

MEETING

STATE OF CALIFORNIA

HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
)

ARCADIA CITY HALL

240 WEST HUNTINGTON DRIVE

ARCADIA, CALIFORNIA

TUESDAY, JANUARY 23, 2007

10:00 A.M.

Reported by:
Troy Ray

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

Richard B. Shapiro, Chairperson

John Amerman

John Andreini

William A. Bianco

John C. Harris

Marie Moretti

Jerry Moss

STAFF

Ingrid J. Fermin, Executive Director

Jacqueline Wagner, Staff Services Manager I

Dr. Rick Arthur, Equine Medical Director

Derry L. Knight, Deputy Attorney General

ALSO PRESENT

Rick English

Frank Dimarco

Bernie Thurman

Drew Couto

Mike Ziegler

Chris Korby

Joe Gomes

APPEARANCES CONTINUED

ALSO PRESENT

Terry McWilliams

Jerry Jamgotchian

Sherwood Chillingworth

Guy Lamothe

Ed Halpern

John Shireffs

Dr. Scott Stanley

Eual Wyatte

Calvin Rainey

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1 PROCEEDINGS

2 EXECUTIVE DIRECTOR FERMIN: Please come to order.
3 This is the regular meeting of the California Horse Racing
4 Board, on Tuesday, January 23rd, 2007, at Arcadia City Hall,
5 240 West Huntington Drive, Arcadia.

6 Present at today's meeting are Chairman Richard
7 Shapiro, Vice-Chairman John Harris.

8 COMMISSION CHAIRPERSON SHAPIRO: He's not here
9 right now.

10 EXECUTIVE DIRECTOR FERMIN: He disappeared. He
11 was here earlier, he'll be back.

12 Commissioner John Amerman, Commissioner John
13 Andreini, Commissioner William Bianco, Commissioner Marie
14 Moretti, Commissioner Jerry Moss.

15 We are going to have our closed session
16 afterwards, so we'll go ahead and proceed with the meeting
17 immediately.

18 Mr. Chairman.

19 COMMISSION CHAIRPERSON SHAPIRO: Thank you. All
20 right, John Harris isn't here, so let's get everything done
21 real fast. Just kidding.

22 Welcome to the meeting. The Board invites
23 comments from the public about items on its agenda. It also
24 invites public comment about items not on the agenda, but
25 are related to horse racing, during an open comment period.

1 In order to assure that each individual who wishes
2 to comment will have adequate opportunity to do so, and also
3 to assure that the meeting as a whole be completed in a
4 timely manner, so that the individuals wishing to comment on
5 multiple matters will not be required to stay for an
6 unreasonable length of time, I will strictly enforce a five-
7 minute time limit for each person wishing to speak on any
8 agenda item.

9 The goal of this rule is to assure that each
10 person's right to make their views known is not disrupted by
11 another person's conduct. In order to expedite the comment
12 process, there is a public comment sign-in sheet for each
13 agenda item on which public comment will be taken, as well
14 as a sheet for comment about anything related to horse
15 racing that is not on the agenda.

16 If Jackie will please say where those are? She's
17 going to get them. They will be made available at the
18 podium.

19 Just prior to our discussion, please print your
20 name legibly, so that I do not mangle it. Just prior to our
21 discussion of the item, the comment sheet will be brought to
22 me. After initial statements from staff and interested
23 parties, I will ask for public comment. When I call your
24 name, please come to the podium to speak. I will let you
25 know when your time has commenced, when there is one minute

1 left, and when your time is up.

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

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

10 In the interest of time and fairness to those
11 wishing to speak, repetitious statements are not desirable.
12 Thus, if a particular point has previously been made, please
13 simply state that you agree with the prior speaker.

14 Further, statements that are off the point of the
15 agenda item or which address another subject item will not
16 be permitted. If time is up, I will ask the speaker to take
17 his or her seat. If it appears that the speaker is
18 repeating what has previously been stated, I will ask that
19 speaker if he or she has any additional comment to make. If
20 not, I will ask the speaker to allow the next speaker to
21 come to the podium, irrespective of the time remaining,
22 unless a Board member indicates that he or she still wishes
23 to hear from the individual.

24 If it appears that a speaker is not speaking to
25 the agenda item, or is speaking to another agenda item, I

1 will ask that speaker to please return to his or her seat
2 and address his or her comments at the appropriate time,
3 either on that specific item or at public comment.

4 All right, with that I welcome everybody to our
5 first meeting of the year, and I would hope we have a very
6 productive year.

7 The first item on our agenda is approval of the
8 minutes of the regular meeting of October 26th, 2006.

9 Does anybody have any comments, changes to the
10 minutes from that meeting?

11 There being none, I'll entertain a motion to
12 approve the minutes.

13 COMMISSIONER AMERMAN: So move.

14 COMMISSION CHAIRPERSON SHAPIRO: Second?

15 COMMISSIONER MORETTI: Seconded.

16 COMMISSION CHAIRPERSON SHAPIRO: Seconded. All in
17 favor?

18 (Ayes.)

19 COMMISSION CHAIRPERSON SHAPIRO: The next meeting
20 would be the approval of the minutes for the -- the next
21 agenda item is approval of the minutes for the regular
22 meeting of November 27th, 2006. I believe that I did
23 receive an e-mail from Mr. Rick English, I'm not sure who he
24 was speaking on behalf of. He made comments with respect to
25 Magna Entertainment Corp., he requests that his comments be

1 entered into the minutes. And, therefore, I would ask that
2 staff incorporate his comments.

3 Are there any other changes --

4 MR. ENGLISH: Mr. Chair?

5 COMMISSION CHAIRPERSON SHAPIRO: If you'll step to
6 the podium, please.

7 MR. ENGLISH: I'm Rick English, I'm a CPA. I just
8 want to comment that my comments were made at the October
9 26th meeting, not the November 27th one.

10 COMMISSION CHAIRPERSON SHAPIRO: Oh, I'm sorry. I
11 stand corrected. We'll incorporate his comments into -- the
12 wrong meeting. In the October 26th meeting, if staff will
13 go back and look at the transcript, appreciate that.

14 Are there any other changes, comments to the
15 minutes from the November 27th meeting?

16 If there are none, I'll entertain a motion.

17 COMMISSIONER MORETTI: So moved.

18 COMMISSION CHAIRPERSON SHAPIRO: Moved. Second?

19 COMMISSIONER AMERMAN: Second.

20 COMMISSION CHAIRPERSON SHAPIRO: Okay, it is
21 approved.

22 COMMISSIONER HARRIS: By the way, everyone, I
23 guess, knows that these are on our website, and also the
24 transcripts, which is a lengthy thing. But they're all
25 there, so anyone who wants to go back and look at something,

1 it's there.

2 COMMISSION CHAIRPERSON SHAPIRO: Item number
3 three, report by representatives of Magna Entertainment
4 Corp. on the progress of the redevelopment of the barn area
5 at Santa Anita Race Track.

6 As you'll recall, when we heard this matter we
7 asked for an update at this meeting, and I'm glad to see Mr.
8 Dimarco is at the podium, willing to give us an update.

9 MR. DIMARCO: Mr. Chairman and Commissioners, I'm
10 Frank Dimarco, for Los Angeles Turf Club, Incorporated.

11 As you know from the last meeting, the National
12 Register nomination for the Santa Anita Park Historic
13 District lists 37 stable buildings as what they call
14 contributing buildings to the official historic designation.
15 Translated, what that means is before we can undertake the
16 demolition and rebuilding we have to comply with the
17 regulations imposed by virtue of that historical
18 designation.

19 To get that accomplished we have engaged a well-
20 known historic district expert in the field, that's Pamela
21 O'Connor, with the firm of Kaplan, Chin and Kaplan, in Santa
22 Monica, to advise us on how we can undertake the building
23 program under the limitations imposed by the historic
24 designation. She's now working on that plan.

25 In the meantime, in preparation for the actual

1 construction, we've obtained two bids, from two construction
2 companies, MD Enterprises of Ontario, California, and Blue
3 Ribbon Manufacturing of Los Angeles, one of which will be
4 engaged to do the work once the approvals have been
5 obtained. A reasonable estimate of when all this can
6 happen, I would say is 60 days. At this time that's about
7 all I can tell you. We'll be happy to keep you updated.

8 COMMISSION CHAIRPERSON SHAPIRO: Thank you,
9 Mr. Dimarco.

10 Okay, does anybody else have any comment, on the
11 Board, on this matter?

12 I'm assuming that you're using posthaste attention
13 to this to get this done, and keep us on track, and you do
14 recall when the Board dealt with the race dates for 2007
15 what the Board's feelings were in terms of getting this
16 accomplished by the end of the year.

17 MR. DIMARCO: I'm well mindful of the limitation.

18 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

19 MR. DIMARCO: Thank you, sir.

20 COMMISSION CHAIRPERSON SHAPIRO: The next item on
21 the agenda is discussion/action by the Board on the
22 application to conduct a horse race meeting of the Bay
23 Meadows Racing Association, at Bay Meadows, commencing
24 February 14th, 2007 through April 22nd, 2007.

25 Jackie?

1 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
2 CHRB staff.

3 The Bay Meadows Racing Association has filed their
4 application to conduct a thoroughbred horse racing meeting.
5 They are proposing to run from February the 14th through
6 April the 22nd, or 50 days. They are proposing to race a
7 total of 430 race or 8.6 races per day.

8 They did not conduct racing during this time frame
9 last year.

10 The race dates proposed are the dates that the
11 Board has allocated.

12 They will be racing five days per week, Wednesday
13 through Sunday, with eight races weekdays or nine and ten
14 races on weekends, holidays, and days of special interest.

15 They're proposing a first post time of 12:45 p.m.,
16 with a 7:00 p.m. post on Fridays, March the 16th, March
17 23rd, the 30th, April 13th, and April 20th.

18 The ADW providers for this racing association are
19 TVG, Xpressbet, and Youbet.

20 At the time this analysis was prepared, Bay
21 Meadows was in negotiations with TOC on their Horseman's
22 agreement. I am pleased to report that that agreement has
23 been signed and CHRB has received a copy of that agreement.

24 In light of that, staff would recommend that the
25 Board adopt the application as presented.

1 And there are representatives here, in case you
2 have questions.

3 COMMISSION CHAIRPERSON SHAPIRO: Thank you. I see
4 that Ms. Thurman and Mr. Ziegler are sitting there. I do
5 want to know, is there any agreement with any party that
6 could possibly obstruct your opening with all of the
7 simulcast ADW partners that you have? Is everything in
8 order?

9 The reason I'm asking this is that we have seen
10 before, right before the beginning of certain race meets,
11 unfortunately, that there's some agreement or something
12 that's in dispute that jeopardizes the possibility of the
13 ADW wagering taking place.

14 From your perspective, is everything in order?

15 MS. THURMAN: This is Bernie Thurman. To my
16 knowledge, everything's in order.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay.

18 MS. THURMAN: I don't have a crystal ball and
19 things do happen, but looking today, things look good.

20 COMMISSION CHAIRPERSON SHAPIRO: Okay, and I'm
21 going to assume from that -- I'd like to hear, also, from
22 TOC, CTT, or anybody else if there's any outstanding
23 agreement of any sort that could cause a last-minute hitch
24 before this meeting gets started.

25 If there is anybody that has any issue that could

1 possibly affect the opening, I would ask that they come
2 forward.

3 Okay. Your Horseman's agreement is complete?

4 MS. THURMAN: It is.

5 COMMISSION CHAIRPERSON SHAPIRO: All right. I
6 haven't seen a copy of it. And I believe, and I know that
7 we did exchange -- or I sent you an e-mail and what I'd like
8 to talk about is to find out how can we get those agreements
9 done in a timely basis, so that we, as Commissioners, can
10 see those agreements? I still haven't seen it.

11 COMMISSIONER HARRIS: Yeah, I did get it after a
12 lot of kicking and screaming. But it's just ridiculous that
13 the tracks and the Horsemen can't get together and get this
14 done. And this one is sort of water under bridge, we do
15 have it. But going forward --

16 COMMISSION CHAIRPERSON SHAPIRO: Well, you have
17 it.

18 COMMISSIONER HARRIS: Well, I assume that --
19 there's also sort of a tendency on people to send something
20 to one person, and we are a Board. If you send something to
21 one person, send it to the whole Board.

22 MS. THURMAN: I e-mailed it to the entire Board,
23 the agreement, on Saturday morning.

24 COMMISSIONER HARRIS: Well, Richard's pretty good
25 on his e-mails.

1 COMMISSIONER AMERMAN: I got mine.

2 COMMISSION CHAIRPERSON SHAPIRO: You did?

3 COMMISSIONER MORETTI: I got mine.

4 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,
5 maybe it went into my spam file.

6 MS. THURMAN: And perhaps I need to get some new
7 e-mail addresses.

8 COMMISSION CHAIRPERSON SHAPIRO: Maybe it got
9 spammed, but I need to get it. Oh, great. Well, now I have
10 it. I'll read it and just make everyone wait.

11 MS. THURMAN: I could add that this meet was sort
12 of an anomaly because there was a short time frame between
13 the close of our winter meet, or our fall meet, and the open
14 of our winter meet. And to do the projection of purses we
15 need to know what the carryover from the prior meet will be,
16 and we didn't know that until the last week of December. So
17 it made it very short for us to put this together.

18 In the future, Drew and I have talked about
19 starting meetings, you know, three months in advance, well
20 in advance.

21 COMMISSIONER HARRIS: Yeah, I think the is, what
22 the problem is sometimes is an impasse, because you don't
23 agree on something, and I think we need a procedure where
24 that goes to some Board arbitration. If you can't agree on,
25 you know, how many horses are in a stake, or what the first

1 post is, or some darn thing, you say, look, we can't agree
2 and we'll go to a binding arbitration.

3 Usually, when you're forced to binding
4 arbitration, the parties say, well, I'd rather figure it out
5 between us than have these idiots do it.

6 MR. COUTO: Drew Couto on behalf of Thoroughbred
7 Owners of California.

8 Our contracts have always required that we receive
9 the purse schedules and the projections on revenues 90 days
10 in advance. And this year, I have to agree with Bernie, it
11 was very difficult for our track partners because the dates
12 were allocated so late and she had a short period of time
13 between the close of the Bay Meadows meet and the beginning
14 or the time to submit this application.

15 So we received it on the 2nd, the information on
16 the 2nd and, as you know, we have a volunteer board and we
17 have to get them together on that committee. We did so
18 within two weeks. Sat down with Bay Meadows, resolved it in
19 about an hour, all the issues at that point.

20 And, yeah, I guess one lingering one that took
21 permission from above, but we take care of it pretty well.

22 The process, my understanding in the past is
23 whenever there's a dispute or an issue that can't be
24 resolved, it has always been referred to the Pari-Mutuel
25 Licensing Committee for resolution there. And so that's

1 what, at least we've been operating under, the belief that
2 if it can't be resolved that way, it goes to the committee.

3 But, hopefully, we'll move this out further, we'll
4 get it at the 60-, 9-day mark and we should have everything
5 in to you at the time the application is submitted.

6 COMMISSION CHAIRPERSON SHAPIRO: And what about
7 the agreement with CTT, don't you also have to have an
8 agreement with CTT?

9 MS. THURMAN: Correct.

10 COMMISSION CHAIRPERSON SHAPIRO: Okay.

11 MS. THURMAN: The verbiage is pretty much the same
12 as the TOC contract, but you don't have to stipulate the
13 purse structure and the stakes structure for the CTT.

14 COMMISSION CHAIRPERSON SHAPIRO: Okay. I think we
15 ought to get a copy of that agreement, too. And I
16 understand, we've just seen too many times, before your
17 opening of the Hollywood Park meeting, I think it was in the
18 summer last year, you know, there was some form of dispute
19 that went on, and I'm not placing blame on any party here.
20 But that it was right before it opened there was a big
21 issue.

22 Then a year ago, in December, we had an issue that
23 was also a big issue, right before the opening of your Bay
24 Meadows meeting, I think it was.

25 This year, before the opening of Santa Anita, I

1 spent New Year's Eve Day trying to work out a dispute
2 between two parties, of which you weren't part of that,
3 either of you.

4 And so what I'm so focused on is that we think
5 that when we approve these license applications everything's
6 in place, and trying to get to the point where we aren't
7 learning, well, you approved this, but you didn't approve
8 that.

9 MR. COUTO: Yeah, each of the occasions you're
10 referring to were ADW issues. And they're not necessarily
11 part of this contract, but separate under the Interstate
12 Horse Racing Act.

13 What we -- just the process, and I guess we need
14 to work with all our track partners, but we receive the
15 purse data, and the stakes schedules, and the overnight
16 schedules in advance. What always comes to us at the very
17 last minute and, honestly, I'm not -- I'm not sure if we've
18 completed it yet, are the out-of-state simulcast
19 arrangements and some of the ADW. The ADW, I believe, is
20 all taken care of for the year. Fingers crossed, unless
21 some other issue comes up. The hub fees are set. We know
22 what the host rates are, we shouldn't have anymore problems
23 there.

24 The simulcast, again, happens usually the week
25 before the meet opens. I don't know why that is, but that's

1 when we receive, usually, some of the numbers.

2 COMMISSION CHAIRPERSON SHAPIRO: Well, that's what
3 we --

4 COMMISSIONER HARRIS: Well, that's what we don't
5 want to have happen.

6 COMMISSION CHAIRPERSON SHAPIRO: That was the
7 problem this year and there was an impasse between I believe
8 it was Youbet and Magna --

9 MR. COUTO: That's not a simulcast deal, that's an
10 ADW arrangement. The simulcast are different.

11 COMMISSION CHAIRPERSON SHAPIRO: I didn't mean
12 simulcast.

13 MR. COUTO: Are different, yeah.

14 COMMISSION CHAIRPERSON SHAPIRO: Right, okay.

15 COMMISSIONER HARRIS: But does the license
16 agreement includes their ADW deals.

17 COMMISSION CHAIRPERSON SHAPIRO: Correct.

18 MR. COUTO: It should include an exhibit. The
19 practice has been, for many, many years, and this is where
20 we need to -- I think you're highlighting a good point, this
21 is where we need to work with our track partners, that we
22 get the information further out than the week before the
23 meet starts.

24 To my knowledge, we haven't had any problems
25 related to simulcast in years. It's just, I think, the pace

1 at which the tracks typically work on that simulcast
2 program. But we haven't had any simulcast issues, that I'm
3 aware of, in years.

4 COMMISSION CHAIRPERSON SHAPIRO: All right. But
5 what I would like, and unless my fellow Commissioners feel
6 differently, is I would like to see that as part of our
7 application we have some way of checking off that there are
8 no potential issues that are going to disrupt the opening of
9 this race meeting at the time we hear this application.

10 And I understand that that means going out further
11 and it may be more difficult for you to project purses and
12 things like that, but as long as we know that there's a
13 commitment to resolve it between yourselves that will not
14 jeopardize the meeting, and the public, and the Horsemen, I,
15 personally, am okay with it.

16 But what I'm not okay with is that the day before
17 the race meeting we don't know if a particular ADW
18 provider's going to be taking a signal and it could, you
19 know, disadvantage a large sector of people that are
20 counting on it. And it's unfair to put us in that position
21 and the public in that position.

22 MR. COUTO: Well, we agree, but I think the
23 incident you're referring to, before the opening of the
24 Santa Anita meet, didn't involve the Horsemen in any way,
25 shape, or form. That was between two ADW providers.

1 COMMISSION CHAIRPERSON SHAPIRO: I'm talking about
2 the Horsemen, this is not limited to just the Horsemen. I
3 guess I'm trying to find a way that's incumbent upon the
4 track. When we get these applications, that we're
5 approving, I think I'm approving it and it's done, and I
6 would think that's what everybody else believes here.

7 COMMISSIONER AMERMAN: Right.

8 COMMISSION CHAIRPERSON SHAPIRO: So I think we
9 have to work to get this done more timely.

10 MR. COUTO: We agree.

11 COMMISSION CHAIRPERSON SHAPIRO: Okay. In the
12 purse program comparisons that we have, in our book it says
13 that you not race a prior period at the same time, and I
14 understand that. Did you race the same period the year
15 before that?

16 MS. THURMAN: Not exactly the same. I'd like to
17 sort of describe the process that I --

18 COMMISSION CHAIRPERSON SHAPIRO: Great.

19 MS. THURMAN: I start with a clean piece of paper,
20 clean spreadsheet, and I estimate what the ontrack ITW, out-
21 of-state, and ADW handle will be on a day-by-day basis,
22 factoring in current trends, past results, and what kind of
23 marketing we're going to do for a particular day.

24 I know what kind of ratios that we're going to
25 look at. You know, I know the ontrack is going to be 35

1 percent of Northern California. So I put in all these
2 numbers, I do reasonableness checks, based on past results,
3 and then I apply the purse percentages, which change
4 depending on the timeframe of the time of the year that
5 you're running. I know that sounds odd, but it does.

6 If you run in May and June, you're importing more
7 and your purse percent may be different because of the out-
8 of-state take out versus what happens in December or
9 January, where you have more live. Okay, so you apply all
10 those percentages and come out to a result.

11 Then you look at what you did in the past just to
12 see if you've got sort of a pretty reasonable number.

13 On the other wide, Wilson Shirley, for TOC, does a
14 similar projection, absolutely independent of what I do, and
15 we kind of compare and contrast and see if we're on the same
16 page.

17 So it's a pretty detailed analysis and I don't
18 say, oh, it's going to be five percent up or two percent
19 down, I do it day by day.

20 COMMISSIONER HARRIS: But at one point in the
21 north I thought there was some pooled concept on purses when
22 Magna owned both tracks. But under today's world, you're
23 not doing that anymore?

24 MS. THURMAN: As far as keeping them --

25 COMMISSIONER HARRIS: The purses the same.

1 MS. THURMAN: We do the spring or the winter,
2 spring, fall and put them all together for Bay Meadows,
3 Golden Gate does the same thing, in order to equalize purses
4 between the spring and the fall.

5 COMMISSIONER HARRIS: But Bay Meadows' purses are
6 stand alone --

7 MS. THURMAN: Correct.

8 COMMISSIONER HARRIS: -- and Golden Gate are stand
9 alone.

10 MS. THURMAN: Right. But we have an agreement
11 with TOC to carry over purses from the spring meet to the
12 fall meet, because you generate more in the spring than you
13 do in the fall.

14 So when I do a budget, you know, I'm not just
15 looking at one 50-day meet, I'm looking at 102 days for the
16 year and trying to spread everything out evenly.

17 COMMISSION CHAIRPERSON SHAPIRO: So if you're
18 doing that here, then, it really doesn't matter about these
19 50 days, with the rational you've just -- the methodology
20 you've said, the truth is you're looking at a year and then
21 you're saying, okay, we generate more at one time of the
22 year than we do at another time of the year, and we're going
23 to supplement the weaker period from the stronger period, so
24 that you equalize the purses over the period of which you
25 race within a year; correct?

1 MS. THURMAN: That's the goal.

2 COMMISSION CHAIRPERSON SHAPIRO: Okay. So with
3 that --

4 MS. THURMAN: So what you have to do is tweak as
5 you go along.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay.

7 MS. THURMAN: So you know what type of races are
8 going to run in the spring meet. You know, you're going to
9 have two-year-olds for two furlongs, you're not going to
10 have those in the fall meet.

11 So you estimate the number of all the different
12 types of races that you're going to run and you lay in an
13 estimated purse level. You know, your maiden eights are
14 going to run for 8,000, let's say. You multiply it all out
15 and hope that it comes to a budgeted number. It's
16 complicated.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay. So with
18 all that, turning to the guy to your right and what do you
19 factor in there, what are you guys looking at for 2007 in
20 terms of where you see the business at Bay Meadows from your
21 race meetings?

22 MS. THURMAN: We have days that we think we're
23 going to do very, very well. For instance, the El Camino
24 derby we're generating -- or we're assuming we're going to
25 generate a million three ontrack, versus 900,000 last year

1 during the corporate time.

2 COMMISSION CHAIRPERSON SHAPIRO: And I appreciate
3 that. But overall, you know, what efforts -- I'm trying to
4 give you a segue here.

5 MS. THURMAN: I know.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay.

7 MS. THURMAN: I know. The pressure's on.

8 COMMISSION CHAIRPERSON SHAPIRO: Can you tell us
9 what your plans are and are you projecting a 15, a 20
10 percent increase for the year? We'd kind of like to get an
11 idea, no pressure.

12 MR. ZIEGLER: I don't know the answer. Mike
13 Ziegler, from Bay Meadows. I don't know the answer to the
14 ontrack handle side of the answer. But I hope each of you
15 got a marketing plan that I forwarded over the weekend, and
16 you probably haven't had a chance to read it, but towards
17 the back end of it there is a projection for ontrack
18 attendance, as compared to the comp days from last year,
19 showing us about 30 percent up compared to the same
20 timeframe.

21 COMMISSIONER MORETTI: I did have a chance to read
22 it and I did appreciate, actually, the way that you
23 stipulated day by day and then the --

24 MR. ZIEGLER: So some of the days, and a lot of it
25 has to do with the fact that we run Friday nights, and they

1 weren't run in the time period last year, and those days
2 will get three times as much attendance as a Friday day, and
3 that skews it pretty tremendously.

4 But backing out even the Friday nights, it's about
5 a 20 percent increase over the year prior.

6 So I think it's pretty ambitious and we are
7 implementing some programs that are going to augment what
8 we've done in the past to help get us to that number of 30
9 percent.

10 And if you look at our prior meet, the fall meet
11 on a comp day basis compared to the year prior, we were up
12 about 37 percent. And I know it's hard to compare apples
13 and oranges on one side of the Bay to the other, but that's
14 what we look at on a day-to-day basis to know how we're
15 doing.

16 COMMISSIONER HARRIS: Well, I think it is good
17 that they are using the services of all the ADW providers
18 that are licensed, TVG, Youbet, and Xpressbet, and it would
19 be good for us to look at your results by virtue of doing
20 that, versus results of people that are limiting it, just to
21 see how that impacts handle.

22 But another issue on the wagering commingling, is
23 there some -- what kind of due diligence is done to be
24 assured that these different sites, that are sending
25 in -- you're sending the signal to and they're sending the

1 bets back, that that transmission time is correct or there's
2 no -- because we've got a lot of -- there's no possibility
3 of past-posting going on?

4 MS. THURMAN: Oh, you're talking about --

5 COMMISSION CHAIRPERSON SHAPIRO: DSPMOs.

6 MS. THURMAN: Well, if you're talking about what
7 we do in order to do business with them, we look at --

8 COMMISSIONER HARRIS: Yeah.

9 MS. THURMAN: -- we see are they licensed in the
10 jurisdiction in which they operate, where is their hub, is
11 it in Oregon, you know, what have you. We ask them to
12 stipulate that they not take wagers from California
13 residents. We ask them to provide some sort of financial
14 background check, if you will. We ask them for copies of
15 the applications that they make for their patrons to be
16 involved in them as a business.

17 And as far as past-posting's concerned, you know,
18 we're relying upon the tote system for that.

19 COMMISSIONER HARRIS: But, I mean, you feel good
20 about that?

21 MS. THURMAN: Yeah, I do.

22 COMMISSIONER HARRIS: Because I mean the thing is
23 we've got -- you know, I was looking at the list on here,
24 it's pretty extensive. You've got a lot of hubs that have
25 other hubs that are subsidiaries of theirs and I think we

1 just need to be sure that we're not taking wagers from
2 somebody that doesn't have a good tote system.

3 MS. THURMAN: Right. The only change that we have
4 in the interstate wagering group is Canada is coming in
5 commingled, as opposed to separate pulling before, and we're
6 pretty familiar with the CPMA.

7 COMMISSIONER HARRIS: But is Maine, because Maine
8 was one of the ones that was always kind of suspect, are
9 they on your list somewhere?

10 MS. THURMAN: Yeah, it's the same group that we've
11 been dealing with year after year.

12 COMMISSION CHAIRPERSON SHAPIRO: In the event of a
13 high TC02, your protection barn will be handled in the same
14 way that it's been handled in prior years?

15 MS. THURMAN: Barn one.

16 COMMISSION CHAIRPERSON SHAPIRO: Okay. All right,
17 does anybody have any other questions about this
18 application?

19 COMMISSIONER AMERMAN: I did receive, Mr. Ziegler,
20 your marketing plan, and I thought it was very comprehensive
21 and well done, and I dropped you a note to that effect.

22 The plans clearly are promotional oriented, even
23 when you have the media included in it. You know, it hypes
24 the promotional days on radio, and print, and television. I
25 was just thinking that in the future we really do have to

1 reach out to new people on the peninsula, and in San
2 Francisco, and the East Bay, and I'm not sure that totally
3 putting all of our money against the promotional aspects is
4 going to reach out to new people. You're talking to the
5 customers that are walking in now, and we all know that
6 those numbers are kind of falling off because people are
7 getting older, and older, and older.

8 I recognize that you do have some youth days,
9 particularly on Friday night, but I would urge you to give
10 some more thought to that, just as to how you can reach out
11 to the community. Because it is a hotbed of young people on
12 the peninsula, and over in the East Bay, and I don't think
13 we're reaching them very well.

14 MR. ZIEGLER: Well, our prime attraction strategy
15 is the Friday night racing, and I would urge all of you at
16 one point or another to get to Bay Meadows on a Friday night
17 because it's actually what keeps us going on the management
18 side, because we walk through there and the crowd is about
19 6,000 full of young people. I feel old those nights. And
20 it's pretty reassuring to know that we're working towards
21 the future on those nights.

22 COMMISSIONER AMERMAN: I appreciate that and I
23 would love to join you on a Friday night. But what I always
24 believe in is you can go one step further and I urge you to
25 do that, give some thinking to it.

1 COMMISSION CHAIRPERSON SHAPIRO: Anybody else have
2 any other comments? If not, I'll entertain a motion to
3 approve this application.

4 COMMISSIONER AMERMAN: So moved.

5 COMMISSION CHAIRPERSON SHAPIRO: Second?

6 COMMISSIONER MORETTI: Second.

7 COMMISSION CHAIRPERSON SHAPIRO: Second. All in
8 favor?

9 (Ayes.)

10 COMMISSION CHAIRPERSON SHAPIRO: Good luck and
11 good racing.

12 All right, the next item on our agenda is a report
13 by the racing associations on the progress of the selection
14 of a totalizator provider for California race tracks.

15 We've heard for a very long time that new tote
16 technology would be coming to California and we've been
17 waiting with baited breath. And Mr. Korby, I expect you're
18 going to tell us about it.

19 MR. KORBY: I will.

20 COMMISSION CHAIRPERSON SHAPIRO: Good.

21 MR. KORBY: I'm happy to be here to report on our
22 progress. Chris Korby, representing California Authority of
23 Racing Fairs. And in this case, speaking as a
24 representative of the California Totalizator Working Group,
25 which is a group that the industry put together to help

1 guide the bidding and selection process for a new tote
2 contract.

3 COMMISSION CHAIRPERSON SHAPIRO: And who was on
4 that? I mean, was it all race track owners or who -- what
5 was the makeup of that committee?

6 MR. KORBY: It was a mix of mutuel managers, front
7 line managers, racing executives, technical people, a
8 representative from Scott Wink was one of the members, and
9 we pulled in a technical consultant to assist is in some of
10 the more technical matters. As a matter of fact, he's here
11 today to answer any questions that may be of a technical
12 nature, that you might have.

13 A little bit over a year ago the industry came
14 together and convened this working group to oversee the
15 selection process for a provider for statewide tote
16 services. As I say, members of this group included racing
17 executives, mutuel managers, technical people, and a good
18 spectrum of parties who would be able to evaluate, prepare
19 an RFP, and evaluate proposals that came in.

20 In March of last year this group decided that it
21 would initiate a formal bidding process by issuing a request
22 for proposals to any interested parties that might wish to
23 bid on the California contract.

24 The objective of this bidding process was to
25 secure tote services for California that met the highest

1 standards of quality, efficiency, and integrity, operating
2 at current state of the art, and capable of integrating
3 anticipated emerging and future developments.

4 The working group began preparation of an RFP in
5 the springtime. The group was dedicated to the principle
6 that a comprehensive and thorough technical specifications,
7 coupled with a well-defined bidding protocol could result in
8 competitive bids structured so as to facilitate comparison,
9 review, and evaluation. In other words, we wanted proposals
10 that were apples to apples every step of the way.

11 That group met frequently through the spring and
12 summer to work through the RFP preparation, which I can tell
13 you was a long and arduous process because the technical
14 specifications are complicated, the scope of work is very
15 large. California is, geographically, probably the largest
16 jurisdiction with a single tote system. And in terms of the
17 scale of operation, it's on a par with very few others in
18 the U.S.

19 On September 4th the group issued an 83-page
20 request for proposals. I've given copies to the staff if
21 you wish to review that for your reference.

22 In response to those requests for proposals, three
23 bidders submitted proposals on or before the October
24 deadline. Each of those bidders also made an oral
25 presentation to supplement their written submissions.

1 The working group has reviewed and evaluated each
2 proposal in detail. The evaluations included inspections of
3 existing or proposed facilities, along with detailed follow-
4 up technical questions for each bidder.

5 After extensive review and evaluation, we made a
6 recommendation to the boards of directors of "Not Wink" and
7 Scott Wink. Those bodies have voted on those
8 recommendations and we're pleased to announce that the
9 industry is going to award the tote contract to Scientific
10 Games Racing for the next contract cycle.

11 That award envisions and entirely new tote system,
12 a new state-of-the-art tote system. Among other things it
13 will incorporate a new state-of-the-art data processing
14 center that Scientific Games has built in Sacramento. That
15 will be one of two regional centers, each of which can act
16 in redundancy to the other, that they will operate, one on
17 the west coast and one on the east coast.

18 The system will involve all new terminals
19 throughout the State. This system will reflect a high level
20 of security, reliability and redundancy. It will include a
21 new look of fan-friendly graphics and a substantially
22 upgraded look to the tote boards.

23 It will also include a new level of accommodation
24 for new technology and third-party equipment. If we see
25 something out in the market that is not furnished by the

1 tote company, they are required, under the specifications
2 that we wrote into the RFP, to be able to accommodate that
3 into the system.

4 So we envision things like wireless handheld
5 terminals, tablet PCs, things of that nature.

6 As I said, I have here folks from Scientific
7 Games, who will be willing to answer any follow-up
8 questions.

9 I would just like to add, in closing, that I think
10 this process that we've been through is a model for how the
11 racing industry can come together and attack a challenging
12 task and carry it through well.

13 COMMISSION CHAIRPERSON SHAPIRO: Is this the "Bet
14 Jet Machine," is that what this is, that we saw a year or so
15 ago, is that --

16 MR. KORBY: That's one of the terminals.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay, is that the
18 terminal that we're getting in California, that you're
19 proposing that will be installed in --

20 MR. KORBY: There will be several terminals as
21 part of the system. And maybe, if I can get Terry
22 McWilliams, from Scientific Games to come up here?

23 COMMISSION CHAIRPERSON SHAPIRO: That would be
24 wonderful. But when will those machines be installed in
25 California, and where will it start, and how soon, and are

1 they in place, are they working now at some race track in
2 the country?

3 MR. KORBY: There are some in operation in
4 California. They are being deployed at other tracks around
5 the country. Our schedule for implementation calls for a
6 phased implementation that begins in late summer of this
7 year and is completed by the end of September.

8 COMMISSION CHAIRPERSON SHAPIRO: Okay.

9 MR. GOMES: Hi, my name is Joe. I'm a little
10 under the weather, but I'll do my best here.

11 My name is Joe Gomes, I'm an independent
12 contractor that was hired by Scott Wink and North Wink to be
13 part of the RFP selection process.

14 But to answer a couple of your questions on the
15 Bet Jet, it is somewhat the new Bet Jet, but it's being
16 remolded, and reshaped, and redesigned for our specs for
17 California.

18 The delivery process is -- well, it's going to go
19 to production sometime in July, from Scientific Games, and
20 probably be implemented, installed, and up and running by
21 mid-August, and a full complement by the beginning of
22 September of the new, existing contract.

23 COMMISSION CHAIRPERSON SHAPIRO: So your not going
24 to install this before the end of your -- doesn't your
25 existing contract expire in September of '07?

1 MR. GOMES: Yes, it does. We'll have a phase-in
2 starting in late July, of the new terminals. And then prior
3 to start-up of Santa Anita, all sites should be operational
4 within the terminals, the new Bet Jet, or the new designed
5 terminals for California.

6 We are planning on doing a phase-in of the new
7 system sometime after the Derby. We'll have to decide, as a
8 committee, who will be the first site to go online with the
9 first system up in Sacramento. When we feel it's ready to
10 do that, we will notify the Board and go forward with that.

11 COMMISSION CHAIRPERSON SHAPIRO: And I heard Mr.
12 Korby talk about wireless. Does that mean that those of us
13 that carry a PDA, a Blackberry, whatever it's called, will
14 those interface with this system?

15 MR. GOMES: In the RFP, we have requested the tote
16 provider to provide some wireless devices, such as PDAs, and
17 what have you. And yes, at some point in time I believe the
18 Scientific Games will be able to do something, software
19 wise, to interface the existent hand-held device that you
20 have through some mechanism, as you sign up and come to the
21 track to use your device. But that's down the road a little
22 bit as technology moves forward, as far as --

23 COMMISSION CHAIRPERSON SHAPIRO: Well, I know
24 that -- I've seen where optiglass, and there is technology
25 that's out there, and I believe it interfaces with -- I

1 mean, it was -- there was some experiment, I think on your
2 equipment, with optiglass, and I think United Tote had one.
3 How far away are you from having that?

4 MR. GOMES: I don't think it's -- it's not very
5 far away, but there's some regulatory issues that have to be
6 addressed, like if you come into a track with your phone, or
7 your Blackberry, and you get assigned an IP address, that
8 you cannot go out in the parking lot or you go across the
9 street and still make wagers from that phone.

10 So there are some issues. And even though it's
11 not a technical issue, there are some issues that need to be
12 addressed when you get to that next phase of the wireless
13 form of betting at a race track.

14 COMMISSION CHAIRPERSON SHAPIRO: And is there the
15 technology where, for those people that sit in a box seat,
16 or at a table, and let's say they're watching it at a Turf
17 Club, is it possible that they would have some form of a
18 terminal where they're not having to get up and go to a
19 window and --

20 MR. GOMES: Yes.

21 COMMISSION CHAIRPERSON SHAPIRO: And is that
22 contemplated in this system?

23 MR. GOMES: Yes. It's in the RFP, we requested X
24 amount of machines that will allow you to do that based on
25 the numbers, you know, we talked about in the RFP. But

1 that's all in the RFP and it's --

2 COMMISSION CHAIRPERSON SHAPIRO: And that would be
3 available in September?

4 MR. GOMES: Yes.

5 COMMISSION CHAIRPERSON SHAPIRO: And that's not
6 something that needs to be developed, it's developed.

7 MR. GOMES: It's developed. But, you know, we
8 requested X amount. And use a number, 200, and that has to
9 be provided between the organizations in California, so the
10 number is not infinite. It's not an infinite number as far
11 as the vendor supplying those types of terminals.

12 COMMISSION CHAIRPERSON SHAPIRO: But let's say
13 somebody that goes to the race track a lot, and he says,
14 gee, I want to have one every day, would he have the
15 capacity to either rent one or --

16 MR. GOMES: I would think he can make that
17 arrangement with the organization, of having an assigned PDA
18 to that person, yes. I mean, technically you can, but it
19 would have to be, you know, in-house rules, or whatever
20 rules you seem necessary to do that, so that that person
21 cannot, like I said, be sitting at home making wagers on an
22 account -- you know, on an account that he opens up at a
23 race track.

24 COMMISSIONER HARRIS: What would be wrong with
25 that?

1 MR. GOMES: Well, there's nothing wrong with that
2 as long as -- I mean, that's where the --

3 COMMISSIONER HARRIS: Well, he could do it on his
4 ADW account. I mean, it's not against the law to bet at
5 home. Maybe the track would need to be a licensed ADW
6 provider or something.

7 MR. GOMES: Yeah, technically, a person comes to a
8 track, opens up an account, get a PDA from Santa Anita, and
9 have at it, if you like.

10 MR. KORBY: And Mr. Harris, that is a possibility
11 under this contract.

12 COMMISSION CHAIRPERSON SHAPIRO: Over the last
13 year we've had a few technical problems where the system's
14 gone down, there were a couple, and I don't remember off the
15 top. Will these new machines, and the new hub that's in
16 Sacramento, and I'm not sure if it's called a hub, but data
17 center, are we going to eliminate where we've heard there's
18 phone line problems and, you know, some wagering's been
19 lost, will this eliminate those issues?

20 MR. KORBY: Well, I wouldn't presume to stand up
21 here and say that we will operate without any problems
22 forever, that's just --

23 COMMISSION CHAIRPERSON SHAPIRO: I didn't ask
24 forever.

25 MR. KORBY: But the system that we're putting in

1 is generations ahead of the system that's in now, in terms
2 of redundancy, security, processing speed,
3 telecommunications interface. So I think it takes us as
4 close as we can get to that kind of error free reliability
5 that you're mentioning.

6 COMMISSION CHAIRPERSON SHAPIRO: Well, one of the
7 things that is a common complaint, and I don't know if this
8 is where it's addressed, is that when a race -- when the
9 horses go in the gate, a horse is three to one, and as I
10 understand it, it's because of the backing of bets that come
11 in, that when they reach, you know, the half-mile pole that
12 horse's odds have gone up or gone down.

13 Will this address the late bet down in that -- are
14 bets still going to be batched before they're sent?

15 MR. KORBY: I'm going to make a layman's answer
16 and then I'm going to ask Joe to respond to that more
17 technically.

18 In order to get to the point that I think we all
19 want to be, it's going to require an emerging tote protocol
20 that is not yet in place nationally. But it's quickly
21 moving in that direction.

22 This system, that we're installing, will be ready
23 to accommodate that as soon as other jurisdictions move it.

24 COMMISSIONER HARRIS: I think the problem is
25 regardless of how good of a system we have in California, if

1 other states don't have a good system, we've got the
2 problem.

3 MR. KORBY: Yes, that's correct, and maybe Joe can
4 illuminate that a little bit.

5 MR. GOMES: That's correct.

6 COMMISSION CHAIRPERSON SHAPIRO: Can you elaborate
7 on what we can do to address that when, you know, people got
8 upset that they thought they were betting on a horse that's
9 three to one, and they end up getting him at nine to five.

10 MR. GOMES: The most difficult part about the
11 whole odds changing a the last second is getting the three,
12 and I'm going to say four tote companies, to get together
13 and agree on some type of protocol.

14 When I mean four, you have to include Las Vegas
15 dissemination as a tote company, because they're sending in
16 money via the old way, which is not -- how can I say it --
17 not as fast as the way AM Tote, United Tote, and Scientific
18 Games are moving forward on interfacing those pools coming
19 in. There's a way of addressing the pools where it's more
20 virtual versus hardwired and going over a slow line. And
21 you have to get three companies to agree, and pick a
22 specific date and say this date we all have to move to this
23 direction and then go forward, and 98 percent of your
24 problems will go away.

25 Until you reach their weight in tote protocol

1 that's being talked about in this RFP, that's been out for a
2 long, long time.

3 MR. MC WILLIAMS: Mr. Chairman, could I please add
4 to what Joe just said?

5 Currently, and every since --

6 COMMISSION CHAIRPERSON SHAPIRO: Can you identify
7 yourself?

8 MR. MC WILLIAMS: Terry McWilliams, sorry,
9 Scientific Games Racing. Appreciate the time here.

10 Currently, ever since simulcasting, commingled
11 simulcasting began, a protocol was developed by the various
12 tote companies and under the auspice of the TRA, called
13 ITSP, stands for Inter-Track System Protocol. And that was
14 the agreed upon method by which all of the guest
15 associations and their systems, their tote systems would
16 transfer the commingled funds into the host pool.

17 As commingling has grown, many versions of ITSP
18 have been upgraded, to I think we've probably done about ten
19 different versions of ITSP.

20 And you're absolutely correct, the very design of
21 this protocol is outdated, because what it does is it --
22 each particular track system holds the wagers for all the
23 tracks that are on that system, and then sends them en masse
24 every minute to the host track's totalizator system. And it
25 is, in fact, that batch sending of the wagers which creates

1 the late post -- the odds changes after the post break,
2 because you have -- or after the race has gone off, because
3 you've got this money coming in through phone lines that is
4 in batches every minute. So it's that last batch that comes
5 in that changes the odds.

6 The TRA, for about the last year, has been working
7 on a new protocol, which is a real time transaction of every
8 wager made all over North America, it's called WTP. It
9 stands for Wagering Transaction Protocol. And as I say,
10 it's a real time transmission, such that no longer do the
11 bets made at the guest sites sit at the guest tote computer
12 waiting for them to be sent. Every single bet is sent
13 individually by the terminals at these guest sites, and goes
14 directly through the communications network into the host
15 track. The host track system recognizes every one of those
16 individual bets and sends back a response to those
17 terminals, through their tote systems, to print and issue
18 that ticket.

19 That will, ultimately, eliminate any type of odds
20 changes after the race has begun because of the fact that it
21 is a real time transmission.

22 The protocol, this WTP protocol, which is being
23 shepherded by the TRA 20-20 Committee, we have been a member
24 of this for about a year, from the very beginning, all the
25 tote companies have, and they'll get the specs figured out.

1 They're in the process of putting all the specs together,
2 and then the tote companies, themselves, will write the
3 software collectively, such that everybody can talk to
4 everyone else and you'll have real time transmission of
5 these wagers, eliminating the changes of odds after the
6 beginning of the race.

7 COMMISSION CHAIRPERSON SHAPIRO: I mean, the name
8 bothers me, if it's 20-20, we don't have to wait for 20-20;
9 do we?

10 MR. MC WILLIAMS: Well, I didn't name the
11 committee, sir.

12 COMMISSION CHAIRPERSON SHAPIRO: Do you have an
13 idea of when that vision is going to come to pass? I mean,
14 it's a disservice to our fans.

15 MR. MC WILLIAMS: Yeah, I would agree a hundred
16 percent with you. I would say that the protocol will be
17 developed sometime in the first half of this year, and then
18 it will probably be towards the latter part of the year when
19 the three tote companies do all of their programming work
20 necessary, and then they test it. Obviously, it has to go
21 through a lot of testing and the regulators have got to test
22 all of the various wagers, under all the various scenarios,
23 to make sure that everything is correct and calculated
24 correctly.

25 So I would hope by the end of the year that we

1 would have a working system in place. But, again, this is
2 being handled by the committee that we are, you know, a part
3 of, and we will react to them as soon as they get the spec
4 ready.

5 If I might, just let me clarify a couple of other
6 things, too, because you had asked a couple of other
7 questions. The data center, and I would really urge you to
8 come up there and visit it, John Reagan did come and he was
9 very impressed. But, really, it is a state-of-the-art,
10 enterprise level, red hat Lenux operating system that the
11 architecture emulates the same computer systems as all of
12 the major banking institutions, and the brokerage houses,
13 such as Chase Bank MBNA. This is truly, truly state of the
14 art, as Mr. Korby said. It is scaleable, it is very, very
15 redundant, both in terms of power and in terms of the
16 communications lines. There's a sonnet ring going around
17 this thing that has two separate fiber paths coming in from
18 different directions. That's going to certainly keep the
19 communications up as much as humanly possible.

20 It has its own diesel generator to back up two
21 other generators that are in there. So I would really,
22 really encourage you to come, because it is something to
23 behold.

24 The other thing I will tell you is in terms of the
25 deployment of the bet jet terminals, there are three

1 different varieties of bet jet terminals. There's the flip
2 terminal, which is the teller operated, which then can be
3 converted into a self-service terminal. There is a
4 dedicated self-service terminal, which does not flip, it's
5 just always in self-service mode, that has a bill acceptor,
6 ticket reader, printer, et cetera.

7 And then there is an account betting terminal that
8 is ticketless and cashless, where a person has an account,
9 either it be a long-term account, or an account that they
10 fund from their banking network, from debit transferred from
11 their bank, and they wager off of that. They do not get a
12 ticket, but it's account wagering.

13 We have committed to deploying 80 percent of the
14 entire -- replacing 80 percent of the entire terminal
15 population in California by the fourth quarter of '07, which
16 is approximately when our current contract expires. The
17 remaining 20 percent of the terminals, which are primarily
18 the flip model because, frankly, we redesigned the flip
19 model after we brought the prototype out here, and our
20 friends from the union had some suggestions that we then
21 redesigned, at a cost of about a million dollars. But those
22 20 percent will not be deployed until the first part -- the
23 remaining 20 percent, representing the teller-operated
24 terminals, that flip, will be deployed in the first quarter
25 of '08.

1 COMMISSION CHAIRPERSON SHAPIRO: All right,
2 because I was going to ask in the input if the union people
3 were consulted and part of this decision-making process, so
4 that their people are comfortable with them and felt they
5 could serve the needs of the customers.

6 MR. MC WILLIAMS: A real interesting story. About
7 a year and a half ago we brought out our initial prototype
8 terminal, and we brought it over to Pasadena, and we invited
9 -- and I think you might have even come to that, as a matter
10 of fact.

11 COMMISSION CHAIRPERSON SHAPIRO: I did.

12 MR. MC WILLIAMS: Mr. Castro came, as Mr. Kemp did
13 as well, and Mr. Castro, in his flamboyant manner, walked up
14 and put his hand over on top of the terminal and opened up
15 his hand, and a handful of coins spilled out all over the
16 floor and all over the terminal. And the point he was
17 making was a very good point, and that is simply that the
18 existing probe terminal, if you look at it, it has a work
19 space, it's a flat area that is flush with the counter, and
20 that is where a teller uses that space to conduct their
21 business, and the patron, likewise, also puts their money
22 down to pay for a ticket.

23 That terminal, the flip terminal, the very first
24 prototype that you saw when you were there, had a big hump
25 and it represented the hinge that this very large, 15-inch

1 color flip monitor supported, that supported this monitor.
2 And his point was that you have no -- you've taken that work
3 space away, which is a critical area for teller efficiency.

4 And so we actually went back and we've redesigned
5 the terminal. That terminal, not the other models that I
6 mentioned. But this one in particular, the flip terminal,
7 so that we now have a flat work space on it, and it is much
8 more ergonomically friendly.

9 And actually we have shown -- we brought the full
10 model out here and actually showed it to -- well, I showed
11 some pictures of it to Mr. Castro and Mr. Kemp.

12 So that is -- we've delayed -- I mean, we're in
13 the process of reengineering that terminal right now, and
14 that's the terminal that will be deployed in the first
15 quarter of '08.

16 COMMISSION CHAIRPERSON SHAPIRO: Okay.

17 COMMISSIONER MORETTI: Who's paying for all of the
18 changes? Are you paying?

19 COMMISSIONER HARRIS: Well, the track pays it.

20 COMMISSIONER MORETTI: Yeah, I figured the tracks.

21 MR. MC WILLIAMS: Well, Mr. Chairman,
22 Commissioner, that's a very good question. Scientific Games
23 is actually making about a \$30 million investment in the two
24 data centers that we've put together, the one that's in New
25 Jersey and the one that's in Sacramento, and in the

1 manufacture of the new terminal line that will eventually be
2 deployed at virtually all of its clients over the next
3 couple of years, in North America.

4 What we did, as per the RFP, is we put together,
5 based on their terminal types and their quantities, we put
6 together our proposal that obviously included a sizeable
7 capital investment. We priced -- made our proposal priced
8 on a percentage of the handle, as is the current agreement,
9 and as did the other two contracts, or the other two vendors
10 priced in a similar fashion, I imagine, and we were selected
11 on the basis of -- on a number of bases, one of which I
12 would guess has to do with price.

13 MR. GOMES: This new contract will be
14 approximately 4,000 new terminals, new state-of-the-art
15 terminals, all new indication, all new LED indication at all
16 sites, and a whole new tote system that's operated up in
17 Sacramento. and also down in New Jersey, as the backup for
18 Sacramento.

19 So you had an earlier question about backup and
20 telephone lines. If the Sacramento hub or data center were
21 to go down, everything is being replicated over to the data
22 center in New Jersey, and in a matter of -- I'm not going to
23 say minutes, but in a short period of time we would switch
24 over to the data center in Jersey and keep on operating.

25

1 MR. MC WILLIAMS: Yeah, Mr. Chairman, to that
2 point, it truly is the industry's first disaster recovery
3 hot standby situation.

4 And to Mr. Gomes' point, what we do is we operate
5 in a triplex fashion, master, slave and clone. The master
6 and the slave will be located at the Sacramento QDC, the
7 clone will be located at the data center in New Jersey. The
8 clone is in constant communication and in coordination with
9 the master and slave, such that if anything were to happen
10 to the master and the slave, or a catastrophic disaster in
11 Sacramento, the clone is picked up automatically in New
12 Jersey as the new master, and then we pick up a slave and a
13 clone from the spare servers that we have there, to get back
14 in triplex in a matter of minutes.

15 MR. GOMES: Actually, our RFP requires that we'll
16 have three systems up in Sacramento, an A, B, and C, a
17 master, slave, clone, and a fourth system in New Jersey.

18 MR. MC WILLIAMS: I stand corrected, he's right.

19 COMMISSION CHAIRPERSON SHAPIRO: All right. Is
20 there any -- thank you very much. Any Board members have
21 any other questions about this?

22 COMMISSIONER AMERMAN: I was curious, is there any
23 place in the world today that has a real time transmission
24 system in place?

25 MR. GOMES: Other than the banking industry.

1 COMMISSIONER AMERMAN: At race tracks?

2 MR. GOMES: Oh. I can't speak what's happening in
3 Europe.

4 COMMISSIONER AMERMAN: Well, we should probably
5 learn, shouldn't we?

6 MR. GOMES: That would be good.

7 MR. MC WILLIAMS: Mr. Chairman, Commissioner, I'm
8 not aware of any system that is operating under real time
9 wager transactions at this point in time, but I will ask and
10 I will get that information back to you. It's a fair
11 question.

12 COMMISSIONER AMERMAN: Well, I think it's
13 important. If there's nothing that's there, that's one
14 thing. But if there is something in place, maybe we can
15 learn a little bit from what they have.

16 MR. MC WILLIAMS: Certainly, we could learn from
17 them and from their experience, if that does exist, as you
18 say. I don't think that it would necessarily be possible
19 for us to take that software and just replicate it over
20 here.

21 COMMISSIONER AMERMAN: I'm not suggesting that,
22 necessarily. I'm just saying that as a first order of
23 business I'd reach out and find out what's going on around
24 the world.

25 COMMISSIONER HARRIS: I think --

1 MR. GOMES: One of the hurdles -- I'm sorry.

2 COMMISSIONER HARRIS: I think we are operating
3 real time on track, and at the Not Wink and Scott Wink, and
4 the ADW. But the problem is some of these out-of-state
5 people, it would be good when these license applications are
6 filed they would show which people are real time and which
7 aren't.

8 MR. GOMES: Well, one of the hurdles that the
9 three tote companies, or four tote companies have to
10 overcome with this new wagering transaction protocol is
11 response time at the terminal level. If you're at Hot
12 Springs, Arkansas, and you're using AM Tote, and that
13 transaction, and you're betting on Santa Anita, it has to go
14 through tote A, or tote B, or it's going to go right
15 directly to the Santa Anita tote, the hurdle they have to
16 overcome is the response time at the terminal. Where you go
17 up there and you say give me number two on the number one,
18 or on the Santa Anita, but the ticket comes out in less than
19 a second, and not three seconds. That's one of the hurdles
20 they have to --

21 COMMISSION CHAIRPERSON SHAPIRO: Well, but the
22 point is that we need to work on this to try and eliminate
23 this problem because it is something that is frustrating
24 very many people. I get a ton of e-mails on this. And, you
25 know, people don't quite understand the way the system works

1 and we want to be responsive to our fans. So I appreciate
2 your follow-up on that.

3 Okay, any other comments from the Board?

4 Public comment, Mr. Jamgotchian.

5 Thank you, gentlemen.

6 MR. GOMES: You're welcome.

7 MR. JAMGOTCHIAN: Mr. Chairman, members of the
8 Board, since the state of technology issues have certain
9 concerns and confusion when they're initially established, I
10 was wondering if the RFP or the Board has considered a bond
11 requirement, guarantee obligations by this vendor or really
12 analyzed the financial statement of this vendor, just in
13 case this system doesn't work or doesn't work properly.

14 It seems that in the case of this vendor, and I'm
15 not familiar with them, but if, in fact, something goes
16 wrong, both the State, the Horsemen, everybody in horse
17 racing is injured tremendously, not only economically, but
18 for their way of life, the trainers and everybody else.

19 So it seems like if the Board was prudent, they
20 would consider some kind of bonding requirement or it should
21 focus on maybe looking at the balance sheet of this company
22 for possible performance. So I offer that for your
23 consideration.

24 COMMISSION CHAIRPERSON SHAPIRO: Thank you very
25 much.

1 Just to let you know, to try to respond to you,
2 the Board oversees the licensees and we're not party to that
3 agreement. I think your comments are well taken. I think
4 that they're good comments and they're comments that should
5 be considered, and I have assumed that the race tracks,
6 which are entering into this, have done that due diligence.
7 But, nonetheless, we'll make an attempt to see that it is
8 done.

9 MR. JAMGOTCHIAN: But see, as the Board,
10 though -- I shouldn't have sat down. As the Board, though,
11 you really are the last ditch decision maker, in that if
12 something happens it's going to target -- the loss is going
13 to target to the State, it's going to target the trainers
14 and everybody else. Sure the tracks lose money. But you're
15 sitting up here, as the regulators, who need to make the
16 determination on if, in fact, these guys can actually
17 perform. If they can't perform, the State and everybody
18 tends to have the great opportunity to lose a lot of money,
19 not to mention a lot of face for California horse racing.

20 COMMISSION CHAIRPERSON SHAPIRO: I appreciate your
21 comments, thank you.

22 COMMISSIONER HARRIS: I think it is the same
23 company that's been doing it previously, too, so they do
24 have a track record.

25 COMMISSION CHAIRPERSON SHAPIRO: All right, if

1 there's no other comment, I appreciate that.

2 The next one is a discussion/action on the
3 enforcement of CHRB Rule 1690.1, which is toe grabs.
4 Jackie?

5 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
6 CHRB staff.

7 Just to give you a little background on the
8 history of this particular issue, in February 2006 we added
9 Board Rule 1960.1, toe grabs prohibited, to prevent the use
10 of toe grabs over four millimeters in height on
11 thoroughbreds.

12 However, subsequent to the adoption of that
13 amendment, thoroughbred farriers reported that few
14 manufacturers produced low toe grabs that met the four
15 millimeter height requirement. In addition, it was brought
16 to our attention that farriers stated that the shoes with
17 jar cocks could include toe grabs with a height greater than
18 four millimeters.

19 And in light of those revelations, implementation
20 of this particular regulation as delayed.

21 In July of 2006, staff proposed an amendment to
22 Rule 1960.1 for adoption, and that proposed amendment would
23 have increased the allowed height of toe grabs to five
24 millimeters and authorized the use of jar cocks under
25 specific conditions.

1 The Board, at that meeting, decided not to adopt
2 that proposed amendment.

3 So currently, the full implementation of Rule 1960
4 has been delayed. Two reasons, primarily, for that delay
5 are the necessity for the regulation because, as our
6 understanding, there are few trainers that are using toe
7 grabs within that range, reported to cause harm to our
8 horses, and with the advent of synthetic racing surfaces,
9 the question is whether or not we even need toe grabs.

10 This issue is presented for discussion.

11 COMMISSION CHAIRPERSON SHAPIRO: I believe it is
12 presented not only for discussion, but also for possible
13 action.

14 STAFF SERVICES MANAGER WAGNER: Action, yes.

15 COMMISSION CHAIRPERSON SHAPIRO: Thank you. The
16 Board has heard this matter on many different occasions.
17 I'd like to point out that since this matter, this issue was
18 first studied, we have seen synthetic race tracks come,
19 thankfully, to California. They're continuing to come to
20 California. And I think it would be appropriate to hear
21 from both sides on this issue.

22 I'm not going to express my personal views. But
23 perhaps, Dr. Arthur, you would like to just give us your
24 views on this and then we can hear from the Board, and
25 public comment.

1 EQUINE MEDICAL DIRECTOR ARTHUR: Yes, Rick Arthur,
2 Equine Medical Director. There's no question that
3 regulating toe grabs will save horses' lives. The data is
4 irrefutable, it's there, it's black and white. It's been
5 black and white for over ten years, but we haven't moved
6 forward on it.

7 In terms of the data, however, on the synthetic
8 surface, we don't have the data, it's a relatively new
9 surface. Obviously, we haven't had time to analyze this.
10 And the fact that trainers are using lower toe grabs will
11 probably mean that will take a few years to accomplish.

12 I would, however, point out that the hypothesis
13 for the mechanism of action as to why toe grabs increase
14 risk of fatal injuries is a lever effect, and so it should
15 be translatable to any track. But the fact of the matter is
16 we really don't know.

17 I would like to point out that a four millimeter
18 toe grab is not an insignificant toe grab. This is a shoe
19 that meets the current requirements in California. And I
20 would like to point out it is only we're talking about a
21 front shoe. There's been some discussion of slippage at
22 Hollywood Park and all those were related to hind end, from
23 my understanding, talking to trainers, and that is not
24 regulated at all by this regulation.

25 Again, we don't have the data on the synthetic

1 surface. We do have the data on the dirt surface and the
2 turf surface which, incidentally, we regulate in a similar
3 manner that we're proposing here, to protect the turf
4 course. I certainly think it would be prudent and the Board
5 acted upon this last year to protect the welfare of the
6 horse, as well as the turf, and that is where the issue lies
7 right now.

8 The question is whether it can be enforced. As
9 you remember, I gave a presentation at the December
10 Medication Meeting as to how that could be done, in a
11 similar fashion that we regulate shoes on the turf course,
12 certain shoes are accepted, they don't have to be measured
13 at that certain time. Trainers are told what sort of shoes
14 they can use on a turf course, and it would be just as easy
15 for us to do the same thing on the dirt track.

16 Obviously, it's a fairly easy mechanism to do, if
17 you want to do that.

18

19 COMMISSION CHAIRPERSON SHAPIRO: Before you leave,
20 do you know what percentage of horses are running with toe
21 grabs that are higher than that?

22 EQUINE MEDICAL DIRECTOR ARTHUR: Probably not a
23 lot, that's a medium toe grab. There's very -- we've
24 certainly seen a decrease in the high toe grabs that were
25 common, commonly used in quarter horses, the six millimeter,

1 eight millimeter, and higher toe grabs. Of which I have an
2 eight millimeter right here, if you want to see the
3 difference.

4 This is almost a ten millimeter, and you can see
5 that that's potentially quite a dangerous shoe, not only for
6 the horse, but any jockey that happens to get stepped on.
7 And the question is whether you just want to go ahead and
8 take the action and enforce the rule that's in place. There
9 is a mechanism to do that and I think it would be easy to
10 do, if you want to do that.

11 COMMISSION CHAIRPERSON SHAPIRO: Right.

12 EQUINE MEDICAL DIRECTOR ARTHUR: But, again, we
13 don't have the data on the synthetic surface, if you want to
14 look at a technical excuse not to do something.

15 COMMISSION CHAIRPERSON SHAPIRO: Can I just ask
16 you one more question? What about the shoeing? I mean,
17 we're talking about shoes, but wouldn't the way a horse is
18 shod have an effect whether -- and I don't know anything
19 about shoeing. But if the horse's foot might be shod with
20 the longer toe or a shorter toe, a different angle, how did
21 the study account for what those issues would be taken into
22 consideration?

23 EQUINE MEDICAL DIRECTOR ARTHUR: In the original
24 study, all those factors were measured and there was
25 not -- they couldn't find a correlation at that time. More

1 recently, however, there has been a correlation, not only in
2 California, but in Oklahoma a similar study, that low heels,
3 which also have the same effect of increasing the lever
4 effect on the foot, would have the same mechanism of action.

5 I'd like to point out that the inciting injury is
6 actually a soft tissue injury to the suspensory ligament, at
7 least that's what it appears to be by the research that was
8 done by Dr. Stover's lab at UC Davis, and it's rather a
9 convincing sequence of research to indicate that is, in
10 fact, how it works.

11 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

12 COMMISSIONER HARRIS: Well, I was one of the ones
13 that brought this up to get on the agenda, because I've
14 followed the issue going back to probably about five years
15 ago, when I first got on the Board and thought it was
16 important that we look at research that indicated that long
17 toe grabs were problems.

18 And at that point the research was not completely
19 done, and now it is done, and we passed the rule. I realize
20 there's people that, you know, feel this is something we
21 shouldn't do. But we do have a rule and I think we need an
22 up and down vote if we're going to enforce it, or forget
23 about it, or what.

24 But one thing on the synthetic tracks, as I
25 understand it, basically, the school of thought is you don't

1 want toe grabs on synthetic tracks, you want flat shoes on
2 synthetic tracks, and that is becoming the norm, as I
3 understand it, at Keeneland, because you don't want a lot of
4 divots in those. And maybe some of the track operators here
5 could comment. But I think it's going to be a norm.

6 But the problem is in California we do have some
7 tracks that probably won't go to synthetics, like all the
8 fairs up north, and we need a uniform rule to still protect
9 those horses.

10 So it just seems to me like we've got an
11 opportunity to make a step here that could help horse
12 welfare, and also help make some of the riders a little bit
13 safer.

14 COMMISSION CHAIRPERSON SHAPIRO: Okay. Mr.
15 Chillingworth?

16 MR. CHILLINGWORTH: Sherwood Chillingworth, Oak
17 Tree Racing. Last week John Barr, and I, one of our
18 directors, hosted the new Deputy Director of the France
19 Scale Op, he's a former steeplechase and flat rider, so he
20 knows what he's talking about. And he was out here trying
21 to find out what we do in our business, in track management,
22 and so we were asking him some things about France. And I
23 was surprised that France has maybe 20 or 30 artificial
24 tracks, which I thought was kind of surprising. I always
25 thought it was grass racing over there.

1 Anyway, the point of this is that he says they do
2 not permit toe grabs on either surfaces, they think it's
3 damaging to the track and is also dangerous to the horse.

4 One other thing, and I'll close by saying, is that
5 looking back upon our meeting this morning, the Medication
6 Committee, about having a level playing field for bettors,
7 John and I sat with him all day on Saturday, while having
8 lunch, and he had a runner place all of his bets for him, so
9 we knew what he bet. He bet a hundred dollars every race,
10 either place or show. He never looked at a racing force, he
11 never looked at a tout sheet. He looked at the comments in
12 the program. He won eight of nine races. And he said, mai
13 oui, I am going to fly home first class.

14 COMMISSION CHAIRPERSON SHAPIRO: Unlike you, he
15 didn't bet every horse.

16 (Laughter.)

17 COMMISSION CHAIRPERSON SHAPIRO: Monsieur Lamoth?

18 MR. LAMOTH: Merci bien, Mr. Chillingworth.

19 Guy Lamoth, Thoroughbred Owners of California. I
20 would just like to stress, for TOC, that December meeting,
21 the CHRB Medication Meeting, the Equine Director, Dr.
22 Arthur, did at the time say that he thought there was only
23 one issue holding up implementation of this rule, and that
24 was the measuring, the so-called way of measuring it. He
25 did present a way in which it would take the ambiguity out.

1 This rule went into effect for February 2006, and
2 I would imagine that before that was even implemented, there
3 was considerable discussion and review of the facts before
4 then. So we've waited a long time. There are still dirt
5 tracks here in California, and we would urge you to start
6 implementation of this rule that is already on the books.
7 We've already inquired, or we have inquired a couple times
8 with Santa Anita, as to the status of their implementation
9 policy. We haven't received a complete response at this
10 time, but we would urge the Board to implement this rule.
11 Thank you.

12 COMMISSION CHAIRPERSON SHAPIRO: Thank you.
13 Mr. Halpern?

14 MR. HALPERN: Ed Halpern, California Trainers. We
15 would oppose enforcing the rule at this time, or at any
16 time, actually, the original survey having been done on dirt
17 and it was basically just a survey. The survey came to the
18 conclusion that high grabs were no good, but that, in the
19 words of Sue Stover, low grabs were better than no grabs at
20 all, and they didn't understand why. That was an anomaly in
21 the study that they weren't sure of.

22 That raises all sorts of questions for me as to
23 the science of what we're talking about. All we know is
24 that their survey had certain showings to it, but the
25 science of why is not real clear.

1 That becomes especially important with the new
2 surfaces that we're seeing in California. Certainly, as to
3 the new surfaces, there is no scientific basis for making a
4 rule about toe grabs. You know, you take the NFL for an
5 easy example for all of us, if you've watched the games over
6 the last couple of weeks, they go from using tennis shoes on
7 synthetic surfaces to using cleats of different sizes,
8 depending on the condition of the grass or the surface that
9 they're using. And even during the game you may have seen
10 that they're changing from three-eighth-inch cleats, to
11 half-inch cleats, to five-eighths-inch cleats.

12 So that what works on any given surface, at any
13 given time, is subject to a lot of different factors. And
14 when you have a muddy surface, or a wet surface, or a soft
15 surface, or a sand surface, or a grass surface, different
16 things are going to have different effects, and we have not
17 really heard a discussion of what all that means.

18 If it rains out at Santa Anita one day, I don't
19 know what it means whether it's a wet, fast track, or a
20 sloppy track, as far as toe grabs go. It may well be that
21 we're hurting ourselves by making limitations and, more
22 importantly, hurting the horses by making these limitations,
23 and not really knowing what we're doing.

24 I would also make the point that nobody, or almost
25 nobody are using high grabs these days, anyway. I can't

1 find a shoer that carries them on his truck. So we're
2 talking here about making a rule for which there are -- or
3 enforcing a rule for which apparently there is no problem.

4 We've got enough rules without adding rules that
5 we don't know the effect of for things that we don't have a
6 problem with.

7 As far as damage to the track, that we were just
8 talking about, or that was just raised in France, we don't
9 have any science to that. Chilly's remarks were really a
10 footnote.

11 We did have toe grabs at Hollywood Park, and
12 nobody has come back and said that's a problem and we can't
13 use them anymore. And I know other synthetic surfaces are
14 also allowing toe grabs, and I don't see them being banned
15 quickly or automatically.

16 So we would, for those reasons, oppose any
17 additional enforcement of this regulation. Thank you.

18 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

19 John Shireffs.

20 MR. SHIREFFS: John Shireffs, horse trainer. I
21 think that one of the things we've seen over the last three
22 years is a trend of people getting away from using high toe
23 grabs and using queen's plates, or low toes. And with that
24 trend there should have been maybe a corresponding trend in
25 the number of breakdowns, and I don't think there was any

1 parallel line with people going to queen's plates, and low
2 toes and a declining number of the breakdowns.

3 Also, I'd like to mention one other thing, that at
4 Del Mar, when we had all the trouble there, as we all know,
5 going down the Del Mar when it's deep and loose, they have a
6 lot of breakdowns in the beginning, the first two, two and a
7 half, three weeks of it. And once the surface tightens down
8 and has been maintained for a while, you see the change, you
9 don't have the breakdowns. So suddenly, you see more
10 breakdowns on the turf course where horses are running in
11 queen's plates and no toe grabs.

12 So I really don't see a trend that the toe grab is
13 a determining factor in horse breakdowns.

14 And I think that, as a trainer, you should have
15 the right to decide what type of shoe your horse is going to
16 wear. And I don't know any trainer that wants to put a shoe
17 on a horse that is actually going to hurt it or be
18 detrimental in any way. So the trainer has the best
19 interests of the horse at all times. It usually gets the
20 advice of his shoer and the vet.

21 And one of the other things that we haven't taken
22 into account is the many different types of shoes that are
23 on the market, now, and the placement of the toe grab on the
24 shoe is changing. I think there are several shoes, now,
25 where they place the toe grab a little bit behind. It used

1 to be on the edge of the shoe. Now, some of them move them
2 back towards the middle of it, inside or close to the white
3 line, so the white line is obviously the sensitive part of
4 the horse's foot. So there are a lot of different issues
5 going on here with the horseshoe.

6 And I think Mr. Amerman made a great statement the
7 other day concerning something else, he said, "we need to
8 draw a line in the sand." Well, I think this is a line in
9 the sand, I think that a trainer deserves the right and the
10 respect to make the correct decision on what his horse is
11 going to wear. I mean, suddenly, are you going to tell us
12 how to shoe the horses? The next thing you're going to tell
13 us is how far to work them, how fast to work them.

14 I think this Board should just stay away and we
15 can use this as continuing education. I think the trainers
16 have picked up on that by the way they've changed the way
17 they're shoeing their horses. Thank you.

18 COMMISSION CHAIRPERSON SHAPIRO: Thank you. Okay.

19 MR. JAMGOTCHIAN: Mr. Chairman, members of the
20 Board, I note that some people are coming up here
21 without -- oh, Jerry Jamgotchian.

22 I know that some people are coming up here without
23 cards, so you might want to enforce that rule.

24 COMMISSION CHAIRPERSON SHAPIRO: They did have
25 cards.

1 MR. JAMGOTCHIAN: No, no, but did Mr. Halpern come
2 up with a card?

3 COMMISSION CHAIRPERSON SHAPIRO: Yes. Would you
4 like to see it?

5 MR. JAMGOTCHIAN: Oh, I stand corrected.

6 COMMISSION CHAIRPERSON SHAPIRO: Would you like to
7 see it?

8 MR. JAMGOTCHIAN: I stand corrected, okay.

9 With regards to --

10 COMMISSION CHAIRPERSON SHAPIRO: You don't have a
11 card, though.

12 MR. JAMGOTCHIAN: Not on this issue. I have three
13 other ones, though.

14 COMMISSION CHAIRPERSON SHAPIRO: Okay. Well, do
15 you want to wait until the next card?

16 MR. JAMGOTCHIAN: I will get you another card.
17 No, I'll talk with another card.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay, do you want
19 to fill out a card now and I'll wait?

20 MR. JAMGOTCHIAN: I'll do it right now.

21 COMMISSION CHAIRPERSON SHAPIRO: No, I'm kidding
22 with you, Jerry, come back. Please, have a sense of humor.

23 MR. JAMGOTCHIAN: All right. With regards to the
24 trainer issue that Mr. Shireffs just brought up, you know, I
25 really have a problem with this meeting being held this day

1 because I was interested in going out to take a look at some
2 horses.

3 COMMISSION CHAIRPERSON SHAPIRO: Hold it, hold it,
4 what's that got to do with toe grabs?

5 MR. JAMGOTCHIAN: Well, it doesn't have anything
6 to do with --

7 COMMISSION CHAIRPERSON SHAPIRO: Then please, I'm
8 not going to listen to it.

9 MR. JAMGOTCHIAN: That's fine, that's fine.

10 COMMISSION CHAIRPERSON SHAPIRO: This is about toe
11 grabs, do you have a comment about toe grabs?

12 MR. JAMGOTCHIAN: Talk about toe grabs, yes.

13 COMMISSION CHAIRPERSON SHAPIRO: Okay.

14 MR. JAMGOTCHIAN: I lost two stakes fillies last
15 year, they weren't wearing toe grabs. The issue that I have
16 is just the issue that Mr. Shireffs brought up, why is this
17 Board interceding with the value and the control of my
18 horse, or anybody else's horse. You have the ability to
19 step away from this and allow the racing associations to
20 have a house rule with regards to what they want on their
21 race track.

22 And gee, guess what, if the house rule isn't
23 something that the trainers like, they're probably not going
24 to run, or they're going to advise their owners, like me,
25 not to run. Why does the CHRB care about toe grabs? Can

1 you tell me why it's important to you, Mr. Shapiro?

2 COMMISSION CHAIRPERSON SHAPIRO: Well, first of
3 all, it's important to Mr. Harris, he wanted this on the
4 agenda.

5 COMMISSIONER HARRIS: Well, I think this is
6 something we just pulled out of the air.

7 COMMISSION CHAIRPERSON SHAPIRO: This has been a
8 study. We do a lot of things trying to benefit the
9 industry, the health of the horse. And just as you make a
10 suggestion that we should look into the financial stability
11 of a tote company, we are interested in the horse, that's
12 why we have the Medication Committee. We try to look at a
13 lot of things.

14 Now, please, don't prejudge what the disposition
15 of this will be. We are here trying to improve everything
16 we can for the industry, we're trying to do what we can for
17 the health of the horse.

18 I appreciate your comments and at this point I
19 think it's time for us, as Commissioner Harris said, to take
20 a vote on what we want to do.

21 MR. JAMGOTCHIAN: Okay, but I'm not finished, yet.
22 But you're usurping the rights of the owners and their
23 trainers to determine what their horses can wear in a race.
24 And I just think if you want to address that, let the
25 associations address it with a house rule.

1 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

2 MR. JAMGOTCHIAN: Why should the Board take that
3 under their --

4 COMMISSIONER HARRIS: Well, we put this out for
5 comment. This is not some deal we've just pulled out of the
6 air. This was out for comment, it was passed, it's a
7 question of whether we're going to enforce it or not.

8 MR. JAMGOTCHIAN: Well, the trainers seem to be
9 against it. Why is the Board, theoretically, for it? Are
10 they against the trainers?

11 COMMISSION CHAIRPERSON SHAPIRO: Mr. Jamgotchian,
12 why don't you -- we've heard from the trainer's
13 representative, we've given them an opportunity to hear
14 this, and that's what we're doing.

15 The Board, now, is going to deliberate and take
16 action on whether they wish to enforce this rule.

17 MR. JAMGOTCHIAN: Would you consider making it a
18 house rule and allowing the race tracks to determine --

19 COMMISSION CHAIRPERSON SHAPIRO: You know what, I
20 need to hear from the -- we need to hear what the Board
21 decides.

22 MR. JAMGOTCHIAN: Fair enough. I wanted to offer
23 that thought for your consideration.

24 COMMISSION CHAIRPERSON SHAPIRO: Thank you very
25 much, appreciate the suggestion.

1 All right, there not being any other public
2 comment, I would invite Commissioners to, if they have any
3 comments, and otherwise I am going to call for the question
4 on this matter. So would anybody like to offer a view?

5 COMMISSIONER MORETTI: I will. Yes, I, along with
6 John, was on the Board five or six years ago when this issue
7 first came up, and it was -- we didn't bring it up to
8 micromanage it. As I recall, it was actually brought to us
9 by some of the veterinary representatives, and we had some
10 extensive meetings on it at the time. It kind of went away
11 because in the sense that we asked for some more research.
12 We asked for some more sound science.

13 And I'm certainly one not to want to micromanage
14 how you all do business, but I do believe that when it comes
15 to the health and safety of the horse, and of the jockey,
16 that we do have a complete right and duty to weigh in. And
17 I believe that we have enough, seen enough preponderance of
18 evidence that the musculoskeletal structure of a horse is
19 hurt by the toe grabs. So I say we go with it.

20 COMMISSION CHAIRPERSON SHAPIRO: Okay. Anybody
21 else wish to comment?

22 COMMISSIONER MOSS: Yeah, I'd like to see if
23 there's been anything on record of any horses that have
24 suffered catastrophic injuries, and if that trainer was
25 interviewed, and the research took place on why he used the

1 toe grabs in the first place, and what the condition was of
2 that track.

3 I mean, there's so many varying circumstances.
4 And I think it's hard enough to pick the equipment and to
5 run a horse with, I mean, there's so much to deal with that
6 this should be a trainer situation. And I do agree with Mr.
7 Halpern and Mr. Shireffs that we should let this one go and
8 trust the trainers that they will make the right decisions
9 for the horses. I believe in most cases that they are the
10 caretakers of the horse, they know it better than we do, and
11 they're with them every day. No horse's foot is the same.
12 No track is ever the same. And I think we need to let them
13 make the decision on how best their horse is going to do in
14 their care. Thank you.

15 COMMISSION CHAIRPERSON SHAPIRO: Anybody else
16 choose to weigh in on this?

17 COMMISSIONER AMERMAN: It seems to me we're in a
18 bit of a transition now, particularly since synthetic tracks
19 will be in place by the end of 2007. I think Dr. Arthur
20 said that we don't have the data on the -- and it seems to
21 me that we should be continuing to look at this issue.

22 I'm a great one for making decisions, but in this
23 case I think we'd be well served to wait and see how things
24 turn out with the synthetic track and get some experience.

25 No words did I hear what the negatives were, what

1 the catastrophic problems were. I think Mr. Moss suggested
2 there's a lot of variables in here. And I think it would be
3 not wise to move ahead quickly on this issue.

4 I know it's been five years, Mr. Harris, since
5 you've been working on it.

6 COMMISSIONER HARRIS: Well, all we're talking
7 about here is --

8 COMMISSIONER AMERMAN: But in this particular
9 case, I think there is change going on in California tracks.

10 COMMISSIONER HARRIS: The only thing is we're
11 talking about toe grabs over four inches -- four
12 millimeters. But, obviously, it's a torque issue. I mean,
13 it's just an engineering problem, and I don't think it
14 matters what the horse is running on, you're going to have
15 the same issue.

16 But as I understand it, the trend is even more
17 away from toe grabs on synthetic tracks. So I don't know if
18 Hollywood Park, as I understood it, is not suggesting that
19 plain shod horses are probably running better over synthetic
20 surfaces.

21 COMMISSIONER AMERMAN: Now, I'm with you, I think
22 that's true. But I'd like to have some experience on the
23 tracks. I think it would be wise of us to --

24 COMMISSION CHAIRPERSON SHAPIRO: I tend to share
25 that, as well. I find it troubling that -- while I

1 appreciate the study, and I think it's wonderful that we
2 continue to do these studies, personally, I don't feel
3 qualified to make this type of a decision. I do trust the
4 trainers. I think the trainers should be able to use any
5 tool they feel is appropriate to help the horse.

6 I certainly want to protect the health of every
7 horse that's on the grounds, no matter what class they are.
8 And personally, I'm just not swayed that the scientific
9 evidence, given all the variables, is convincing enough that
10 we should regulate this matter.

11 I think that I just can't believe any trainer is
12 going to want to put a horse in jeopardy and, therefore,
13 frankly, I'm not in favor of moving forward with adopting or
14 enforcing this regulation at this time, as we have so many
15 varied track surfaces, and so many different conditions, I
16 just find it a difficult situation.

17 COMMISSIONER HARRIS: The president of --
18 obviously, no trainer wants to hurt his horse. But I do
19 think that there are a lot of trainers that do have concerns
20 about the toe grabs. I mean, I don't think the trainers are
21 united with the CTT position.

22 COMMISSION CHAIRPERSON SHAPIRO: Well, they
23 certainly don't have to use them. And, again, we're not
24 mandating that anybody should use a shoe, what we're doing
25 is we're not mandating everybody to use their best

1 discretion and --

2 COMMISSIONER HARRIS: Well, but if we're talking -
3 - I mean, it's like we check horses in the mornings to see
4 if they -- I mean, we could take the attitude of why do we
5 have the State vet going around, looking at horses for
6 soundness issues, if the trainer's not going to run if it's
7 not sound, you're interfering with his judgment of the
8 horse.

9 COMMISSION CHAIRPERSON SHAPIRO: Well, again, I
10 don't want to just sit here and debate with you.

11 COMMISSIONER HARRIS: Yeah.

12 COMMISSION CHAIRPERSON SHAPIRO: But, you know,
13 you have to believe that these trainers that live with these
14 horses, gallop them, train them, know their action and
15 everything they do, I have to believe that they are going to
16 be professional enough to know what a horse needs and
17 doesn't need.

18 And again, we have such variant surfaces, under
19 different, you know, climates that I just personally am not
20 in favor of it.

21 But at this point I think we ought to just take a
22 vote. And, therefore, I'll ask if there is a motion to
23 approve -- I guess the motion would be to --

24 COMMISSIONER HARRIS: I think we just make a
25 motion --

1 COMMISSION CHAIRPERSON SHAPIRO: Pardon me?

2 DEPUTY ATTORNEY GENERAL KNIGHT: Well, you have a
3 rule on the books, now, and you just are not enforcing it.
4 If the decision were to be not to enforce this rule, at some
5 point we need to get this off the books because this is what
6 everybody's carrying around.

7 COMMISSION CHAIRPERSON SHAPIRO: All right, then
8 would I be making a motion to repeal the rule?

9 STAFF SERVICES MANAGER WAGNER: Correct.

10 DEPUTY ATTORNEY GENERAL KNIGHT: You can begin the
11 process to repeal it, yes.

12 COMMISSION CHAIRPERSON SHAPIRO: Fine. I'm not in
13 favor of -- can we just do it as a way of --

14 COMMISSIONER MORETTI: But that's not what it
15 says, though.

16 COMMISSIONER HARRIS: But that's not what we have
17 on the agenda, though.

18 COMMISSIONER MORETTI: Do we want to vote on the
19 enforcement of it or not?

20 COMMISSIONER HARRIS: I think we want to vote on
21 do we want to enforce it.

22 COMMISSION CHAIRPERSON SHAPIRO: Enforce it.

23 COMMISSIONER HARRIS: Which is about the same
24 thing. But let's do something positively, I think,
25 that --or Marie made a motion to --

1 COMMISSION CHAIRPERSON SHAPIRO: Did you make a
2 motion?

3 COMMISSIONER HARRIS: Did you or --

4 COMMISSIONER MORETTI: No.

5 COMMISSION CHAIRPERSON SHAPIRO: No.

6 COMMISSIONER HARRIS: Okay, I'll move that we --

7 COMMISSIONER MORETTI: And I'll second.

8 COMMISSIONER HARRIS: -- enforce the current toe
9 grab rule that is --

10 COMMISSION CHAIRPERSON SHAPIRO: Okay, we have a
11 motion to enforce the current toe grab rule. Do we have a
12 second?

13 COMMISSIONER MORETTI: Second, yes.

14 COMMISSION CHAIRPERSON SHAPIRO: Okay, all those
15 in favor?

16 (Ayes.)

17 COMMISSION CHAIRPERSON SHAPIRO: All those
18 opposed?

19 (Nays.)

20 COMMISSION CHAIRPERSON SHAPIRO: Can we have
21 hands? One, two, three, four opposed. All in favor was
22 one, two, three.

23 The motion fails.

24 COMMISSIONER HARRIS: Okay. So just for the
25 record, the voting was to enforce the rule were Bianco,

1 Moretti and Harris.

2 COMMISSION CHAIRPERSON SHAPIRO: That's correct.

3 COMMISSIONER HARRIS: Okay.

4 MR. COUTO: Drew Couto, Thoroughbred Owners of
5 California. Can I ask what the effect of that was? Because
6 are you waiving the rule, are you --

7 COMMISSION CHAIRPERSON SHAPIRO: We are not going
8 to enforce the rule. And I would now offer that we should
9 commence a proceeding to see if we should repeal the rule,
10 since it's not being enforced.

11 DEPUTY ATTORNEY GENERAL KNIGHT: As Mr. Harris
12 pointed out, that's not technically on the agenda that way,
13 it's to enforce it.

14 COMMISSION CHAIRPERSON SHAPIRO: Right.

15 DEPUTY ATTORNEY GENERAL KNIGHT: So if you're not
16 going to enforce it, I think you should ask staff to
17 begin --

18 COMMISSION CHAIRPERSON SHAPIRO: Well, that's what
19 I was just doing. I'm going to ask staff if they would move
20 forward, now, to initiate the process of repealing the Rule.

21 STAFF SERVICES MANAGER WAGNER: Correct.

22 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

23 MR. JAMGOTCHIAN: Yeah, I'd like to at least
24 comment on that.

25 COMMISSION CHAIRPERSON SHAPIRO: Well, excuse me,

1 excuse me. Excuse.

2 MR. JAMGOTCHIAN: It has to do with the rule. Ms.
3 Fermin, under 1582 --

4 COMMISSION CHAIRPERSON SHAPIRO: Excuse me, excuse
5 me.

6 MR. JAMGOTCHIAN: Yes.

7 COMMISSION CHAIRPERSON SHAPIRO: We're now done
8 with that item, Mr. Jamgotchian.

9 MR. JAMGOTCHIAN: I understand. But you just
10 asked a question about how the rule can go away, and
11 Ms. Fermin --

12 COMMISSION CHAIRPERSON SHAPIRO: No, I didn't ask
13 that question. I said that what we're going to do is we're
14 going to initiate the process.

15 MR. JAMGOTCHIAN: Right.

16 COMMISSION CHAIRPERSON SHAPIRO: We're going to
17 ask staff to initiate the process to repeal the rule.

18 MR. JAMGOTCHIAN: I understand. But you can do it
19 immediately, just like you repealed 1582.

20 COMMISSION CHAIRPERSON SHAPIRO: It's not on our
21 agenda, we can't do that. Thank you.

22 All right, the next item on our agenda is report
23 on the status of the Jockey Health Assessment Study.

24 EXECUTIVE DIRECTOR FERMIN: Is he asking for five
25 minutes?

1 COMMISSION CHAIRPERSON SHAPIRO: Oh, did you need
2 five minutes. Do we need a five-minute break?

3 All right, we're going to take five minutes and
4 then we're going to come back.

5 (Off the record.)

6 COMMISSION CHAIRPERSON SHAPIRO: All right, the
7 next item on the agenda is a report on the status of the
8 Jockey Health Assessment Study. Executive Director Fermin,
9 would you like to report on that?

10 EXECUTIVE DIRECTOR FERMIN: Yes. Mr. Fravel was
11 actually, initially scheduled to report on this, but he's
12 out of town.

13 The preliminary report, which is very preliminary,
14 they started the Jockey Health and Nutrition Study on
15 December the 12th, and it took about ten days, there was
16 some travel in there. But it's a strictly voluntary program
17 for the jockeys to participate in. They started on the
18 12th, up at Bay Meadows, then came down to the riders at
19 Hollywood Park, and then the last group that they worked
20 with were at Turf Paradise.

21 There were 53 jockeys that volunteered, 48 men and
22 six women. So far they've just -- what they're looking at
23 is body composition, strength, flexibility and, of course,
24 taking blood and urine. There's a very extensive interview
25 process. Naturally, everything is very confidential.

1 But the riders that -- when I spoke with
2 Mr. Fravel about it, he said the riders that were involved
3 were very enthusiastic about it. And this is strictly the
4 first phase.

5 Some of the trends that have shown were simply
6 that -- and I don't think that they're terribly surprising,
7 is that the youngest riders were those that were at Turf
8 Paradise. Those are also where the female riders were.

9 The next age group was 20 to 29 year olds, was at
10 Bay Meadows, with the veteran riders being the older riders,
11 between 30 and 39 average being at Hollywood Park.

12 So it's going to be very interesting to see how
13 all of this unfolds and what we learn. And we did have,
14 because of our large population, obviously, of Hispanic
15 riders, we had organized certified interpreters, so that
16 everything could be -- certainly, there wouldn't be anybody
17 interviewing that had any connection with any rider and
18 there was the utmost confidentiality.

19 So it's the very first, preliminary report as far
20 as how many we have, and it will be interesting to see how
21 it proceeds.

22 COMMISSION CHAIRPERSON SHAPIRO: Thank you. I
23 think that we're doing something very good here for the
24 industry and, of course, for our California riders. I know
25 that the team that's working on it is doing a great job, and

1 the Guild has been very cooperative, and Dr. Vermadott and
2 his team and working very hard. So I hope that will lead to
3 a lot of answers.

4 The next item on the agenda is a report --

5 MR. JAMGOTCHIAN: Excuse me, I have a card on
6 that.

7 COMMISSION CHAIRPERSON SHAPIRO: Mr. Jamgotchian.

8 MR. JAMGOTCHIAN: Number seven.

9 COMMISSION CHAIRPERSON SHAPIRO: Well, what is it
10 you want? Go ahead.

11 MR. JAMGOTCHIAN: Well, my question is with
12 regards to this health assessment study. Were there any
13 questions outside of the health area about jockeys, as to
14 turf course conditions, things that they would like improved
15 with regards to their jockey surroundings, or anything like
16 that, to elicit anymore information, other than health
17 assessment information?

18 COMMISSION CHAIRPERSON SHAPIRO: This study --
19 there are a lot of discussions that go on with them about
20 those things. There are weekly meetings that take place,
21 actually, with the jockeys. I know that I, personally, met
22 with a group of jockeys last week to discuss those types of
23 issues and other issues that concerned them.

24 This study is a specific study that was a result
25 of lots of meetings that, hopefully, will lead to some

1 scientific foundation for determining what the industry can
2 do to protect the jockeys from a health perspective, in a
3 better and, also, address what the minimum riding age should
4 be.

5 If we can come up with some scientific findings,
6 it's our hope and desire, and so you know, the study is
7 going beyond California in terms of the financial
8 participation, that we would be able to go to other racing
9 jurisdictions and try to ultimately establish a uniform
10 scale of wage throughout the country so that we don't have
11 certain jurisdictions that may be riding lighter than
12 California, where we're disadvantaged because we have a
13 higher riding weight.

14 And so this is, by design, to be a very narrow
15 study of jockey health and look at then what we can do to
16 implement in terms of nutrition, in terms of exercise, in
17 terms of weather conditions to make sure that during the
18 day, during each riding day that jockeys are healthy
19 throughout the day.

20 So it was designed specifically with a set of
21 criteria. And if you wish to get a copy of that criteria,
22 you're more than welcome to. I would suggest you contact
23 Craig Fravel.

24 MR. JAMGOTCHIAN: Fine. And so that is it being
25 expanded at all to ask them questions about other things

1 that might be significant in their livelihood? Like one
2 question I'd like to have added to the study is if they
3 would ride a horse that's been nerved, something like that.

4 COMMISSION CHAIRPERSON SHAPIRO: Okay,
5 that's -- thank you, Mr. Jamgotchian. They are interviewed
6 by the researchers and this is a medical team of experts
7 that's specifically are adept at dealing with athletes in
8 competition. They're very well-learned people that do these
9 types of studies, and they interview them, and the interview
10 information is protected in HIPAA, and so we're not privy to
11 what all that information is.

12 MR. JAMGOTCHIAN: Okay, great. Thanks.

13 COMMISSIONER HARRIS: I think one thing, too, we
14 need to look at is jockeys returning from injuries on the
15 day of a race, or whatever, that we make sure we've got a
16 protocol that's standard throughout the State if a jockey is
17 either -- you know, maybe he's sick, with a bad influenza or
18 something, when he comes back he is perfectly healthy to
19 ride. The same way if he's in a minor spill, someone is
20 really looking at him and saying he's okay.

21 Because it's obviously part of the integrity of
22 the game that whoever's riding a horse is capable of
23 performing, you know, at their optimum.

24 COMMISSION CHAIRPERSON SHAPIRO: Absolutely. And
25 one of the things that we're looking at is that on certain

1 days where, you know, it may be a hundred degrees outside
2 and the guy's trying to make weight, and so they're
3 measuring sugar level in the blood, they're checking
4 dehydration. They're trying to look at all of a variety of
5 factors while they're competing.

6 So this is a multi-stage study, that they're in
7 the information gathering stage at this point, and so it
8 will go through an evolution. But, hopefully, we'll get
9 some scientific data that will help the jockey community,
10 the riding community.

11 All right, Item Number Eight on the agenda is a
12 report from the CHRB Equine Medical Director concerning the
13 Equine Herpes virus at the California tracks.

14 And before we get started on this, I just want to
15 say a big thank you that we have you, because you have been
16 doing an incredible job to deal with a situation that could
17 have been very damming to us, and everyone else.

18 And I know you've been working day and night and I,
19 certainly, and I know the rest of the Board appreciates the
20 efforts you've been putting in, Dr. Arthur.

21 EQUINE MEDICAL DIRECTOR ARTHUR: Well, thank you,
22 Mr. Chairman. But this is an issue that's not going to go
23 away.

24 In December, a load of German Warm Bloods came
25 into the U.S., actually, it was November, and were shipped

1 from New York to Kentucky, and the load was split up. Seven
2 of them -- or six of them went to Florida, where eventually
3 it caused and outbreak of Equine Herpes virus, a
4 neuropathogenic form, which causes neurological conditions,
5 and six, seven horses died.

6 In California, there were nine thoroughbreds on a
7 load that had one of those German Warm Bloods in it, that
8 subsequently died 48 hours later, in Rancho Santa Fe. We
9 monitored those horses very carefully at Santa Anita, and
10 Hollywood Park, and we had no problems with those horses.

11 Fortunately, the UC Davis has both the Lucy
12 Whittier Laboratory and the California Animal Health and
13 Food Safety Laboratory, capable of doing PCR testing, which
14 is a very advanced form of testing for these particular
15 viruses.

16 And December 28th a horse was referred to UC Davis
17 with neurological signs, who was a suspect Equine Herpes
18 virus case, and that was confirmed. I got notification from
19 Dr. Wilson, at the VMTH, on Friday morning of the 29th, and
20 by that afternoon we had put in place the cooperative
21 quarantine between Golden Gate Fields, Bay Meadows, and
22 Pleasanton.

23 There were isolation barns established within the
24 affected barn, and that barn was put under quarantine. We
25 monitored those horses very carefully with PCR testing. The

1 UC Davis people, and students, and the laboratories went out
2 of their way. I will tell you that they actually tested
3 horses on the night before New Year's Eve and actually on
4 New Year's Eve for us to get the data to allow us to monitor
5 these horses.

6 And I think because Golden Gate Fields, Santa
7 Anita, and Oak Tree also is going to contribute to allow us
8 to do this testing, and allowed us to release the quarantine
9 at about 12 days, which is a very, very short period of
10 time.

11 There were two horses at Golden Gate Fields that
12 were febrile, that had EHV-1, neuropathogenic strain. The
13 one that was sent to Davis is actually back at Golden Gate
14 Fields, now. And the other horse, which we think was an
15 index case, which happened about a week before.

16 But that's quieted down and the quarantine was
17 lifted a little over a week ago and there's been no problems
18 there.

19 However, we did have a problem at Los Alamitos.
20 Using some of the information we learned from the Golden
21 Gate Fields case, we quarantined that barn. Had a horse
22 with neurological signs, with Equine Herpes virus, and that
23 has been -- all of the problem has been kept in that one
24 barn. And that quarantine was released from that barn
25 yesterday.

1 I will say that the race tracks have not accepted
2 horses from Los Alamitos, and there's a very good reason for
3 that, simply because Equine Herpes virus is a reportable
4 disease in Florida, governed by the California Department of
5 Agriculture, and if any Equine Herpes virus problems arose
6 at Santa Anita, it could very well jeopardize the Sunshine
7 Million in terms of horses moving back and forth.

8 I will say that the people at Davis have been very
9 cooperative on this. I've met with them on several times.
10 The laboratories have gone out of their way to help us
11 address this particular problem.

12 We conducted seminars here, at Santa Anita, and
13 Hollywood Park, and had a total of 90 veterinarians from the
14 area get a lecture on what is the current status of Equine
15 Herpes virus. And I tell you, it's a disease that's been
16 around a long time. Herpes virus is essentially endemic.
17 The neuropathogenic form appears to be more virulent and
18 certainly has a higher mortality.

19 An instance in Findley, Ohio, where seven horses
20 died in a very short period of time.

21 There is a change in this disease, but it's
22 something we're going to have to learn to live with. We're
23 going to have to get systems in place to deal with outbreaks
24 without our race tracks. I've been meeting with the people,
25 colleagues at UC Davis, trying to get a program in place for

1 isolation and biosecurity within the particular race tracks.

2 And I would like to commend Dr. David Wilson and
3 Dr. Sharon Hytala, who worked very well and came down and
4 talked to the veterinarians and explained to them some of
5 the ins and outs of PCR testing, which has caused a lot of
6 confusion and a lot of misunderstanding.

7 But Dr. Madigan, Dr. Perstula, Dr. Ferraro, Dr.
8 McLaughlin, all at UC Davis, have helped us address this
9 particular problem.

10 Currently, whenever there's a horse that is
11 showing any neurological signs as febriles, the
12 veterinarian's known how to proceed with that particular
13 case.

14 And as I said, I do expect us to continue to have
15 this problem. I think we've learned enough in this
16 particular process that I think we'll be in much better
17 shape in addressing these problems in the future.

18 But it is an endemic problem. With the transport
19 of horses around the country, it's something we're going to
20 have to deal with from time to time. And I think we've gone
21 a long way in getting a mechanism in place to deal with it.

22 COMMISSION CHAIRPERSON SHAPIRO: Well, thank you.
23 And, again, I think the industry's indebted to the action
24 that you took to both educate people on what this was, what
25 to look for, and also to manage the process such that we

1 were able to not be greatly impacted and not disturb the
2 business, and protect the health of the horse. And so I
3 think that's a tremendous -- a lot of appreciation from all
4 of us for the job that you've done in that regard.

5 The next item -- oh, Mr. Jamgotchian, you have a
6 comment about the herpes virus?

7 MR. JAMGOTCHIAN: Yes, I'd like to echo your
8 thoughts with regards to Dr. Arthur's review of the
9 situation.

10 COMMISSION CHAIRPERSON SHAPIRO: Wait a minute,
11 hold it, you're agreeing with me?

12 (Laughter.)

13 MR. JAMGOTCHIAN: Yeah, I actually do. I mean, we
14 have --

15 COMMISSION CHAIRPERSON SHAPIRO: Okay, I don't
16 know who that camera crew is, but I sure hope they got that.

17 COMMISSIONER HARRIS: Who's the camera crew?

18 MR. JAMGOTCHIAN: I think it's Channel 11, but
19 whatever.

20 COMMISSIONER HARRIS: I told Richard I thought it
21 was America's Funniest Videos.

22 MR. JAMGOTCHIAN: No. On December 29th, I guess,
23 is when this outbreak was found and it was supposedly
24 controlled on January 10th. I think those were the dates.

25 But on January 5th I received information that

1 Dr. Arthur allowed three horses into Santa Anita from
2 Northern California. And I just wanted to ask if that
3 information's true. Because I've heard one of the horse's
4 names and I'm just wondering if there were exemptions given
5 for this and I think, if there is, it's certainly wrong.

6 So would you ask Dr. Arthur if there were any
7 exemptions given, or any horses allowed to enter the Santa
8 Anita grounds from Northern California during the
9 quarantine?

10 Because I don't want to talk about my information
11 if, in fact, it's not true.

12 COMMISSION CHAIRPERSON SHAPIRO: Okay.
13 Mr. Jamgotchian, I'm not going to ask Dr. Arthur that.

14 MR. JAMGOTCHIAN: Okay, then I'll --

15 COMMISSIONER HARRIS: I think the whole idea of a
16 quarantine is that they could not leave the facility up
17 there.

18 MR. JAMGOTCHIAN: I'll tell you -- I'll tell
19 you --

20 COMMISSION CHAIRPERSON SHAPIRO: Dr. Arthur --
21 Mr. Jamgotchian, please.

22 MR. JAMGOTCHIAN: Here's -- then let me speak, let
23 me speak because I'm talking on this subject. And what I
24 was sent, I was sent a letter on January 5th from a trainer,
25 a major trainer, who said that Rick Arthur allowed three

1 thoroughbred race horses to enter Santa Anita Race Track
2 after the quarantine was in place. This is around January
3 5th. Rumor has it that Dr. Arthur asked State of
4 Veterinarian, Dr. Beck, to allow the exemption for the
5 horses shipped, and Dr. Beck refused to lift the quarantine,
6 and Dr. Arthur overruled the State Vet.

7 Dr. Arthur took it upon himself to take blood
8 tests for the virus and sent them to the lab.

9 It probably should be the responsibility of
10 Dr. Beck to take all bloods and adhere to the chain of
11 custody protocol.

12 Now, if any of that's true, that's serious and
13 that's wrong. And I don't want one standard for one set of
14 trainers and another standard for another set of trainers.
15 If that's what happened here, that's terrible. And I just
16 wanted to bring it, put it into the record, because if any
17 of that's true, I think you should talk to Dr. Arthur and
18 ask him what the reason for that was. Thank you.

19 COMMISSION CHAIRPERSON SHAPIRO: Thank you very
20 much.

21 Dr. Arthur, if you choose to respond?

22 EQUINE MEDICAL DIRECTOR ARTHUR: Sure, it's very
23 simple. There were three horses that had left Bay Meadows
24 and were in transit to Santa Anita. And if you remember,
25 the incident was at Golden Gate Fields, we had only included

1 Bay Meadows in the quarantine up there, and these horses had
2 left before the quarantine had been imposed. Only because
3 to allow horses to transfer back and forth between the
4 tracks and maintain racing in Northern California.

5 There was not and there has not been any Equine
6 Herpes virus at Bay Meadows. Those horses were on the van,
7 they were on their way down. We had an isolation barn that
8 we had set up for the Sunshine Million horses, and I told
9 them to go ahead, that I told the stable office, Done Lube,
10 to make sure those horses were coming from Bay Meadows and,
11 if they were, to keep them in the isolation barn and we
12 would keep them in the isolation barn until such a time as I
13 felt warranted to release them, and they were subsequently
14 released.

15 COMMISSION CHAIRPERSON SHAPIRO: Thank you. All
16 right, Item Number Nine on the agenda is a report on the
17 Medication Committee. Commissioner Bianco has asked me to
18 give the report.

19 The Medication Committee has met this morning, and
20 earlier today, which I hope most of you attended, as well as
21 there were a series of other meetings.

22 The matters that are before us are to deal with a
23 discussion/action on the Racing Medication and Testing
24 Consortium penalty guidelines, and the following proposed
25 addition of, and amendment to CHRB rules 1843.3, penalties

1 for medication violations in 1843.2, classification of drug
2 substances.

3 These rules have been discussed and heard at a
4 variety of Medication Committee meetings, dated back well
5 over a year.

6 At the last two Medication Committee meetings
7 there was a good turnout and good discussion about adopting
8 these rules.

9 Without going into the detail on all of the rules,
10 they are now in a form which I believe it should be
11 acceptable to this Board to adopt, and provide for new
12 medication penalty guidelines that provide for mitigating
13 and aggravating circumstances, that provide a guideline so
14 that there can be uniformity in the way that penalties are
15 issued throughout the State. I believe that they will
16 provide a more fair and lenient -- a more fair system for
17 those people to have file -- accusations of charges that are
18 filed against them and yet, on the other hand, I believe
19 that they also will provide the safeguards such that if
20 somebody is accused of something that would be, in fact,
21 subject to mitigation, that can be taken into effect.

22 These guidelines include a classification of -- I
23 don't know the number, I don't know if it's 800 different
24 compounds or such, but have been thoroughly vetted, not to
25 use a pun, that will provide for consistency in racing.

1 And perhaps Dr. Arthur, I believe that perhaps you
2 should now discuss them generally, so that the Board can
3 then move forward with the next agenda item.

4 EQUINE MEDICAL DIRECTOR ARTHUR: These penalty
5 guidelines are based on the RMTC guidelines that are trying
6 to put into place uniform penalties across the country.

7 What this is, it puts a standard in place, a
8 guideline in place so that the hearing officers can look at
9 what the drug is, what category it is and apply a consistent
10 penalty.

11 It gives the trainers the opportunity to present
12 mitigating circumstances if, in fact, the penalty should be
13 less, and it gives the CHRB the opportunity to present
14 aggravating circumstances and, in fact, the penalty should
15 be more than what the minimum standard is, absent mitigating
16 circumstances.

17 It's a system that I think gives us an opportunity
18 to have uniform penalties between north and south. And as I
19 think you Commissioners well know, after looking at the
20 minutes from the stewards, that depending on whether you're
21 north, south, harness, or quarter horse, you get a different
22 penalty for the same violation. And what we're trying to do
23 is avoid that.

24 They are tough penalty guidelines, but they do
25 offer an opportunity for fairness. In fact, there is

1 actually provisions in there where, in fact, a hearing
2 officer is convinced that no penalty is the appropriate
3 decision, they are given the specific authority to do that.

4 So we think that they're fair, they're tough, and
5 I think it will go a long way towards allowing us to
6 regulate medication much more effectively.

7 COMMISSION CHAIRPERSON SHAPIRO: Thank you. That
8 will serve as the report on the agenda item from the
9 Committee. The next agenda item is actually to consider the
10 adoption of these rules and, of course, that would be
11 subject to now going out to public comment, so we will go
12 into the rule-making process.

13 Having said that -- I just lost my agenda -- is
14 there any comment from the Board with respect to
15 these --

16 COMMISSIONER MORETTI: I have a question of
17 Jackie.

18 COMMISSION CHAIRPERSON SHAPIRO: Yes. Oh, Jackie,
19 do you want to introduce the matter, again?

20 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
21 CHRBS staff.

22 Item Number 10 is the issue of the proposed
23 amendment of Rule 1843.2, classification of drug substances
24 and the proposed addition of Rule 1843, which is our
25 penalties for medication violations.

1 As was reported, we discussed this issue at the
2 Board Medication Committee meeting, earlier this morning,
3 and the Committee has endorsed the drafts that are before
4 you in this particular package.

5 And at this point staff would recommend that the
6 Board instruct us to initiate the 45-day comment period, so
7 we can go ahead and initiate the rule-making process.

8 COMMISSION CHAIRPERSON SHAPIRO: Thank you,
9 Jackie.

10 Okay, is there any comment from the Board?
11 Commissioner Moretti?

12 COMMISSIONER MORETTI: I just have a question, the
13 question that -- and I appreciate the work of the Medication
14 Committee, I know this was -- it is a very important, but
15 very tedious job, too.

16 And originally we were talking about some of the
17 new sanctions going -- not only of trainers and owners, of
18 course, which also go to trainers, but about toward the
19 veterinarians. Is there anything in that? Because of the
20 ones that I looked at, I didn't see that.

21 COMMISSION CHAIRPERSON SHAPIRO: Yes, there are.

22 COMMISSIONER MORETTI: Okay.

23 COMMISSION CHAIRPERSON SHAPIRO: But I'll let
24 Dr. Arthur. Go ahead.

25 EQUINE MEDICAL DIRECTOR ARTHUR: The penalties,

1 all licensees are subject to these penalties. Obviously, we
2 have the trainer insurer rule, and the trainer is de facto
3 responsible for the positive, and it would be the obligation
4 of the Horse Racing Board to show the culpability or
5 responsibility of any other licensee. But whether it's a
6 veterinarian, owner, assistant trainer, whoever it is, they
7 are subject to the same penalties.

8 COMMISSION CHAIRPERSON SHAPIRO: And again --

9 EQUINE MEDICAL DIRECTOR ARTHUR: So that's part
10 and parcel of how the rules are intended to be administered.

11 COMMISSION CHAIRPERSON SHAPIRO: On page eight,
12 subsection (i), you'll see that there's language in there
13 that deals specifically with the veterinarians. Which you
14 can conclude that if they are found to be involved in the
15 administration of any drug in penalty category A, that they
16 are not only referred to the California Veterinarian Medical
17 Board for consideration for further disciplinary action,
18 they are also not to be allowed to practice at any
19 California race track indefinitely.

20 And then it goes on to deal with what would happen
21 for a Class B or C. So the notion here --

22 COMMISSIONER MORETTI: I guess I missed that.

23 COMMISSION CHAIRPERSON SHAPIRO: The notion here
24 was to hold those parties, or any party responsible if they
25 participate in the administration of illegal drugs.

1 I also do want to comment that it's important to
2 understand that while some people feel these rules could be
3 draconian, it does provide the flexibility that if there is
4 a situation where there are truly mitigating factors, there
5 can be no penalty, and I think that was the safeguard that
6 is afforded to, again, all licensees, including owners.

7 So the TOC, CTT, the tracks, we've had really good
8 input here, and the vets, everybody's weighed in on this.

9 So I would recommend that the Board do move
10 forward. Do any of the other Commissioners have any other
11 questions about this?

12 COMMISSIONER HARRIS: I think we're going to have
13 this out for comment, and there might be some. I think we
14 need to get it out and get it done, because a lot of work's
15 gone into it.

16 COMMISSION CHAIRPERSON SHAPIRO: I agree with
17 that. Before we take action on this, Jerry Jamgotchian, do
18 you have a public comment on this?

19 MR. JAMGOTCHIAN: Yes, Mr. Chairman, at the
20 Medication meeting I brought up the question of why
21 mitigation at all, because mitigation just gives you or just
22 gives the stewards, or whoever the hearing officer is, the
23 ability to protect somebody or offer additional litigation
24 opportunities to somebody to sue the Board for a violation
25 of his rights.

1 So I don't understand why you need mitigation
2 measures. If somebody violates the law, they violate the
3 law. Why mitigate? Why give somebody the opportunity to
4 cheat that's a friend. I just don't see why mitigation is
5 right.

6 Additionally, what are the rules to go out and
7 pre-test horses? I know that there have been trainers that
8 have had CHRB people go to their barns in the morning and
9 pre-test their horses, and other trainers not.

10 I think these rules ought to have rules as to
11 directing people to determine who they test and who they
12 don't test. Because it's not fair to test Jeff Mullins and
13 it's certainly not fair not to test Richard Mandela.

14 So I think you need rules of fairness for all the
15 licensees. I think the trainer licensees need to have more
16 input in this than they've already had. And I think the
17 rules need to be determined further as to which horse are
18 actually tested.

19 These are theoretically random tests, but I think
20 the random tests are going to be more on the cheater side
21 than the alleged non-cheater side. And I think, as a Board,
22 you need to address the fairness of this. Because I can see
23 this thing opening up litigation vistas. And I note that
24 the California Horse Racing Board's financial statement is
25 not really good when it comes to excess costs, or fees, or

1 ability to litigate. But I think that you ought to consider
2 this for future litigation costs that this Board might incur
3 by maybe being unfair to various trainer groups.

4 I think that's all I have to say right now. I
5 just hope that mitigation is not part of this because I
6 think it gives the hearing officers the ability to help his
7 friend out, as they have in the past. Thank you.

8 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

9 Dr. Stanley?

10 DR. STANLEY: I'm sorry, Mr. Shapiro, I don't have
11 a card up there. Scott Stanley from UC Davis.

12 COMMISSION CHAIRPERSON SHAPIRO: Well, only
13 because I know you and I think you're a pretty darn good
14 doctor, we're going to let you skate by on this one, but
15 don't do it again.

16 DR. STANLEY: Thank you. But I wanted to clarify
17 an inaccuracy in the last statement, which actually we have
18 a rule that says that we can test horses. California has
19 1858, it says "every horse within the enclosure or entered
20 in a race is subject to testing." And that's every horse in
21 a licensed enclosure at the race track, at any time can be
22 tested.

23 So there's a very specific rule that addresses
24 that and was discussed many times to clarify when the horses
25 could be tested and should be tested.

1 And there's a very good reason for out-of-
2 competition testing, as we were able to defend that with the
3 State legislation and get our budget change proposal,
4 because there's some medications that are used out before
5 the race, that need to be monitored very closely in the
6 event that the horsemen are using that medication and are
7 seeking an unfair advantage through that practice. Thank
8 you.

9 COMMISSION CHAIRPERSON SHAPIRO: Thank you. You
10 might want to share the rule book.

11 MR. JAMGOTCHIAN: Well, I know the rule.

12 COMMISSION CHAIRPERSON SHAPIRO: All right.
13 Dr. Arthur?

14 EQUINE MEDICAL DIRECTOR ARTHUR: Yes, I'd like to
15 point out, in terms of mitigation, there's not one
16 mitigating factor that can't be turned into an aggravating
17 factor. It's the responsibility of the defendant to produce
18 the mitigating factors, it's the responsibility of the Horse
19 Racing Board to produce the aggravating factors. And if we
20 have a hearing officer that can weigh these, which is what
21 our goal is, then that's where it call comes out in the
22 wash. It's two sides of the same coin. You can't look at
23 one that can't go either way. Thank you.

24 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you,
25 Dr. Arthur.

1 I would move that the Board move forward to adopt
2 these penalty guidelines.

3 Is there a second?

4 COMMISSIONER HARRIS: I second.

5 COMMISSION CHAIRPERSON SHAPIRO: Second.

6 All those in favor?

7 (Ayes.)

8 COMMISSION CHAIRPERSON SHAPIRO: Is there anybody
9 opposed? If not --

10 COMMISSIONER HARRIS: Actually, I don't know if
11 we're adopting them or we're putting them out for comment.

12 COMMISSION CHAIRPERSON SHAPIRO: Well, to move
13 forward to adopt them, I meant put them out for comment.

14 COMMISSIONER HARRIS: Yeah.

15 COMMISSION CHAIRPERSON SHAPIRO: Okay, sorry
16 folks.

17 All right, Item Number 11 is the staff report on
18 the following concluded race meetings.

19 MR. SMITH: Mr. Chairman, Bond Smith, Assistant
20 Executive Director.

21 In your package is the set of reports on end-of-
22 meet results. We had hoped that Board auditor, John Reagan,
23 would be available to come and present this, in that he's
24 retiring from the Board after 20 plus years as the Board's
25 auditor. He wasn't able to attend today, unfortunately, so

1 I'm here in his stead to present this report.

2 COMMISSION CHAIRPERSON SHAPIRO: Well, we're glad
3 to have you, and we welcome you. And I know that as the new
4 Assistant Executive Director you're getting your feet wet
5 and doing a great job, so we're appreciative that you're
6 here.

7 MR. SMITH: Thank you for that. In the package
8 you'll find reports from Bay Meadows, concluded in December,
9 Gold Gate Fields, Pacific Racing Association, concluded last
10 October. The Hollywood Park fall meet concluded in
11 December, and Sac Harness completed in December.

12 And if there's questions on any of those, I assume
13 that members of any of those associations might be present
14 to answer.

15 COMMISSION CHAIRPERSON SHAPIRO: Well, thank you.
16 Are there any representatives from any of those associations
17 here?

18 Sorry, don't know how to work it.

19 I think it would be nice to hear from each of
20 them, if they could give us a few minutes, about -- besides
21 our just looking at numbers, perhaps we could get a
22 little flavor for each of these race meetings.

23 And I see Mr. Wyatte. Welcome.

24 MR. WYATTE: Equal Wyatte, Hollywood Park. I might
25 point out, not that it's a big deal, but the averages that

1 we're looking at for the percentage changes, which are based
2 on the averages this year and the averages -- excuse me,
3 averages in 2006, as opposed to the averages in 2005 are a
4 little bit skewed.

5 It's our understanding, it's our belief that the
6 averages for the 2004 meeting is sort of a hybrid. We ran
7 27 race days, and we had four simulcast days. All of that
8 activity was lumped together and divided by the 27 live
9 racing days.

10 So if you compare live racing to live racing these
11 numbers -- the positive numbers are understated by a couple
12 of points. And the one negative number, the attendance is
13 over-stated by a couple of points. Not a big deal, but just
14 pointed it out.

15 I think we were very pleased with the meeting, and
16 without a doubt because of the installation of the cushion
17 track. The results -- the average field size on the main
18 track was up a point, it was 7.5 in 2005, they were all dirt
19 races, and it was 8.5 this year on the main track. I think
20 that's a significant increase.

21 And the handle was up, correspondingly, to that
22 increase, and the handle on Hollywood Park races was up
23 about 19 percent.

24 But the real, I think, important thing, or the
25 real highlight, or the most meaningful thing of the race

1 meeting was the atmosphere and the attitude on the back
2 side. People seem to want to participate. And it's the
3 first time I've seen that in some time, at any race track.
4 They were very, very positive. We had some little hiccups
5 with the race track, but we solved those problems in concert
6 with the Horsemen, and established a weekly dialogue with
7 them, which was very healthy and very helpful.

8 That's about all I have to say.

9 COMMISSION CHAIRPERSON SHAPIRO: Mr. Wyatte, first
10 of all, as I think we've all said many times, we're very
11 appreciative that you made the effort and put in the cushion
12 track, which we saw the benefit of in your field size, the
13 enthusiasm, and that which continues today because, clearly,
14 you have a full barn area, as we talked about earlier today,
15 and we're seeing the effects of that in the field size,
16 likely, at Santa Anita. We're seeing that it's paying off
17 and that's great.

18 But if the numbers are not exactly accurate that
19 we're looking at, what about getting people back at the
20 track? And I know that's not your area, and so I'm not
21 trying to lean on you --

22 MR. WYATTE: Well, I wouldn't shy away from that
23 responsibility, certainly it's my area.

24 If there was anything, obviously, that was
25 disappointed about the meeting, it was the fact that we were

1 not able to show a plus in attendance. And I don't have an
2 explanation for that. And I'm not going to say it's because
3 we didn't try, because we did try. And we're going to
4 continue to try, and we have some ideas for the summer.

5 You know, I don't -- I'm not going to venture a
6 guess as to why it is. I mean, I suppose people have some
7 ideas, and I don't think it's the area. I know people will
8 say it's probably the area. I don't believe that.

9 If you'd have told me that ten years ago, I'd have
10 said, yeah, maybe it has. But the area is a very vastly
11 improved area. We just need to work harder and try to
12 figure it out, and try to hit the niche that works. And,
13 obviously, what we've been doing hasn't worked. Those are
14 the facts.

15 COMMISSION CHAIRPERSON SHAPIRO: All right, does
16 anybody else have any questions on this end-of-meet report?

17 Mr. Wyatte, thank you. I certainly hope it works
18 for the next meeting. Love Hollywood Park and just want to
19 see people there. So thank you.

20 MS. THURMAN: Ready for Bernie?

21 COMMISSION CHAIRPERSON SHAPIRO: We're always
22 ready for Bernie. Are you kidding, we love Bernie.

23 MS. THURMAN: Okay. Well, the stat report was
24 sort of an apples and oranges comparison, in that it
25 compared the actual days that we raced last year at Bay

1 Meadows in a different time frame to the 2006 dates.

2 The 2005 dates included 11 simulcast only days.

3 And when you look at averages those, of course, skew the
4 numbers.

5 The 2006 stat report days included the four
6 simulcast only days for handle, but not for attendance. So
7 that sort of skews the numbers.

8 I thought maybe a more meaningful comparison would
9 be to back out the simulcast only days, and look at live
10 versus live. And doing that, we were up a half a percent.

11 But even more meaningful is probably to look at a
12 comparable time frame, the comparable days in 2006 against
13 the similar days in 2005. And unlike Hollywood Park, we did
14 very well on track. We were up 27 percent in attendance and
15 almost fifteen percent in on-track handle.

16 And the Northern California net worth, I'm happy
17 to say, was actually up 3.4 percent in attendance, that's on
18 an average basis, and 1.2 in handle. So we're pleased with
19 that. And we were pleased with the fall meet in that, you
20 know, Russell did his thing and broke the all time record
21 for winningest rider, and it was an exciting place to be.
22 We had media from everywhere.

23 We set an all time Northern California record for
24 handle on Breeder's Cup Day. So we kind of went out pretty
25 strong.

1 COMMISSION CHAIRPERSON SHAPIRO: So have you met
2 Mr. Wyatte, maybe you could tell him what works.

3 (Laughter.)

4 COMMISSION CHAIRPERSON SHAPIRO: So what changed -
5 - okay, if you're just going to look at it the way you're
6 looking at it, live versus live, and you had --

7 MS. THURMAN: On track for on track.

8 COMMISSION CHAIRPERSON SHAPIRO: On track for on
9 track, yes. What was the difference? Weather?

10 MS. THURMAN: Well, weather was --

11 COMMISSION CHAIRPERSON SHAPIRO: Great promotion,
12 great advertising?

13 MS. THURMAN: We didn't have good weather,
14 Commissioner. In the Holiday Meet, which ran in December
15 and January last year, six of the 31 days were clear and
16 fast, so it was a tough meet. And it didn't get to our
17 expectations, but we did well in spite of it.

18 We do a lot of promotions that are family oriented
19 and, of course, the Friday nights pump up our attendance.
20 And we kind of do a lot of in-house tools to try to tell the
21 customers what's going on. You know, this coming meet we're
22 going to be highlighting the Derby Trail, the trail to the
23 Derby. You know, we're telling everybody about the Florida
24 Derby coming up, the Gotham Stake, just keeping people
25 really involved with what's happening in racing.

1 We have a really good demographic in San Mateo, we
2 have a good facility, and we've got some geography that
3 helps us in terms of -- say Golden Gate Fields, you know,
4 when it's windy and cold at Bay Meadows, it's tougher for
5 Golden Gate Fields.

6 But we put a lot of energy into it and we love
7 what we're doing.

8 COMMISSION CHAIRPERSON SHAPIRO: Anybody have any
9 questions for Mrs. Thurman? No.

10 All right, thank you, Bernie.

11 MR. RAINEY: Mr. Chairman, members of the Board,
12 my name is Calvin Rainey, from Golden Gate Fields. The
13 staff report mentions the period here of February 8th, 2006
14 through October 15th, 2006, actually it represents two
15 separate horse meets, two separate race meets at Golden Gate
16 Fields for the year, in Northern California.

17 The spring meet that we had, from February until
18 the beginning of May, we saw the record rainfall in the
19 spring, historically a record rainfall, and we had a tough
20 time with attendance in that meet. It was a challenging
21 year.

22 The second meet, the August through October 15th,
23 was the first time that we had raced, to my knowledge, at
24 Golden Gate Fields in 50 years, in August, where we had
25 started. And that was very challenging in that a lot of

1 people didn't know that we were opened, it seemed. Our
2 marketing plan has included more money each year, in 2006,
3 and now in 2007 there will be more money to go towards
4 marketing and, hopefully, in 2008 as well.

5 So there was some market confusion at Golden Gate
6 Fields as to when we were running live.

7 The longer meet, I would say, is preferred. On
8 Thursday, there's a meeting, this coming Thursday, for the
9 2008 dates, and we're looking forward to that, to start
10 counting out those dates.

11 We have great momentum in the current meet, which
12 began December 26th. Starting on December 26th, it gave us
13 the break after December 19th, after Christmas, so the
14 horsemen had a great break there and I think that was
15 beneficial to them.

16 Doing a very aggressive TV ad campaign right now,
17 field size is improving, and so things are looking up for
18 '07, but were challenging in '06.

19 COMMISSION CHAIRPERSON SHAPIRO: Okay, any
20 Commissioners have any comment?

21 COMMISSIONER AMERMAN: We talked a little earlier,
22 when we were talking about Bay Meadows, about where their
23 target audience is on the peninsula, and San Francisco, and
24 the East Bay. Where do you consider your target market?

25 MR. RAINEY: Our target markets are San Francisco,

1 as well, a very big Asian community there, where we target
2 that community. Bay Meadows is a little different because
3 they have the peninsula, which I don't think we get that
4 clientele from there.

5 There's a train station that drops off close to
6 Bay Meadows, it's an advantage. We have an AC Transit bus
7 system that brings to Golden Gate Fields.

8 Our target is mainly Oakland and the East Bay, I
9 believe, other than the San Francisco markets.

10 COMMISSIONER AMERMAN: Is it difficult to get from
11 San Francisco to Golden Gate? I mean, every time I try to
12 go over that bridge and get there, it's a mess.

13 MR. RAINEY: It is difficult. There have been
14 some bridge closures lately. We had a few days there where
15 there were some instances where they closed the bridge.
16 Certainly, that affects it negatively.

17 But we're looking forward to this year. Like I
18 said, we're experiencing a great season right now and more
19 traditional dates for us. The after December 26th date. We
20 started on that Tuesday, which is not a great simulcast day,
21 but it was a good attendance date for us. And we've had
22 some more clientele from the local universities, some
23 younger people coming out.

24 We had a Dollar Day a week ago that was very
25 successful.

1 COMMISSIONER AMERMAN: You mentioned something I
2 think very interesting, you said we're putting additional
3 monies into advertising and it seems to me, from what you're
4 saying, that it works.

5 MR. RAINEY: It has worked this past meet.
6 Apparently, the advertising is a little less expensive
7 during this season, so we've really taken advantage of that
8 during the holiday season and the first part of January in
9 the TV add campaign.

10 COMMISSIONER AMERMAN: Well, the last comment is
11 I'm not part of track management, so I'd say to you, even
12 though it might go up in costs, CPMs, maybe you ought to do
13 it because advertising does work.

14 MR. RAINEY: The TV definitely has a great effect.

15 COMMISSIONER AMERMAN: Thank you.

16 MR. RAINEY: Thank you.

17 COMMISSIONER HARRIS: I noticed you're doing the
18 four-day weeks, which we probably don't have enough history
19 of now to really assess, but I think that's going to be an
20 interesting thing to analyze the impact of a four-day week
21 on, you know, both the track and the purses, and how you do
22 on your non-live racing day, how the simulcast works on that
23 day, with bringing in the south and other tracks. I think
24 that may well be a model for the north to expand on, if it
25 looks like it's a win-win situation.

1 MR. RAINEY: Definitely, the horse population was
2 better after the holiday break. And, similarly, hopefully,
3 the four-day weeks will have the same effect.

4 COMMISSIONER HARRIS: I mean, for this year,
5 unfortunately or unfortunately, there's been no rain.

6 MR. RAINEY: Right.

7 COMMISSIONER HARRIS: But a lot of times this time
8 of the year it's rainy and you really have, you know, bigger
9 field size problems.

10 COMMISSION CHAIRPERSON SHAPIRO: I think one thing
11 interesting to note in all of these is that it appears to me
12 that the ADW increase -- I don't know if Bernie's still
13 here, she would know for sure. Are you there?

14 It appears that the ADW increase is declining over
15 what we've seen in prior years. Am I wrong about that or am
16 I accurate?

17 MS. THURMAN: Well, it's -- the growth is
18 declining, it's not as dramatic.

19 COMMISSION CHAIRPERSON SHAPIRO: Right.

20 MS. THURMAN: But, again, it's a time frame issue,
21 especially in Northern California, because of who the
22 providers are.

23 COMMISSIONER HARRIS: I think that one -- and,
24 obviously, Bay Meadows uses all three providers --

25 MS. THURMAN: Exactly.

1 COMMISSIONER HARRIS: -- and Golden Gate only uses
2 Youbet and Xpressbet.

3 MS. THURMAN: So we have a wider distribution.

4 COMMISSIONER HARRIS: It looks like, yeah, the
5 more you use, the more you're going to get. It looks like
6 Bay Meadows is getting more, although it looks like the
7 average of Bay Meadows was 452 a day, and at Golden Gate it
8 was 381, but I don't know if there were other factors in
9 there, also.

10 But those numbers received for ADW, do those just
11 count wagering on your track, or is that wagering in your
12 zone?

13 MS. THURMAN: Your zone, plus out of state.

14 COMMISSIONER HARRIS: So it may -- you're picking
15 up some wagering even on a dark day, or whatever, on there.

16 MS. THURMAN: Absolutely.

17 COMMISSIONER HARRIS: Yeah, but the average goes
18 back to your live days?

19 MS. THURMAN: Correct.

20 COMMISSION CHAIRPERSON SHAPIRO: Okay.

21 MR. RAINEY: I'd like to say also, in closing,
22 that our ad campaign and our TV advertisements did get an
23 award at the University of Arizona, our latest
24 advertisement, so that was a plus for us.

25 COMMISSIONER HARRIS: It would be nice to see

1 those sometime.

2 MR. RAINEY: Okay.

3 COMMISSION CHAIRPERSON SHAPIRO: All right. Thank
4 you all very much.

5 The next thing on the agenda is general business.
6 In this regard, I would like to suggest, is we have a
7 Strategic Planning Committee meeting will be held on
8 February 21st, and we had talked at the last meeting about
9 having a group or an ad hoc committee.

10 I would like to form that and, in fact, I would
11 ask to see if Drew Couto would be willing to serve as the
12 Chairman of that. And also to then make sure that that ad
13 hoc committee would meet prior to the Strategic Planning
14 Committee meeting, such that we could get some input from
15 them.

16 We left off last year, in strategic planning, with
17 trying to come up with a long-range plan. And while we are
18 all very desirous and hopeful that we will get mitigation,
19 we also have to face the realities that some of our tracks
20 could close and we could be left in a problem.

21 Commissioner Moss has suggested that there be some
22 meetings within the industry and, therefore, I would ask
23 that Mr. Couto, if you would put together a group of people,
24 both north and south, and have some ad hoc committee
25 meetings, and report to the Strategic Planning Committee

1 February 21st, I think it would be very useful to us.

2 I know it's a big task. I'm asking you to do it,
3 since you're not a race track. And, therefore, I'm trying
4 to make this as easy as possible. But we have to plan the
5 realities of what we're going to do in California, and it
6 would make sense to do that. So I appreciate your taking
7 that charge.

8

9 Under other business, is there anybody else who
10 has anything else that needs to come up under other
11 business?

12 COMMISSIONER MOSS: Just on the last issue, Mr.
13 Chairman.

14 COMMISSION CHAIRPERSON SHAPIRO: Pardon me?

15 COMMISSIONER MOSS: The last issue. How are we
16 doing on the legislative side on being able to even ask for
17 greater racing latitude insofar as calendars are concerned?

18 COMMISSION CHAIRPERSON SHAPIRO: There was, I will
19 tell you, that there will be a legislative committee meeting
20 on the same day, and we will be discussing legislative
21 issues at that time.

22 COMMISSIONER MOSS: Oh, okay.

23 COMMISSION CHAIRPERSON SHAPIRO: Just so you know,
24 and those people in the audience, there has been a hearing
25 that was called for by Senator Dean Flores, which was in

1 fact to discuss how race dates should be awarded, and also,
2 and I did speak to him about that, asking that we could look
3 at, that in the eventuality that we are put in the position
4 where one or more of our tracks close, the current
5 legislation restricts us.

6 Notwithstanding, I did speak to him actually last
7 night, and asked him not to hold that hearing, so that
8 perhaps this ad hoc committee could meet and a little more
9 time could take place while I think much of the industry is
10 looking to deal with how to find a way to get some
11 mitigation from compacts that will be coming to the
12 forefront. And I certainly want to support, as we all do,
13 any effort we can to get that mitigation. So I think that
14 hearing is going to be put off. Okay?

15 COMMISSIONER MOSS: Okay.

16 COMMISSION CHAIRPERSON SHAPIRO: All right,
17 under -- oh, Bond, what's going on with our budget?

18 MR. SMITH: Mr. Chairman, before I have a comment
19 on the budget, I have one other thing. At the November
20 Board meeting you had asked for a 60-day report on the
21 Jockey's health insurance question and issues. That 60-day
22 period coming up we did not -- we received some submissions
23 and communications from the Jockey's Guild, from the
24 California Jockeys, from insurance brokers immediately
25 before the submission date for the package, and I determined

1 that we didn't have sufficient time to review, analyze the
2 content of those submissions.

3 So we asked that a full report be trailed until
4 the next board meeting.

5 COMMISSION CHAIRPERSON SHAPIRO: That's great. If
6 you would do that, I think that would be helpful. And I
7 also encourage you to talk to TOC, who's actually party to
8 the --

9 You keep doing this, we see you.

10 MR. JAMGOTCHIAN: I'm just stretching.

11 COMMISSION CHAIRPERSON SHAPIRO: Okay. We do ask
12 that you get the input from TOC, since they're a party to
13 that agreement.

14 MR. SMITH: Yes.

15 COMMISSION CHAIRPERSON SHAPIRO: But thank you, I
16 do appreciate that.

17 MR. SMITH: I thought it would be of importance to
18 the Board to hear my perspective, new to CHRB, I've been on
19 board two months. I have a long history as a bureaucrat.
20 Okay, no rotten fruit forthcoming, I'll continue.

21 I started to do a kind of a basic historical
22 assessment, analysis of the Board's budget. Went back to
23 the '91-'92 fiscal year, as kind of a baseline. That's
24 where readily available information was, was there for me to
25 look at.

1 The Board's budget, that's the administrative
2 office side, as well as for stewards, vets, legal services,
3 everything, \$8.8 million in '91-'92.

4 In the year 2001-2002, the Board's budget was \$8.6
5 million. It had gone down \$100,000 in a ten-year period.

6 In 2005-2006, the most recently completed year,
7 the budget was back up to just over \$9 million, but only
8 because of the inclusion of a late year appropriation to
9 cover what had been a shortfall, otherwise.

10 So for the 15-year period from 1991-92 to 2005-06,
11 the Board had a 3.3 percent increase in its budget.

12 And as any of you, who are successful business
13 people know, that hasn't covered the cost of living increase
14 over that period of time, in any way, much less the increase
15 that has gone for our personnel costs, much less the
16 increase that's gone for our contracted services for
17 stewards, vets, and legal services.

18 So something that I would like to present a more
19 thorough analysis, when I get a chance to dig a little
20 deeper in some of the line items and that sort of stuff, and
21 I'd like to keep you informed on that, as well.

22 COMMISSION CHAIRPERSON SHAPIRO: I think that's
23 terrific. I think it's important that you do give us back
24 this information, as well as look at what we can do to
25 improve our standing.

1 It's my understanding that the Board has not, in
2 the past, been very active in submitting BCPs. I understand
3 that you're going to take a different approach with that.
4 BCPs are budget change proposals, if you don't know what
5 that means. And so it's a very welcomed and it's a very
6 refreshing thing to hear.

7 So we encourage you to move on and thank you.

8 All right, under general business I have one card.
9 Mr. Jamgotchian, do you have something that you need to
10 bring up under general business?

11 MR. JAMGOTCHIAN: Yes, Mr. Shapiro, I'd like the
12 Board to just jot down any questions, when I'm done they can
13 ask me questions, because I want to use my five minutes
14 productively.

15 First off, I wanted to show you a check, two
16 checks, I should say. One check for \$18,000 and the other
17 check for \$3,000, and I wanted to tell you why this \$21,000
18 was paid to me.

19 The \$18,375 check was paid to me for a violation
20 of the California Public Records Act, when the CHRB failed
21 to produce documents, which it held in its possession. In
22 fact, there were 24 e-mails that were withheld, and these
23 documents weren't tendered until the court was about to
24 issue an order demanding this from its computer to be
25 download, to confirm the e-mails that we knew she had.

1 So just to let you know that \$18,375 was paid to
2 me because of somebody that violated the Public Records Act.
3 So I just wanted to address that issue.

4 Additionally, the second check was for \$3,000, and
5 that check was paid me because Mr. Shapiro refused to attend
6 a deposition.

7 So I want the Board to be aware of \$21,000 of the
8 CHRB's money that went because of violations of the public
9 record act by Ms. Fermin, and Mr. Shapiro's refusal to
10 attend a deposition.

11 Secondly, I'd like to address an issue where on
12 December 26th Mr. Harris sent me an e-mail at 7:29 p.m.,
13 saying that I as full of shit. "You are full of shit."

14 And I just want to confirm Mr. Harris, with him,
15 if he made that statement and under what context it was, if
16 he wants to respond. But I just wanted to get it in the
17 record because, obviously, you know of litigation. But I
18 just wanted Mr. Harris, see if he wants to respond to it,
19 number one, did you actually say that in that e-mail and,
20 number two, do you have a comment about it. No comments
21 necessary, I'm just asking you if you did it.

22 COMMISSIONER HARRIS: Yeah, I clearly did it and
23 think there's some degree of validity there.

24 MR. JAMGOTCHIAN: Okay, thank you.

25 (Laughter.)

1 MR. JAMGOTCHIAN: Additionally -- additionally,
2 Mr. Shapiro wrote, in a December 31st e-mail, that I guess
3 the nerving issue was very important and that the Medication
4 meeting would have that certainly on the agenda.

5 Well, it's interesting that when we talk about
6 nerving of a horse, for what reason I don' know. But we
7 have the Equine Medical Director nerving a horse, in
8 violation of CHRB rules.

9 Now, I have the rule book from Hollywood Park,
10 where there's a house rule, and I'll get into the specifics
11 because I think that Mr. Arthur -- Dr. Arthur, rather,
12 certainly can explain it further.

13 But the rule says -- I'll let you take a break,
14 Mr. Shapiro, so you'll hear this.

15 What the rule says is that your supposed to get
16 the approval of the state before you nerve a horse. Now,
17 Mr. Mandela, who trained the horse, and Dr. Arthur, who was
18 his vet at the time, nerved this horse without getting the
19 approval of the State vet. Now, that's a clear violation of
20 the rules.

21 So how do we have a doctor, that's sitting as
22 Equine Medical Director, doing things to violate the rules
23 of horse racing and not be addressed. I think it's time
24 that this Board not look to protect people, but when people
25 violate the rules --

1 COMMISSION CHAIRPERSON SHAPIRO: Mr.

2 Jamgotchian --

3 MR. JAMGOTCHIAN: Yes.

4 COMMISSION CHAIRPERSON SHAPIRO: I'm going to have
5 to stop you on that issue.

6 MR. JAMGOTCHIAN: And under what reason?

7 COMMISSION CHAIRPERSON SHAPIRO: Mr. Jamgotchian,
8 you may be discussing something that may be subject to an
9 investigation and, therefore, this Board cannot hear
10 anything about that.

11 MR. JAMGOTCHIAN: Well, it is being investigated,
12 now, so I'll wait for the investigation to be completed.

13 COMMISSION CHAIRPERSON SHAPIRO: Would you please.
14 And please note that you have one minute left, I believe.

15 MR. JAMGOTCHIAN: That's fine, and I'll bring that
16 up later, no problem.

17 Additionally, there's a big problem in the State
18 that you might not be aware of, and that problem is going on
19 right now at Barrett's. There are a lot of horses being
20 sold at Barrett's now for a thousand, \$500, \$900, whatever
21 the small amount of money is. Those horses are not staying
22 in the State, those horses are leaving the State.

23 I don't know how the breeders of California are
24 ever going to make any money in this State breeding horses,
25 and that's a serious problem that this Board needs to

1 address immediately. The horses that are being sold at
2 Barrett's, now, are not staying in this State, they're going
3 to other states. It hurts the Cal Bred Programs. But I
4 think that from at least Mr. Harris's perspective, he'll
5 probably be in great shape because of all the Cal Breds he
6 breeds, he'll probably have the only Cal Breds in the race
7 for the incentives.

8 So it's something that I think you ought to
9 consider is that these horses are leaving the State from the
10 sales pavilions, before they ever reach the race tracks.
11 Thank you.

12 COMMISSION CHAIRPERSON SHAPIRO: All right, I was
13 handed one more card. Richard English.

14 MR. ENGLISH: Yes, Mr. Chairman, I'd just like to
15 make a brief comment about the announced retirement of John
16 Reagan. I just want to express my thanks to Mr. Reagan,
17 although he's not here today. I worked with him for over 20
18 years through the advent of satellite wagering, inter-track
19 wagering, intra-state wagering, ADW wagering, and John
20 Reagan has always been as knowledgeable as anyone I've dealt
21 with in the industry, and he'll be sorely missed as a
22 reference, as a technical reference, and as a man of
23 integrity and responsibility. And I just wanted to put that
24 on the record, how much I appreciated his help over the
25 years. Thank you.

1 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

2 COMMISSIONER HARRIS: John, what is your -- I was
3 thinking maybe we could get him back at a future meeting and
4 get Rod Blonien to sing Happy Trails one more time.

5 COMMISSION CHAIRPERSON SHAPIRO: Well, we'll see
6 if somebody can bring Mr. Blonien out to sing to him, and
7 we'll certainly try to get him out here and give him the
8 appropriate send off, with a rendition of Happy Trails To
9 You.

10 This will conclude the meeting of the -- the open
11 portion of the meeting. We, as a Board, must still have
12 issues for closed session. Thank you very much and
13 appreciate your attendance today.

14 (Thereupon the California Horse Racing
15 Board adjourned to convene the closed
16 session.)

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CERTIFICATE OF REPORTER

I, TROY RAY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing Meeting of the California Horse Racing Board; that thereafter the recording was transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, or in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 29th day of January, 2007.

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