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BEFORE THE CALIFORNIA HORSE RACING BOARD

OF THE STATE OF CALIFORNIA

ALAN W. LANDSBURG, CHAIRMAN

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

Transcript of Proceedings

Monrovia, California

Thursday, March 28, 2002

Reported By:

Tiffany C. Kraft, RPR

CSR No. 12277

Job No.:

CHBK485

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In The Matter Of:)
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Regular Board Meeting of the)
California Horse Racing Board)
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TRANSCRIPT OF PROCEEDINGS, taken
at 924 Huntington Drive, Monrovia,
California, before ALAN W. LANDSBURG,
Chairman, commencing at 10:06 a.m.,
on Thursday, March 28, 2002, reported by
TIFFANY C. KRAFT, RPR, CSR No. 12277, a
Certified Shorthand Reporter in and for the
State of California.

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01 APPEARANCES:

01

02 Chairman: Alan W. Landsburg

02

03 Vice Chairman: Roger H. Licht

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04 Executive Director: Roy C. Wood, Jr.

04

05 Commissioners: William A. Bianco

05

06 Sheryl L. Granzella

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07 John C. Harris

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08 Marie G. Moretti

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09 John C. Sperry

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Monrovia, California, Thursday, March 28, 2002

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10:06 a.m.

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MR. WOOD: Good morning, and welcome to the regularly

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scheduled meeting of the California Horse Racing Board.

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This meeting is being conducted on Thursday, March 28,

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2002. We're at the Holiday Inn in Monrovia Drive -- on

09 Monrovia Drive in Monrovia, California.

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

15 Before we go forward with the business of this
16 morning's meeting, I would respectfully request if you
17 have testimony to give to the Board, you state your name
18 and your organization for our court reporter. If you have
19 a business card to provide her, it would be much
20 appreciated. With that, I'd like to turn the meeting over
21 to our chairman, Mr. Alan Landsburg.

22 MR. LANDSBURG: Thank you. I've just turned off my
23 cell phone. I hope most of you can put it on vibrate or
24 something.

25 Welcome to the meeting. Our first order of
26 business is approval of the regular meeting of
27 January 24th. I don't normally ask for anything more, but
28 I would recommend to my fellow Commissioners and all those
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01 here to reread those minutes because there's a lot of
02 verbiage in it which should be checked. And at this point
03 in time -- but at this moment I will ask for a motion to
04 approve the minutes of January 24th. Do I have such a
05 motion? Is there any discussion? All in favor?

06 MR. LICHT: Aye.

07 MR. BIANCO: Aye.

08 MS. GRANZELLA: Aye.

09 MR. HARRIS: Aye.

10 MS. MORETTI: Aye.

11 MR. SPERRY: Aye.

12 MR. LANDSBURG: Opposed? Motion is carried. And we
13 have approval of the minutes of the regular meeting of
14 January 24th.

15 The next item on our agenda is -- and discussion
16 is action of the Board ADW license for Youbet. Mr. Reagan,
17 would you give us a staff briefing.

18 MR. REAGAN: Good morning, Commissioners. John
19 Reagan, R-e-a-g-a-n, Board Staff.

20 Commissioners, Youbet is asking that we amend
21 their original ADW application. It's been approved in
22 February, and at that time there was a mention that they
23 would be putting together some live operators to handle
24 the account wagering. They submitted a brief plan for
25 that.

26 I was at their facility yesterday, inspected the
27 area. It looks like it probably will work as they put it
28 together. They're getting advice and input from

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01 Local 280. So I think we have a good chance for
02 successful operation there.

03 In addition, there have been some management
04 changes to -- at Youbet, and we included their Internet
05 press release to just outline that. I see that they're
06 here today, so they may want to speak to that. But
07 overall, it appears that -- excuse me --

08 MR. LANDSBURG: Cell phones.
09 MR. REAGAN: Overall, it appears that everything here
10 is in order. And if anybody has any questions, I'm sure
11 we can get some answers.
12 MR. LANDSBURG: Is there a statement from -- I'm
13 sorry. Question or statement from Youbet or -- please be
14 recognized for standing up for discussion.
15 MR. HASSON: Joe Hasson with Youbet.com here to
16 answer any questions from the Board.
17 MR. LANDSBURG: To the microphone if you would.
18 MR. HASSON: I'm here to answer any questions from
19 the Board.
20 MR. LANDSBURG: I have not had a chance -- because
21 there's pressing personal problems. But I would like to
22 know what it is that -- what the amendment -- if you would
23 just summarize the amendment for us.
24 MR. HASSON: Our plan is to have live operators
25 operating out of our Woodland Hills facility out of the
26 jurisdiction of the California Horse Racing Board. They
27 would assist our customers in transmitting --
28 MR. LANDSBURG: Can everybody hear in the back, or do
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01 you need the microphone?
02 MR. HASSON: Thank you.
03 Our amendment proposes that we have live
04 operators based in our Woodland Hills facility from
05 Local 280. They'll be under the jurisdiction of the
06 California Horse Racing Board. They will assist our
07 customers in placing wagers, actually transmitting
08 instructions to the tote in Oregon, which is under the
09 jurisdiction of Oregon Racing Commission.
10 MR. LANDSBURG: And you will be hiring a number of
11 local pari-mutuel operators to man the phones; is that
12 what I understand?
13 MR. HASSON: That is correct.
14 MR. LANDSBURG: And personally, because part of this
15 entire operation was in support of labor in California,
16 I'm very pleased to hear about this.
17 Further discussion, questions? Go ahead. Are
18 you --
19 MR. HARRIS: I just notice on your press release you
20 talk about you have wager accessibility to all the major
21 racetracks. Have you been able to work out anything more
22 with any of the California racetracks that you didn't
23 have --
24 MR. HASSON: We're currently in discussions with
25 California Fairs and Cal Expo.
26 MR. HARRIS: But the MAGNA tracks, you don't have
27 that?
28 MR. HASSON: Correct. In California.
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01 MR. HARRIS: Do you have them in other states?
02 MR. HASSON: Yes.
03 MR. LANDSBURG: Further questions?
04 Since you have new officers, is there any
05 statement that they would like to make to the Commission,
06 Commissioners, and to the audience here? Could we meet

07 them at the very least for the purpose of knowing who they
08 are and what future plans and hopes are for your
09 organization?

10 MR. MARSHALL: Thank you, Mr. Chairman. My name is
11 David Marshall. I'm the Chairman CEO and original founder
12 of Youbet.com. I left the company in 1999, and I've just
13 returned last week, and pleased to answer any questions
14 that you have.

15 I'd like to congratulate this committee and
16 racing industry for moving forward in California with ADW.
17 I know it's been a bit of a process for it to get here.
18 It's very encouraging. From our side there has been some
19 great attention to this in that we're actually here to
20 launch and provide this service in California. Any
21 questions?

22 MR. LANDSBURG: Any questions or discussion?

23 David, thank you. If there is anyone else from
24 your organization you'd like to be introduced, please do
25 so. And we'll move on if you don't.

26 MR. MARSHALL: Perhaps at the next meeting of the
27 Board we can come up with our full management team and do
28 a little product presentation.

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01 MR. LANDSBURG: We'd like to hear about the update.
02 Thank you very much.

03 Now, is there any further discussion? I'll ask
04 for a motion to approve the amendment to the ADW license
05 for Youbet.

06 MR. BIANCO: I'm make a motion.

07 MS. GRANZELLA: Second.

08 MR. LANDSBURG: Second by Sheryl -- Ms. Granzella.
09 I'll get it right one day, but I'm tired today. And all
10 in favor?

11 MR. LICHT: Aye.

12 MR. BIANCO: Aye.

13 MS. GRANZELLA: Aye.

14 MR. HARRIS: Aye.

15 MS. MORETTI: Aye.

16 MR. SPERRY: Aye.

17 MR. LANDSBURG: Aye. Opposed? Motion is carried
18 unanimously for the acceptance of the amendment to the ADW
19 license for Youbet. Thank you for coming.

20 Our next item is discussion and action by the
21 Board on the amendment to the ADW License of XpressBet.

22 Mr. Reagan.

23 MR. REAGAN: Commissioners, little simpler situation
24 here. XpressBet is simply wishing to change the
25 organization that does the third-party verifications. Both
26 organizations, of course, are quite capable. But for
27 business reasons, competitive reasons, at this point
28 XpressBet is asking to switch to Equifax, certainly a very

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01 capable company. And we recommend approval.

02 MR. LANDSBURG: Any discussion of this motion? Any
03 questions about the motion? In that case, can we --
04 excuse me. I will ask for a motion to accept the
05 amendment to the ADW license for XpressBet.

06 MS. MORETTI: I'll make the motion.
07 MR. LANDSBURG: Ms. Moretti has made the motion.
08 Second the motion?

09 MR. BIANCO: Second it.

10 MR. LANDSBURG: By Commissioner Bianco. All in
11 favor?

12 MR. LICHT: Aye.

13 MR. BIANCO: Aye.

14 MS. GRANZELLA: Aye.

15 MR. HARRIS: Aye.

16 MS. MORETTI: Aye.

17 MR. SPERRY: Aye.

18 MR. LANDSBURG: Opposed? The action is approved by a
19 unanimous vote on the amendment to the ADW license for
20 XpressBet.

21 I need a report next on our agenda from the CHRB
22 staff on the ADW handle through March 17th, 2002.

23 MR. REAGAN: Commissioners, as indicated in the staff
24 analysis through March 17th, we handled just a little over
25 \$13 million in the ADW process through the three hubs
26 representing almost three-and-a-half percent of the total
27 California handle. And I limit that to California so we
28 can keep track of that a little more carefully.

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01 In terms of the -- what this means to California
02 at this point, over \$600,000 more for purses and \$600,000
03 more for commissions. Certain amounts -- almost 600,000
04 for the three hubs to share proportionately based on their
05 handles.

06 The good news is at this point we don't seem to
07 have any negative impact on the California handle
08 comparing this year to last year. We are still
09 monitoring -- this is very earlier to make any judgments
10 in that regard. But so far, so good. Checking with my
11 assistant just yesterday, it appears that since March 17th
12 we've added another million and a half in handles. So
13 we're sitting right there right around the 15 -- actually
14 almost -- I guess we're sitting right around 15 million.
15 So it continues to do well.

16 MR. LANDSBURG: Any questions or discussions for this
17 item?

18 MR. HARRIS: It looks to me like it had pretty well
19 plateaued, showed good growth until first part of March.
20 And then it's a little disappointing. We're not seeing
21 much growth in the last few weeks. Maybe that will come
22 up in discussion of the different hubs, but I think that's
23 a concern.

24 But is there a good way to track -- because the
25 purses flow through either the north and south based on
26 where the money is bet. Is the procedure in place in
27 tracks that -- well, to know where the funds can benefit
28 which pot of money?

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01 MR. REAGAN: In fact, just yesterday I received a
02 voice mail message -- I checked my mail there. I got a
03 call from the official database, the CHRIMS Organization.
04 And after much discussion over the last few weeks, a lot

05 of examining contracts and arguing about this fine point
06 and that fine point, they tell me that they have a package
07 of about a dozen spreadsheets that will be waiting for me
08 in Sacramento for my review. They believe they've got it
09 all sorted out and will be able to identify a specific
10 handle and exactly who benefits from each dollar, you
11 know, Santa Anita, Golden Gate, Los Alamitos, whoever will
12 be able to specifically identify them. We'll be going
13 through the process of double checking and making sure we
14 all agree on that calculation.

15 MR. LICHT: Do you have any kind of statistical
16 manner, or are you trying to devise any way to determine
17 whether there has been cannibalization of existing fans,
18 other than the obvious to see what's happened to -- on
19 track attendance?

20 MR. REAGAN: We do. We're trying to compare handles
21 versus to last year. We don't have anything more
22 sophisticated than that.

23 MR. LICHT: The other thing's, has any calculation
24 been done yet about these interests in the accounts that's
25 going to go to the various organizations?

26 MR. REAGAN: Not at this time.

27 MR. LICHT: How is that going to be done?

28 MR. REAGAN: We can simply work with the hubs in
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01 terms of their average daily amounts -- accounts and keep
02 track of that that way.

03 MR. LICHT: That should be done sooner rather
04 than later.

05 MR. REAGAN: Absolutely, now that we've got the
06 CHRIMS process hopefully sorted out. After we get that
07 kind of nailed down next week, we'll have a little more
08 time to worry about some of these other ideas.

09 MR. LICHT: We don't know what the turn is? In other
10 words, we don't know how much money it's taken to generate
11 this kind of handle?

12 MR. REAGAN: Not at this point. But you know, the --
13 the facts are there. That information is there. And we
14 can certainly access it, and it's available to us. And we
15 will certainly be working on that.

16 MR. HARRIS: It would be available. How much in
17 total is available at a given hub? I mean, on the
18 deposit, is that --

19 MR. REAGAN: Absolutely. Yes. We have access to
20 that, and we have been very cooperative in those areas.

21 MR. HARRIS: I was wondering if the level off of the
22 handle might mean that some of the people have tapped out
23 and not devoted their account --

24 MR. REAGAN: Actually, I think we're looking for an
25 interesting time here. And I'm glad we have the CHRIMS
26 situation under control now because I think as we move
27 into late April when we start with the Hollywood Park, and
28 then the TVG and Youbet, people take the driver's seat

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01 when they have the live track. We'll have to see how that
02 affects the handles. In addition, right there in first
03 week of May we have the Kentucky Derby. I expect we'll

04 see a lot of accounts opening the day before the Kentucky
05 Derby and that kind of activity. And I'm hoping for that,
06 and we'll keep track of that and see what impact this has
07 on the total account wagering for California.

08 MR. LANDSBURG: Since we have a long -- or three
09 items of report -- Mr. Van De Kamp, do you want to
10 introduce a question?

11 MR. VAN DE KAMP: No. I just -- we've had an
12 analysis that was conducted almost simultaneously with
13 that that John Reagan has reported. And a couple
14 interesting things here that might be helpful.

15 The amount that's bet on the northern zone is
16 about 29 percent. The amount bet on the southern zone is
17 71 percent. That almost tracks the handle that occurs
18 normally. I think the most interesting thing that I found
19 thus far is that there's very little handle from out of
20 state. I think John reported, what, 13 or so total
21 handle. Ours was a little less. But we may have missed a
22 day or -- along the way here. But nonetheless, we had
23 only \$132,000 that had bet on Santa Anita from out of
24 state. So nearly all this money that's being bet at this
25 juncture is being bet by California residents.

26 With respect to a breakout as to who it's going
27 through, the distributors of the -- in the thoroughbred
28 area, total -- these are our numbers, but this figure you

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01 can use to just sort of compare to one another. TVG had
02 2.2, 2.3 million. NBC had 8 million. And Youbet had I
03 think \$325,000 through March 17th. Of the handle, 85.6
04 percent was going to thoroughbreds, 9.8 to standard
05 breeds, and 9.6 to quarter horses.

06 Now, I agree with John. We've not been able to
07 see any impact yet on the tracks. But in terms of
08 cannibalization, I think that's going to take quite a
09 while. And I think with respect to Mr. Harris' comments
10 in terms of the trend, Wilson Prepared Average is -- the
11 49-day average was 240,000. You get down to the last
12 seven days, that was up to close to 320,000 a day. So the
13 handle is creeping up. But clearly, you know, what
14 happened at the outset, gigantic leaps as you would
15 expect. I think you grind out increases from here on out.

16 MR. LANDSBURG: John --

17 MR. REAGAN: Do you think May will be the time?

18 MR. VAN DE KAMP: We'll see. It depends in large
19 measure whether or not we have an agreement with TVG.

20 MR. LANDSBURG: That was my next question,
21 Mr. Van De Kamp. Are we in any way envisioning agreement?

22 MR. VAN DE KAMP: I hope we have an agreement. We
23 don't have one yet. We're in discussions with
24 Mr. Baedeker. And we've had some discussion with
25 Mr. Wilson, but primarily with Rick. And it's still open
26 at this point. And we'll certainly report to you as soon
27 as we reach an agreement. I think positively there's the
28 seed certainly to an agreement.

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01 One of the difficulties with the Kentucky Derby
02 is something we're going to have to address in the law,

03 and that is that under California law we can only pay
04 3.5 percent host fee to an out-of-state track. And you
05 know, that really will have to be remedied because
06 historically the Kentucky Derby, Churchill Downs has asked
07 for a lot more than three-and-a-half percent.

08 MR. LANDSBURG: We'll have to see, won't we?

09 MR. HARRIS: Would it be -- work an agreement with
10 Hollywood Park, basically a TVG account holder would still
11 be able to bet on the Derby, I guess, wouldn't they?

12 MR. VAN DE KAMP: Well, that remains to be seen. That
13 remains to be seen because there is an agreement with
14 Los Alamitos now. But you know, I think there's a
15 substantial question as to whether that should include all
16 thoroughbred racing from around the country. And that's
17 just a open assessment. I think that has to be negotiated
18 and probably negotiated in the context I think with the
19 agreement with Hollywood, Del Mar, Fairplex, and Oak Tree.

20 MR. LANDSBURG: Further questions or discussion?

21 We have a report due by the three ADW
22 organizations. I think we will probably continue the
23 questioning with them. The first report, XpressBet. May
24 we have representatives to produce the report.

25 MR. HANNA: Thank you, Mr. Chairman. Ed Hanna, Vice
26 President and general counsel XpressBet, Inc., as well as
27 MAGNA Entertainment Corporation.

28 We have a slide presentation to update many of
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01 the things that we presented in our last slide
02 presentation. Before I get into it, there's two issues
03 I'd like to update you on. First one was largely a
04 personal undertaking that I gave at the last meeting and
05 that has to do with the definitive agreement with the TOC
06 where I did the appropriate mia culpa in that I didn't
07 prepare the draft and submit it to the TOC. It went in a
08 few days after the last session. And I wish to report
09 that we have successfully completed the definitive
10 agreement that related to our agreement with the TOC. I'm
11 sure Mr. Van De Kamp will confirm that.

12 Second thing was the last question that
13 Mr. Harris raised is, we have spoken to Mr. Wood and
14 Mr. Reagan, and we've actually asked at future date for
15 the CHRB to advise us whether it's permissible for one of
16 the account -- licensing accounts wagering operations in
17 California to accept wagers on an out-of-state
18 thoroughbred without having an agreement with the TOC.
19 That's an issue to be answered for us by the CHRB So --

20 MR. LANDSBURG: Are you asking -- I'm sorry. You
21 came down on the last note. You're asking us to do
22 something other than involves your negotiations with TOC?

23 MR. HANNA: No. Our negotiation's complete. We
24 have our agreement with the TOC. It's a matter of, I
25 think, legal interpretation or interpretation of account
26 wagering legislation. We were always of the view when we
27 sat down with the TOC and negotiated our deal that we at
28 XpressBet would not be permitted to accept wagers by

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01 California residents on out-of-state thoroughbred races

02 unless we had an agreement with the California
03 Thoroughbred Organization, which is a TOC. So we've been
04 operating -- that's why we cut our agreement on
05 January 24th. And there is a provision that deals with
06 it, and we have been operating under that premise.

07 And you know, I think if we all go back to the
08 January 24th meeting, Mr. Blake, you know, said that it
09 was the attorney general's view that an agreement with the
10 TOC was required. But we never then went on to specify
11 what the agreement had to relate, so we just asked the
12 clarification from the CHRB I communicated just a couple
13 of days ago to Mr. Woods. Clarified it a bit today with
14 Mr. Reagan. We're not expecting an answer now, but I just
15 wanted to advise the questions that Mr. Harris had just
16 asked, that we've asked that question as well.

17 MR. LICHT: You're talking about a conflict between a
18 federal law which basically may say you don't need
19 permission of the Horsemen's Organization in California.

20 MR. HANNA: I think the federal law -- I think the
21 Interstate Horse Racing Act is pretty clear it doesn't
22 require an agreement with the TOC. But our understanding,
23 the view of the CHRB, that under the account wagering
24 legislation in California that it was required. We just
25 ask the clarification.

26 Yeah. What Mr. Liebau is whispering in my ear
27 is, it's not just an XpressBet question. It's a question
28 that comes from the three racetracks we own in California
0020 because obviously the amount of the hub fee that's being
01 charged impacts through the market access fee what's going
02 back to the tracks.

03 MR. SPERRY: What about your agreement with
04 Local 280?

05 MR. HANNA: I'll have Mr. Liebau come forward to
06 speak to that. That's --

07 MR. LANDSBURG: Identify, Jack.

08 MR. LIEBAU: Jack Liebau, President of Santa Anita.
09 We are in ongoing negotiations with Local 280 in
10 negotiations pertaining to the terms under which we would
11 recognize them as the union or --

12 MR. SPERRY: Bargaining?

13 MR. LIEBAU: -- bargaining agent that -- I was
14 searching for that word -- for those employees. And there
15 have been offers and counteroffers submitted. And I think
16 there would be another meeting today or tomorrow with
17 Local 280.

18 MR. HARRIS: Back to the issue of the Derby. I'm not
19 really clear where traditionally MAGNA tracks the
20 simulcast -- the Derby to Santa Anita or Bay Meadows or
21 whatever you're running at the time. But under the
22 XpressBet scenario, you don't really include, I don't
23 think, Churchill Downs as one of your tracks. So we have
24 a sort of system where you'd be -- your live track would
25 be broadcast to the Derby, but your XpressBet would not.
26 Is that the way it's going to work first?

27 MR. HANNA: That's correct. Because of the
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01 contractual arrangement that TVG has with Churchill, we're
02 not able to do that.

03 But maybe just as a issue of clarification, just
04 so the CHRB is aware of it is, the issue that was
05 articulated by Mr. Van De Kamp actually has arisen within
06 the XpressBet context, and that was with the Dubai World
07 Cup races which were just held. They were asking for a
08 higher than 3.5 percent host fee in respect of the account
09 wagering. And the law prohibited us from giving anything
10 more than the 3.5. So it was only after very detailed
11 negotiations we were able to get them to agree to the 3.5.

12 But I think it's an issue that's going to come
13 up within California in respect to all the premier races.
14 I think the next one is the Derby. But I -- it will also
15 come up with respect to the Preakness, Belmont, and
16 Breeders Cup in the fall as well.

17 MR. LICHT: When you say "they," it's not Dubai?
18 You're talking about Arlington?

19 MR. HANNA: Those who have the rights in the
20 United States.

21 MR. HARRIS: Has this come up in other states? Is
22 California unique in this law, or has it handled --

23 MR. HANNA: In the account wagering domain, which is
24 all I'm familiar with at this point, California is
25 unique, vis-a-vis the law. They're the only state that
26 has the issue.

27 MR. LIEBAU: In negotiation, ADW legislation, in
28 order to protect the tracks as far as the market access
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01 fee was concerned, there was a lid placed upon the host
02 fee and the hub fee so that the tracks would be certain
03 that they would have at very minimum received X, which is
04 what's left over out of the take out. And whether that
05 was a good concept or not, at the time it was thought to
06 be the best way to do it.

07 MR. LANDSBURG: Okay.

08 MR. HANNA: I'll go ahead with the slide presentation
09 now which is the formal update. Brent Land (phonetic) is
10 assisting here. It just makes it easy for me to speak.
11 I'm not capable of speaking and pushing a button at the
12 same time. Okay.

13 This is just an update slide from the last time.
14 It's already been alluded to by Mr. Reagan. It shows a
15 total -- we've got the numbers up until one week further,
16 which is the end of this past weekend. And it shows what
17 the total ADW handle is for XpressBet. We put the other
18 two operators -- as has been mentioned, our cube is higher
19 now because we got the premiere California content in our
20 system right now. That will change once the Santa Anita
21 meet shuts down, presuming TVG gets their TOC agreement.

22 This is an update on -- and this is also
23 reflective of the accounts that have been opened too. And
24 90 percent of the wagering that's been done through our
25 system is being done by California residents. 10 percent
26 is being done by out-of-state residents, and it's
27 approximately the same for the number of accounts. About
28 90 percent of our accounts are held by California

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01 residents. About 10 percent by out-of-state residents.

02 MR. HARRIS: Just for our information, where are
03 these other residents? Is there any particular state?

04 MR. HANNA: They're pretty well spread, you know,
05 throughout the United States. The only state that we
06 don't have any account holders from for sure is
07 Pennsylvania. But that's as a result of the old
08 Call-A-Bet operation we had where our agreement with the
09 horsemen in Pennsylvania is that all Pennsylvania
10 residents have to have their account open through that
11 other hub.

12 MR. HARRIS: I guess one of the problems is account
13 wagering is not legal in some of the targeted states. Like
14 Florida would be a good example. You don't have any
15 accounts there because of law.

16 MR. HANNA: We have done our own internal legal
17 analysis, and we do not have any accounts that have been
18 opened by residents in any state which our legal analysis
19 concludes it's illegal to do so. There are certain states
20 where there may be varying viewpoints between the attorney
21 general's office of that state and us as to what the
22 appropriate legal analysis is. Those -- there are just a
23 few states that fall into that category. But at this
24 point in time, there are approximately 30 states from
25 which we accept accounts being opened from residents of
26 that state.

27 MR. LANDSBURG: Is there -- is there any measure --
28 and this may have been appropriate for Mr. Reagan, also

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01 for you. Is there any measure -- we know it's
02 negligible -- or we at least appear to know it's
03 negligible on track attendance for you particularly
04 because you're the track in operation at the moment. Is
05 there any indication that the SCOTWINC or NOTWINC outlets
06 are being affected by ADW? Is there an answer to that
07 question possible in the room?

08 MR. HANNA: I think Mr. Liebau may be going to look
09 at some data that he has to see if there is anything he
10 can pull from that to answer the question.

11 MR. LIEBAU: As of Wednesday for Southern California
12 attendance, on a comparable data basis Santa Anita was
13 down 4 percent, and handle was up 2 percent. We think
14 that the decline in attendance is attributable to a change
15 as far as our group sales are concerned in that we are now
16 insisting upon -- that groups that come to Santa Anita to
17 make use of the food and beverages that are supplied by
18 our own caterer instead of having independent caterers
19 come in. So I don't think we've been impacted there.

20 As far as SCOTWINC is concerned, again on a
21 comparable basis, attendance at SCOTWINC is up 1 percent,
22 and handle for the period is up 3 percent. So it doesn't
23 appear to be any problem there. In Northern California on
24 track at Golden Gate our attendance is only down
25 1 percent. And we have a passion and a prayer and a hope
26 that by the end of the week when we close that the
27 attendance will be even on a comparable basis to the year

28 before. In Northern California the attendance at NOTWINC
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01 is off 4 percent, but the handle's up about 8 percent. So
02 I don't know if you can draw any conclusions from it. But
03 I do think that there haven't been any impacts at least on
04 track which is what I think is the most important.
05 MR. LANDSBURG: I would hope that -- I mean, I was
06 going to suggest that the 10 percent from non-California
07 probably is -- can be measured against the amount of
08 marketing you're doing out there. Is there a large-scale
09 or small-scale or no-scale marketing program in the
10 available states?
11 MR. HANNA: Right now there is in all honesty a
12 marketing program that is closer to no scale than small
13 scale. There is a slide at the end of the presentation to
14 provide an update.
15 MR. LANDSBURG: Thank you. Didn't mean to rush your
16 presentation.
17 MR. HANNA: No, but -- no.
18 MR. LANDSBURG: It's part of what we're talking
19 about.
20 Also I'd like to make two comments as soon as
21 you're finished. One of them has to do with laborers. I'm
22 not sure it's on -- and I would like to express that this
23 Board is -- has been charged with the job of making sure
24 that when we approve the ADW and as we continue to approve
25 it, that there be an expression of utilization of
26 California labor. And I'm going harp on it. I'm going to
27 want to see that happen. And as a Commissioner -- and I
28 think many of my fellow Commissioners share that. So we
0026
01 would hope that -- to see process in that. I would
02 also -- I have a further comment, but I'd like to see the
03 rest of the presentation. We interrupted. I'm sorry.
04 MR. HANNA: Thank you for your apology. It's not
05 necessary. Feel free to interrupt. One skill you pick up
06 with legal training is you're used to dancing. That's not
07 a problem at all.
08 MR. LANDSBURG: Okay.
09 MR. HANNA: The one thing I'll repeat, I think we
10 alluded to it briefly. But the questions that are being
11 addressed to cannibalization, the impact of account
12 wagering, you know, I'm sort of taking off my XpressBet
13 hat and putting on my MEC hat. We at MAGNA are interested
14 in analyzing those issues, concerned about the result of
15 those issues in determining what they are because, you
16 know, we own tracks in California. We also have an
17 account wagering operation so, you know, we're prepared to
18 work closely with the CHRB, closely with the TOC, and the
19 other industry constituents to try to come up with ways to
20 validly measure that impact and measure that effect.
21 We're in such early stages of advanced deposit
22 wagering in California, we're all struggling to determine
23 the impact because we haven't been able to identify what
24 the measurement is. We'd very much like to be part of a
25 joint effort to determine those things.
26 MR. LANDSBURG: Thank you.

27 MR. HANNA: This is an update slide from the last
28 presentation. This is just showing the origin of the
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01 accounts that we're opening and where that origin is
02 coming from. 75 percent of the line shares of the
03 accounts have been opened through our call center.
04 16 percent are being opened through the booths that we
05 have located at Santa Anita. 5 percent at the booths are
06 the kiosk at Golden Gate. And 4 percent at the kiosk at
07 Bay Meadows. We anticipate with Bay Meadows becoming the
08 live running track shortly that the race between
09 Golden Gate and Bay Meadows will probably start improving.
10 MR. LICHT: That's an interesting statistic. Go back
11 to that one. I mean, that's a lot of accounts from
12 Bay Meadows. To me, it shows that from the off track
13 people are interested. I mean, obviously we can't
14 compare anything to Southern California because you're
15 not going to have Hollywood.
16 MR. LIEBAU: Bay Meadows has always been on the
17 cutting edge.
18 MR. LANDSBURG: Says the former president.
19 MR. LICHT: Do you have any theories on that? It's
20 interesting.
21 MR. LANDSBURG: We're all gathering information.
22 MR. HANNA: Also in this slide you'll see the total
23 number of accounts we're now at after this last weekend
24 7,882. That's almost 7,900. And of those, 7,092 are
25 California accounts.
26 MR. HARRIS: How much money would the average account
27 have in it on a given day?
28 MR. HANNA: I'm sorry. I don't know the answer. I
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01 can get back to you on that.
02 MR. LICHT: Before the races start or after?
03 MR. HANNA: Depends which day.
04 MR. HARRIS: That's one of the problems I think is
05 getting people to put additional money in.
06 MR. LANDSBURG: But we are concerned about
07 overbetting on California systems, and it will be a
08 continuing concern for this Board and for you.
09 MR. HANNA: This is an indication of where the handle
10 is being bet through the XpressBet system. 48 percent of
11 the handle is being generated by bets on Santa Anita
12 races. Golden Gate Field's the other California track.
13 13 percent of the handle is being bet on Golden Gate
14 Fields. And 39 percent is being bet on out of California
15 tracks.
16 I think this is largely representative of what
17 Mr. Van De Kamp already referred to, which is the
18 experience has been that -- has been most -- at least in
19 our system, been mostly California residents betting on
20 California races.
21 MR. LICHT: Jack, how would you compare that to like
22 a bet at a SCOTWINC site? That's not consistent, is it?
23 It's also very interesting.
24 MR. LIEBAU: I think that at a SCOTWINC site as well
25 as on track -- and this is just a wild guess. But I would

26 think that 25 percent of the amount wagered was wagered on
27 out-of-state races.

28 MR. LICHT: That's what I --

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01 MR. HARRIS: I think maybe the timing that -- if
02 someone's betting at certain times is all that is
03 available to out-of-state races. We're on track and only
04 really there during the time the track's running.

05 MR. HANNA: This is I think largely indicative of
06 what Mr. Harris has already referred to at today's
07 meeting. That's sort of the level-off effect of what's
08 been bet by week. This just summarizes by week since we
09 were licensed the amount of handle that has been coming
10 through XpressBet. And if you look at the last four
11 weeks, it has stabilized.

12 Obviously, as Mr. Harris has mentioned, we're
13 monitoring that. We're concerned about that. We would
14 like to see a continuing upward trend. We're considering
15 many ideas, some of which have been presented to us by
16 Commissioners, as to what we might be able to do to better
17 market and to better encourage the use of our system.

18 This is an update on certain of the problem
19 areas that we have been experiencing. We updated you on
20 our call center problems which we had tried to remedy by
21 hiring and training new people. We stated at the last
22 session our goal was getting under two minutes. In the
23 past three weekends, it's been an average wait time of 136
24 seconds. Last Saturday, an average wait time of 120
25 seconds. You might regard that as having hit our goal.
26 But our goal is no call is more than two minutes. But we
27 haven't hit our goal yet.

28 MR. HARRIS: Are these calls people that want to set

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01 up accounts or make a bet?

02 MR. HANNA: These are calls going to our customer
03 service representatives for, you know, questions that they
04 may have had about the Internet systems, questions about
05 telephone betting, opening an account. It's all nature of
06 calls coming to the --

07 MR. HARRIS: How many people hang up that never
08 really make the statistics?

09 MR. HANNA: I'm sure -- I don't have any numbers
10 there because we don't track who has hung up. We only
11 track a completed call. I'm sure that has happened. I'm
12 sure the phone's not being hung up lightly. Someone once
13 told to me it's the bet you didn't place that you knew you
14 were going to win.

15 Website speed, I think that issue has been
16 largely remedied. We mentioned before the number of man
17 hours that Autotote, our supplier, was putting in. What
18 they determined was a hardware configuration problem that
19 was causing all of our problems. That configuration has
20 been addressed through both balancing and some other
21 technology. I'm a lawyer. Don't ask me to explain all
22 these terms. If you do, I can do my best. But don't
23 regard them as the Bible truth.

24 Throughput and site speed button a result of

25 this fixing of the configuration of the hardware has
26 substantially improved since early March or just a week or
27 so after the last meeting. So we feel -- knock on wood --
28 that these issues have been put to rest.

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01 MR. HARRIS: I'm not really clear. When there are
02 delays, you know, getting in, is that something to do with
03 how busy it is? I mean, if you get a lot more customers
04 at a given time, does that slow things up or make any
05 difference?

06 MR. HANNA: It does tend to slow things up. That's
07 what Load Balance is trying to address. You have a number
08 of servers there, and if you get a sudden influx of calls,
09 one way that you deal with the speed and the throughput
10 issues is making sure it's being balanced and sent equally
11 to the various servers.

12 MR. LANDSBURG: Has your voice-identification system
13 been in operation? It has not. Okay.

14 MR. HANNA: It hasn't yet. Is that the next slide?
15 If it is, it's a perfect segue. There it is right there.

16 No. Our natural language speech recognition
17 system, it's still in development phase. On April 14th
18 we'll be launching a live beta test with 50 customers. You
19 know, a number of the customers will actually be employees
20 of MEC. We're hoping to launch the system throughout
21 XpressBet for all fans and customers in May sometime,
22 depending on the results of the beta and, you know, the
23 tinkering through the beta to make sure that when it is
24 rolled out it's wrinkle-free.

25 MR. LANDSBURG: Forgive me for being a little
26 skeptical. All mechanical systems make me skeptical. But
27 in that line -- once again I've interrupted. Please go
28 on. I'll come back.

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01 MR. HANNA: No, please, Commissioner.

02 MR. LANDSBURG: My question here is once again
03 viewing where -- where the responses to California bettors
04 are coming from and pleading with you in a sense --
05 because I have no power to issue it -- to consider the
06 fact that with 90 percent of your bets being California
07 bettors -- and there's no one more familiar with
08 California betting and California horses and California
09 systems than California pari-mutuel operators. I leave
10 that now up in the air for you, but encourage you strongly
11 to think about it. Because telephonic taking of bets will
12 increase or decrease based on the efficiency of people who
13 will answer questions quickly and understand California
14 racing. It's your business.

15 MR. HANNA: Thank you.

16 This is an MEC TV update. We have contracted
17 with KDOC to show three hours of live racing between 1:00
18 and 4:00 p.m. The first Saturday was actually last
19 Saturday. We've also contracted for next Saturday and the
20 following Saturday. The reference there to the option on
21 the last two Saturdays of the Santa Anita meet, that
22 option has been exercised by us. So I can report that we
23 will have racing on KDOC for each of the next four

24 Saturdays.

25 KDOC -- people in this room are probably more
26 familiar than I with KDOC because they live in this
27 region. But KDOC is an over-the-air broadcast that they
28 must carry on local cable systems which results in them

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01 being received in 5 million homes, mostly in the
02 Los Angeles area. What we are presenting is a show called
03 "Santa Anita Now," presented by XpressBet. It's being
04 produced in Santa Anita by Amy Zimmerman and her group.
05 And it is showing live horse racing coverage for the races
06 run at both Santa Anita and the Northern California track,
07 which is Golden Gate Fields today and then we'll flip over
08 to Bay Meadows. We've been combining it with education
09 personality features and live racing advertising.

10 MR. LANDSBURG: Excuse me, if I may. I'm absolutely
11 delighted to hear that you are doing this. Since you've
12 made it available as a local pickup, you may have an
13 outreach to an audience we hope we can encourage to come
14 to racing. I've asked for and I hope to get a videotape
15 of what went on Saturday since I've been working, and see
16 it.

17 I know that Commissioner Licht had made a
18 comment to me about it, only that he was very impressed by
19 it. If you want to add to that, Roger.

20 MR. LICHT: No. I'm just real happy about the fact
21 that they're doing it -- that MAGNA's doing that.

22 MR. HANNA: We at MAGNA have always been impressed by
23 Amy Zimmerman, and we were not disappointed by other
24 production quality.

25 The other thing I failed to mention, it says we
26 run the show from 1:00 to 4:00. The coverage continues.
27 It's just from 4:00 to 5:00 we flip into the Santa Anita
28 live coverage which is shown on Fox Sports.

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01 MR. LANDSBURG: Couldn't do better.

02 MR. HANNA: This is what we're doing to market to
03 KDOC. There's value to having it on the television, but
04 you have to make people aware of it. Obviously we put
05 out a press release at the time that we were starting. We
06 are going to start running DRF ads. We were not able to
07 run them prior to the first weekend. The honest answer
08 there is we were focused on production and getting quality
09 production out. We didn't have as much time to focus on
10 marketing. Now that the production has fallen in place,
11 we're focused on the marketing.

12 DRF advertisements will run Friday and Saturday
13 in the West Coast Edition this week. And for remainder of
14 the schedule of the racing on KDOC we will have, I
15 believe, on Wednesday through Saturday editions of the --
16 West Coast Editions of the DRF.

17 We have had television banner ads running on the
18 Santa Anita simulcast signal within the track on all days
19 of racing. We had race program ads in Santa Anita to
20 promote it, and we have also had a radio announcement --
21 not radio advertisements but Stuart Granger (phonetic),
22 the director of marketing at Santa Anita, arranged to

23 appear or have little segments on numerous talk shows --
24 sports-related talk shows in the Los Angeles area making
25 people aware that this product was available.

26 This is a more general MEC TV. Once again, at
27 the last session we talked about we were going to have
28 channels -- you know, highly produced channels up and

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01 running on a 24/7 basis. Initially the channels will only
02 be available on RTN. But the hope is -- and there is an
03 update slide later -- that those channels through carriage
04 arrangements we negotiate -- the primary channel of the
05 bunch will also be available on certain cable carriers as
06 well as hopefully on DBS carrier also.

07 MR. HARRIS: Is -- the RTN is up and running now, or
08 is this launched?

09 MR. HANNA: No. The RTN is up and running now, but
10 the product being shown on RTN is turnaround of simulcast
11 signals. These will be actually two produced channels
12 that will be putting out. One of the produced channels,
13 as we mentioned in the previous meeting, will be a
14 California focused channel -- or focus on California
15 racing is probably the right way to say it.

16 The launch date for the production of these
17 channels is -- continues to be June of this year. We are
18 in the process of increasing our staff to be able to do so
19 and also to build on our production center at Santa Anita,
20 which is where the production will emanate from.

21 We're in the hiring process right now for 12 new
22 full-time employees as part of this operation. The
23 advertising for the employees is all in California. The
24 likelihood they will all be California personnel. And nine
25 of the twelve positions will be unionized positions with
26 the IBEW.

27 This is an update on our broad cable and DBS
28 carriage negotiations. They continue on. We're making
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01 progress, not as quickly as we would like and I'm sure you
02 would like. But we're subject to the responsiveness of
03 the carriers. Some have progressed, and certain of them
04 has quite a bit.

05 And then, Chairman Landsburg, this is the final
06 slide I believe of the presentation, and this is directed
07 at broader marketing of XpressBet. And I did indicate it
08 in candor earlier the marketing we have been doing has
09 been closer to no scale than small scale or large scale.
10 We're intending to move along the spectrum to get to
11 large scale. What we will be do- -- what we are doing
12 some of right now, we'll be doing a lot more of. Is
13 television advertising on Fox Sports West 2. Now in
14 complete candor, the advertising of Fox Sports West 2 will
15 be occurring through the pre-avails that we have as part
16 of the Santa Anita live production.

17 We will also be advertising on KDOC as part of
18 our three hours of programming on Saturday afternoon. And
19 we are also jointly advertising with the Northern
20 California tracks that we own on KRON Channel 4 in
21 Northern California, which is a sports focused channel.

22 And I believe most of the advertisements there will be
23 airing around the sports broadcast or the sports desk
24 commentary that they have on that channel. We also will
25 be airing radio commercial advertisements in California.

26 Now the one thing that isn't addressed there
27 that you alluded to earlier in a question is promotion of
28 XpressBet outside the state of California. Those plans
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01 are still in development. One thing that is being done
02 right now is at Thistledown, which is the Cleveland area
03 track, which MEC owns, and Ohio, being one of the states
04 that expressly permits account wagering, we are opening
05 the kiosk at Ohio at that track in order to do the
06 marketing. And we'll be doing that obviously at each of
07 the MEC tracks located in the state where that is
08 permitted.

09 We do recognize there is still a long road for
10 us to go down in the marketing side. And as we have gone
11 through the -- sort of the launch problems that came up
12 with XpressBet, getting the KDOC product on, we're now
13 starting to focus more on the marketing side.

14 MR. LANDSBURG: I hope that within that marketing --
15 I keep saying it. But it's my mantra here for racing, is
16 that we're not only talking about joint XpressBet. We're
17 talking about the joys, wonders, heroes of racing within
18 that advertising. It's just a hope.

19 Further discussion or questions?

20 MR. LICHT: A couple things. First of all, Jack, I'm
21 sure, will be happy there has been a significant purse
22 increase at Santa Anita. Personally I think it's at least
23 partially attributable to off-track betting. That's ADW.
24 I'd like to hear that --

25 MR. LIEBAU: Well, my wisecrack answer is to
26 management. But I do have to admit that good weather and
27 carryovers have contributed to that. And we have, in
28 fact, raised purses of 5 percent both prospectively and
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01 retroactively.

02 MR. LICHT: And the other comment I have, the website
03 speed has increased dramatically. My one question is
04 marketing. We talked about this briefly. Maybe it's just
05 my perception, but it seems like most of the ads I've
06 noticed have been more drawn towards XpressBet, whether
07 they be in a program or whatever. This doesn't affect
08 Santa Anita marketing at all toward on-track dollars, has
09 it?

10 MR. LIEBAU: No, it has not. And one of the things
11 that Santa Anita has sort of changed is marketing approach
12 on that. We're making much more use of direct mail than
13 we have in the past. And for that reason we might not be
14 as visible to the person that's watching television, as
15 has been the case in the past. We've also shifted more to
16 cable TV as far as getting geographic area around Santa
17 Anita for which we might be able to have a better chance
18 of drawing people than a broadcast station that's going
19 all over the Los Angeles basin.

20 MR. LICHT: There hasn't been a reallocation of

21 resources taking way from Santa Anita's budget and
22 allocating them to XpressBet?

23 MR. LIEBAU: The budget has not been changed. And
24 rightly or wrongly, Santa Anita remains a profit center
25 that I'm very much conscious of and is not impacted by
26 XpressBet at all.

27 MR. LICHT: That's positive.

28 MR. HANNA: We at MEC Corporate are also very
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01 conscious of Jack's profit center as well.

02 MR. HARRIS: Basically you've been handling about
03 3,000 a day for the last three or four weeks. In your
04 overall businessman plan, what do you think the potential
05 is? Because I think we originally started talking about
06 ADW, we were looking at percentages and total handling
07 quite a bit better. Where do you think this could be in a
08 year or two?

09 MR. HANNA: For this year we are still ahead of
10 business. I think we showed slides that we got caught
11 with our pants down because we were so far ahead of the
12 business plan. Now that we've leveled off, the business
13 plan is starting to catch up with the actual. We see
14 tremendous opportunities in the years ahead.

15 Our business plan -- you probably all remember
16 Andrew Gaughan. He's our Vice President in media
17 initiatives who was here. You had the benefit of Andrew
18 being part of the launch of Woodbine Entertainment System
19 in the Canadian marketplace. And Andrew knew from his
20 experience there that the first year is -- is learning how
21 to walk often in the first year of the operation. So
22 we've been very pleased that we've gotten to walk as
23 quickly as we are. We're not running yet, but our
24 ambition is to win the 100 gold medal within the next year
25 or two.

26 MR. HARRIS: What level would that in your mind
27 equate to?

28 MR. HANNA: Pardon?
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01 MR. HARRIS: What level would a gold medal award for
02 MEC's handle -- what will that be? How much a day would
03 that be?

04 MR. HANNA: That I can't answer right now. I can get
05 back to you on that, Mr. Harris.

06 We have had a publicly filed business plan for
07 the first two years, vis-a-vis California. And I do not
08 have it with me. I do not recall the numbering there.
09 The sophistication of the business plan and going beyond
10 that is just to continue the rate of acceleration
11 increasing. That's what we're focused on. We're not
12 focused on our numbers. We want the rate of acceleration,
13 which means the growth curve, is even better than your
14 classical hockey stick, which is a reference I love to
15 make.

16 MR. HARRIS: You've got the -- as far as that,
17 accessing accounts is obviously key. One point there was
18 talk of utilizing the satellites at the fairs to do that.
19 Has that gone anywhere?

20 MR. HANNA: We are still continuing to have
21 discussions with the fairs. Um, Mr. Hasson, I believe,
22 alluded to it earlier and maybe Mr. Marshall. I know
23 Youbet is, and I believe TVG is as well. I think the
24 fairs are either going to enter into agreement with all
25 three, or they're going to pick the winner of the beauty
26 contest. Mr. Korby can probably best speak to that.

27 MR. BIANCO: One question, Jack. This time of year,
28 isn't it usually flat marketing wise for retail type of --
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01 I consider this a retail operation bringing John public
02 in. Isn't it normally flat this time of year because of
03 tax time? And I've been told that by people in the retail
04 market. I was wondering, have you experienced it in the
05 past?

06 MR. LIEBAU: I think we're very sensitive to all
07 sorts of things like that to payday, to tax time, to any
08 of those things that impact retailing. And disposable
09 income certainly impacts tracks also.

10 MR. BIANCO: We could be getting just a little bit of
11 a misreading on, you know, the potential market or, you
12 know, where it did grow to.

13 MR. LIEBAU: I think that's correct.

14 MR. HANNA: Mr. Harris, I need to clarify a reference
15 I made earlier. When we hope to win the 100 gold medal,
16 we hope to win it the way Carl Louis did, not the way Ben
17 Johnson did for a short period. We'll do it clearly and
18 fairly.

19 MR. LIEBAU: I might say when you talk to Mr. Harris
20 about sports, I'm always reminded by a comment when he was
21 asked what sports he liked other than racing and he
22 remarked night races.

23 MR. LANDSBURG: Any further questions or discussions?
24 All right. Thank you very much for your report,
25 gentlemen, and good luck.

26 XpressBet -- I'm sorry. TVG is the next report
27 to be made.

28 MR. HINDMAN: I'm going to be joined by my partner or
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01 my coworker. John Hindman from TVG. I'm the Vice
02 President of Communications and general counsel.
03 H-i-n-d-m-a-n.

04 Good morning, Mr. Chair, members of the
05 Commission. I'm here once again to give an update on TVG
06 and our progress and how we're doing and answer any
07 questions you may have.

08 Several exciting developments that I have to
09 tell you about today. The first is following up on the
10 last meeting. The Adelphia Communications carriage of TVG
11 is slated to begin Monday according to Adelphia. On
12 Monday morning TVG will be available in several different
13 areas. I have a list. I'll go over a few of the
14 communities that are slated with the launch that begins on
15 Monday. Bradbury, Hermosa Beach, Manhattan Beach, Redondo
16 Beach, Los Angeles, West Hollywood, Beverly Hills, Marina
17 Del Rey, Santa Monica, Anaheim, Ontario, Pomona, San
18 Bernardino, Newport Beach, Santa Anita, Fullerton. That

19 wasn't the entire list, but it's just kind of the
20 highlights. So we're very excited about that, about the
21 rollout and also about the support for the rollout that
22 Adelphia has expressed to us. And these kinds of
23 synergies that we think are going to be very beneficial
24 for us, the cable company, and the racetrack.

25 Starting with the launch on Monday will be some
26 more of our major marketing broad-based marketing efforts
27 here in California. With carriage we get local avails,
28 which means 30-second spots on a broad range of channels
0043

01 on Adelphia Communications such as, for example, CNN or
02 MSNBC or ESPN local avails.

03 They're also very excited getting more involved
04 with the communities with the racing in California. And
05 some of the things we have planned are Adelphia Days at
06 Hollywood Park. We're planning a big, huge Derby Day
07 promotion to get as many fans out to Hollywood Park on
08 Derby Day as possible. That's going to be backed by
09 Adelphia mailing to about 1.6 million households in this
10 area, giving them an incentive to go to Hollywood Park for
11 the Derby. We're also doing some Friday night events at
12 Hollywood Park. And then we'll back that up with our own
13 marketing in terms of the TV Guide access, which I've
14 talked about in previous meetings. Newspaper; we're going
15 to be doing radio buys as well, and industry magazines and
16 publications as well as mainstream magazine and
17 publications. That's going quite well. We're very
18 excited. We think this is basically the time when TVG
19 gets rolling.

20 Last month we also successfully launched a new
21 website. And I think some of you may have used the new
22 website. We're very pleased with it. The performance has
23 been excellent. We've had very few customer complaints
24 and the system continues to operate very well.

25 In terms of results through March 17th, our ADW
26 handle was just over 25 percent of the approximately
27 \$13 million in total ADW handle in California. Since the
28 last meeting, we increased our California subscriber base
0044

01 by over 50 percent. And taking into account the fact
02 that our offering of California racing product has been
03 extremely limited today with only Los Alamitos, we believe
04 that the results are positive. And with the start of
05 Hollywood Park here in California and on a national level,
06 Triple Crown season in addition to the Adelphia cable
07 coverage, the TVG results will significantly improve in
08 the second quarter and beyond in 2002.

09 Some other exciting developments have to do with
10 our products, product improvements. Here to talk about
11 some of those is Tony Alobatto. Tony is our Executive
12 Producer who basically is responsible for putting on the
13 show. So if you have any -- in this grievance department,
14 this is the main guy you want to go see about that. But
15 anyway, he has some exciting new things we're doing from a
16 broadcast perspective to tell you about.

17 MR. ALOBATTO: Al knows what that feels like. I'm

18 sure you get a lot of those calls. I apologize for being
19 late. Nature called.

20 Basically couple things we want to announce from
21 a production standpoint. As soon as possibly this Sunday,
22 we're going to be launching a new look for our network.
23 Something we're excited about. The biggest significant
24 change -- I'll show you a tape in a minute. I want to
25 explain a little first.

26 We're going to a two-line ticker that is going
27 to be on the screen at all times. The reason why we're
28 doing that, there's a few reasons. First of all, every
0045

01 network changes their look occasionally. And the trend in
02 TV right now that you see is more information. MSNBC,
03 CNN, everybody's trying to get more information out.
04 Obviously in horse racing this is just as important as
05 dealing with the news channel.

06 The -- another reason why we're changing, if you
07 watch Monday night football, you watch ESPN hockey,
08 whatever sport you watch, every year they're trying to add
09 and come with new innovative ways to cover their sport.
10 Since TVG is the only 24-hour racing network in the
11 country, we want to be on the cutting edge as well. I
12 think when you see our tape, you'll see exactly what I'm
13 talking about.

14 Another reason we did it, we take the calls very
15 seriously we get from people who tell us and give us
16 advice of what they want to see. In the past, we have
17 gotten comments that it -- it was difficult to follow the
18 action on TVG. Although at the top of every hour we would
19 say what races were coming up, a lot of times people felt
20 like they were waiting for a race, waiting to bet, and all
21 of sudden the race was on top of them. With our two-line
22 ticker, I think it's going to help people follow the
23 action a little better. Let me stick this tape in real
24 quick.

25 MR. HARRIS: On your TVG show -- which I get
26 Net Dish, but could someone get that via their computer?
27 I mean, do you have a feed that goes on the computers also
28 for the shows?

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01 MR. ALOBATTO: The actual show, that's something John
02 can talk to you about when he gets back in terms of video
03 streaming.

04 MR. LICHT: Don't your deals, your contracts prohibit
05 that?

06 MR. ALOBATTO: That's what -- he can talk about that
07 better than I can.

08 (Videotape Played)

09 MR. ALOBATTO: So the first thing you're going to
10 notice when I pop this tape in, even when our announcer's
11 on the set, you're going to see ads for the racing. The
12 top line is ticker prices that's going to give prices from
13 all around the country at all times, while the bottom line
14 is going to give you odds from racetracks. It's going to
15 scroll between the two tracks. So there's a big
16 difference right there.

17 Also when we do our full ads, what we used to
18 call in the past, we'll only be able to fit four horses on
19 a page. Now we're able to fit up to ten. It speeds up
20 the show dramatically and allows us to spend more time at
21 the tracks showing the horses which is something that most
22 of the bettors want to see. They want to see as much of
23 the horses as possible. That's a post-parade graphic out
24 of the track.

25 Again, you're still seeing the other
26 information, and there is another significant change. Once
27 we do the actual coverage of the race, we've now shifted
28 the information to the right of the screen and put the

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01 exacta will pay, daily double will pay underneath the
02 odds.

03 Another substantial big change we made is that
04 as far as I know we are going to the -- the only product
05 that's going to allow you -- the race is on the turf. Our
06 graphic will tell you firm or yielding or soft. It won't
07 say fast and firm. So you'll know if the race is still on
08 the turf if you're tuning in late. That's a complaint a
09 lot of people have had.

10 Here's an example of what we call a clean feed.
11 For Los Alamitos, Hollywood Park, and Del Mar, we get what
12 we call a clean feed. We're not getting the track's
13 graphics over the video. You can see how much better
14 the -- how much different the presentation is when you
15 look at it this way. Again, you'll still have the ticker
16 on the whole time. But the video takes up more of the
17 scene in this case than in the previous examples that I
18 showed you.

19 Another thing we're doing is we've been working
20 very close with Los Alamitos. That's our partner track
21 that's running right now. On April 12th we're going to be
22 launching a new show called the "Quarters." Although
23 we've been testing for the last few weeks, we've gotten a
24 tremendous response. We're getting about 500 e-mails a
25 night on the show. Very interactive show. We have a lot
26 of contests. Very educational. We're trying to get
27 thoroughbred players to learn more about quarter horse
28 racing and vice versa. We tease the show throughout the

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01 day to try to get people to tune in.

02 But the fact that Los Alamitos is one of our
03 track partners has led us to work with their TV department
04 to help improve their actual in-house product, and I want
05 to show you an example of what we've done. We've worked
06 with them. They're going to be changing their graphic
07 look as well. So let me give this to you guys.

08 First one is what they're doing now. Like
09 that's what you see on the simulcast. That's what you see
10 on the simulcast. So what we've done is we're working
11 with Los Alamitos to improve their simulcast product. So
12 that's what's going to be going out onto simulcast land.
13 And we'll be working with their TV department to do a
14 joint production of their actual intertrack product which
15 we feel is going to help that tremendously.

16 Los Alamitos has made a significant investment
17 in improving their facilities that's going to allow us to
18 go live from Los Alamitos every night. We'll be doing our
19 show live from the track. They're building us a set, a
20 sports desk, and they're making a dramatic improvement
21 into their TV department adding a coordinate to allow us
22 to do a show from there. So that's something we're very
23 excited about.

24 Hollywood Park is another -- is another meet
25 that we are very excited. We're going to be doing live
26 expanded coverage from the track every day. And for
27 Hollywood Park stakes races, we're going to be doing what
28 we call our inside tracks, features based around -- human

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01 interest features based around the horses and people
02 running around the races and build up in the week leading
03 up. That's one thing that's really good about TVG. If
04 you watch other networks, the big races just kind of
05 appear on their -- on those networks. TVG, we build up
06 the races the entire week. So by the time Saturday rolls
07 around and you're watching Hollywood Gold Cup, you know
08 all the people and parties that are involved in that race.

09 We're going to also be -- do all-day coverage
10 from the Gold Rush. Something very similar to what we did
11 at the Cal Cup. And I think that last time I was here we
12 talked about how significant our coverage was for that and
13 how we were able to increase the handle for the guaranteed
14 pick six they had. We're hoping to do the same for
15 Hollywood Park this time around. So we're pretty excited.

16 We've got a lot of the stuff going on from a
17 production side. And I think that even next time we meet
18 with you guys we'll have even more announcements to make.

19 MR. HINDMAN: Thanks a lot, Tony. I'm going to wrap
20 up any comments and take any questions.

21 Been working very hard over the last two months
22 to improve our product and get ready for the rest of the
23 year in several ways. As you can see, we've improved our
24 television product. We've introduced new graphics. We've
25 tried segmented shows, shows to bring out -- for instance
26 the Los Alamitos show, we've did a lot of different things
27 and feel like we've upgraded our program quality in order
28 to draw new fans to quarter horse racing. We're going to

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01 apply that to Hollywood.

02 We have a new wagering website, and we've
03 solidified our marketing plans well. We feel that
04 starting late April forward it's going to be a very
05 exciting time. Already been pretty exciting time.
06 We're very pleased with the one licensee here in
07 California, Los Alamitos. We're very pleased with the
08 results that we've gotten for them. Their handle through
09 TVG has increased about 16 X year over year and be pretty
10 easy to say, well, it's because we've launched this in
11 Southern California. But the positive thing is half of
12 the increase in their handle came from bettors outside
13 California. We have -- feel we have a very good fan base
14 for California racing. One of the things we can deliver

15 off the bat is customers in other states and business
16 from outside that is incremental growth.

17 That's really the prepared part of the
18 presentation. I'd be happy to answer any questions you
19 have, Mr. Chairman.

20 MR. LANDSBURG: Question from audience? I have a
21 couple questions, but Adelphia is such a strange world.
22 Are you on digital Adelphia or basic Adelphia?

23 MR. HINDMAN: Basic.

24 MR. LANDSBURG: Analog Adelphia.

25 MR. HINDMAN: No. We're not on analog Adelphia.
26 We're on digital Adelphia.

27 MR. LANDSBURG: You have a relatively narrow market.

28 MR. HINDMAN: Starting out I think you could define
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01 it that way. We feel like it's a step in the right
02 direction.

03 MR. LANDSBURG: I'm not questioning your steps. I
04 just didn't want the inflation of the numbers to be
05 such -- because I did some examination of Adelphia reach
06 and numbers of it doesn't seem to be like a major
07 significant -- of major significance.

08 MR. HINDMAN: I would disagree only to the point that
09 getting a 24-hour a day cable slot in a DMA like this on
10 cable, as I'm sure you know, is not an easy thing to do.
11 It's the first -- it's the first of what we hope and
12 believe to be many steps in terms of broad distribution of
13 this local market.

14 MR. LANDSBURG: You're still looking for digital
15 interactivity?

16 MR. HINDMAN: Yes, we are. But we're developing
17 that. Basically, there's an integration period once you
18 get on a digital system to get interactivity. So that --
19 some of the other systems and other states have already
20 been on for a while. We're getting actually relatively
21 close to being able to deploy remote control wagering
22 which we feel in the end is really our golden goose.

23 MR. LANDSBURG: Your telephone wagering is still
24 coming out of Pennsylvania?

25 MR. HINDMAN: No. Our telephone --

26 MR. LANDSBURG: Sorry. Oregon. One is Pennsylvania.
27 One is Oregon.

28 MR. HINDMAN: That's all right. Yes. All of our
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01 telephone wagering is automated. We don't have a live
02 operator system at this time.

03 MR. LANDSBURG: You think that contributes to less or
04 more betting?

05 MR. HINDMAN: We have always watched our system very
06 closely, and we know that there are differing opinions
07 among people. We have put a lot of resources into our
08 automated system and generally has got variable
09 impression. We watch what our customers -- and act
10 accordingly.

11 MR. LANDSBURG: I'm going to keep raising this flag
12 until you get tired of me. The more you can bring labor
13 in California into your operation, the happier this

14 Commissioner will be. And I think I speak for some of the
15 Board members in saying that.

16 MR. HINDMAN: I understand.

17 MR. LANDSBURG: One other -- oh, have you -- I'm just
18 curious. Have you tested the multi-screen production?
19 Just -- the reason I ask that is, as an aging member of
20 this community, my ability to concentrate on three or four
21 different areas of the screen at once has left me.

22 MR. ALOBATTO: I must be aging too because I have the
23 same problem. I think one thing you'll find, we're all
24 handicappers, we're all creatures of habit. You're used
25 to seeing things in certain places. And what we found
26 with the people that we tested it with is that it does
27 take you, you know, a little bit of time to -- your eyes
28 to get used to it. But what happens is you decide what

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01 you're -- you will decide what you want to watch and what
02 you don't want to watch. You can't watch everything on
03 that screen at one time. That's not the intention. But
04 it allows you -- if we're showing a race and track you're
05 not interested in, it allows you to follow the action and
06 know where you stand for the other races if you're not
07 near the Internet. That's I think very important.

08 MR. LANDSBURG: I'm sorry. I just wanted to add to
09 your comment. Not any more about your graphics because
10 you're as good at doing this as anyone in the industry.
11 I'm sure you're better at racing because you've been
12 around it longer. Just a long personal association we
13 have respect for. But we still have to -- to begin
14 concentration on finding either the lapse or the new fan.
15 And the way in which you do that, I can only encourage you
16 to be as vanguard of it as possible.

17 MR. ALOBATTO: And you know my philosophy from the
18 past. I agree with you 100 percent on that. I think if
19 you were to watch our show we're doing with Los Alamitos
20 right now, we've been using that as a test for what we
21 want to do for Hollywood Park. I think the panel will be
22 very happy with what we're doing.

23 MR. LANDSBURG: Because my satellite went down, I
24 can't watch you so I'm in a little bit of trouble. Okay.

25 MR. ALOBATTO: I'll get you a tape.

26 MR. LANDSBURG: Thank you.

27 Is there any further discussion or questions?

28 MR. HARRIS: I concur with Al as far as the need for

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01 California jobs. One aspect of this is also the racing of
02 the fairs which you will be overlapping with Hollywood
03 Park and Del Mar and, you know, Oak Tree. I encourage you
04 to try to work out something with the fairs where they
05 would be part of your product. Because it's really
06 important for California to be able to have products the
07 way the timing is in the afternoon that we can wager on
08 both north and south and the Northern California product
09 and the fairs didn't really see a loss someplace.

10 MR. LANDSBURG: I also -- and I think most of us in
11 this Commission do recognize and the Board recognizes that
12 there is still no guarantee at this instant in time that

13 we will be able to broadcast, and we will be able to see
14 Hollywood Park.

15 MR. HINDMAN: We understand that Hollywood Park and
16 TOC have been in negotiations. We're understand that
17 Mr. Baedeker's tragedy has backed it up a little bit.
18 We're hopeful that Hollywood Park will work that out.
19 Won't be issue.

20 MR. LANDSBURG: There are a lot of intertwined
21 relationships that enter into that. But in the end, our
22 basic interest is it's the best for racing. And it's the
23 best for the audience for racing that we get it done. And
24 if we don't get it done, I think we have a serious
25 question about should we continue with half of our racing
26 programs not happening. I'm giving you a personal
27 opinion.

28 MR. LICHT: Couple of things. This digital analog,
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01 it's true that anybody who's an analog subscriber can
02 become a digital subscriber; right?

03 MR. HINDMAN: Yes.

04 MR. LICHT: There's no barrier because I live in some
05 part of Redondo Beach that I can't become --

06 MR. HINDMAN: No.

07 MR. LICHT: This computer feed which John Harris
08 asked about, we'll never see that on the computer.

09 MR. HINDMAN: I never say never.

10 MR. LICHT: Okay.

11 MR. HINDMAN: But traditionally in having discussions
12 with cable providers, they are very down on video
13 streaming a live product. That's why we haven't done it.
14 It's very hard to do a deal if you do.

15 MR. LICHT: Your website, I agree, is super. The
16 improvements have been great and coverage of Dubai was
17 great. I just wish you would have let us know it was on a
18 hour later.

19 MR. HINDMAN: I know.

20 MR. LICHT: One thing I'd like to hear -- maybe Rick
21 Henson from Los Al can give us some insight into what you
22 feel the TVG has been on your live business
23 cannibalization and so forth and maybe even increases.

24 MR. HENSON: Rick Henson with Los Alamitos Race
25 Course. Due to our racing program this year going from
26 three days to four days and actually our product has not
27 been that good this year with -- we've been running a lot
28 of short fields. Very hard to tell if we've done any

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01 cannibalization at all.

02 Our handle through TVG has gone from averaging
03 about \$4,000 a day prior to California to over 40, which
04 is very positive. It's now our second largest
05 out-of-state hub only second to Illinois. So we've -- and
06 we have a number of them. But right now they're the
07 second largest, and so we're seeing that product coming in
08 and helping us quite a bit. I'm glad to hear from John
09 Reagan that the CHRIMS has got the numbers together so we
10 can see exactly how it's going to affect the purse program
11 and our bottom line.

12 We're very encouraged with TVG, as they've
13 already mentioned. We have spent a lot of time, energy,
14 and money to develop a new television program which will
15 be launching here very shortly. We're very encouraged
16 about that. We're waiting for Hollywood Friday Nights to
17 come, which we think with both us running at the same time
18 will increase our business drastically. If it doesn't,
19 we'll be very disappointed.

20 MR. LICHT: You don't see any major affect on
21 off-track attendance or wager at this point?

22 MR. HENSON: Not that we have seen at this point. We
23 still watch a number of our players. We do have some that
24 stay on at night, and they tell us they stay home. They'll
25 come back the next day. I have my CEO, Dr. Aldred, stays
26 home at night so -- and he'll play and watch on TVG when
27 he's not in town. So we do have some of that. If that's
28 cannibalization, I'll have to talk to the boss.

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01 MR. HARRIS: Is there anything on -- back to the
02 fairs. Are you in some version of the negotiations with
03 the fairs to take a look at Northern California to be a
04 part of your programs?

05 MR. HINDMAN: Yes. We have had discussions with the
06 fairs on those lines. And it's something that as time
07 draws near, you know, for that time of year to occur that
08 we'll be looking very closely at and talking about more.

09 MR. HARRIS: Fair here --

10 MR. KORBY: Chris Korby representing the California
11 Fairs. Mr. Chairman and Commissioner Harris, thank you
12 for your interest. We are in continuing discussions with
13 the three licensed account wagering vendors in the state
14 for both a presence in fair satellite facilities and for
15 offering wagers on California fair races. So we're hoping
16 to conclude -- begin concluding those contracts soon.

17 MR. LANDSBURG: Further discussion or questions?
18 Thank you for your report, gentlemen.

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

20 MR. LANDSBURG: Next is a report by Youbet, and it's
21 implementation of advanced deposit wagering.

22 MR. HASSON: Joe Hasson, Youbet.com.

23 MR. MARSHALL: David Marshall, Chairman and CEO of
24 Youbet.com.

25 MR. HASSON: For our first month the results -- for
26 the first month the results were pretty much as expected
27 given the content that we have available. We looked for
28 that to change drastically obviously in April. For the

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01 first full month through March 24th our total handle was
02 \$700,145. The in-state handle, the amount of wagers
03 placed on in-state tracks was \$135,705, and the amount of
04 handle placed on out-of-state tracts was \$564,044.

05 Our customer service department did not
06 experience any change in amount of calls dropped or the
07 amount of time to take calls. We attribute that to
08 implementation of a new sign-up system that greatly
09 improves the ease of sign up and also helps the customer
10 resolve any issues on-line. And we believe that come

11 April when we do get an increase in sign-ups, especially
12 before the Derby, that we'll be able to handle a large
13 number of customer sign-ups and deposit and withdrawal
14 transactions on-line and through our customer service
15 department.

16 MR. LANDSBURG: Of course, all of this is subject to
17 TVG having agreement since you're subbing their agreement;
18 is that correct?

19 MR. HASSON: That's correct.

20 MR. LANDSBURG: Further questions from the Board?
21 From the audience? You seem to be on track with where
22 you're going. Is there any further statement to be made?

23 MR. MARSHALL: Obviously we've only been up and
24 running for about a month.

25 MR. LANDSBURG: Identify. I think --

26 MR. MARSHALL: David Marshall, Youbet.com. Our plan
27 now is to really start to focus on the marketing of our
28 service since we haven't perhaps had the ability to do

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01 accurately and work the racetracks particularly in
02 California and the racing community to market the service.
03 We believe that that has been our philosophy from 1994
04 when we started in the interactive horse racing world that
05 there is an enormous fan base out there that knows about
06 racing but hasn't really participated in racing. And in
07 the numbers still hold. There's only about 3 percent of
08 the population that's actually participating actively in
09 the racing industry. And we strongly believe that the new
10 medium, which in '94 and '95 we may have all wondered how
11 it was going to be adopted by the community, is now in
12 over 60 percent of all the homes and offices, is clearly a
13 format through which we could reach new players.

14 And with marketing in conjunction with the
15 racing industry, we really feel we can reach the new
16 players and increase the frequency of current players that
17 only participate a few times a year. We look forward to
18 doing that in coming months and years.

19 MR. HARRIS: I'm not clear if your tracks -- are they
20 basically a mirror image of TVG tracks, or do you have a
21 different line of product in some instances as TVG?

22 MR. MARSHALL: To start with, we don't own any
23 tracks. So that's the --

24 MR. HARRIS: Not owning. Just being able to bet on
25 them.

26 MR. MARSHALL: We have relationships with a number of
27 tracks across the country that are independent of our
28 relationship with TVG. And then we have tracks obviously

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01 TVG has exclusive relationships with which we access via
02 TVG, and we share in the revenue process of that. And
03 then out of our hub in Pennsylvania, we are partnered with
04 MAGNA and have all the MAGNA content for -- in
05 Pennsylvania, but that excludes California.

06 MR. LANDSBURG: Further questions, statements? We
07 wish all of you the best encouragement in getting new
08 fans, and we hope to hear good reports. This will wind up
09 your report, Youbet, and this section on implementation of

10 advanced deposit wagering.

11 Moving on Item 6 in the agenda, discussion and
12 action by the Board on the report by SCOTWINC Off-Site
13 Stabling Committee regarding recent changes in the formula
14 for funding Pomona and San Luis Rey Downs.

15 Welcome back, Mr. Van De Kamp.

16 MR. VAN DE KAMP: Thank you, Mr. Chairman.

17 John Van De Kamp, TOC. I'm the chairman of the SCOTWINC
18 Vanning and Stabling Committee.

19 There is a letter in your agenda package, just a
20 short two paragrapher, that summarizes the final
21 resolution of our deliberations, took a number of months.
22 In short, it was agreed that we would allocate \$3 million
23 from the SCOTWINC Vanning and Stabling Fund between --
24 split the money between both Fairplex and San Luis Rey.
25 Essentially what it would be used for at San Luis Rey is
26 to reduce the cost of stabling.

27 And I would estimate that for a trainer at
28 San Luis Rey Downs who today is paying about \$8 a day, we

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01 were supplementing them with \$4. They would pay the
02 landlord \$12 a day. Their present cost to trainers we
03 cut at least in half. So they'll be paying someplace
04 within 3 or \$4 a day in this coming year. And that's, I
05 think, been well -- agreed well at San Luis Rey Downs.

06 With respect to Pomona, we're providing
07 1.5 million. George Bravida has reported to me that --
08 our request met with the horsemen there to try to figure
09 out a schedule, and they're finalizing that right now.
10 They're going to try to stay open as much as they can.
11 And we'll have that for you just as soon as the final
12 decisions are made by them about their opening days.

13 Essentially what this does is at the end of the day, it
14 probably will cost us \$200,000 less than last year. I
15 think we spent close to 3.2 million last year between the
16 two facilities. We have so many empty stalls at all the
17 tracks at one time that we figure we had to put some
18 pressure on it to try to develop some efficiency. While
19 this is not totally satisfactory to everyone, we'd like to
20 think it's a step in the -- the right direction that some
21 progress is being made.

22 And the other thing I guess that needs to be
23 said is that we did have in the past a starters fee from
24 San Luis Rey. We have eliminated that. So all money will
25 go to stall cost reduction for the trainers there. Why the
26 split between the two at 1.5 million each? We found
27 essentially that the number of starts coming from each
28 facility was almost identical, somewhere over three horses

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01 a day. In the past five years ago when we looked at it,
02 there was quite a different picture with San Luis Rey
03 sending about half as many horses to the racetrack as
04 Fairplex.

05 MR. LANDSBURG: Questions from the Board? Questions
06 from the audience? No questions. It's the first time in
07 the history I've been on this Board when there wasn't a
08 question about this. But I'm glad this was worked out

09 among horsemen and the SCOTWINC Committee.

10 Therefore, we have action by the Board in
11 approving the -- improving the formula and improving
12 the -- regarding recent changes to the formula for funding
13 Pomona and San Luis Rey. Ask for a motion to accept it.

14 MR. LICHT: So moved.

15 MR. HARRIS: Same.

16 MR. LANDSBURG: Second it. All in favor?

17 MR. LICHT: Aye.

18 MR. BIANCO: Aye.

19 MS. GRANZELLA: Aye.

20 MR. HARRIS: Aye.

21 MS. MORETTI: Aye.

22 MR. SPERRY: Aye.

23 MR. LANDSBURG: Opposed? Carried unanimously by the
24 Board.

25 Thank you for your valiant efforts and for
26 everybody's cooperative input in this. And we have a
27 little breather now for almost six months before we have
28 to reconsider all of what just was said.

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01 With that having been said, we want the report
02 and discussion by racing associations on the
03 implementation of backstretch security. Mr. Minami.

04 MR. MINAMI: Ray Minami, Horse Racing Board staff.

05 Last week the Horse Racing Board Staff convened a
06 security meeting consisting of the horsemen, horsemen's
07 organizations, the racetrack associations, their security
08 staff, as well as the Horse Racing Board Staff. The thrust
09 of that meeting was to basically talk about enhanced back
10 side security. One of the agenda items on that meeting
11 was a demonstration of the digital surveillance cameras
12 that Santa Anita has installed in their corporate yard.
13 And it was a demonstration of the flexibility, the
14 versatility, and the various uses of the security cameras
15 and hopefully to encourage the racetracks to consider the
16 placement of those cameras in the back side.

17 As you know, there's somewhat of a thrust by
18 some of our Board members to encourage the surveillance
19 cameras in the back side as well as the horsemen
20 themselves. So we had a demonstration on that.

21 We also had a few -- we had an individual who
22 represented a drug testing company who demonstrated his
23 saliva test. It's called Avitar. And so he demonstrated
24 the saliva swab, and we can get results within minutes.
25 And that was a demonstration that we asked for the
26 racetrack associations to consider as well as the Horse
27 Racing Board Staff. Right now we're currently using the
28 Roche urine test. And although those are reliable,

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01 they're not quite as neat.

02 MR. HARRIS: Are we talking about tests for people or
03 horses?

04 MR. MINAMI: Human testing, yes. Primarily for
05 licensees.

06 I also asked the various racing associations to
07 talk about what they're doing in enhanced security in the

08 back side. As you know for quite a few years, the
09 executive director of the Horse Racing Board has
10 implemented a racetrack integrity program, and each year
11 or each time we can, we try to improve on that. And so
12 one of the enhancements that we have made this past year
13 is to increase the back side security, heightened
14 security consciousness by the stable security, by the
15 racetrack security, by CHRB employees to make sure that
16 those who are in the restricted area, primarily the back
17 side, are those who belong there and who are properly
18 licensed.

19 Today I've asked Hollywood Park, Santa Anita,
20 and Los Alamitos to give a brief description of what they
21 are doing at their specific racetracks. I also have Mike
22 Kilpack, who is a supervising investigator for Santa
23 Anita, actually the Southern California circuit, to come
24 and basically talk a little bit about what we're doing or
25 what we have been doing since the beginning of the year at
26 Santa Anita. Following Mr. Kilpack, I hope that
27 representatives from each of the racetracks -- the three
28 racetracks will come and tell you what they're doing at
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01 their specific racetrack.

02 MR. LANDSBURG: Gentlemen, presenters, come to the
03 Mike.

04 MR. KILPACK: Good morning.

05 MR. LANDSBURG: Please identify, Mike.

06 MR. KILPACK: Michael Kilpack, CHRB staff, southern
07 region.

08 Earlier this fall, myself along with Santa Anita
09 racetrack had decided to really enhance the security
10 drastically. I was getting a lot of feedback from
11 trainers, owners that there's unlicensed people here,
12 unlicensed vendors. We need to stop this. So we decided
13 to really clamp on the gates at Santa Anita to where
14 everybody that walks in has to show their license. And
15 beyond that, after 10:00, they have to display it. And
16 the compliance was very good amongst our licensees.
17 Several people were cited to the steward for fines. And
18 thus, the compliance was almost 100 percent.

19 In addition, we're still striving to get
20 surveillance cameras on both the entrances and exits of
21 the restricted barn area. That's definitely a top goal at
22 least in my office.

23 As far as the patrolling of the barn area, I
24 work diligently with the stable security staff. And every
25 afternoon during live racing, we have employees both our
26 peace officers and stable security personnel in the barn
27 area. They're walking. They're talking. They're looking.
28 If anything, they're making themselves visible. And

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01 that's, I think, what's expected. If they catch someone
02 doing a violation, they'll take the appropriate action.
03 We're going to continue this until the end of this meet,
04 and we're going to follow it to Hollywood Park where --
05 I've already met with them. They're going to greet us with
06 the same opportunity that Santa Anita did.

07 And one of the things that Roy was alluding to
08 in the meeting was trying to get some continuity amongst
09 all the tracks so we have the same standards. When we go
10 to Hollywood if you're owner, you're going to be expected
11 to show your license at the gate. You're going to be
12 expected to wear your license. And hopefully we'll be
13 able to weed out the people that should not be there.
14 People that are doing the drugs. People that are doing
15 things to horses that shouldn't be.

16 MR. LANDSBURG: And, Roy, are you saying there are
17 other representatives who will be testifying or --

18 MR. MINAMI: I hope so. At the meeting I did ask
19 Hollywood Park, Santa Anita, and Los Alamitos to have
20 somebody come in and talk about their racetrack security.

21 MR. LANDSBURG: I think we have -- we have Mr. Wyatt
22 now.

23 MR. WYATT: Euall Wyatt at Hollywood Park.
24 Unfortunately, I was out of this country when this meeting
25 took place. I probably should have brought our security
26 director, but I think I can speak to a few things.

27 We have certainly over the past couple of years
28 to be sure with the -- cooperating with the CHRB and at

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01 their direction increased and tightened our security on
02 the back side. I think I can assure you that nobody gets
03 into the back side today without showing their license.
04 We've increased our perimeter patrols in the back side,
05 checking our fences, making sure that when holes are cut,
06 they're repaired immediately.

07 We have two cameras. We have cameras on the way
08 to cover -- they've been ordered and to cover both of our
09 entrances to the back side. Hopefully they'll be here.
10 They will be here before the meet begins and will be
11 installed.

12 We are looking into the more sophisticated
13 system that's been installed at Santa Anita in the hopes
14 that in the next -- we won't make promises. But we'd like
15 to have it in place in the next four to five months.

16 MR. LANDSBURG: In the meantime, you know, they have
17 cameras that don't actually operate, but have a little
18 flashing red light.

19 MR. WYATT: This is true. Thank you.

20 MR. LANDSBURG: All right. Mr. Liebau, did you have
21 a comment?

22 MR. LIEBAU: I really can't say any more than what
23 Mr. Kilpack has already said. I think we have heightened
24 security to become a higher priority than probably it was
25 before, and I think we've showed good results.

26 MR. LANDSBURG: Commissioner Moretti, anything on the
27 security since you've been involved?

28 MS. MORETTI: I would like to thank the industry
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01 representatives for getting together, although I couldn't
02 make that meeting. I was on the meeting by phone. I was
03 very impressed by what is going on at Santa Anita. In
04 fact, today I'm going to go over and would invite other
05 commissioners to take a look at the system.

06 Sounds to me this is another among the many
07 first steps we keep talking about in the industry. I
08 think it's very important because the perception, as we've
09 spoken about before, outside of the industry is that there
10 is so much bad stuff that goes around and goes on at the
11 racetrack. We need to get rid of that. And we need to
12 clean house a little too. I'm glad to see that.

13 MR. HARRIS: I was one of the ones that was initially
14 concerned as I looked into it that racing was not
15 utilizing technology very well in looking at the
16 backstretch security. I think possibly we were the front
17 side, but the backstretch -- what's amazing to me with the
18 state of the art of all security cameras now that
19 essentially no track in California was utilizing them at
20 all. And they've gotten a lot more affordable. And it
21 just seems to me that it's something we need to do. Not
22 to replace any of the normal security people or
23 investigators, but to really enhance the work they can do.

24 And you know, we really can't be a third world
25 country. We need to get with whatever technology is out
26 there and utilize it. I think that the rule as far as --
27 I think the best thing is done voluntarily and the tracks
28 really, you know, doing it and kind of figure this state
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01 of the art and implement it. But I hate to see us have to
02 make rules to require all these cameras. I think it's
03 better if it happens. But I think the Board needs to see
04 something moving forward, or we're going to be having to,
05 you know, actually make a rule to enhance it.

06 MR. LANDSBURG: We are moving forward. Is there
07 further discussion? In which case, I don't think we need
08 a motion here.

09 MR. WOOD: No, sir.

10 MR. LANDSBURG: Moving on in general business. Is
11 there any general business communications, reports,
12 requests for future action of the Board.

13 MR. BIANCO: I have something I'd like to bring up.
14 I'd like to thank all the representatives who supported
15 myself and Roger with the confirmation from the Senate
16 Committee. I was surprised because when we went into a
17 couple of the rooms of some of the senators before we were
18 actually brought into the chamber, we were told and we
19 were asked questions that -- here again, we're not
20 marketing properly.

21 There's an lot of things that Santa Anita,
22 Hollywood Park, Del Mar, the tracks up in Northern
23 California, Los Alamitos do for the local areas. And most
24 of these senators were asking us, you know, "What have you
25 done for the community?" You know, I think there's got to
26 be more marketing to show these people what actually
27 you're doing. I don't know how to, you know, put my arm
28 around it to get it done. But I think either through this
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01 Board -- we have to make sure that these people up in
02 Sacramento get the information of, you know, the good
03 things that you're doing. Because all they hear is
04 negatives. I'd like to see something Alan initiated. And

05 we can get them that information.

06 MR. LANDSBURG: I think it's something we should
07 never have overlooked, and let us try to put it into
08 process with staff and have it for the next item perhaps
09 or the time after. I think it's an important -- our
10 outreach to individual legislators will impact racing far
11 more than anything we donate or anything we're taxed by
12 the state. And they hold life or death for us. So this
13 suggestion is well taken, and we'll try to act on it.

14 MR. BIANCO: Thank you.

15 MR. LANDSBURG: Further business or communications?

16 MR. LICHT: I also want to thank all the people who
17 came out and supported me. I'd also like to say on behalf
18 of myself and I'm sure the Board shares it with me,
19 condolences to Rick Baedeker, one of the nicest most
20 instrumental people in this business I've met since I
21 served as Commissioner, on his loss. The ultimate
22 tragedy, the loss of his daughter, Jillian.

23 MR. LANDSBURG: I would extend it further personally
24 on behalf of the Board.

25 MR. WOOD: I'd just like to -- before we adjourn, at
26 1:30 this afternoon we're going to have a second phase of
27 the backstretch worker housing rule draft process. Many
28 people have been invited to that meeting. I would

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01 encourage everyone who has an interest to stay around. It
02 will be in this room at 1:30 this afternoon.

03 MR. HARRIS: One issue I thought about bringing up --
04 maybe can be a topic of future meeting -- is that I'm a
05 little concerned if the racing industry is giving full
06 disclosure to our fans as far as what the take outs are in
07 all of the states that we're -- I think people are
08 generally aware of what the take out is here. I think it
09 should be possibly something in the program showing
10 different states how much is actually take out versus
11 California. California compares pretty favorably, but a
12 lot of states' trifecta wager is 25 percent take out,
13 where here is 20 percent. And I'd like to get some input
14 of some future meeting if the tracks will do this
15 voluntarily or this rule or what.

16 MR. WOOD: Commissioner Harris, we have annual
17 report, a very nice chart that shows that breakdown. And
18 you can encourage the racetrack to reproduce that in the
19 program. I think the charts we have in the annual report
20 reflect some of the information. And we offer our
21 assistance to work with them to help to have -- specify
22 that and clarify that. That's a very good suggestion. So
23 if any of the racetracks would like for us to lead in
24 assistance, we'll help work it.

25 MR. LANDSBURG: In fact, ARCI publishes it for every
26 state in the union for every kind of bet. I just received
27 their book on pari-mutuel racing. Mr. Liebau.

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01 I'd like to discuss and bring on the attention of the
02 Board.

03 The first item has to do with just the general

04 operation of tracks from day to day and our racing
05 activities. I think that some attention should be
06 directed either by committee of this Board that might be
07 appointed by the Chairman as to the documentation of all
08 rules that stewards might be using or implementing on a
09 statewide basis.

10 Having experiences operating tracks both in
11 Northern and Southern California, I can tell you that the
12 rules aren't uniform. Just the other day I was told by a
13 steward that what might happen at Ferndale is not going
14 to happen at Santa Anita. And my answer to that, of
15 course, was that Ferndale happens to be in the state of
16 California and just as Santa Anita does so -- and I do
17 think that there are some discrepancies.

18 I also think that the rules that are being used
19 should be documented. I mean, I have to tell you I've
20 been in this business since November of '92, and every
21 once in a while I hear about a new rule that I never knew
22 about. And I think it would be in everybody's best
23 interest as far as the racing community in general is
24 concerned and that this -- sometimes these rules adversely
25 impact our field size.

26 So I would really urge the Board to somehow form
27 a committee that might have representatives of the track,
28 the owners and the trainers and stewards, and to sit down

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01 and try to get all the rules codified and make sure that
02 the rules are the same in -- maybe they aren't rules, but
03 policies, I guess, are being uniformly applied both in
04 Northern and Southern California.

05 MR. LANDSBURG: Did you say you had another
06 suggestion, or was that two?

07 MR. LIEBAU: Well, I have sort of a report. At the
08 meeting that was held near Los Alamitos, which I think
09 was two or three meetings ago, Charles Dougherty brought
10 up the problem that we had with workmen's compensation.
11 And there was, in fact, a committee that was appointed by
12 the Chairman, and that committee has met on one occasion
13 at Golden Gate and is scheduled to meet again tomorrow
14 morning.

15 From the reports that everybody is
16 communicating -- and I mean all segments of the industry
17 as far as the tracks are talking to the owners, and the
18 owners are talking to us, and the trainers are giving us
19 input. The tracks have retained a firm to advise us in
20 connection with this matter and to make recommendations.

21 We are in the process of drafting a possible law that
22 hasn't yet been widely circulated, but we certainly intend
23 to circulate it among all segments of industry. The last
24 input we got from -- was from the people at CHRIMS as to
25 how we might keep track of handle and things of that
26 nature. I do think this is a tremendous problem that is
27 facing the industry. We got over the hump in March and as
28 far as when -- one-third of the workmen's comp as far as

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01 trainers were concerned came true, and the rates were
02 escalated substantially. The next time is in July. I

03 think we're facing, you know, a crisis situation that we
04 have to come to grips with and solve or we're in deep
05 trouble here in California.

06 I will say that I'm dismayed to learn that
07 Local 280, the pari-mutuel union, is actively lobbying
08 against this bill in Sacramento even though no bill has
09 yet been submitted. I think it's a time for everyone to
10 come together. And I guess as prior Chairman Scurfield
11 used to say, it's time for the thoroughbred family or
12 racing family to come together and work together. And I
13 would hope that that would be the case. Thank you.

14 MR. LANDSBURG: I couldn't agree more about the
15 racing family coming together. It is important that we do
16 and particularly on this question. But the Ad Hoc
17 Committee was suggested in my mind designed to be the
18 throughput which the industry could communicate with the
19 Board and vice versa so we could be able to stabilize what
20 was happening or at least make the moves in law and into
21 other areas that might be helpful.

22 Mr. Liccardo.

23 MR. LICCARDO: Ron Liccardo, Pari-Mutuel Employees. I
24 take exception to Mr. Liebau's last statement because I
25 assume it's the bill that hasn't been around, but it's
26 what I have in my hand he's talking about, would be 2931.
27 I don't know if that's the bill or not he's talking
28 about. It doesn't say it's for workmen's compensation.

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01 But it does affect -- it does affect our collective
02 bargaining agreements. That's what I take -- I have a
03 problem with.

04 Now, I don't know if anybody has this bill. But
05 I went to Sacramento on Monday to get it and to talk to
06 certain people. And -- because I got a call last week
07 from some of my people that the author of the bill wanted
08 some input from us.

09 MR. LANDSBURG: We're dealing here with a somewhat
10 mystery since I haven't read the bill. I don't know
11 whether --

12 MR. LICCARDO: It's very, very short.

13 MR. LANDSBURG: I know. But to try to go into the
14 discussion of it here -- I think it more properly belongs
15 as part of the Ad Hoc Committee. I would like to see it
16 come up to us with a recommendation and suggestion because
17 I'm not a labor lawyer. I'm a Board member and a
18 Commissioner. I need to know what the elements here
19 are -- of disagreement are in order to make any kind of
20 judgment.

21 MR. LICCARDO: But the number is 2931.

22 MR. LANDSBURG: It's an assembly bill?

23 MR. LICCARDO: AB, yeah.

24 MR. WOOD: I would remind everyone, as Mr. Liebau did
25 mention, the Ad Hoc Committee is to meet in the morning at
26 10:00 in the Boardroom in Santa Anita. It was the intent
27 that once Ad Hoc Committee was to meet that the report
28 would be made to the Board. If legislation was to be

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01 forthcoming from that, Ad Hoc Committee was to -- a

02 standard approach everyone agreed to, they would recommend
03 to the Board that the Legislative Committee of the Board
04 address the legislature, present and/or have further
05 discussion to present the Board as to what areas we may
06 address in solving the workmen's compensation issue. So
07 tomorrow morning at 10:00 the Ad Hoc Committee does meet,
08 and that has been the plan from the beginning that was
09 laid out for us two months ago.

10 MR. LANDSBURG: Mr. Van De Kamp.

11 MR. VAN DE KAMP: John Van De Kamp, TOC. We do need
12 to have the meeting to sit down and ventilate and see what
13 the problems may be. And I would hope that perhaps after
14 this meeting tomorrow -- we cannot wait. We have to get
15 urgency legislation that is signed by the Governor by July
16 1st if we're going to do any good to mediate this problem,
17 at least from legislative standpoint. So we cannot wait
18 for another Board meeting.

19 We need to get Mr. Liccardo and his colleagues
20 and anyone else who has interest in this thing to perhaps
21 meet with us after the meeting tomorrow. I would urge
22 that maybe at 11:00 tomorrow after we get finished with
23 our meeting that we have a larger meeting so we can make
24 sure that everyone's on the same page.

25 I mean, the goal here frankly is to take, I
26 think, the bill that Ron has just mentioned and to modify
27 it substantially so that whatever is taken out of the take
28 out it's a very limited amount could be used for mediation
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01 of the workers' comp problem. And it will require, after
02 legislation has passed and after we have a funding source,
03 a further agreement, which I think everyone needs to have
04 a hand in to make sure it is as fair and equitable and as
05 abuse-free as possible.

06 So I would simply urge an invitation to perhaps
07 have others who may be interested to meet with us tomorrow
08 at 11:00 after this meeting takes place. If that can be
09 done, Mr. Wood.

10 MR. WOOD: That's not a problem, Mr. Van De Kamp.

11 MR. HARRIS: I'm not clear if the bill, which I guess
12 would have urgent statute, that would basically just be to
13 fund, to effectively increase take out, which is a little
14 bothersome. You're really having the fans fund workers'
15 comp to an extent.

16 MR. LANDSBURG: Should we be reserving this
17 conversation for tomorrow's meeting?

18 MR. LIEBAU: I think so. But the bill is very vague.
19 Just so everybody would know, it would have to be approved
20 by the tracks and the owners that's contemplated. It
21 would then be filed with the Board as far as oversight is
22 concerned. But the agreement -- but the bill frankly is
23 just in the early stages of trying to get a consensus. It
24 has not seen the light of day in Sacramento and was going
25 to be broached and discussed at that meeting tomorrow
26 morning.

27 MR. SPERRY: Is AB 2931 the bill that we're talking
28 about?

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01 MR. LIEBAU: Right. It might be the vehicle that's
02 used, but that isn't even clear at this point in time.
03 That bill says nothing about workmen's comp or anything
04 else.

05 MR. VAN DE KAMP: I might say with respect to that
06 bill, there was a bill last year that was introduced
07 without much opposition from any part of the industry. It
08 would have permitted changing the take out up or down with
09 the agreement of the tracks and the horsemen. And sailed
10 to the legislature without any particular opposition. And
11 the Governor vetoed the bill because the Horse Racing
12 Board did not have approval rights.

13 I think this bill that Ron's talking about was a
14 bill that would correct that, and now we have a new
15 problem. And so we expect, I think, to develop language
16 that we can all agree upon that will address this problem
17 using that -- that mechanism. Now that's all, you know,
18 problematic. So we're going to have to work this thing
19 through. But I'm just urging people to get together now
20 rather than waiting because time is of the essence.

21 MR. HARRIS: I think one issue though we need to --
22 obviously the money's coming from somewhere to help solve
23 the problem. But also we look at anything we can do to
24 enhance safety and, you know, try to really do a better
25 job on the workers' comp, and they have. Which is not
26 just try to figure out a way to pay for but try to figure
27 out some better system that provides the needed benefit to
28 your employees, but is there a better way to design the
0079 whole system.

01 MR. LICHT: I said it at the last meeting, and I'll
02 say it again. I personally would be against any
03 legislation that would increase take out or any kind of
04 rule that increases take out in any way to pay for
05 workers' comp. I don't think it's the fans' duty to
06 supplement workers' compensation system and to basically
07 supplement the owners and the trainers. The revenue is
08 going to have to come from some other source, as far as
09 I'm concerned.

11 MR. LANDSBURG: Once again, I think this will be
12 addressed at some length tomorrow. And we will have a
13 report of that. And all of us will be able to form a
14 more -- will be able to have a more informed opinion.

15 I would like at this point if there is no more
16 discussion -- just to add one note for Mr. Liebau --
17 Mr. Liebau, I couldn't agree with you more about the
18 process of stewards having a different vision of the rule
19 as it exists, which is why there are 22 different kinds of
20 judges in the court system who have different visions of
21 how the rules should be applied. However, I think that
22 your complaint and your vision should be taken up with the
23 Steward Committee. And I would hope that Mr. Bianco would
24 be involved in that discussion.

25 MR. LIEBAU: I certainly agree with what you said,
26 Chairman. There's also a Supreme Court in California and
27 the Supreme Court in the United States. And I would
28 equate that to the California Horse Racing Board and you

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01 being chief justice. So we're looking to you for
02 guidance.

03 MR. LANDSBURG: Thank you.

04 With that, it's a perfect closing for this
05 meeting. The public part of this meeting is now
06 adjourned. We will go into Executive Session of the
07 Board.

08 (Hearing adjourned at 12:04 p.m.)

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