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BEFORE THE CALIFORNIA HORSE RACING BOARD

OF THE STATE OF CALIFORNIA

ALAN LANDSBURG, CHAIRMAN

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

TRANSCRIPT OF PROCEEDINGS

Inglewood, California

Thursday, April 25, 2002

Reported by:
MARY ANDERSON,
CSR No. 10319
Job No.:
CHBK949

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OF THE STATE OF CALIFORNIA
ALAN LANDSBURG, CHAIRMAN

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

TRANSCRIPT OF PROCEEDINGS, taken
at 1050 South Prairie Avenue, Inglewood,
California, commencing at 10:00 a.m., on
Thursday, April 25, 2002, heard before
ALAN LANDSBURG, Chairman, reported by
Mary Anderson, CSR No. 10319, a Certified
Shorthand Reporter in and for the State of
California.

0003

01 APPEARANCES:

01

02 Chairman: Alan W. Landsburg

02

03 Vice Chairman: Roger H. Licht

03

04 Member: William A. Bianco

04

05 Member: Sheryl L. Granzella

05

06 Member: John C. Harris

06

07 Member: Marie G. Moretti

07

08 Member: John C. Sperry

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09 Executive Director: Roy C. Wood

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10 Deputy Attorney General: Tom Blake

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I N D E X

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0005

01 Inglewood, California, Thursday, April 25, 2002
02 10:00 A.M.

03

04

05 MR. WOOD: Good morning and welcome to the
06 regularly scheduled meeting of the California Horse
07 Racing Board. This meeting is being conducted on
08 Thursday, April 25, 2002. We're in the Sunset Room
09 at the Hollywood Park Turf Club in Inglewood,
10 California.

11 Present at today's meeting are: Chairman,
12 Al Landsburg; Vice Chairman, Roger Licht;
13 Commissioner, William Bianco; Commissioner,
14 Sheryl Granzella; Mr. John Harris; Commissioner,
15 Marie Moretti and Commissioner, John Sperry.

16 Before we begin with this morning's
17 meeting, I would respectfully request if you have
18 testimony to present to the board, that you leave
19 your name and your organization with our court
20 reporter. If you have a business card to provide
21 her, that would be acceptable.

22 With that, I'd like to turn the meeting
23 over to our chairman, Mr. Alan Landsburg.

24 MR. LANDSBURG: Thank you. Couple of notes
25 before we enter into the agenda. For those of you
26 who may or may not have heard, one of the great white
27 lights of racing, John Maybe (phonetic), passed away
28 last night. It is the feeling of the Board that

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01 we -- certainly my own feeling, I'm sure those of the
02 Board -- that we offer our condolences to Mrs. Betty
03 Maybe. And racing has lost an important friend.

04 That being sad news, moving on to an item
05 of -- well, I can't call it relatively good news,
06 because we are also losing the services as of today,
07 Mr. Al Carwicky (phonetic), to his dedicated service
08 to racing. And from all of us, we wish him the best
09 in retirement. Get thee to your farm, Al.

10 (Applause)

11 MR. LANDSBURG: We welcome as his very capable
12 replacement, a man of great industry works who has
13 been around the horn and will certainly be an
14 effective replacement, we trust, for Mr. Carwicky,
15 Tom Vorella.

16 Tom, would you stand up.

17 (Applause)

18 MR. LANDSBURG: I had one other personal note or
19 board note, if you will. Just to recognize something
20 of heartened mind, ethics law and personal feelings.
21 Watching the progress of Patrick Valenzuela as a
22 rider, based on a board decision that he can renew
23 his license if he has been good. And apparently he
24 has been good. I'm glad to recognize his
25 contribution to racing as a rider because it's
26 welcome. And hope that we don't run into any further
27 problem with him.

28 Having said that, we'll move on to the
0007
01 approval of the minutes of the regular board meeting
02 of February 21st, 2002.
03 MR. HARRIS: I've got a couple of corrections to
04 some of my remarks. On page 2, I pointed out a
05 problem I felt with the racing form. The way the
06 minutes read, it says the racing form offered
07 accounts of Internet web sites and other wagering
08 facilities. That was not the problem. I don't have a
09 problem with offering ads on XpressBet or YouBet or
10 somebody's that's licensed.
11 My problem is that they offer advertising
12 on offshore wagering facilities that feature sports
13 betting that is clearly illegal in the United States;
14 that they're advertising illegal types of betting in
15 a publication that is widely circulated in the
16 racetracks. That's on page 2.
17 Also, on page 15 we were talking about the
18 veterinary hospital at Golden Gate Fields. And it
19 says, "Commissioner Harris said he did not believe
20 the Board wished to become involved in negotiations
21 regarding the hospital." If -- my intent was not so
22 much that we're not involved. It was that we should
23 be involved and should, you know, urge the completion
24 of the hospital, but should not be micromanaging the
25 process. And the parties involved should be aware
26 that they were the leaders in it and weren't looking
27 to the Board strictly to take the lead, but that we
28 were oversight, but that they still needed to bring
0008
01 the thing to fruition.
02 MR. LANDSBURG: Any further comments on the
03 minutes?
04 MS. MORETTI: I was going to move to adopt the
05 minutes with that caveat.
06 MR. LANDSBURG: A motion has been made to adopt
07 the minutes as corrected.
08 MR. BLAKE: Seconded.
09 MR. LANDSBURG: All in favor say aye.
10 (Voice vote response)
11 MR. HARRIS: Are these minutes available on our
12 web site? Sometimes we send out the minutes as part
13 of our meeting packet. But if we make corrections
14 and so forth, do they get corrected on the web site?
15 MR. WOOD: They're available. We've had a
16 slight delay in a couple minutes getting back from
17 the court reporters because of the length of the
18 first two meetings we had this year. But we get
19 the -- caught back up. These will be available with
20 the corrections.
21 MR. HARRIS: As part of the circulation process,
22 they go to anybody that's interested in receiving
23 them?
24 MR. LANDSBURG: A motion has been made, seconded
25 and approved unanimously by the Board. The corrected
26 minutes will be accepted.

26 rolling doubles at Stockton like the other fair?
27 MR. KORBY: I'll talk to the fair about that. I
28 don't know why the Stockton fair could not initiate

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01 that.

02 MR. HARRIS: It seems like whatever it is, it
03 should be somewhat uniform unless there's some
04 individuality thoughts on the fair. But hopefully
05 the fair would be coordinated and have a similar
06 format and hopefully be similar to the format of
07 Southern California. Because with all the different
08 wagering going on in California, I think it's good
09 for the patrons to know there's some continuity, and
10 it's not one whole deal one place and one whole deal
11 another place.

12 MR. KORBY: We work hard to accomplish that.
13 There are some local traditions that continue. I
14 think we got closer to consistency through the
15 circuit.

16 MR. LANDSBURG: I believe there's a note asking
17 for the option to have one dollar wagers on exactas
18 and trifectas on page 5 of -- on the bottom of page 5
19 of the license request.

20 MR. HARRIS: It didn't have pick three's.

21 Also, I didn't see a racing secretary
22 listed for this meet.

23 MR. KORBY: It should be listed on here.

24 Is he not?

25 MS. MORETTI: On page 8.

26 MR. KORBY: Robert Marino. If he's not here --

27 MR. HARRIS: It is. It wasn't on the first
28 part. I see it back there.

0012

01 MR. WOOD: Just to clarify, is your first post
02 time going to remain 12:45? Is that correct?

03 MR. KORBY: That's what the fair has listed on
04 here. If there's a conflict with Bay Meadows or
05 Hollywood Park, we can take a look at that and ask
06 the Board to allow us to revise it.

07 MR. HARRIS: As I understand now the post times
08 at Hollywood Park are 1:15 and Bay Meadows are 1:00.
09 So it seems like somehow you could coordinate with
10 them.

11 And I don't know, on, like, the last Friday
12 when you overlap Hollywood Park, there should be some
13 thought given to the best opportunity there. If you
14 wouldn't be better off trying to go a little later on
15 Friday afternoons to pick up some of that -- the late
16 afternoon handle.

17 MR. KORBY: If the Board would permit me, I will
18 go back to the fair, and we will work out a post time
19 that is coordinated with the post times at Hollywood
20 Park and Bay Meadows and come back to Mr. Wood with
21 that. We don't run past daylight.

22 MR. HARRIS: Daylight goes to 8:00. If they can
23 start at 3:00 or something.

24 MR. LICHT: They are.

25 MR. KORBY: 3:15 on Fridays is the scheduled
26 post time.

27 MR. WOOD: If you start at 12:45, Bay Meadows at
28 1:00 and Hollywood Park at 1:15, is that not an
0013 acceptable coordination, or is that unacceptable?
01 What's on top of --
02 MR. SPERRY: Either way, why is there a conflict
03 in the second race?
04 MR. WOOD: You have to adjust yours to not have
05 the conflict in the second race.
06 MR. KORBY: If the Board will permit, I'll go
07 back to the fair. We'll work out the details of that
08 and come back to Mr. Wood. Perhaps if we adjusted it
09 five to seven minutes either direction, that should
10 accommodate it.
11 MR. LANDSBURG: You have that power to do that.
12 Under the rules, you have a ten minute -- I believe.
13 MR. WOOD: Once they set their first post time,
14 unless the Board approves, in the past. The Board
15 now meets and approves administratively changes the
16 post times up to 15 minutes if the Board made it
17 amongst the individual tracks. If you will allow
18 this through his application with that administrative
19 approval, that would be satisfying.
20 MR. LANDSBURG: Thank you. Just one other --
21 Ed, I'm sorry, sir. Comment?
22 MR. HALPERN: Ed Halpern, California
23 Thoroughbred Trainers. Regarding the horsemen's
24 agreements, Commissioner, we at California
25 Thoroughbred Trainers have reached a tentative
26 agreement with Mr. Korby. I would ask that the
27 approval here be contingent on the Board's receipt of
0014 that; that it has not been signed yet.
01 MR. LANDSBURG: It is required, so we will --
02 Ed, I don't want to go past this note. It is my
03 understanding that the horsemen's agreement that
04 T.O.C. signs is sufficient. I'm -- under the rules
05 that -- under which we operate. I'm not absolutely
06 sure of that, but I believe that's the case.
07 MR. HALPERN: I would dispute that respectfully.
08 I think the sections that create the requirements for
09 the T.O.C. make it clear that the horsemen's
10 agreement is required with the C.T.T. also, because
11 of the kinds of terms that are included and required
12 to be included and because of the specific language.
13 But it was not done historically. A couple
14 years ago we started doing it with all the tracks.
15 And we now do it routinely with all of the tracks in
16 California. This will be the first time we've
17 required it of the fairs. I just think nobody
18 brought it up before we raised that issue.
19 MR. LANDSBURG: I would like to hold that
20 suggestion in abeyance until I'm sure that we are on
21 the proper ground. I will ask the attorney general
22 to take it under advisement and advise the Board as
23

24 to what we can do.

25 At the moment, the approval is apparently
26 complete. But we will have a reading on it. And I
27 will be able to get back to you as well when we have
28 the attorney general's view. And we'll move on from

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01 there. At the moment, in its current form, do we
02 have a motion --

03 MR. LICHT: I have a question.

04 Yesterday, Chris, at our Pari-mutuel
05 meeting we talked about these two eyesores, in my
06 mind; Holiday Beach Hotel and Racing and Gaming
07 Services.

08 Were you able to come up with any
09 information on what's being done with that?

10 MR. KORBY: I did. Following our conversation,
11 I asked our people to pull some numbers on that. And
12 I have the handle figures for those two sites.
13 During the Alameda County Fair, R.G.S. handles some
14 \$47,000 a day, I believe it was. And during the
15 San Joaquin County Fair, it was something less than
16 that, about \$40,000 a day.

17 MR. LICHT: Significant numbers.

18 MR. HARRIS: You saw in that signal for how
19 much? Three percent?

20 MR. KORBY: Four percent last year, is my
21 understanding.

22 MR. LICHT: I certainly don't want to hold up
23 these applications. But I'm going to reiterate what
24 I said yesterday. It's my personal position that in
25 the future, I don't know when that's going to be, I
26 will not vote for any license application that
27 includes the assignment of a license to take wagering
28 at either of these two places until I'm convinced

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01 that, A, there are no rebates being provided through
02 either of them, which I know, in fact, there are.
03 And, 2, that no California residents are betting
04 through them, which I know, again, it is a fact that
05 they are doing that, unless someone convinces me to
06 the contrary. I think it's an outrage that we
07 contract with these people under these circumstances.

08 MR. KORBY: We heard the discussions yesterday,
09 and we look forward to participating in any
10 discussions about the Board's policy with respect to
11 this and looking at any documentation about what
12 constitutes a rebate and what rebates are being made.
13 We look forward to working with you on that.

14 MR. LICHT: And taking wagers from California
15 residents, right?

16 MR. KORBY: Yes.

17 MR. HARRIS: On that issue, which I think goes
18 into the Alameda application, can you give us a
19 report on the status of the A.D.W. riders that the
20 fairs are working with, negotiations going on there?

21 MR. KORBY: We are in active discussions with
22 all three license providers. I would -- I don't want

23 to disclose too much of that here in public forum
24 before we're ready to announce that we have an
25 agreement in place. But we're getting close.

26 MR. HARRIS: I would certainly urge the fairs to
27 try to work out some sort of an agreement with
28 somebody, preferably that has good exposure to
0017 California on television, because I think that would
01 help the visibility of the fairs.

02 MR. KORBY: We agree.

03 MR. BIANCO: With the workmen's comp, I
04 was curious to find out if that's a problem for
05 everybody? Do we have enough to have full fields at
06 the fair, or are we going to have short fields
07 because of trainers not coming in California?

08 MR. KORBY: That's a concern for all of us.
09 We're working hard to make sure we have the best pool
10 of horses that we can get. Last weekend we had a
11 weekend recruiting effort over at Turf Paradise.
12 Turf Paradise handled the ducktails nicely with
13 summer fairs. And there's a complement of horses
14 that come from Arizona every year. We want to assure
15 trainers that they were still welcome to come run our
16 races. We want to extend that warm welcome to all
17 trainers on the west coast. We love to have them
18 come in at the fairs that wishes to.

19 We're participating in the industry
20 discussions about a possible solution to the workers'
21 compensation issue. It's a thorny issue. I think
22 there's probably a market solution there and maybe
23 legislative solution there. And maybe it's a
24 combination of both that ends up helping overcome the
25 problem.

26 It's an acute issue for us because there
27 are a number of policies that we'll be exploring at
0018 the end of June which falls during Alameda County
01 Fair. That's of some concern to us. During
02 conversations with Mr. Halperson the other day, I
03 noted that we'd like to make facilities available to
04 any representatives of insurance brokers who would
05 care to come work with trainers about new policies
06 or trainers who are running at the fairs. We'd like
07 to facilitate that as much as we can.

08 MR. LICHT: It would be great if the next fair
09 that requests a license, you can come back and report
10 what your personal interactions were with these two
11 holidays and what they tell you about their nature of
12 taking wagers from California residents or rebates.

13 MR. KORBY: We will do that.

14 MR. LANDSBURG: Are there any further discussion
15 of the Stockton -- the San Joaquin Fair license? If
16 not, we'll entertain a motion to approve the license
17 for Stockton for application of the license to
18 conduct a horse race meeting at the San Joaquin Fair.

19 MR. SPERRY: So moved.

20 MR. LANDSBURG: Moved by John Sperry.

22 MS. MORETTI: Second.
23 MR. LANDSBURG: Seconded by Ms. Moretti.
24 All in favor all say aye.
25 (Voice vote response)
26 MR. LANDSBURG: Unanimously carried.
27 Before we go on to the next item, just a
28 brief flag to put up. The Board would appreciate any
0019 advance notice to the Race Dates Committee of
01 requested changes in race dates as soon as possible
02 so that we do not wind up with a last minute rush to
03 try and figure out how to adjudicate race dates.
04 Again, if there are any important changes in the
05 request for race dates, as they are set up for this
06 year, we would greatly appreciate having notification
07 in front of the various associations wanting changes
08 so that we can discuss it within the Race Dates
09 Committee and have a firm proposal on the Board when
10 that occurs. So it's just a courtesy to us. And
11 we'd like to see it happen.
12
13 Moving on to the next item of the agenda,
14 Discussion and action by the Board on the Application
15 for License to Conduct a Horse Racing Meeting of the
16 Alameda County Fair in Pleasanton commencing June 26
17 through July 7, 2002.
18 Jackie.
19 MS. WAGNER: Jackie Wagner, C.H.R.B. Staff. The
20 Alameda County Fair has filed an application for
21 proposing racing from June 26 through July 7, 2002
22 for 11 days, which is the same they raced in 2001.
23 They're proposing to race a total of 121 races, which
24 is also the same they raced in 2001.
25 They will be racing Wednesday through
26 Sunday with five days of racing the first week.
27 Six days of racing the second week. The first post
28 time is 12:15. They will be utilizing the C.H.R.B.
0020 rules for their wagering program.
01 The analysis indicates a number of missing
02 items. We have received the horsemen's agreement
03 from T.O.C., the name of the entity that will provide
04 the printing of the programs. We've also received
05 the name of the entity that will provide the portable
06 stalls.
07
08 We are still missing the fire clearance.
09 The workers' compensation is scheduled to expire, I
10 believe, July 1st. That will be reviewed. And we're
11 still missing the name of the starter, timer, second
12 patrol judge, fitness veterinarian and track
13 veterinarian.
14 Staff would recommend that the Board would
15 approve the application upon receiving the additional
16 information. I do have a representative from the
17 fair.
18 MR. LANDSBURG: Discussion of the --
19 MR. LICHT: Just the same remarks that I made
20 with respect to Stockton, and I hope that there's

21 follow-up on this one, too.

22 MR. KORBY: We'll be prepared to discuss that at
23 the next meeting.

24 MR. HARRIS: I think all associations with dates
25 request coming up, I think we need to take a look at
26 that policy and really have them be prepared to
27 explain to the Board where they are. Because I
28 think -- historically what happens is kind of every

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01 possible outlet has been listed. And I don't think
02 that's necessarily the best policy.

03 MR. KORBY: I would like to introduce Mr. Rick
04 Pickering, the Chief Executive Officer, from the
05 Alameda County Fair.

06 MR. PICKERING: Mr. Chairman, on behalf of the
07 Alameda County Fair Racing Association, we believe
08 that we can, in writing, put R.G.S. on notice that if
09 we do not receive timely, accurate information, that
10 we will not be contracting with them in 2003.

11 MR. LICHT: Timely, accurate information or
12 maybe an affirmation that they do not rebate any
13 money to anybody under any circumstances, and they
14 will not take wagers from California residents.

15 MR. PICKERING: I can speak on behalf of the
16 Alameda County Fair. We will put them on notice that
17 we will not contract with them in 2003 under those
18 circumstances.

19 MR. LANDSBURG: In respect to the application,
20 and I call Ed Halpern on this, I see on page 4 of
21 your application there is no recognition of C.T.T. in
22 your -- bottom of page 4. It recognizes the
23 horsemen's organization, does not have a C.T.T. as a
24 noted organization.

25 MR. KORBY: Mr. Chairman, in reviewing this
26 yesterday, this is a sensible phone call with Rick.
27 And I subsequently talked to our financial officer.
28 It's an oversight. We apologize for that. We can

0022

01 confirm the amounts of money that were paid last year
02 to C.T.T. and the projections for this year. I have
03 that with me and will furnish it to Jackie.

04 MR. PICKERING: If I might add, Alameda County
05 Racing Association had a wonderful relationship with
06 C.C.T. the last two years, particularly on the back
07 side, and the Christmas programs that we're doing now
08 as well as the racetrack chapel (phonetic) team. And
09 this spring we've embarked upon both medical and
10 dental services on the back side in concert with
11 C.C.T.

12 MR. LANDSBURG: Glad to hear it.

13 MR. HARRIS: On the stabling, on page 4 of the
14 application talks about stable accommodations. It
15 mentions Alameda County Fair, 684 stalls including
16 Golden Gate Fields of 1400. Now, Bay Meadows is not
17 listed.

18 People could stay at Bay Meadows, or is
19 Bay Meadows going to be closed?

20 MR. PICKERING: We're happy to take horses from
21 Bay Meadows.
22 MR. HARRIS: I don't know if they're open or
23 not, though. I assume they're open.
24 MR. KORBY: My understanding is Bay Meadows is
25 open.
26 MR. HARRIS: They weren't listed. I didn't know
27 if there was some reason for that.
28 MR. WOOD: If you look on page 6 --
0023
01 MR. HARRIS: Page 4 doesn't.
02 MR. PICKERING: Mr. Chairman, we're certainly
03 happy to take horses from Bay Meadows on a year round
04 basis. Approximately 10 percent of all horses racing
05 at Golden Gate and Bay Meadows are trained in
06 Pleasanton.
07 MR. HARRIS: I think I maybe have an old item
08 here.
09 MR. KORBY: Commissioner Harris, I believe
10 that's under item 6, page 6. It's section D.
11 MR. HARRIS: It's a little confusing because
12 there's -- okay. I see it -- what it is now.
13 MR. LANDSBURG: Is there any further discussion
14 of the license application for the Alameda County
15 Fair? I'll entertain a motion, then, to approve the
16 license application.
17 MS. GRANZELLA: So moved.
18 MR. LANDSBURG: So moved by Ms. Granzella.
19 Seconded by Commissioner Moretti. All in favor?
20 (Voice vote response)
21 MR. LANDSBURG: All opposed? Approval for the
22 application license to conduct horse racing meeting
23 of the Alameda County Fair commencing June 26 to
24 July 7th is approved. Thank you.
25 We now enter a world of specific provisions
26 and general provisions. The adoption of the proposed
27 emergency regulations of Article 28, Backstretch
28 Worker Housing, and Rule 1928, Fire Regulations.
0024
01 Article 28 contains a number -- let me call them a
02 number of specific rules and definitions of them.
03 Jackie.
04 MS. WAGNER: Jackie Wagner, C.H.R.B. Staff. As
05 you are well aware AB471 amended the horse racing law
06 to provide that the Board adopt emergency regulations
07 addressing backstretch worker housing. The new
08 article, Article 28, contains the rules that we're
09 proposing that will address this particular issue.
10 The proposed regulation provides a minimum
11 standard for backstretch worker housing as well as
12 health and safety measures. Article 28 contains
13 six rules, which will be new to the Board's rules and
14 regulations. And it also contains an amendment to
15 the existing rule, which is Rule 1928.
16 The rules were presented before the
17 Benevolent Committee for discussion and approval.
18 Staff recommends that the Board adopt the proposed

19 emergency regulations as presented.

20 MR. LANDSBURG: Is there discussion of these
21 rules and their definitions?

22 MR. HARRIS: Are we going to take them one at a
23 time?

24 MR. LANDSBURG: Yeah. We'll go one at a time,
25 but I wanted to start with the general position and
26 move on to definitions.

27 MS. WAGNER: For clarification, Commissioner,
28 the Office of Administrative Law has assured staff
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01 that this proposal can be adopted as an article. If
02 we want to go through each rule, we certainly can.
03 But we can entertain one adoption motion for the
04 whole article for the emergency regulations.

05 MS. GRANZELLA: After numerous meetings with
06 Mr. Sperry and I, the Benevolent Committee is
07 recommending that we adopt Rule -- Article 28 and
08 1928 as a package.

09 MR. LANDSBURG: I have a question about only one
10 thing. The Board is charged with monitoring worker
11 conditions.

12 Have we put into operation a method for
13 such monitoring?

14 MR. WOOD: Mr. Chairman, I can answer that. We
15 have started backstretch housing and workers'
16 condition and inspections two years ago. And those
17 are on a regular basis.

18 MR. LANDSBURG: Given these specifics, we now
19 have specific things that we have to monitor.

20 Do we -- and I really ask this just for the
21 good of the Board and how we can do this -- do we
22 have enough expertise to fulfill the requirements of
23 monitoring these?

24 MR. WOOD: I can answer, yes, we do. We have
25 been doing that for the last two years in conjunction
26 with the county and state officials and racing
27 associations. And we have the expertise and
28 personnel to make sure these are enforced.

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01 MR. HARRIS: Which personnel do we have? I
02 mean, is it stewards? Investigators? Who on the
03 backstretch is really responsible for this?

04 MR. WOOD: Two people. Mr. Minami is the one
05 that does the inspection along with associate
06 stewards in cooperation with the physical plant
07 management (phonetic). We have people isolated to do
08 that inspection.

09 MR. HARRIS: My concern is kind of ongoing
10 responsibility. It's not once a year.

11 MR. WOOD: We do them before each meet opens, on
12 a yearly basis and on a regular basis.

13 MR. LICHT: I didn't notice anything about heat.
14 Is that required?

15 MS. WAGNER: Heating is not addressed in the
16 emergency regulations. It was discussed in the
17 meeting that we have had. And it should be noted

18 that these are just the emergency regulations that we
19 are required to put in by statute in the 120 days.
20 We will have to come back to complete the process, at
21 which time, we will make the regulations permanent.
22 At that time, we intend to address the heating issue
23 and any other issues that would take more research or
24 more time to come to a resolution. So heating will
25 be addressed in the permanent regulation.

26 MR. LICHT: That's important. Why wasn't it
27 addressed in -- it's almost the most important.

28 MS. WAGNER: We were unable, really, to come to
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01 a resolution as to what heating requirements we would
02 require in terms of whether it would be space
03 heaters, a permanent heating system. That primarily
04 centered around the discussion that we had. As soon
05 as we come to a resolution as to how to address that
06 subject, it will be.

07 MR. LICHT: Why doesn't it just say that some
08 heating is required? Any kind of heating.

09 MR. HARRIS: Depends on the temperatures
10 outside. But I agree it's a problem, because the
11 fire danger from -- one of the historic problems from
12 fires is that people don't have heating, so they have
13 some device for some type of heating that could
14 create a fire danger. At some point it needs to be
15 addressed.

16 MR. WOOD: I think that one thing that we must
17 point out is that the law that was allowing advance
18 unionization of the backstretch worker housing
19 condition improvements allowed a 180-day time frame
20 for us to write an emergency regulation. It also
21 charged the Board with a promulgation of rules after
22 those emergency regulations came into effect.

23 These are not the final housing standards
24 that we will create. Issues like locks on doors,
25 heating, that are very complicated that require more
26 study and time and input from the industry than
27 180 days. These are emergency regulations, and we're
28 asking them to be adopted in accordance with the law,
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01 and allow the Board the time with the industry to
02 come up with the specifics for housing conditions and
03 requirements and standards that we would be living
04 with for the rest of the racing time in California.
05 So this is an administrative requirement and law that
06 gives you an opportunity to enforce or place some
07 regulations, and also gives you the responsibility of
08 future development, which would include some very
09 complicated issues that require study and input.

10 MR. LICHT: Law requires implemented by when?

11 MR. WOOD: April of this year. We have
12 two months of intense work and numerous staff. And
13 we need to endorse these and improve these and adopt
14 these at the board level and continue the process of
15 developing long-term standards which will look at the
16 situation as it is related to existing tracks in

17 California and ones that may come on stream in the
18 future for housing standards. That's when the real
19 work of the standards --

20 MS. MORETTI: I understand these are minimum
21 standards.

22 If we were to adopt these as a package,
23 does that preclude us from going in and looking at
24 the individual rules later?

25 MS. WAGNER: No, it does not. It does not
26 preclude us from going back and looking at the
27 individual rules.

28 MS. MORETTI: Also -- sorry -- in regards to the
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01 heat, is that something -- I presume one of the
02 things that we're doing is working with the county in
03 terms of their health and safety requirements.

04 Is that part -- is the heat issue already
05 looked at in the county rules?

06 MS. WAGNER: There are some -- the heat issue is
07 looked at in the county rules. It's also looked at
08 at the state level. We just need to come with a
09 resolution as to how we're going to handle it here in
10 our regs in terms of language and what we are
11 actually going to require.

12 MR. HARRIS: Could we have said heating needs
13 would be in accordance with the county specifics or
14 something like that? They are, I guess, anyway.

15 MR. BLAKE: These rules are required to be
16 reviewed by Office of Administrative Law. And they
17 will apply the usual standards, although, they do so
18 on an expedited basis. And the requirements for
19 regulations are that the language be specific. And
20 the staff is precluded from using language such as
21 "Providing reasonable heating" or "Making appropriate
22 heating arrangements" for -- to a large extent by
23 referring to county standards.

24 It does take time to write in detail
25 exactly what is to be applied in each particular
26 location. It will be self-contained within the
27 regulations. And so I think it's important at this
28 point that the Board consider adopting these as an
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01 interim measure, and that as the standards can be
02 applied and written right into the regulation, the
03 regulation will grow both in length and specificity.

04 MR. HARRIS: I'm bothered by the provision --
05 the first sentence where it says, "Nothing in this
06 article shall require associations or racing fairs
07 provide housing for backstretch workers." Housing,
08 for the most part, at least thoroughbred tracks, has
09 been a big element of the backstretch, you know,
10 since the inauguration of racing. And I'm not sure
11 exactly if it's the legal obligation of the track to
12 provide housing or not or who's really responsible
13 for it. But I would rather be silent on that and not
14 really say that we don't require to give the idea
15 that we aren't going to.

16 My concern is an easy out for a racing
17 association or fair would be to say that we won't
18 have housing, and you guys figure it out. I think
19 that's really part of the overall structure of the
20 horsemen's agreement and everything is that rooms
21 and -- have been provided housing. And I'd hate by
22 regulation to really walk away from that without more
23 study.

24 MR. WOOD: One of the things that can be done to
25 address your question is the elimination of the first
26 sentence, striking the word "such." Making the
27 sentence read, "Backstretch worker housing that is
28 provided and association shall be maintained in

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01 accordance with this article and shall be kept free
02 of debris, garbage," et cetera. So that one change,
03 I think, will address your concerns.

04 MR. HARRIS: I would agree with that, if you
05 would take out the first sentence and start with the
06 second sentence. There is still going to be a debate
07 on the issue. At least we're not making a statement
08 about it.

09 MS. WAGNER: I'll make that adjustment.

10 MR. LANDSBURG: With that adjustment, is there
11 any further discussion of this Article 28, and can --
12 I believe we can now --

13 MR. HARRIS: I want -- I know we need to get
14 this done, but we've got to be practical on 3010. We
15 talked about the daily removal of materials.

16 Is this a standard practice now at the
17 tracks that every manure pile is picked up every day?

18 MS. WAGNER: I believe it is. During the course
19 of the meetings that we had, when we proposed these
20 rules, there is no objection from any of the
21 associations to that particular provision. So that
22 would be my guess.

23 MR. HARRIS: I think that's a good idea. I just
24 want -- tracks don't object now, they better be doing
25 it.

26 MS. WAGNER: They have not objected.

27 MR. LANDSBURG: We clearly have more work to do
28 on this. Is there further discussion? If there

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01 isn't, I'll entertain a motion to accept Article 28
02 as the provisional and interim extent toward
03 fulfilling our obligation to the backstretch
04 conditions be improved.

05 MR. SPERRY: So moved.

06 MR. LANDSBURG: Moved by John Sperry. Seconded
07 by Ms. Granzella.

08 All in favor.

09 (Voice vote response)

10 MR. LANDSBURG: Opposed? The Article 28 is
11 approved as amended or as discussed. Thank you.
12 Moving on.

13 Report by C.H.R.B. staff on the A.D.W.
14 handle through April 14th, 2002. John Reagan.

15 MR. REAGAN: John Reagan, R-e-a-g-a-n, C.H.R.B.
16 Staff. As indicated in the staff analysis, through
17 the 14th we handled just under 23 million total
18 A.D.W. handle representing about four percent of the
19 California ontrack and offtrack handle. At this
20 point indications are that we are not seeing any
21 negative impacts on the on- and offtrack handle in
22 California. We will certainly continue to monitor.
23 Also, I've added this month the fact that
24 of that handle, 85 percent appears to be on the
25 thoroughbreds, 10 and a half on harness and four and
26 a half on quarter. Those percentages will probably
27 change now that the T.V.G. folks are taking the lead
28 product in the south. We'll keep an eye on that.

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01 Also just a little indication between the
02 zones. The southern zone, 70 percent of the
03 wagering, 30 percent from the northern zone. At this
04 point that's what we have there.

05 Yesterday, I might add, a substantial
06 package was delivered to us at the Pari-mutuel
07 Meeting from the C.R.I.M.S. organization. Once again
08 their numbers are consistent with ours, thank
09 goodness. Four percent of the account wagering
10 handle are still approximately four percent of the
11 total California handle. And there are extensive
12 reports behind that cover page in which we talk about
13 the wagering by California residents, 65 percent at
14 this point being XpressBet, 23 percent T.V.G.,
15 6 percent YouBet. And reports behind that giving
16 information on the tracks, the out-of-state tracks
17 that are participating as well as the California
18 tracks. So quite an interesting bunch of reports.

19 As I indicated last month, we were working
20 diligently to get the CHRIMS system to the point
21 where we could get these reports more timely. We're
22 very close to that. On May 7, there will be a
23 meeting of Pari-mutuel auditors, myself and
24 controllers, C.F.O.'s, other people interested in
25 this process of distributing the A.D.W. handle. It
26 will be at the CHRIMS offices in Northern
27 California. And I hope at the end of that meeting,
28 we'll have a firm understanding between all those

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01 people in the trenches, as I say, as we work through
02 the actual distributions and get that money flowing
03 to the appropriate parties.

04 If you have any other questions, I'll try
05 to answer them for you.

06 MR. LANDSBURG: My projection, Mr. Reagan, do
07 we -- with a total handle in California in the first
08 three months of this year, in the first quarter of
09 this year, 624 million, is that the correct figure
10 in -- the CHRIMS figure of 624 million?

11 MR. REAGAN: Through April 21st, yes, sir.

12 MR. LANDSBURG: Which projects a 2.6 or -7
13 million dollar --

14 MR. REAGAN: Yes, sir.

15 MR. LANDSBURG: -- wagering handle. When we
16 begin to talk about percentages that are dealt off
17 the top, they are, even in one percent lumps, quite
18 significant.

19 MR. REAGAN: Absolutely.

20 MR. LANDSBURG: I want to make -- the CHRIMS
21 report was eye opening.

22 One comment that I found interesting, when
23 I tried -- I am not an accountant. I wish I were. I
24 have to take out a computer and do it all. Looking
25 at the figures from T.V.G. for one, I was surprised
26 to find that our California racing represents only
27 approximately 20 percent of the wagers. And that
28 most of the wagers flow to -- the other 80 percent

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01 flow out of the state to other tracks.

02 MR. REAGAN: There will be significant changes
03 now that Hollywood Park is open. And they are the
04 diamond of the T.V.G. signal in California. So we'll
05 see an adjustment in those percentages.

06 MR. LANDSBURG: That will be interesting to
07 monitor as we go along.

08 MR. LICHT: You said you didn't see an impact on
09 the live handle or live attendance? What do you base
10 that on?

11 MR. REAGAN: Not only did I do my own analysis
12 this month of doing a handle and attendance
13 comparison statewide, but I also took the time to
14 call each one of the Pari-mutuel departments and
15 general manager types and asked them what they
16 thought. There are certainly some changes,
17 variations in the handle year to year. None of them
18 felt there was any significant impact to account
19 wagering versus number of horses or weather or other
20 items that cause these variations that they felt were
21 certainly more important or more impactible on their
22 handle at this point. And saw little impact from the
23 A.D.W.

24 MR. LICHT: Well, for instance, I think
25 Santa Anita's attendance was down --

26 MR. REAGAN: Handle was up nicely.

27 MR. LICHT: I can't figure out how I would
28 analyze that in connection with the A.D.W.

0036

01 Jack, Do you have a theory on that?

02 MR. HARRIS: Got lucky with the pick sixes.

03 MR. LIEBAU: Jack Liebau from Santa Anita. Yes,
04 good management, good weather and a lot of carry
05 over.

06 I think that as far as ontrack attendance
07 is concerned, it's a little better than the figures
08 look. And that we revamped our group sales and
09 changed our emphasis from, more or less, acting as a
10 park to trying to go after corporate business. So I
11 think that we were close to a push by -- take out
12 those 20 to 30,000 people that we no longer solicited

13 come to use our infield as a park.

14 MR. LICHT: I thought about that. And also the
15 biggest one to me, you don't have that turnstile,
16 right? Most of your giveaways now you have to have a
17 card --

18 MR. LIEBAU: All of our giveaways were
19 thoroughbreds. That limits the person to one
20 promotional item per visit. That also eliminated the
21 spinners.

22 Spinners I know can be of some importance
23 because at Bay Meadows, we had one umbrella that one
24 person went to 75 times for selling it on the streets
25 in San Francisco when it rains for five times the
26 admission price.

27 MR. REAGAN: I know frequently I do get calls
28 from reporters who want to understand account

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01 wagering in 25 words or less. I tell them over and
02 over, with this kind of change in the scene here, you
03 really need a year or two to really see what kind of
04 impact there's going to be in the long run and that
05 impact will probably change over in that amount of
06 time. Certainly not with just two or three months
07 of data, I don't think we can make conclusions,
08 especially when it's kind of a push.

09 MR. HARRIS: I think it is good that -- to take
10 a while to analyze all the data. I congratulate you
11 and CHRIMS getting it done because they really
12 needed the data as an industry as we look at and
13 analyze, you know, why people do things or what
14 they're doing or what we can do to make it better.

15 MR. LANDSBURG: Further discussion now of the
16 A.D.W. handle?

17 With only four percent of A.D.W.
18 represented in the major pool, if we were to talk
19 about cannibalization and compare it to Bay Meadows'
20 figures, you have to have more than 240 people
21 different than last year's numbers in order to wind
22 up with a figure as to whether we cannibalize. That
23 will remain a question that this board will be
24 concerned about.

25 Any further discussion?

26 MR. HARRIS: We're going to talk to the
27 individual providers?

28 MR. REAGAN: Yes. That's next.

0038

01 MR. LANDSBURG: Our next agenda item is the
02 implementation of advance deposit wagering. And
03 listed first for a report is XpressBet.

04 MR. HANNAH: Ed Hannah, Vice President and
05 General Counsel for XpressBet, Inc. as well as its
06 parent, Magna Entertainment Corporation. I'm hoping
07 our technology will work. We've already had one
08 problem with it this morning. With the Chairman's
09 indulgence, I would like to make two observations by
10 a Canadian before we commence, one tongue-and-cheek
11 and one heartfelt.

12 The first tongue-and-cheek one is I can
13 assure you as a Canadian, I have a great deal of
14 experience with cool ambient temperatures. So I
15 underscore the importance of adequate eating.

16 The heartfelt one is unlike many
17 professional athletes, I do not regard my body or my
18 clothing as a billboard. I very rarely wear personal
19 jewelry. I very rarely wear a lapel pin. You'll
20 probably note that in my lapel today that I have a
21 U.S. flag.

22 The reason for that is that last Thursday
23 at the M.E.C. annual meeting, all executives and
24 directors received a flag to put in their lapel.
25 This morning I wore this suit for the first time
26 since last Thursday. The flag was still there. I
27 was going to remove it. I chose to keep it. I pride
28 myself on my candor.

0039

01 There was a prime minister of Canada,
02 Pierre Trudeau, who once likened the relationship
03 between Canadians and Americans as sleeping next to
04 an elephant, which basically meant, when the elephant
05 moved in bed, you felt every ripple.

06 Last Thursday, the day of our annual
07 meeting, which was held here in Santa Anita -- not
08 here, but in the L.A. area, many Americans are
09 probably not aware of this, but in Afghanistan a
10 training accident in which four Canadian servicemen
11 died and seven were very severely injured. There's
12 been a great deal of press in Canada about that and
13 much criticism of the United States.

14 My own personal view, and I believe the
15 general view of the Canadian public, is that it's
16 unwarranted criticism. A lot of criticism comes from
17 the fact that Canadians pride themselves on being a
18 peace-loving people. We have not lost lives in
19 combat since the Korean war. We have lost lives in
20 peace-keeping missions, most recently in Bosnia.

21 For those who are not aware of what
22 happened in the training accident was the Canadian
23 forces were out on a training exercise and mistakenly
24 got fired upon by a U.S. plane and killed and
25 injured. We feel the ripples and the effects of
26 September 11th in Canada. We regard the war on
27 terrorism as an international war. That is why I
28 have left this lapel pin in my suit.

0040

01 My apologies because I was in New York City
02 on September 11th, so I know what happened. And I
03 just wanted the indulgence of being able to say those
04 things. Because from this Canadian, and I believe
05 from most Canadians, we stand behind the
06 United States in its leadership in the aftermath of
07 the events of September 11th, and its war on
08 terrorism. Thank you for your indulgence. The
09 technology has worked. Maybe that's a blessing from
10 God.

11 Before I get into the actual prepared
12 presentation, I would like to just update the Board
13 on two things. First of all, I sent the letter to
14 Roy Wood indicating that Ron Luniewski has
15 joined XpressBet, Inc. as our president. Ron is
16 already licensed in the state of California, so I'm
17 not sure anything more needs to be done. But I
18 wanted to make the horse racing industry in
19 California aware of that.

20 Second thing is each of the commissioners
21 has received a handout. We have copies available for
22 everyone here who has come today. What the handout
23 is was something that came up yesterday at the
24 Pari-mutuel Operations Committee meeting. And it
25 deals with under the XpressBet agreement with the
26 T.O.C., the amounts that go into the purse accounts
27 in California, vis-a-vis the different types of
28 wagers. For those who have not received this yet,

0041 I'll quickly go through it.

02 For an out-of-state wager on a California
03 race -- and this is using a 19.1 takeout rate, which
04 is the actual blended takeout experience in
05 California in 2001 -- the amount that goes into the
06 purses is 2.9 percent to 5.6 percent of handle.

07 On a California wagering on a California
08 race under the XpressBet system, the amount that goes
09 in is almost 5.9 percent. And on a California wager
10 on an out-of-state race, the amount that goes is
11 close to 5.2 percent. You have the detail breakout.
12 The figures were given yesterday.

13 What we have also done, and we have
14 attached to this information, is a copy of a letter
15 and an announcement that was made in January of this
16 year. It basically outlines the M.E.C.'s account
17 wagering strategy and the underlying philosophies and
18 principals of our business operations in the account
19 wagering area.

20 Up until that point in time, I think there
21 was a lot of misunderstanding in the industry as to
22 what M.E.C. believed in the account wagering world
23 and also a lot of confusion as to what direction
24 M.E.C. was headed in. I wanted to make it available
25 as an attachment to this.

26 Two fundamental principles, and I'll allude
27 to them a bit later in this presentation, to that
28 account wagering strategy is what we call reciprocity

0042 and nonexclusivity. Reciprocity relates to the
02 account wagering world and the systems on which
03 account wagers can be accepted.

04 We believe in reciprocity. We believe that
05 there should be free and open competition. If people
06 are prepared to abide by what we call the principles
07 of reciprocity, which is basically paying the same
08 rate that we are prepared to pay, operate your system
09 with integrity and in compliance with the law, then

10 we are prepared to make our signal available to any
11 account wagering operation.

12 Combined with that, however, are principles
13 of nonexclusivity. They're mostly focused on
14 television. And in the television area, the
15 nonexclusivity relates to the availability of the
16 signal. We will make our signal available to any
17 T.V. provider as long as they are prepared to make
18 any signal of their own or any signal over which they
19 have exclusive contractual rights available to us.

20 So that's basically mentioned in the
21 context of -- the criticism that has been made here
22 in California that in the television world M.E.C.
23 does not make its track signal available to T.V.G.
24 nor does T.V.G. make its exclusive track signal
25 available to M.E.C. We have put down here in paper
26 that we are prepared to do so if there is
27 nonexclusivity both ways.

28 I also raised it, because when I get into
0043

01 the T.V. update part of this presentation, we've had
02 a recent experience with the Santa Anita live
03 programming and also in our negotiations with cable
04 and national carriers where they keep asking us, "If
05 you want carriage on our system, do you insist upon
06 exclusivity?" And we have told them, "We do not
07 insist upon exclusivity."

08 We believe other premiere events in the
09 horse racing industry, things like the Triple Crown
10 races and similar significant races, that there is no
11 need to have exclusive T.V. showing of that. As many
12 boxes we get that signal on, we believe that is in
13 the best interest of the industry. All of that is
14 contained in this attached letter.

15 I'm now going to the prepared presentation,
16 which is basically an update as to all the matters
17 that I think the C.H.R.B. has been concerned about in
18 the past and also a conversation I had with
19 John Reagan prior to this meeting, some additional
20 information that I thought the C.H.R.B. was
21 requesting.

22 MR. SPERRY: What is the holdup in your view?

23 MR. HANNAH: Holdup for?

24 MR. SPERRY: Combining them.

25 MR. HANNAH: Combining T.V.G. signals and M.E.C.
26 signals? I think the holdup is that we abide by the
27 principles of nonexclusivity. T.V.G. abides by the
28 principles of exclusivity. T.V.G., with

0044
01 conversations that we have had with them, have said
02 that, categorically, we will not make our signal
03 available to any M.E.C. television program.

04 These numbers on the screen are as of
05 April 21st, the end of the day April 21st. The total
06 accounts that have been opened in the California hub
07 are 9,681. Of those accounts, 8,480 are held with
08 California residents. Total wagering to XpressBet as

09 of that date is \$17,884,556. Once again, this is an
10 update of the slide to show how much of the wagering
11 has actually been done by our California resident
12 account holders. 87 percent of the wagering is
13 coming from them.

14 We were asked by Mr. Reagan to provide
15 average account balances as well as average daily
16 account activity. These numbers, unfortunately, can
17 only take on a snapshot basis. These are the numbers
18 for April 21st.

19 On April 21, of those persons who were
20 actively involved in wagering on that day on our
21 system, the average account balance that those
22 persons had was \$115.62. And those persons on
23 average wagered \$159.79. We regard that -- we also
24 took a couple of other days as a snapshot, and we
25 regard those as representative numbers.

26 MR. HARRIS: What issue was this leverage if you
27 do those on a median basis, too? I would suspect the
28 medians might be different.

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01 MR. HANNAH: This is the location of how our
02 accounts have been opened. As you're probably aware,
03 we have XpressBet centers at each of our three
04 California tracks. So 75 percent of our accounts
05 have been open through our call center or through the
06 Internet. 16 percent at the Santa Anita center.
07 5 percent at Golden Gate. 4 percent at Bay Meadows.

08 As far as changes here, we are finding more
09 and more of the accounts are being opened through the
10 call center. I think we had our initial burst of
11 activity at the XpressBet center at the tracks.

12 The A.D.W. handle for tracks, this shows,
13 remember once again, this is to April 21st. So it's
14 when the three M.E.C. tracks were running in
15 California. Of the handle that's been done,
16 48 percent was on Santa Anita, 10 percent on
17 Golden Gate Fields, 4 percent on Bay Meadows and 38
18 percent on other California tracks.

19 MR. HARRIS: Other California tracks or other
20 tracks?

21 MR. HANNAH: Inside California, sir.

22 Once again, just to show a trending.
23 Unfortunately, we still have hit a plateau. You'll
24 see this is an average weekly handle by week right up
25 until completion of the most recently completed week.
26 You'll see that it has leveled off for us, as was
27 mentioned earlier by Mr. Reagan, with the Santa Anita
28 meet now being finished. Unfortunately, we're going

0046

01 to see a diminution on our weekly handle.

02 MR. HARRIS: Did you have some observations on
03 why it is leveled off?

04 MR. HANNAH: We're still looking at that as one
05 of the issues that Ron Luniewski is very focused on as
06 the new head of our organization. I'm sorry,
07 Mr. Harris, I can't give any conclusions to that

08 analysis at this point.

09 The other things just to point out, down to
10 the corner, once again, we're finding 80 percent of
11 wagering is coming through the Internet, 20 percent
12 coming through the telephone. This is an update
13 slide on our natural language speech recognition
14 technology.

15 We have now had two successful live pilot
16 tests of about 50 customers. These were about
17 three hours each on a Sunday afternoon. One was held
18 on April 14, I believe, at Santa Anita. The other
19 held on April 18 at the Meadows in Pennsylvania. The
20 results were that 85 percent of the wagers attempted
21 to be placed through the natural language speech
22 recognition system, were placed successfully. They
23 were immediately recognized by the system.

24 For the more experienced bettors and the
25 larger bettors, the success rate was in excess of
26 95 percent. Those are not adequate numbers to us.
27 We are still in the Beta testing phase. We regard
28 those as successful Beta tests.

0047

01 We also have the live 25 person Beta tests
02 that's going on right now on a continuous basis.
03 These are, basically, 25 people every day can place
04 their wagers this way and are doing so. And we're
05 monitoring the results of that.

06 MR. HARRIS: So the actual speech recognition
07 technology is not in place now. But at the present
08 over the phone, a person uses his touch tone or talks
09 to somebody, or how does he do it?

10 MR. HANNAH: At present for the California hub,
11 all that's available is the touch tone system.

12 We are expanding Beta tests by the end of
13 this month to make it available to 7,000 people. The
14 7,000 people who we want to make it available to are
15 all people who are currently signed up through our
16 Pennsylvania hub. They have been long-time customers
17 of ours.

18 This was a deliberate decision on our part.
19 As this board is fully aware, in the early months of
20 our system, the California hub customers experienced
21 some problems, particularly through the Internet and
22 call-wait times. We do not want to roll it out to
23 the California hub customers until it has been tested
24 and been through the Beta phase.

25 We have one false start with them. We
26 appreciate the patience that they have shown with us,
27 and we remedied the problem. We don't want to cause
28 other problems for them. So the 7,000 people are all

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01 sort of long tried and true Pennsylvania hub
02 customers who have assisted us or assisted our
03 predecessor in any sort of new technological
04 innovations that they were bringing in under the old
05 Pennsylvania hub system. We are anticipating that by
06 early June the service will be widely available to

07 our California hub customers.

08 MR. LANDSBURG: May I make a suggestion, because
09 I think it's important for what this board wants.
10 And that is, you are testing a language system, a
11 technology system which may or may not work for you.

12 Isn't it important for you to have a
13 parallel test of live operator responses?

14 MR. HANNAH: We have -- in our Pennsylvania hub,
15 we have live operators who are available. Once
16 again, the business decision has been -- I can only
17 explain our business decision. Margines are very
18 thin within Pennsylvania on the live operators
19 because there are significant costs involved in that.
20 The hub fee that we have been restricted to within
21 California does not allow us to operate -- to offer
22 live operators in California.

23 The hub fee, as agreed with the T.O.C., is
24 four-and-a-half percent in respect of all wagers
25 except California wagering out of state where it's
26 three-and-a-half percent. There just is no room for
27 any type of a live operation given those hub fees.

28 MR. LANDSBURG: Once again, I will now implore
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01 you to begin to re-examine that question. Because if
02 this natural language speech recognition technology
03 proves to be as bulky and as unrewarding, you may be
04 better off in -- particularly in your busy times, to
05 have live operators as part of your service. You
06 don't have to route every phone call to a natural
07 language speech recognition technology. You can
08 route 10 percent, 15 percent, 20 percent of your
09 calls to a live operator, which might be a welcome
10 relief and change to some of your bettors. I would
11 only suggest that you test the difference in speed
12 and accuracy and problems as you test this.

13 MR. HANNAH: This is just talk to Ms. Betty
14 (phonetic), which is the call voice on the national
15 language speech recognition system. I do not intend
16 to play it today. But there is -- we have played it
17 at previous meetings, a demonstration of the system
18 with an Australian voice. We now have a
19 demonstration with an American voice. But in the
20 interest of time, I'll go past that.

21 There is an operation and marketing update,
22 which we have tended to do at each of these update
23 presentations. As I mentioned, Ron Luniewski has come
24 on. Ron has been with us now for over two weeks. As
25 any new president in an organization would do, Ron
26 is, basically, visiting all of the operations,
27 looking at our system and putting his own personal
28 imprints on it.

0050
01 Ron's decision has been to initially focus
02 on taking the feedback that we have received through
03 our call centers. We have got tremendous feedback.
04 There are people who have signed up through the
05 centers who regularly visit with our customer service

06 representatives and make suggestions as to how the
07 site, especially the web site, can be made customer
08 friendly. Ron is focused right now on implementing
09 those ideas and suggestions.

10 Once that is done, Ron's intention is to
11 develop an integrated marketing campaign. Initially
12 that campaign will be focused on direct mail print
13 and on-line advertising. And the initial focus will
14 probably be on what Ron calls T-Internet community,
15 which are fantasy sports players on-line traders.

16 It's -- Mr. Chairman, we acknowledge your
17 remarks all the time. We try to do broader
18 marketing. Once again, even though M.E.C. is a large
19 organization, XpressBet is largely a start-up
20 operation. We are moving as we're going. We're
21 trying to bring out what we regard the most effective
22 marketing first and then we will broaden.

23 I think the way we look at it is we look at
24 the bunch circles. The middle circle is the court
25 player. The next circle lap player. The next circle
26 is probably the most easily converted, for lack of a
27 better phrase, player. Because people who play
28 fantasy sports, and they are on-line traders who are

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01 players, they're just not playing in the racing
02 industry. And then we will broaden it beyond that
03 afterwards.

04 This is the current marketing that we're
05 doing. And this is K.R.O.N. 4, which is San
06 Francisco area station. There is a regular racing
07 coverage as part of their news update. During that,
08 we get two 30-second spots. One of the 30-second
09 spots is dedicated to XpressBet. The other one is
10 dedicated to our Northern California tracks. As well
11 as we get five-second billboards as part of that
12 broadcast.

13 This is our T.V. update. As you're
14 probably aware, and unfortunately with Santa Anita
15 season finished, K.D.O.C. broadcasts are done. We
16 did broadcast for the last five Saturdays of the
17 system. We tried to monitor the impact of that. I
18 do not have a slide on this. We looked at the
19 wagering, which occurred on those Saturdays at
20 Santa Anita racing. There was one blackout which was
21 April 6. That was the day of the Santa Anita Derby
22 where there was tremendous blackout. It was probably
23 because of the quality of racing, not because of the
24 television program.

25 We looked at two Saturdays before. If you
26 took that as a benchmark or bottom for the remaining
27 Saturdays, there was a slight increase, but not a
28 significant increase. We believe in the power of
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01 television to assist this industry and grow. All I
02 can say is it is probably because of the smallness of
03 the universe that we have to test it.

04 I think the results on the K.D.O.C.

05 experience are inconclusive. We're encouraged by it.
06 We intend to do it next year, and as I mentioned,
07 shortly possibly expand it as well.

08 I think we all know who K.D.O.C. is.
09 During the K.D.O.C. broadcast, what we attempted to
10 do was to combine the live horse racing coverage with
11 education personality features and also with live
12 racing advertising.

13 MR. LANDSBURG: I never heard any live racing.
14 There's -- let me get it clear to you. The
15 compliment to any broadcast is the promotion of that
16 broadcast. The broadcast is not successful, we've
17 all learned who have been in the industry, unless you
18 are promoting the broadcast as part and parcel of
19 your schedule with the broadcast. And, therefore,
20 30-second live announcements -- or announcements on
21 all of the sports stations that you are on is as
22 important as your broadcast on K.D.O.C. I rest my
23 case.

24 MR. HANNAH: The next bullet point relates to
25 Santa Anita Live. Last week just prior to the
26 completion of the Santa Anita meet, we were told by
27 Fox Sports West that they were terminating the
28 Santa Anita Live show. They have replaced it, I

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01 believe, with a show that they are getting from
02 T.V.G. We thank Fox for the long association we have
03 had with them. We appreciate their association. We
04 are disappointed. At this point it doesn't appear as
05 if there is any chance of us reviving Santa Anita
06 Live on Fox during the Santa Anita meet.

07 We believe that the loser in this whole
08 thing is the California horsing racing fan, because
09 that means that while the Santa Anita meet is
10 running, there will not be any coverage of those
11 races unless our competitor adopts the same
12 principles of nonexclusivity that we abide by.

13 What we are doing is we were actively
14 looking for a replacement. Obviously, one possible
15 replacement for that would be to move the show to
16 K.D.O.C. so it's not just broadcast on a Saturday
17 basis, but it's broadcasted every day that
18 Santa Anita is running. I actually think that would
19 get us into more homes than Fox Sports West. Fox
20 Sports West is probably a more premium channel than
21 K.D.O.C. But we're exploring other opportunities.

22 We're also actively searching in
23 Northern California for distribution. That active
24 search involves possibly striking a similar deal to
25 the K.D.O.C. one with an over the air broadcaster up
26 there and also with cable distributors up there.

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01 MR. LANDSBURG: Is there any question in your
02 mind that -- concerning Fox's refusal to carry your
03 signal in -- next winter and spring, have anything to
04 do with ownership crossover within the T.V.G.
05 industry?

04 MR. HANNAH: All I can comment is just to
05 acknowledge the fact that there is an ownership
06 crossover. I do not know how that organization
07 functions. I don't know if they function
08 independently, or if they take direction from the
09 top.

10 This next slide, we have branded our Horse
11 Racing Television Network. It was creatively branded
12 as Horse Racing T.V. But that is also the logo that
13 we will be using for the television channel.

14 This is the Horse Racing T.V. Network
15 update. Once again, our launch date is June 2002.
16 At this point in time, the only place that it will be
17 shown will be on R.T.N., Racing Television Network.
18 Hopefully, by then, or shortly thereafter, we will
19 have some broader distribution contracts. The
20 staffing and production center will be housed at
21 Santa Anita, and the buildout is going on right now.
22 As I mentioned at the last meeting, there will be
23 12 new full-time employees hired. Some of them are
24 already in the process of being hired right now. But
25 by launch they will be there. And 9 of the 12
26 employees will be union members, and the applicable
27 union is the I.B.W.

28 MR. HARRIS: When you launch in June, the only
0055 track in California going would be Bay Meadows for a
01 few weeks.

02 What tracks will you be covering once
03 Bay Meadows is done?

04 MR. HANNAH: We'll be covering all tracks with
05 whom Horse Racing Television, which is a division of
06 XpressBet, Inc. -- with whom we have simulcast
07 contracts that allow us to show their T.V. signals.
08 It will, basically, be the other M.E.C. tracks as
09 well as, I think what the industry refers to as the
10 nonexclusive T.V.G. tracks. Basically, those tracks
11 that have not signed an exclusive contract with
12 T.V.G.

13 Other thing I want to make note of there is
14 that we do have our deal with Cal Expo Harness here
15 in California. So Cal Expo Harness will be a
16 significant part of our evening program.

17 This is just a final update slide on our
18 T.V. efforts. This is the broader digital cable and
19 D.B.S. carriage. And negotiations are ongoing with
20 various services throughout the United States.

21 I think that's the last slide. I'll
22 entertain any questions.

23 MR. SPERRY: As of today, how many employees
24 does XpressBet have in California?

25 MR. HANNAH: As of today, I think the only
26 employees we have in California would be the ones who
27 will be part of the T.V. operation. I think, as I
0056 have explained in the past, I know, as the C.H.R.B.
01 has commented upon before in the past, our call
02

03 center is located in Pennsylvania. The hub is
04 located at Bay Meadows. So there are certain auto
05 tote (phonetic) employees that are involved there.
06 There are a number of employees of M.E.C. at the
07 Santa Anita track as well as at the Northern
08 California tracks. Actually, Jack probably is here
09 to remind, I just remembered myself, the other
10 employees that we have within California are people
11 who operate the XpressBet centers at the three
12 California tracks.

13 MR. SPERRY: That total is how many?

14 MR. HANNAH: I think -- and I do not have a
15 precise number. I would guess it to be somewhere
16 between 12 and 20. If you include the T.V. side, the
17 numbers would probably be somewhere between 25 and
18 40.

19 MR. HARRIS: On the racing network, I'm not
20 clear -- I guess you have to have a separate dish for
21 that.

22 What would be the barrier to getting the
23 racing network on some, like, dish network or
24 Direct T.V. or something that had an access of people
25 that don't have to subscribe to it but at least have
26 a dish versus having installed, a separate dish?

27 MR. HANNAH: Mr. Harris, that is the last slide
28 I put up we are having discussions with. There are
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01 two primary D.B.S. areas that will soon become one if
02 the F.D.C. or F.C.C. allows them to. They are a dish
03 network and Direct T.V.

04 T.V.G. is already up on dish. So we are,
05 in all honestly, focusing our efforts with
06 Direct T.V. We're also talking with the various T.V.
07 cable carriers. In certain local markets, primarily
08 focused initially on California local markets.

09 MR. HARRIS: Originally -- actually, I was
10 describing both T.V.G. and -- what was the racing
11 network? They were both on dish, I think.

12 But does dish have some coveted contract
13 that they will not have two racing networks?

14 MR. HANNAH: I'm not aware of that. That's
15 probably only an answer that Dish could give.

16 MR. HARRIS: I hope you ask them.

17 MR. HANNAH: I think the first we come knocking
18 on their door, if they do have that, it will be a
19 short conversation. They will tell us they can't
20 talk to us.

21 MR. HARRIS: That's the perfect solution for the
22 fan. I'm looking at the people that are subscribing
23 to T.V.G. or get T.V.G. for free. If they have a
24 dish now which is quite a few people, the way I
25 understand describing the dish network, if they want
26 to have the dish network, they get T.V.G. The best
27 solution would be if your program was also on some
28 channel. There's so many channels. Seems like one
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01 more channel wouldn't be a problem for them.

02 MR. HANNAH: Dish is the only entity whose door
03 we have not yet knocked. Every other door we knocked
04 on, they have not sent us away, which suggests to me
05 that none of the others have an exclusive
06 distribution contract.

07 Now, as I mentioned earlier, there has been
08 one party with whom we have been having discussions
09 who have asked us the question, "Do you want an
10 exclusive right?" "If we want to put your service
11 on, do you insist upon this being the only service on
12 our system?" We have categorically said, "No, we do
13 not. We believe in the principles of
14 nonexclusivity." I'm not the person to answer that
15 question. I'm not part of it. To be asked that
16 question by the service suggests they have been
17 talking to someone else who has rights on
18 exclusivity.

19 MR. HARRIS: From the consumer's standpoint,
20 it's difficult for the consumer if he has to
21 subscribe to two different dish networks to play
22 California racing. Whereas, it is so much easier if
23 there is one type of dish anyway, even though there's
24 two different competing shows on there.

25 MR. HANNAH: M.E.C. agrees with that. That's
26 why we included our account wagering strategy as part
27 of this to show that -- we have put it in writing
28 that we abide by the principles of nonexclusivity.

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01 MR. LANDSBURG: Any further discussion?

02 MR. LICHT: I have a couple questions.

03 I would assume the major plateau are in the
04 new signups; is that correct?

05 MR. HANNAH: It's not a plateau. It's a slowing
06 rate of acceleration. But we are still getting new
07 signups. Most of the signups are coming in on
08 Saturday and Sunday. The new signups are in the
09 range, probably, between 20 and 80, each Saturday and
10 Sunday. Probably through the week, the number
11 sometimes falls down into the single digits.

12 MR. HARRIS: Your numbers you are tracking on
13 accounts are total, so you are looking at every time
14 you get a sign up, you add. Some people out there
15 are tapped out or quit or died, something.

16 You have any way to track if the account is
17 still an active account? I guess it wouldn't be
18 exact by definition, because you've only had it a few
19 months. But I think you, realistically, have got to
20 look at which accounts you have out there that are
21 really active.

22 MR. HANNAH: We do track and monitor that. The
23 problem with the California hub is that it is still
24 so new, it's hard to determine which accounts are
25 active and which ones are inactive. In the
26 Pennsylvania hub, we have over 54,000 accounts of
27 which only 27,000 are regarded as being active. I
28 can't recall the specific definition, but it's a

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01 certain time period that they have not engaged in any
02 type of wagering activity during that time period. I
03 think three to six month time period, then it falls
04 into the categorization of inactive.

05 MR. LICHT: I think the results are very
06 admirable in what you have achieved in the short
07 period of time that adds incremental handle to the
08 general handle. I don't see, at this point, any
09 negativities, especially in light of the percentages
10 that are being paid to the horsemen are very good.

11 The last question I have, are you doing
12 anything to promote people in Southern California to
13 continue applying with XpressBet now that they don't
14 have a Southern California place to bet on?

15 MR. HANNAH: There's nothing specifically that
16 we are doing in the short term vis-a-vis that.
17 Obviously, it's on Ron Luniewski's radar screen. It's
18 something we intend to do.

19 Right now one of our primary marketing
20 focuses is we opened up one of the XpressBet centers
21 at a track in Ohio. And we are actively trying to
22 sign up accounts there.

23 MR. HARRIS: Which states does Magna operate in
24 that you can legally sign up accounts? You got
25 California and Ohio. Which other states?

26 MR. HANNAH: There are -- it's just over
27 30 states in the United States in which we will open
28 up accounts. That's based on an interpretation of
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01 the law that we follow as primarily the application
02 of the Interstate Horse Racing Act and the provision
03 of that statute. My understanding is, I believe it's
04 up to 14 now which have provisions which expressly
05 permit account wagering within that.

06 MR. HARRIS: I mean, the big racing states -- do
07 you have Kentucky and New York?

08 MR. HANNAH: Yes.

09 MR. HARRIS: How about Florida?

10 MR. HANNAH: The problem that we suffer in both
11 of those states is, in Kentucky the premier product
12 is all subject to contract exclusively with T.V.G. as
13 well as in New York. All of the Nira (phonetic)
14 products is subject to contract exclusively with
15 T.V.G.

16 MR. HARRIS: One of those states that still is
17 an XpressBet account holder is California track from
18 this place?

19 MR. HANNAH: Yes, sir. Just so you know, we
20 don't have a significant number of Kentucky accounts.
21 We have more New York accounts because of the size of
22 the population of the state. But we do not have what
23 we regard as an acceptable number of New York
24 accounts.

25 MR. LANDSBURG: We have to take a break. If you
26 have more questions, we will come back with
27 Mr. Hannah. We have to take a ten-minute break, and
28 we will be right back.

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01 (Recess)

02 MR. LANDSBURG: Moving forward to the report on
03 the implementation of Advanced Deposit Wagering,
04 report done by T.V.G.

05 MR. HINDMAN: Thank you, Mr. Chairman. Good
06 morning, Mr. Vice Chair, Commissioners. John
07 Hindman, Vice President and General Counsel of
08 T.V.G., H-i-n-d-m-a-n. This is Tony Allevato,
09 A-l-l-e-v-a-t-o. He's vice president and executive
10 producer.

11 MR. ALLEVATO: Good morning.

12 MR. HINDMAN: I wanted to give you an update
13 about T.V.G. Before I get started, I wanted to let
14 you know that we're pleased. We got to a very
15 positive start with Hollywood Park yesterday. Things
16 are continuing to progress well with Los Alamitos.
17 And we have a lot of exciting things to talk to you
18 about today.

19 First thing is a chart, basically, of a
20 weekly handle. I know this is included in the work
21 package. I wanted to talk a little bit about it.
22 Generally pending in the right direction, you can see
23 variations -- the world changed a little bit for us
24 yesterday with the opening of Hollywood Park in terms
25 of handle by California residents. But this is
26 general trend lines prior to that opening.

27 You see variations based on significant and
28 certain weeks. But generally the trend has steadily
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01 moved upward. I imagine when I come back to see you
02 next month, the chart's going to look substantially
03 different than it looks today.

04 The second slide is California subscribers.
05 This number was as of 4/21/02. You can see, again,
06 the general trend. It's a fairly steady growth for
07 us pre-Hollywood Park -- Hollywood Park's opening.
08 We did have a jump in the last week from 4/14 to
09 4/21, which is attributable mostly to cable carriage
10 singing in on Adelphia with cross channel promotions
11 and also the kickoff of our marketing campaign, which
12 I'll explain to you in more detail later.

13 Here is handle by platform. Again, I think
14 ours is not a lot different from XpressBet's. Pretty
15 consistently about 71 percent of our handle is coming
16 over the Internet. And 29 percent of our handle is
17 coming by phone. This is a bit of an interesting
18 result that both providers are experiencing this
19 because historically account wagering has been the
20 opposite. That's generally because in most areas
21 there was phone wagering prior to wagering via the
22 Internet. But definite preference that California
23 had that they like to wager on-line.

24 Going to move on now and have Tony Allevato
25 go through a little bit of the details about our
26 television programming. I want to say something
27 before I start. Let me go through out television and

28 marketing. And I think that when we go through this,
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01 you'll get a feeling of our commitment to and vested
02 interest in this industry and to advance deposit
03 wagering.

04 Right now we have crews at three different
05 remote locations; Hollywood Park, Bay Meadows and
06 Thistledowns (phonetic). We also have a crew going
07 in studio the entire time doing racing action from
08 around the country at this very exciting time.

09 We also have an integrated marketing
10 campaign that employs just about every sort of media
11 available. I wanted to emphasize we made a
12 substantial investment. We continue to invest, and
13 we're very optimistic about what's happening for us.

14 Tony, go ahead.

15 MR. ALLEVATO: Thank you. I just want to talk
16 about some of the new shows that we launched since
17 last time I was here, to give you a general overview
18 on a couple shows that we just started. One is
19 T.V.G. Finish Line. And T.V.G. Finish Line is the
20 horse racing equivalent to Sports Center, something
21 that has been missing from racing industry for quite
22 a long time. It's an hour show. It appears every
23 week at approximately the same time, which is
24 5:00 p.m. Pacific Time or immediately following the
25 last live race from Hollywood Park.

26 It's an hour show. It's not just a replay
27 show of all the stakes races around the country.
28 It's like a lot of what you would see for football or

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01 college football or basketball. It breaks down
02 races. And it explains to viewers why the horses
03 won, why certain horses didn't win and provide a
04 preview of races that are coming up. I'll show you
05 that tape in a second.

06 The other show is The Works, I think you
07 are familiar with. It's, basically, a two-week
08 preview to the Kentucky Derby. It's like the speed
09 week of horse racing. Our crews are trackside at
10 Churchill Downs for two weeks, and shooting all the
11 workouts of the Derby and Oak Tree leading up to the
12 Kentucky Derby.

13 What this does, it provides the
14 handicappers an opportunity -- I think it's one of
15 the most innovative new handicapping tools to come
16 out in a while -- and that's to be able to see the
17 workouts firsthand rather than just reading about it
18 and getting somebody else's opinion, in addition to
19 showing you the workouts with Frank Lyons (phonetic),
20 Tom Amus (phonetic), two noted horsemen, who explain
21 what to look for when you're looking at these
22 workouts. Why one horse is a good work horse. Two
23 horses can come in in a minute flat, and one might be
24 significantly better than the other. Very popular
25 show.

26 It's interesting to know that both

27 T.V.G. Finish Line and The Works are shows that are
28 created at a great expense to T.V.G. and do not

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01 generate any revenue in terms of the handle. It is
02 truly a service for the racing industry.

03 And then the last show is The Quarters,
04 which is our nightly show which airs from
05 Los Alamitos trackside. Los Alamitos went to
06 tremendous effort to build a facility for us down
07 there. And I think we'll show the tape at this
08 point. And I'll talk a little bit more about the
09 shows.

10 (Pause in proceedings)

11 MR. ALLEVATO: Gives you a little bit of flavor
12 of what we're doing. And I think the important thing
13 is that you see the difference between the shows we
14 do and a lot of what we do depends on the time of the
15 day. If you watch our program throughout the day, at
16 the stakes race, our guys are more focused. I've
17 talked to a couple people today about the tone of the
18 shows.

19 The Quarters is a show that comes on late
20 at night. We feel it really pushes the envelope. We
21 try to make the show as entertaining as possible. We
22 try to appeal to the layman and the people that are
23 tuning in to it. As I mentioned before, we receive
24 more e-mails for that show than any other show we do,
25 probably more than all of our other shows combined.
26 This show does raise some eyebrows at times, but we
27 think that's good.

28 Of course, much has been said about the

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01 show we launched yesterday, which is new on Fox West
02 Two. Unfortunately, I don't have a tape to show what
03 it was like. I can tell you we were very happy with
04 the show.

05 Basically, it's on two hours a day now on
06 Fox West Two. It's a combination of what T.V.G. is
07 doing, using some of the people from Hollywood Park,
08 Mike Walbang (phonetic), who the Fox audience is very
09 familiar with on the show. It's two hours a day,
10 7:00 to 9:00 on Sunday nights. And on big days like
11 this Sunday, California Gold Rush will be on four
12 hours from 1:30 to 5:30. This coverage will continue
13 through the Del Mar meet when we will be on at 4:00
14 to 6:00 to catch the stakes race through the Fairplex
15 and Oak Tree.

16 If you watch the show, we do a lot of
17 promoting of the big events. And we're pushing
18 people this week to the Gold Rush, and we're talking
19 about the Derby and making sure people know this is
20 the first time people can bet on the Derby from home
21 if they can't make it out to the track. So we're
22 very excited about that.

23 MR. LANDSBURG: Did you say 7:00 to 9:00?

24 MR. ALLEVATO: On Friday.

25 MR. LANDSBURG: That's only on Friday. The

26 other days are 4:00 to 6:00.

27 MR. ALLEVATO: 3:00 to 5:00 during the Hollywood
28 meet. And then for Del Mar it will be 4:00 to 6:00.

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01 You can still catch -- Del Mar has never had a show
02 on Fox. This will be the first time.

03 MR. LANDSBURG: About your track -- not your
04 trackside show, but your Works show, which looks like
05 it could be wonderful for racing.

06 MR. ALLEVATO: Yes.

07 MR. HARRIS: I join in that. That's the sort of
08 show that can really make a lot of us -- that go on
09 the backstretch a lot watch The Works and get all
10 these different interpretations. I think that brings
11 a lot of the things that we like about the
12 backstretch to the fans.

13 MR. HINDMAN: So that's kind of the wrap up
14 about television. T.V.G. believes that the success
15 of A.D.W. is directly tied to programing quality that
16 can both appeal to existing fans and also get new
17 people to watch. So we looked at the programming
18 format. That's generally the way we find to
19 calibrate things. We also believe that it's
20 important to have good programming, to get
21 distribution.

22 Our programming is now in 8.2 million
23 households. And with the Fox shows, we feel the
24 quantum leap forward for racing fans of Southern
25 California who want to see the race has, basically,
26 doubled the time that you were getting before. Big
27 days provide even more time.

28 But a point that Chairman Landsburg raised

0069

01 earlier, we understand and feel is very valid is that
02 you can do great television and everything else. But
03 if people don't know it's on, you're not
04 accomplishing your goal. I'm going over with you the
05 integrated marketing campaign that we're doing right
06 now for the Hollywood Park spring meet and for the
07 Kentucky Derby. And we're pleased with this
08 marketing arrangement. I wanted to give you some
09 details about it.

10 We feel it reaches all different segments
11 of society, which means if there's a sports fan who
12 might be interested, that person is going to know
13 about T.V.G. If there's a new fan that is interested
14 or the past fan is interested, they're going to know
15 about it. We're going to be in people's face.
16 That's the way that we can do good for this industry
17 is to get new fans and raise the awareness of the
18 sport.

19 Here is a rundown on Adelphia Cable. We're
20 doing a 30-second local P.D. (phonetic) spot on
21 Fox Sports, C.N.N., M.S.N.B.C., and I think a few
22 other networks. There's a minimum of 50 ads per
23 week. That goes on indefinitely. I think right now
24 the ads are actually about 100 per week.

25 On dish network between, I believe, the
26 beginning of this week and May 6, there will be 2900
27 30-second T.V.G. spots on C.N.N., C.N.D.P.,
28 M.S.N.B.C. and all Fox sports regional. That is a

0070

01 lot of television advertising that we feel will very
02 much raise the awareness of our network audition.
03 With the cluttered atmosphere, there's hundreds of
04 channels. You have to get on other channels to let
05 people know where you are on the dial.

06 Locally on radio we're doing 800 spots per
07 week on five L.A. radio stations: 97.1, F.M. Talk,
08 K.R.O.Q., K.N.X., Arrow 93.1, K.F.W.B. News. I think
09 if you see the media mix there, you'll notice that
10 there's a wide range of radio stations with appeal to
11 a wide range of people. So the person who listens to
12 K.N.X. probably doesn't listen to K.R.O.Q. Both of
13 them are going to know about T.V.G. racing radio year
14 long on all Southern California radio shows as well.

15 Newspaper advertising, we're advertising
16 daily Friday, Saturday and Sunday in the Los Angeles
17 Times, the Orange County Register and the San Diego
18 Tribune. That lasts through the Triple Crown in
19 June.

20 Other media, T.V. Guide assets, T.V. Guide
21 magazine and all regional California editions, two
22 full page ads a week. T.V. Guide channel, eight to
23 ten spots per day. And T.V. Guide on-line, we're
24 doing a special Derby party contest, promotional
25 contest provided by Churchill Downs.

26 Trade advertising, we generally do that on
27 a regular basis. And also direct mail campaign is
28 dropping right now, includes approximately 180,000

0071

01 pieces. Also, in addition to doing special
02 promotions with Adelphia Cable where -- at Hollywood
03 Park where I think 1.6 million Adelphia customers are
04 going to get free admission to Hollywood Park on
05 Derby Day. So that's integrating race track, T.V.G.
06 and the cable operator, something that we feel is
07 going to be of great benefit as we move forward.

08 We're also doing Internet and E-direct.
09 This is a picture of the Infinity radio promotion.
10 Infinity owns many radio stations here in
11 Los Angeles. This is another idea of what we're
12 trying to do. This is a simple sweepstakes. And the
13 daily prize is two pairs of tickets to Hollywood Park
14 so we can get people out to the track. But they're
15 signing up for the grand prize, which is a big screen
16 T.V., a lap top or a P.D.A. And it's just a simple
17 drawing, but it's reaching out to different audiences
18 who traditionally have not been accustomed to racing.
19 That promotion and similar promotions are also
20 running on T.V. Guide.com. And were also doing
21 15,000 e-mails.

22 Again, we're doing banner advertisement on
23 the Internet. Here is an ad that is currently being

24 placed by L.A. Times, Kydirby.com. We're doing venue
25 marketing. Obviously, at the racetrack we have a
26 signup booth here at Hollywood Park, the Fairplex and
27 Los Alamitos. We're doing close circuit spots on the
28 close circuit telecast. And we're also doing

0072

01 deposits and withdrawals. If you want to leave the
02 racetrack, and you would like to make a cash deposit
03 into your account or withdrawal from your account,
04 you can do so right here at Hollywood Park.

05 The last is restaurants and bars. Talking
06 billboards and posters placed at 100 restaurants here
07 in the Los Angeles area. So that's the summary of
08 our marketing efforts and television efforts. We
09 believe, again, that those are the two -- we're going
10 to see -- along with the Hollywood Park opening and
11 the Triple Crown, we're going to see major benefits
12 from this effort in the coming weeks.

13 Yesterday we had a significant number of
14 new account signups. We were pleased with that. And
15 we think as the weekend goes along, we will continue
16 to see business improve dramatically. With that, I'd
17 open it up to any questions.

18 MR. LICHT: Yesterday we talked about that you
19 were going to present to us in the same way that
20 XpressBet did, in a written paper, how a dollar
21 breakdown to the horsemen and to the tracks on a
22 California race or California out-of-state race.

23 MR. HINDMAN: I spoke about it yesterday. I can
24 speak about it again. Generally, from wagers that
25 the hub fee that T.V.G. retains is five-and-a-half
26 percent. Included in that count is the Oregon tax,
27 which is a quarter of a point, and the N.T.R.A. fee
28 in some instances, which is a half point, which would

0073

01 bring our total to six and a quarter.

02 I would ask -- the agreement that was
03 struck was between Hollywood Park and the T.O.C. So
04 I'd like to ask Rick Baedeker or John to comment on
05 the details of it further. Like I said, we were not
06 a party to negotiating that particular agreement.
07 So --

08 MR. LICHT: What you can say is that no other
09 moneys is going to T.V.G. other than that 5.5 percent
10 on an in-state bet by California?

11 MR. HINDMAN: Yes.

12 MR. LANDSBURG: I'd think we'd also like an
13 explanation to the Board for the lack of a horsemen's
14 agreement as required in your license application
15 with T.O.C.

16 MR. HINDMAN: I think it's a matter of
17 interpretation. I've read the statute in the
18 regulations, as has Kathy Christian, our counsel, as
19 well as the application, and the references are to
20 the Interstate Horse Racing Act. It's a general
21 settled matter of law under the I.H.A. that
22 horsemen's agreements for the transport of signal are

23 between the racing association and the horsemen,
24 which is exactly what happened here.

25 The important part that happened here is
26 Hollywood Park and the T.O.C. came to terms. We're
27 abiding by those terms. We're off and running.
28 That's a very positive thing for California racing.

0074

01 In terms of the principle, however, it is
02 our belief that generally under the I.H.A., and
03 traditionally has been done since 1978, that racing
04 associations negotiate with their horsemen.

05 MR. LANDSBURG: Regardless of that comment and
06 regardless of your interpretation of law, we have a
07 regulation. That regulation states in our
08 regulations and in our application, that in order to
09 be licensed in this, you have to have a horsemen's
10 agreement. You made a horsemen's agreement with Los
11 Alamitos. So you, obviously, hewed to that
12 regulation. When you came to Hollywood Park, you did
13 not hew to that regulation and that part of the
14 application. I'm trying to find out how you can
15 manage to avoid what we had made as a regulation.

16 MR. HINDMAN: I don't believe we avoided it at
17 all.

18 MR. LANDSBURG: Why did you do it at
19 Los Alamitos --

20 MR. HINDMAN: We did not --

21 MR. LANDSBURG: -- then you're lying in your
22 application, because that was said to be at the time
23 in an agreement with, quote, Los Alamitos horsemen.

24 MR. HINDMAN: In the application it asked if we
25 had an agreement with the California licensee that
26 would allow us to conduct A.D.W. and the consent of
27 their horsemen pursuant to the Interstate Horse
28 Racing Act, which is what we presented at the time.

0075

01 MR. HARRIS: I'm not clear on this.

02 There is an agreement with the T.O.C. or
03 not?

04 MR. HINDMAN: Yes. Hollywood Park came to terms
05 with the T.O.C. as to the financial splits from
06 advance deposit wagering for the spring meet. And
07 those are the terms that will be coming from wagering
08 pursuant to T.V.G. pursuant to our contract --

09 MR. HARRIS: The issue of that was not part of
10 the horsemen's agreement? Is --

11 MR. LANDSBURG: T.V.G., in its application, was
12 asked for a horsemen's agreement. It did not comply.
13 I don't know any other way to put it.

14 MR. LICHT: Is T.V.G. willing to execute an
15 agreement with the horsemen based on the terms
16 contained in the agreement with -- between Hollywood
17 and the T.O.C. and some additional terms that this
18 board may be willing to --

19 MR. HINDMAN: Our point, and I would have
20 Mr. Van deKamp or Mr. Baedeker elaborate on it
21 further, our point is that the right procedure was

22 followed here, and that everything is in order.
23 There is a horsemen's agreement in place. And
24 Hollywood Park had agreed. We are abiding by those
25 terms. I could elaborate on it further, but we don't
26 feel there's a need for anything further to take
27 place.

28 MR. LICHT: Are you willing to do that, though?
0076

01 MR. HINDMAN: I -- you know, we feel that
02 everything that needs to be done under the law has
03 been done. So that's our position at this point.

04 MR. VAN DEKAMP: John Van Dekamp, T.O.C. I
05 think we're talking about a distinction without a
06 difference here. The traditional methodology, of
07 course, is simulcasting for the tracks to come to us
08 to gain our approval and a letter goes forward to the
09 tracks. That's essentially what happened here. And
10 T.V.G. has stipulated that they are going to abide by
11 this horsemen's agreement.

12 And I think, frankly, that one of the
13 things that they should do is, basically, have a
14 letter coming from them that they are operating with
15 the track pursuant to this agreement. But I think
16 that what we have, and we filed -- I left copies with
17 you yesterday -- is the agreement that Rick Baedeker
18 and I reached after a lot of discussion back and
19 forth. And I was led to believe all along that
20 T.V.G. has accepted these terms. And that's what
21 we're operating under right now.

22 MR. BAEDEKER: Rick Baedeker, Hollywood Park. I
23 concur with John's characterization, John Van Dekamp
24 as well as John Hindman. This is a matter of law, I
25 believe. So if the attorney general's rep wants to
26 clarify things for us, fine. I thought I heard
27 Mr. Blake yesterday, in fact, confirm that the
28 horsemen's approval is by virtue of their agreement
0077
01 with the racetrack.

02 MR. BLAKE: That's correct. That the -- as
03 Mr. Van Dekamp points out, the agreements normally
04 operate through the mechanism between the horsemen
05 and the track. However, under 19604, powers with the
06 Board to require any additional qualifications or
07 requirements it might have.

08 And while there is certain ambiguity here
09 in discussing horsemen's agreements, because when we
10 say horsemen's agreements, we don't specify whether
11 we mean a horsemen's agreement with the track or with
12 the term of a particular meet, which is a matter of
13 weeks, or with the hub, which is for the period of
14 their license, which is for a period of years or
15 months.

16 And so it is really within the Board's
17 discretion to decide how they want to structure this.
18 If the Board, as I believe the discussion was at the
19 last meeting, wants to require the horsemen's
20 agreement for the hub for the entire period of the

21 hub's license, it certainly is within the Board's
22 power to do that. However, the Board could allow it
23 to go forward on a meet-by-meet basis.

24 MR. HINDMAN: I believe the agreement that was
25 submitted -- the Hollywood Park/T.O.C. agreement
26 stated that T.O.C. would extend those terms to the
27 other licensees running later on in the year as well.
28 So that, in fact, appears to be the way it read.

0078

01 MR. LANDSBURG: I keep on looking to the fact
02 that the precedential agreement in this world of
03 A.D.W. came from the signing of XpressBet to an
04 eleventh hour deal with the T.O.C. which enabled them
05 to go forward. And XpressBet is the signee and the
06 negotiator of that deal, as far as I know.

07 Therefore, that is a -- in my mind a
08 precedent, that we allowed you to go forward at the
09 same moment because there was no -- you had a, quote,
10 horsemen's agreement, which we were led to believe,
11 at least I was led to believe, that it was signed
12 with the horsemen of Los Alamitos. Not with the
13 racetrack, but with the horsemen. That's what I was
14 led to believe, and I had no reason to check further.

15 Now we are confronted with a blatant
16 ignoring of the requirement that was clearly
17 precedential in what XpressBet did. And now T.V.G.
18 has determined on its own, in its own interpretation,
19 that what the Board wanted was not within the rules.
20 But we do make the rules. We do make the
21 regulations. And the regulations call for an
22 agreement with the horsemen to T.V.G., not a hand
23 down.

24 MR. HINDMAN: Mr. Chairman, I respectfully
25 understand that this board makes the rules and that
26 it's your purview to make the rules.

27 I guess our understanding in the reading of
28 the regs, the application and everything else, was
0079

01 that it was in reference to the Interstate Horse
02 Racing Act, which is the way that all interstate
03 simulcasting in this country is conducted. And so we
04 followed the normal course of procedure that has been
05 followed for a very long time.

06 And I don't think we misled anybody to that
07 fact. That was simply the procedure that was
08 followed.

09 MR. LANDSBURG: I do not want, from my point of
10 view, and I will ask the Board to register their
11 opinions, that this T.V.G. agreement with
12 Hollywood Park, which would be disastrous to stop
13 now, but that no further agreement shall be done
14 without a specific horsemen's agreement as required
15 by the C.H.R.B. license.

16 MR. HINDMAN: Mr. Chairman, if I could say one
17 thing. We are -- we have to abide by the terms of
18 the agreement that the racing association made with
19 the T.O.C. That's our obligation to Hollywood Park.

20 We'll provide assurances that we will abide by that
21 agreement. Because that's our obligation. We will
22 do so.

23 And if you want to speak about how that can
24 go, I think the important thing here, the general
25 practice of how these agreements are done, and the
26 racing association can speak on that issue, is that
27 the racing associations, basically, make agreements
28 for distribution of their signal. And they cannot
0080
01 effectuate those agreements without consent of their
02 horsemen, which is what took place.

03 If you want assurances that we will abide
04 by our obligation to Hollywood Park, we absolutely
05 will.

06 MR. LANDSBURG: I want you to follow the
07 regulation that we put out.

08 MR. LICHT: Even if you were not an actual party
09 to those negotiations, I can't believe T.V.G. wasn't
10 in some way a party to them; otherwise, how did
11 percentage going to N.T.R.A. and to the state of
12 Oregon -- that wasn't just a voluntary determination
13 by Hollywood Park and/or the T.O.C. That was in your
14 agreement with Hollywood Park, right?

15 MR. HINDMAN: It was negotiated separately
16 several years ago.

17 MR. LICHT: Right. So then Hollywood Park had
18 to either say, "Yes, we will live with that as far as
19 T.O.C." -- T.O.C. didn't really have any control over
20 it. Either T.O.C. said, "We want T.V.G. to broadcast
21 the race" or "We don't." If they said -- If they
22 wanted T.V.G. to broadcast the race, they would have
23 to live with that.

24 MR. HINDMAN: I think that, again, you can speak
25 to Mr. Van deKamp or Mr. Baedeker, but I believe
26 there was a fair amount of negotiating going on.
27 That was not the case.

28 MR. LICHT: That was in your agreement with
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01 T.V.G. So it -- when the T.O.C. met with T.V.G.,
02 they had to take it or leave it.

03 MR. HINDMAN: Had to take?

04 MR. LICHT: The allocation of part of the hub
05 fee to N.T.R.A. and to Oregon.

06 MR. HINDMAN: I believe the N.T.R.A. and you can
07 ask Mr. Van deKamp. He had conversations with the
08 N.T.R.A. in relation to that issue directly. They do
09 not involve us.

10 MR. LICHT: What I'm saying is your contract
11 with Hollywood Park says that there will be a fee
12 paid to Oregon and a fee paid to N.T.R.A. --
13 correct? -- your contract with Hollywood?

14 MR. HINDMAN: Our contract with Hollywood Park,
15 yes, that's in the course of the conduct.

16 MR. LICHT: Now Hollywood Park makes the
17 determination that they wanted a contract with you.
18 So when T.O.C. met with them, those weren't up for

19 negotiations.

20 How come T.O.C. couldn't say, "We don't
21 want to pay Oregon"?

22 MR. HINDMAN: I would invite the parties who
23 negotiated the agreement to comment on that if they'd
24 like. Just to say what I believe what transpired was
25 that there was fair negotiations that took place
26 regarding the terms of the agreement, and that those
27 terms to which we will live up to, because that's our
28 obligation.

0082

01 MR. LICHT: I don't like two things about it.
02 Number 1, I believe, as I said yesterday, there's
03 disincentive for you to move to the state of
04 California because the California horsemen are paying
05 your fee to the state of Oregon. And there is no fee
06 in California.

07 Number 2, N.T.R.A. is being negotiated, and
08 there may be some conflicts between the parties --
09 there are some conflicts between the parties who
10 negotiated that.

11 MR. BAEDEKER: Rick Baedeker, Hollywood Park. I
12 suggest to you that I should be the object of your
13 frustration or wrath or whatever. You seem to be
14 indeed very frustrated by this. As a matter of fact,
15 I am the one that firmly believed that the horsemen's
16 approval would be obtained for our contract with the
17 vendor.

18 Comparing it to XpressBet, I don't think is
19 a fair comparison, because XpressBet and Magna and
20 Santa Anita were one entity, practically speaking.
21 Not the same here. And so my contract was with
22 T.V.G.

23 As a matter of fact, during the negotiating
24 process, there was a change made with the amount that
25 was paid to N.T.R.A. -- there was a negotiation with
26 the N.T.R.A. As a matter of fact, all of these
27 things -- all of the terms of our agreement with
28 T.V.G. were subject to negotiations with the

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01 horsemen. Otherwise, it probably would have been
02 decided in the course of a day rather than a couple
03 months.

04 MR. LICHT: How could you be in negotiations
05 with the horsemen when -- you made your deal with
06 T.V.G., right?

07 MR. BAEDEKER: Correct.

08 MR. LICHT: And that deal included that their
09 hub fee would include a payment to the state of
10 Oregon and include a payment to the N.T.R.A., right?

11 MR. BAEDEKER: Correct.

12 MR. LICHT: When you and T.O.C. got together,
13 those issues were etched in stone. They couldn't be
14 changed.

15 MR. BAEDEKER: T.O.C. could have refused to
16 approve such an agreement without a change in that
17 agreement. As I think you know, Commissioner, there

18 was a movement on several standard things within the
19 traditional T.V.G. contract, all as a course of the
20 business agreement between Hollywood Park and the
21 T.O.C.

22 MR. LANDSBURG: Which brings me to my original
23 point is that this board required that T.V.G., not
24 Hollywood Park -- Hollywood Park has another
25 agreement that works with T.O.C. -- that T.V.G. as
26 part of its license would have a written agreement
27 with the T.O.C. The T.O.C. voided its duty in that.
28 It is up to T.O.C. and they must share some of the

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01 blame, and T.V.G. must share some of the blame. It's
02 not in the paperwork that was submitted to you and
03 came back to us. You had no horsemen's agreement.

04 MR. BAEDEKER: All three parties to the deal
05 have agreed. So I guess--

06 MR. LANDSBURG: That agreement, as Mr. Licht
07 points out, has in it a dagger, if you will, to the
08 good of racing horsemen in this state, to the state
09 itself and to the players in this state who are now
10 being taxed to pay Oregon tax, who are now being
11 taxed to pay N.T.R.A. --

12 MR. BAEDEKER: The players are not paying any of
13 that. In fact, that's coming out of the pocket of
14 the associations and the racetracks. That's a net to
15 the bottom line that is reduced by that amount.
16 There's no effect on the players. The player is
17 paying the same take out that he or she would pay.

18 MR. LICHT: I would be satisfied if we could
19 amend the contract in three areas between T.O.C. and
20 Hollywood Park. Number 1 would incorporate the,
21 quote, guarantees made by Mark Wilson starting in
22 July. Also in writing later regarding any kind of
23 decrease or cannibalization to purse money.

24 Number 2, that this pricing is unique to
25 T.V.G. If there's any change in control, in which
26 we'd certainly have to be aware of, due to Jim Star's
27 financial problem -- or financial state it is.

28 And Number 3, that an independent committee

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01 of T.O.C. has reviewed the portion in connection with
02 N.T.R.A. If those three things are in there, I could
03 approve the agreement as it is for now.

04 MR. LANDSBURG: I ask that it not be
05 precedential. That the next agreement have a
06 horsemen's agreement with T.V.G. as we require.

07 MR. WOOD: The Chairman asked you earlier if you
08 were willing to accept the signed agreement with
09 T.O.C. as it relates to the contract that T.O.C. has
10 with Hollywood Park.

11 Did you ever answer that question yes or
12 no?

13 MR. HINDMAN: Going back to Mr. Van deKamp's
14 comments, we will submit a letter to the Board
15 stating that we will abide by the terms of the
16 agreement that was made between Hollywood Park and

17 the T.O.C. And I believe that was Mr. Van deKamp's
18 suggestion. That is something that we would be
19 willing to do.

20 MR. LICHT: What about the insertions that
21 Mark Wilson made in Del Mar in July and was
22 memorialized in writing later?

23 MR. HINDMAN: We stand by it.

24 MR. LICHT: Would you be willing to include that
25 in an amendment to this agreement with --

26 MR. HINDMAN: I think the agreement is done.
27 Again, it is between Hollywood Park and T.O.C. We
28 would supply that in a letter for the Board.

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01 MR. LICHT: What about my other two issues? One
02 has to do with the T.O.C. specifically.

03 MR. HINDMAN: That is an issue with the T.O.C.

04 On the other issue relating to
05 inferences -- well, I think in all fairness that is a
06 basic business issue, and that, you know, I can
07 assure you T.V.G. is on solid footing with this
08 corporate ownership. I think you would not see the
09 continued level of investment and the continued level
10 of performance if that were not the case.

11 MR. LICHT: You've asked this board to grant you
12 a higher hub fee than we granted XpressBet, right?
13 And the reason you've done -- that we have done that
14 in your license is because you have these
15 dissemination preferences --

16 MR. HARRIS: Point of reference here, I'm not
17 sure if this board grants hub fees. I understand hub
18 fees are negotiated between the horsemen and the
19 tracks and the provider. We don't really -- maybe we
20 approve the deal. I don't think we really grant one.

21 MR. LICHT: Go ahead.

22 MR. HANNAH: Just on the T.V.G./Hollywood Park
23 analysis, which is reliant upon on the Interstate
24 Horse Racing Act, there's an additional requirement
25 under that act, which is that the contract itself be
26 approved by the C.H.R.B. That's just under the
27 Interstate Horse Racing Act.

28 If there are any aspects of that contract

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01 the C.H.R.B. doesn't like, they don't have to grant
02 their approval of that contract. That's not reliant
03 upon California wagering legislation. That's just
04 the requirements of the Interstate Horse Racing Act.

05 The other thing I would add for
06 consideration, and putting a hat on here as counsel
07 for M.E.C., which has Bay Meadows running right now,
08 is Bay Meadows does not like the fact that the
09 N.T.R.A. fee and Oregon tax are paid over the
10 market asset fee that Bay Meadows receives at this
11 point as the track running live in Northern
12 California. We feel that those appropriate business
13 costs are to be borne by T.V.G., not by the
14 California horse racing industry. And particularly
15 Bay Meadows, which is a direct result that we suffer.

16 And effectively Bay Meadows is funding close to half
17 of that cost.

18 MR. HARRIS: I'm not clear on that point as far
19 as -- basically, you cannot bet on Bay Meadows
20 through T.V.G.

21 So how does it get to Bay Meadows?

22 MR. HANNAH: Market access fee. Any wager
23 placed by a resident in Northern California or in the
24 Northern California zone, basically, you take off the
25 hub fee, which goes to T.V.G. Then you take off, if
26 it's an out-of-state race, the horse fee. Everything
27 that's left is the market access fee, which is then
28 distributed in accordance with the statute.

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01 The statute has certain statutory
02 reductions, backstretch security and things like
03 that. The remainder goes to the track. And that
04 amount is then shared with the horsemen. The market
05 access fee goes to the track that is running live at
06 the time, which is Bay Meadows.

07 MR. LICHT: I don't understand why we're just
08 not talking about a moot point. Why if a contract
09 can be signed between the parties as
10 Chairman Landsburg suggests between T.O.C. -- T.O.C.
11 and T.V.G. with the same terms that are in the
12 existing contract amended possibly by my suggestion
13 and any others, why can't we do that? What is the
14 impediment to doing that?

15 MR. HINDMAN: It's not the -- contrary to
16 federal law that covers this area. But beyond that,
17 I told you what I felt that we could do, which was
18 Mr. Van deKamp's suggestion, which is we will supply
19 the Board with a letter stating that we will abide by
20 the terms of that agreement, which is what we intend
21 to do. And --

22 MR. WOOD: Does that agreement you have with
23 T.O.C. identify the amount of market access fees we
24 pay to all the entities?

25 MS. CHRISTIAN: My name is Kathy Christian. I
26 am counsel to T.V.G., and in a previous life was
27 general counsel to this board for seven years. I
28 know some of you, but not all of you. If you'll let

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01 me go back to your original question. I think
02 there's some confusion here, in part -- because I'm
03 taking a look at the application that is incorporated
04 within the regulations that you refer to, the events
05 deposit wagering application.

06 It says, "Attached to the contract" -- this
07 is the entity like T.V.G. who's seeking a license --
08 "Attached to the contract with California racing
09 association or fair and the required horsemen's
10 approval under the Interstate Horse Racing Act that
11 permits you to provide advance deposit wagering
12 service."

13 This is what is required of an out-of-state
14 race. This is a particular application that they

15 must submit. Obviously, if the hub is located
16 outside of the state of California, the Interstate
17 Horse Racing Act kicks in and requires that before
18 that signal can go to an out-of-state location, the
19 horsemen must negotiate under the Interstate Horse
20 Racing Act an agreement with the horse racing
21 association. That is exactly what was provided when
22 the application and license was first granted
23 approval under the Interstate Horse Racing Act. And
24 that same condition would apply any time T.V.G. is
25 accepting a wager from a California resident.

26 At least as far as we understand it, in
27 fact, T.V.G. has complied exactly with what the
28 C.H.R.B. regulations and application do require. And
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01 that seems to be the point of confusion here about
02 what the regulations require. And that's why I read
03 that section.

04 MR. WOOD: You didn't finish reading the whole
05 section. Would you read the rest of it?

06 MS. CHRISTIAN: "Permits you to provide advance
07 deposit wagering services and identify the amount of
08 the market access fee from the California racing
09 association or fair for access to the California
10 market."

11 It's -- there's three separate things you
12 have to do in -- documents that you have to provide.
13 But it doesn't -- to the point I was trying to make
14 in terms of an agreement between an out-of-state
15 wagering hub like T.V.G. and California horsemen's
16 organization, in my view, the regulation does not
17 speak to that. And there's nothing in law, advance
18 deposit wagering law, that specifically requires
19 that.

20 MR. BLAKE: That's true. The requirement was
21 imposed by the Board at the discussion of this
22 application last time. I don't think anybody thinks
23 that it's in the law or that it's in the regulations
24 or that's it's in the application. But the Board did
25 require that.

26 MR. HINDMAN: At what time?

27 MR. BLAKE: At the time the license was
28 discussed.

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01 MR. HARRIS: The license or T.V.G. or
02 Hollywood Park?

03 MR. BLAKE: T.V.G. T.V.G.'s license is for a
04 year as opposed to Hollywood Park's license, which is
05 for this meet.

06 And also the question comes up as to when
07 you provide a letter to the Board assuring that you
08 will abide by the conditions, again, we have an
09 ambiguity.

10 Are we talking about for the conditions of
11 this meet or for the period of your license?

12 MR. HINDMAN: For the period of the agreement
13 between the T.O.C. and Hollywood Park. Obviously,

14 Del Mar is the next meet up. And I believe that
15 under the agreement, T.O.C. indicated that similar
16 terms were going to be extended to Del Mar -- or may
17 be accepted by Del Mar. If Del Mar chooses to do so,
18 we will do so for that meet and for any meets
19 thereafter.

20 MS. CHRISTIAN: I reviewed the minutes of the
21 January meeting. I believe you were specifically
22 asked for your opinion. It was our understanding
23 that the letter that was submitted, which we referred
24 to earlier, the letter from the Los Alamitos horsemen
25 giving the required approval under the Interstate
26 Horse Racing Act, was the letter that everyone had
27 when this matter was considered in January. So it
28 was our understanding that -- what was before

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01 everyone. And that was the appropriate document for
02 the Board to have in order to make a decision about
03 licensure. And it did so. So we've been operating
04 under that assumption at this point.

05 MR. WOOD: Do we have the same letter from the
06 T.O.C.? The same type of letter agreement from the
07 T.O.C. as it relates to the Hollywood Park agreement?

08 MR. HINDMAN: Yes, you do.

09 MR. WOOD: We do? Where?

10 MR. HINDMAN: Yes. There was a letter provided
11 that was from the Pacific Coast Quarter Horse --

12 MR. WOOD: I said from the T.O.C.

13 MR. HINDMAN: Let me explain. The letter from
14 P.C.Q.H.R.A. to Los Alamitos assenting to Los
15 Alamitos's agreement with T.V.G. under the I.H.A.
16 You have a similar letter from the T.O.C. to
17 Hollywood Park assenting to the T.V.G. Hollywood Park
18 agreement under the I.H.A. That's the way we view
19 the law with regards to this. We believe that we're
20 acting in perfect conformity with it.

21 MR. WOOD: The Pacific Quarter Horse Racing
22 Association letter is a little bit more substantive
23 than the Interstate Horse Racing.

24 But my question, Mr. Van deKamp, will you
25 forward us a letter to the horse racing board for
26 approval to the T.V.G. -- I mean Hollywood Park
27 agreement?

28
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01 believe, to Mr. Licht and Mr. Landsburg, apparently,
02 at the Pari-mutuel Committee meeting.

03 MR. LANDSBURG: That's correct. That letter was
04 presented, yes.

05 MR. VAN DEKAMP: By the way, I know Mr. Hannah
06 had the mic before I did, but what I think the
07 Board -- I don't think the Board is trying to kill
08 account deposit wagering day to cut off signals to
09 anybody. I may be wrong on that. But I think what
10 we're trying to do is iron out some procedures here
11 about what everyone should be doing henceforth. And
12 it seems to me the logical conclusion here, I think

13 the Board has power to do it. My friend, Mr. Blake,
14 may disagree with me. It seems to me the way to do
15 this is have all three signatures on the same page;
16 the horsemen, the provider and the track. So they're
17 all in it together and we know that. That's what I
18 think Mr. Hindman agreed he would provide subsequent
19 to this meeting.

20 MR. LANDSBURG: In all of our discussions of
21 licensing A.D.W., we have two major concerns. One,
22 that the state racing associations and better does
23 not suffer in the wake of it. And the second concern
24 was that we are not being taxed in other ways for the
25 use of A.D.W. We have long bridled under the
26 terms -- everybody has, it's not only the Board --
27 under the terms of the simulcast agreements, which
28 seem to be chiseled in stone. And we've all tried
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01 our best within the racing industry to raise them so
02 that there would be more for horsemen and we have
03 more for racing.

04 A.D.W. should not have to live under the
05 same necessary restrictions as the simulcast
06 restriction; and that in passing the permission that
07 we would now be able to gain more for racing
08 associations and for horsemen in terms of the outflow
09 of dollars that go into betting coffers.

10 MR. VAN DEKAMP: I share that.

11 MR. LANDSBURG: So we are at a point here where
12 we are trying to raise the barriers. We're trying to
13 raise the rates. And, in effect, we are -- we have a
14 groundbreaking agreement that came in that surprised
15 us. It surprised you, Mr. Van deKamp, and T.O.C.
16 And they acceded to virtually every request. And
17 then we have a slight glower and have incremental
18 pieces in the agreement which will affect racing. It
19 affects Bay Meadows as indicated in the T.V.G.
20 agreement. And when we look at it, we say you didn't
21 have the freedom to do the kind of negotiations that
22 you wanted to do. It was the intent of the Board
23 that we have some hold on where we are going with
24 granting applications.

25 I want to make something clear. We are not
26 going to cut off, or at least from my point of view,
27 I do not intend to raise the question of cutting you
28 off from A.D.W. because we don't bite off our nose to
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01 spite our face. But we want a clear procedure for
02 the future that allows us to move forward the way the
03 Board seems to want to move forward, which is to have
04 a direct horsemen's agreement in all further
05 agreements with T.V.G. If your lawyer, who is now
06 shaking her head, disagrees, I'm sorry. We can
07 regulate. And we will regulate. And we do not look
08 kindly upon agreements that do not source themselves.

09 And I don't agree with you, John, that it's
10 three agreements. You have other fish to fry. And
11 you have other responsibilities. But I think that

12 the responsibility here is a direct T.O.C. charter to
13 deal with anybody who wants to have A.D.W. licensed
14 for California vendor.

15 MR. VAN DEKAMP: It requires, Mr. Chairman, the
16 track's approval of that arrangement, too. In this
17 situation, I think it has already been said, there
18 was a standard contract that the tracks had with
19 T.V.G. We've been fighting with that. We've been
20 able to raise the rate of the return to California
21 horsemen as a result of the negotiations.

22 And so it seems to me -- the tracks, you
23 know, don't have to send their signal to T.V.G.
24 unless they have a contract to do so. So they are
25 very much part and parcel, you know, the necessity to
26 have, basically, three signatures to move this along;
27 the tracks, the horsemen and T.V.G.

28 MR. LICHT: I think three signatures is a good
0096 suggestion. And I think that the way the law calls
01 for an agreement between the horsemen and the
02 association, that agreement has to be acceptable to
03 the Board, too, in our regulatory power.

04 To me it's not acceptable until it includes
05 those representations that Mark Wilson made, because
06 T.V.G. is getting an inordinate piece of the pie.
07 They're getting that piece of the pie based upon
08 their marketing -- what they say is their marketing
09 ability and dissemination of their product. If
10 they're wrong and it doesn't work and they don't
11 bring in new customers, they just take our existing
12 customers, we're all in big trouble. I think that
13 has to be part of this agreement to be acceptable.

14 MR. VAN DEKAMP: I have no problem with that
15 being filed and made part of the agreement. I read
16 the document. I'm not sure it's really particularly
17 valuable. I think if you look at it carefully, you'd
18 agree with me.

19 I have no problem with doing that.
20 However, you have to remember that the ultimate
21 power -- if this thing goes awry is, basically, to
22 say we're down. We're not approving anything. And,
23 you know, we stand ready to do that if this turns out
24 to be counterproductive.

25 MR. LICHT: The cat is out of the bag already.

26 MR. VAN DEKAMP: Not as far as we're concerned.
27 We have the power to do that. Maybe out of their

0097 bag. But, again, we basically give approvals for
01 each meet.

02 What we said, by the way, in our agreement
03 with Hollywood Park is that should T.O.C.'s
04 expectations per this agreement be met, T.O.C. will
05 grant approval along the same terms and conditions to
06 Del Mar, Fairplex and Oak Tree and Hollywood Park.

07 MR. LICHT: I think also -- I happen to agree
08 with your analysis of Mark Wilson's letter. It
09 should contain some of the remarks he made in the
10

11 Del Mar meeting. And maybe more cogent, enforceable
12 language. I agree that letter is full of --

13 MR. HARRIS: I think that's a negotiating point
14 between the owners' organization and T.V.G. I hope
15 some of that could be part of the agreement.

16 MR. LICHT: It should be. As far as I'm
17 concerned, they send an acceptable letter to me to
18 fulfill their licensing requirement.

19 MR. LANDSBURG: These are results -- these
20 questions and these comments are the result of the
21 Pari-mutuel Committee meeting yesterday. We're
22 bringing it to the Board as fresh information. We
23 wanted the Board to be aware of the flow and
24 counterflow of the information.

25 MR. HARRIS: I wasn't there yesterday. I was
26 involved when we passed this legislation. And the
27 intent always was that the owners would have veto
28 power meet by meet on whatever providers there were.

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01 So that should be clear. It sounds like maybe what
02 form that is. Clearly I hate to set some precedent
03 that wasn't in place.

04 MR. LICHT: As far as I'm concerned it should
05 continue as is. Certainly not tamper with their
06 ability in terms as it is now. But by the next meet,
07 that agreement should be amended in a manner that is
08 acceptable to the commissioners, which in -- I think
09 includes, as Alan has said, to have T.V.G. being
10 signatory to that agreement or a separate agreement.

11 MR. HARRIS: I don't think it should just be
12 T.V.G. Any of these things are negotiable.

13 MR. LANDSBURG: By nature what we have done, we
14 have granted -- because of exclusivity and ownerships
15 in this state, we've really granted exclusivity to
16 two different organizations and leaving very little,
17 if any, room for anybody else to come in. I commend
18 M.E.C. for saying let it be free enterprise and let
19 it be open. And I've had enough discussion with
20 Mark Wilson that he'd rather stretch his body out in
21 front of a railroad than have it happen.

22 I do think that in the question of the
23 future of A.D.W. and the question of the growth of
24 racing, that handing off what comes to be exclusive
25 franchise is because of the way in which associations
26 set up their contracts is simply standing in the way
27 of racing horsemen getting the best possible deals.

28 MR. HARRIS: Going forward, you really have two

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01 different models between XpressBet and the T.V.G.
02 model. We all have opinions on which model works the
03 best. Obviously the T.V.G. model costs more. I
04 think it's theirs to prove they can generate more
05 gross revenues, and they can return more at the end
06 of the day than the other model. If they don't do
07 that, if this whole thing is just a commodity, then
08 the low cost provider should help.

09 MR. HANNAH: More to reiterate -- John Hannah,

10 Vice President/General Counsel, Magna Entertainment
11 Corporation, XpressBet. Just to reiterate the point
12 I made earlier -- because I think it's more than just
13 the matter of the appropriate process and procedures
14 being decided. Even under the process which
15 Hollywood Park and the T.O.C. have chosen to follow,
16 the Interstate Horse Racing Act does require C.H.R.B.
17 approval of that specific agreement. And M.E.C. is
18 in favor of free enterprise. We're not saying to
19 pull the plug on T.V.G. and Hollywood Park. We want
20 the account wagering to occur. We'd love for you to
21 do it through us as well.

22 I throw this out to the commissioner, it is
23 within your purview to approve that contract subject
24 to it being amended to cover the three things as
25 mentioned. But also, as I mentioned earlier, we
26 would like it to be amended so that the Oregon tax
27 and N.T.R.A. fee are not being borne by the
28 California industry. When I say California industry,
0100

01 that is the tracks that are running live at the time,
02 which are Northern California and the horsemen. The
03 horsemen may choose to have given up on that. I can
04 tell you Bay Meadows is not happy with the fact that
05 we have to bear half -- or what is close to half of
06 the cost of the Oregon tax and the N.T.R.A. payment.

07 MR. LANDSBURG: May I suggest that both T.V.G.
08 and M.E.C. submit to this board their hard proposals
09 on what they would like to see as justification for
10 the Bay Meadows and Golden Gate problem. And let the
11 Board review it prior to the next meeting, and make a
12 declaration at the next meeting.

13 Is that satisfactory to you?

14 MR. HINDMAN: In terms of the --

15 MR. LANDSBURG: Complaint that Bay Meadows has
16 now lodged against the -- their fee being reduced by
17 contributions to Southern California state racing,
18 which is coming out of half of the N.T.R.A. money,
19 the remainder of the N.T.R.A. money and the Oregon
20 tax.

21 MR. LICHT: John, I ask -- again ask you to
22 consider, so that we don't have to make any other
23 decision or even consider any other decision, that
24 you enter into a separate agreement or become a
25 signatory to the existing agreement and amend it to
26 include at least the three items that I suggested in
27 a manner that will be acceptable to this board. And
28 I personally can't see any reason not to do that.

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01 Maybe you can tell me why.

02 MR. HINDMAN: Again, we'll, you know, go back
03 and review. I know that two of them are very
04 relevant to the -- this issue. That being, you know,
05 Mark Wilson's comments at Del Mar last summer. And
06 also, you know, the issue of putting a signature, a
07 third signature on the page.

08 But the other issue, I don't feel there is

09 any significance to us or this issue or anything
10 else. That would be the one --

11 MR. LANDSBURG: You can submit that in a paper
12 for this board to review. Would you submit your
13 opinions -- do it in a paper to this board that
14 requests that it not be taken into account --

15 MR. HINDMAN: Yes.

16 MR. LANDSBURG: -- then this board will be able
17 to have a paper in front of them presenting your
18 point of view. I can trust M.E.C., who has already
19 presented part of it. We will review it as a board
20 in our next meeting.

21 MR. LICHT: We're going to consider the letter
22 agreement valid for the purpose of continuing on with
23 the A.D.W. until our next meeting, at which time
24 we'll review amended letters between T.V.G. and
25 T.O.C. and Hollywood Park.

26 MR. LANDSBURG: I think that's the only way we
27 can present it completely to our board.

28 MR. HARRIS: I understand the market access fee.
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01 It sort of is immaterial what goes to N.T.R.A. and
02 goes to Oregon. It's really the six and quarter
03 percent that is coming out of -- or divided. I think
04 the whole issue there, if they can, in fact, increase
05 handle where the percentage might be less, but the
06 total dollars per day are more. There are so many
07 figures that interact.

08 MR. LANDSBURG: There are figures that interact.
09 The statutory limit is what we can take out. Under
10 the statutory limit, there is now whose money will be
11 used to pay for an agreement that T.V.G. has with
12 Oregon; that T.V.G. has in with N.T.R.A. It has no
13 bearing on what we do here in California.

14 MR. HARRIS: I'm not clear on the statutory
15 limit.

16 Are they above the statutory limit if they
17 go six and a quarter?

18 MR. LANDSBURG: Within that statutory limit
19 there is 50 percent -- I think .50 and 1. -- about a
20 point and a half is all I can recall. That will go
21 to pay their Oregon tax. And it is going to pay --
22 and that becomes significant, John, when you start to
23 look at the figures --

24 MR. HARRIS: I appreciate that. What I can't
25 remember is what the law -- what the statutory limit
26 was.

27 MR. LANDSBURG: Six and a half percent.

28 MR. HARRIS: I would like to get it as low as we
0103

01 can. I think as far as the Board's purview, we
02 couldn't go beyond the statutory limit.

03 MR. LANDSBURG: It's within that statutory
04 limit. That's what we're discussing. It's within
05 that statutory limit in the way in which that money
06 is divided.

07 MR. HARRIS: If the owners and the provider

08 negotiate something, I'm not clear what our standing
09 is to question it.

10 MR. LANDSBURG: The question is raised by
11 Bay Meadows and Golden Gate, who are being taxed by
12 it. Their share of the market access fee is taxed by
13 that percentage.

14 MR. LICHT: I think the law is written as such
15 that we have complete regulatory quandary, I guess
16 would be the word to use, to regulate in any way we
17 deem in the best interest of the public and horse
18 racing industry.

19 MR. HANNAH: Plus the Interstate Horse Racing
20 Act requires that you approve that agreement.

21 My apologies. I have to run to catch a
22 flight. So I have to leave now. I've got a meeting
23 in Toronto in the morning. I'm too old to catch the
24 redeye.

25 I want to say that Chairman Landsburg's
26 suggestion as to the submission of the letters on
27 this point is acceptable to M.E.C.

28 MR. HALPERN: Ed Halpern, California Trainers.

0104

01 Just two quick points. Mr. Chairman, regarding
02 Commissioner Licht's question of the letter
03 guaranteeing no reduction in purse money, we did
04 receive from T.V.G. right about the time of their
05 approval -- the approval of their contract, we
06 received another letter from them, again, reiterating
07 their promises as far as purses. We didn't
08 distribute that because, understandably, but
09 unfortunately, it was filled with more disclaimers
10 than promises. And I would hope that the Board --
11 that the letter they now present to the Board will be
12 absent all those disclaimers.

13 The second point, and I raise this merely
14 because I don't want someone to come back at some
15 point and say, "Why wasn't this mentioned before?"
16 And hopefully by raising it, I hope we're not waiving
17 our rights, but the Interstate Horse Racing Act
18 defines horsemen as both owners and trainers.
19 Because of the unique setup in California, no
20 approval has been reached for -- obtained from
21 trainers. So I'm not sure that compliance with the
22 Interstate Horse Racing Act is in effect. But we're
23 not waiving that complaint. And we just have some
24 other things on our plate at the moment.

25 MR. LIEBAU: Jack Liebau, Magna Entertainment.
26 I'd like to digress for a minute and not talk in a
27 legalistic manner as to what our problem is. I do
28 think that the Board as a whole should consider

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01 whether our process might be flawed. And I'd like to
02 give you an example. First, I would like to have a
03 disclaimer that I have the utmost respect for
04 Dr. Alfred, Rick Hanson and the owners of the quarter
05 horse. They sort of enter into what I'm going to
06 say.

07 When T.V.G. was licensed, it was licensed
08 by the quarter horse men. Now, under the advance
09 deposit wagering law, what's bet on the
10 thoroughbreds, goes to the thoroughbreds. What's bet
11 on the quarters, goes to the quarters. And what's
12 bet on the Harness, goes to the Harness.

13 I have to raise the issue, and there might
14 be a flaw in the law, which probably is as much my
15 responsibility as anybody else. Does it make any
16 sense for the quarter horse owners to determine what
17 the market access fee was from the point of licensing
18 to when Hollywood opens as far as market access fee
19 that's payable by T.V.G. to Santa Anita, Bay Meadows
20 or Golden Gate? I don't think it does. But I'm not
21 too sure that isn't permitted under the law. But
22 since you're considering the process that we're going
23 through, and whether that should be corrected or not.

24 Again, we have the quarter horse horse men
25 determining what the market access fee is paid to
26 thoroughbred tracks on thoroughbred wagers. To me,
27 frankly, that doesn't make sense. But, you know, I'm
28 hungry, and I'm going to sit down. Thank you.

0106

01 MR. LICHT: To me it would make sense if we
02 proceeded on the basis that we set up another
03 Pari-mutuel Committee meeting the day before the
04 Board meeting. Ten days prior to that meeting we get
05 copies of that market access fee, sort of petition
06 regarding everybody's feelings about it or position.
07 And also some sort of revised agreement that -- as
08 Mr. Van deKamp has suggested, a three party agreement
09 in the same form as the current agreement, but adding
10 some other issues that concerned me, among others.
11 That we have that ten days before that Pari-mutuel
12 Committee meeting where they will meet and look at it
13 and report on it to the Board.

14 MR. LANDSBURG: As far as I'm concerned, I'm
15 willing to sacrifice the time for another Pari-mutuel
16 Committee meeting. I think it's a wise way to go.
17 If anyone has more comment on it, I'd be glad to
18 entertain it.

19 MR. VAN DEKAMP: I'd like to pick up on
20 Mr. Liebau's last comment. In our agreement with
21 Hollywood Park, assented to by T.V.G., states this
22 disagreement is subject to the understanding with
23 respect to all thoroughbred racing supersedes
24 T.V.G.'s present agreement with Los Alamitos
25 effective April 24. We agree with Mr. Liebau. It is
26 one of the things that in the rush of the moment when
27 we all went through the original licensing, they got
28 up and we thought we would deal with this in

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01 connection with this meeting on a going forward
02 basis. I think we dealt with that.

03 MR. LANDSBURG: Is there more discussion? I
04 know we're wearing everybody down, and it's coming
05 close to lunch. We have reached certain conclusions.

06 Mr. Licht has made a certain proposal, which is
07 fairly long, in essence.

08 Is there anyone who has heard Mr. Licht's
09 proposal who is in disagreement with its process?

10 MR. HINDMAN: May I ask one more question?

11 MR. LANDSBURG: I didn't see you.

12 MR. HINDMAN: I want to ask one question. The
13 information -- I understand the contract that -- with
14 Mr. Van deKamp and the T.O.C. between Hollywood Park
15 and T.O.C., that process. I'm unclear on the purpose
16 or the meaning of the other document that is being
17 discussed.

18 MR. LANDSBURG: You have a point of view,
19 apparently, that differs from the point of view of
20 Bay Meadows' management and Golden Gate management --

21 MR. HINDMAN: On that --

22 MR. LANDSBURG: -- on that point, I'm asking
23 for a paper from both you and Bay Meadows --

24 MR. HINDMAN: On that point. I just wanted --

25 MR. LANDSBURG: -- on that point, so that the
26 Board can consider both arguments and have relevant
27 information about both --

28 MR. HINDMAN: I wanted clarification so I can
0108 give you what you want.

01 MR. LICHT: I think if T.O.C. wanted to file a
02 friend of the court brief or something, would be
03 good, too.

04 MR. LANDSBURG: We welcome briefs from others
05 because that's our process and our role.

06 Is there anything else? In that case, the
07 Board will move forward on Mr. -- Commissioner
08 Licht's recommendation that we have a Pari-mutuel
09 Committee meeting one day prior. And papers in hand
10 ten days prior to that have been requested,
11 agreements and such. I don't want to be vague. It
12 is in the minutes. It's on the record what
13 Commissioner Licht has requested.

14 We are now finished with -- unless there is
15 further discussion, we are now finished with T.V.G.'s
16 implementation of advance deposit wagering. We still
17 have one more group to be heard from, which is
18 YouBet. Presently, I am done. I need to recuse from
19 that party. Vice Chairman Licht will take it over.

20 MR. LICHT: Joe, you waited patiently here.
21 First of all, I think it's a fantastic addition what
22 YouBet has done with -- I found out for myself the
23 default from the Hollywood Park web site to the video
24 to the YouBet web site. That's got to be great for
25 business. I assume you probably had record numbers
26 yesterday.

27 MR. HASSON: Joe Hasson with YouBet.com.
0109

01 MR. MARSHALL: David Marshall, YouBet.com.
02 MR. CHAMPION: Charles Champion YouBet.com.
03 MR. MARSHALL: In light of the late hour, we
04 will be brief as possible, answer any questions you

05 might have. I wanted to take the opportunity to
06 introduce our new president and chief operating
07 officer, Chuck Champion. I think you'll be seeing a
08 lot more of him. He comes out of the newspaper
09 industry and running the operations for some very
10 large organizations, and we're very happy to have him
11 working with us. And I think we're making
12 significant progress in improving our operations,
13 including our marketing operations.

14 With that, I'll turn this over to Joe, and
15 he'll go over some of the numbers you've asked for.

16 MR. HASSON: To be brief, I'm going to go over
17 our handle for the first two months of operation from
18 the end of February through April 21st. Our total
19 handle is \$1,605,730. Of that, the handle wagered on
20 in-state tracks was \$260,858. And the amount of
21 handle wagered on out-of-state tracks was \$1,344,872.

22 Yesterday, Mr. Licht, you asked for some
23 information on the breakdown on wagers from
24 California residents on California tracks, California
25 residents on out-of-state tracks and out-of-state
26 residents wagering on California tracks.

27 MR. LICHT: It's come up with the Board what
28 we're most interested in is the bottom line of what
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01 percent -- not dollarwise, what percentage goes to
02 the horsemen and to the tracks.

03 MR. HASSON: We've prepared a complete breakout
04 of that. We would like to provide that detail to the
05 Board. We have to go through a security exchange
06 commission requirement for fair disclosure. We have
07 to do some public disclosures first, and they will
08 provide very detailed breakdown for the Board. But
09 what we can do today is provide you some figures
10 based on the additional money that goes to the
11 horsemen's purses, and that will be --

12 MR. LICHT: Dollars or percentage?

13 MR. HASSON: Well, we're going to use the
14 example if a customer wagers \$100 on a race, how much
15 goes to the horsemen's purse in dollars?

16 MR. HARRIS: Are your percentages the same as
17 T.V.G. that you tag on to them?

18 MR. HASSON: Well, we operate under two
19 different agreements. We have an agreement with
20 T.O.C., direct agreement, YouBet.com and T.O.C. And
21 we also operate under as a sublicensee with T.V.G.
22 So I think our numbers might be somewhat different.

23 MR. HARRIS: If you go back to the horsemen's
24 agreement -- it is frustrating that we don't get
25 these agreements.

26 Does the Board have an agreement that shows
27 their agreement between T.O.C. and YouBet and
28 Hollywood Park?

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01 MR. WOOD: We have the agreements between -- not
02 between -- which one did you ask me for?

03 MR. HARRIS: Between YouBet, Hollywood Park and

04 T.O.C., do we have a signed --
05 MR. WOOD: The agreements between T.O.C. and
06 XpressBet. And Mr. Van deKamp delivered yesterday
07 the agreement with Hollywood Park.
08 MR. VAN DEKAMP: In this instance, there had
09 been an agreement reached that has just been
10 accurately described by Mr. Hasson. I faxed over to
11 Mr. Baedeker the other day, I think I even read it
12 over to him over the telephone, requires signature
13 from him to be filed with the Board.
14 What it includes is a cover page,
15 basically, describing the two agreements that we have
16 and copies of both of those agreements. One is the
17 T.V.G. agreement and the other one is the original
18 agreement with them, when on non-T.V.G. track. We
19 need to file that with you today. And I apologize it
20 has not been done. I realized a few minutes ago.
21 MR. HASSON: We provided copies of the agreement
22 to staff, C.H.R.B. Staff, yesterday morning. So
23 Mr. Reagan has a copy of it.
24 MR. WOOD: We did have that from you yesterday.
25 MR. HASSON: So I'm going to proceed here.
26 If a California resident places a \$100
27 wager on Hollywood Park, and we're going to assume
28 20 percent takeout, approximately \$6.10 will go to
0112 the horsemen's purses. The California resident
01 wagers on out-of-state track that we have under
02 contract with T.V.G., approximately \$4.35 will go to
03 California horsemen's purses. If a California
04 resident wagers \$100 on an out-of-state track that's
05 not under a T.V.G. contract, approximately \$4.98 is
06 going into the horsemen's purses.
07
08 MR. LICHT: How much would go to Hollywood Park?
09 MR. HASSON: It's approximately the same amount.
10 MR. LICHT: So about \$12, \$13 dollars?
11 MR. HASSON: Yeah. There's about a .25 issue
12 with the N.T.R.A. fee.
13 MR. HARRIS: Exclusive of the N.T.R.A. and
14 Oregon, what is the hub fee?
15 MR. MARSHALL: In relationship -- majority of
16 our relationship with the T.V.G., our hub fee
17 parallels T.V.G. in terms of how we get our content.
18 And 100 percent of the fees that would go through us
19 go to T.V.G. So either the hub fee -- the answer is
20 either the hub fee is identical to T.V.G.'s, or if
21 you're asking what is our net to YouBet.com, our net
22 is very close to insignificant or zero in terms of
23 the wagers placed through us on T.V.G. tracks.
24 MR. HARRIS: How do you operate?
25 MR. MARSHALL: Good question. And I hope to
26 have an answer for that soon.
27 I would just state it's a relationship that
28 was put in place prior to my return to the company
0113 30 days ago. We are hopeful that in the blended
01 perspective in California, we'll be able to make some

03 type of margins so we can continue operating in
04 California effectively.

05 MR. LICHT: Did you have an enormous amount of
06 signups yesterday?

07 MR. HASSON: We had tremendous volumes
08 yesterday, and it is continuing into today.

09 MR. LICHT: Do you have that arrangement where
10 you default from the track's web site to the
11 audio/video to other tracks?

12 MR. HASSON: I'm not quite sure what you're
13 referring to.

14 MR. LICHT: I did go to Hollywood Park web site
15 yesterday. I put it on audio/video. Instead of
16 getting Real Player or Microsoft, whatever the video
17 carrier is called, I went right to YouBet.

18 MR. HASSON: Yeah. We have different
19 arrangements with different associations.

20 MR. HARRIS: Are you the exclusive provider of
21 video from Hollywood Park, or is Hollywood Park also
22 doing that?

23 MR. HASSON: The item you're referring to is the
24 agreement we have with Churchill Downs, marketing
25 agreement.

26 MR. LICHT: I think that would be great.

27 MR. HARRIS: So you can do that -- I got a
28 complaint that people couldn't get a video from
0114 Hollywood Park unless they were a YouBet member.

01 MR. LICHT: You don't have to have money in your
02 account.

03 MR. HARRIS: That's fine with me. That's a
04 relationship -- to get the video, you go to the
05 YouBet site?

06 MR. HASSON: That's correct.

07 MR. LICHT: Or Hollywood Park. If you go to
08 Hollywood Park bets, that defaults you to YouBet's
09 site.

10 MR. HASSON: For an out-of-state resident in a
11 non-T.V.G. source market wagering on a non-T.V.G.
12 track, for a \$100 bet, approximately \$3.81 goes to
13 horsemen's purses.

14 For an out-of-state customer wagering from
15 a T.V.G. source market, approximately \$2 of a \$100
16 bet would go horsemen's purses. Both out-of-state
17 arrangements, YouBet and T.V.G. are paying source
18 market fees to the local tracks, as we are doing in
19 the state of California for wagers going the other
20 direction, which we believe is very beneficial to the
21 industry as a whole throughout the country.

22 Any questions?

23 MR. LICHT: You're going to let us know how you
24 are going to make money? Thank you.

25 MR. LANDSBURG: Brings us to the report of the
26 Pari-mutuel Operations Committee.

27 MR. LICHT: I think 99 percent has already been
28 dealt with, luckily for all of you.
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02 The only other thing that was a major issue
03 besides the issues with T.V.G. was rebates. As you
04 can tell, when the fairs -- and those two fairs
05 applied, Pleasanton and Stockton, I really believe
06 it's a major problem. Hollywood Park stated that
07 19 million dollars last year from their handle came
08 from this one place called R.G.S., that's a known
09 rebate facility. And Hollywood Park and Churchill
10 are taking the lead. In fact, Churchill, has a
11 person, a full-time employee whose whole
12 responsibility is to look for these rebate shops and
13 attempt to deal with it.

14 There were other suggestions that were
15 made. I think it was Craig Fravel from Del Mar that
16 the industry as a whole needs to get together and
17 shut these places down; otherwise, no track wants to
18 lead with their chin and be the guinea pig to
19 eliminate them and lose all the handle to another
20 track. In other words, if Hollywood Park shuts down
21 these places, maybe Hollywood Park will lose all that
22 and people will start betting in New York or Chicago
23 or something.

24 It's something that we're very much on top
25 of and spending a lot of time on.

26 MR. LANDSBURG: We had brought up during the
27 Pari-mutuel Committee meeting also the question of
28 propriety and necessity of a continuing donation to

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01 N.T.R.A. of what has been in the past four years more
02 than seven million dollars of our funds going to
03 N.T.R.A. to support its marketing effort.

04 With all due respect, Mr. Van deKamp, this
05 meeting has gone on, and I would like to, with your
06 permission, carry over any further discussion on
07 N.T.R.A. until the next meeting. Thank you. That
08 concludes the Pari-mutuel Committee report.

09 We now have a report from the Benevolent
10 Programs, Chairman Sheryl Granzella.

11 MS. GRANZELLA: We've already discussed our
12 committee meeting with the passage of Rule 28.
13 There's nothing more to report on that.

14 MR. LANDSBURG: There's nothing further to
15 report from that based on Article 28.

16 Is there any more discussion, business that
17 we have to take up, please, in terms of old business.

18 MR. LICHT: Two quick things. One, I think it's
19 important that the public knows that the Board is
20 well aware of what happened in the first race here at
21 Hollywood Park where a horse was bent down two to
22 five on the last flash. I wouldn't use the term
23 investigation. We are investigating it quite
24 dramatically, and we'll try to figure out what
25 happened and make sure that everything is on the up
26 and up.

27 MR. LANDSBURG: We have a hanging decision to
28 make concerning the manner in which Hollywood Park

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01 opened its meet with a tote board that didn't work.
02 But we will discuss that, I believe, at our next
03 meeting. It's not an urgent matter.

04 Mr. Wood.

05 MR. WOOD: Maybe we can discuss it. We just
06 have to see what the process -- preview, as Mr. Blake
07 discussed, maybe in another state of the adjudication
08 and another discussion.

09 MR. LANDSBURG: Any further old business? Any
10 further new business?

11 MR. MORET: Good afternoon, Commissioners. My
12 name is Viron Moret. I'm with the S.E.I.U., Local
13 1877. I come before you today because we are having
14 some serious problems with the subcontractor that is
15 currently providing janitorial services here at
16 Hollywood Park racetrack. Since approximately
17 February of 1998, I believe that we have come before
18 the C.H.R.B. to discuss some of the issues that we
19 have been having with this particular company.

20 We have accounting practices that have been
21 called in to question, payroll issues with dues,
22 issues with health and welfare benefits. And it's
23 been continuing for a long, long time. I mean, it's
24 gotten to a point where we filed numerous grievances.
25 We've been to arbitration on several occasions. And
26 we successfully won those arbitrations. We have had
27 problems with them paying those arbitration awards.

28 We have come before Hollywood Park

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01 management and asked them to please have the company
02 sit down with us and discuss what some of these
03 issues are, how we can resolve them. As recently as
04 April 12 and April 17, we had questions in regards to
05 the child support payments that are being deducted on
06 behalf of the employees of this company, and the fact
07 the district attorney has submitted to us some
08 documents saying that some child support have been
09 coming up late. So, therefore, employees have been
10 having problems with their T.R.W. reports and/or
11 trying to get a license renewal because their
12 licenses have been suspended.

13 So we have been having tons of problems
14 with this New World Company. They won't come and sit
15 with us. If we file grievances, there have been
16 issues where they will retaliate against the employee
17 by placing them on different schedules or different
18 shifts. Asking them to retract or take back their
19 grievance so it can be resolved. So these are things
20 that have been out of hand. It's been going on since
21 about February of 1998.

22 Several occasions we've been out front
23 picketing. We've picketed out in front of the main
24 gate several occasions. It gets to a point where no
25 one is listening to what we're saying. We don't know
26 what else to do. If we have to continue to 40, 50,
27 60, 80 people here and make a big ruckus on this
28 facility just to get this company to abide by the

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01 terms and conditions of a collective bargaining
02 agreement, they won't do it.
03 Hollywood Park intervened on several
04 occasions and forced them to write a check -- I think
05 it was last year, it might be a matter of record.
06 They wrote a check for about \$48,000 after the
07 C.H.R.B. questioned why they weren't submitting
08 pension contributions on behalf of the membership.
09 We don't understand what's going on.

10 Why is it that they've just been having
11 this -- just, basically, they won't even be charged
12 with anything. No one wants to call them
13 accountable.

14 MR. HARRIS: One of the problems, I presume, is
15 that somehow because it's a racetrack, you're not
16 under the National Labor Relations Act.

17 MR. MORET: That's correct. If we were able to
18 do that and file charges with the N.L.R.A. for unfair
19 labor charges or whatnot -- we don't have that
20 protection. We have to come to you guys and say,
21 "Somebody here has got to hear what our complaints
22 are." And although we appreciate you intervening in
23 some of the instances in what we have come before you
24 with, it continues. It's not something like it
25 stopped. They said, "Okay. We got in trouble.
26 We'll write a check for 48,000 because we submitted
27 pension" -- "or we didn't do it on a timely basis."
28 They'll do it again.

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01 Any change or moneys or any type of funds,
02 they'll continue to keep doing it. And right now
03 we're going through, like I said, a problem with just
04 child support. Whether or not it's the District
05 Attorney making the problem or whatnot. When the
06 District Attorney writes a letter saying the employer
07 is submitting the payment late, therefore, we will
08 take in account that your credit has been damaged,
09 but we'll write a letter on your behalf that will
10 clear it up. The employer is submitting the payment,
11 but they're deducting the money on time. So why are
12 they submitting it late? We have asked them again,
13 "Can you please give us a total account of everyone
14 that you have deducted child support payment for?
15 When you deducted the money? How much you submitted?
16 What's the current status of that?"

17 That was two weeks ago. We were told on
18 the 12th that we'll do it on the 17th. We'll have
19 some information to hold you over. The 17th came and
20 went. New World Services did not show their face.

21 They had an administrative secretary by the
22 name of Gwen Stevenson show up and provide me a
23 letter just recently as last week in reference to
24 them denying every grievance that was submitted to
25 them, as well as taking one of the gentlemen that
26 was -- has an arbitration proceeding, should be
27 scheduled very soon, took him off a schedule, because

28 he filed a grievance, and put him on another
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01 schedule. We know that's retaliation regardless of
02 what she said that he maybe needed a change in
03 schedule. She's retaliating against somebody because
04 he's filed a grievance that's going to arbitration.
05 We're up to here with it.
06 New World Services, we're opposed to any
07 renewal of licensing. If they get a license, we're
08 going to continue to keep picketing and continue to
09 come out unless we sit down with Mr. Sohn (phonetic)
10 or whoever the owner of that company is, and he tells
11 his supervisors to quit harassing the workers. Tells
12 his people to abide by the terms and conditions of
13 the collective bargaining agreement that is still in
14 effect until April 2003, or we're not going to have
15 any labor peace out here. That's not what we're here
16 for.

17 MR. SPERRY: Hollywood Park intervened on your
18 behalf?

19 MR. MORET: On several occasions we have had
20 Hollywood Park come in and sit down with us. I've
21 had Mr. Richard Hughes from California Federation of
22 Racing to come in and assist us. But we never have
23 someone from New World Services that is actually
24 capable of making decisions. We have an
25 administrative secretary, who -- I don't know why
26 she's making the decisions. We know behind closed
27 doors, she's telling them what to do. The decisions
28 that are being made don't make sense to us. People
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01 getting fired. People getting switched on shifts.
02 You got people sneaking in from the back door at
03 work.

04 We are constantly filing grievances. I can
05 probably provide at least, I would say, between 50
06 and 70 individual grievances I have filed personally.
07 That's a crazy amount of grievances to file over a
08 four-year period of time with a subcontractor that we
09 have continuously come before the employer --
10 Hollywood Park and C.H.R.B. and said something is
11 wrong with these people. They promise to work with
12 us. And they don't show up.

13 MR. WOOD: Mr. Minami, would you like to give
14 the Board members an overview of the last three years
15 what our interaction has been from the California
16 horse racing board, what you have been involved in
17 with New World and with Hollywood Park.

18 MR. MINAMI: My name is Roy Minami, Horse Racing
19 Board Staff. Mr. Moret is pretty accurate. They
20 have had ongoing labor problems with New World
21 Services which provides janitorial services for
22 Hollywood Park since '98, probably four or five years
23 ago. I've been involved in meetings with Mr. Moret
24 as well as Yule (phonetic) Wyatt of Hollywood Park
25 trying to resolve some of the problems.

26 Certainly, I'm not going to represent

27 myself a problem solver. But at some point on behalf
28 of the Board, I was able to facilitate some of the

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01 resolutions, some of the problems. One of which
02 Mr. Moret referred to was a pension. The New World
03 Services was behind and delinquent on their pension
04 fund contributions. I was able to work with Yule
05 Wyatt, Mr. Moret and the New World Services in order
06 to get them caught up, which they were caught up. It
07 was after some prodding by us.

08 New World Services is, by rule, required to
09 be approved as a contractor with Hollywood Park.
10 They are up for approval in April. Since last month,
11 I have withheld recommending approval for New World
12 Services. Mr. Moret and I have communicated. He's
13 communicated to me some of the problems that are now
14 occurring, which he's just delineated for you. And I
15 have asked for him to provide me with some additional
16 information so that I can conduct a review of the
17 situation as well as meet with Mr. Hughes and
18 Hollywood Park as to the status of New World
19 Services.

20 And I will attempt to try to meet with the
21 management of New World Services. I have at one time
22 in the past. I believe to a certain extent there
23 might be some cultural differences here. And I've
24 deliberately tried to stay out of some of the
25 collective bargaining issues, such as the grievances.
26 I didn't feel at the time that the Board had any
27 jurisdiction getting -- inserting itself into the
28 collective bargaining process, which was the

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01 grievance process they were going through.

02 What I did was pretty much limit myself to
03 the continued funding of their pension fund, to make
04 sure that their dues were kept up, some of those
05 other things that are peripheral to the actual
06 collective bargaining agreement.

07 At this point, though, because New World
08 Services is up for approval, I've talked to
09 Mr. Moret. And I did ask him to give me copies of
10 the grievances that they filed. Not that I'm going
11 to get involved in the actual adjudication of those
12 grievances, for my information to recommend to the
13 Board as what is the situation. I wanted to see what
14 the nature of some of those grievances were, how they
15 were handled. And if I may, probably end up doing
16 subtle diplomacy between the union and New World
17 Service and Hollywood Park.

18 I spoke to Mr. Hughes. And I'm going to
19 try to facilitate some kind of resolution on this
20 before we approve New World Services.

21 MR. LANDSBURG: You don't -- your recommendation
22 to the Board at this moment is that we do not approve
23 a new license for -- or is it up to the Board to
24 approve the license?

25 MR. MINAMI: Right now New World Services is not

26 required to be licensed, but they are required to be
27 approved by the Board. Because it doesn't require a
28 licensure, the staff -- administratively, the staff

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01 has been approving them.

02 But this was -- this year about several
03 weeks ago, Mr. Moret contacted the Board and
04 indicated that he had some more serious problems. At
05 that point I withheld any kind of approval of
06 New World Services until I'm able to get together
07 with Local 1877, New World Services and
08 Hollywood Park.

09 MR. LANDSBURG: You expect that in the next
10 fortnight, two weeks, that you will be able to do
11 that?

12 MR. MINAMI: Yes.

13 MR. LANDSBURG: So we're looking at a two week
14 bridge here before we get a full report and whether
15 or not you believe approval is warranted.

16 MR. MINAMI: Yes.

17 MR. LANDSBURG: Mr. Moret, I don't know that we
18 can give you more than that at this moment under all
19 of our legal obligations. We are sympathetic to your
20 problem, and quite frankly, there's no one better
21 than Roy Minami to be handling this. We thank you.
22 We hope we have given you the breathing room you
23 need. Thank you.

24 Any other comment?

25 MR. SPERRY: Just on that issue, I would think
26 that Hollywood Park would want to take an active part
27 in trying to resolve the problem unless they want to
28 continue to have demonstrations such as they had this

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01 morning. I think that's not in the best interest of
02 horse racing; that they don't get involved in trying
03 to resolve the problems.

04 MR. BAEDEKER: I believe it's true to say that
05 we have always responded to the union's request to
06 sit down and discuss these issues. Many are
07 objective issues, many are subjective. And we
08 appreciate the involvement of the Board. And it's
09 healthy to have a third party look at these issues.
10 And we agree with you. We don't want picketers.
11 Nobody does. I'm sorry that we have to air this in
12 front of the customers. But we'll get this resolved.

13 MR. WOOD: I like to respectfully request,
14 Mr. Baedeker, that you do help us because it's been
15 almost three years since we've been involved in
16 discussions with the union. And Mr. Minami spent a
17 lot of time on this. I request that you do
18 everything you can to help us and not have to come so
19 deeply involved in this.

20 MR. BAEDEKER: I do look forward to the
21 opportunity to display -- to show to the Board -- as
22 a matter of fact, I believe we have done everything
23 we can over that period of time. I think that we
24 have resolved -- we've put ourselves in the position

25 of middle man to resolve many of these problems,
26 particularly the ones related to health and welfare
27 and retirement and so forth. I think many of these
28 problems are fixed. So we look forward to that.

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01 MR. LANDSBURG: Any other comment? Please make
02 it quick.

03 MR. FLEISHMAN: I'll make it quick. This is on
04 a different subject.

05 Mr. Chairman, my name is Steve Fleishman.
06 I've been horse player for about 40 years. I have
07 two points I want to bring up to the Board that I
08 think that it should take some urgency when the time
09 permits.

10 First is on the medication Clembuterol,
11 which I now believe is a 72-hour medication that can
12 be administered to a horse. We would like to have
13 the Bute, B in the running line omitted and have C
14 put in for all horses that are entered that have been
15 treated with Clembuterol medication 72 hours before.

16 MR. HARRIS: Just a point of clarification.
17 What we have is not a time barrier on Clembuterol
18 treatment. It's a test threshold level, which is
19 five manograms, which the science seems to show that
20 would be about a four day out. But it's not --
21 definitely not a 72-hour rule on the buterol.

22 MR. FLEISHMAN: I thought it was. I wasn't
23 100 percent sure. But if possible, could the Bute
24 line be eliminated in horses treated on buterol then
25 so stated below where the Bute line was.

26 MR. HARRIS: Well, the problem -- I don't know
27 if we want to discuss it today. The problem would be
28 how you differentiate between the horse that was

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01 treated ten days out or 30 days out or what.

02 MR. LICHT: You can say any time since the last
03 start. I think that's something we can take up at
04 the next Pari-mutuel meeting. I happen to agree with
05 Mr. Fleishman's position.

06 MR. FLEISHMAN: Second thing I want to bring up
07 is on geldings. Now, California does the best job of
08 any state that I've seen as far as simulcasting and
09 announcers in letting people know that a horse has
10 been gelded. On occasion a horse will come out in
11 the 7th, 8th or 9th race and the announcer will say,
12 "This horse is a new gelding." We want that horse
13 scratched if it's after the pick six has started.
14 Automatic scratch.

15 MR. LICHT: I think we can bring it up to the --
16 at the Pari-mutuel meeting when we have those items
17 on the agenda.

18 MR. FLEISHMAN: No other state does a job like
19 California as far as announcing when a horse has been
20 gelded. New York is horrible. Kentucky's terrible.
21 Illinois is terrible. Florida doesn't exist.
22 Louisiana doesn't exist.

23 MR. LANDSBURG: What you're in effect saying is

24 that if it's announced that the --
25 MR. FLEISHMAN: At the start of the day before
26 the first pick six race, fine. If it's a late one,
27 the horse is automatically out.
28 MR. LANDSBURG: I think we have to look at it at
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01 Pari-mutuel Committee.
02 MR. FLEISHMAN: It gives California more
03 integrity.
04 MR. HARRIS: Clembuterol should be looked at by
05 the drug committee. One thing, though, on both --
06 precedent of Lasix and Bute were that they were --
07 could enhance performance. And that was the reason
08 they were listed. Clembuterol does not show that it
09 enhances performance at all.
10 MR. FLEISHMAN: Last year you had Ten West
11 (phonetic), 12 positives, six months suspension,
12 fine. Owners lost all their purse money.
13 MR. LANDSBURG: We corrected that to some
14 extent.
15 MR. FLEISHMAN: You had a threshold.
16 MR. LANDSBURG: And that threshold really is,
17 rarely, but it is violated. And we do take a stance.
18 MR. WOOD: It is an issue that we are looking
19 at. And to discuss it probably is more appropriate
20 for the medication committee meeting. However, the
21 scratching of the geldings after the six or seven
22 races, can be discussed with the Pari-mutuel
23 Committee next month. We do have your e-mail. And
24 we are reviewing the assets of it and we'll discuss
25 it. Thank you.
26 MR. LANDSBURG: Thank you.
27 MR. AMATO: Good afternoon. My name is
28 Elio Amato. I represent the owners and trainers at
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01 Fairplex. I've seen you all before. Nice to see you
02 again.
03 Last time we spoke was in regards to the
04 funding to Fairplex for a year-round training. I
05 have mentioned that we would try to police ourselves
06 in regards to trying to bring up the number of
07 starts. And I'm happy to say from September --
08 December 26 to April 21st, our starts are 3.08 per
09 day versus San Luis Rey who has had about 2.
10 Another thing that we would like to address
11 is we've been kept in the dark in regarding the live
12 racing this year at Pomona. We tried to ask people
13 at -- you know Mr. Enwood and Mr. Cedar at Pomona.
14 It seems to be a closed door issue. We understand
15 they can't do anything without the C.H.R.B. giving
16 them the blessings.
17 Can you enlighten us on this. We have a
18 lot of owners and trainers that are either becoming
19 discouraged --
20 MR. LANDSBURG: May I break in? The Board has
21 full authority over any change that might be
22 forthcoming. And it must be discussed, and it must

23 be in open meeting. So at this moment, we have no
24 information to give to you. The moment we do, it
25 will be out in public meeting. It will not be kept
26 in this board behind closed doors.

27 MR. FLEISHMAN: I'm not talking about your
28 closed doors. I'm talking about Pomona's closed
0131 doors. They're not letting us know --

02 MR. LANDSBURG: We don't engage in that business
03 before it comes before us. You're bringing a
04 question before us that we can't answer. It hasn't
05 been brought to us.

06 MR. FLEISHMAN: So Fairplex has not brought this
07 to your attention?

08 MR. LANDSBURG: That's correct.

09 MR. FLEISHMAN: At this time, just speculating,
10 if they were bring it to your attention tomorrow --

11 MR. LANDSBURG: I can't even begin that process.
12 I can't begin that process. It's not a question we
13 could even begin to think about an answer for.

14 MR. FLEISHMAN: We have no way to know --

15 MR. LANDSBURG: Right now you're on an equal
16 footing in terms of stabling with San Luis Rey. I'm
17 talking about the two points that he brought up; one,
18 equal footing on stabling fund. And as far as what
19 the future of Fairplex or Pomona is, when we have
20 information, it will be made public.

21 MR. LICHT: In the horse racing rules -- in the
22 horse racing law, I should say, promotion of the
23 fairs is one of our mandates. So that would be
24 considered.

25 MR. FLEISHMAN: There's a lot of -- all the
26 people there have no idea whether we are going to be
27 running this year at the fair or not. And I'm
28 thinking how many people are we going to continue to
0132 lose before we find out whether or not we are going
02 to have live meet? Is it fair to the fans? Is it
03 fair to us?

04 MR. HARRIS: This year's dates have been done.
05 I don't think they can be undone.

06 MR. FLEISHMAN: That's the answer I'm trying to
07 get. They're giving us the impression, including in
08 the paper, that they are still in negotiations with
09 Santa Anita and there is still a very good
10 possibility that we will not be racing at Pomona.
11 What we would like to know is are we --

12 MR. LANDSBURG: I can't put it more clearly, we
13 cannot give you any answer because we don't have any
14 new information except what we ruled on, which is
15 that there are race dates for Fairplex.

16 MR. FLEISHMAN: We do have race dates for
17 Fairplex?

18 MR. LANDSBURG: That was -- went into effect
19 last December or November.

20 MR. BLAKE: Race dates for this year have
21 already been allocated.

22 MR. FLEISHMAN: We are racing at Fairplex or
23 not?

24 MR. BLAKE: If anybody were to apply for a
25 change, it would become public matter for the Board.
26 But there's no such application.

27 MR. HARRIS: If you look at that, obviously, you
28 would have to take into consideration a total
0133

01 picture. It wouldn't be just a matter of someone
02 selling their dates. The Board would have to look at
03 the total benefit to the horse racing and the public.

04 MR. LANDSBURG: Thank you. I believe this is
05 the end of our public session. The Board meeting --
06 without -- we'll have no executive session and will
07 now be concluded.

08 (Meeting concluded at 1:00 p.m.)

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