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CALIFORNIA HORSE RACING BOARD

REGULAR MEETING

Thursday, February 19, 2004
9:35 A.M.

ARCADIA CITY COUNCIL CHAMBERS
240 West Huntington Drive
Arcadia, California

BOARD MEMBERS PRESENT:

- JOHN C. HARRIS, Chairman
- ROGER H. LICHT, Vice Chairman
- WILLIAM A. BIANCO, Commissioner
- ALAN W. LANDSBURG, Commissioner
- MARIE G. MORETTI, Commissioner
- JOHN C. SPERRY, Commissioner

Reported by: NEALY KENDRICK, CSR 11265
Job No.: 04-26062

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1 ARCADIA, CALIFORNIA; THURSDAY, FEBRUARY 19, 2004

2 9:35 A.M.

3

4 MR. WOOD: Ladies and gentlemen, good morning.

5 Please everyone find a seat -- find a comfortable

6 seat, please. We have a long agenda this morning.

7 Good morning, ladies and gentlemen. I'd like to

8 welcome you to the regular meeting of the California

9 Horse Racing Board.

10 This meeting is being conducted on

11 Thursday, February the 19th, 2004. And we're at the

12 Arcadia city hall in Arcadia, California.

13 Present at today's meeting are

14 Chairman John Harris, Commissioner Roger Licht,

15 Commissioner Marie Moretti, and Commissioner John

16 Sperry. Commission Bianco and Commissioner Landsburg

17 should be joining the meeting after it's in progress.

18 Before we go on with the business of

19 the day's meeting, I would respectfully request, if

20 you give testimony to this Board, you please state

21 your name and your affiliation. If you have a

22 business card to provide our court reporter, it would

23 be acceptable.

24 With that, I'd like to turn the

25 meeting over to our Chairman, Mr. John Harris.

1 CHAIRMAN HARRIS: Good morning, ladies and
2 gentlemen. Beautiful day down here. If there's no
3 objections, I'd like to move Items 4 and 5, dealing
4 with the harness racing issues, to last on the
5 agenda, just to enable us to fully discuss those but
6 not hold up people that are on other agenda items.

7 So in any event, the first item is
8 approval of the minutes of the regular meeting of
9 December 4, 2003. Are there any changes to those
10 minutes?

11 (No audible response.)

12 CHAIRMAN HARRIS: Okay. Hearing none,
13 somebody move approval?

14 COMMISSIONER MORETTI: I'll move to --

15 COMMISSIONER SPERRY: Move adoption.

16 COMMISSIONER MORETTI: Second.

17 CHAIRMAN HARRIS: All in favor of adoption of
18 those minutes say, "Aye."

19 BOARD MEMBER VOICES: Aye.

20 COMMISSIONER LICHT: Can we vote on these
21 things with just four of us here?

22 MR. WOOD: If you have four people here, you
23 have enough to make the votes come out.

24 CHAIRMAN HARRIS: I think we have to have four
25 affirmative votes to do anything --

1 MR. WOOD: Pass any of 'em. Uh-huh.

2 CHAIRMAN HARRIS: But if we have four positive
3 votes, we can.

4 Okay. Now, the next item on the
5 agenda is the discussion and action by the Board on
6 the application for license to conduct a horse racing
7 meeting in the Bay Meadows Operating Company from
8 April 7 through June 20, 2004, inclusive.

9 Do we have someone from our staff or
10 Bay Meadows to present this? Roy.

11 MR. MINAMI: Roy Minami, Horse Racing Board
12 staff. This is a application for Bay Meadows
13 Operating Company. They plan to run April 7 through
14 June 20, or 55 days, which is the same number of days
15 as 2003. The racing will be five days a week. No
16 racing on -- there will be racing on Monday, May 31,
17 and no racing on Wednesday, June 2.

18 First post will be 12:45 daily through
19 April 18. There will be advanced wagering April 30
20 for the Kennedy Derby, May 14 for the Preakness, and
21 June 4 for the Belmont.

22 The staff recommends that the Board
23 approve the application. There appears to be no
24 outstanding documentation needed.

25 CHAIRMAN HARRIS: That's amazing. That's

1 good. I want to compliment everyone on their
2 diligence of getting this done.

3 One issue that had come up at some of
4 the previous meetings -- I think it's kind of in a
5 transition but hopefully there is this tote board
6 that we have 14 -- a tote board that can handle 14
7 different wagering interests. Has Bay Meadows
8 implemented that?

9 MS. THURMAN: Bernie Thurman, Bay Meadows
10 Operating Company. We are in the middle of the
11 project to add 14 displays to both the AOB boards and
12 the totalizator board. The project should be done
13 March 16, in plenty of time for the beginning of the
14 meet.

15 CHAIRMAN HARRIS: That's great.

16 Are there any track or horsemen's
17 issues on any of the simulcast arrangements that have
18 transpired? And are all the organizations happy with
19 the package of things that you have?

20 Apparently so.

21 Yeah. One issue that I had on where
22 both Bay Meadows and Churchill Downs or Hollywood
23 Park applications, which I think is not really a
24 problem but which needs just to be clarified is that
25 these applications are coming in from an LLC and it's

1 implied that the parent company is standing behind,
2 you know, anything that that LLC does and is
3 completely behind it. But we might need to formalize
4 that at some point to make it clear that we know the
5 strength of who we're giving the license to.

6 Do I have any action on the -- any
7 other discussion of the Bay Meadows? Do I hear --

8 COMMISSIONER MORETTI: Move to approve.

9 COMMISSIONER LICHT: Second.

10 CHAIRMAN HARRIS: It's been moved and seconded
11 to approve the application for license to conduct a
12 horse racing meeting at Bay Meadows Operating
13 Company.

14 All in favor?

15 BOARD MEMBER VOICES: Aye.

16 CHAIRMAN HARRIS: Opposed?

17 (No audible response.)

18 CHAIRMAN HARRIS: Just for the record,
19 everybody voted, "Aye." So we have four votes. So
20 that is approved.

21 We now move to Item Number 3. It's
22 discussion on the application for a license to
23 conduct a horse racing meeting of the Churchill Downs
24 California Company from April 21 through July 18,
25 2004, inclusive.

1 MR. REAGAN: Commissioners, John Reagan, CHRB
2 staff. This is the application for the upcoming
3 Hollywood Park meet -- April 21 - July 18, 2004. 65
4 days -- same as last year. They propose 559 races,
5 or the 8.6 per day. Racing five days a week, of
6 course. First post time: 1:20.

7 They list three exceptions on the
8 application to staff analysis. The exception they
9 requested for June 12, they have withdrawn. They
10 would like June 12 to be the standard post time -- 1
11 point -- 1:20. So in a sense we are amending the
12 license at this point for the special day of June 12,
13 a normal post time.

14 Outstanding items -- the horsemen's
15 agreement, the fire clearance, and worker's
16 compensation insurance.

17 CHAIRMAN HARRIS: Did you say there is a
18 horsemen's agreement?

19 MR. REAGAN: That is an outstanding item.
20 Still needed -- horsemen's agreement, fire clearance,
21 and worker's compensation insurance.

22 CHAIRMAN HARRIS: There's some issue here, I
23 think, on the overpayment of purses. How does
24 that -- is that a carryover from year to year?

25 MR. REAGAN: Yeah. Over- or underpayment of

1 purses would be carried into the next meet to be
2 resolved and obviously whatever condition's
3 created -- over-, underpayment -- they should
4 address. But that's the normal process -- carried
5 from the current meet to the next meet.

6 CHAIRMAN HARRIS: So they would have to come
7 out of this meet -- I mean --

8 MR. REAGAN: An overpayment in one meet would
9 then be a reduction in the following meet unless
10 conditions increased the handle so that there were,
11 you know, additional purse funds or something. But,
12 yeah, that's something they -- the management would
13 have to take into account and eventually try to get
14 back to even.

15 CHAIRMAN HARRIS: Drew?

16 MR. COUTO: Drew Couto, Thoroughbred Owners of
17 California. The purse agreement has been agreed to,
18 in principle, as of yesterday. The stakes schedule
19 and the overnight purse schedules were approved by
20 the TOC purse committee yesterday as well.

21 We're just awaiting the simulcast site
22 identification, and the contract will be complete.
23 And we expect that we'll be able to submit that by
24 early next week.

25 And with regard to the overpayment, we

1 recognize there is an overpayment. We have worked
2 with management at Hollywood Park to assure that
3 their projections for this year are -- we've
4 impressed upon them the need to have conservative
5 projections with regard to revenue, given the current
6 overpayment.

7 And based on the numbers they've
8 provided, they expect to retire about three quarters
9 of the overpayment through this meet.

10 CHAIRMAN HARRIS: Is the overpayment something
11 that can be pushed forward indefinitely? Or is there
12 anything that has to be cleared up at some point?

13 MR. COUTO: Under the contract, there's no
14 requirement that it be retired at the next meet. And
15 since it is racetrack money, if the racetrack is
16 prepared to carry that forward for a period of time,
17 that's their prerogative.

18 CHAIRMAN HARRIS: Uh-huh. About how much
19 would your overnight purses be in 2004 for this meet
20 versus what they were last year?

21 MR. COUTO: I think you're going to see
22 roughly a -- an overnight decrease of -- I think it's
23 just over 3 percent. And stakes, I believe, were
24 reduced by roughly 6 percent.

25 CHAIRMAN HARRIS: So if they get an uptake in

1 handle, that might be overcome as the meet progresses
2 conceivably, you know.

3 MR. COUTO: Correct. If we have a successful
4 meet, then we're all hopeful that they'll retire the
5 overpayment in increased purses. But we're being
6 conservative, given the history last year with the
7 major meets.

8 (Commissioner Bianco joins the
9 proceedings.)

10 CHAIRMAN HARRIS: Any other comments?

11 MR. COUTO: No other comments. Thank you.

12 CHAIRMAN HARRIS: One question I had was on
13 the Pick-6. In the write-up, it says, "Pick-6
14 offered on last six races," which is the norm,
15 "except July 3, will be offered on Races 5 through
16 10."

17 Wouldn't that be the last six races on
18 that date? Or is it -- what's -- I don't understand
19 what the plan is that day.

20 MR. REAGAN: Let's see here.

21 Mr. Harris, I'm looking at Page 2 of
22 the application itself. And they've got a -- in
23 Item F, they list post times and the various days.
24 And I see that Saturday, July 3, American Oaks Day is
25 off on the far right by itself with a separate

1 schedule of race and race times.

2 CHAIRMAN HARRIS: Yeah. It just looked
3 like -- it's not that material. But I didn't
4 understand what they envisioned for that day.

5 MR. REAGAN: Yeah.

6 CHAIRMAN HARRIS: Is there someone from
7 Hollywood Park to share that vision with us?

8 MR. REAGAN: 5 through 10.

9 CHAIRMAN HARRIS: Must be trying to get their
10 Pick-6 ticket in.

11 Okay. Well, anyway, it didn't really
12 read right unless they're going to have 12 races that
13 day and with the Pick-6 before the last race. But I
14 personally like the concept always having the Pick-6
15 in with the last race of the day because it provides
16 uniformity, which I remember way back, when it first
17 got started, they experimented with different methods
18 of doing that.

19 Any comments on this from the
20 audience?

21 (No audible response.)

22 CHAIRMAN HARRIS: Any comments from the
23 commissioners?

24 (No audible response.)

25 CHAIRMAN HARRIS: We need a motion to approve.

1 COMMISSIONER LICHT: Move we approve this
2 application.

3 COMMISSIONER BIANCO: Second the motion.

4 CHAIRMAN HARRIS: All in favor of approving of
5 the Hollywood Park application, say, "Aye."

6 BOARD MEMBER VOICES: Aye.

7 CHAIRMAN HARRIS: Opposed?

8 (No audible response.)

9 CHAIRMAN HARRIS: Hearing none, passed
10 unanimously.

11 MR. WOOD: Mr. Chairman, do you want to, for
12 the record, indicate that Commissioner Bianco has
13 joined the meeting?

14 CHAIRMAN HARRIS: Yeah. Commissioner Bill
15 Bianco has joined us at the end of that discussion.

16 COMMISSIONER SPERRY: Mr. Chairman, the record
17 also should show that the approval was upon receiving
18 the outstanding items.

19 CHAIRMAN HARRIS: Yeah. That's correct.
20 Yeah. It's important, I think, on these that we do
21 make -- or staff make sure all those are in. But if
22 we could get some notice, ourselves, to the
23 Commissioners when they come in, just so we know
24 what's going on.

25 We're going to skip -- well, not

1 "skip" -- but we're going to delay 4 and 5 till later
2 to move the meeting along. Thus the next item would
3 be Item Number 6 -- discussion by the Board on the
4 Jockeys' Guild proposal for jockey weight allowances.
5 Who is going to make that proposal?

6 MR. WOOD: Mr. Chairman, Darrell Haire, from
7 the Guild, was supposed to be here to make that
8 presentation. I do not see him or any members of the
9 Guild in the audience. So I'd recommend that you
10 either place that later on in the agenda or hold it
11 over for next month.

12 CHAIRMAN HARRIS: Well --

13 COMMISSIONER LICHT: I met with Darrell Haire
14 this morning and with Dr. Gertmenian. So I think
15 that he intended to be here. But I think he was
16 going to ask that this be put over to the next
17 meeting anyway because they had some more work they
18 wanted to do with this presentation. And we can't
19 make any rule changes --

20 CHAIRMAN HARRIS: Yeah.

21 COMMISSIONER LICHT: -- even if we wanted to.
22 So I would recommend that we put it over to the next
23 meeting.

24 CHAIRMAN HARRIS: Yeah. I think it's an item
25 for discussion. I think it is an important item that

1 we need to look, you know, closely at. But assuming
2 they prefer not to make their presentation today, we
3 can put it over although, if they do come, we could
4 reconsider it.

5 The next item would be -- well, it's
6 another Jockeys' Guild item. Is there someone from
7 the Guild here? This is Item Number 7 -- discussion
8 and action by the Board on the request by the
9 Jockeys' Guild to extend the provision of their prior
10 agreement with the Thoroughbred Owners of California
11 regarding the Health and Welfare Program for
12 California jockeys until a subsequent agreement can
13 be completed.

14 MR. VAN DE KAMP: John Van de Kamp on behalf
15 of TOC, Mr. Chairman. I think I can report for them
16 as well as for us on this. A, we've been waiting
17 upon the completion of an audit that's long overdue.
18 I checked with Mr. Reagan this morning. And they've
19 had some meetings -- that is, the Jockeys' Guild -- I
20 think, with the Board. And their audit should be
21 completed and in your hands very shortly.

22 We have been talking to the Guild for
23 the last almost six weeks. Finally, they came in
24 yesterday. And we sat down with their advisor from
25 Marsh McClinton to review the contract and the

1 amendments that we had proposed. And I think we're
2 an inch away from an agreement.

3 It was a very good meeting. And I
4 think we've -- most of our questions have been
5 satisfied with maybe one little exception. And we
6 will have in front of you -- I can guarantee this --
7 a new agreement at the next meeting.

8 So what I would simply recommend to
9 you today is that you grant their request. The old
10 agreement, in a sense, implicitly has been in effect
11 since it was adopted originally. No money can be
12 leased from their trust to them, I think, until their
13 audit is completed and until our new agreement is
14 approved by the Board.

15 So I'd simply urge that you follow the
16 law and basically invoke Paragraph A-3 and extend the
17 terms of the prior agreement until such time as the
18 new agreement is finalized.

19 CHAIRMAN HARRIS: Do we have to proactively do
20 that? Or is that just part of the agreement that
21 just keeps going until --

22 MR. VAN DE KAMP: Oh, I think probably, for
23 the record, it should indicate that the old agreement
24 is in effect. And you may not have to do it, but
25 it's probably better to put it on the record.

1 CHAIRMAN HARRIS: Any discussion on this item?

2 (No audible response.)

3 CHAIRMAN HARRIS: Do I hear a motion?

4 COMMISSIONER SPERRY: So moved.

5 CHAIRMAN HARRIS: So it is moved to --

6 basically we're just extending it until a subsequent
7 agreement is completed.

8 Okay. All in favor -- is there a
9 second?

10 COMMISSIONER LICHT: Second.

11 COMMISSIONER BIANCO: Second.

12 CHAIRMAN HARRIS: Second? Okay.

13 Any other discussion?

14 All in favor?

15 BOARD MEMBER VOICES: Aye.

16 CHAIRMAN HARRIS: Opposed?

17 (No audible response.)

18 CHAIRMAN HARRIS: Hearing none, that's
19 approved.

20 The next item is a discussion and
21 report by Magna and other impacted parties on the
22 downward trends on handle at the California race
23 meets and efforts to reverse these trends.

24 I think it's important to point out
25 that we aren't picking on Magna. It's just that

1 Magna does run both of the ongoing race meetings that
2 are in action right now. And we're concerned that
3 the trends are downwards -- actually they're not
4 downward as much as I thought they were when I first
5 looked at it.

6 But I think what's important for the
7 Board to realize where we are and, I think, you know,
8 all the tracks do a lot of things right and maybe a
9 few things they can improve on. And we'd just like
10 to know a little bit of their vision of how they feel
11 that some of the trends can be reversed and what sort
12 of ideas they have going forward.

13 MR. McALPINE: Good morning, Mr. Chairman.

14 CHAIRMAN HARRIS: Hi.

15 MR. McALPINE: Commissioners, my name's Jim
16 McAlpine. I'm the President and Chief Executive
17 Officer of Magna Entertainment. And it's a pleasure
18 to be with you on this warm day in California.

19 Before I get into a discussion of the
20 meets, I'd like to take the opportunity to introduce
21 Jack McDaniel, who's the new president of Santa Anita
22 Park. I'm not sure all of you have met him. Jack's
23 right here. And I'm going to ask him to give you a
24 little bit of his background.

25 But I can tell you that Jack's a

1 character that we've known for a number of years.
2 He's a professional in a number of areas. And he's
3 worked with us on special projects at Magna
4 Entertainment and has been involved in Santa Anita
5 for the past year and a bit. And we're delighted
6 that he has accepted the position of President of
7 Santa Anita.

8 So I'll ask Jack to just introduce
9 himself quickly.

10 MR. McDANIEL: Good morning. The most
11 important thing I'd like to tell you is that, for the
12 last 30 years, I have been a resident of California.
13 Each of my three children -- the oldest of which is
14 26 -- was born at Cedar Sinai. I'm very familiar
15 with this community.

16 I'm happy to be part of this community
17 and the efforts that we're going to advance in our
18 racing operation business. I am a graduate of law
19 school here in California, and I am a member of the
20 California bar.

21 My professional experience is largely
22 in the motion picture and television industry --
23 20th Century Fox, Universal Studios. For the things
24 that we're going to be discussing later today,
25 hopefully, about what we think are actionable plans

1 to re-excite and re-enthuse our business, my
2 experience at Universal included building Universal
3 Studios Florida, a theme park attraction.

4 Live-venue entertainment has been the
5 focus of my professional career for the last 15
6 years. And in that regard, I have worked closely
7 with Magna from the inception of its involvement in
8 this track 5 years ago -- the creation of the apron;
9 the design and development of front runners; and,
10 most recently, all the new improvements, which we'll
11 get into a little bit later, at the Board's
12 willingness. Thank you.

13 CHAIRMAN HARRIS: Thank you.

14 MR. McALPINE: Thanks, Jack.

15 Mr. Chairman, I'd like to address the
16 specifics of the meet to date. First of all, in
17 terms of total handle, total handle is down. At
18 Santa Anita, it's down 6 percent. At Golden Gate
19 Fields, it's down 7.8 percent.

20 These figures compare to declines at
21 Hollywood's last meet of 7 percent; at Oak Tree of 6
22 percent, despite the fact that we hosted a major
23 event like the Breeders' Cup; an 18 percent decline
24 in Sam Houston's export in its most current meet;
25 large declines at the Fairgrounds; and a 10 percent

1 decline at Gulfstream Park.

2 So when you look at the landscape
3 across the country, business in the pari-mutuel
4 sector -- the horse racing side of pari-mutuels, at
5 least -- is not a pretty picture.

6 There's some California factors that I
7 think need to be understood. First of all, the field
8 size at Santa Anita has declined from 8.34 last year
9 to 8.0 this year. Golden Gate's field's size has
10 declined from 7.29 to 7.1.

11 In addition, we've got a number of
12 worker's comp issues that you're well aware of,
13 affecting many trainers. And this year, there were
14 one third fewer Pick-6 carryovers than a year ago.
15 So all of those would impact either field size or
16 wagering.

17 If you take a look a little deeper at
18 the numbers, you'll find that, at Santa Anita and
19 Golden Gate, handle from account wagering is up from
20 last year. It's up 14 percent at Santa Anita, and
21 it's up 18 percent at Golden Gate Fields. So account
22 wagering handle appears to be growing.

23 The core business is down. As I
24 mentioned, it is down across the country. The other
25 piece of our business that we look at is we look at

1 the rebater segment because there's been a lot of
2 dialogue about this subject. And if you look at that
3 segment of the business at Santa Anita, the rebater
4 business is down 17 percent. And at Golden Gate
5 Fields, the rebater business is down 25 percent.

6 And, as you know, we, together with
7 the horsemen, made a number of adjustments this year
8 in our relationships with rebaters and, in
9 particular, the pricing structure for rebaters.

10 But I think we've got to look below
11 the broad percentages and see what's actually
12 happened. And I've done an analysis on a week-to-
13 week basis.

14 If you looked at Week 1 -- '04 versus
15 '03 -- rebater handle was 40 percent this year of
16 what it was a year ago. If you looked at Week 2,
17 rebater handle was 55 percent of what it was a year
18 ago.

19 By Week 3, it was 81 percent of what
20 it was a year ago. By Week 4, it was a hundred and
21 nine percent of what it was a year ago. So by Week
22 4, we had rebater handle above what it was a year
23 ago.

24 Week 5 was Super Bowl week. And it
25 fell again to 86 percent because let's not forget

1 that the rebaters are different. The rebater
2 customers are different from our normal customers, at
3 least I think, in certain respects. And one is they
4 bet on all sports.

5 So when something like the Super Bowl
6 comes along, horse racing suffers. So that was the
7 story of Week 5.

8 Week 6 -- rebater handle was up. It
9 was a 111 percent of last year. And Week 8, it was a
10 hundred and three percent of last year. So I would
11 submit, based on the information we've got today,
12 that this source of handle is on the mend.

13 CHAIRMAN HARRIS: Just to clarify, rebaters --
14 you identify certain outlets as clearly rebater
15 outlets? And are we talking about these ups -- are
16 these ups at certain outlets? Or I'm not sure --

17 MR. McALPINE: These are specific outlets that
18 we have identified and know to be rebaters. And
19 they've built their business model based upon being
20 in that business.

21 CHAIRMAN HARRIS: Oh. And were there less of
22 'em, say, in Week 1 than in Week 4? I mean
23 different -- did you add back some outlets or
24 something?

25 MR. McALPINE: No. They were the same number

1 of outlets. But it was -- it was different levels of
2 activity by their customers. And in some cases,
3 there are specific reasons for that, you know.

4 The other thing I'd like to point out
5 is, if you look at the year at Santa Anita to date,
6 and you split it into two sections -- what I'll call
7 "Pre-Sunshine Millions and Post-Sunshine Millions"--
8 you would find that, in the Pre-Sunshine Millions
9 portion of the Santa Anita meet, business was down
10 14.9 percent. And if you look at Santa Anita, Post-
11 Sunshine Millions, business was down 4.61 percent.
12 That's overall business.

13 So it's clear that the first part of
14 the meet was very significantly affected. But since
15 then, there's been an on -- continuing and ongoing
16 recovery. If you looking at the on-track handle at
17 Santa Anita, it's down 1 percent, year to date.

18 And on-track handle is, as you're well
19 aware, very important to us because of the
20 commissions it generates. So that's a significant
21 positive, I believe, that's taken place.

22 So are we happy with the ways things
23 are going? Absolutely not.

24 What are we doing about it? Well,
25 first of all, you know that we created the Sunshine

1 Millions in cooperation between the California and
2 Florida horsepeople.

3 You also know that we created the
4 bet -- the "Magna 5 Pick-5," which was an attempt to
5 try to attract betting dollars to Santa Anita and
6 Golden Gate. I believe you probably watched it the
7 last three weeks. It is a successful bet. It is
8 having the desired effect.

9 We continue to invest in our flagship
10 facility at Santa Anita to make it more attractive
11 customers. The new entranceway is an example.
12 Sirona's is an example. The concerts we're now
13 hosting are an example. The tram tours that have
14 been developed under Chris McCarron's direction are
15 examples of ways we're trying to energize the place
16 from a customer's standpoint.

17 We're working to develop more
18 customer-friendly simplified wagering machines.
19 That's a long-term proposition, but it's something
20 that we're working on through our investment in
21 AmTote. We're working to achieve broader television
22 distribution of MEC Racing through HRTV and Racetrack
23 Television Network.

24 We're working to achieve broader
25 international distribution of California racing, both

1 in Europe and in Central and South America. We're
2 working with horsemen to reevaluate our pricing and
3 distribution policies with respect to our export
4 signals. We're working with the industry to try to
5 help solve the worker's comp dilemma. And we're
6 doing everything we can to try to find ways to
7 increase field size.

8 These are complex times. There are no
9 overnight solutions. But MEC will not give up trying
10 to bring about these constructive changes for the
11 good of our horsemen, our customers, or our
12 shareholders.

13 And as I say, while we're not happy
14 with the way things look for the beginning part of
15 the year, when we look across the country, this isn't
16 an isolated California situation. This is a
17 Thoroughbred pari-mutuel situation.

18 And there are, I believe, some bright
19 spots in the last few weeks in California. And we're
20 going to continue to work as hard as we can to make
21 sure that we continue to show improvements. And Jack
22 and I are more than happy to answer any questions you
23 may have.

24 CHAIRMAN HARRIS: Questions of the other
25 Commissioners?

1 I've got a couple. One of the issues
2 is -- and I've been bothered by it for a long time at
3 all the tracks -- is the lack of ability to really
4 utilize databases to really assess their horse
5 inventory -- both in writing their condition book and
6 filling races.

7 And there's a program called
8 "Encompass" (phonetic) that I think you have
9 purchased. But it seems like that has not really
10 been implemented to its full capability. Do you have
11 any plans to utilize that to better capabilities?

12 MR. McALPINE: Absolutely. The system is
13 being installed.

14 Has it actually been installed yet
15 here?

16 It is installed. And we're working
17 with the developers of "Encompass" and our own
18 systems people and our racing office to improve the
19 utilization of that system. But it's a great system,
20 and it's got all kinds of potential to help us write
21 better condition books to match the horses that are
22 actually in the backstretch.

23 CHAIRMAN HARRIS: Yeah. I think it could give
24 you -- be a lot of uses as far just what inventories
25 are --

1 MR. McALPINE: No question.

2 CHAIRMAN HARRIS: -- existing at all your
3 auxiliary stabling and everything. But I think it's
4 something to ask to have some resources devoted to it
5 to really maximize its effect. And I got a feeling
6 that the racing office had not really bought into it
7 as a solution that much. But hopefully they will.

8 On the promotions, have -- I know that
9 there was tremendous done for Sunshine Millions. But
10 setting that aside, both years, have you spent about
11 the same each year for promoting, other than Sunshine
12 Millions or even including Sunshine Millions?

13 Could we point to anything that
14 somebody could say that you really haven't promoted
15 yourself this year as previous years?

16 MR. McALPINE: Well, Jack can speak
17 specifically --

18 CHAIRMAN HARRIS: Yeah.

19 MR. McALPINE: -- but I can tell you that
20 we're trying to reallocate our marketing dollars to
21 spend it smarter. We're trying to look at not just
22 Sunshine Millions but a host of big days that occur
23 at both Santa Anita and Golden Gate and, later in the
24 year, at Bay Meadows to try to make those days
25 special events.

1 And not only are we going to try to
2 make them special events locally but, to the extent
3 we can, we're going to make 'em special events across
4 our network.

5 CHAIRMAN HARRIS: Uh-huh.

6 MR. McALPINE: And that's something we learned
7 through Sunshine Millions. And we know how to
8 mobilize, frankly, the entire nation and put out
9 point-of-sale material to different racetracks across
10 the country so their eyes are turned to major events
11 in California. And that's a big part of our program.

12 But, Jack, why don't you address that?

13 MR. McDANIEL: I think many of you are
14 familiar with our Thoroughbred program. I think it's
15 probably the model of the industry in terms of
16 outreach to veteran racetrack visitors. We are more
17 aggressive than we have been, at any point in the
18 past, in reaching out to those customers.

19 But most importantly -- and this will
20 put into perspective for you why we're investing and
21 where we're investing -- we realize that we're losing
22 or have lost considerable ground across the entire
23 country with bringing new visitors to the track.

24 Accordingly, we're borrowing pages
25 from some other, you know, comparable experience, for

1 example, theme parks. Theme parks cannot exist
2 simply on a ride inventory or a show inventory that
3 was built 10 years ago or 15 years ago. Every year,
4 they have to introduce something new. They introduce
5 that something new as a hook to draw people back to
6 the experience.

7 So in a sense, as you see
8 advertisements about Sirona's, for example, it's not
9 about Sirona's; it's about Santa Anita. We're
10 trying, in every way possible, to build the awareness
11 of Santa Anita.

12 And our strategy, going forward, is
13 that we're not going to go dark at the end of this
14 meet. We're going to try to stretch that message
15 across a 12-month period to make certain that people
16 are aware that, yeah, that we're in business and we
17 want to cooperate with all the other tracks and all
18 the other SCOTWINC facilities to essentially heighten
19 the awareness of both Santa Anita, those tracks,
20 those facilities, and the possibilities that wagering
21 and excitement that horse racing can bring.

22 MR. McALPINE: I think the one thing -- I sat
23 in on a meeting with Jack and the management team at
24 Santa Anita this morning. And a big part of the
25 meeting was talking about focussing and better

1 spending our marketing dollars. And we talked about
2 a new radio advertising campaign to reach out to
3 specific audiences.

4 And it's wonderful to hear how you can
5 do that, in conjunction with our concerts series,
6 because then we're reaching different demographics,
7 using different radio networks. And there's a much
8 more focussed approach to that type of investment
9 than we've had in the past.

10 MR. McDANIEL: There's no simple answer to
11 what -- the problems that we face. We are very much
12 a work in progress. We intend to be a work in
13 progress.

14 As I sat Saturday with Commissioner
15 Licht and we talked about the absence of the race
16 call for import races on our track, you know, we
17 realize that we're not doing enough to highlight the
18 fact that there are other opportunities besides our
19 great races and how to do that and how to do that in
20 the context of allowing our other veteran bettors to,
21 you know, focus on the races that are most important.
22 We think we can capture the power of our audio-visual
23 assets to great advantage.

24 So beginning this -- today and through
25 the rest of the week, we're going to begin to do

1 that. You know, we take those ideas quite seriously.
2 We want to, wherever possible, act immediately, not
3 cogitate, but actually put into play some of these
4 things that have been surfacing.

5 I think for years we've heard of all
6 these great ideas, you know. It's our plan to
7 execute as many of those as possible right now,
8 during the course of this meet.

9 (Commissioner Landsburg joins the
10 proceedings.)

11 CHAIRMAN HARRIS: I'd like to note that
12 Commissioner Alan Landsburg has joined our meeting.

13 Roger.

14 COMMISSIONER LICHT: I'd just like to say
15 that, despite all the problems in this industry which
16 we hear so often -- I mean I'm inundated with
17 complaints from people -- I think there's no question
18 that Santa Anita has made a major effort and has
19 succeeded in making the on-track experience, at
20 least, a lot more pleasurable for all of us, both the
21 ardent fan and player like myself and trying to
22 juggle that with drawing the new fans.

23 And that's a very difficult thing.
24 And we've seen that all across the board. I mean to
25 use another extreme -- TVG -- half the people tell

1 me, "Oh, TVG is too elementary. They're too silly.
2 They're aiming at people who don't know anything."

3 And then some people say, "Ah, they'll
4 never draw any new fans 'cause they show too many
5 races."

6 A very difficult tightrope to walk.
7 And I think that the on-track experience at Santa
8 Anita has been outstanding in that way.

9 MR. McDANIEL: Thank you.

10 MR. McALPINE: Thank you.

11 CHAIRMAN HARRIS: Yeah. Particularly, I think
12 the success of your FrontRunner, as far as popularity
13 in this new Siron- -- it's called "Sirona's"?

14 MR. McDANIEL: Sirona's.

15 MR. McALPINE: Sirona's.

16 CHAIRMAN HARRIS: And the entrance is
17 definitely very dramatic. Is there any way that -- I
18 mean one of the issues, I guess, with racing is we're
19 obviously trying to attract new fans and one way to
20 do that is get them there for something other than
21 wagering.

22 But ultimately, for the sport to
23 really benefit, we need 'em to be wagerers. Is there
24 any way to track if -- what type of new fans are more
25 likely to become wagerers or how to -- what sort of

1 promotions best work as far as transferring somebody
2 coming casually for some other event to be a
3 horseplayer?

4 MR. McALPINE: We've got a little bit of
5 experience doing that because we started concerts in
6 Florida before we started them in California and we
7 actually bar -- we give these customers betting
8 vouchers. And we bar-code the vouchers. And then
9 we're able to track how much betting is actually done
10 by those people.

11 That's wonderful in terms of that day.
12 One of the challenges is to determine "Did they come
13 back?" because we're not looking for one-stand dates.
14 We're looking for a continuing relationship. And
15 we're trying to develop technology that will allow us
16 to do that.

17 One of the ultimate technologies will
18 be when people actually have a card they swipe at the
19 betting machine so you know, in fact, how much is
20 being bet by an individual person as you would in
21 Vegas, when somebody bets at Vegas -- Vegas or plays
22 a slot machine at Vegas.

23 So there's technology that we can
24 employ that will help us understand the customer base
25 better. And I think that's what Jack's saying.

1 We're starting to use it.

2 MR. McDANIEL: In point of fact, if you've
3 seen it on Saturdays, we produce a live show. The
4 live show is intended not for a broadcast audience
5 but for the people to come to the track. The purpose
6 of the show is to break down the sport, break down
7 the barriers to the sport in terms of the
8 unfamiliarity and personalize our greatest -- our
9 greatest stars.

10 So we have our jockeys, our trainers,
11 our owners. All take a turn on the couch. They all
12 come up, and they all speak. The jocks take their
13 hats off. They sit down. It's a comfortable,
14 relaxed setting. We want to create that kind of
15 relationship of our fan at the track with these
16 important assets.

17 CHAIRMAN HARRIS: I seem to recall last -- it
18 seems -- didn't you, in some previous years, have a
19 show on Los Angeles television that was from Santa
20 Anita but that has been discontinued? It was felt
21 that that was not cost effective or what?

22 MR. McALPINE: No, it wasn't. We would have
23 liked to have continued -- I guess we've had
24 different shows. We had the Fox show.

25 CHAIRMAN HARRIS: Uh-huh.

1 MR. McALPINE: And then we had the KDOC?

2 UNIDENTIFIED SPEAKER: Yes. Friday night,
3 right after the replay show --

4 MR. McALPINE: Right.

5 UNIDENTIFIED SPEAKER: -- we had a call-in
6 talk show.

7 MR. McALPINE: Right. And I mean, in some
8 cases, it's a question of inability to renew the
9 contract. In other cases, it's an issue of us trying
10 to assess the value of that program against the
11 dollars that were spent on it versus spending those
12 dollars somewhere else.

13 So we continue to try to figure out,
14 "What's the right mix in terms of our spending?"

15 COMMISSIONER LICHT: If there's ever
16 anything -- and I'm sure I'm preaching to the choir
17 here -- that would be right for that is that Magna-5.
18 I mean to have five races in one hour -- boom, boom,
19 boom -- with quick-picks and everything else, it sure
20 seems like that would be great.

21 MR. McALPINE: I would agree with you.

22 CHAIRMAN HARRIS: On the Magna-5, I'm not
23 clear where the hub -- 'cause apparently that is a
24 22 percent takeout bet -- but who gets what, really,
25 when someone bets? Is the money that is bet in

1 California, where -- does it stay in California? Or
2 how does that work?

3 MR. McALPINE: It's hubbed out of -- it's
4 hubbed out of Maryland --

5 CHAIRMAN HARRIS: Uh-huh.

6 MR. McALPINE: -- that bet -- because Laurel
7 is basically the bet. And the, yeah, takeout is
8 allocated back, based upon where the betting came
9 from.

10 COMMISSIONER LICHT: So what's bet in
11 California stays in California?

12 MR. McALPINE: I believe -- where's Ron?

13 Yes. Yes.

14 CHAIRMAN HARRIS: So what -- what have the
15 pools been running on that?

16 MR. McALPINE: Well, the first week, we were
17 460,000. The second week, we were five -- 505 or
18 550? -- 505. And the last week, we were 575. So
19 it's exceeded the guarantee for the second and third
20 weeks. And we would expect to continue that --
21 that --

22 CHAIRMAN HARRIS: Uh-huh. Any other
23 Commissioners have anything they'd like to ask or
24 have clarified?

25 (No audible response.)

1 CHAIRMAN HARRIS: Anyone in the audience have
2 any comments?

3 (No audible response.)

4 CHAIRMAN HARRIS: We appreciate hearing from
5 you. I think we appreciate that it's a difficult job
6 in today's world to run a racetrack with all the
7 competition. And I think it's important that we just
8 do everything we can to make it work 'cause so many
9 livelihoods depend on it and --

10 COMMISSIONER LANDSBURG: I haven't seen the --
11 I don't know whether this is on or not --

12 CHAIRMAN HARRIS: Push the little button
13 there. Yeah.

14 COMMISSIONER LANDSBURG: I don't know
15 whether -- does your web site pay special attention
16 to the Pick-5, in that, producing a card and a
17 reference? Because I didn't see it on the web site.
18 But that doesn't mean it isn't there. I've been away
19 from the web site for a while.

20 MR. McALPINE: We do. And we even have a
21 special Magna 5 web site. So there's lots of
22 criss-cross references between our different web
23 sites to get you there.

24 COMMISSIONER LANDSBURG: It's linked to your
25 Santa Anita?

1 MR. McALPINE: Yes. Yes.

2 COMMISSIONER LANDSBURG: I haven't seen it
3 yet, but it's only because I've been a little busy
4 with other stuff.

5 CHAIRMAN HARRIS: How are we doing on trying
6 to get more outlets for the Horse Racing TV
7 production? I know you did pick up some cable
8 channels. But has there been any additional outlets
9 there?

10 MR. McALPINE: Well, we're up to about a
11 million five --

12 CHAIRMAN HARRIS: Uh-huh.

13 MR. McALPINE: -- subscribers who have good
14 access to HRTV today across the country. And we
15 continue to work to try to grow that. As you know,
16 it's a complex process. But we're out there with our
17 sales force, daily trying to strike new deals.

18 CHAIRMAN HARRIS: One other issue that's
19 important in any business is trying to access free
20 media. I mean there's always the pay-media type
21 things.

22 But what sort of outreach efforts do
23 you have to try to interest, you know, the general
24 media or even the horse racing media in different
25 things you're doing or different -- different stories

1 you think you might be able to generate that would
2 help you that wouldn't really cost anybody anything?

3 MR. McDANIEL: Could we invite Chris up to --

4 Could you tell the story of Huell
5 Howser. I think that is the --

6 MR. McCARRON: Well, fortunately, Huell
7 Howser, who has that show, "California Gold" --

8 I'm sorry. Chris McCarron, Santa
9 Anita.

10 MR. WOOD: Chris, I'm sorry. Could you
11 identify yourself for the court reporter?

12 MR. McCARRON: I just did.

13 MR. WOOD: Okay.

14 MR. McCARRON: Microphone doesn't want to stay
15 down.

16 MR. McALPINE: Here. I'll hold it for you.

17 MR. McCARRON: Give me a leg up. He was here
18 last Saturday, as -- for those of you who don't know
19 who he is, he's got a show called "California Gold."
20 It's got a pretty good distribution on PBS. And they
21 show the show over and over again.

22 And he was very impressed with the
23 Seabiscuit tour. And he spent about three hours in
24 the morning at Santa Anita. He showed up at
25 Clockers' Corner at about 7:00 o'clock; went around;

1 interviewed trainers, fans, owners; and then took the
2 9:00 o'clock Seabiscuit tour and then spent the rest
3 of the day at the races as well -- at least the
4 better part of the day -- up at the press box and
5 everything.

6 And he was very encouraging to us. He
7 warned George Haines and Mike that we'd better be
8 ready for the onslaught because people do react to
9 his show positively and do attend the various venues
10 that he tries to get people to -- to enjoy. And so
11 we're pretty pumped about that.

12 COMMISSIONER MORETTI: When's it going to air?

13 MR. McCARRON: It's going to air -- he said in
14 two weeks -- so two weeks from last Saturday. And
15 then it will be shown a number of times.

16 CHAIRMAN HARRIS: Yeah. That's great. 'Cause
17 it's too bad -- oftentimes racing gets covered if we
18 have a spill or some negative issue. But we need to
19 figure ways to show all the positive, exciting things
20 that are happening.

21 MR. McALPINE: And I think we're actually
22 trying to increase our outreach program to the
23 general press to be more accessible and to try to
24 anticipate some of the issues and communicate at the
25 beginning rather than trying to recover at the end,

1 which hopefully will be helpful.

2 CHAIRMAN HARRIS: Uh-huh. On your -- you
3 mentioned a lot of the improvements. Are you going
4 to be able to incorporate some of those into your --
5 when you became a satellite 'cause one of my concerns
6 historically some of the facilities you used for the
7 satellite wagering weren't really your best
8 facilities.

9 Will you be able to use some of the
10 new things for your satellite wagering?

11 MR. McDANIEL: In fact, Mr. Chairman, we
12 believe that Sirona's is perhaps that prototype of
13 what we'd like to see in satellites, not, you know --
14 and we freely invite, you know, the satellites in
15 this -- this Southern California market to borrow
16 heavily from those experiences.

17 We introduced four big screen -- the
18 biggest screens outside of a movie theater that you
19 can find -- high-definition, high-resolution
20 projection systems. We're beginning to partner with
21 HD Net and actually produce segments in high
22 definition. The high-definition horse racing will be
23 the most exciting thing I can possibly imagine.

24 And Mr. McCarron and others are going
25 to try to invent new ways to get sound from, you

1 know, from different segments of the sport into the
2 sound systems. If we can start to wrap our arms
3 around the production capabilities and the
4 possibilities, the entertainment possibilities of a
5 horse race, and then export those to the satellites,
6 I think that could be a great advantage for our
7 industry.

8 CHAIRMAN HARRIS: Yeah. That's a good point.

9 MR. McALPINE: And just to pick up on
10 Jack's -- we are running a series of races from Santa
11 Anita over HD Net. And HD Net reaches about 7
12 million people. And as Jack says, I don't know how
13 many of you have experienced live horse racing on
14 high-def television, but it is absolutely
15 unbelievable.

16 MR. McDANIEL: In fact, you can come for our
17 Big Cap and actually see it in action.

18 MR. McALPINE: Right.

19 CHAIRMAN HARRIS: Is that what is on the
20 screens, some of the new screens you have? Is that
21 high definition? Or does that have to be something
22 else?

23 MR. McDANIEL: They are high-definition
24 capable. So they are future proof for this
25 opportunity. And this opportunity has come much

1 faster than we might have imagined it. We're very,
2 very excited.

3 Now, the segments that Jim is
4 referring to are going to be mostly tape-delay
5 segments for their audiences to tape Saturday for
6 Sunday. But we can take their live feeds and show
7 'em to our visitors in eight different locations
8 around the track.

9 MR. McALPINE: This HD is very complicated
10 'cause there's two ends of it. One is the TV has to
11 be HD compatible. And the other is the cameras have
12 to be shooting at HD quality. So there isn't very
13 much HD-quality camera equipment out in horse racing.

14 CHAIRMAN HARRIS: Yeah.

15 MR. McALPINE: And the beauty of venturing
16 with HD Net on a project like this is they've got
17 that investment. All we need to have is the
18 investment in the television to be able to show it.
19 So it's very exciting.

20 CHAIRMAN HARRIS: It is.

21 Any other comments on this from the
22 Board or in the audience?

23 (No audible response.)

24 CHAIRMAN HARRIS: Oh, well. Thank you very
25 much.

1 MR. McALPINE: You're welcome. Maybe, before
2 I finish, I'd just make one other comment.

3 I notice that Jack Liebau is in the
4 audience. And I'd like to publicly thank Jack Liebau
5 for the leadership he provided to MEC's California
6 operations over the past several years. I consider
7 Jack a good friend of mine and hopefully a good
8 friend of MEC forever. And I want to publicly
9 acknowledge what he contributed to our company.

10 So thank you, Mr. Chairman.

11 (Applause.)

12 CHAIRMAN HARRIS: And I hope Jack stays
13 around. We've got to have somebody to complain to
14 about things.

15 Okay. The next item is going to be
16 the staff report on the concluded race meetings. We
17 just have one -- Los Alamitos Quarter Horse Racing
18 Association.

19 MR. REAGAN: John Reagan.

20 CHAIRMAN HARRIS: John Reagan's going to
21 present that.

22 MR. REAGAN: Commissioners, John Reagan, CHRB
23 staff. Yeah. We have just the one report this
24 month -- the Los Alamitos Quarter Horse from last
25 year. Total handle up 6 and a half. On-track, down

1 3 and a half. Off track, down 5.

2 Of course, huge increase in the ADW,
3 as we've experienced in the last year or two as we
4 crank that up. So overall -- also, I might mention
5 that I just took a quick look at this year. And
6 they're off to a real good start. Everything is up
7 this year at Los Alamitos Quarter Horses.

8 So any questions you have, we'll try
9 to answer. But I think, overall, they're doing well.

10 CHAIRMAN HARRIS: I think I saw some data that
11 showed that the quarter horse Los Alamitos ADW handle
12 was up pretty dramatically.

13 MR. REAGAN: Let's see here. Yeah. I think
14 this year -- so far, for 2004, it looks like they're
15 up about 30 percent -- more than 30 percent. So
16 they're still having a good increase in that ADW, as
17 many of the associations are.

18 COMMISSIONER LICHT: Part of that is TVG has
19 allocated a lot of resources to that show -- "The
20 Quarters" -- with live broadcast on-track from Los
21 Alamitos quite often. It's an excellent show too.

22 CHAIRMAN HARRIS: Yeah.

23 You know, we're moving along so fast,
24 I don't know what to do.

25 Let's -- we've got --

1 MR. WOOD: Take a break, if you want.

2 CHAIRMAN HARRIS: Well, why don't we try to
3 get one more item in and then -- well, let's go ahead
4 and take -- why don't we take a break now?

5 I brought some cookies, actually --
6 that's part of my kinder, gentler chairman program --
7 that I'll share with everybody. I brought some
8 coffee. I don't know whether we've got cups for
9 everybody. But why don't we take a break for about
10 10 minutes? And we'll still finish up in good shape.

11 (Break -- 10:28 - 11:06 A.M.)

12 CHAIRMAN HARRIS: Could we go back on the
13 record here? We're going to do a short executive
14 session before we reconvene the general meeting. And
15 we'll be back shortly. Let's go out here a second.

16 (Board Members leave the council
17 chambers to meet in executive
18 session -- 11:06 - 11:20 A.M.)

19 (Board Members reenter the council
20 chambers.)

21 (Break -- 11:20 - 11:47 A.M.)

22 CHAIRMAN HARRIS: Why don't we go ahead with
23 the meeting as soon as we get everybody back here?
24 Okay. We're back in session now. We have everyone
25 back that was here.

1 Very pleased that we're going to now
2 move to Item 4 for discussion and action by the Board
3 on the application for a license to conduct a horse
4 racing meeting of Capitol Racing. And I understand
5 that there is a resolution to the dispute that is
6 being placed.

7 Who's going to start that off?

8 UNIDENTIFIED SPEAKER: Mr. Blonien.

9 MR. BLONIEN: Mr. Chairman and Members, Rod
10 Blonien, representing Los Alamitos Quarter Horse
11 Racing Association. We have reached agreement with
12 Mr. Bieri and Capitol Racing and the Harness Horsemen
13 as well as our horsemen -- Quarter Horse Horsemen --
14 in terms of our dispute.

15 And we would ask that this be placed
16 as a condition on the license of Capitol Racing. And
17 I will go through the items and then ask that this be
18 made a part of the motion.

19 The situation will be as follows:
20 There is \$500,000 that Capitol is holding in a trust
21 account, pursuant to previous objections that have
22 been made by the Quarter Horse Horsemen, relating to
23 their license. That 500,000 will be paid to Los Al
24 forthwith.

25 In addition, it's my understanding

1 that Mr. Wood has a check that he was given today by
2 Capitol for mispayment -- misdirected payment
3 relating to advance deposit wagering that will be
4 given to Los Al today.

5 Additionally, there is approximately
6 1.3 million that Los Al is holding that is --
7 ordinarily would be paid to Capitol. Los Al will
8 keep that 1.3 million.

9 UNIDENTIFIED SPEAKER: Hold it.

10 MR. BLONIEN: Hold it.

11 Excuse me. Mr. Neumeister says that
12 1.3 million is to the horsemen.

13 Additionally, Mr. Bieri and Capitol
14 will post a bond in the amount of \$1 million to
15 secure additional amounts that are due and owing.

16 All of the money that we've just
17 talked about being paid back and forth is contingent
18 on the decision by the superior court in Sacramento.
19 If Los Al prevails in that lawsuit and the court
20 decides in favor of the Horse Racing Board and the
21 real parties in interest, then that money will be Los
22 Al's, and Capitol will be required to pay the
23 additional of approximately 1.3 million.

24 If, on the other hand, Capitol
25 prevails, then Los Al will have to pay back those

1 sums that have been forwarded to Los Al pursuant to
2 the agreement that I've just described. And let me
3 say that this is all contingent upon the ultimate
4 resolution of this case.

5 And then, in terms of going forward,
6 the parties have agreed that the Zumbrun agreement
7 will continue to be the formula upon which impact
8 fees will be regarded in the future.

9 And half of the formula to the
10 addendum to the Zumbrun agreement will be put in a
11 trust account -- will be given to the Horse Racing
12 Board to be put in the trust account under the
13 control of the Horse Racing Board, that money
14 eventually to be paid to the prevailing party when
15 there's a final resolution of the issue.

16 The other half will be available to
17 Capitol Racing to use in terms of their cash flow.
18 But the Zumbrun agreement will be applied by the
19 parties and by this Board in deciding what the
20 amounts should be, once it is known who the ultimate
21 prevailing party is in this litigation.

22 COMMISSIONER LICHT: What happens, going
23 forward --

24 UNIDENTIFIED SPEAKER: Do you want to correct
25 it, or do you want me to --

1 COMMISSIONER LICHT: What happens, going
2 forward, until the court makes its ruling?

3 MR. BLONIEN: That's what we intend.

4 CHAIRMAN HARRIS: Okay.

5 MR. BLONIEN: David?

6 MR. NEUMEISTER: I only want to clarify Mr.
7 Blonien's description of our agreement to the extent
8 that we are not agreeing that we owe any amount of
9 money prospectively. We are going to operate as if
10 we did, under the formula in the Zumbrun agreement.

11 If the court -- if we prevail in
12 court -- "we" meaning "Capitol and the horsemen"
13 vis-a-vis the order of the Racing Board of May 12 --
14 then this Board will decide how much we owe Los
15 Alamitos. That's the way I read it because it's your
16 order.

17 But, in other words, as I understand
18 it, the money that we are setting aside, which is
19 half of the Zumbrun formula, is sort of like a bond.
20 It's, like, security. And we will operate as if that
21 formula were in effect; but we are not, by any means,
22 agreeing that we owe an impact fee under that
23 formula.

24 In other words, it's sort of like
25 paying it under protest.

1 MR. BIERI: It's actually not "sort of
2 like" -- Steve Bieri, B-i-e-r-i, Managing Member of
3 Capitol Racing -- we're doing it under protest. But
4 in order to facilitate moving forward, we've chosen
5 this path.

6 I just wanted to say that, when he
7 said -- when Mr. Blonien had said, "It is to secure
8 monies owing," what we are really doing is passing
9 money through to Los Alamitos now and then giving
10 them other forms of security but without any
11 admission as to whether we do or do not actually owe
12 any fee at all. That will be figured out in the
13 future.

14 And there's a lot of discussion.
15 People are using these terms interchangeably. But
16 we're working with the formula that was in the
17 memorandum from Alan Horowitz that is the two-page
18 memorandum that has the actual calculation in it.
19 And that's the basis that we'll use for setting aside
20 the funds.

21 COMMISSIONER SPERRY: The horsemen and both
22 parties agree?

23 UNIDENTIFIED SPEAKER: Excuse us a second.

24 MR. BIERI: Oh, what -- what --

25 COMMISSIONER LANDSBURG: Let's not let it get

1 unwound, gentlemen.

2 MR. BIERI: No. No. We're not. Once the
3 court ruling decides, then I believe we will be back
4 here in front of you to see what happens after that.
5 But this gets us through the time of the court.

6 COMMISSIONER LANDSBURG: Okay.

7 MR. BIERI: And we're prepared to move forward
8 with this.

9 COMMISSIONER LANDSBURG: Thank you.

10 MR. BLONIEN: It's Rod Blonien, again. As you
11 perhaps know, there's a motion set tomorrow, seeking
12 a stay of whatever order is coming from -- forth from
13 this Board.

14 Los Al and the Quarter Horse Horsemen
15 are not parties to that litigation. But we would
16 like this Board to know that we intend to ask the
17 court to be joined in the litigation and we will be
18 there to help defend your order.

19 MR. BIERI: We are hoping that you give us our
20 license today, based on this, and that we don't have
21 to go to court tomorrow.

22 MR. WOOD: Mr. Chairman, based upon this
23 agreement between these two parties and their
24 horsemen, the staff will remove its objection to the
25 approval of the license application.

1 COMMISSIONER LICHT: There were other
2 objections voiced at our prior meetings, particularly
3 the last meeting. Do we need to discuss any of
4 those?

5 MR. WOOD: The other areas that were discussed
6 at the other meeting concerned the financial --

7 UNIDENTIFIED SPEAKER: I don't think your
8 mike's on.

9 MR. WOOD: -- statements of the operators and
10 of Capitol Racing. And the staff, along with the
11 people who've brought those to our attention, are
12 going through those financial-condition situations
13 now. At this time we're not ready to say that those
14 are completed. We're still going through that
15 evaluation.

16 COMMISSIONER LICHT: Well, but it becomes a
17 moot point, if -- once we're issued the license.

18 MR. WOOD: Yes. It could be that, after the
19 license is issued, that this may be an issue for the
20 next time around.

21 CHAIRMAN HARRIS: Yeah. This license only
22 extends through July 31 of this year.

23 Any other comments from --

24 COMMISSIONER LANDSBURG: I just have one
25 comment. The only concern is horsemen. I personally

1 am pleased that you've reached some agreement that
2 allows the horsemen to have some breathing room.
3 They're the important ones, gentlemen, not the makers
4 of deals. Horsemen are what we live on and what we
5 will die on, if we cut them off.

6 I am pleased, beyond any words that I
7 have, that you have reached at least a tentative
8 agreement now subject to court and Board approvals
9 later. But we can move forward with some sureness
10 now that our horsemen are taken care of.

11 CHAIRMAN HARRIS: Thank you, Alan.

12 Any comments from other parties or
13 audience or the Commissioners?

14 COMMISSIONER LANDSBURG: I move that we
15 approve the license for Capitol Racing --

16 MR. WOOD: Under the conditions --

17 COMMISSIONER LANDSBURG: -- under the
18 conditions stated for the record by both parties
19 concerned.

20 CHAIRMAN HARRIS: Is there a second?

21 COMMISSIONER MORETTI: Second.

22 COMMISSIONER BIANCO: Second.

23 CHAIRMAN HARRIS: Discussion on the motion?

24 (No audible response.)

25 CHAIRMAN HARRIS: Hearing none, all in favor?

1 BOARD MEMBER VOICES: Aye.

2 CHAIRMAN HARRIS: Opposed? Nay?

3 (No audible response.)

4 CHAIRMAN HARRIS: No. No nays.

5 MR. BLONIEN: Mr. Chairman, I respectfully
6 request that Mr. Wood give us the money.

7 COMMISSIONER LANDSBURG: Greed reigns.

8 CHAIRMAN HARRIS: I'd really like to
9 appreciate -- to voice my great appreciation -- I'm
10 sure the Board shares it -- to all the parties that
11 worked hard together to get this done.

12 This is probably the most troubling
13 dispute that I've had the opportunity to be involved
14 in, in any form of my businesses, in quite a while,
15 that I really -- it's always tough to sort out all
16 the different issues. And I think the best
17 resolution is for the parties to resolve.

18 And I commend 'em on doing that. And
19 I hope that spirit of cooperation will continue going
20 forward.

21 COMMISSIONER LANDSBURG: John, I would like to
22 say that most of us have been here for a lot of the
23 trepidation, arguments, and struggles. Mr. Wood has
24 been here longer and more centered in it. And I
25 think our Executive Director, who is quite often

1 pelted by some parts of this industry, should get a
2 hand for what he has done in helping make this
3 possible.

4 (Applause.)

5 CHAIRMAN HARRIS: Yeah. I think Roy snatched
6 victory from the jaws of defeat in the last hour or
7 so.

8 COMMISSIONER SPERRY: Mr. Chairman, I presume
9 Item Number 5 is withdrawn?

10 CHAIRMAN HARRIS: Yes. I assume so.

11 MR. WOOD: Mr. Chairman, could I just say one
12 thing?

13 I just want to acknowledge a long-time
14 racing participant in California racing -- Mr. Lloyd
15 Arnold, whose application was in here. I think we
16 need to recognize him.

17 (Applause.)

18 CHAIRMAN HARRIS: Okay. Well, we're moving
19 along pretty well again with the election of a Board
20 Vice-Chairman.

21 Vice-Chairman Commissioner Sheryl
22 Granzella, who is absent today but is still on the
23 Board, has had some personal health issues with her
24 parents and feels that she needs to spend much more
25 time with them than she envisioned when she took the

1 vice-chairman job and has asked to resign from that
2 position and remain on the Board and remain on her
3 committees but step down as vice-chairman.

4 So we need to elect a new Board
5 Vice-Chairman.

6 COMMISSIONER SPERRY: Mr. Chairman, I would
7 nominate Roger Licht.

8 CHAIRMAN HARRIS: Is there a second?

9 COMMISSIONER BIANCO: Second.

10 COMMISSIONER MORETTI: Second.

11 CHAIRMAN HARRIS: Any other nominations?

12 (No audible response.)

13 CHAIRMAN HARRIS: Hearing none, I'll close the
14 nominations. And all in favor of Roger Licht for
15 Vice-Chairman?

16 BOARD MEMBER VOICES: Aye.

17 CHAIRMAN HARRIS: Any opposed?

18 (No audible response.)

19 CHAIRMAN HARRIS: Glad to have Roger in this
20 position. He's been very active in helping the
21 racing industry.

22 And I think you do an outstanding job.
23 You will be a big help to me.

24 Move on to "General Business" --
25 communications, reports, requests for future action

1 of the Board. Anyone have anything on that?

2 (No audible response.)

3 CHAIRMAN HARRIS: Any old business -- oh, go
4 ahead, Mr. Blonien.

5 MR. BLONIEN: Just, under "General Business,"
6 this may be Mr. Landsburg's last meeting. Hopefully
7 it won't be. But I just want to thank Alan for his
8 years of service on the Board. And he's been a
9 long-time friend and enjoyed working with him on TOC.
10 And I just hope he continues to stay involved in the
11 industry. And hopefully he'll be back next month.

12 But in case the governor chooses
13 someone else, I wanted to have this opportunity to
14 thank you, Alan.

15 He asked that I not sing but --

16 COMMISSIONER MORETTI: I was waiting for that.

17 CHAIRMAN HARRIS: We need to make it official
18 if Alan is on or not on; but definitely, at some
19 point, we need to hear you sing.

20 MR. BLONIEN: Yeah. That's why I'm going to
21 hold the song -- I'm going to hold the song in
22 reserve.

23 CHAIRMAN HARRIS: Hold your song in
24 abeyance --

25 MR. BLONIEN: Yes.

1 CHAIRMAN HARRIS: -- but come back.

2 MR. BLONIEN: I know we have two producers of
3 movies and televisions here today. And I wanted to
4 talk just for a second about something that's
5 happened to the card-club industry that I think you
6 all know I do a lot of work for.

7 And that is, with the World Poker Tour
8 and the Celebrity Poker Tour that are shown on Bravo
9 and the Travel Network -- this has resulted in
10 substantial new business for the card clubs in the
11 State. I've heard of increases from 20 percent to 40
12 percent in the poker business.

13 And I can tell you, having a young
14 20-year-old son in college -- he and his buddies
15 watch religiously the poker shows. And they spend a
16 lot of time trying to learn the game, "Texas Hold
17 'Em." It's really rejuvenated the card-club
18 business.

19 And I would hope that, with the genius
20 of Mr. Landsburg and the other gentleman that's here,
21 that they could find a way to put something like that
22 on Bravo or Travel or some other channel that would
23 hopefully cause the fans to come flocking back to our
24 racetracks.

25 And I don't know what the formula is,

1 but hopefully they can figure it out 'cause I think
2 it would really help us all. Thanks.

3 COMMISSIONER LANDSBURG: In answer to
4 Mr. Blonien, I've retired. So you only have one left
5 who cares enough about poker, and it is one of the
6 most fascinating things on television. But I don't
7 want anything competing with racing.

8 CHAIRMAN HARRIS: No.

9 MR. BLONIEN: You could unretire, Alan.

10 CHAIRMAN HARRIS: He's not going to retire.
11 He's still doing something. But, yeah, it is pretty
12 phenomenal that that has become so popular and it
13 bodes well for something that we could use. I
14 understand that those are not really live shows
15 either. You're really watching a --

16 COMMISSIONER LANDSBURG: No. They're all --
17 they're post manufactured.

18 CHAIRMAN HARRIS: Oh, but their ratings, I
19 think, are good.

20 Any other general business? Any old
21 business?

22 We want to acknowledge and commend
23 Nora Williams, who is retiring on March 31 after 20
24 years with the CHRB. In the last 12, she's been the
25 licensing supervisor in Southern California. And

1 appreciate all the things that she's done for CHRB
2 and her diligence.

3 (Applause.)

4 CHAIRMAN HARRIS: And stepping into her
5 position as a new licensing supervisor is Laura
6 Sandoval.

7 (Applause.)

8 CHAIRMAN HARRIS: Laura's been with the CHRB
9 for 12 years herself. So we're fortunate to have
10 some good people with long-time connections with our
11 industry.

12 Anything else to come before the
13 Board?

14 We're going to have an executive
15 session following this meeting. But this meeting's
16 adjourned. Thanks so much for your participation.

17 (Proceedings concluded at 12:05 P.M.)

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