14 interesting. I was interested in the fact, though, that
15 spending is going down. Could you comment on why it's going
16 down and what you're doing to compensate.

17 MR. HARTMAN: Yes. I tried to explain that in the
18 marketing plan. With the upcoming presidential primary that
19 happens the first week in February, media rates have gone
20 through the roof in the San Francisco market. So something
21 that used to cost \$500 for a TV spot may be going for \$1500
22 for that same spot. So it is really not an efficient use of
23 our media spend. That doesn't mean we're pulling completely
24 away from television, we're just cutting back some.

25 So what we're doing to replace that is much more

1 direct mail. We're using other mediums such as print and
2 radio. And there is a slight difference in the calendar.
3 Even though the number of days are similar we do race a week
4 less this meet because we raced those four day weeks last
5 year so we had an extra week of racing.

6 And we also kicked off the meet last year on
7 December 26 so we spent a lot of money for that initial
8 push. That was the first day of our meet last year was
9 December 26. This year it is almost a continuation of the
10 meet that we started in November. So we don't need that
11 same, big, first television push that we had last year.

12 CHAIRPERSON SHAPIRO: We wouldn't be opposed to
13 your doing a big push though.

14 MR. HARTMAN: Yes. Just from a media standpoint
15 it's just very expensive. We're planning to save up those
16 dollars and really have a very strong media push for the
17 spring meet and for the fall meet as well. We're just
18 reallocating, we're not cutting.

19 CHAIRPERSON SHAPIRO: Okay.

20 COMMISSIONER CHOPER: May I ask --

21 CHAIRPERSON SHAPIRO: Please.

22 COMMISSIONER CHOPER: Have you done any testing on
23 the dollar day. I know it certainly brings in a lot of
24 people. Is the handle up in any kind of proportion to the
25 number of people that are up there? I just wonder if there

1 is any way. I know it's very difficult to determine whether
2 you get any repeat business on new people who come in on
3 that.

4 MR. HARTMAN: They are very, very strong days for
5 us. You would think on dollar day we would lose a lot of
6 money in food and beverage because the food and beverage
7 items are all a dollar. We actually make more money in food
8 and beverage on dollar day. Because people buy other items.
9 Instead of having 2500 people there on a normal Sunday if
10 you can get 5,000 people there you get 2500 people not only
11 buying dollar items but buying other items that are not a
12 dollar. So our food and beverage revenue is actually up on
13 those days.

14 The handle just given the volume of people is up,
15 per caps are typically down because they're newer people.
16 But what we try to do is get those people added to our
17 mailing list and try to get repeat business out of them.
18 And if we do get them on our mailing list we can track them.
19 So I can look that somebody's first visit was on a dollar
20 day in 2006 and see how many visits they have made since
21 that time.

22 COMMISSIONER CHOPER: You know, I think if that
23 really does work. Because the number of people is just
24 notable. There is no question about that. That is worth
25 emulating at other tracks as well.

1 MR. HARTMAN: Yes. It's really worked with our
2 university marketing. That's something that Mr. Amerman has
3 brought up in the past, really getting the university
4 students. And this dollar day university push has really
5 had good synergy to it. I don't know if it's the dollar
6 beers or what but they really enjoy coming down on those
7 days. I'm guessing they just don't have much money, they're
8 very price sensitive, and that promotion seems to work. So
9 we do a lot of promotion at Cal to try to get people down
10 from the university for those days. That's worked very well
11 for us.

12 CHAIRPERSON SHAPIRO: So if I can ask a follow-up
13 question. If that's the case that it works. What you just
14 said was you're up in wagering, you're up in food sales and
15 so forth. How many people did you average during the week
16 in attendance? Just roughly. Fifteen hundred?

17 MR. HARTMAN: Thirteen hundred.

18 CHAIRPERSON SHAPIRO: Okay. And how many of those
19 are really paying customers in the grandstand? I'm not
20 talking about the turf club. But you know the number, you
21 don't have to say it if you don't want to. Why not then --
22 Do you make enough off of admissions and parking that why
23 not open it up and let these people come in for free or have
24 dollar day during the week every week. Why not do that to
25 get people to the racetrack?

1 MR. HARTMAN: Yes, I like the second of your
2 dollar day happening more often, I think that's a great
3 idea. One of the things about letting people in for free
4 all the time, you kind of devalue your product. When people
5 think -- If it's zero dollars to get into someplace --

6 CHAIRPERSON SHAPIRO: You think they think that in
7 Vegas?

8 COMMISSIONER AMERMAN: And they have a dollar
9 there that maybe they can use to wager.

10 MR. HARTMAN: Yeah. I mean, the other thing, if
11 you let everybody in for free you can't have a dollar day
12 anymore because the dollar day is kind of contingent on
13 there being a higher price and now they get in cheaper.

14 We do a ton of free passes that are very
15 successful, especially in the turf club. Our direct mail
16 free passes. So there is this perceived higher value of
17 admission. The turf club is \$15 at Golden Gate Fields on
18 the weekends. You send out free passes, that then really
19 incents people. They feel like they have two free passes,
20 that's a \$30 value, let me go out there that day.

21 So we're doing more and more of those things to
22 people. I would say between the dollar days and the free
23 passes we have something going on every week at Golden Gate
24 Fields. If you reduce the price to zero you lose that
25 ability to discount and incent.

1 CHAIRPERSON SHAPIRO: Well I don't know the
2 psychology of it but it would just seem to me that the most
3 important thing to do is get people in the door. And if
4 that gets them in the door then, you know, open the door.

5 COMMISSIONER AMERMAN: This is thinking ahead, I
6 guess. I was trying to think of how you might get more
7 people to come to Golden Gate. We all know and we're all
8 kind of sad that Bay Meadows will probably shut down I think
9 at the end of August or end of September after the San Mateo
10 Fair. What are you doing, what thinking is going on about
11 how you can wean Bay Meadows customers over to Golden Gate
12 because you're going to be the basic game in town?

13 MR. HARTMAN: Yes, we're really hoping that the
14 folks over at Bay Meadows will work with us, give us their
15 mailing list, their group sales list. I think for the good
16 of the industry and to keep horse racing in the north
17 strong, which I know they believe in and it's unfortunate
18 circumstances that they may go out of business. But I think
19 that they will be more than helpful to try to give us
20 information to move the industry forward.

21 MR. TUNNEY: The new racing surface also and the
22 resurgence of racing in Northern California also has
23 provided Bay Meadows the opportunity because they have a
24 very strong simulcast location there.

25 COMMISSIONER AMERMAN: Right, right.

1 MR. TUNNEY: So that has been a big benefit to us
2 as well as the live racing.

3 COMMISSIONER AMERMAN: Have you thought about free
4 transportation that might go from the area over to Golden
5 Gate?

6 MR. HARTMAN: Yeah, that's a possibility. There
7 have been some discussions whether Bay Meadows will run the
8 San Mateo County Fair meet at Bay Meadows this year. I
9 think that is still somewhat up in the air. We have offered
10 it up to San Mateo if they want to run at our place. I
11 believe Pleasanton has offered it up. So in that case we
12 did talk about free busses to shuttle people from San Mateo.

13 COMMISSIONER AMERMAN: Right.

14 MR. HARTMAN: So yeah, I think that's a great
15 idea.

16 CHAIRPERSON SHAPIRO: Okay. If there aren't any
17 other questions. I don't have any public comment cards with
18 names on them so I'll entertain --

19 COMMISSIONER CHOPER: So moved.

20 COMMISSIONER AMERMAN: Second.

21 COMMISSIONER MORETTI: Could I --

22 CHAIRPERSON SHAPIRO: Seconded -- I'm sorry.

23 COMMISSIONER MORETTI: Contingent on getting that
24 signed.

25 VICE CHAIRMAN HARRIS: Yes, yes.

1 CHAIRPERSON SHAPIRO: It is contingent upon
2 getting a signed -- Mr. Couto, I suggest you listen. It is
3 contingent upon getting a signed agreement with TOC. You
4 can go back to your call now. All in favor?

5 (Ayes)

6 CHAIRPERSON SHAPIRO: Good luck. Thank you.

7 MR. HARTMAN: Thank you.

8 CHAIRPERSON SHAPIRO: We're going to do one more
9 license application and then I'm going to move to ADW to try
10 and help the people from ADW that have got to catch planes.

11 So we are going to do now Item number 5, which is
12 discussion, action on the application to conduct a race meet
13 at Los Alamitos race course commencing December 27 and
14 continuing to December 21, 2008. Mr. Smith.

15 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Chairman
16 and Commissioners, before you is the application for license
17 to conduct a horse racing meeting of the Los Alamitos
18 Quarter Horse Racing Association. It is for a year-long
19 license for the racing year, 204 racing days. Los Alamitos
20 operates on a Thursday through Sunday schedule. It's
21 quarter horse primarily but also mixed breed.

22 CHAIRPERSON SHAPIRO: Okay.

23 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Blonien
24 is here to speak to that.

25 CHAIRPERSON SHAPIRO: I see, Mr. Blonien, you're

1 here to represent Los Alamitos.

2 In the application it says, racing four nights per
3 week, Thursday through Sunday. Seven to 15 live races per
4 night and 6 to 12 simulcast races. Do you really run 15
5 live races in a night?

6 MR. BLONIEN: We may once a year but it certainly
7 isn't an every week occurrence. It would be unusual for
8 that to be the case. And I just wonder if that isn't --

9 CHAIRPERSON SHAPIRO: Was that including the
10 simulcast races?

11 MR. BLONIEN: I'm wondering if it doesn't include
12 some of the simulcast races.

13 CHAIRPERSON SHAPIRO: Okay. Because I just don't
14 ever recall that and when I read that I was kind of
15 surprised. All right. Well perhaps we can have staff look
16 in to make sure exactly how many races are being run.

17 Is there a horsemen's agreement?

18 MR. BLONIEN: Yes. The great thing is we have a
19 horsemen's agreement. It was signed on November 16 by
20 Dr. Allred and I think the 17th by the president of the
21 horsemen's organization. I believe the Board has a copy of
22 that agreement.

23 CHAIRPERSON SHAPIRO: I'm sorry, I missed it,
24 okay. All right. Anybody else have any other questions?

25 COMMISSIONER AMERMAN: What would be your average

1 attendance per evening at Los Alamitos? And before you
2 answer that I'll add a different one. What plans are you
3 taking to improve the number?

4 MR. BLONIEN: Well I really can't answer that
5 question, Mr. Amerman, it would be complete speculation on
6 my part. But I'm going to --

7 COMMISSIONER AMERMAN: Just generally.

8 MR. BLONIEN: I would say 500 probably.

9 COMMISSIONER AMERMAN: Five hundred people.

10 MR. BLONIEN: On Thursday nights and probably
11 Sunday and Friday and Saturday, you know, maybe 1500,
12 something like that. But that is complete speculation.

13 COMMISSIONER AMERMAN: Is there a conscious effort
14 to keep the numbers down?

15 MR. BLONIEN: Oh no.

16 COMMISSIONER AMERMAN: Or is there -- I'm trying
17 to be -- I'm serious. So I am confused as to why we
18 wouldn't have some plans to make it better.

19 CHAIRPERSON SHAPIRO: Roberto, do you know the
20 numbers, Roberto?

21 AUDIT MANAGER ZAVALA: No.

22 CHAIRPERSON SHAPIRO: Okay.

23 COMMISSIONER AMERMAN: Maybe you could find out.
24 It would be kind of enlightening.

25 MR. BLONIEN: Dr. Allred has been doing this for

1 many years. And I can recall I guess it was 18 years ago
2 starting in the fall we had a mink coat promotion.

3 COMMISSIONER AMERMAN: Mink coat.

4 CHAIRPERSON SHAPIRO: What year was this, 1904?

5 MR. BLONIEN: It was, you know, 18, 19 years ago.

6 And so each time --

7 COMMISSIONER AMERMAN: It didn't work, it got
8 boycotted.

9 MR. BLONIEN: So we gave away I don't know, ten
10 mink coats. We've had promotions in the past where we've
11 given away automobiles. We've done all sorts of things like
12 that and it has not materially affected attendance.

13 And general admission at Los Al is \$3. So if you
14 came you paid \$3, we gave you a little free admission the
15 next time you came. We would recycle those and we would
16 have people coming back.

17 We have done other things with employers in Orange
18 County and given them passes for free admission. Very few
19 of them. Dr. Allred when he had his medical business would
20 give free admission coupons to his employees and very few of
21 those ever ended up being cashed or people using them.

22 We have in our application pages 5-30, -31, -32
23 some of the things that we are doing. You know, people can
24 certainly argue we should be doing more but Dr. Allred's
25 experience through the years is that it is very, very

1 difficult to get the new fan to come to the track. And they
2 do advertise, they have special events, but he is not one to
3 spend one million dollars a week as Santa Anita is or
4 anything close to that in terms of advertising. But they do
5 advertise in the paper and on TV but it is a tough sell.

6 VICE CHAIRMAN HARRIS: And we do have to keep in
7 mind that they are also getting a lot of people there each
8 day as a satellite facility.

9 MR. BLONIEN: That is correct.

10 VICE CHAIRMAN HARRIS: How many do they get on a
11 normal day up there, afternoon?

12 MR. BLONIEN: I don't know.

13 VICE CHAIRMAN HARRIS: It's probably as big as
14 they get a night.

15 COMMISSIONER ANDREINI: Mr. Blonien, it has been
16 my experience up here in recent months there have been more
17 and more younger people that I have seen at the track than I
18 had ever seen before. And I don't know but I think it is
19 certainly a sign of something, potentially. It's a good
20 indication to me. I think the numbers that you just related
21 relative to attendance are a little low.

22 MR. BLONIEN: I think they are too.

23 COMMISSIONER ANDREINI: Yes.

24 MR. BLONIEN: I think it's probably closer to
25 1,000. But again, it's pure speculation on my part.

1 COMMISSIONER ANDREINI: And it is speculation on
2 my part too but I know a little something about that. I
3 think the attendance is somewhere between 700 and 900 on the
4 lower days and upwards of 1500 to 1800 on the weekends.

5 COMMISSIONER AMERMAN: Does Los Al have a
6 marketing operation? Do they have somebody that is
7 responsible for marketing?

8 MR. BLONIEN: Yes, yes.

9 CHAIRPERSON SHAPIRO: Okay. If there aren't any
10 other questions, I don't have a comment card, I will
11 entertain a motion.

12 VICE CHAIRMAN HARRIS: I'll move we approve the
13 Los Al application.

14 CHAIRPERSON SHAPIRO: Second?

15 COMMISSIONER MORETTI: I'll second it.

16 CHAIRPERSON SHAPIRO: Seconded. All in favor?

17 (Ayes)

18 CHAIRPERSON SHAPIRO: Thank you.

19 MR. BLONIEN: Thank you, Mr. Chairman.

20 CHAIRPERSON SHAPIRO: And wish Dr. Allred good
21 luck.

22 MR. BLONIEN: Thank you.

23 CHAIRPERSON SHAPIRO: Okay, moving right along.
24 What I would like to do now is I would like to go to Item
25 number 14, 15, 16 and 17.

1 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Chairman
2 and Commissioners, Bon Smith, CHRB staff.

3 Before you is the application for approval to
4 conduct advance deposit wagering, ADW, of Churchill Downs
5 Technology Initiatives Company doing business as
6 twinspires.com, brisbet.com, tsnbet.com and winticket.com
7 for a two year period commencing January 1, 2008. That is
8 an out-of-state, multi-jurisdictional wagering hub. I
9 believe we have representatives.

10 CHAIRPERSON SHAPIRO: Yes, we do.

11 VICE CHAIRMAN HARRIS: Also, I was under the
12 impression there was some consolidation into one name too.

13 CHAIRPERSON SHAPIRO: If the representatives from
14 Churchill Downs Technology will come forward.

15 ASSISTANT EXECUTIVE DIRECTOR SMITH: And clarify
16 those issues for us.

17 CHAIRPERSON SHAPIRO: And we can clarify that. I
18 know he's here because I said hi to him. Could somebody
19 yell out there that we just denied their license
20 application. (Laughter)

21 VICE CHAIRMAN HARRIS: Go back to Kentucky.

22 ASSISTANT EXECUTIVE DIRECTOR SMITH: At the time
23 the package was presented we had unresolved issues
24 concerning a contractual agreement with labor organizations
25 as well as the hub agreement.

1 CHAIRPERSON SHAPIRO: Thank you. Well okay, since
2 Churchill Downs won't be licensed here because they didn't
3 send a representative -- oh look. Mr. Blackwell, welcome.
4 It's nice to see you again.

5 MR. BLACKWELL: It's good to see you.

6 CHAIRPERSON SHAPIRO: Okay. We're taking things
7 out of order.

8 MR. BLACKWELL: Okay.

9 CHAIRPERSON SHAPIRO: So there are going to be a
10 couple of issues here. First of all it is my understanding
11 that twinspires has now changed, it is now under the banner
12 of twinspires. It has all been consolidated under the name
13 twinspires so that winticket, brisbet, tsnbet, americatab,
14 they all -- if you log on those it basically sends you over
15 to twinspires?

16 MR. BLACKWELL: That is correct.

17 CHAIRPERSON SHAPIRO: Okay. So it's the same
18 entities but that's who --

19 MR. BLACKWELL: When we were preparing the
20 application this was in the process but in an abundance of
21 caution just in case things didn't work out in the time that
22 we expected we went ahead and put all the entities on the
23 application. And for awhile those entities will be out
24 there. Just in the abundance of caution we didn't want to
25 create a technical issue about whether we were licensed or

1 not.

2 CHAIRPERSON SHAPIRO: Okay. As you know we
3 licensed you through the end of the year.

4 MR. BLACKWELL: That is correct.

5 CHAIRPERSON SHAPIRO: This is now to move forward.

6 MR. BLACKWELL: I understand.

7 CHAIRPERSON SHAPIRO: And in moving forward there
8 is new law in California which requires a number of things.
9 And one of those is a hub agreement.

10 MR. BLACKWELL: Right, and we do have a hub
11 agreement.

12 CHAIRPERSON SHAPIRO: You do have a hub agreement
13 executed?

14 MR. BLACKWELL: Yes. It has not been signed, we
15 have agreed to all the terms.

16 CHAIRPERSON SHAPIRO: And who --

17 MR. BLACKWELL: Mr. Couto can probably come down
18 and explain but we --

19 CHAIRPERSON SHAPIRO: Drew, you're probably going
20 to have to camp out down here.

21 MR. COUTO: Yes, Drew Couto, Thoroughbred Owners
22 of California. I think that some of the Board is aware that
23 we prepared a master hub agreement for all the ADW companies
24 and it was circulating until about last week when one of the
25 ADW companies said it will sign separately with the

1 racetracks. We heard about that earlier in the week.

2 So we then took the master hub agreement that was
3 a ten party agreement, rewrote it to be individual ADW hub
4 agreements, and just did that two days ago based on
5 conversations with the other ADW companies. It has been
6 forwarded to them, they revised it. Their final revisions
7 came back last night. So we have agreement on all of the
8 language and we just need to print it. We don't have
9 printers at the hotel.

10 CHAIRPERSON SHAPIRO: So you are in agreement with
11 the version that Mr. Couto has just described and that is
12 acceptable and will be executed?

13 MR. BLACKWELL: Right. We actually just reviewed
14 it before the meeting to go over the terms and we agreed to
15 the terms.

16 CHAIRPERSON SHAPIRO: Okay. So that will be in
17 place. As a condition of licensure we will expect that that
18 agreement is executed.

19 MR. BLACKWELL: Yes.

20 CHAIRPERSON SHAPIRO: Now the other thing that we
21 need to have in place as I understand it, and I see that
22 Mr. Broad is here to help us through this, is with the new
23 ADW law we also have to have a bona fide labor organization,
24 there must be an agreement, in writing, with a bona fide
25 labor agreement. That no later than 90 days prior to

1 licensing you've entered into a contractual agreement with
2 the labor organization. Is that in place?

3 MR. BROAD: That is not in place yet although the
4 discussions are moving along apace. We would ask if there
5 are no other impediments that you conditionally approve
6 these agreements, for this one and all the rest of them, on
7 the condition that the card check agreement be in place by
8 December 31.

9 CHAIRPERSON SHAPIRO: Can you describe for the
10 Board what your understanding of a card check agreement is.
11 Some of us are just not familiar with it.

12 MR. BROAD: Right. And let me just say that the
13 companies, we don't have a disagreement about what a card
14 check agreement is. It's just the process of figuring out
15 who the exact employees are that would be covered by the
16 bargaining unit.

17 A card check agreement basically says that you
18 will determine whether employees are to be represented by a
19 union if a majority of the employees in the bargaining unit
20 sign a card authorizing the union to be their exclusive
21 representative. Then when that agreement -- That agreement
22 is then validated, usually through a neutral like an
23 arbitrator, which is also part of the agreement. The
24 employer also in this circumstance agrees to be neutral in
25 the period of time in which the cards are collected.

1 So it is a way of determining majority status and
2 recognition of a labor organization. It does not determine
3 the wages, hours or terms and conditions of employment. The
4 parties obligate themselves to bargain in good faith with
5 one another and not with some other union or refuse to
6 bargain. But at that point they then have to determine all
7 that. That does not have to be in place under this statute.
8 Just the neutrality, card check agreement.

9 CHAIRPERSON SHAPIRO: So let's use it in terms of
10 what employees would be -- They have an office in Mountain
11 View, I know that's where this is located, which is in
12 California. So we have to -- Who is going to tell us. Is
13 it those employees decide whether or not they want to be
14 represented by a union?

15 MR. BROAD: The statute specifies that the
16 employees that we're talking about are employees that accept
17 or process pari-mutuel wagers. When they have an office in
18 Mountain View which performs some --

19 CHAIRPERSON SHAPIRO: Programming.

20 MR. BROAD: They perform some other thing or
21 they're clerical employees or they write advertising copy or
22 whatever they do, they are not covered by this.

23 CHAIRPERSON SHAPIRO: Okay. So who are -- The
24 employees are only those people that are processing wagers,
25 accepting money?

1 MR. BROAD: Accepting and processing wagers.

2 VICE CHAIRMAN HARRIS: At a phone? The whole
3 process is computerized.

4 MR. BROAD: You're talking about people accepting
5 phone wagering or who would be -- say like customer service
6 people involved. If it's done by computer, if somebody is
7 in there saying, hey, I did this bet and you're supposed to
8 send me a million dollars and I didn't get the million
9 dollars. Where's my million dollars?

10 CHAIRPERSON SHAPIRO: There is defined language
11 that states which jobs are applicable to this agreement.

12 MR. BROAD: Right. It doesn't actually list job
13 classifications as such because each employer might call
14 them something different. That's part of the discussion
15 that occurs here. Let's say I'm sitting down with this
16 gentleman and I say okay, we're going to do this card check
17 agreement. Who do you got? Who are we talking about? Who
18 are the workers?

19 And he'll say, well I've got this hub in Oregon,
20 let's say, to be more realistic about this. And I have 15
21 phone clerk jobs who accept wagering and I have two of these
22 other people and five of these people. And then there is a
23 little discussion about is this person included or not
24 included or whatever. Maybe it's immediately obvious.

25 And they sit down and they do the agreement, which

1 is more or less a kind of standard approach in the labor
2 world. And then they reach agreement about who the group is
3 and then they sign it and it's done.

4 So a union then can organize the other people, I'm
5 sorry, can organize the other people. But they are not part
6 of this and you don't have an obligation to not license them
7 if the union or any other union wants to unionize people
8 that don't accept or process pari-mutuel wagers from
9 California.

10 CHAIRPERSON SHAPIRO: Okay.

11 VICE CHAIRMAN HARRIS: Is there one union? Which
12 union basically do you represent?

13 CHAIRPERSON SHAPIRO: The 280?

14 MR. BROAD: Yes. Because it's the union -- Like
15 the satellite wagering it's the union that accepts wagering,
16 that does this type of work at the closest, live racing
17 track in California.

18 CHAIRPERSON SHAPIRO: So what do we do? Let's say
19 that they have ten of what I would call jobs that might
20 qualify for this but they're in Oregon. How do we -- We
21 have no standing to dictate anything that is out of state.

22 MR. BROAD: First of all, that's what the statute
23 says, whether they are in the state or not. What you don't
24 have authority to do is under the Constitution of
25 California, is to refuse to enforce a statute on the basis

1 that you might think is unconstitutional.

2 COMMISSIONER CHOPER: Have all of the ADW
3 providers agreed to --

4 MR. BROAD: Yes.

5 CHAIRPERSON SHAPIRO: -- to enter into these
6 agreements?

7 MR. BROAD: Yes.

8 COMMISSIONER CHOPER: And the only issue is
9 whether you have done it or not, is that right?

10 MR. BROAD: Yes, it's very close to being done.
11 This is not turning out to be --

12 COMMISSIONER CHOPER: And no one is challenging
13 it?

14 MR. BROAD: No one is challenging it, no one is
15 arguing about it.

16 COMMISSIONER CHOPER: So that is not our business
17 then. Your position would --

18 VICE CHAIRMAN HARRIS: I don't know, I think we
19 need to hear from the ADW providers on that.

20 CHAIRPERSON SHAPIRO: Well we are going to hear
21 from each one.

22 MR. BROAD: You're going to hear -- My prediction
23 is they're going to tell you that --

24 COMMISSIONER CHOPER: Well we have one right here.

25 MR. BROAD: -- this is moving along.

1 COMMISSIONER CHOPER: But my understanding is, you
2 have a terminal in Oregon and you have agreed to abide by
3 this card check agreement with the relevant union and you're
4 going to sign it one of these days.

5 MR. BLACKWELL: Right, Brad Blackwell, Churchill
6 Downs Technology Initiatives Company.

7 Yes, we actually contracted a third party in
8 Portland, Oregon that takes all the wagers. So that's with
9 a third party. We don't have employees who are actually
10 doing that.

11 COMMISSIONER CHOPER: I understand.

12 MR. BLACKWELL: They are all located in Portland,
13 Oregon and that's what we communicated to the union. We
14 sent a letter to the union which we felt addressed the
15 regulation. We received comments back on that letter. We
16 accepted all comments that the union made and sent back a
17 sign copy. That has not been signed yet. I corresponded
18 with Mr. Castro last night via e-mail for awhile and, you
19 know, we're ready to sign what we feel addresses that. I
20 understand we'll participate in any further meetings on the
21 subject.

22 VICE CHAIRMAN HARRIS: Are you taking the attitude
23 that those contracted employees in Oregon are covered by the
24 card check mechanism?

25 MR. BLACKWELL: Well, I don't know that we can

1 take that -- they're not our employees.

2 VICE CHAIRMAN HARRIS: You haven't, I think. I
3 want to clarify if you have or you haven't.

4 MR. BLACKWELL: Well I guess what the agreement
5 stated was we pretty much mirrored what is required. That
6 we'll agree to do this. And we stipulated the fact that
7 right now the current situation is that we contracted a
8 third party that handles all of these wagers for us. So we
9 basically have done our best to address what the
10 requirements are by also trying to tailor that to our exact
11 situation.

12 VICE CHAIRMAN HARRIS: I am not sure that is the
13 legislative intent.

14 MR. BLACKWELL: I guess maybe that's why we have
15 not agreed to something yet, because each of us are in a
16 little different situation. And to be honest, you know, I
17 think everyone is trying to move this along but there has
18 not been a meeting of the minds obviously yet.

19 MR. BROAD: I am not sure. I'm sure that there
20 will be more discussion of this. I don't know that the
21 union will agree that you can contract out your
22 responsibility for this. In other words, it flows to the
23 company that is doing the work. So we'll take that up and
24 we'll either resolve it or we won't. But I suspect it will
25 get resolved shortly.

1 CHAIRPERSON SHAPIRO: Well.

2 MR. BROAD: These have not been difficult
3 discussions. There is no --

4 CHAIRPERSON SHAPIRO: Well what we want is I think
5 really simple. A, we want to comply with the law, B, what w
6 want is we want to see that twinpires and all of our ADW
7 companies are licensed and able to accept wagers and
8 promoting our California racing without any threat of there
9 being a problem.

10 MR. BROAD: Right. And that is why certainly as a
11 show of good faith that's why we're saying, approve them
12 conditionally on having this done by the end of the year.
13 If we were trying to be difficult --

14 CHAIRPERSON SHAPIRO: Do you have a problem --

15 MR. BROAD: -- we'd say, say no.

16 CHAIRPERSON SHAPIRO: Do you have a problem? Do
17 you believe that you will be able to comply by the end of
18 the year?

19 MR. BLACKWELL: I hope so. We're ready to comply.

20 CHAIRPERSON SHAPIRO: You're ready now.

21 MR. BLACKWELL: We will definitely comply with
22 this requirement.

23 CHAIRPERSON SHAPIRO: Okay.

24 COMMISSIONER CHOPER: And your Portland, the
25 company with whom you contracted in Portland has been in

1 touch with the union?

2 MR. BLACKWELL: No, they have not been in touch
3 with the union and those employees are not unionized in
4 Oregon.

5 COMMISSIONER CHOPER: But they're not unionized.
6 But the card check agreement says that if they get cards and
7 a majority say that they want to join the union then your
8 understanding is that the company you contracted with up
9 there is ready to recognize.

10 MR. BLACKWELL: Once we have been presented with a
11 proposal that is acceptable then, you know -- It has not
12 been finalized yet.

13 COMMISSIONER CHOPER: And this is the process
14 we're going to have to go -- Excuse me, go ahead.

15 MR. BLACKWELL: Yes.

16 COMMISSIONER CHOPER: And this is the process
17 we're going to have to go through with every ADW provider.

18 MR. BLACKWELL: Correct.

19 COMMISSIONER CHOPER: And so long as they don't
20 challenge the validity of the California statute, and no one
21 is saying that it doesn't apply to these situations and
22 everyone is willing to go along with it, that ends our
23 obligations in respect to the matter. That is your
24 position, Mr. Broad?

25 MR. BROAD: That is correct.

1 COMMISSIONER MORETTI: So how many employees do
2 you have in California?

3 MR. BLACKWELL: In California we have I think
4 around 12 employees. Those are all pretty much management
5 and executive level positions in Mountain View.

6 COMMISSIONER CHOPER: They are not subject to this
7 at all.

8 MR. BLACKWELL: Exactly.

9 COMMISSIONER CHOPER: Just the Oregon. Your
10 exclusive betting parlor is in Oregon.

11 MR. BLACKWELL: That's correct. That's where all
12 the wagers go.

13 VICE CHAIRMAN HARRIS: Do you have a telephone
14 service betting or is it all via Internet?

15 MR. BLACKWELL: It is Internet and phone-based.
16 And all of those wagers, whether it be through the Internet
17 or through the phone, are all processed in Oregon.

18 VICE CHAIRMAN HARRIS: But there are actual live
19 operators in Oregon?

20 MR. BLACKWELL: Correct.

21 CHAIRPERSON SHAPIRO: Okay.

22 MR. BROAD: I would like, just to save time, just
23 assume that my comments --

24 CHAIRPERSON SHAPIRO: Apply to all.

25 MR. BROAD: -- apply to all four of them.

1 CHAIRPERSON SHAPIRO: Right, and I appreciate
2 that.

3 MR. BROAD: Thank you.

4 CHAIRPERSON SHAPIRO: Mr. Blackwell.

5 MR. BLACKWELL: Yes.

6 CHAIRPERSON SHAPIRO: As you have learned over the
7 last few weeks we have a CRIMS reporting requirement.

8 MR. BLACKWELL: That's right.

9 CHAIRPERSON SHAPIRO: I'm assuming that you are
10 going to meet any and all requirements that are required.

11 MR. BLACKWELL: Yes.

12 CHAIRPERSON SHAPIRO: And you are now doing that.

13 MR. BLACKWELL: Yes. It is my understanding.

14 CHAIRPERSON SHAPIRO: There were a few bumps in
15 the road but we understand that that is now being done.

16 VICE CHAIRMAN HARRIS: I also understood from some
17 of the press things I read that Churchill Downs did not want
18 to release handle figures on a daily basis. But I think for
19 this purpose at least they need to do that. Is that going
20 to create a problem with Churchill Downs, releasing these
21 ADW figures every day?

22 MR. BLACKWELL: We'll comply with the requirements
23 here and that's, we understand, a part of the licensure
24 process.

25 VICE CHAIRMAN HARRIS: So you understand that's

1 part of the deal?

2 MR. BLACKWELL: Yes.

3 CHAIRPERSON SHAPIRO: Okay. Lastly, I would like
4 to recommend that on all of these ADW contracts that what we
5 do is we approve them for one year, not two years. We have
6 an experiment that has just been undertaken. I think it
7 makes sense for us to see what comes out of that experiment.
8 And that way we don't have to go into any conditions of
9 licensing that we may want to structure who we license, how
10 we license and get into that whole discussion. And for that
11 reason would you be fine with a one year license?

12 MR. BLACKWELL: Yes, as long it applies --

13 CHAIRPERSON SHAPIRO: It will be applied to
14 everybody.

15 MR. BLACKWELL: Yes.

16 COMMISSIONER MORETTI: But that's an eight month
17 agreement that they have, right?

18 CHAIRPERSON SHAPIRO: Pardon me?

19 COMMISSIONER MORETTI: The agreement --

20 CHAIRPERSON SHAPIRO: I mean through 2008.

21 VICE CHAIRMAN HARRIS: Yes, the eight month
22 agreement is a separate issue.

23 CHAIRPERSON SHAPIRO: Right. We have the eight
24 month agreement. I'm assuming after the eight months we'll
25 all be getting together, we'll all be pulling the data

1 together. We'll be looking at what we've learned. And that
2 way as we move forward to license ADW for a longer term we
3 can use that as part of the platform for which we license
4 these companies for a longer term.

5 And I do recognize that some people come up here
6 and say, they are better off from a business perspective and
7 investment perspective having a longer term. This is not
8 intended in any way to say we are not going to license
9 anybody. But it is rather for us to simply license them in
10 a format that will be most productive for California. Okay?

11 So with that I don't have any other questions and
12 I would recommend that we approve Churchill Downs
13 operating --

14 MR. BLACKWELL: Technology Initiatives Company.

15 CHAIRPERSON SHAPIRO: Thank you, otherwise known
16 as twinspires and their other affiliates.

17 VICE CHAIRMAN HARRIS: Conditionally.

18 CHAIRPERSON SHAPIRO: Conditionally as we
19 discussed on the card check agreement. Is there --

20 VICE CHAIRMAN HARRIS: Just to clarify in my mind.
21 Now Churchill Downs is using HRTV as their media for most of
22 the tracks that they are taking wagers on?

23 MR. BLACKWELL: Well we own half of HRTV so yes,
24 we have obviously investment in the relationship.

25 VICE CHAIRMAN HARRIS: Is there any connection

1 between xpressbet and twinpires?

2 MR. BLACKWELL: No, here is no connection.

3 CHAIRPERSON SHAPIRO: All right, it's moved. A
4 second?

5 COMMISSIONER AMERMAN: Second.

6 COMMISSIONER MOSS: Is the conditional part of
7 this or not?

8 CHAIRPERSON SHAPIRO: Pardon me?

9 COMMISSIONER MOSS: Is the conditional aspect part
10 of this?

11 CHAIRPERSON SHAPIRO: Yes it is.

12 COMMISSIONER MOSS: Does that give strength to
13 either party in negotiating this thing?

14 CHAIRPERSON SHAPIRO: It is certainly not intended
15 to. I don't think it's, I think it's just because the
16 parties have been -- this is new, they were having to work
17 it out. They have until the end of the year to do it. I
18 think we're hearing good faith from both parties. We're not
19 trying to give anybody negotiating leverage here. Right?

20 MR. CASTRO: You're speaking to me, Richard
21 Castro?

22 CHAIRPERSON SHAPIRO: Yes.

23 MR. CASTRO: You're not going to give me
24 bargaining leverage?

25 CHAIRPERSON SHAPIRO: No. (Laughter)

1 MR. CASTRO: All right, I'll accept that.

2 CHAIRPERSON SHAPIRO: Thank you. All right, all
3 those in favor?

4 (Ayes)

5 CHAIRPERSON SHAPIRO: Thank you, Mr. Blackwell,
6 thank you twinspires.

7 MR. BLACKWELL: Thank you.

8 CHAIRPERSON SHAPIRO: Next up will be number 15,
9 which will be our good friends from TVG. Since they have
10 had the benefit of listening to the prior discussion I would
11 like to incorporate all of the discussions that we had with
12 Barry Broad with respect to the card check into that
13 discussion.

14 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Chairman,
15 Commissioners, Bon Smith, CHRB staff.

16 Presumptively I don't need to introduce each of
17 these that you've got before you, the applications from the
18 various ADW providers.

19 CHAIRPERSON SHAPIRO: Jackie does a much better
20 job.

21 ASSISTANT EXECUTIVE DIRECTOR SMITH: I know. I
22 also will assume that this is a one year instead of two as
23 presented.

24 CHAIRPERSON SHAPIRO: Yes, correct. Thank you.

25 Good morning Mr. Nathanson, Ms. Christian, how are

1 you? You have just heard the discussion so the first thing
2 I am going to ask you is about your hub agreement. Do you
3 have a hub agreement in place?

4 MR. NATHANSON: Yes, we have a hub agreement in
5 place with Hollywood Park.

6 CHAIRPERSON SHAPIRO: You have a hub agreement in
7 place with Hollywood Park. So that would satisfy that
8 condition.

9 MR. NATHANSON: Yes.

10 CHAIRPERSON SHAPIRO: Okay. And the horsemen have
11 no objection to that whatsoever?

12 MR. COUTO: That's correct, the horsemen have no
13 objection to the terms.

14 VICE CHAIRMAN HARRIS: The horsemen basically have
15 to sign off on it.

16 CHAIRPERSON SHAPIRO: Right, I know, but I want to
17 hear from them.

18 VICE CHAIRMAN HARRIS: It's not just an objection,
19 you basically have signed it.

20 MR. COUTO: We have not signed the agreement, they
21 have, but that's just got to be worked out. We just found
22 out about it the other day, that they did a separate one
23 with Hollywood --

24 CHAIRPERSON SHAPIRO: Your microphone is not on,
25 number one. Okay. Again, we don't want to find any

1 surprises that they say they have an agreement with
2 Hollywood Park and then you say, yeah we're okay, and then
3 it's not okay.

4 VICE CHAIRMAN HARRIS: It's bothersome that we
5 hear so often that someone has an agreement, then when we
6 get into it it's an unsigned agreement and there's a few
7 things to be worked out so there's not an agreement. I
8 think what I construe an agreement to mean, that it's all
9 signed and everyone is happy.

10 MR. COUTO: Under the new statute going forward
11 you do not have to have every party sign the hub agreement.
12 They have to consent to the terms, the different terms of
13 the hub agreement. We have consented to the rates and the
14 terms per the new statute going forward. They have opted to
15 execute a hub agreement solely with Hollywood Park, which
16 they are entitled to do under the new statute.

17 The other ADW companies are executing with the
18 Racing Association and with us, that's the only difference.
19 But we do concur to the terms of the Hollywood Park
20 agreement.

21 CHAIRPERSON SHAPIRO: Could I just ask why you're
22 doing it differently.

23 MR. LIEBAU: Mr. Chairman?

24 CHAIRPERSON SHAPIRO: Yes, Mr. Liebau.

25 MR. LIEBAU: Jack Liebau from Hollywood Park.

1 As you all recall our meet opened almost
2 concurrently with this ADW agreement. At that point in time
3 in order for Hollywood Park to be in compliance with the law
4 we had to have these agreements with TVG. We, in fact, put
5 out the agreements ourselves. We were unaware that there
6 was going to be proposed a master ten party agreement. So
7 in fact we then I think had given our agreement to TOC and
8 it incorporates all of the necessary terms.

9 And I think that TVG, I'm not positive of this, it
10 can be confirmed by Mr. Nathanson, has also sent a letter to
11 TOC setting forth all of the terms. So there is an
12 agreement in place. The reason why it's there is because we
13 had to have it in place when our meet opened. We were
14 unaware that there was going to be the ten party agreement.

15 CHAIRPERSON SHAPIRO: All right. But we're
16 talking about --

17 MR. LIEBAU: We're in compliance with the law.

18 CHAIRPERSON SHAPIRO: I have no problem with that
19 because what we're talking about is licensing you beginning
20 in January. So that's what we're talking about.

21 MR. NATHANSON: And Drew will confer with this.
22 The new law only requires for licensure by the Board, only
23 requires us to have an agreement with the thoroughbred track
24 that runs five weeks or more, it does not require an
25 agreement with the TOC. However, we are required to have an

1 agreement with the TOC in order to accept wagers.

2 CHAIRPERSON SHAPIRO: Correct.

3 MR. NATHANSON: Different from licensure. So in
4 terms of our discussions today, we are in full compliance
5 with the new law.

6 CHAIRPERSON SHAPIRO: Okay. And in terms of the
7 card check agreement, you heard the dialogue and the
8 discussion. Do you have any objections to any of that?

9 MR. NATHANSON: No. We have a proposed letter in
10 place with the labor group and we are working with them in
11 good faith to execute that.

12 COMMISSIONER CHOPER: Where is your wagering --

13 CHAIRPERSON SHAPIRO: All the hubs are in Oregon.

14 MR. NATHANSON: Our hubs are in Oregon as well.
15 We do not offer any live operator wagering, our wagering is
16 all automated either via the phone, Internet or other
17 interactive applications.

18 COMMISSIONER CHOPER: You also contract with
19 someone there?

20 MR. NATHANSON: No, we don't have any live
21 operators.

22 COMMISSIONER CHOPER: Zero?

23 MR. NATHANSON: It's our own people.

24 COMMISSIONER CHOPER: It's your own people.

25 CHAIRPERSON SHAPIRO: Okay. So given that -- As

1 you also heard I've suggested that we license, renew these
2 licenses for one year. I know you would prefer to have a
3 longer term. You understand why. Is that acceptable?

4 MR. NATHANSON: It is acceptable.

5 CHAIRPERSON SHAPIRO: Thank you.

6 VICE CHAIRMAN HARRIS: Which tracks will you have
7 your -- I know you have sort of, I know exclusive is not the
8 term but kind of priority arrangements where you show some
9 tracks exclusively on the media part. Which tracks will
10 those be for next year?

11 MR. NATHANSON: For California tracks?

12 VICE CHAIRMAN HARRIS: For California.

13 MR. NATHANSON: Well we have exclusive television
14 agreements in place with Hollywood Park, Bay Meadows, Oak
15 Tree at Santa Anita as well as Los Alamitos and --

16 CHAIRPERSON SHAPIRO: Del Mar.

17 MR. NATHANSON: And Del Mar. So all those tracks
18 will receive priority placement.

19 VICE CHAIRMAN HARRIS: And then beyond that you
20 would have video streaming on all the other tracks?

21 MR. NATHANSON: We will have video streaming on
22 all California tracks and accept wagers on all thoroughbred
23 California tracks.

24 CHAIRPERSON SHAPIRO: Including Santa Anita and
25 Golden Gate?

1 MR. NATHANSON: Including Santa Anita and Golden
2 Gate. And we have been promoting it heavily both on our
3 network, our availability of all California tracks, as well
4 as through our own marketing dollars on other platforms such
5 as the Daily Racing Form and other publications.

6 COMMISSIONER MOSS: How many states do you now
7 broadcast to?

8 MR. NATHANSON: We broadcast to all 50 states.
9 This year we have increased our distribution by over 100
10 percent to nearly 30 million homes across every major cable
11 and satellite provider and IPTV provider. We have also
12 renewed our agreement with Fox Sports Net which takes our
13 programming into additional homes. For example, Fox Sports
14 Net West and Prime Ticket in Southern California.

15 CHAIRPERSON SHAPIRO: And you accept wagers in how
16 many states?

17 MR. NATHANSON: We accept wagers today in 13
18 states, including a new state which we launched this year,
19 an agreement with Yonkers Race Course in New York.

20 VICE CHAIRMAN HARRIS: So the factor there is
21 those are states that have basically through the legislature
22 authorized ADW.

23 MR. NATHANSON: Authorized TVG to conduct, yes.

24 VICE CHAIRMAN HARRIS: Are there are other states
25 out there that ADW is legal that you're not in that you

1 could expand into?

2 MR. NATHANSON: You know, I think that's up for
3 interpretation by each ADW company.

4 VICE CHAIRMAN HARRIS: I know there is a dispute
5 as far as the state and where the bet is made and all that.

6 CHAIRPERSON SHAPIRO: Okay, with that I would
7 entertain a motion that we approve this.

8 COMMISSIONER AMERMAN: So moved.

9 CHAIRPERSON SHAPIRO: Moved. Second?

10 COMMISSIONER MORETTI: Second.

11 CHAIRPERSON SHAPIRO: All in favor?

12 (Ayes)

13 MS. CHRISTIAN: Mr. Chair, if I can just take a
14 moment. I want to give some kudos to your staff. This is
15 very, very hard stuff and everybody is trying to work
16 through it. And I think that -- Because I have been on that
17 side. The staff analysis is very cogent, it's well done.
18 And I hope you all give some kudos to your hardworking staff
19 because they've really been very helpful to all of us.

20 CHAIRPERSON SHAPIRO: Well thank you. I
21 appreciate hearing that and I appreciate that the staff
22 hears that. And we will thank staff. Thank you Roberto,
23 thank you Bon, thank you everybody. Wendy, thank you. And
24 everybody back at the office who I may have missed but we do
25 appreciate it. And of course Jackie.

1 Okay, that brings us to Youbet. What happened to
2 xpressbet, did I -- They're X, they're alphabetical.

3 Okay. Good morning Mr. Champion and Mr. Powell,
4 how are you?

5 MR. CHAMPION: Good morning.

6 MR. POWELL: Good morning. Good, thank you.

7 CHAIRPERSON SHAPIRO: Good. You've heard the
8 prior discussions so you kind of know what the questions
9 are. You want to tell us about you have a hub agreement,
10 where it is.

11 MR. CHAMPION: Chuck Champion, Chairman and chief
12 Executive Officer of Youbet.com. We do have a hub
13 agreement. We have signed it. We understand that we'll be
14 getting a new hub agreement to sign again because of the
15 changes that we have all head about today. So we have an
16 agreement and we're prepared to sign it.

17 CHAIRPERSON SHAPIRO: Okay. And in terms of the
18 card check discussion, the labor agreement discussion?

19 MR. CHAMPION: We have had conversations with the
20 union. We are supportive of the concept of making sure that
21 individuals that are engaged in the processing of wagers,
22 particularly here in California, is addressed. It is going
23 to be a matter of identifying those individuals at Youbet
24 that would be covered, appropriately covered and how they
25 would be covered. So those conversations will need to take

1 place over the next number of weeks.

2 We suggest that you, however though to ensure that
3 there isn't bargaining power or leverage, make sure that it
4 is clear that what these ADW companies need to be is in
5 compliance with the statute, not simply having an agreement
6 in place.

7 CHAIRPERSON SHAPIRO: And I believe that is our
8 intent and I believe that that was acknowledged and
9 recognized by Mr. Broad.

10 MR. CHAMPION: Okay.

11 CHAIRPERSON SHAPIRO: But it is our intent to
12 comply with the statute. We are not party and shouldn't be
13 involved in contractual agreements between the parties.

14 MR. CHAMPION: Correct.

15 CHAIRPERSON SHAPIRO: All right, does anybody
16 else --

17 COMMISSIONER MORETTI: How many employees do you
18 now have in California?

19 MR. CHAMPION: In our Woodland Hills facility we
20 have about 78 I believe, almost 80.

21 CHAIRPERSON SHAPIRO: At one point you had I think
22 telephone jobs there. Do you now have?

23 MR. CHAMPION: We have some, we have some jobs
24 that are there that are not going to be residing there. Not
25 as a result of this but they have been moved. We were

1 carrying some overflow out of our Woodland Hills facility.
2 We are handling the vast majority of that out of our Oregon
3 facility and that's where most everything is going to be
4 placed.

5 CHAIRPERSON SHAPIRO: Okay. Does anybody else
6 have any other questions? Otherwise I think --

7 VICE CHAIRMAN HARRIS: So you also will be
8 covering essentially every track in California? It could be
9 bet through Youbet?

10 MR. CHAMPION: Yes. In fact we would like to
11 compliment Mr. Charles and his marketing team for some of
12 the ideas and suggestions that he has made in terms of how
13 he is going to improve performance at both Santa Anita and
14 at Golden Gate Fields.

15 One of the things that we will offer publicly to
16 Mr. Charles is the ability to notify our customers within 50
17 miles of those racetracks that Mondays are free and an
18 opportunity for them to go there. Because we support the
19 concept that we need to get new racing fans and people to
20 the racetrack. We think that is a terrific idea and we're
21 looking forward to working more closely with our partners at
22 Magna this year to try to make Santa Anita terrific as well
23 as Golden Gate Fields.

24 CHAIRPERSON SHAPIRO: Terrific. Okay.

25 COMMISSIONER MOSS: Just a question. In the past

1 you were not able to promote California racing because of
2 inhibiting fees and all that. Is this now a different
3 situation?

4 MR. CHAMPION: It is. You know, thanks to the
5 hard work of Mr. Nathanson, Mr. Liebau, along with the TOC
6 and representatives of TrackNet, which are some of our
7 competitors, the new agreements that have been crafted and
8 the new models that are being used afford Yobet a more
9 sizable profit here in California and therefore can be
10 reinvested into the state and growing the business. It's
11 still not nearly what we'll make in other states but it's
12 gone from nothing to something.

13 And California is a critically important market,
14 not only to horse racing but to Yobet. Twenty-five percent
15 or so of the handle is California handle. And we're
16 delighted at the changes and we're really looking forward to
17 how this experiment unfolds to make sure that it works for
18 all parties in the agreement. So we're going to throw our
19 shoulder into that to truly make it work.

20 And that's, again, already begun. We're showing
21 very nice increases year over year on Hollywood Park, even
22 with the additional competition in the marketplace. We are
23 watching over all trends, however though, because of the
24 absence of having tracks like Fairgrounds and Churchill. It
25 affects our business so that even though those tracks are

1 not formally exclusive that's in essence what's happening
2 right now. They're exclusive to the TrackNet partnership
3 and absent on TVG and Youbet and that affects our overall
4 performance in the state and in the country. So we're going
5 to have to keep an eye on that as we move forward.

6 COMMISSIONER MOSS: Mr. Champion, how many states
7 do you accept wagers in now?

8 MR. CHAMPION: We accept wagers in 36
9 jurisdictions. We recently stopped taking wagers in
10 Washington DC, the District of Columbia, as a result of
11 requests by the Oregon Racing Commission.

12 We have ceased taking wagers in Arizona as a
13 result of a new passage of law that we believe is
14 unconstitutional and are looking at, quite candidly,
15 challenging that law because of the nature of it. It's a
16 closure law, it's exclusion, it seems to violate the concept
17 of supremacy and the interstate horse racing acts and we're
18 looking at that very seriously as we speak.

19 MR. POWELL: I might add that the changes in both
20 of those jurisdictions apply to all ADWs.

21 CHAIRPERSON SHAPIRO: And that's Lonny Powell
22 speaking.

23 MR. POWELL: Yes, Lonny Powell, Youbet.com.
24 Sorry, Mr. Chair.

25 CHAIRPERSON SHAPIRO: That's okay.

1 MR. CHAMPION: Very painful for him as well,
2 coming from Arizona.

3 CHAIRPERSON SHAPIRO: All right, I will entertain
4 a motion to license Youbet for one year through 2008,
5 conditionally as we've discussed with the other applicants
6 or licensees. Is there a motion?

7 VICE CHAIRMAN HARRIS: So moved.

8 CHAIRPERSON SHAPIRO: Second.

9 COMMISSIONER MORETTI: Second.

10 CHAIRPERSON SHAPIRO: All approved?

11 (Ayes)

12 CHAIRPERSON SHAPIRO: Thank you very much.

13 MR. CHAMPION: Thank you very much.

14 CHAIRPERSON SHAPIRO: And good luck catching your
15 plane.

16 COMMISSIONER MORETTI: Could I ask, Mr. Chair,
17 that at our next meeting that we get a report back on what
18 happened with these negotiations that we are conditioning
19 all of this on.

20 CHAIRPERSON SHAPIRO: Our next meeting is going to
21 be December 14. So I don't know that we'll be able to get
22 it done for the 14th but perhaps for the January one.

23 VICE CHAIRMAN HARRIS: Sometime I would like to
24 also have the Board get a recap of the way the total ADW
25 works as far as where all the money goes for the different

1 types of bets. It gets pretty complicated and I don't think
2 any of us understand it as well as we really need to.

3 COMMISSIONER MORETTI: You should read the 75
4 notebooks you got.

5 VICE CHAIRMAN HARRIS: Yes, I got a big box of
6 stuff. But we need to just show different examples of bets.
7 If a bet is made at Golden Gate on Santa Anita or if
8 somebody is home in Fresno on Santa Anita. How it all
9 works.

10 COMMISSIONER AMERMAN: I think that's a great
11 suggestion.

12 CHAIRPERSON SHAPIRO: Okay. All right, moving
13 right along. We're going to do Xpressbet. And we're making
14 good progress so hopefully Melissa and Laura are watching
15 and they'll get an earlier plane maybe. Maybe they'll get
16 that 4:15 airplane.

17 Okay, Item number 17, which is discussion and
18 action to conduct advance deposit wagering by Xpressbet.
19 Again we're talking about for one year. Good morning.

20 MR. SCOGGINS: Good morning, Mr. Chair. My name
21 is Gregg Scoggins, I'm with Xpressbet and Magna
22 Entertainment. With me is Gene Chabrier with Xpressbet
23 also. It's a pleasure to be here.

24 CHAIRPERSON SHAPIRO: Nice to have you here.

25 MR. SCOGGINS: Thank you.

1 CHAIRPERSON SHAPIRO: You've heard the prior
2 discussions so let's hear about your hub agreement. Do you
3 have a hub agreement?

4 MR. SCOGGINS: As I understand it there is a hub
5 agreement in place that all of the parties have agreed to,
6 we're just awaiting signatures. It's the ten party
7 agreement that has been referred to earlier this morning.

8 CHAIRPERSON SHAPIRO: Okay, so as a condition of
9 your license you will have a hub agreement similar to the
10 other ADW companies.

11 MR. SCOGGINS: Yes sir.

12 CHAIRPERSON SHAPIRO: Okay. And on the agreement
13 with labor, you have also heard that discussion.

14 MR. SCOGGINS: Yes. To provide some factual
15 context. Xpressbet does have live tellers who take wagers
16 on behalf of customers. Those tellers are employees of
17 Xpressbet. They are located in Oregon at our Oregon hub.
18 We do not have any employees in the state of California at
19 this time.

20 The extent to which we utilize kiosks or
21 facilities at Santa Anita, Bay Meadows and Golden Gate are
22 pursuant to agreements that we have with those tracks where
23 SEIU union members who are employees of those tracks provide
24 those services on Xpressbet's behalf and Xpressbet
25 reimburses the track for those employees' times.

1 As far as the agreement with the SEIU. We had
2 submitted an agreement for their consideration, had received
3 comments back from their lawyer with which we agreed. It is
4 my understanding and expectation that we should not have too
5 much difficulty in finalizing the terms of that agreement
6 such that it would be in place before January 1.

7 CHAIRPERSON SHAPIRO: Okay. We want to make sure
8 there is no difficulty and that it will be in place. And
9 I'm hoping there isn't too much also -- And again, we're not
10 trying to create any negotiating leverage for either side or
11 any party but it is a condition of your license that it be
12 in place. Okay?

13 MR. SCOGGINS: Yes sir.

14 CHAIRPERSON SHAPIRO: All right. Does anybody
15 have any questions?

16 I'm assuming you -- How many states do you accept
17 wagers in?

18 MR. SCOGGINS: Thirty-four.

19 CHAIRPERSON SHAPIRO: Thirty-four, okay. And
20 obviously you use HRTV.

21 MR. SCOGGINS: Yes sir.

22 CHAIRPERSON SHAPIRO: Because you are part of
23 TrackNet, is that correct?

24 MR. SCOGGINS: That's correct.

25 CHAIRPERSON SHAPIRO: Okay, TrackNet Media. All

1 right.

2 COMMISSIONER AMERMAN: What are the two states
3 that you don't accept wagers in that are done by --

4 CHAIRPERSON SHAPIRO: Youbet.

5 COMMISSIONER AMERMAN: -- Youbet.

6 MR. SCOGGINS: I'll defer to Mr. Chabrier.

7 MR. CHABRIER: I can tell you in a second.

8 COMMISSIONER AMERMAN: I didn't realize it was a
9 tough question.

10 CHAIRPERSON SHAPIRO: Do you know?

11 MR. POWELL: Texas is one.

12 MR. CHABRIER: Yes.

13 MR. SCOGGINS: And Michigan I suspect is the
14 other.

15 CHAIRPERSON SHAPIRO: There we go.

16 COMMISSIONER AMERMAN: Thank you.

17 CHAIRPERSON SHAPIRO: Okay, I will entertain a
18 motion to approve our friends at Xpressbet.

19 COMMISSIONER AMERMAN: So moved.

20 CHAIRPERSON SHAPIRO: Second?

21 COMMISSIONER MORETTI: Second.

22 CHAIRPERSON SHAPIRO: All in favor?

23 (Ayes)

24 MR. SCOGGINS: Thank you.

25 CHAIRPERSON SHAPIRO: Thank you. Okay, do we need

1 a five minute break?

2 COMMISSIONER MORETTI: Yes please.

3 CHAIRPERSON SHAPIRO: Okay, we're going to take a
4 five minute break. It is now -- We will reconvene at 11:30.

5 (Thereupon, a recess was taken off the
6 record.)

7 CHAIRPERSON SHAPIRO: We're going to come back to
8 the meeting and we're going to pick up with Item number 7,
9 which is report of the Pari-Mutuel/ADW and Simulcast
10 Committee. Commissioner Moss, you're going to give that
11 report?

12 COMMISSIONER MOSS: Yes, I can do that. With a
13 grateful nod to Mike Marten, thank you.

14 Our Pari-Mutuel Committee met October 19 at Santa
15 Anita and it began with a very information presentation on
16 late odds changes from J. Curtis Linnell, the security chief
17 at TRPB. The main point Curtis wanted to make, I think, was
18 that late odds changes have been virtually eliminated here
19 in California. He cited a study of wagering at Del Mar
20 showing that 99.5 percent of the money consistently was in
21 the system and posted on the infield tote within ten seconds
22 from the start of the race.

23 He went on to explain the technical reasons why
24 99.5 percent is not 100 percent. Essentially he said we
25 won't be at 100 percent here in California, or anywhere else

1 for that matter, until the industry spends a lot of money on
2 new equipment and finishes developing a new wagering
3 protocol. We are inching closer to that 100 percent mark
4 here in California. Scientific Games has made some
5 significant improvements and we eliminated one of the few
6 remaining double-hop situations in Oregon last month.

7 It turns out the biggest problem has been
8 perception rather than reality. Scientific Games was slow
9 in disseminating the updated odds to outside locations such
10 as TVG, so that even when the on-site customers at Del Mar
11 could see the accurate, updated odds shortly after the start
12 of the race, the TVG customers were looking at odds as much
13 as a minute old, giving them the impression that someone was
14 betting late when the odds finally did change at the end of
15 the race. Scientific Games made some technical changes and
16 how is getting the updated odds out faster to TVG and other
17 places. This should go a long way towards improving
18 perception.

19 Another major item was a report on simulcast
20 facilities in California. This grew out of a discussion I
21 had with Ron Charles when I indicated I would like to see
22 our product as polished as we can make it, with attractive
23 facilities, good lighting, good food, whatever, to make the
24 wagering experience at these facilities as comfortable and
25 inviting as possible. Ron arranged for someone to go to

1 each of the 33 wagering locations in California, take
2 photographs and comment on each of these facilities. The
3 purpose was not to cast anyone in a negative light but
4 rather to assess what we have and perhaps come up with ways
5 to make things better.

6 I was pleased to hear from Chris Korby that CARF,
7 that's the fair group, is willing to work with the Board and
8 other factions in the industry to improve the simulcast
9 facilities. I think this effort will need to include many
10 people from many organizations including other public
11 entities. And to that end I would like ask staff to provide
12 us with a detailed description of who runs each of these
13 facilities, how they are funded, where the money goes, and
14 to suggest ways we can work with others to get more money
15 into and out of those facilities and accomplish our goals.

16 Drew Couto of the TOC asked these same kinds of
17 questions at the meeting. The idea is not to criticize
18 anyone but to work together on making things better.
19 Whether this involves remodeling facilities or building new
20 ones, better marking, improved signage or whatever, it all
21 begins with a better understanding of where we are, how
22 things work, and beginning the dialogue to get things going
23 in the right direction.

24 During this discussion Commissioners Andreini and
25 Choper brought up AB 241, which will allow us to increase

1 the number of facilities, hopefully into undeserved areas
2 such as San Francisco -- Not undeserved but under-serviced.

3 CHAIRPERSON SHAPIRO: Under-served?

4 COMMISSIONER MOSS: Under-served, how's that?

5 COMMISSIONER AMERMAN: There you go.

6 COMMISSIONER MOSS: Got it right, okay. Such as
7 San Francisco and the San Fernando Valley. Ideally we want
8 to end up with very attractive and popular wagering
9 facilities, both improved existing facilities and modern new
10 ones that, that will help our business grow here in
11 California.

12 Moving on to another item, Commissioner Choper had
13 suggested possibly lowering the number of starters required
14 to have trifecta and superfecta wagering in a race. Right
15 now there must be six horses when the wagering opens in
16 order to have trifecta wagering and eight for superfecta
17 wagering. At our previous meeting Ron Charles had agreed to
18 discuss this idea with his fans committee. He reported back
19 that the fans he spoke to were solidly against lowering the
20 number on trifectas but they were split on the superfecta.
21 He mentioned that there are tracks in other states,
22 including Calder, where they do have a lower minimum of
23 starters. Ron agreed to speak with the people at Calder to
24 learn their experiences and he will provide that information
25 at our next pari-mutuel meeting.

1 Next we heard a comprehensive presentation from a
2 fan, Mr. Roger Way, who offered his opinion that the Pick
3 Six as it is currently presented favors the big bettors and
4 syndicates who can afford to put in expensive tickets that
5 include a large number of horses. He said the harder it is
6 to hit the Pick Six the more it favors the big bettors.

7 And because carryovers drive up handle the
8 racetracks purposefully schedule races with larger fields
9 that are more difficult to handicap later in the card so
10 that they are part of the Pick Six. He suggested that among
11 other solutions we should lower the price of the wager to
12 \$1, which would allow smaller bettors to use more horses.

13 We heard from a number of people who strongly
14 opposed any changes to the Pick Six including Drew Couto of
15 the TOC, Ron Charles, Rick Hammerly, the racing secretary at
16 Santa Anita, Sherwood Chillingworth from Oak Tree and
17 others. They all said that Pick Six works the way it is.
18 That it is a successful precisely because it is difficult to
19 hit and any tinkering could only hurt, not help. They
20 pointed to a large number of small bettors who have hit big
21 Pick Sixes on small tickets. We on the Committee were
22 convinced by these arguments and persuaded to leave the Pick
23 Six the way it is.

24 We heard from Richard Castro and Doug Kempt from
25 the Pari-Mutuel Guild. Richard spoke on matters relating to

1 AB 765, which in addition to extending ADW also establishes
2 procedures relating to representation of workers at ADW
3 companies. He reiterated that the Guild will be seeking to
4 represent those employees through a card check method and he
5 described how that process works. We told him we understood
6 his position.

7 Doug reported on problems experienced by some
8 clerks due to the ten cent superfecta wager. Apparently it
9 can be confusing and clerks have been known to push \$50, for
10 example, instead of 50 cent denominations, resulting in the
11 clerks coming up short at the end of the day, which they
12 must make up out of their own pockets. George Haines, the
13 GM at Santa Anita, said he would work with the Guild to find
14 a solution to this problem.

15 And finally we heard from Scientific Games on the
16 technical reasons why they cannot implement our new rules
17 for consolation pools for scratched horses in the Pick Four
18 and for proportional payouts when there are dead heats in
19 the Pick Four and Pick Six.

20 Initially Scientific Games told us we could go
21 ahead with these changes but upon further review they
22 determined we cannot. It all has to do with the way wagers
23 are processed. There is a fundamental difference in the way
24 they process the Daily Double and the Pick Three, which do
25 have consolation pools and proportional payouts, and the way

1 they process wagers involving more races such as the Pick
2 Four and the Pick Six.

3 Bottom line, they say they can't do it. So we, as
4 a Board, cannot provide these changes for the benefit of
5 bettors. It is very disappointing but there doesn't seem to
6 be any way to get around it.

7 That concludes my report. And if Commissioners
8 Choper or Andreini have anything to add they should do so.
9 Thank you.

10 CHAIRPERSON SHAPIRO: Thank you very much, a very
11 complete report.

12 COMMISSIONER AMERMAN: Under 241 where we have
13 additional facilities across the state. Are we precluded or
14 does that include kiosks being on premises at existing
15 racetracks? In other words, if Santa Anita or Hollywood
16 Park wanted to put a kiosk in for betting could they do that
17 with a drive-through?

18 The reason I bring it up. I was just in Kentucky
19 at Keeneland and I was going to a meeting the other day.
20 And here is this drive-through, which we've all seen, but
21 it's lined up with cars. And it seemed to me that a lot of
22 these tracks, Golden Gate we were talking about, they've got
23 freeways and traffic so they're slow. So why wouldn't they
24 just get off and make a wager. So my question is, are we
25 precluded in any way from doing that, existing racing

1 facilities?

2 CHAIRPERSON SHAPIRO: I don't know if there's an
3 expert here, Rod Blonien is gone. And Rod was, I think, the
4 party that was pushing that bill. It is my understanding
5 that it provides for these mini-satellites, as they're
6 known. I know there's discussions like at some of the card
7 clubs right now, to put them in there and places like that.
8 I don't know if it would allow for a drive-through.

9 COMMISSIONER AMERMAN: I understand that. I was
10 just thinking beyond 241. You own --

11 CHAIRPERSON SHAPIRO: I think any track could do
12 that now.

13 COMMISSIONER AMERMAN: Okay.

14 CHAIRPERSON SHAPIRO: They wouldn't need this
15 legislation. It's within the enclosure, which means they
16 could pretty easily if they wanted to I think probably
17 create a kiosk or a drive-through in their empty parking
18 lot.

19 COMMISSIONER AMERMAN: I was thinking of just the
20 cars getting off and going through when they're kind of
21 bored in the morning or in the afternoon or whenever.

22 VICE CHAIRMAN HARRIS: I think there's a couple of
23 different models. You could have it with ADW with all the
24 wireless technology. Somebody, if they didn't have a wreck
25 doing it, could be betting their races as they're driving

1 down the freeway probably. But the other model is a
2 satellite-type thing where it is more a critical mass of
3 people have to be there to go inside of something. I agree,
4 we need to look into that.

5 COMMISSIONER AMERMAN: Like a drive-through
6 teller, you know.

7 VICE CHAIRMAN HARRIS: Yes.

8 COMMISSIONER AMERMAN: The same thing.

9 VICE CHAIRMAN HARRIS: Yes.

10 EXECUTIVE DIRECTOR FERMIN: I believe it has to be
11 20 miles from a racetrack.

12 CHAIRPERSON SHAPIRO: But this is on the
13 racetrack.

14 MR. TUNNEY: This is something entirely different.
15 Peter Tunney just representing -- While Commissioner Moretti
16 said I shouldn't be considered a racing historian because
17 I'm too young for that but the fact is that this has been
18 tried before, both at Golden Gate and Bay Meadows. And I
19 think the rub was, actually the San Mateo Fair tried opening
20 something like that similar to when the Bay Meadows was
21 running. I think the law currently says something about
22 within the enclosure. Now the Racing Board has used the
23 enclosure to include the stable area and there are betting
24 facilities.

25 But to your point, Commissioner Amerman, it is

1 entirely different than the kiosk approach. It's the drive-
2 up teller as you would for a bank or anything else and that
3 they could get off the freeway and get back on. We
4 certainly would be willing to look into that.

5 COMMISSIONER AMERMAN: We probably should explore
6 it.

7 MR. TUNNEY: Explore it, yes, I think so.. But it
8 was tried and I think the Board came back -- It has been
9 many years ago. The Board came back and said, it's not
10 within the enclosure.

11 COMMISSIONER AMERMAN: Well that was then and this
12 is now.

13 MR. TUNNEY: This is now, right.

14 CHAIRPERSON SHAPIRO: Well the enclosure is the
15 property, right?

16 COMMISSIONER MOSS: I'm assuming --

17 CHAIRPERSON SHAPIRO: They have a fence around it
18 somewhere.

19 VICE CHAIRMAN HARRIS: It doesn't hurt to try.
20 But it seems to me a person would be better off just staying
21 at home and doing it then getting in a car and driving to
22 the track to get to the drive-through window.

23 COMMISSIONER MOSS: I'm assuming that for these
24 new 45 facilities that the Board would just recognize
25 whatever.

1 COMMISSIONER AMERMAN: No. It just seemed to work
2 very well in Kentucky.

3 COMMISSIONER MOSS: Whoever wants to set up a
4 facility would submit their application to the Board and we
5 would decide.

6 CHAIRPERSON SHAPIRO: Well, they have to meet the
7 criteria within the law, which there are certain criteria.

8 COMMISSIONER MOSS: Right.

9 CHAIRPERSON SHAPIRO: And I think that you're
10 right, that if they meet that criteria and they work with us
11 I don't think there will be a problem.

12 EQUINE MEDICAL DIRECTOR ARTHUR: This isn't my
13 area of expertise, Dr. Arthur, Equine Medical Director, but
14 I will say that we consider enclosure the entire property of
15 the racetrack for contraband. So if it's good for one issue
16 it should --

17 VICE CHAIRMAN HARRIS: I'm not sure if that's
18 true. I thought there were some cases where --

19 EQUINE MEDICAL DIRECTOR ARTHUR: There are cases
20 that support that argument.

21 DEPUTY ATTORNEY GENERAL KNIGHT: I think there's
22 an issue about that. I don't think this is the place to
23 debate it. We've had an issue about some problems in the
24 parking lot and I know that there was an issue about that.

25 VICE CHAIRMAN HARRIS: Yes. I think within the

1 enclosure you could do a search but in the parking lots you
2 couldn't without due cause and all that.

3 CHAIRPERSON SHAPIRO: All right. Well look,
4 again, thank you for that report. Now moving to Item number
5 8, which is discussion and action by the Board regarding the
6 proposed amendment to CHRB Rule 1865, Altering of Sex of
7 Horse, to provide that a horse be scratched if the true sex
8 of the horse is not reported to the racing office by scratch
9 time for the race in which the horse is entered. This item
10 it seems has -- Am I thanking away your thunder, Bon?

11 ASSISTANT EXECUTIVE DIRECTOR SMITH: Go ahead.

12 CHAIRPERSON SHAPIRO: Okay. This item we have
13 been dealing with ad nauseam. It's a problem that, you
14 know, we need to protect the wagering public from late-
15 noticed changes of a horse that has been gelded, first time
16 geldings. And the Committee has heard this.

17 And as I recall from our last discussion we had
18 looked at whether or not there would be significant fines
19 offered to stop this. And then it was thrown out at the
20 last meeting for public comment, I believe, that maybe we
21 should consider scratching the horse. The ultimate
22 punishment. So I believe that is where the discussion is
23 and that's why we have this proposed modification to Rule
24 1865 in front of us.

25 EXECUTIVE DIRECTOR FERMIN: Could I make a

1 comment?

2 CHAIRPERSON SHAPIRO: Of course you can.

3 EXECUTIVE DIRECTOR FERMIN: Within the last ten
4 days we had a conference call with all of the stewards and
5 the Equine Medical Director, Bon and myself as well as Rad
6 Coulter from enforcement. And stressed again the
7 seriousness of the fact of a rule with having horses
8 scratched, not knowing who was the culprit, whether it's the
9 racing office or whatever. And that the Board -- The fans,
10 every time there is a violation we get a lot of e-mails
11 about it and that the \$300 fines were not sufficient and
12 that they did not satisfy the Board.

13 Their hope was that prior to going further with
14 the scratch theory that they were very willing to increase
15 the sanctions and move them up monetarily, significantly.
16 We talked about \$500, we talked about \$1,000 and obviously
17 more seriously if there are repeat offenders.

18 So they just wanted the Commission to know this
19 and have this as part of your thought process.

20 VICE CHAIRMAN HARRIS: I think we could take that
21 under consideration. But the problem is, if it is not
22 disclosed that a horse has been gelded after wagering
23 started and it in fact had been, the wagerer is being
24 defrauded. He made a bet on something without full
25 knowledge, either that horse or the impact that horse may

1 have had on the rest of the field.

2 So I guarantee if you do this you're not going to
3 get that many scratches because people will get it right in
4 the first place. But we've got to look out for the wagering
5 public and we're just not doing that. I mean, the wagering
6 public doesn't benefit. So a trainer got fined \$500, but
7 still the horse raced that was a gelding that was not
8 announced properly.

9 And it is just like any of our medication or
10 whatever. We need to get on with it and just do this and if
11 it doesn't work we can change it. I think if we don't
12 scratch the horse someone is damaged. The scratch also is
13 after betting. If somebody can correct it before betting
14 starts that's one thing. If you're entering on Sunday for
15 Thursday and the trainer sorts it out and by Tuesday he's
16 got it straightened out he's okay. But if he doesn't get it
17 straightened out until Thursday afternoon then he's got to
18 scratch.

19 COMMISSIONER CHOPER: How about the idea of saying
20 that once wagering has started then the penalty is that you
21 lose the purse.

22 VICE CHAIRMAN HARRIS: Well, I think you've just
23 got to scratch the horse. Because the problem is you
24 penalize the wrong guy. Maybe you're penalizing the guy
25 that, you know, made an error, the bettor. You've got

1 waging going on all over the country without full
2 disclosure is the problem.

3 COMMISSIONER CHOPER: What I mean is, who would
4 you be penalizing?

5 VICE CHAIRMAN HARRIS: If I'm some guy in Fresno
6 and I bet on a horse --

7 COMMISSIONER CHOPER: Then we'd know. If betting
8 has started then the horse runs.

9 VICE CHAIRMAN HARRIS: No, the horse has got to
10 scratch. Because I bet on a horse that was running against
11 a horse maybe that was a first time gelding that I wouldn't
12 have bet on if I had known the correct information. I think
13 it's just like anything, we've got to have all the correct
14 information at hand before wagering starts or you've got to
15 scratch the horse.

16 COMMISSIONER CHOPER: Isn't there a prescribed
17 penalty? Have there been situations where geldings have
18 actually won races where they were listed as full horses?
19 Has that happened? I don't think that's happened?

20 VICE CHAIRMAN HARRIS: Yes, over the years it's
21 happened.

22 COMMISSIONER CHOPER: Well maybe over the years
23 it's happened but it --

24 COMMISSIONER AMERMAN: Establishing a causal
25 relationship is another matter.

1 VICE CHAIRMAN HARRIS: But the thing is it's just
2 disclosure. I mean, it's so easy to do it right. It's not
3 like we're trying to do something here that is going to
4 impose a hardship on anyone. It's just common sense that we
5 would not let a horse run. It would be like if a horse had
6 not had Lasix we'd scratch it. If the horse had not had
7 bute we'd scratch it. That's probably no more of a factor
8 than gelding a horse.

9 COMMISSIONER MOSS: How many -- Maybe Rick could
10 answer this. I know that in one pari-mutuel meeting we had
11 -- the number was rather high, I think I remember 44 late
12 gelding reports. What is it lately? Has it gone down at
13 all or is it still the same or what do you think.

14 EQUINE MEDICAL DIRECTOR ARTHUR: We haven't looked
15 at it since July or June 30 of '07. Mike, you have taken a
16 look at that at all?

17 PUBLIC RELATIONS ANALYST MARTEN: No, we haven't
18 updated that number.

19 EQUINE MEDICAL DIRECTOR ARTHUR: There certainly
20 have been several of them but there were 44 in the 12 months
21 between July 1, '06 and June 30, '07. And they hadn't
22 changed between the first part of the year and the second
23 half of the year. Part of it is the stewards, just like
24 most other horsemen, don't take this as seriously as
25 certainly the Board is. And I think this action certainly

1 explains to them that they do take it seriously.

2 One of the issues that the stewards had is that
3 who was actually responsible and whether you could make that
4 decision very rapidly and resolve these cases. Because
5 there have been several instances where it has been the
6 racing offices fault. There's been other instances where
7 horses have been listed as geldings that were actually
8 colts. There can be other mistakes that happen as well.

9 I certainly don't see any harm with the Board
10 passing this, putting it on the agenda and getting people up
11 here to argue how this is -- You know, it takes a pretty
12 long process to get this in place anyway. And by the time
13 it comes up for adoption I think the Board would have a
14 pretty good idea of where it goes.

15 VICE CHAIRMAN HARRIS: All we're doing today is
16 just putting it out for comment as I understand it, is that
17 correct? So I think we should put it out for comment and if
18 people say it's a dumb idea maybe I'll back down. But I
19 think that the public out there thinks that they want to
20 know if the horse is a gelding or a colt or whatever it is.

21 EQUINE MEDICAL DIRECTOR ARTHUR: Regardless of
22 whether you scratch the horse or not, Provision D, actually
23 putting the specific responsibility on the trainer to make
24 sure the sex is properly registered on the papers is an
25 important provision of this, whether or not you go for

1 scratching or not.

2 VICE CHAIRMAN HARRIS: The problem is there's two
3 different things. If we're talking about who is responsible
4 it might be a different issue than the really damaged, the
5 bettor. What we've got is a game that people are wagering
6 on and they need to have all the information when betting
7 starts. If something changes -- Just like if all of a
8 sudden you change the weight on a horse drastically after
9 betting had already started. That wouldn't be right either.

10 COMMISSIONER CHOPER: I think the important thing
11 is --

12 EQUINE MEDICAL DIRECTOR ARTHUR: Of course, a
13 gelding would have about ten less pounds.

14 VICE CHAIRMAN HARRIS: Not that much.

15 COMMISSIONER AMERMAN: I think the important thing
16 is the perception of the bettor. The reality, I'm quite
17 confident, is irrelevant. That's not the point. The point
18 is, when you bet a horse and the horse loses you'll grab at
19 any reason as to why you made -- why you didn't make the
20 stupid bet.

21 VICE CHAIRMAN HARRIS: Well some of the errors are
22 on first-time starters. It is probably not as big of a deal
23 if a horse is making a first start as a gelding or a colt or
24 whatever, he doesn't have an established form anyway. But
25 the problem is if some four-year-old that started 15 times

1 and hadn't really been doing that well, then it's gelded and
2 comes back. And some of you can look up the statistics on
3 that but that normally is a pretty good equipment change.

4 CHAIRPERSON SHAPIRO: I think that -- To frame the
5 issue. There will be people, our track partners and those
6 people that are looking at wagering in terms of what
7 revenues it creates are not going to like this notion
8 because it takes a betting interest out of a race.

9 VICE CHAIRMAN HARRIS: Well, the full disclosure
10 should --

11 CHAIRPERSON SHAPIRO: No, no, I'm agreeing with
12 you, however, that the integrity to those people placing the
13 wagers has to be that they are getting all the facts, or at
14 least as many facts as we can give them or report to them so
15 they can intelligently wager. So what I think we should do
16 is I think we should put this out for comment. I think in
17 the interim we should try to see if since the fines or the
18 sanctions have risen whether there has been a decrease in
19 the number of instances that have occurred. And then we can
20 use some of that data as we move forward along with the
21 public comment to come to a final determination.

22 VICE CHAIRMAN HARRIS: Yes, that's the plan.

23 COMMISSIONER AMERMAN: I move that we put it out
24 under those circumstances.

25 VICE CHAIRMAN HARRIS: I'll second.

1 CHAIRPERSON SHAPIRO: Okay, it's seconded. I see
2 people standing. I don't have cards. Do you wish to
3 comment on this matter given this action? I see Mr. Power.

4 MR. POWER: Yes, just a quick comment. I had the
5 unfortunate --

6 CHAIRPERSON SHAPIRO: Please say your name.

7 MR. POWER: Yes, Michael Power. I had the
8 unfortunate experience a few years of claiming a filly for
9 breeding purposes who was a full sister to the great Stake
10 Runner. I had the track vet check her, he said she was fine
11 for breeding. I shipped her to New Zealand where I was
12 informed that her ovaries had been removed some time ago. I
13 don't know how unique an experience was that but it was not
14 a forgettable one. Perhaps there should be some look at the
15 fillies who have had their ovaries removed and notification
16 of that to the racing office.

17 I happen to think it's a pretty good idea for a
18 lot of mares who shouldn't be breeding, and in fact would
19 like to see some sort of weight allowance given to mares
20 which had been fixed as kind of a forerunner to precluding
21 their breeding. A horse shouldn't be racing at all. But
22 more to the point, fillies are fixed for purposes of
23 stopping their menstrual cycle, so to speak, and perhaps
24 that should be part of any policy that you have.

25 CHAIRPERSON SHAPIRO: Well, it's an interesting

1 thought, I've never even heard of that. I never knew,
2 frankly it never dawned on me. So perhaps Dr. Arthur could
3 come back to us with some information about that. It's
4 really not this subject but it's certainly related.

5 MR. POWER: Thank you.

6 CHAIRPERSON SHAPIRO: Okay thank you.

7 All right, with that then, all in favor of the
8 motion that has been made?

9 (Ayes)

10 CHAIRPERSON SHAPIRO: It's approved.

11 Okay, report of the Medication Committee meeting.
12 We did have one yesterday. I'll ask Dr. Arthur to give a
13 report on that.

14 EQUINE MEDICAL DIRECTOR ARTHUR: I'll skip over
15 the discussion of authorization for or the changes to 1844
16 and anabolic steroids because that is the next item.

17 But we discussed changes to 1890 having to do with
18 contraband. That will be technical changes that will be
19 brought before the Board in the near future.

20 We discussed the possibility of changing the
21 regulation to allow unshod horses to race. Horses are now
22 required to have shoes under our rules.

23 And we had very interesting presentations on the
24 Equine Herpesvirus research, an emergency preparedness
25 program that we're beginning to implement in California

1 including biosecurity relative to Equine Herpesvirus, and a
2 very good presentation by Dr. Ardans on the UC Davis/CHRB
3 necropsy program, which runs through the 2006 calendar year.
4 It did show a decrease in the number of fatalities. 2007
5 will be ready sometime early in the year. And we also had a
6 presentation by Dr. Sue Stover on her research in terms of
7 injuries and strategies to understand why horses become
8 injured and her investigation of track surfaces,
9 particularly the new synthetic tracks.

10 I think there was very good discussion on how we
11 need to coordinate all of these efforts and get all the
12 information in one spot so we can make more informed
13 decisions to protect our equine athletes. So in that sense
14 I think it was a very good productive meeting and we have a
15 lot to do in the next year to get this all together and make
16 it work.

17 We have the infrastructure here at the vet school
18 to do it; we have information in the racing industry. And I
19 think it all can be brought together and it's important for
20 us to do so.

21 CHAIRPERSON SHAPIRO: Thank you. The meeting
22 really was terrific and it's really unfortunate that
23 everybody, as many people as we got here today we didn't get
24 here yesterday to take the tour and see the science that is
25 taking place here at UC Davis to help the horse racing

1 industry and all the studies.

2 And I see that Dr. Ardans is in the audience. And
3 I would ask, Dr. Ardans, if you would just at least come to
4 the microphone or somewhere where people can see you.

5 Dr. Ardans has done an amazing job with this necropsy
6 program with also Dr. Stover, Dr. Stanley and all of the
7 great scientists here.

8 We are truly blessed to have people this dedicated
9 to this industry who are looking out for the health and
10 welfare of our horses. And when you see what they are
11 doing, whether it be in testing, whether it be in science
12 and prevention of injuries, you really realize that there is
13 a lot of things that are taking place that people under-
14 appreciate and this is one of those situations.

15 I also learned yesterday that Dr. Ardans is going
16 to be retiring or stepping down from his position. I think
17 we all owe Dr. Ardans and everybody here at UC Davis a
18 wonderful debt of gratitude and so I just want to recognize
19 you and thank you so much for what you do for our industry.
20 Thank you.

21 (Applause)

22 VICE CHAIRMAN HARRIS: Do we need to approve those
23 threshold levels on the --

24 CHAIRPERSON SHAPIRO: That's next.

25 EQUINE MEDICAL DIRECTOR ARTHUR: That's the next

1 item.

2 VICE CHAIRMAN HARRIS: Okay.

3 CHAIRPERSON SHAPIRO: If Speedy Harris will let us
4 get down to Item number 10.

5 VICE CHAIRMAN HARRIS: Okay, I see that.

6 CHAIRPERSON SHAPIRO: Which is discussion and
7 action by the Board regarding the proposed amendment to CHRB
8 Rule 1844, Authorized Medication, to establish levels and
9 add -- hopefully I'll get it right today -- stanazolol. How
10 do you say it?

11 EQUINE MEDICAL DIRECTOR ARTHUR: Stanazolol.

12 CHAIRPERSON SHAPIRO: I'll never get that. Thank
13 you. Nandrolone, boldenone and testosterone to the list of
14 drug substances, one of which may be permitted in the
15 official urine test sample.

16 EQUINE MEDICAL DIRECTOR ARTHUR: Mr. Chairman,
17 this is the next step in the California Horse Racing Board's
18 efforts to regulate anabolic steroids in horse racing.
19 Horse racing has a very good story to tell in the way we
20 regulate drugs in our sport with the exception of anabolic
21 steroids and this is going to correct that deficiency.

22 We have already re-categorized all anabolic
23 steroids, except for these four into Class 3 or higher,
24 which will require Class 3 distribution. What this does is
25 recognize that there are four anabolic steroids that in

1 residue levels may be permissible under certain
2 circumstances.

3 Those are stanazolol, which is known as Winstrol,
4 which is the only purely synthetic anabolic steroid in this
5 group. It is FDA approved and very commonly used, or has
6 been very commonly used in horse racing. We are proposing a
7 one nanogram level be permitted, which would be a withdrawal
8 time of somewhere between 30 and 45 days we estimate.

9 The next drug is nandrolone. Nandrolone is
10 manufactured as a product called Durabolin. It is also a
11 naturally occurring, endogenous anabolic steroid in horses.
12 It is primarily related to testosterone levels, which is
13 obviously more important in colts. And that is why we have
14 a threshold of 45 nanograms for males other than geldings.
15 We have a one nanogram level in fillies and geldings.

16 And again, if this was used as an administration
17 we would be looking at a withdrawal time of somewhere
18 between 45 and 60 days.

19 Boldenone is manufactured as a drug called
20 Equipoise. It is a naturally occurring anabolic steroid in
21 non-gelded males. It is related to testosterone metabolism.

22 And of course testosterone is a naturally
23 occurring anabolic steroid. It is present in fillies, it is
24 present in geldings, and that is why we are recommending
25 these levels that are internationally recognized levels, as

1 is the boldenone level, as is the nandrolone level for non-
2 gelded males.

3 The testosterone will not be regulated in intact
4 males at this time. It takes new technology called carbon
5 isotope ratio analysis, which we're frankly not ready for.
6 It's the way that they regulate it in humans at this time.
7 The Landis case is an example of that. The EDRI, the Equine
8 Drug Research Institute is working on developing that
9 technology in horse racing. We may come back with those
10 particular drugs in the future. Testosterone in that case
11 won't be a positive for a non-gelded male.

12 So this is what we're proposing. The next step,
13 it's going to take us about, I estimate until July to get us
14 through the rather byzantine regulatory process that we have
15 to go through with the Office of Administrative Law.

16 The goal is to have this in place well in advance
17 of the Breeder's Cup at Oak Tree in October of 2008, with
18 the goal of Breeder's Cup being anabolic steroid-free.
19 Which will be the first time in American racing that that
20 event has been held under those conditions.

21 A second step will be proposed in the not-too-far-
22 distant future that will re-categorize these drugs as Class
23 3 drugs. And that will be the second step in this process.

24 Ultimately our goal -- This is all urine
25 regulation. Ultimately our goal is to regulate these drugs

1 in blood. It makes it a lot simpler for the process, a lot
2 more efficient and also allows us to regulate these drugs in
3 sales horses, which we intend to do in the not-too-far-
4 distance future.

5 So this is the first process. It's important to
6 get this started as soon as we possibly can to get it
7 through the very difficult regulatory process that we face.

8 CHAIRPERSON SHAPIRO: I'd like to add to that that
9 I highly recommend that we adopt these standards. But part
10 of what we also discussed at the Medication Committee
11 Meeting yesterday is in fact taking this to include two-
12 year-old in-training sales so that those horses that we are
13 selling are being sold under racetrack conditions so that we
14 can make sure that horses sold in California are at the
15 highest level of integrity. We have to do everything we can
16 to rid ourselves of these types of steroids, anabolic
17 steroids, so that they're not used for manipulation.

18 I highly support this. I think this is great work
19 that we're doing. And what we heard was that when
20 Dr. Stanley has perfected the testing, and I see he is in
21 the audience, to the level that we can do that, then we
22 should look to how we can apply it so we can start from the
23 bottom up and start with sales horses and go all the way
24 vertically. So that we can take anabolic steroids that are
25 unnecessary or synthetic out of the horse racing business.

1 This is great science, great stuff. And I
2 recommend that we move forward and I look for a motion to
3 approve this.

4 COMMISSIONER MOSS: I'd like to ask a question or
5 two.

6 CHAIRPERSON SHAPIRO: Please.

7 COMMISSIONER MOSS: Aren't we adding steroids
8 rather than trying to reduce steroids? All the public knows
9 about is that steroids are bad, you know. And it seems like
10 we're giving more substances for our trainers to have to
11 deal with on a daily basis, for our local vets. What does
12 that really get us? That's the question.

13 EQUINE MEDICAL DIRECTOR ARTHUR: Quite the
14 contrary, we're actually eliminating those drugs. They are
15 very commonly used today. Some estimates of over 60 percent
16 of horses in training have some anabolic steroids.
17 Certainly from some analysis that were done in other states
18 there ere horses that had two, three, four different
19 anabolic steroids at the same time.

20 COMMISSIONER MOSS: Right.

21 EQUINE MEDICAL DIRECTOR ARTHUR: And this is
22 essentially going to eliminate them except for very unique
23 situations. For example, after a horse is gelded sometimes
24 they'll fall off rather dramatically. Somebody could use
25 them in that instance but they couldn't run a horse under

1 that instance for 30 to 60 days. After which time we're
2 fairly confident any anabolic effects are no longer in play.

3 So for all intents and purposes this really, even
4 though we call it regulating anabolic steroids, and that's
5 what we're doing. We're not talking about prohibiting their
6 use under all circumstances on the racetrack, but you just
7 can't use them to race.

8 COMMISSIONER MOSS: Right.

9 EQUINE MEDICAL DIRECTOR ARTHUR: So you could use
10 them to rehabilitate a horse under very unique conditions
11 but those are few and far between.

12 CHAIRPERSON SHAPIRO: Stated another way, for
13 therapeutic purposes where they have a value they could be
14 used, but for competitive purposes they cannot.

15 EQUINE MEDICAL DIRECTOR ARTHUR: That is correct.

16 CHAIRPERSON SHAPIRO: I see that the esteemed
17 Dr. Stanley has stepped to the microphone. Perhaps he may
18 want to add something to this.

19 DR. STANLEY: Yes, thank you. Scott Stanley, UC
20 Davis. And I just wanted to add that this is kind of the
21 front end of a national movement toward the regulation of
22 anabolic steroids and California won't be in itself the only
23 one regulating in this fashion. We'll have a national model
24 rule used with plasma thresholds for anabolic steroids. It
25 will be used by most of the racing jurisdictions throughout

1 the US as well as the sales companies as I understand it.

2 And I have had contact with several of the sales
3 companies, Keeneland, Fasig-Tipton, which are going to be
4 doing events starting as soon as January and having the
5 testing available to buyers. And they have already talked
6 to their consignors, they've talked to breeders, they've
7 talked to other individuals.

8 So California won't be alone in this movement. We
9 may be the first one to have fully implemented it but other
10 jurisdictions will come along as well as we get the
11 additional information to put the plasma thresholds in
12 place.

13 VICE CHAIRMAN HARRIS: I think it's important that
14 we pass this. And I support the idea of not allowing
15 steroid use in yearling sales and two-year-old sales but I
16 don't think we want to confuse it with this particular
17 measure. I think that has got to be attacked in another way
18 because it presents other problems in our traditional
19 sampling.

20 EQUINE MEDICAL DIRECTOR ARTHUR: I would like to
21 point out that the Breeder's Cup is very supportive of this
22 effort as well.

23 VICE CHAIRMAN HARRIS: I think it is going to be
24 important to let everyone know because this is not something
25 that a trainer can make a decision on to change his regimen

1 two or three weeks out. He needs to make his decision in
2 maybe August if he is going to run the Breeder's Cup, what
3 sort of regimen he might be thinking about for his anabolic
4 steroids.

5 EQUINE MEDICAL DIRECTOR ARTHUR: That is
6 absolutely correct. But I would like to point out that our
7 horsemen who run from California in Dubai very successfully
8 over the years, that run in Japan, that run in Hong Kong,
9 are already subject to this very same situation. They know
10 how to do it. The RNTC has currently undertaken a series of
11 administrative studies, administration studies, Dr. Stanley
12 is participating in the analysis of those samples, that we
13 think will be able to give horsemen a very good
14 recommendation so they can keep them out of trouble.

15 Remember, we're not looking for problems. What
16 we're trying to do is avoid problems and we'll make every
17 effort to get the word out. This is such a change in the
18 way racing medication is handled that everybody will be
19 aware of it.

20 As I pointed out yesterday however, in Australia,
21 just like in America today, anabolic steroids were very
22 heavily used. A very well-respected veterinarian, the
23 equivalent of a Jack Robbins, in Australia was adamantly
24 against removing anabolic steroids from Australian horses.
25 Horse racing, the argument was it was going to fall apart.

1 We can't train without anabolic steroids. And he said when
2 the rule went into effect nobody every looked back and
3 people wondered what the big deal was about.

4 This will be just like other issues that we move
5 forward on. Once we get it behind us and get people to
6 understand how this will be administered I think that it is
7 only going to benefit horses. And because it benefits
8 horses it will benefit horse racing.

9 COMMISSIONER MOSS: Would this have an effect of
10 having let's say trainers and vets using more Clenbuterol
11 then?

12 EQUINE MEDICAL DIRECTOR ARTHUR: The human drug
13 testing issue is concerned with that and they have done
14 beta-2 aginous testing. Because there are secondary
15 anabolic effects of beta-2 aginous, they're well-recognized.
16 That's why the drug is formulated in the way it is in the
17 US, so that people don't take it as an anabolic steroid.
18 That is possibly the case. But far and away the anabolic
19 steroids that we have identified here are the most common,
20 the most easily regulated and a simple way to address this
21 problem.

22 But as Dr. Catlan, who is from UCLA, who does a
23 lot of work for WADA and the IOC. That's the World Anti-
24 Doping Association. Wherever you plug a hole somebody tries
25 to figure out a way to get around it. But this is such a

1 big hole that you can drive a tank through it and I think
2 it's time for us to take this step.

3 COMMISSIONER AMERMAN: So what you said was that
4 this would be in effect for the Breeder's Cup, I believe.

5 EQUINE MEDICAL DIRECTOR ARTHUR: The goal is to
6 have it up and running in an operation well in advance of
7 the Breeder's Cup so that we have any potential problems
8 worked out well before then.

9 COMMISSIONER AMERMAN: My question is, when would
10 it be applicable for sales?

11 EQUINE MEDICAL DIRECTOR ARTHUR: I believe that we
12 could have this in place before Barretts 2009. I don't
13 think we could have it ready for Barretts this March.

14 VICE CHAIRMAN HARRIS: One problem we need to keep
15 in mind on sales. That the current technology, as I
16 understand it, is urine samples where it's hard to get urine
17 samples out of 300 two-year-olds going through a sale. You
18 maybe could do it with blood but I'm not sure what the state
19 of the art is with blood.

20 CHAIRPERSON SHAPIRO: We talked yesterday about
21 this and frankly I was pushing very hard to do it fast. But
22 Dr. Stanley is working on that. Dr. Stanley, why don't you
23 tell us when you think you will be able to test in blood.

24 DR. STANLEY: Well we will be testing at the
25 Keeneland January sale, the Fasig-Tipton February sale. We

1 will be testing for exogenous anabolic steroids. Ones that
2 are not natural to the horse. So we will looking for ones
3 that are administered that are synthetic, okay. That's
4 going to be the limitation until we get further information
5 so that we can regulate the other non-steroidals.

6 CHAIRPERSON SHAPIRO: So could we in California
7 start in 2008 for exogenous anabolic steroids?

8 DR. STANLEY: If the Board directed that that was
9 their desire and the sales companies, you know. We could
10 have a communication. I believe there is something that
11 could be worked out for 2008. Kind of a work in progress
12 that could be expanded. And as Dr. Arthur just said I think
13 a fully implemented plan would be ready for 2009 where we
14 would have a complete restriction on all anabolic steroids.

15 CHAIRPERSON SHAPIRO: Well, you know, maybe what
16 we should do is have an agenda item where we discuss exactly
17 what the conduct of some of these sales procedures are.
18 Because I heard last night at dinner that apparently some of
19 the riders wear spurs and other things in these two-year-old
20 in-training shows. Which frankly, I think is wrong.

21 They take these poor young horses out there and
22 gun them like that. The idea is to preserve them. And
23 maybe we ought to look at really adopting racetrack rules
24 for these sales.

25 COMMISSIONER AMERMAN: The first step that seems

1 simple, since we don't want to reinvent the wheel, why don't
2 we just look at what will happen at Fasig-Tipton or
3 Keeneland in January and what they're doing for their sales.

4 VICE CHAIRMAN HARRIS: What is happening there I
5 don't think is really adequate but I'm not sure that we want
6 to go to the other extreme and rush into something here
7 without working with the sales companies. What they're
8 doing is a given buyer can pay \$500 and get that horse
9 tested.

10 COMMISSIONER AMERMAN: Right.

11 VICE CHAIRMAN HARRIS: But I think it should be
12 more like a random thing. Maybe not every last horse but
13 have some random sampling if the blood state of the art is
14 that we can do that.

15 COMMISSIONER AMERMAN: It seems to me that might
16 be just one step forward. If somebody wanted to pay \$500
17 what's the big deal? I mean, that's their choice. At least
18 it would be a first step.

19 VICE CHAIRMAN HARRIS: I think it's the sales
20 company. I agree that it's a problem.

21 COMMISSIONER AMERMAN: It's a real problem.

22 COMMISSIONER MOSS: But I think we've got to work
23 with the sales companies. Because they're worried about the
24 competitiveness between -- If everyone was on a level
25 playing field, which they should be.

1 COMMISSIONER MOSS: But sales companies out of
2 California are out of our jurisdiction. So sales companies
3 out of California are out of our jurisdiction I would
4 believe.

5 EQUINE MEDICAL DIRECTOR ARTHUR: The sales
6 companies in California are under our jurisdiction.

7 COMMISSIONER MOSS: Are under it, yes, exactly.
8 But Fasig-Tipton in Kentucky isn't.

9 COMMISSIONER AMERMAN: Yes, but they're doing that
10 as of January sales I believe.

11 EQUINE MEDICAL DIRECTOR ARTHUR: To a limited
12 degree, as Dr. Stanley described. You know, as a practical
13 matter we are going to be hard-pressed to get everything all
14 done by the July 1 deadline that I outlined here. And I
15 think we need to move very quickly and get prepared for
16 2009. Again, with the regulatory process as difficult as it
17 is for us we need to, we'll have to have that in place by
18 this summer to get 2009 regulated.

19 VICE CHAIRMAN HARRIS: I think you need to get
20 this. Because basically what we're supposed to be doing is
21 controlling medications used on races that people bet on. I
22 agree that there's probably abuses in the sales but our
23 primary mission is racing. I think we need to get that
24 fixed and then also at the same time look at what we can do
25 going forward. But let's not confuse the two things.

1 CHAIRPERSON SHAPIRO: I agree, we shouldn't
2 confuse the two things. But I think that this is something
3 that as we look at the foundation of our sport we have to
4 look at it from our breeding business all the way through to
5 help build it. And I think it would be a good discussion to
6 have at a Board Meeting of what we can do and what's being
7 done in the rest of the country.

8 COMMISSIONER AMERMAN: Absolutely.

9 VICE CHAIRMAN HARRIS: Bring in the other parties
10 too. We can sit around as a Board and come up with all
11 kinds of great ideas but we need to get the sales companies
12 to buy --

13 CHAIRPERSON SHAPIRO: I agree, I agree. We should
14 schedule it and make it a big agenda item and get everybody
15 -- get the breeders involved and get the sales company. As
16 I see it --

17 COMMISSIONER MOSS: Just one thing.

18 CHAIRPERSON SHAPIRO: Jerry, did you have more
19 comment?

20 COMMISSIONER MOSS: The only question I have is,
21 you know, because this seems like a very big deal. And I
22 just wonder if everybody has heard about this. I wonder if
23 it's worth just waiting until December 14, you know, in
24 Hollywood --

25 (Several Commissioners spoke at once)

1 CHAIRPERSON SHAPIRO: This is not the final.

2 COMMISSIONER MOSS: Okay.

3 CHAIRPERSON SHAPIRO: All right. So what I would
4 entertain is a motion and then we'll see if there is any
5 additional comment.

6 COMMISSIONER CHOPER: So moved.

7 CHAIRPERSON SHAPIRO: Second?

8 COMMISSIONER MORETTI: Second.

9 COMMISSIONER AMERMAN: Second.

10 CHAIRPERSON SHAPIRO: Okay, I see a couple of
11 people standing there again. Mr. Power.

12 MR. POWER: Thank you. I have to tell you I am
13 very disappointed.

14 CHAIRPERSON SHAPIRO: Pardon me?

15 MR. POWER: I find it unfortunate that you're
16 taking an incremental approach to a problem that has ruined
17 our industry both in the state and in the country. The
18 public sees, and deservedly so, the use of illegal steroids
19 and drugs as a huge problem. And while yes you're making
20 strides towards it, frankly I don't understand why you don't
21 go to the core of the problem and take the same route for
22 example as the Indiana Racing Commission, and as I read in
23 the morning news today, the Pennsylvania Racing Commission.

24 The Bloodhorse wrote a short article on-line
25 today. I'd like to take just a minute if I could to read

1 it.

2 "Pennsylvania approves steroids
3 ban. Use of anabolic and androgenic
4 steroids in thoroughbreds will be
5 prohibited effective April 1, 2008, the
6 Pennsylvania Horse Racing Commission
7 announced November 28.

8 "The commission will step up
9 testing for steroids as part of the
10 directive. Officials are telling
11 trainers and vets --"

12 My article is cut off.

13 "-- to stop administration of
14 steroids by December 1 to elimination of
15 them from a horse's system with the ban
16 taking effect next year."

17 Now I'm skipping a part.

18 "The Pennsylvania commission noted
19 that an 'acceptable plasma
20 concentration' of two naturally
21 occurring steroids, nandrolone and
22 testosterone, has been established for
23 intact male horses.

24 "The Racing Medication and Testing
25 Consortium is attempting to get all

1 racing jurisdictions to adopt model
2 rules for regulation of steroids."

3 CHAIRPERSON SHAPIRO: Mr. Power.

4 MR. POWER: Yes.

5 CHAIRPERSON SHAPIRO: I don't think we're doing
6 anything that is any different than that. That's what we're
7 doing.

8 EQUINE MEDICAL DIRECTOR ARTHUR: It's exactly,
9 it's exactly the same thing.

10 CHAIRPERSON SHAPIRO: Dr. Arthur and Dr. Stanley
11 are both here. I think you're upset and you don't need to
12 be.

13 EQUINE MEDICAL DIRECTOR ARTHUR: I'd like to point
14 out I chair the anabolic steroid committee at the RMTTC that
15 established the model rules and this is what it is based on.
16 They will be virtually identical. The only difference is
17 that Pennsylvania believes they can use blood levels which
18 are quite a bit lower than what we're talking about in urine
19 levels. Urine is the ideal medium to test for anabolic
20 steroids. It actually allows you to -- it concentrates the
21 anabolic steroids.

22 What we're talking about is a little bit of
23 methodology. We could have used the same words, prohibited,
24 as is in that press release. We use the word regulated
25 because that is a more realistic way to look at it. But the

1 practical way that this is going to be used is exactly the
2 same, exactly the same.

3 CHAIRPERSON SHAPIRO: I think --

4 EQUINE MEDICAL DIRECTOR ARTHUR: I just came back
5 from an international meeting in Paris where we discussed
6 anabolic steroid regulation. And for those endogenous
7 topics, which are not just nandrolone and testosterone or
8 boldenone as well, these are international standards for
9 non-gelded males. So there's some confusion here that I
10 think comes from an interpretation of a lay-press article.

11 CHAIRPERSON SHAPIRO: It is not too dissimilar
12 from the TCO2. What I think I heard yesterday. It is
13 something that naturally is in the body. So you can't say
14 you're going to eliminate testosterone.

15 MR. POWER: I'm not sure that Winstrol and
16 Durabolin and Equipoise are naturally occurring in the body.

17 CHAIRPERSON SHAPIRO: No, but what they are saying
18 is --

19 EQUINE MEDICAL DIRECTOR ARTHUR: I just said that.
20 Stanazolol is the only one that is synthetic. Nandrolone is
21 an endogenous product. It is in horses normally.
22 Testosterone is in fillies, it is in geldings, it is in
23 intact males. And nandrolone as well is an endogenous
24 anabolic steroid. The fact of the matter is boldenone is
25 also manufactured synthetically. You can't differentiate

1 the two unless you get the carbon isotope ratio and we're
2 not there yet. The same thing with nandrolone, a naturally
3 occurring product, is manufactured and sold as Durabolin.

4 Testosterone, you can buy testosterone that is
5 manufactured but it is also produced normally. So there is
6 clearly some confusion as to what is going on here. It's a
7 rather technical issue and you're taking a lay-press article
8 that really doesn't go into the details that we have here.

9 MR. POWER: What I see happening, frankly, is your
10 staff is directing the Board policy, where it should be the
11 Board directing the staff --

12 CHAIRPERSON SHAPIRO: No, no, no, no.
13 Mr. Power --

14 MR. POWER: So long as you encourage the use of
15 steroids and drugs in horses your attendance numbers will
16 continue to go down, your betting will not grow. You are
17 not growing the sport. You're responsible for the
18 resurrection of horse racing in California. And by these
19 little incremental changes you're not doing that.

20 CHAIRPERSON SHAPIRO: Mr. Power, I assure you we
21 are doing the best that we can and we are relying on a lot
22 of scientists here. It would be improper for us as lay-
23 people to come in and say, no, there can be no testosterone
24 in horses. Which is something I might do being a layman,
25 okay. We have incredible scientists here that are advising

1 us.

2 Until there is the methodology to test and detect
3 what is natural or unnatural we are trying to attack these
4 issues in every way. We are trying to attack them in terms
5 of the surveillance that we do, in terms of the oversight we
6 provide, the regulation that we implement, and we are using
7 the science to help guide us.

8 I assure you, we have the same goal as you. And
9 what I would suggest is that you talk outside of this
10 meeting with Dr. Stanley or Dr. Arthur and I think you will
11 see what I believe we saw at the Medication Committee
12 yesterday.

13 MR. POWER: I understand what you're saying.

14 CHAIRPERSON SHAPIRO: Thank you very much.

15 MR. POWER: I think so long as we are using
16 needles to the extent that we are, therein lies your
17 problem. What the body naturally produces is one thing, but
18 to enhance that with either chemicals or other hormones is
19 not. And that is what you should say not to.

20 CHAIRPERSON SHAPIRO: Thank you very much. Thank
21 you. Mr. Henwood.

22 MR. HENWOOD: Yes, Jim Henwood, I'm with the Los
23 Angeles County Fair Association. We're the owners of
24 Barretts Equine Limited. Jerry McMahan, our president, was
25 here yesterday at the Medications Committee and you

1 discussions with him. This topic has been an ongoing issue
2 in our industry.

3 We would like to say formally we applaud what this
4 board is doing dealing with the subject. We believe that
5 the entire framework of the subject of anabolic steroids is
6 best left in the racing area for the beginning of it. Like
7 Keeneland we will be mirroring a policy similar to them if
8 not identical to them. We are going to be working with
9 Dr. Arthur and other learned individuals in this area that
10 are well beyond my capacity to make certain that when we
11 have horses in the sale ring that we are doing the most
12 responsible job we can for the industry and for the
13 betterment of the sport. Thank you.

14 CHAIRPERSON SHAPIRO: Thank you. All right,
15 having said that there is a motion on the floor. I would
16 ask all those in favor of approving this. All in favor?

17 (Ayes)

18 CHAIRPERSON SHAPIRO: Any opposed? There being
19 none, okay, thank you.

20 The next item on our agenda is Item number 11,
21 which is discussion and action by the Board on the proposed
22 amendment to CHRB Rule 1632, Jockey's Riding Fee, to revise
23 the jockey riding fee structure to comply with AB 649, which
24 was enacted into law this year. It provides that there will
25 be a revised scale of riding fees.

1 I am aware, as everybody ascended to the counter
2 here, that we probably are going to need to put this over
3 because we need to do this on an urgency basis so that we
4 can get this done because this law takes affect on January
5 1, 2008.

6 I think that we all want to comply with it. I
7 happen to be very supportive of these changes and glad that
8 they got enacted. But I think that we probably should defer
9 this until December and do it on an urgency basis. Is there
10 any agreement, disagreement with what I just said.

11 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Chairman,
12 that was going to be staff's recommendation at this point
13 and that we have an opportunity to work with counsel to make
14 sure that our proposal is in the specific spirit of the law.

15 CHAIRPERSON SHAPIRO: Terrific. We want to comply
16 with the statute, we want to get this change made for our
17 jockey colony.

18 MR. BROAD: Barry Broad on behalf of the Jockey
19 Guild also. I think it needs to be done as an emergency
20 regulation. They last six months, at the end of that six
21 month period it could be made a permanent regulation. And
22 at that time conveniently on July 1 there is a deadline for
23 the Board to add a separate piece of this, which is a fourth
24 place, I believe two percent provision that was also a part
25 of the law. It really would flow very well this way.

1 I just want to make one substantive point about
2 the draft. AB 649 makes another change that says that the
3 mount fee, that a rider shall be paid no less than this
4 mount fee. The current regulation says that in the absence
5 of a contractual agreement this is what the schedule of
6 mount fees are. So the actual language instead of saying
7 jockey riding fees in the absence of a contract are, should
8 say, jockey riding fees shall be no less than. And then the
9 section that refers to contracts should say, if the parties
10 agree on a fee to be paid to the jockey in excess of the
11 schedule set forth in that paragraph A, blah-blah-blah.

12 CHAIRPERSON SHAPIRO: Okay.

13 MR. BROAD: That's just for staff when they come
14 back on the 14th.

15 CHAIRPERSON SHAPIRO: We're going to entrust that
16 you will work with our staff to make sure that we get it
17 properly written so that it complies to the statute and
18 everybody will live happily ever after.

19 MR. BROAD: Thank you so much.

20 CHAIRPERSON SHAPIRO: Thank you. Okay. The next
21 issue -- We're getting to the end, folks. I'm getting to
22 get a round of applause at this one I bet.

23 Okay, why are you guys still sitting here?

24 MR. BROAD: I don't know, Drew told me to.

25 COMMISSIONER MORETTI: Thirteen.

1 CHAIRPERSON SHAPIRO: Pardon me?

2 COMMISSIONER MORETTI: Aren't we doing 13?

3 CHAIRPERSON SHAPIRO: Yes, I almost forgot to come
4 back, you're right. How could I forget that? Okay. I
5 don't know, I skipped it somehow. Discussion and action by
6 the Board to approve proposals from the Thoroughbred Owners
7 of California and the Jockey Guild that would establish the
8 California Jockeys Trust and provide health, safety and
9 welfare benefits to California licensed jockeys, former
10 California licensed jockeys and their dependents.

11 And I must say that the three people sitting in
12 front of me along with Marcia and other people and Ron
13 Warren, who have worked so hard on this, I think this is
14 great. Bon, do you want to introduce this and go through
15 it? Why don't we describe where we're at and what we're
16 doing here.

17 ASSISTANT EXECUTIVE DIRECTOR SMITH: Thank you,
18 Mr. Chairman. Bon Smith, CHRB staff. The first order of
19 business that I was given when I took the job as Assistant
20 Executive Director effective at the November meeting of 2006
21 was to shepherd through the jockey's insurance program.

22 I have to admit that most of the heavy lifting has
23 been by the gentlemen on either side here as well as with
24 ex-jockey Ron Warren in the audience. They have done yeoman
25 duty in getting this stuff taken care of. And I believe

1 that we have arrived at a third-party insurance plan that
2 the Board can support and fund in full confidence that it
3 will provide a level of support equal to or better than what
4 the jockeys are receiving now and we hope will set a
5 standard that will apply as years to come.

6 CHAIRPERSON SHAPIRO: I agree with that and
7 appreciate the work having participated in the calls.
8 Perhaps, Drew, you might want to outline what the plan is a
9 little bit or just how this is going to work for the Board
10 and, Barry, you can pitch in.

11 MR. COUTO: Sure. Drew Couto, Thoroughbred Owners
12 of California. I'll try and give you as brief an outline
13 without getting too confusing. Before I do that, though.
14 You've already done it but I want to recognize again, Ron
15 Warren.

16 CHAIRPERSON SHAPIRO: Ron, why don't you -- I
17 don't know that everybody knows who you are and where you
18 are. Would you step to the microphone just so everybody can
19 see. Ron Warren, if you don't know, was a very successful
20 jockey and retired and stayed on this issue and worked just
21 night and day and has really done an incredible job for his
22 jockey brethren. And Ron, you deserve all the thanks for
23 all the effort that you did.

24 MR. WARREN: Well I thank you for the comments,
25 thank you very much.

1 (Applause)

2 MR. COUTO: You know, it was amazing when we
3 started this process. There was a high amount of doubt that
4 we could pull off an arrangement with a third-party insurer
5 because of the unique nature of riders, not employees,
6 independent contractors here. I don't think very many
7 people had high hopes. As you just said, Ron's perseverance
8 working through these details ended up bringing to us a
9 wonderful partner in terms of health insurance, Great West,
10 and we're excited about it.

11 What has happened is that the statute requires an
12 agreement between the entity representing the majority of
13 riders and the entity which negotiates purses on behalf of
14 Thoroughbred horsemen, that being the Guild and TOC. We
15 together crafted a new agreement, sort of an extension of
16 the prior agreement, that sets out a funding mechanism for
17 the health and welfare insurance, which includes health,
18 vision, dental and disability insurance.

19 In order to administer this fund that is set aside
20 by statute we re creating, as Mr. Shapiro appropriately
21 identified, a trust to which the money will be sent. Rather
22 than to the Horse Racing Board or TOC it will be sent to a
23 trust. Which the trustees will be comprised of two
24 representatives appointed by the Guild, two representatives
25 appointed by TOC, and a fifth representative appointed

1 hopefully by the Horse Racing Board as an independent party.

2 That trust will allocate the funds that are set
3 aside by statute to the insurers who are providing these
4 coverages. And we'll also hopefully contract with Scott
5 Wink and CHSA and whoever else to provide the administrative
6 services to run these programs.

7 I have to also thank Mr. Broad and Terry Meeks and
8 Tom Kennedy from the Guild side who were very cooperative in
9 getting all this done. So there's good news. We all worked
10 together quite well and I think we ended up with something
11 that everybody is pleased with and proud of I'd say. Barry.

12 MR. BROAD: I just wanted to say that -- you know,
13 I don't want to make Ron Warren's head get any bigger than
14 it already is but we were not able to secure a quote for a
15 fully insured plan. The Guild has wanted to get out from
16 under a self-insured health plan for as long as we have had
17 a self-insured health plan. The reason we got into it was
18 we couldn't get a fully insured quote.

19 Perhaps we should have thought sooner about
20 creating a third-party trust. That had never even occurred
21 to us to do it. But that was the sort of secret part of
22 this that needed to get done because of all the stuff that's
23 happened to the Jockeys Guild and with the Jockeys Guild.
24 You know, I'd have a full head of hair if half that stuff
25 hadn't happened.

1 Anyway, Ron Warren persevered and was able to do
2 what we were not able to do and he deserves full credit for
3 that. I'm not the guy who I guess makes the decision of who
4 to appoint but I am certainly going to recommend to the
5 leadership of the Jockeys Guild that one of our appointees
6 as a trustee on this trust should be Ron Warren because I
7 think he's got his heart in the right place. Not everybody
8 spends their retirement wading into the horrible depths and
9 trauma that finding health insurance for jockeys involved.

10 This is really a fabulous plan. There's sort of a
11 high-end plan and a less expensive plan so there's more
12 choice. And we anticipate and absolutely want to insist
13 that there will be no break in coverage. That the old plan
14 will phase out on December 31 and be terminated. The new
15 plan will be in effect on January 1.

16 CHAIRPERSON SHAPIRO: Again, I think for my fellow
17 Commissioners, it is hard for you to appreciate the level of
18 work and cooperation that went into it. And a few nasty e-
19 mails I must say. I did get a really good apology from
20 Mr. Broad, which I am framing.

21 MR. BROAD: That you committed never to show
22 anybody.

23 CHAIRPERSON SHAPIRO: I'm sorry. My fingers were
24 crossed. But this really is a great plan and it's great
25 that California will be able to say that we have a plan for

1 our California riders, past and present and that they have
2 options where they can choose what kind of coverage they
3 want.

4 So this is a great outcome for a very troubling
5 problem that has really, since I have been on the Board,
6 been one of those thorns that, you know, oh my God, this
7 issue is going to be a problem. And we finally have it.
8 Drew came up with I think the trust idea, which was
9 brilliant so this is where cooperation paid off.

10 I think that this is an action that we should take
11 and take with pride that it is being done. So I would make
12 the motion that we approve the establishment of the
13 California Jockeys Trust that will provide health, safety
14 and welfare benefits to California-licensed jockeys, former
15 California-licensed jockeys. And I hope that it will be
16 called the Ron Warren Jockey Trust.

17 VICE CHAIRMAN HARRIS: Just to clarify. The
18 source of funds for this, as I recall, is it uncashed
19 tickets?

20 CHAIRPERSON SHAPIRO: Yes.

21 VICE CHAIRMAN HARRIS: It's about a million
22 dollars a year.

23 CHAIRPERSON SHAPIRO: It is a million dollars a
24 year. However, as ADW grows we have to recognize that that
25 funding is going to get less because there are less uncashed

1 pari-mutuel tickets.

2 VICE CHAIRMAN HARRIS: Yes.

3 CHAIRPERSON SHAPIRO: So it is not something where
4 we can say, boy, that's over and we never have to worry
5 again. Health costs rise, pari-mutuel uncashed tickets
6 decrease. This is going to be an issue.

7 VICE CHAIRMAN HARRIS: The jockeys are paying part
8 of it too, it's not just solely funded by this.

9 CHAIRPERSON SHAPIRO: That's correct, it is.

10 MR. BROAD: They pay whatever -- This is not paid
11 so it has been going on. That's part of the problem.

12 CHAIRPERSON SHAPIRO: Is there a second for that
13 motion?

14 COMMISSIONER MORETTI: Second.

15 COMMISSIONER MOSS: Second.

16 CHAIRPERSON SHAPIRO: Is somebody going to say
17 second?

18 VICE CHAIRMAN HARRIS: Re-second it.

19 CHAIRPERSON SHAPIRO: Okay. Is there any more
20 discussion about this?

21 COMMISSIONER AMERMAN: This also sends it out for
22 comment. Is that what we're voting on?

23 CHAIRPERSON SHAPIRO: No, this is not a rule. We
24 are adopting, we are approving this, which is what we are
25 required to do.

1 VICE CHAIRMAN HARRIS: As I recall too, the money
2 is coming in all the time.

3 CHAIRPERSON SHAPIRO: The money is coming in.

4 VICE CHAIRMAN HARRIS: How often do we get it out,
5 every month?

6 CHAIRPERSON SHAPIRO: Yes. What we have is we
7 have an agreement currently with the Guild and with TOC
8 where we disburse money based on a percentage. There is a
9 formula that we use. When the Guild went into a hiccup we
10 stopped and made sure everything was right with the
11 bankruptcy court. Bon been on top of it. So there is a
12 flow of money that is going to come, there will not be a
13 lapse. Nobody is going to get stuck holding the ball. And
14 everybody has thought through these issues and done a great
15 job. Yes.

16 COMMISSIONER MORETTI: Jesse was just asking if we
17 actually have the proportion.

18 COMMISSIONER CHOPER: Do we have any writing in
19 respect to this?

20 CHAIRPERSON SHAPIRO: The actual documents?

21 COMMISSIONER CHOPER: Yes.

22 CHAIRPERSON SHAPIRO: We have them, would you like
23 them circulated?

24 COMMISSIONER CHOPER: They have been considered by
25 this Board before?

1 CHAIRPERSON SHAPIRO: No.

2 MR. COUTO: Not to Derry, no.

3 DEPUTY ATTORNEY GENERAL KNIGHT: No, I've never
4 seen them.

5 CHAIRPERSON SHAPIRO: I know that I have seen the
6 documents.

7 VICE CHAIRMAN HARRIS: It would be good for the
8 Board to have them.

9 ASSISTANT EXECUTIVE DIRECTOR SMITH: They were not
10 available at the time of the package distribution.

11 COMMISSIONER AMERMAN: Do we lose anything if we
12 defer the vote until the 14th? Then we'd have a chance to
13 review the documents.

14 CHAIRPERSON SHAPIRO: No. We can do that if you'd
15 like to have a chance --

16 COMMISSIONER AMERMAN: I feel like -- Everybody is
17 very happy and I'm pleased about that but I haven't got a
18 clue what we're talking about.

19 (Laughter)

20 COMMISSIONER CHOPER: I guess there's a clue but I
21 think that if what we're talking about --

22 ASSISTANT EXECUTIVE DIRECTOR SMITH: The sound of
23 us pounding each other on the back is not sufficient?

24 COMMISSIONER AMERMAN: But if we lose nothing by
25 having this come back on the 14th I think procedurally that

1 would be the better thing to do.

2 CHAIRPERSON SHAPIRO: All right. Then I'll tell
3 you what, because I can kind of hear what they're saying. I
4 think they should move forward to form the entities, have
5 everything in place, and we can come back ratify approval.

6 MR. BROAD: Let me make this suggestion. There
7 are actually two things, two documents here. There is an
8 agreement between the TOC and the Guild which has to be
9 approved. There is this new trust which obviously needs to
10 be approved as well.

11 The only thing that concerns me is not that -- The
12 TOC/Guild agreement can certainly be reviewed and action
13 taken on December 14. Sitting in this room today without
14 the insurance agent here, what only concerns me is I don't
15 want a lapse in the insurance. And I want to make sure that
16 we form this trust so that we can bind the coverage as of
17 January 1.

18 So I think we would like per your last suggestion,
19 the ability or the blessing if you will to form the trust
20 and to have it in place. And then you could approve the
21 agreement and you could approve your participation in the
22 trust on December 14. So that we can actually have an
23 entity with which, if it's necessary to do it prior to
24 December 14, we can start to move forward and show something
25 to the insurance company and everything.

1 COMMISSIONER CHOPER: I would move to authorize
2 the Chairman and the Vice Chairman to take any action
3 necessary that will avoid a gap in the insurance coverage.

4 MR. BROAD: Thank you.

5 COMMISSIONER CHOPER: Will that do it?

6 DEPUTY ATTORNEY GENERAL KNIGHT: Mr. Chairman, can
7 I just clarify? I'm sorry.

8 COMMISSIONER CHOPER: No, no.

9 DEPUTY ATTORNEY GENERAL KNIGHT: I just want to
10 make it clear what the Board's role is here. The statute
11 requires the Board to approve the agreement that has been
12 negotiated between TOC and the Guild. That's the limit of
13 the Board's role. Obviously you don't have that agreement
14 at this point so I think it makes sense to perhaps put it
15 over. But that's what the role is. Now obviously you want
16 to know what's behind all that but that's what the statute
17 requires.

18 CHAIRPERSON SHAPIRO: All right. So with that in
19 mind we can take Commissioner Choper's motion that the Chair
20 and the Vice Chair can approve it. And they get it to us
21 earlier, we could approve it. That would make sure that
22 we're not going to have any gap in coverage and problems.

23 COMMISSIONER CHOPER: If here is a need to do
24 that. If not we can approve it as a group December 14.

25 CHAIRPERSON SHAPIRO: And that's fine.

1 COMMISSIONER CHOPER: That's great.

2 COMMISSIONER AMERMAN: I'd second.

3 CHAIRPERSON SHAPIRO: All in favor?

4 (Ayes)

5 CHAIRPERSON SHAPIRO: Great. Thank you very much.

6 MR. BROAD: Thank you.

7 CHAIRPERSON SHAPIRO: Okay, Item number 20.

8 Discussion and action by the Board pertaining to recruitment
9 for executive director for the CHRB, including matters such
10 as Board's expectations concerning roles and
11 responsibilities, desirable qualifications, salary, office
12 location, scope of search, timing, screening of applicants,
13 role(s) of staff, role(s) of commissioners and role(s) of
14 the Board itself. What has just been handed to us is the
15 duty, the qualification --

16 EXECUTIVE DIRECTOR FERMIN: This is the duty
17 statement and the --

18 ASSISTANT EXECUTIVE DIRECTOR SMITH: Job
19 announcement.

20 EXECUTIVE DIRECTOR FERMIN: The job announcement
21 that was posted in 2004.

22 CHAIRPERSON SHAPIRO: Correct. Unfortunately this
23 did not make it into our packets so that we have had a
24 chance to review it and now is not the time to sit here and
25 review it.

1 COMMISSIONER CHOPER: I agree.

2 CHAIRPERSON SHAPIRO: Therefore I think that we
3 should just have a very, very brief casual discussion.
4 Which as everybody knows, Ingrid Fermin has decided to
5 unfortunately resign her position as Executive Director. We
6 will say it now but I think you have done an incredible job.
7 It is a very difficult position. I don't want to scare
8 anybody off.

9 EXECUTIVE DIRECTOR FERMIN: Do you want me to?

10 CHAIRPERSON SHAPIRO: I think that those of you
11 that attend these meetings regularly know how difficult the
12 position can be. It is a very complex business. I think we
13 all are sorry to see you go and we now need to move forward
14 to look at what we want to achieve by having a new executive
15 director.

16 We have to go through a governmental process to do
17 this. It isn't where you just say, I've got a friend Harry
18 and I'm going to go hire Harry. So I think that what we'll
19 have to do is bring this back to December 14 as well. We
20 have to do this in open session and we have to craft the
21 announcement that can be put out so that we can basically do
22 an RFP, what I would call a request for proposal or a
23 solicitation of who is interested in this job.

24 The salary of the job is based on certain levels
25 that we have to publish and are limited. It is not a

1 position where -- It's an exempt employee. And we can't
2 just say, well we'll go add more money to the position to
3 get somebody different. So there are limitations in what we
4 can do.

5 What I would suggest is that we review this and
6 that in the interim I would like to ask each Board Member to
7 let me know if they would like to be on the committee that
8 will serve as the committee that will guide this process. I
9 think there needs to be a committee of the Board.

10 DEPUTY ATTORNEY GENERAL KNIGHT: Mr. Chairman, can
11 I just add? Could I add something?

12 CHAIRPERSON SHAPIRO: Please.

13 DEPUTY ATTORNEY GENERAL KNIGHT: I think given the
14 fact that the Board Members may not all be familiar with how
15 this works. This is not actually a cumbersome process in
16 this instance because the reference to the exempt is
17 important. This position is a position which in the lingo
18 is called, exempt from civil service. It is basically a
19 position that serves at the pleasure of the Board.

20 The Board could make a decision today if it were
21 properly agendized, to hire someone out of the audience for
22 this position. It is not a complicated process you have to
23 go through. You have to notice the opening but you can hire
24 someone off the street, literally.

25 CHAIRPERSON SHAPIRO: So then my understanding

1 perhaps is wrong.

2 DEPUTY ATTORNEY GENERAL KNIGHT: Well that's why I
3 wanted to clarify.

4 CHAIRPERSON SHAPIRO: So we don't have to go
5 through the entire process that's being opened here?

6 DEPUTY ATTORNEY GENERAL KNIGHT: You need to have
7 some way of getting the notice out to get people interested
8 in the position. But this position can come from anywhere
9 without any prior state service or any connection with state
10 service.

11 CHAIRPERSON SHAPIRO: Okay.

12 DEPUTY ATTORNEY GENERAL KNIGHT: And that is a
13 major distinction for government hiring and I think it's
14 important you know that.

15 CHAIRPERSON SHAPIRO: Okay.

16 VICE CHAIRMAN HARRIS: I recall when we did this
17 before. Actually the info we have here is pretty good. My
18 thought would be to get something out sooner rather than
19 later to try to build up a good field of applicants rather
20 than try to massage the thing too long. This pretty well
21 lays out what we're looking for and I think the Board can
22 discuss if there is some particular attribute. I think
23 everyone is going to be a little bit different.

24 CHAIRPERSON SHAPIRO: Well, one of the issues is
25 that I think that the Board is -- I hope the Board is going

1 to make as a requirement that the position, the party will
2 office out of Sacramento out of our main office. So I
3 assume that that is something that the Board has agreed
4 upon. So that has to be clearly stated here, again, we'll
5 rewrite this. I think that, Ingrid, you could provide some
6 input to us in terms of now that you've done the job, what
7 the duties are and the percentages.

8 EXECUTIVE DIRECTOR FERMIN: Okay.

9 CHAIRPERSON SHAPIRO: So that we can more
10 accurately reflect what's involved. Because I don't think
11 that was done last time.

12 VICE CHAIRMAN HARRIS: This pretty well covers it
13 I think.

14 COMMISSIONER CHOPER: I haven't read it yet.

15 EXECUTIVE DIRECTOR FERMIN: Derry, do
16 they need to then -- they don't need to post it for any
17 period of time in order to advertise?

18 DEPUTY ATTORNEY GENERAL KNIGHT: There may be some
19 minimum advertising requirement by the state but it is not
20 any huge thing. I don't even know if there is. I don't
21 believe there is for an exempt position.

22 ASSISTANT EXECUTIVE DIRECTOR SMITH: I don't think
23 so.

24 DEPUTY ATTORNEY GENERAL KNIGHT: I am not aware of
25 any. I'm not saying there isn't. But certainly by the time

1 you're going to have a person hired you're going to have had
2 it long enough to meet any time requirements that there
3 might be. In some cases I know you have to notice a
4 position for ten days. They used to have these half-day
5 notices. But this is not a civil service position.

6 EXECUTIVE DIRECTOR FERMIN: Because I was told,
7 and maybe it was incorrect, that it had to be posted for 30
8 days. And that's why I would hate to see --

9 CHAIRPERSON SHAPIRO: And that's what I was told.

10 EXECUTIVE DIRECTOR FERMIN: -- another whole month
11 go by.

12 DEPUTY ATTORNEY GENERAL KNIGHT: I don't believe
13 so at all.

14 EXECUTIVE DIRECTOR FERMIN: And have it be
15 delayed. It needs to move on.

16 DEPUTY ATTORNEY GENERAL KNIGHT: I don't believe
17 so. But you're going to have it out there 30 days anyway,
18 presumably.

19 CHAIRPERSON SHAPIRO: All right, okay.

20 COMMISSIONER CHOPER: Let's get it out as soon as
21 we can.

22 CHAIRPERSON SHAPIRO: What I would suggest again
23 is that people let me know if they want to serve on the
24 committee, the selection committee. Ingrid, you will go
25 through this and make suggestions. Bon, you should as well.

1 And then we can post this.

2 VICE CHAIRMAN HARRIS: Before it was Page Noble
3 was the point person at CHRB. Who will be the staff person
4 to help us on all this.

5 EXECUTIVE DIRECTOR FERMIN: It will be Wendy Voss.

6 VICE CHAIRMAN HARRIS: Wendy, okay.

7 CHAIRPERSON SHAPIRO: Okay.

8 COMMISSIONER CHOPER: I take it there must have
9 been a salary change since 2004.

10 CHAIRPERSON SHAPIRO: Well there's been some
11 inflationary increase and that's it.

12 EXECUTIVE DIRECTOR FERMIN: Slightly.

13 VICE CHAIRMAN HARRIS: I think the salary now --

14 CHAIRPERSON SHAPIRO: The salary now is about
15 \$116,000.

16 COMMISSIONER CHOPER: And we're limited to that?

17 CHAIRPERSON SHAPIRO: Yes. Unless we can
18 demonstrate -- I spoke to the department of personnel
19 administration. I spoke to them and I requested an
20 increase. We need to go through a demonstration process.
21 Bon and I spoke about that and we are trying to justify an
22 increase.

23 VICE CHAIRMAN HARRIS: We need to also lay out as
24 part of our recruitment process the different benefits.
25 It's more than just salary, there's several advantages of

1 working for the state. If somebody is not familiar with
2 that at least they know what the deal is.

3 CHAIRPERSON SHAPIRO: Okay. All right. If there
4 is nothing else on that matter.

5 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Chairman,
6 let me just add that by the December 14 meeting we will
7 determine if there are specific time constraints, demands,
8 that sort of thing.

9 CHAIRPERSON SHAPIRO: Okay, great.

10 ASSISTANT EXECUTIVE DIRECTOR SMITH: And if there
11 are we'll move forward with everything in place.

12 CHAIRPERSON SHAPIRO: Terrific. I have not been
13 through this so to me it's all new territory.

14 VICE CHAIRMAN HARRIS: We need when applicants
15 start coming in, that we have a fairly big window of time.
16 It's not like you've got to put it in tomorrow or you're not
17 even considered. So it would be good if we could get it
18 started early so that we've got the last date quite a bit
19 later.

20 CHAIRPERSON SHAPIRO: Okay. That brings us to
21 Public Comment. Is there any public comment? There is
22 none. All right.

23 VICE CHAIRMAN HARRIS: Are we going to -- One
24 thing that came up on the shoeing. Are we going to put that
25 in a rule form that a horse could run unshod?

CERTIFICATE OF REPORTER

I, RAMONA COTA, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing Meeting of the California Horse Racing Board; that thereafter the recording was transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, or in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of December, 2007.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345□