

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
)

HOLLYWOOD PARK
SUNSET ROOM
1050 S. PRAIRIE AVENUE
INGLEWOOD, CALIFORNIA

THURSDAY, APRIL 24, 2008
9:30 A.M.

Reported by:
Troy Ray

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

Richard B. Shapiro, Chairperson
John C. Harris, Vice Chairperson
John W. Amerman
John Andreini
Jesse H. Choper
Jerry Moss

STAFF

Kirk Breed, Executive Director
Richard Bon Smith, Assistant Executive Director
Derry L. Knight, Deputy Attorney General
Jacqueline Wagner, Staff Services Manager I
Mike Marten

ALSO PRESENT

Jack Liebau
Robert Hartman
Drew Couto
Mr. English
Rod Blonien
Chris Korby
Richard Castro
Rick Pickering
Craig Fravel

APPEARANCES CONTINUED

ALSO PRESENT

Marsha Naify

George Krikorian

Rick Hammerle

Leanne Howard

Karen Klawither

Jeff Blea

Sharla Sanders

Edward Murphy

Madeline Auerbach

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PROCEEDINGS

EXECUTIVE DIRECTOR BREED: Ladies and gentlemen,
this is the Regular Meeting of the California Horse Racing
Board that's to be held today, Thursday, April 24, 2008,
commencing at 9:30 a.m., at the Hollywood Park Sunset Room,
1050 South Prairie Avenue, Inglewood, California.

Those present today, on the Horse Racing Board,
are the following; Richard B. Shapiro, Chairman, John C.
Harris, Vice Chairman, John W. Amerman, Member, John
Andreini, Member, Jesse H. Choper, Member, Jerry Moss,
Member.

The following is a statement concerning an open,
public hearing. The Board invites comments from the public
about items on its agenda. It also invites public comment
about items not on the agenda, that are related to horse
racing, during the public comment period.

Please note that unduly repetitious comments or
extended discussion of irrelevancies disrupt the meeting and
prevent the Board from accomplishing its business in a
reasonably efficient manner.

In order to assure that each individual, who
wishes to comment, will have an adequate opportunity to do
so, and also to assure that the meeting as a whole will be
completed in a timely manner, so that individuals wishing to
comment on multiple matters will not be required to stay for

1 an unreasonable length of time, the Chair will strictly
2 enforce a three-minute time limit for each person wishing to
3 speak on an agenda item.

4 The shorter, three-minute limit, is necessary
5 today because of the lengthy agenda of 21 open session
6 items. I think it's less in there. But the goal of this
7 rule is to assure that each person's right to make their
8 views known is not disrupted by another person's conduct.

9 In order to expedite the comment process, there is
10 a public comment sign-in sheet.

11 COMMISSIONER CHAIRPERSON SHAPIRO: There are cards
12 over on the white table over there.

13 EXECUTIVE DIRECTOR BREED: Those are cards on the
14 white table over to my right.

15 The sheets are located on the right, as I said.
16 Please print your name legibly so that the Chair does not
17 mangle it.

18 Just prior to our discussion of the item, the
19 comment sheet will be brought -- the comment card will be
20 brought to me -- to the Chair.

21 After initial statements from staff and interested
22 parties, the Chair will ask for public comment. When the
23 Chair calls your name, please come to the podium to speak.
24 The Chair will let you know when your time has commenced,
25 when there is one minute left, and when your time is up.

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

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

9 If the time is up, the Chair will ask the speaker
10 to please take his or her seat.

11 If a speaker is repeating himself or herself, the
12 Chair will ask the speaker if he or she has any new comments
13 to make. If not, the Chair will ask the speaker to allow
14 the next speaker to come to the podium, irrespective of the
15 time remaining, unless a Board member indicates that he or
16 she still wishes to hear from the individual.

17 If it appears that a speaker is not speaking to
18 the agenda item, or is speaking to another agenda item, the
19 Chair will ask that the speaker please return to his or her
20 seat and address his or her comments at the appropriate
21 time, either on that specific item or at public comment.

22 Thank you.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Good morning to
24 everybody and welcome, it's nice to be here, at Hollywood
25 Park.

1 I'm going to take a few items out of order, so
2 we're going to jump around a little bit on the agenda
3 because some people have some time constraints.

4 But let's start with Item Number 1, the first
5 item, which is a discussion and action by the Board
6 regarding the status of the card check agreement between the
7 Pari-Mutuel Employees Guild, Local 280, and the licensed --
8 California licensed advanced deposit wagering providers.

9 On this item, I'd like to report that I'm aware
10 that there is progress being made. I think there are
11 discussions that are taking place.

12 And given that the Board has been sued with
13 respect to this, I would recommend that we encourage the ADW
14 providers and the Local 280 to continue their progress.
15 Hopefully, they will come to an agreement.

16 But, honestly, I don't believe there's really
17 anything else that the Board should do at this time, other
18 than encourage them and tell them that we want this to be
19 concluded and resolved.

20 So unless there is somebody that has some pressing
21 need to address it, I would recommend that we simply make
22 that statement and move forward.

23 Is there anybody in the audience that feels
24 compelled that they need to address this issue?

25 There being none, then I'm going to suggest that

1 we wish -- again, encourage everybody to come to a
2 resolution on this matter and I hope that the discussions
3 that are taking place will be fruitful.

4 We'll move on to Item Number 2, which is a report
5 and discussion by the Board regarding the status of the
6 negotiations of the horsemen's agreement, for the horse race
7 meeting, of Hollywood Park Racing Association, commencing
8 yesterday, through July 13th, inclusive, and the horse race
9 meeting at Pacific Racing Association, at Golden Gate
10 Fields, which commences May 14th and continues through June
11 22nd.

12 As we all recall, at the last Board meeting there
13 were unresolved issues with respect to both of these
14 applications, and so this has been brought back.

15 And so I think we'd like to hear from those
16 parties, from Hollywood Park, and Pacific Racing
17 Association, and TOC, if those issues have been resolved.

18 Mr. Liebau?

19 MR. LIEBAU: Yes. Jack Liebau, President of
20 Hollywood Park. I don't think there was a controversy,
21 because at that meeting that was held at Bay Meadows, the
22 paragraph that was in controversy was deleted. And once
23 that was deleted, there was no longer any controversy
24 between Hollywood Park and the Thoroughbred Owners of
25 California.

1 And in due course, I think the next day,
2 agreements were signed, and I think forward onto the Board.

3 COMMISSIONER HARRIS: I recall, myself, that I
4 think Marsha Naify suggested we just drop that and move
5 forward.

6 MR. LIEBAU: Yeah.

7 COMMISSIONER HARRIS: There's the other item on
8 the agenda that talks about the overall issue. But as I
9 understand it, the Hollywood Park's a done deal.

10 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah, that was
11 my recollection of it, but when I saw it on our agenda, I
12 thought, well, maybe I didn't quite recall it properly.

13 So I believe that that being the case, we'll thank
14 you, and I believe that the agreement with respect to
15 Hollywood Park there's no issue. So thank you.

16 MR. LIEBAU: Thank you very much.

17 COMMISSIONER CHAIRPERSON SHAPIRO: I see Mr.
18 Hartman in the background. Now, as I recall with Mr.
19 Hartman, there was the issue with respect to the hot
20 walkers, the hot walking machines, and perhaps something
21 else. Is that resolved?

22 MR. HARTMAN: Robert Hartman, Golden Gate Fields.
23 Yes, Commissioner, all the issues are resolved and you have
24 a signed TOC contract for Pacific Racing Association in your
25 hands.

1 COMMISSIONER CHAIRPERSON SHAPIRO: All right, so
2 everything is now in order, there's no problem?

3 MR. HARTMAN: Correct.

4 COMMISSIONER CHAIRPERSON SHAPIRO: Terrific.
5 Okay. Look at how fast we're going. Maybe it's because
6 it's an audiocast and not a webcast.

7 Okay, so let's move on to Item Number 3, which is
8 report to and action by the Board regarding a report from
9 the racing associations the TOC concerning Business and
10 Professions Code Section 19605.7, in particular, the 2.5
11 percent of the amount of actual operating expenses, as
12 determined by the Board, whichever is less, distributed to
13 the organization authorized to operate the audiovisual
14 signal system and how it is impacted by any deficiency in
15 the funding.

16 This, again, is a carryover from our last Board
17 meeting, where there was an issue, as I recall, that there
18 is a surplus in the earlier part or earlier half of the year
19 of this fund, and in the later half of the year there's a
20 deficit.

21 And at our last Board meeting we were told that
22 during the first half of the year, when there's a surplus,
23 that the horsemen and the applicable racing associations
24 split that surplus. But in the latter half, or in other
25 situations where there's a deficit, the racing associations

1 were claiming that they were bearing the deficit fully, and
2 that the horsemen were not sharing in the deficit, and I
3 think that was the issue.

4 COMMISSIONER HARRIS: Can we also clarify that I
5 think the expenses are more than just the audiovisual
6 expenses. As I understand it, they also include all the
7 pari-mutuel cost, including labor, and the machines, and all
8 that. So it's really a fairly significant cost, in addition
9 to audiovisual.

10 MR. LIEBAU: That's correct.

11 COMMISSIONER CHAIRPERSON SHAPIRO: Well, and just
12 so you know, one of the things, when I looked at our
13 analysis, what I wasn't clear about was it says that the two
14 and a half percent of the money, the operating expenses as
15 determined by the Board -- all right, I'm assuming that's
16 us, this Board -- whichever is less, shall be distributed to
17 an organization described under Section 19608.2.

18 When I looked at 19608.2, I wasn't clear who is
19 that organization?

20 MR. LIEBAU: That's a Scottwinc or Notwinc.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. Because
22 I don't recall being on this Board, ever, reviewing the
23 budget and expenses that we're apparently supposed to
24 determine, and I wasn't sure -- I mean, it hasn't come up
25 since I've been on this Board where we've actually reviewed

1 this.

2 MR. LIEBAU: No, I think it's been at the two and
3 a half percent since my entry into the business.

4 COMMISSIONER HARRIS: So I'm not clear, the way it
5 works now, though, is it's the two and a half, and that was
6 going to Scottwinc, which in past times was more than
7 enough. But what happened to the more than enough, did that
8 go into reserve, or get distributed for purses or what?

9 MR. LIEBAU: No, under that section -- first,
10 maybe I could just --

11 COMMISSIONER CHAIRPERSON SHAPIRO: Wait, can we
12 just back up and at least somebody give us some history on
13 what this is, and why there's this two and a half percent,
14 and what it was intended for?

15 MR. LIEBAU: Mr. Chairman --

16 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah, because I
17 don't think a lot of us understand it.

18 MR. LIEBAU: Okay. Mr. Chairman, Jack Liebau,
19 from Hollywood Park and Bay Meadows. And today, I have
20 somewhat of a wide hat on, because I've been authorized to
21 represent Oak Tree Racing Association, and I think that's
22 been confirmed by a letter to each Commissioner.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Right, we
24 received it.

25 MR. LIEBAU: I think that what I would suggest we

1 do is that we would like to have this issue submitted to
2 arbitration, if you want to call it, by the California Horse
3 Racing Board, and have the opportunity to present our
4 position at that time, in somewhat of a formal proceedings,
5 and maybe could even have the matter set forth in briefs,
6 and things of that nature.

7 It's a very serious question. TOC has their own
8 position, that's diametrically opposed to what at least is
9 that of Bay Meadows, Hollywood Park, and Oak Tree. I don't
10 know where Del Mar and the others stand.

11 But I think for the action item today, I would
12 just request that the Board consider, you know, arbitrating
13 this issue, setting a date, and deciding whether it would be
14 three members of the Board, or the entire membership,
15 whatever.

16 That's what I thought the issue was. I'd be glad
17 to set forth what has happened, in response to Mr. Harris's
18 question.

19 I mean, what has happened is that the two and a
20 half percent fund has probably been deflated by the
21 introduction of ADW wagering, that has cannibalized what
22 goes on at the satellites to a certain extent, and the ADW
23 law does not provide for any distributions to the expense
24 fund, nor to the stabling and vanning fund, or things of
25 that nature. So that's one problem.

1 The other problem is that there is, you know,
2 escalating labor costs, and one of the things that happened
3 when the ADW law was initially passed was the labor, Local
4 280, asked for some assurance that they would not lose jobs
5 on account of ADW, and there was a manning clause.

6 And, you know, I know that this might be
7 controversial, but I think we are probably over-staffed
8 because of that manning clause, but we made that agreement
9 and we're living with it, so there's no question about it.

10 COMMISSIONER CHAIRPERSON SHAPIRO: You know, I
11 think this is actually going to be a very complex issue.
12 And, personally, I would -- I think it may be a very good
13 idea that we could have some briefs submitted, or outlines,
14 that would tell us, first of all, why is there a two and a
15 half percent fund, what was the genesis of creating this two
16 and a half percent, and what was the purpose of it?

17 With the knowledge the each Board member then has,
18 and the background of understanding it, I think we might
19 then be in a better position to -- I don't want to say
20 "adjudicate," but to at least decide, and hear, and
21 understand more fairly what it is we're talking about.

22 Because in the abstract, it just isn't clear that
23 we know what we're dealing with, to where we can
24 appropriately understand all the nuances.

25 COMMISSIONER HARRIS: Yeah, I think we need to do

1 that to really discuss it. I remember it, myself, because
2 I'm so old, I was alive in the last century when this came
3 up. I remember Ken Manning was one of the authors of the
4 bill, which was a whole different arena then, when the
5 satellites were it, really. There wasn't ADW, there was
6 just a whole different mindset. You couldn't see races on
7 TV, you couldn't do anything. And now we've got a whole
8 different model.

9 MR. LIEBAU: I just don't think this is the proper
10 time or forum in which to go into this.

11 COMMISSIONER CHAIRPERSON SHAPIRO: I have no
12 problem our calling a special meeting, or having an action
13 or a hearing. I hate to call it an arbitration. But TOC is
14 sitting here. Do you have a -- is there something pressing,
15 where you would have a problem with our really trying to
16 dissect this intelligently, to understand it?

17 MR. COUTO: Drew Couto, Thoroughbred Owners of
18 California. No, we wouldn't -- there's no pressing issue.
19 We're merely responding -- sorry, can you hear me?

20 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah.

21 MR. COUTO: Okay. Again, Drew Couto, Thoroughbred
22 Owners of California.

23 There's no pressing issue from our perspective.
24 We're merely responding to the request I believe Mr. Liebau
25 made at the last Board meeting, that this be put on the

1 agenda, and that we discuss it, so we're prepared to
2 respond.

3 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

4 MR. COUTO: My one comment would be, just in
5 response to what Mr. Liebau said, as to his explanation of
6 how we got here. I think he was correct in saying we have a
7 different view.

8 It's a combination of things, and one of which we
9 think is very important, that the Horse Racing Board should
10 look at, is the actual allocation of expenses. Those that
11 they intend to identify as reimbursable expenses.

12 Rather than, I think, what was intended here was
13 that this money was going to cover the incremental cost of
14 handling wagers on races that originated off-track.

15 Instead of treating them with incremental costs,
16 they're treated as proportional cost and, therefore, you're
17 taxing the expense fund way too much. It's simply they're
18 allocating way, way too much in terms of pari-mutuel and
19 other operating expenses, to the two and a half percent, and
20 that's creating what they call a deficit.

21 And so I think we should go into it in more
22 detail. But I don't think an arbitration is appropriate.
23 It's a statutory matter, there's a statutory cap, and I
24 don't think we can arbitrate around a statutory cap. So an
25 informational hearing would be great.

1 MR. LIEBAU: Well, if I could respond to that, and
2 I would point the Board's attention to Section 19440, of the
3 California Horse Racing Law, where it's your responsibility
4 and you're empowered.

5 And number three is the adjudication of
6 controversies arising from the enforcement of those laws,
7 which is the horse racing law, and regulations dealing with
8 horse racing and pari-mutuel wagering.

9 This is certainly a controversy. We're asking you
10 to adjudicate it pursuant to that mandate that you have in
11 the racing law.

12 COMMISSIONER CHAIRPERSON SHAPIRO: All right.
13 Well, look --

14 COMMISSIONER HARRIS: But I think, though, this
15 would have to be solved legislatively. The most that can
16 out now is two and a half percent. So if that's not doing
17 it, you need to cut expenses, or reallocate them, or change
18 the law.

19 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah, but what
20 I hear the issue here is it's within the two and a half
21 percent. The question is should -- within that two and a
22 half percent should the allocation, and the way the monies
23 are being divided be altered within the two and a half
24 percent?

25 COMMISSIONER HARRIS: No, I think the problem is

1 the two and half percent isn't enough, and that the

2 TOC --

3 COMMISSIONER CHAIRPERSON SHAPIRO: But we can't
4 deal with that.

5 COMMISSIONER HARRIS: -- the tracks are telling
6 TOC you've got to put up some money here because the pot's
7 not right.

8 COMMISSIONER CHAIRPERSON SHAPIRO: No, I don't
9 think that's what they're saying.

10 MR. COUTO: I think it's a combination -- I think
11 it's a combination of things. I think -- I don't want to
12 speak for the tracks, but I understand what they say, it's
13 the two and a half percent isn't enough.

14 It's a much more complicated issue than simply
15 looking at that, because there are a number of related
16 statutes that relate to other fees being paid, and to the
17 allocation of these expenses.

18 As I said, you know, two and a half percent, it
19 probably does cover it if you allocate differently.

20 And if we are going to arbitrate it, maybe we
21 ought to audit -- you know, the Horse Racing Board maybe
22 ought to audit how these expenses are actually --

23 COMMISSIONER CHAIRPERSON SHAPIRO: Well, before we
24 get into going that far, again, what I would suggest is that
25 we do have a special hearing, so to speak, on this issue,

1 that we just deal with this.

2 But in advance of that, I would ask that those
3 tracks that feel that the way that this is being handled
4 should be handled differently. Or TOC, you should each
5 present some briefs in advance of it, so that we both have a
6 historical understanding and background, we can understand
7 your positions before we get to the hearing, and then we can
8 more intelligently deal with it.

9 I ask my fellow Board members if that's
10 acceptable?

11 COMMISSIONER CHOPER: You don't disagree with the
12 proposition that the Board has the authority to adjudicate
13 this issue?

14 MR. COUTO: Don't disagree with it at all.

15 COMMISSIONER CHOPER: So your problem was the word
16 "arbitrate?"

17 MR. COUTO: To the extent it means --

18 COMMISSIONER CHOPER: I mean, whatever, to me, it
19 is --

20 COMMISSIONER HARRIS: You can change the law,
21 though.

22 COMMISSIONER CHAIRPERSON SHAPIRO: No, we're not
23 going to change the law, I don't think that's what they're
24 saying.

25 COMMISSIONER CHOPER: No, but neither can an

1 arbitrator.

2 MR. COUTO: Yeah, that was my point is we can't go
3 beyond what the cap is.

4 COMMISSIONER CHOPER: No, okay. So then --

5 MR. LIEBAU: Mr. Harris, the problem is that
6 Notwinc and Scottwinc are going to be -- are now operating
7 on cash flow, because who funds the deficit? When the
8 horsemen say that they aren't obligated to put up more than
9 the two and a half percent, the tracks aren't, either.
10 That's why we have a very serious problem.

11 And it's my understanding that the tracks, some of
12 the tracks have paid in their half of the deficiency, but
13 the other half has not been paid in, and that's where you
14 are facing a financial crisis, sooner or later, and that's
15 why the issue must be adjudicated.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again,
17 let's not get into the issues here, let's try to do it in
18 some organized manner.

19 And if that's okay with my fellow Board members,
20 what I'd like to do is call a special meeting to just hear
21 this, so that we can all be a little more intelligent about
22 it.

23 COMMISSIONER HARRIS: Yeah, I think we should do
24 that. But when we do that, let's outline what all the
25 issues we think are there, because what --

1 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I'm
2 asking each side to brief what their issues are with respect
3 to it and what their positions are.

4 COMMISSIONER CHOPER: Yeah, I think that's where
5 the guts now is. Because you can have a special meeting and
6 then you discover, when you get to the meeting, that there's
7 a big dispute as to exactly what the issues are.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Well, each side
9 needs to outline what the issues are, from their
10 perspective.

11 COMMISSIONER CHOPER: I think if both sides could
12 reach an agreement as to what the controversy is about, that
13 would certainly go a long way toward facilitating a
14 resolution of it.

15 MR. COUTO: We can give that a whirl.

16 COMMISSIONER CHOPER: Well, how about Mr. Liebau?
17 Jack?

18 COMMISSIONER CHAIRPERSON SHAPIRO: Mr. Liebau?

19 MR. LIEBAU: Yes?

20 COMMISSIONER CHAIRPERSON SHAPIRO: Did you hear
21 what Commissioner Choper just said?

22 COMMISSIONER CHOPER: Do you think that you would
23 have little difficulty at least identifying, with the
24 horsemen, what the issues of controversy are, where the
25 differences are, differences of opinion?

1 MR. LIEBAU: Our difference is whether
2 they -- it's very simple, whether both contribute towards
3 the deficit.

4 COMMISSIONER CHOPER: Well, but the ingredients
5 underlying, that's what the --

6 MR. LIEBAU: I know that they're going to open
7 that up, but that -- those allocations have been in place
8 for probably ten or 15 years.

9 But in any event, yes.

10 COMMISSIONER CHOPER: Because if we're going to
11 have this special meeting, we ought to at least try to be
12 equipped to resolve it when we get here, and having
13 agreement as to the issues of controversy, it seems to me,
14 is critical.

15 COMMISSIONER HARRIS: I think it's important, too,
16 to look at this as a year-round pool, versus a meet-by-meet
17 basis. Because that's a big factor, do you look at it as a
18 year, or just by meet, or what?

19 COMMISSIONER CHAIRPERSON SHAPIRO: How long will
20 it take for your side, the horsemen to brief your position,
21 once you understand what the -- you agree as to what the
22 controversies are? I'm trying to figure out how long --
23 should we schedule this in two weeks, three weeks?

24 MR. COUTO: Three weeks seems to be a fairly good
25 time, I guess.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. And ask
2 that, Mr. Liebau, do you and your other people on the track
3 side, that want to, will you be able to do this in three
4 weeks?

5 MR. LIEBAU: I think so. Mr. English is here, no
6 doubt representing the Knight Industry, or at least Los
7 Alamitos, and would like to speak to the issue as far as
8 their involvement, also.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again,
10 I'm not precluding anybody from -- who has a stake in this,
11 being involved in it. I just don't want to go through the
12 issues today, because we don't understand it well enough.

13 COMMISSIONER HARRIS: The Knight Industry's not on
14 the agenda.

15 COMMISSIONER CHAIRPERSON SHAPIRO: Well, but to
16 the extent that the Knight Industry has a similar problem,
17 and is affected by this, I don't see why they should be
18 excluded from it.

19 Mr. English, do you want to --

20 MR. ENGLISH: Thank you. Yeah, I just wanted to
21 make sure we be included in any such meetings and
22 discussions.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Can you speak
24 up, please?

25 MR. ENGLISH: I just wanted to make sure that

1 Knight Industry would be invited and included at any such
2 meetings, because we face the same issues.

3 COMMISSIONER CHAIRPERSON SHAPIRO: So if it's the
4 same issue and your horse -- again, you would have to bring
5 in the Pacific Coast --

6 MR. ENGLISH: Yes, sir.

7 COMMISSIONER CHAIRPERSON SHAPIRO: The horsemen,
8 for the quarter horses and the CHHA.

9 Again, we want to resolve it all and we're not
10 excluding anybody.

11 MR. ENGLISH: Good. Thank you very much.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, thank
13 you.

14 With that, I see Mr. Blonien filling that, do you
15 want to address this issue?

16 MR. BLONIEN: Yes. Mr. Chairman and members, Rod
17 Blonien.

18 I would suggest for the good of the order that
19 there be a date by which each side submit the issues they
20 think are relevant to this decision being rendered, so that
21 each side can brief the issues.

22 And they don't have a situation where the tracks
23 brief one or two issues and the horsemen brief four issues
24 and --

25 COMMISSIONER CHAIRPERSON SHAPIRO: We totally

1 agree.

2 MR. BLONIEN: Okay.

3 COMMISSIONER CHAIRPERSON SHAPIRO: We totally
4 agree. And that's why Commissioner Choper was saying, let
5 the sides get together, agree with what the nuances of the
6 disagreements are, and that way they can agree of what's on
7 that plate, and they can each brief all the issues.

8 MR. BLONIEN: Great.

9 COMMISSIONER HARRIS: But they do that
10 before -- they don't, in that process, have their brief at
11 the same time. They just agree these are the issues. We
12 may have different opinions on them, but these are the
13 issues.

14 COMMISSIONER CHAIRPERSON SHAPIRO: Right.

15 MR. COUTO: Well, there's enough lawyers involved.
16 We'll come up with a statement of agreed issues and a
17 statement of issues in dispute. We'll put it in one
18 document and submit it to the Horse Racing Board.

19 COMMISSIONER CHAIRPERSON SHAPIRO: Terrific.
20 Thank you.

21 And I would ask staff, I would task staff to
22 please try to schedule a meeting within three weeks, so that
23 we can resolve it, and we'll try to deal with it
24 appropriately, at that time.

25 COMMISSIONER HARRIS: We need to keep it moving

1 along, if it's a front-burner issue.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Well, that's
3 why I'm saying three weeks.

4 Okay, I'm now going to skip -- is there anybody
5 from Sacramento Harness, or anybody in the audience that is
6 here with respect to Item Number 11? No, okay. I don't
7 know if --

8 Mr. Liebau, yeah, I was going to take Item Number
9 11 at this point, which is a report and discussion by the
10 Board regarding the status of the closure of Sacramento
11 Harness Association.

12 As we've reported at the last few meetings,
13 Sacramento Harness has gone out of business. We're
14 fortunate, for the harness industry, that Cal-Expo's the
15 operator.

16 And I'm pleased to say that they appear to be
17 doing sufficiently well, in the reports that I've been
18 getting, so that they're still operating and things seem to
19 be going okay.

20 But we still have this issue about the finances.
21 There clearly are some problems with winding up the
22 financial affairs. And I, personally, have a concern that
23 there are some statutory obligations that were not fulfilled
24 by Sacramento Harness.

25 Those issues, as you will recall, involve the

1 purses that were paid to the horsemen, although I am
2 informed that the horsemen have had access to receive all of
3 the purse monies, so it appears that that issue was
4 resolved.

5 But there are other statutory issues that still
6 remain outstanding.

7 I don't think this Board is interested, nor should
8 be involved in creditor obligations. But with respect to
9 those issues that are statutory, I believe we have an
10 obligation to make sure that those statutes are fulfilled.

11 And, therefore, I would like to make sure that our
12 staff is involved, so that we can see that monies, that were
13 intended by statute to go in certain places, are received
14 and paid. And if they're not, to determine what action this
15 Board should take.

16 So if anybody has comment on that, I would like to
17 direct staff to do that.

18 Mr. Liebau, do you have a comment on this?

19 MR. LIEBAU: Well, maybe you've already ruled and
20 I should sit down.

21 I think that -- I'm representing Hollywood Park,
22 and Bay Meadows, and we are owed in the neighborhood of
23 \$120,000 by Sacramento Harness for location fees.

24 I understand that Chris Korby's here, and has sent
25 a demand letter today, where the various satellites operated

1 by fairs are owed a likewise amount. I do not know how
2 much is owed to Golden Gate, or somebody like that, but I
3 would be shocked if they would have paid Golden Gate, and
4 not paid us, or at least paid the fairs.

5 I do think that the Board has absolute
6 jurisdiction in this area because of the fact that you are
7 to enforce the laws, the racing laws, and also to adjudicate
8 controversies.

9 I would like to just say, because I know that my
10 opinion has been at odds with that of the Attorney General's
11 Office but, you know, what we're talking about is the
12 credibility of pari-mutuel wagering in California.

13 When a track takes a bet, it's a stakeholder and
14 it is required to make certain distributions. Some of those
15 distributions might be thought to be small, but there is the
16 public.

17 Certainly, when somebody bets their two dollars,
18 they are not envisioning that they are becoming a general
19 creditor of the track. They are assuming that the track is
20 holding those funds as a stakeholder and are to distribute
21 them accordingly.

22 The track is to distribute money whether it be to
23 the public, to the satellites where the bet's placed, to the
24 Maddie Equine Fund, to the city in which they are situated.
25 These are mandatory distributions under the California Horse

1 Racing law and the California Horse Racing Board has the
2 obligation to enforce the law.

3 So for that reason, I think that the Board should
4 take some action here. I did request that some action be
5 taken by an e-mail that was sent on April the 6th. I have
6 heard nothing from that. And I take it that Mr. Shapiro has
7 asked that the staff now go ahead and do this.

8 I would also point out that if the Board failed to
9 do this action, that there's a section that I've always been
10 a little bit afraid of as a racetrack operator, but since
11 I'm almost in the twilight of my career, I will bring it up.
12 And it's a section that says the Attorney General and every
13 District Attorney shall enforce this chapter to their
14 capacity.

15 EXECUTIVE DIRECTOR BREED: Jack, what section are
16 you reading from?

17 MR. LIEBAU: That's 19, probably 60543, I think.
18 Here it is, I'll give it to you. This is the one enforcing
19 the law.

20 COMMISSIONER CHAIRPERSON SHAPIRO: 19440.

21 MR. LIEBAU: 19443.

22 COMMISSIONER CHAIRPERSON SHAPIRO: 19440, subset
23 3.

24 MR. LIEBAU: It is Mr. Knight's responsibility as
25 a law enforcement officer.

1 COMMISSIONER CHAIRPERSON SHAPIRO: All right, so
2 what you're referring to is 19443, which says the "Attorney
3 General and every District Attorney shall enforce this
4 chapter in their capacity as law enforcement officers."

5 Well, look, I --

6 MR. LIEBAU: And there's also a section, Mr.
7 Chairman, that says the Horse Racing Board's supposed to
8 enforce the law.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again, as
10 I think's obvious, I happen to agree with you with respect
11 to statutory issues.

12 Again, I do not believe the Board should be
13 involved, whatsoever, in any general creditor issues. This
14 is only those issues for statute which I believe would
15 include the issues that you're talking about, and the other
16 simulcast operators are talking, as well as purse funds, the
17 sires stakes funds, and things like that, that are
18 deductions from the handle per law.

19 MR. LIEBAU: That, and the Equine Lab would be
20 another.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Again, you're
22 correct, I'm not trying to limit it, I'm just saying those
23 as examples.

24 MR. LIEBAU: Right.

25 COMMISSIONER HARRIS: What sort of financial

1 structure does Sacramento Harness have, now, are they
2 operating still as a --

3 COMMISSIONER CHAIRPERSON SHAPIRO: No.

4 COMMISSIONER HARRIS: Are they in bankruptcy?

5 COMMISSIONER CHAIRPERSON SHAPIRO: No.

6 MR. LIEBAU: I think the problem is that we've got
7 a classic, where the capital markets have frozen, sort of
8 has also the funds of Sacramento Harness. Everybody's
9 holding on because they don't want to send it to Sacramento
10 Harness, even though that has been proposed, and they're
11 going to give back 75 cents on the dollar. I want a hundred
12 percent on the dollars.

13 But there are funds, Mr. Harris, that I know of,
14 that Scottwinc has some funds that they're holding, Notwinc
15 has some funds that they're holding. And in fact --

16 COMMISSIONER CHAIRPERSON SHAPIRO: And this Board
17 has some funds, as well, in terms of there's a hundred
18 thousand dollar financial instrument.

19 And I think that Mr. Liebau is correct. I believe
20 that everybody is right now -- they're frozen and said, what
21 do we do, we don't want to send the money somewhere
22 inappropriately.

23 COMMISSIONER HARRIS: See, usually what happens in
24 these cases, somebody will get a lien on something and it
25 will force a bankruptcy.

1 MR. LIEBAU: Well, as I think one of your
2 predecessors, Mr. Scurfield used to always point out, you
3 know, racing is a family and we haven't gone to the courts,
4 yet.

5 COMMISSIONER HARRIS: Well, a dysfunctional
6 family.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Well, just so
8 you also know, they have retained bankruptcy counsel.
9 Coincidentally, I knew him and he called me. And they're
10 trying to not go into bankruptcy. I mean, they're trying, I
11 think, to do the right thing.

12 On the other hand, I believe this Board does -- I
13 agree with Mr. Liebau, we have an obligation to enforce,
14 statutorily, what the law requires. And for that reason, I
15 believe that our staff and our counsel should be involved
16 with respect to those issues.

17 MR. LIEBAU: I think that if the staff could serve
18 as intermediary with the Sacramento Harness, that has failed
19 to communicate with us at all, even though we've tried, and
20 said, you know, we think if you pay off these statutory
21 things, then there will be money for the general creditors.
22 I think that that is how the thing can be solved, and then
23 let the general creditors or Sacramento Harness sort it out
24 as they so desire.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Well --

1 COMMISSIONER HARRIS: Clearly, these funds should
2 be a higher priority creditor, but how do we -- will they
3 get that done and what does the Board, this Board do to tell
4 them, look, you've got to pay off these guys?

5 MR. LIEBAU: I think that they should realize that
6 themselves right now. I mean, that they are. I mean, from
7 this Board, I mean, if this Board doesn't think that these
8 are statutory, mandatory distributions, our pari-mutuel
9 system is in deep trouble. Because there's no way in hell
10 that the public out there thinks that they've become a
11 general creditor. A track's just a stakeholder.

12 COMMISSIONER CHOPER: Is it your suggestion that
13 the staff try to collect -- scratch collect. Identify the
14 monies that are due, that have not been paid in, to
15 Sacramento Harness; right?

16 Also, to try to identify people who have
17 claims -- and the second part is not a question, you
18 indicated yes to the first. And that should not be a
19 difficult thing by having the staff simply give notice to
20 the obvious suspects, that they should indicate exactly what
21 they think that they owe, and that they're holding, but are
22 not paying in?

23 MR. LIEBAU: I guess it would be even easier than
24 that.

25 COMMISSIONER CHOPER: Go ahead.

1 MR. LIEBAU: If Sacramento Harness would just
2 agree that the people that are holding funds right now can
3 distribute them to the -- in order to make everybody whole
4 under the statutory distributions, then once that's taken
5 place --

6 COMMISSIONER CHOPER: Distribute them to whom?

7 MR. LIEBAU: Well, to the satellites, as far as
8 location fees are concerned.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Well, no,
10 to --

11 MR. LIEBAU: I mean, if people -- we're going to
12 be --

13 COMMISSIONER CHAIRPERSON SHAPIRO: Jack, wait a
14 second. No, they should not just go first to satellites,
15 they should go to all statutory obligations, I mean, which
16 would include the Maddie Lab, which would include the sires
17 stakes.

18 MR. LIEBAU: We don't have any problem with that
19 because I think there's more than sufficient money to do
20 that.

21 COMMISSIONER CHAIRPERSON SHAPIRO: But even if
22 there wasn't sufficient money, they should go to all of
23 those parties in a pro rata basis --

24 MR. LIEBAU: Exactly.

25 COMMISSIONER CHAIRPERSON SHAPIRO: -- as a first

1 priority, before general credit obligations.

2 MR. LIEBAU: Correct.

3 COMMISSIONER CHAIRPERSON SHAPIRO: And I think
4 that's where we should be telling Sacramento Harness, and/or
5 whoever's holding the money that is due Sacramento Harness,
6 that these are lawful obligations, they need to remit these
7 monies.

8 COMMISSIONER CHOPER: As long as we're confident
9 that they're going to the right place, because it's a lot
10 harder to get them back, in my experience.

11 MR. LIEBAU: No, I think that -- because the money
12 is -- I don't think there's any argument about who's owed
13 what. I mean, the purse account has evidently been made
14 whole.

15 I know Mr. Korby has taken a survey of the
16 satellites, to which they have some overseeing or
17 supervision in, and they have a total, we have a total.

18 COMMISSIONER CHAIRPERSON SHAPIRO: And we
19 know -- we know, based on the way the takeout is divided, we
20 know who's supposed to get what and where it's supposed to
21 go. We just need to make sure that that's done.

22 Mr. Korby?

23 COMMISSIONER CHOPER: Well, what else are we to
24 do? That sounds relatively simple.

25 COMMISSIONER HARRIS: But how do we force the

1 issue, though, what are we actually -- you know, we can't
2 just tell them to do it, we've got to have some kind of a
3 club to get them to do that?

4 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I think
5 we do have a club. We have a club, and that is the law.
6 And I believe that our staff, working with counsel, can
7 order them and order these parties to make payments pursuant
8 to Horse Racing Law.

9 Now, if they don't make them then, you know, they
10 face those consequences.

11 COMMISSIONER CHOPER: Well, we jump off that
12 bridge when we come to it.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah, but we're
14 not at -- and I think there is -- I think our staff has seen
15 that there is sufficient money to pay all of the statutory
16 obligations, and we just need to make sure that gets done.

17 Mr. Korby?

18 MR. KORBY: Chris Korby, California Authority of
19 Racing Chairs. Thank you, Mr. Chairman. I'll be brief.

20 We are of the same opinion that Mr. Liebau
21 expressed and that I think I'm hearing from the Chairman,
22 that these are statutory obligations that have a certain
23 status and obligation to be paid.

24 Our legal counsel has sent a demand letter for the
25 monies that are owed to fair satellites, as location fees

1 from pari-mutuel wagering on harness racing. That sum is
2 about \$197,000.

3 Our demand letter has a 14-day time period for
4 payment. It was sent on April 17th. When that 14 days is
5 up, we will also be asking the Board -- if no payment has
6 been made, we will be asking the Board to direct that monies
7 that are held by other licensed entities, on behalf of
8 Sacramento Harness, be distributed to those recipients who
9 are identified in statute.

10 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, thank
11 you.

12 MR. KORBY: Thank you.

13 COMMISSIONER CHAIRPERSON SHAPIRO: All right.

14 COMMISSIONER CHOPER: Does that handle -- is Mr.
15 Axelrod going to be here today?

16 COMMISSIONER CHAIRPERSON SHAPIRO: No.

17 COMMISSIONER CHOPER: He's not?

18 COMMISSIONER CHAIRPERSON SHAPIRO: No.

19 COMMISSIONER CHOPER: So is there anything more
20 that we should do in respect to Item 11?

21 COMMISSIONER CHAIRPERSON SHAPIRO: No. With
22 respect to Item 11, I believe we've covered it, I believe
23 that we are essentially directing staff to move forward in
24 this regard, and I think that we're doing what is
25 appropriate and is the right thing to be doing.

1 MR. ENGLISH: Excuse me, Mr. Chairman, I just want
2 to make sure I'm clear as to what are you directing staff to
3 do?

4 COMMISSIONER CHAIRPERSON SHAPIRO: We are
5 directing staff to contact Sacramento Harness and all the
6 other parties that are involved, Scottwinc, Notwinc,
7 whoever's holding the funds, and advise them that we believe
8 that those parties that are statutorily to receive their
9 monies should be paid immediately.

10 MR. ENGLISH: To whom?

11 COMMISSIONER CHAIRPERSON SHAPIRO: To the parties
12 that are entitled to it. So in your case, Los Alamitos,
13 which is due a location fee, I assume, that they should be
14 paid the amount of money, per the law, that they would have
15 received.

16 MR. ENGLISH: So the staff is going to create a
17 list of amounts owed and also the distributions?

18 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I believe
19 that staff is going to work with the -- those claimants, so
20 to speak, whoever believes that they are due money, look at
21 who's holding the money, develop what the correct statutory
22 obligations are, and then issue a directive that they paid.

23 COMMISSIONER CHOPER: And clear it with counsel.

24 COMMISSIONER CHAIRPERSON SHAPIRO: Right, and work
25 with our counsel. Thank you.

1 COMMISSIONER HARRIS: It seems that, too, we need
2 to get a feel for what the receivables are which, hopefully,
3 exceeds --

4 COMMISSIONER CHAIRPERSON SHAPIRO: Which they've
5 been doing. We have that now, staff has been monitoring
6 that.

7 MR. ENGLISH: Thank you for the clarification.
8 Thank you.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you.

10 And we welcome -- let me just tell you, we welcome
11 any input from anybody that may need to, you know, opine,
12 provide input to help us do this. We're not working in a
13 vacuum here.

14 Mr. Korby, you have something to add?

15 MR. KORBY: Chris Korby. Just a quick report. I
16 wanted the Board to know that I did give a copy of our
17 demand letter to the Executive Director on Tuesday.

18 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, okay,
19 thanks.

20 All right, we will move on -- or Mr. Castro. Mr.
21 Castro, before you get going, how are you? I heard you were
22 in a car accident?

23 MR. CASTRO: No, let's not talk about that.

24 COMMISSIONER CHAIRPERSON SHAPIRO: Are you all
25 right?

1 MR. CASTRO: Yeah, I'm fine. Whoopee, I'm great.

2 Richard Castro, representing Pari-Mutuel Employees
3 Guild. I believe that we're owed money, also, and I think
4 that we also sent a letter regarding pension contributions
5 that were owed our workers. So we would like to get on the
6 list, also, and we'll do due diligence this week to verify
7 our numbers.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. Well,
9 you'll work with our staff.

10 MR. CASTRO: Which one do you want me to work
11 with, pick one.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Well, you'll
13 start with the Executive Director and he will -- Mr. Breed
14 will be able to direct you.

15 MR. CASTRO: It will be a pleasure to work with
16 Mr. Breed.

17 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you.

18 All right, we're going to move forward. Item
19 Number 4, discussion and action by the Board on the
20 application to conduct a horse race meeting of the Alameda
21 County Fair, at Pleasanton, commencing June 25th through
22 July 6th.

23 There's been some -- they can't see me on the
24 audiocast, saying rewind. Mr. Liebau, is there something
25 that -- oh, I'll get to you. I know, I know, you need to

1 go.

2 Okay. Item Number 4. This is the application of
3 the Alameda County Fair. This matter was going to be
4 deferred, but all the parties are here.

5 The reason we were going to defer this matter is
6 that as of yesterday, all of the agreements were still not
7 in hand and in place. And this Board has been fairly
8 insistent that we try to get all of the necessary agreements
9 finalized prior to our hearing the application.

10 Since this meet does not start until June, my
11 inclination was to defer this.

12 But having heard from a numerous amount of people,
13 and since everybody is here, I'm willing to go ahead and
14 hear it. However, it's unfair to us because we don't get to
15 then read and review those items that are called for in the
16 application.

17 COMMISSIONER HARRIS: And I think that's
18 particularly of concern because this is the first fair, and
19 this might be template for the other agreements, and so we
20 need to really at least have a time to review the agreements
21 and they've had all year to get it done.

22 COMMISSIONER CHAIRPERSON SHAPIRO: Right. And, in
23 particular, the horsemen's agreement.

24 The horsemen's agreement for this meet really is
25 applicable, as well as the CTT agreement, the trainers

1 agreement, and the vanning and stabling, I'm assuming are
2 the same, as Commissioner Harris said, for all the other
3 meetings.

4 So unless there's an objection from any Board
5 member, I'm inclined to go ahead and hear this at this
6 meeting.

7 All right, then we will ask representatives of
8 Alameda County Fair to come forward. I saw my good friend,
9 Mr. Pickering, is here. And my other good friend, Mr.
10 Blonien.

11 How are you.

12 MR. PICKERING: Good morning.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Good morning.

14 Okay, Jackie, is there anything you need to add to
15 this license application? I'm sorry, probably should have
16 done that, I apologize.

17 STAFF SERVICES MANAGER WAGNER: I can go ahead and
18 to the introduction.

19 The application received is from the Alameda
20 County Fair. They are proposing to race from June 25th
21 through July 6th. They are racing 11 days, which is the
22 same number of days that they raced in 2007.

23 They will be racing Wednesday through Monday the
24 first week, and Wednesday through Sunday the second week.
25 They are proposing to race ten races per day on Monday,

1 Wednesdays, Thursdays, and on Friday, June the 27th. They
2 will be racing 12 races on Saturday, Sunday, and on Friday,
3 July the 4th.

4 They will be also racing concurrently with
5 Hollywood Park.

6 Their first post time is 12:35 p.m.

7 And I did receive a copy of the horsemen's
8 agreement this morning, from CARF. We did subsequently
9 receive the CTT agreement, and I do understand that there is
10 an agreement concerning the vanning and stabling, to extend
11 the current, 2007 agreement, through 2008.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you,
13 Jackie.

14 A couple questions. First of all, last year, as I
15 recall, there was an agreement with respect to the number of
16 races that would be run, either an average number of races
17 per day, and as I recall, did you not exceed that number
18 last year?

19 MR. PICKERING: Last year, there was no overlap
20 between the major tracks in the north, and Stockton, which
21 was the first time in a number of years. Due to no overlap
22 taking place, there were a number of horse owners and
23 trainers from Bay Meadows and Golden Gate Field, who
24 contacted Pleasanton and asked if we would add additional
25 thoroughbred races for them.

1 Our response was we would not add any additional
2 thoroughbred races until Stockton had their last draw. Once
3 Stockton had their last draw, for their final weekend of
4 racing, we then, based on the request of thoroughbred owners
5 and trainers based at Bay Meadows and Golden Gate Fields
6 did, in fact, add additional thoroughbred races.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, but I
8 don't think that quite answers my question. And my question
9 was while that may be -- have worked at the time for
10 Pleasanton, my concern is that you basically kick off the
11 fair calendar, and there's a lot of people -- and you know
12 I'm a huge fan of your fair, so I'm not banging
13 on --

14 MR. PICKERING: I would add, Chairman, that this
15 year the fairs in Northern California, with the exception of
16 Humboldt, will be having one single racing secretary. By
17 doing that, we have continuity of purse structure,
18 continuity of racing calendars and schedules, but we also
19 have a racing secretary that will be going from fair to
20 fair, to fair, doing their best to manage the horse
21 population on the entire fair circuit.

22 Whereas, in the past, we were able to bring up
23 folks from Southern California to serve the last two years
24 at Stockton and Pleasanton, but they had to come back south
25 in order to work at Del Mar.

1 So this year, Tom Dutrich, we contracted with him
2 through CARF, Mr. Dutrich is the racing secretary at Bay
3 Meadows, does an outstanding job, and he will be managing
4 that horse population.

5 The other part of this is the number of out-of-
6 state horses that come in for the fair circuit.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again, I
8 appreciate that. I simply just don't want to see that the
9 Alameda County Fair -- we had guidelines last year, you
10 exceeded the guidelines. I understand there was a request
11 for you to exceed them, but you had an agreement and you
12 went above the agreement, and I don't want to see that
13 anybody else is disadvantaged as a result of it.

14 Now, I don't know if the horse population can
15 support 10 to 12 horses -- 10 to 12 races per day. And so I
16 guess what I haven't heard is from TOC's perspective,
17 whether they also are in agreement with the number of
18 thoroughbred races that are being conducted at this meeting.

19 MR. PICKERING: I'll allow --

20 COMMISSIONER CHAIRPERSON SHAPIRO: And this was
21 one of the things that I wanted to see in your horsemen's
22 agreement.

23 MR. PICKERING: Well, I'll certainly allow TOC to
24 speak for themselves. But I would speak positively on
25 behalf of TOC, they have selected the Alameda County Fair as

1 the only fair in Northern California, this summer, that they
2 will be conducting a horse ownership seminar.

3 And I believe in front of each of your positions,
4 today, there's also the Owner's Circle magazine put out by
5 TOC, with a special cover and article congratulating us on
6 our 150 years.

7 COMMISSIONER CHAIRPERSON SHAPIRO: We all love the
8 fair, we all agree it's great, okay, that's not an issue.

9 MR. PICKERING: So, again, I'll allow TOC to speak
10 on their behalf.

11 COMMISSIONER HARRIS: When you were out there
12 writing the article, why didn't you get the horsemen's
13 agreement done?

14 (Laughter.)

15 MR. PICKERING: I think you might ask TOC how soon
16 they would like the horsemen agreement to come to the Board,
17 too.

18 COMMISSIONER CHAIRPERSON SHAPIRO: Drew, would you
19 come forward?

20 Now, Mr. Couto, last year there was an agreement
21 with respect to the number of races that would be conducted.
22 And, again, the concern is maintaining a horse population
23 throughout the year.

24 The number of races that are being written or
25 allowed and permitted at this meeting, where does it stand

1 with respect to last year and what the agreement is this
2 year?

3 MR. COUTO: Drew Couto, Thoroughbred Owners of
4 California.

5 First, I'd like to echo what Rick said. We're
6 very supportive of the fairs and Pleasanton, in particular.

7 Your question on the number of races, what we have
8 agreed is in a side letter with CARF to address the number
9 of races -- or what the number of races will be.

10 Last year was problematic, there were several
11 fairs that went above the agreed cap on races, and they did
12 so because they felt they had demand, and didn't really put
13 it into the overall context the impact that would have on
14 the inventory on other meets.

15 This year, I think there's a much better solution.
16 As Rick alluded to, we have one racing secretary, who is
17 responsible for writing races at each meet, using the same
18 inventory. And so there's been quite a bit of discussion
19 between CARF and TOC, and so we are going to have a side
20 letter on how to address this, and they're going to work
21 with the fairs to make sure they don't repeat what happened
22 last year and overburden the inventory.

23 But it's not -- I don't believe there's a specific
24 cap in the contract because of our concerns on some of the
25 regulations, what we could and couldn't put in there.

1 And last year that -- my understanding was that
2 number of race limit -- I'm sorry, the race cap was imposed
3 by the Horse Racing Board, and not by TOC. I think it was
4 at 43 per week.

5 And so we were sort of the same understanding that
6 we're going forward on that cap.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

8 COMMISSIONER HARRIS: I think, really, we need to
9 give them the flexibility. They need to work together with
10 the horsemen, and the other meets, and look at it as what's
11 going to make the overall fair racing work the best.

12 But when we get into micromanaging exactly how
13 many horses they have -- today, in April, and we're looking
14 at a meet that's in June, and so many different things can
15 happen as far as our horse population, and I think we just
16 need the flexibility.

17 MR. COUTO: Well, what we're trying to do is
18 provide them some flexibility. But to the same extent, the
19 majors are capped in terms of the number of races they can
20 average per week.

21 And we're trying to do the same thing with the
22 fairs because, as they become long-time, more important
23 players, they need to understand how to manage the
24 inventory, not only for their own sake, but for everybody on
25 the circuit.

1 And we get the sense from CARF that that message
2 has been heard, understood, and going forward it's going to
3 be dealt with differently than it was in the past.

4 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.
5 Different question. You're going to be running on June
6 30th?

7 MR. PICKERING: You're referring to the day where
8 we may be by ourselves?

9 COMMISSIONER CHAIRPERSON SHAPIRO: That would be
10 the day.

11 MR. PICKERING: Yes, sir.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

13 MR. PICKERING: That is our request.

14 COMMISSIONER CHAIRPERSON SHAPIRO: Why? Why are
15 you running on that day. You are running by yourself,
16 Hollywood Park is not running. It creates a six-day week
17 that week, so I'm questioning the wisdom of that day.

18 MR. PICKERING: For us, it's a simple business
19 decision as a fair. We will try to run more mixed breeds on
20 that day, to the extent possible, and conserve our
21 thoroughbred inventory as much as possible on that day. But
22 for us --

23 COMMISSIONER CHAIRPERSON SHAPIRO: It's
24 entertainment?

25 MR. PICKERING: It's part of who we are and what

1 we do, we are a fair.

2 COMMISSIONER HARRIS: And you've got to keep in
3 mind all the fairs are, essentially, six-day weeks. And I
4 think it's a business decision in their part. They can
5 bring in signals from out of state and --

6 COMMISSIONER CHAIRPERSON SHAPIRO: I don't have an
7 objection to it, I just saw it.

8 MR. PICKERING: While it is somewhat painful for
9 us on the purse side, purse generation, there's a whole
10 other business model when it comes to food, and beverage,
11 and continuity of our program for the public of Alameda
12 County.

13 MR. BLONIEN: Mr. Chairman, Rod Blonien. And,
14 also, it's part of the tradition at Alameda County Fair to
15 have 11 days of racing. It's not something new, and we
16 request your approval.

17 COMMISSIONER CHAIRPERSON SHAPIRO: Again, I was
18 asking the question, just to ask it.

19 Okay, does anybody --

20 COMMISSIONER HARRIS: On your stakes program, or
21 those thoroughbred stakes, are those overnight stakes that
22 would include the Cal-Bred bonus?

23 MR. PICKERING: The Cal-Bred bonus is available.

24 COMMISSIONER HARRIS: Technically, if it's an
25 overnight stakes, the Cal-Bred bonus is available. If it's

1 what we call a listed stake, it might not be.

2 Just that was a problem last year, at the fair,
3 some were and some weren't, but I think it's super if they
4 all are.

5 MR. PICKERING: Right.

6 COMMISSIONER CHAIRPERSON SHAPIRO: When there are
7 morning workouts, and I don't know if you know the answer to
8 this or not, and there are horses that are training at
9 Solano, Golden Gate, or Bay Meadows, is there a horse
10 ambulance and a people ambulance there in the mornings,
11 available, at each of those venues? Do you know?

12 MR. PICKERING: Well, my assumption is there is.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Okay,
14 well --

15 MR. PICKERING: Chris would know as far as Solano,
16 but Bay Meadows and Golden Gate --

17 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, maybe he
18 can answer that question. And it's not off the wall, I
19 actually got -- somebody called me and was questioning that
20 there wasn't an ambulance available at an auxiliary training
21 facility in the morning, and it concerned me.

22 MR. KORBY: A horse or -- equine or human?

23 COMMISSIONER CHAIRPERSON SHAPIRO: It was equine.
24 But my question is, when I saw this application, which was a
25 very complete application, it raised the issue of, gee, is

1 there an outrider at each location, and is there a horse
2 ambulance, and a people ambulance?

3 MR. KORBY: Chris Korby, California Authority of
4 Racing Fairs.

5 We, California Authority of Racing Fairs, own two
6 equine ambulances that are in use, in sort of a leap-frog
7 scheduled pattern, depending on where fairs are operating
8 during the course of the summer.

9 So if there's racing, for instance, at Alameda
10 County Fair, with training going on at Vallejo, there would
11 be a CARF equine ambulance at both locations.

12 And I would have to check on whether or not
13 there's a human ambulance there in the mornings, I don't
14 know the answer to that.

15 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again, I
16 think that --

17 MR. KORBY: There is during the afternoon, when
18 racing is conducted.

19 COMMISSIONER CHAIRPERSON SHAPIRO: It's not racing
20 that I'm really asking about.

21 MR. KORBY: Right.

22 COMMISSIONER CHAIRPERSON SHAPIRO: But the
23 question is that if we have people and horses that are
24 working out at Bay Meadows, Golden Gate, and Solano, and
25 Pleasanton, shouldn't there be ambulance services at all

1 those locations since they're all -- what happens if, God
2 forbid, there's a break down or an injury?

3 MR. PICKERING: Rick Pickering, I can directly
4 speak for Pleasanton.

5 In the morning workouts there's a basic life
6 support ambulance station at the track. Once live racing
7 starts, that shifts over to an advanced life support
8 ambulance, which we contract with AMR ambulance company in
9 Alameda County.

10 In the case of Pleasanton, we currently have two
11 horse ambulances available, and we have a fire station right
12 across from the fairgrounds.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

14 MR. PICKERING: So we feel we're very well
15 covered. And I believe Bay Meadows and Golden Gate have
16 similar arrangements for their training operation.

17 COMMISSIONER CHAIRPERSON SHAPIRO: All right.
18 Well, then, I'm going to ask staff to look into this and
19 make sure that if there is an auxiliary facility that is
20 being used, that we simply have ambulatory services for both
21 equines and humans available to protect them.

22 Okay. And that was not a question directed at
23 Alameda, it was for everybody.

24 COMMISSIONER HARRIS: It should be part of the
25 agreement, actually.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I haven't
2 seen the horsemen's agreement.

3 MR. KORBY: Mr. Chairman, if I might, Chris Korby,
4 once again. I will check into that and get back to you with
5 a definite answer. I want to know the answer, myself.

6 COMMISSIONER CHAIRPERSON SHAPIRO: All right,
7 great.

8 Does anybody else have any questions for our good
9 friends from Alameda?

10 There not being any --

11 MR. PICKERING: Mr. Chairman, there may be a
12 California Legislative Day on the 28th of June, at the
13 Alameda County Fair, specific to horse racing, at a request
14 of Senator Vincent and Assembly Member Turrico. We will
15 certainly notify each of you if that does come about.

16 There will be a resolution in the Senate, and the
17 Assembly, congratulating Pleasanton on 150 years of racing,
18 and they actually wanted to come out and present it for a
19 press opportunity. So we will let you know that.

20 COMMISSIONER CHAIRPERSON SHAPIRO: Terrific.
21 Well, again, you know that your fair is one of my favorites
22 and you do a great job. I mean, you leave no stone
23 unturned.

24 So I'll make a motion that we approve your
25 license.

1 Is there a second?

2 COMMISSIONER MOSS: Second.

3 COMMISSIONER CHAIRPERSON SHAPIRO: All in favor?

4 (Ayes.)

5 COMMISSIONER CHAIRPERSON SHAPIRO:

6 Congratulations, good racing.

7 MR. BLONIEN: Thank you, Mr. Chairman and Members.

8 MR. PICKERING: Thank you. And we believe you'll
9 enjoy Item Number 10 on the agenda, as well.

10 COMMISSIONER HARRIS: But the fact that we
11 approved this does not mean that we're implying any kind of
12 a waiver on getting these horsemen's agreements in. So the
13 next person that comes along is not going to get it approved
14 if they haven't had them, in my estimation, anyway, these
15 things far in advance.

16 Since Mr. Pickering said I'd enjoy Item 10, let's
17 go to Item 10.

18 Item 10. I've lost my agenda, where did I just
19 put it.

20 Okay, can I have your agenda? I can't find mine,
21 I'm sorry.

22 Item Number 10, discussion by the Board regarding
23 strategic planning and race dates for 2009 and beyond, to
24 include report from industry stakeholders regarding the
25 status of the development of a plan for the race dates,

1 stabling, and related issues.

2 On this issue, I'm going to request that
3 representatives of the industry, the stakeholders, please
4 report to the Board with respect to what discussions have
5 been taking place in terms of looking at our calendar as we
6 move forward.

7 This pertains primarily -- this discussion, while
8 not trying to not include the night calendar, it is
9 primarily for the thoroughbred calendar.

10 We have talked and had Strategic Planning
11 Committee meetings. The last time that we had one, we
12 agreed to allow the stakeholders to discuss amongst
13 themselves what contingent plans and what plans were
14 available to the industry, in the event that we lost any of
15 our racing venues, and so that we could plan accordingly.

16 So perhaps we could ask for the Northern
17 California representatives.

18 It's my understanding and I hope that Mr. Liebau,
19 or a representative of Bay Meadows will correct me if I'm
20 wrong, but it's my understanding that after the San Mateo
21 County Fair, Bay Meadows will be closing as a racing venue
22 and will not be available to us any longer.

23 That's going to leave a huge gap in the Northern
24 California racing program.

25 So I see that we have Mr. Couto, Mr. Korby, Mr.

1 Hartman, and Mr. Pickering are all sitting at the table. So
2 why don't you gentlemen please identify yourself and tell us
3 where we stand, from your perspective.

4 MR. KORBY: Chris Korby, California Authority of
5 Racing Fairs. And just by way of introduction, I'm please
6 to report that the stakeholders in Northern California have
7 had a series of very cooperative and constructive meetings
8 talking about the calendars. And I say calendars in
9 Northern California because we're talking about a three-year
10 plan that would allow for an orderly transition through the
11 departure of Bay Meadows, whenever that turns out to be,
12 with Pleasanton moving into a more prominent role as
13 auxiliary stabling and training, and an additional racing
14 facility in Northern California.

15 So what we've done is laid out blocks of -- is
16 this mike not on?

17 COMMISSIONER CHAIRPERSON SHAPIRO: No, bring it
18 closer to you.

19 MR. KORBY: We've laid out blocks of dates, and
20 identified them with specific venues, and we've left the
21 actual racing locations for some of those blocks flexible,
22 to allow for the fact that Pleasanton requires significant
23 upgrades to its racing surface and grandstand before it can
24 step into a more prominent role as a first class racing
25 facility.

1 Just in general terms, we've laid out a calendar
2 that starts with Golden Gate Fields running in January,
3 through the middle of March. Identifying a four-week period
4 from the middle of March, to the middle of April, that would
5 be run at Pleasanton eventually.

6 But in 2009, and perhaps 2010, we're anticipating
7 and recommending that it would be run at Golden Gate Fields,
8 until such time as Pleasanton is ready for additional
9 racing.

10 COMMISSIONER CHAIRPERSON SHAPIRO: Everybody's
11 phone's ringing. Okay, we have phones coming from
12 everywhere.

13 (Laughter.)

14 MR. KORBY: Maybe that was a popular report.

15 COMMISSIONER CHAIRPERSON SHAPIRO: I don't know
16 what just happened.

17 COMMISSIONER HARRIS: What are those dates again,
18 there would be a gap or there would be no gap at Golden
19 Gate, you wouldn't do the --

20 MR. KORBY: That's correct, not a gap as in the
21 calendar that we've got now.

22 MR. COUTO: Well, Drew Couto, Thoroughbred Owners
23 of California.

24 I think as Mr. Hartman and I discussed, and Mr.
25 Korby, this is the outline of what a calendar or a three-

1 year calendar would look like.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Right. Hold
3 it. I was just handed a note that those people that are
4 listening to the audiocast don't know who's talking. So if
5 you would just say your name before you speak, they'll be
6 able to understand whose voice they're listening to

7 MR. COUTO: Okay, again --

8 COMMISSIONER CHAIRPERSON SHAPIRO: And I'm Richard
9 Shapiro.

10 MR. COUTO: Again, Drew Couto, Thoroughbred Owners
11 of California.

12 What we tried to do, and I think we've done very
13 well, is create a three-year calendar of allocated weeks.
14 The precise breaks and gaps between the meets were still yet
15 to be massaged, it's a number of factors.

16 But we've got allocations of weeks through the
17 year, in which it works for everyone.

18 But I will say that the one, last finishing touch
19 that we're going to hopefully get to fairly soon is the
20 identification of some breaks, and some four-day weeks, and
21 things like that.

22 But the parties, again, I can't echo enough what
23 Chris said, the parties are very pleased with the work that
24 we've all done up to this point, and the allocation of
25 weeks, and blocks, and it's going to be, hopefully, and

1 improvement long-term, in terms of introducing certainty
2 back into the calendar for racing in Northern California.

3 COMMISSIONER CHAIRPERSON SHAPIRO: Well, as we're
4 sitting here and we're now almost in May, Bay Meadows will
5 be gone in August, can somebody tell us what's going to
6 happen beyond August, in Northern California, at least
7 through next year, so that we know what the plan is for
8 racing?

9 Because it's my understanding that while Alameda,
10 or Pleasanton, is the chosen track to pick up more dates,
11 you need to raise the capital, you need to make the
12 improvements, you need to put in a turf course, I'm
13 assuming. I mean, there's a lot of work to be done.

14 And so there's 900 horses stabled at Bay Meadows.

15 MR. COUTO: No.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Well, okay.

17 MR. COUTO: 900 stalls, maybe.

18 COMMISSIONER CHAIRPERSON SHAPIRO: 900 stalls,
19 that's what I meant, there are 900 stalls at Bay Meadows.

20 What is the near-term plan to provide for those
21 horses and where are we looking at seeing racing?

22 MR. HARTMAN: Robert Hartman, Golden Gate Fields.
23 The 2008 calendar has the remaining of the dates from
24 September through the end of the year at Golden Gate Fields,
25 so that's set in stone.

1 The issue, as you well point out, is where do the
2 horses go? And we believe that between the Golden Gate
3 Fields barn area and the Pleasanton barn area we can
4 accommodate the horses in Northern California, given the
5 horse population that currently exists.

6 We agree that Pleasanton may have to make some
7 improvements over time to their barn area, maybe add some
8 more stalls over time, but right now, as the horse
9 population stands, we can handle the herd.

10 So we believe that moving forward we're in a good
11 position. I can't echo the sentiments of Mr. Korby and Mr.
12 Couto anymore loudly, that the industry, in this time of
13 need, has really come together in the north and is working
14 together more proactively than we ever have, at least in my
15 three years in the north.

16 But from what I've heard from these gentlemen, you
17 know, in the last couple of decades. That the industry has
18 really pulled together and finding solutions, given where we
19 are.

20 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

21 MR. COUTO: Drew Couto --

22 COMMISSIONER AMERMAN: Can you give us an
23 indication of what percentage of the stalls would be
24 occupied? Are you a hundred percent, 80 percent, what's the
25 number?

1 MR. HARTMAN: With the closure of Bay Meadows, and
2 given the current stalls that we have at Golden Gate Fields
3 in existence, and the current stalls that Pleasanton has,
4 we're going to be pretty close to a hundred percent full. I
5 would say in the nineties.

6 COMMISSIONER AMERMAN: Wouldn't that be a high
7 priority to get more stalls added? Because, obviously, we
8 all hope that you'll be able to attract more horses to
9 Northern California.

10 MR. HARTMAN: You're absolutely right and Mr.
11 Korby's going to --

12 MR. KORBY: We're in complete agreement with that.
13 One of our early priorities for improvements and upgrades at
14 Pleasanton is the addition of more stalls, on pads that
15 already have utilities installed. So we have -- we're a
16 little bit ahead of the curve on that.

17 COMMISSIONER HARRIS: Is there a timeline for
18 that, or is that dependent on funding, or what?

19 MR. KORBY: I think dependent on funding at this
20 point.

21 COMMISSIONER HARRIS: Do you have anything in
22 process to start securing the funding?

23 MR. KORBY: Yes.

24 MR. COUTO: You know, again, Drew Couto,
25 Thoroughbred Owners of California. I think you're correct

1 in identifying there are some short-term issues and some
2 longer-term issues.

3 And the short term, 2009, depending on how quickly
4 the funding comes, I mean, we have contingency plans where
5 those weeks that would be normally allocated to Alameda
6 County Fair, as additional racing weeks, would likely be run
7 at Golden Gate, as an Alameda meet, for the year while the
8 construction is going on.

9 We also have a luxury in Northern California, in
10 some sense, that while we have --

11 COMMISSIONER CHOPER: You mean, the San Mateo
12 meet; right?

13 MR. COUTO: I'm sorry?

14 COMMISSIONER CHOPER: Did you mean as a San Mateo
15 meet?

16 MR. COUTO: No, sir. As an Alameda County meet,
17 while we make changes to the track and the backside. If we
18 couldn't run at Alameda, we would run at Golden Gate for the
19 additional weeks that would be allocated to Alameda.

20 COMMISSIONER CHOPER: This is the San Mateo County
21 Fair?

22 MR. COUTO: Not as the -- whatever meet it is, if
23 it's the fair meet or if it's additional race meets that
24 were looking --

25 COMMISSIONER CHAIRPERSON SHAPIRO: A newly named

1 meet that would operate at the Alameda County Fair --

2 MR. COUTO: Correct.

3 COMMISSIONER CHAIRPERSON SHAPIRO: -- while the
4 improvements are being made at the Alameda County Fair, they
5 would race at Golden Gate temporarily.

6 MR. COUTO: Under the association name of the new
7 racing association.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Correct.

9 MR. COUTO: But where I was going is that we sort
10 of have a neat luxury in Northern California to the extent
11 that we have a number of fairgrounds. So when it comes time
12 to do the construction work at Alameda, at Pleasanton, we'll
13 be able to relocate horses to one of the other facilities,
14 whether that's Vallejo, or Santa Rosa, with a turf course,
15 for that period of time.

16 It's not ideal, but we don't have to scurry in the
17 way that we might have to in Southern California.

18 So we're all pretty comfortable with how we'll
19 manage these changes and developments in the north. And
20 we're comfortable with the calendar.

21 The hurdle, the final hurdle for us, obviously, is
22 finalizing funding, and we're all working on that right now.

23 COMMISSIONER CHAIRPERSON SHAPIRO: So in that
24 regard, can you give us a hint or give us an idea of what's
25 happening with that, the funding?

1 MR. COUTO: I think most of us would prefer not to
2 have it discussed in a public hearing at the moment.

3 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, that's
4 fine. That's time.

5 COMMISSIONER HARRIS: But the concept would be
6 some version of a public bond, I presume. It would be
7 something similar to what Fairplex was talking about?

8 MR. COUTO: That's one option, yes.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Well,
10 again --

11 COMMISSIONER HARRIS: I was going to try to win a
12 big Pick 6.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Again, we're
14 trying to get some assurances that we're going to have a
15 good plan in place, and that's what we're looking at.

16 MR. KORBY: I agree with Drew that at this point
17 it's probably better if we don't go into the details of what
18 we do. But we will be pleased to report back to the Board
19 at such time as we have something more concrete to report to
20 you.

21 COMMISSIONER AMERMAN: Do you have any timeline in
22 mind as to how long that's going to be, before you can
23 report?

24 MR. KORBY: Yes.

25 COMMISSIONER AMERMAN: That doesn't give us a

1 great deal of time. Or at least me.

2 MR. KORBY: I don't want to say something here
3 that I have to take back at a later date, but I would say by
4 later in the summer we should know something pretty
5 definite.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Well, keep in
7 mind, and while we're kind of chuckling about it, the truth
8 is it's a serious issue.

9 MR. KORBY: Right.

10 MR. COUTO: Right.

11 COMMISSIONER CHAIRPERSON SHAPIRO: I mean, we've
12 got an awful lot of people that depend, jobs, and
13 livelihoods, and everything, that we need to get some
14 confidence that this is going to get done.

15 Now, certainly the capital markets are very
16 difficult and it's a very difficult time. And while I don't
17 think we're trying to get into understanding any private
18 party agreements that may be taking place, we certainly do,
19 I think, have an obligation to know that somebody is
20 pursuing this in a prudent manner, so that we can give
21 confidence to those people, and our industry, that it's
22 being done.

23 MR. PICKERING: Mr. Chairman, Rick Pickering,
24 Alameda County Fairgrounds, and Pleasanton. Since I believe
25 many of those questions are falling to us, if I could share

1 with you what we've done, short of the financing mechanisms
2 that we're attempting to negotiate.

3 First of all, we, in Pleasanton, have looked at a
4 priority in negotiating with the horsemen and the Northern
5 Fairs. And the number one priority --

6 (Door slams.)

7 MR. PICKERING: I don't know if that was God or
8 someone else.

9 Number one priority is to be available for
10 training, to be the primary auxiliary training facility.
11 Number one, to support Golden Gate Fields, but also number
12 one to keep the herd of horses in Northern California, and
13 not come south or leave the State, altogether. So our top
14 focus is to be available for training.

15 For us, the number one hurdle to jump in training
16 is wastewater. We have three separate consultants that are
17 working on what wastewater requirements will be triggered
18 when a larger number of horses become stabled for a longer
19 period of time?

20 Currently, we have about 300 thoroughbred in
21 training. We could take up to another 400 thoroughbreds,
22 which is roughly what's at Golden Gate -- or excuse me, at
23 Bay Meadows, now.

24 But we know that will trigger new wastewater
25 requirements.

1 So, again, we have consultants. Consultants that
2 are used to dealing with the fairs, used to dealing with the
3 Regional Water Quality Board in the Bay Area, already
4 working on that.

5 We've also been working with the environmental
6 consultant that Golden Gate Fields used for their new track
7 surface program, who just went through dealing with the
8 Coastal Commission, and the Friends of the Bay, and all
9 sorts of other environmental groups at Golden Gate Fields.

10 One of the contractors that's done a great amount
11 of work at our fairgrounds is O.C. Jones. They did a 13-
12 acre parking lot for us just a couple years ago. That's the
13 same master contractor that installed the new track surface
14 at Golden Gate Fields. So we've been working with that
15 contractor, already having discussions.

16 We've had several meetings with Michael Dickenson,
17 Mr. Tapeta, or Tapeta, however you'd like to explain it.

18 COMMISSIONER CHAIRPERSON SHAPIRO: I'm sure those
19 have been fun. I like Michael but -- never mind.

20 MR. PICKERING: Michael's an interesting
21 individual, very creative and artistic.

22 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah.

23 MR. PICKERING: And we're talking about giving the
24 temperature difference in Pleasanton, comparable to Bay
25 Meadows, et cetera -- or excuse me, Golden Gate Fields, when

1 we talk about the heat temperature, he talks to us about the
2 surfaces that he's attempting to put in at Dubai, at 130 and
3 140 degrees. So having those types of conversations.

4 We have a golf operating contract with an
5 independent company. When we put that new contract in place
6 three years ago, we put a one-year notification in the
7 contract, that once we exercised that one-year notification,
8 we were putting them on notice that they may not be there
9 golfing into the future, unless we can incorporate the golf
10 course into the future with us.

11 There's actually a buyout clause that was
12 negotiated in that contract and calculates what the buyout
13 of the golf operator is. We've already provided them with
14 that one-year notice. So we continue to take those type of
15 steps.

16 Again, training being top priority.

17 The next priority is track -- as I mentioned, is
18 track surface. Whether it be one surface that's synthetic,
19 or a synthetic surface and a turf surface at the same time,
20 that's the next level of funding.

21 If we can do the barn work and the track surface
22 work all at the same time, with the same funding mechanism,
23 we would certainly want to do that.

24 The third step would be the grandstands and the
25 paddock. In other words, the customer amenities.

1 But we feel, collectively, the number one priority
2 is to have us as primary auxiliary training facility in
3 Northern California.

4 TOC has issued a letter to the Governor, and the
5 horse industry, stating they want Pleasanton as that primary
6 auxiliary training.

7 The trainers organization has also issued a letter
8 to the Governor, and to the Department of Food and
9 Agriculture.

10 I testified in front of the Food and Agriculture
11 Board of Directors. They see us into the future in this
12 location, as well.

13 And so we have been doing the political work, and
14 our local community, with members of the City Council --

15 COMMISSIONER CHAIRPERSON SHAPIRO: Has your
16 Board -- has your Board approved this and signed onto this?

17 MR. PICKERING: Our Board has voted on the
18 priorities. Our Board has taken an action which identifies
19 that we, as a nonprofit, cannot go into debt the same way as
20 other people can. We do not own the land. The County of
21 Alameda owns the land. So we do not have the authority to
22 pledge the property.

23 So our Board has had those types of votes and
24 those types of decisions, and has directed me to continue to
25 negotiate.

1 Members of the Board of Supervisors have a Liaison
2 Committee with the fair. They've asked me to gather as much
3 information, short of signing a deal, and bring it to them,
4 for their review.

5 COMMISSIONER CHAIRPERSON SHAPIRO: So wouldn't you
6 do the same type of thing that a Del Mar did, where I guess
7 you pledge the cash flow to secure the bonds, is that
8 what --

9 MR. PICKERING: In fact, we have had several
10 meetings with Phil Munroe (phonetic). My background was in
11 city management, and I worked with him on public finance.
12 He's there. They've actually come up to Pleasanton and
13 looked at our property. We looked last week with bond
14 council, to become more intimately familiar with the bonds
15 that were done at -- most recently done there. And they
16 have some very creative ideas, as well, and are we borrowing
17 5 million, 10 million, 20 million, for what periods and at
18 what interest rates?

19 We've also been in dialogue with Fairs and
20 Expositions, out of Sacramento, about what funds could be
21 made available as a grant, versus a loan, versus some type
22 of an investment in the horse racing future.

23 COMMISSIONER HARRIS: Have you looked at the model
24 that Fairplex has? Is their situation different than yours?
25 Are they pretty similar, they're the L.A. County Fair, and

1 you're Alameda County Fair, or they're --

2 MR. PICKERING: You know, perhaps in a perfect
3 world, Pleasanton and L.A. County could do the same thing.
4 We certainly have talked to each other about what we're
5 doing. Mr. Henwood has been very generous in sharing their
6 information, and we've shared our information with them.

7 We've talked about opportunities for legislation.
8 Again, if we get too deep into talking about financing
9 methods, there will be different people throwing stones at
10 us.

11 If we start talking about such things as
12 mechanisms tied to the takeout, I know there's certain
13 members of this Board that might throw rocks at me.

14 But we are looking at, right now, I think it's
15 safe to say, 13 different components of financing
16 opportunities. There may not be any one that stands by
17 itself.

18 COMMISSIONER CHAIRPERSON SHAPIRO: Well, you
19 deserve to be compliment for looking at 13 different
20 components. Because it's a very complex situation and, you
21 know, it's difficult.

22 MR. PICKERING: Right.

23 COMMISSIONER CHAIRPERSON SHAPIRO: And I think
24 what we're looking for is to know that somebody is looking
25 at 13 possible ways to do it, and I think that's great.

1 MR. KORBY: We're identifying all the revenue
2 streams that could be available to us, and looking at what
3 the predictable forecasts are for those, and what that will
4 allow us in the way of debt service and planning.

5 COMMISSIONER AMERMAN: you know, it's hard to
6 remember what's said from meeting to meeting, specifically.
7 It might be helpful if someone could dictate a position
8 paper --

9 MR. KORBY: Certainly.

10 COMMISSIONER AMERMAN: -- of where you are, for
11 our benefit, and then have it as an item agenda for next
12 month, and talk about what progress you've made against
13 where you thought you were. Now, I think that would be the
14 way to move it forward, so that we don't lose time.

15 MR. KORBY: Actually, we -- Chris Korby. We would
16 like to do that. And, in fact, I was planning to ask the
17 Board if we can have an agenda item to talk specifically
18 about Pleasanton, and allow us to show you some of the plans
19 and position papers that have come forward already, and we
20 can certainly provide that.

21 COMMISSIONER AMERMAN: We're provided with the
22 plans, we want action.

23 COMMISSIONER CHAIRPERSON SHAPIRO: I think what we
24 will be doing is, you know, reconvening the Strategic
25 Planning Committee, which is the full Board is

1 welcome -- sits on that Committee. But so that we are going
2 to have to have more meetings, given the uncertainty and the
3 challenges that we face, so that we can delve into just
4 meetings to deal with this, in a more specific and more
5 intelligent way.

6 This Board wants to be supportive, obviously.

7 MR. PICKERING: Mr. Chairman, again Rick
8 Pickering, Alameda County Fair.

9 I do want to make you very clear on the public
10 record, the City of Pleasanton has taken no public position
11 on this, and conducted no town hall meetings or hearings.
12 We've just had dialogue with city staff, members of the City
13 Council, and City Manager.

14 The Board of Supervisors of Alameda County also
15 have not taken any formal positions on this, other than us
16 keeping County Council, County Chief Administrator, and the
17 members of the Board of Supervisors up to speed on what
18 we're doing.

19 We have been encouraged to continue in this
20 process. We have been requested by the local government
21 authorities of the County and the City not to initiate town
22 hall meetings or permit process until we have nailed down a
23 financing mechanism or mechanisms. In other words, they
24 don't want us to false start.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Well, okay, but

1 what you just said concerns me, okay. They've not taken any
2 position.

3 MR. PICKERING: As official government agencies.

4 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

5 MR. PICKERING: Formal public position.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Fine.

7 MR. PICKERING: Just as this Board hasn't.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Is there a
9 formal position required for you to expand the use of your
10 facility as a training center and/or a racing facility?

11 MR. PICKERING: Oh, absolutely, sir. Particularly
12 in relationship to wastewater and in working with the
13 Regional Water Quality Board. They will want that plan
14 to --

15 COMMISSIONER CHAIRPERSON SHAPIRO: Well, there,
16 you just need a plan to address it and solve the additional
17 wastewater.

18 MR. PICKERING: Correct, and that work is
19 underway. Correct.

20 COMMISSIONER CHAIRPERSON SHAPIRO: Well, okay.
21 But I'm assuming if you have a plan, it's not a
22 discretionary approval, as long as you --

23 MR. PICKERING: I'm certain you've done
24 developments that have included wastewater.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Well, as long

1 as you have a plan that satisfies that you're properly
2 handling that wastewater, then you can conduct, or develop,
3 or do what you need to do.

4 My question, though, is that is there some entity,
5 some governmental authority that could come forward and say
6 we don't want you to race more dates at Pleasanton? Is
7 there a permit that you need to obtain to do that?

8 MR. PICKERING: Two questions. One, could the
9 City or the County come forward and say we don't want you to
10 do that? Yes, they could.

11 The property is owned by the County of Alameda,
12 and we have been encouraged to proceed, particularly since
13 the County staff and elected officials that we've been
14 working with understands that Pleasanton supports the
15 success of Golden Gate Fields, which is also located in
16 Alameda County.

17 They also support the concept, from a County point
18 of view, of employment, that the fairgrounds is a major
19 regional employer, and there will be people coming to work
20 here, more people as we expand racing and training.

21 COMMISSIONER CHAIRPERSON SHAPIRO: So you don't
22 see that's going to be a problem?

23 MR. PICKERING: The property is incorporated into
24 the City of Pleasanton as part of the sewer agreement, and I
25 think we could get into long conversations of what authority

1 the City has over County property, but I don't think that
2 would do us good on the public record.

3 COMMISSIONER CHOPER: I'm sure willing to assume
4 that you at least understand the obstacles in a way. I
5 mean --

6 MR. PICKERING: Absolutely.

7 COMMISSIONER CHOPER: And I don't want you to have
8 to discuss anything you feel uncomfortable at all.

9 MR. PICKERING: Or it could be another government
10 agency.

11 COMMISSIONER CHOPER: So feel free to ignore what
12 I'm saying -- well, I don't want to talk about that.

13 But to what extent have you looked at some of the
14 other fairs? For example, Santa Rosa. In connection with
15 either as a regular part of this, or as a fail safe in case
16 the people of Pleasanton decide they don't want anymore
17 traffic in the area? All of which, if you're up in this
18 area, it's not unfamiliar issues.

19 MR. PICKERING: Okay.

20 COMMISSIONER CHOPER: So I just wondered if you
21 wanted to talk to that at all?

22 MR. COUTO: Sure. Drew Couto, Thoroughbred Owners
23 of California.

24 We've spent nearly two years evaluating each of
25 the different fairs for this potential, we visited every one

1 of them. Considered population base, ingress, egress, the
2 ability to sustain the herd and the folks associated with
3 it, and we prioritized which of the existing facilities were
4 best suited for this.

5 And the number one, in our opinion, and I think
6 collectively, and I don't want to speak for Magna and Golden
7 Gate Fields, and for the fairs was that Pleasanton was a
8 stand out.

9 There are others that are suitable, but we've
10 evaluated that, and Pleasanton was the first choice.

11 COMMISSIONER CHOPER: No, I don't have any issue
12 with that at all. I mean, it's obvious, pretty obvious to
13 me, and has been for a long time. Go ahead.

14 MR. COUTO: So --

15 COMMISSIONER CHOPER: But there's a but there, if
16 perchance some obstacles are going to arise and be
17 insurmountable, I'm just wondering if you've done any
18 thinking about that?

19 MR. COUTO: We have. I mean, if the sky falls and
20 you can't race at a fair facility, weeks in addition to what
21 they currently have, we always have the ability to run more
22 weeks at Golden Gate Fields, under different racing
23 associations, using current law. Unless the law changes to
24 allow that.

25 You know, there are a number of racetracks around

1 the country who run nearly a year long. This wouldn't be
2 that, it would be eight months a year. It's not ideal, we'd
3 like to see some changes in venues. But we do have the
4 ability to sustain racing in --

5 COMMISSIONER CHOPER: But the track can hold that?

6 MR. COUTO: The track can hold it, it can do that.

7 COMMISSIONER CHOPER: Well, that's very
8 encouraging.

9 MR. COUTO: Yeah.

10 COMMISSIONER CHOPER: And you're here, right,
11 you're saying yes, that's right.

12 MR. HARTMAN: Right. Robert Hartman, Golden Gate
13 Fields.

14 COMMISSIONER CHOPER: I always have heard stuff
15 that, I don't know, I don't want to say is inconsistent with
16 that, but doesn't indicate that that would be so easy.

17 COMMISSIONER HARRIS: Well, there's still a
18 stabling problem, some auxiliary stabling.

19 COMMISSIONER CHAIRPERSON SHAPIRO: Well, and
20 there's a turf course problem. I mean, there are hurdles,
21 there are challenges and hurdles. Could it be done? I
22 guess it could be done, but it's certainly not optimal.

23 MR. HARTMAN: The one thing I want to make clear
24 is that in -- as the calendar currently stands, which is
25 still a work in progress, in 2009 and 2010 none of these

1 additional racing dates are planned to be run at Pleasanton.
2 So we have some time. Those dates would be run at Golden
3 Gate Fields.

4 So Rick has three years to get the Council, and
5 the City, and the County, and everybody else on board.

6 COMMISSIONER CHAIRPERSON SHAPIRO: And the
7 funding.

8 MR. HARTMAN: And the funding. But what we need
9 to do immediately, and what Rick is working on, is the barn
10 area and the whole training aspect of things. That's the
11 number one, immediate priority. The additional obstacles
12 are being dealt with, but we do have some time on that.

13 COMMISSIONER CHAIRPERSON SHAPIRO: And are you
14 using an entitlement expediter or something that is
15 basically moving through all the regulatory process that you
16 have to go through, have you started that?

17 MR. PICKERING: Start, yes. But are we engaged in
18 a process? The only process, the only formal regulatory
19 process we're currently engaged in is wastewater.

20 But I will point out to you, back to Commissioner
21 Choper's comments earlier, we have put together a matrix of
22 what we believe will be the estimated trip generation.

23 The good news is the trip generation will be
24 outside of the typical am/pm peak. In other words, early
25 morning commute, late evening commute.

1 We're basically a noon to six, or a noon to six-
2 thirty operation.

3 We would also would operate on a Saturday and
4 Sunday, which are outside of the typical am/pm peaks, when
5 you look at city planning.

6 As far as number of trips being generated, based
7 on the current attendance at the live product at Golden
8 Gate, and at Bay Meadows, we do not anticipate that our
9 average daily attendance would exceed 2,000 people. I wish
10 it would, but I don't think it will.

11 So 2,000 people, and understand the size of our
12 fairgrounds is almost 300 acres. Which, in some cases, is
13 twice the size of the larger tracks. We have more than
14 12,000 parking spaces, and we're only talking about possibly
15 2,000 people, potentially 1,000 cars per day.

16 COMMISSIONER CHAIRPERSON SHAPIRO: You don't have
17 to rub it in, okay.

18 MR. PICKERING: Yeah, I'm not trying to rub it in.
19 Just for the purpose of the record, these are the
20 conversations that we've been sharing with the --

21 COMMISSIONER HARRIS: Lots and lots of racing.

22 MR. PICKERING: As far as lights, you know,
23 typically a neighborhood would be concerned about more
24 lights. We're at this point, in Northern California, not
25 looking at night racing in Pleasanton. We might have some

1 low-level lighting that's necessary for early morning
2 workouts, but not running harness, or something later into
3 the night.

4 Mentioned the attendance, roughly 2,000 people on
5 average, that would be a very good average day, considering
6 what the north has now. But I would call those people under
7 glass. We will have glass installed, with air conditioning
8 and heating, because the current plan would have a spring
9 week in Pleasanton, of four weeks, and a fall meet in
10 Pleasanton of four weeks. So we would need to accommodate
11 people with air conditioning and with heating.

12 The sound system would also be more geared toward
13 the people behind the glass, so we would not be projecting
14 sound out in the neighborhood all day long during those two
15 four-week meets.

16 COMMISSIONER CHAIRPERSON SHAPIRO: So you are
17 considering all the environmental issues and impacts that
18 would be -- that you're prepared to deal with all those
19 questions and all those hurdles?

20 MR. PICKERING: That's the direction we're
21 heading, yes.

22 COMMISSIONER CHOPER: So that -- I'm sorry.

23 COMMISSIONER AMERMAN: I was just going to say one
24 thought occurs to me, has there been any legislative action
25 that would extend the amount of time that we can run in the

1 northern zone, and the number of days that we can run at the
2 fairs? Obviously, at the present time I think it's 14 days,
3 I think at fairs, and it's 22 weeks in the Northern Zone.
4 That's got to be expanded.

5 MR. COUTO: Drew Couto, Thoroughbred Owners of
6 California. We concur that it would -- ideally, if we made
7 some legislative changes.

8 But we've also developed a plan to work within the
9 framework that we have now, existing law, in the event that
10 we couldn't get past that, and we can solve all those issues
11 today, under existing law, by the use of different
12 associations. So we do have plans on how to deal with that,
13 absent a law change.

14 COMMISSIONER AMERMAN: But it really expands
15 beyond that, though, because we've got to start thinking
16 about the Central Zone and the Southern Zone, as well. So I
17 think we can't let that drop.

18 COMMISSIONER CHAIRPERSON SHAPIRO: I, personally,
19 am a very strong advocate that I think that we should be
20 changing it, and I have strong view on that.

21 But you're absolutely correct. What Mr. Couto was
22 talking about was there's a mechanism with which to
23 accomplish doing this.

24 COMMISSIONER AMERMAN: I understand.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah, but

1 you're right, and the question's going to be that perhaps
2 Mr. Blonien, or other legislative advisors that are here
3 could tell us it's a complex issue when you start going to
4 try to change that.

5 COMMISSIONER AMERMAN: I'm sure it is, but it's
6 not going to be less complex as time goes by, so we ought to
7 be trying --

8 COMMISSIONER CHAIRPERSON SHAPIRO: There is -- one
9 second, Mr. Blonien got up. Mr. Blonien, you know, the
10 question here, and I don't want to put you on the spot, but
11 the question is that we all know that the racing calendar is
12 going to change, how difficult do you perceive it would be
13 to try and change the allocation of racing weeks so that
14 there was much more flexibility to deal with the changing
15 times?

16 MR. BLONIEN: In terms of the north, Mr. Couto is
17 right, what you do is you just change the name of the racing
18 association. So you could have 52 weeks -- theoretically,
19 52 weeks of racing at Golden Gate Fields, providing no on
20 racing association had 22 weeks.

21 As Commissioner Amerman points out, there is an
22 issue and a problem in the south, in terms of the Southern
23 Zone, because it says there shall only be seven weeks of
24 racing in the Southern Zone.

25 But there is an Assembly bill that is moving, that

1 has cleared the Assembly Governmental Organizations
2 Committee, that will allow additional weeks of racing in the
3 Southern Zone.

4 And so that bill is not in its final form, but
5 will permit additional weeks of racing at Del Mar, or at Los
6 Alamitos, if the decision shall be made to have racing at
7 Los Alamitos.

8 COMMISSIONER CHAIRPERSON SHAPIRO: And do you
9 envision that there's going to be a problem getting that
10 bill through?

11 MR. BLONIEN: No, I think there's been language
12 added to the bill to indicate that those additional weeks of
13 racing in the south, the Southern Zone, don't take effect if
14 and until this place is closed, Hollywood Park is closed.
15 So I don't think there will be any controversy, I just think
16 it's a matter of still doing some wordsmithing on the
17 language, it's not in its final form that we'd want it to go
18 to the Governor.

19 COMMISSIONER CHAIRPERSON SHAPIRO: Great. Great.

20 MR. PICKERING: Mr. Chairman, the obvious question
21 is what can you, as a Board, do to help us in the north.

22 COMMISSIONER CHAIRPERSON SHAPIRO: That's right.

23 MR. PICKERING: Okay, there was a bill -- I
24 probably should wait for Vice Chair Harris to return. But a
25 bill was passed last year, through the Legislature, that

1 would allow racing fairs to increase the takeout by one
2 percent, and those funds would be held at the Department of
3 Food and Agriculture, for the single purpose of capital
4 improvements to enhance fair racing in California.

5 However, there was a caveat put in the bill at the
6 last moment, that said subject to the Horse Racing Board's
7 approval. So that is something that in short order, if your
8 Board would approve that, that becomes a key component of
9 those other financing mechanisms.

10 COMMISSIONER HARRIS: I thought you already had
11 additional one percent takeout of the fairs, now. This is
12 another one percent?

13 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah, this was
14 a bill last year, that gave us the flexibility to both raise
15 and lower the takeout for if they wanted to have a sale or,
16 you know, the concept of one day only the takeout's going to
17 be 15 percent, or something like that, they could do that.

18 But it also provided that they could raise the
19 takeout one percent, but they had to get our approval. To
20 my knowledge, no one's asked for that approval.

21 MR. KORBY: We will be asking that to be on the
22 agenda for the next meeting.

23 COMMISSIONER HARRIS: It's really a tax is the
24 problem, that we're taxing our fans and we're losing fans,
25 anyway, and so if you tax them more, you might lose more.

1 So it's not just found money.

2 MR. PICKERING: But the great news the tax, if it
3 is in fact a tax, goes for the singular -- Rick Pickering,
4 Alameda County Fair. It goes for the singular purpose, as
5 identified in law, is capital improvements for racing fair
6 to enhance racing.

7 COMMISSIONER HARRIS: Yeah.

8 MR. PICKERING: So I would hope that all of us
9 agree that the enhancements we've talked about would improve
10 the product and protect the product in California.

11 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again,
12 that will be a full discussion I am sure, and it will
13 certainly be interesting. Okay.

14 MR. HARTMAN: Just one other area where the Board
15 could help us is, traditionally, the calendars have not been
16 heard by the Board, or at least approved by the Board until
17 kind of towards the end of the year. And just given all the
18 changes that we're going through, it would just really help
19 all the parties if the Board could move that up in the year
20 so that maybe --

21 COMMISSIONER CHAIRPERSON SHAPIRO: Hold it, hold
22 it, hold it. You're preaching to us. We're the ones that
23 have been saying we've been waiting on you.

24 So we want to do this, we'd like to deal with the
25 calendars as early as possible throughout the State. We

1 wanted to do it -- well, I'm not going to get into that.

2 But we want to do it, okay.

3 MR. HARTMAN: Much appreciated.

4 COMMISSIONER CHAIRPERSON SHAPIRO: But we've been
5 giving you the time, at the stakeholders' request we've
6 backed off, now we're back.

7 MR. KORBY: I'd like to extent Robert's question
8 or comment on step further. Chris Korby, from California
9 Authority of Racing Fairs.

10 It's important to us that the Board support this
11 three-year calendar, because we have built in flexibility to
12 adjust to the circumstances year by year.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Chris, Chris,
14 we've been saying a three-year calendar, we've been saying
15 let's do it early. You don't have to tell us that, okay.

16 MR. KORBY: Okay.

17 COMMISSIONER CHAIRPERSON SHAPIRO: The problem has
18 been on your side, okay, not on your side.

19 MR. KORBY: This calendar is different.

20 COMMISSIONER CHAIRPERSON SHAPIRO: Fine, we want
21 to see it. Show it to us.

22 MR. PICKERING: We'd also point out that every
23 financing mechanism that Pleasanton has looked at, the
24 number one question is how are you going to pay for it and
25 how are the dates going to be allocated to support the debt

1 service.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Absolutely.
3 And we agree with multi-year calendars, we agree, we want
4 the plan. And that's why we're going to have a Strategic
5 Planning Committee meeting, and you're going to -- you
6 understand your needs. You need to make sure we understand
7 them. We have needs on behalf of the industry and our fans.

8 COMMISSIONER CHOPER: And I think the word is that
9 we want to do anything we can to help this thing move along,
10 and we're ready when you are.

11 MR. KORBY: We appreciate that.

12 COMMISSIONER AMERMAN: And we'd like it sooner
13 than when you are.

14 COMMISSIONER CHAIRPERSON SHAPIRO: We're going to
15 be ready, even if you're not, to move you.

16 Okay, thank you on the Northern California side.

17 If we can now deal with the Southern California
18 side, Mr. Couto, you can just keep that seat warm.

19 I would ask if there are any representatives from
20 the south, that they come forward to the table. I see my
21 good friend, Mr. Fravel's here. Mr. Goodrich.

22 All right, so we've got a feel for what the plan
23 is up in the north, we understand there's a lot of work up
24 there.

25 Unfortunately, we don't have as many options,

1 probably, in the south. So who wants to lead off and tell
2 us -- and identify yourself for those people in the
3 audiocast, please.

4 MR. FRAVEL: Well, I'll kick off here. Craig
5 Fravel, Del Mar Thoroughbred Club.

6 As you are aware, we've had a series of meetings
7 and done a substantial amount of work planning for various
8 contingencies in Southern California.

9 As I think you'll hear later, from Mr. Liebau, the
10 issue of how long Hollywood Park will remain to us as both a
11 racing and training facility is still uncertain. And as a
12 result, what the rest of the industry is forced to do is
13 sort of plan for the worst contingency.

14 And as of this time the most critical issue in
15 Southern California, were Hollywood Park to close at the end
16 of this year, for example, deals with the issue of stabling
17 and, candidly, where we would put the 1,500 or 1,900 or so
18 horses that are currently stabled at Hollywood Park, that
19 support the Santa Anita meet, and then the availability of
20 stabling during Del Mar, for the Del Mar meet, as well as
21 Fairplex.

22 And right at this point our efforts have been
23 focused on identifying the options for the stabling of those
24 horses, which I think it is fair to say the industry has
25 achieved a consensus on that Fairplex would be the most

1 logical and long-term availability of stabling for the
2 industry.

3 COMMISSIONER CHAIRPERSON SHAPIRO: Well, before we
4 get into that, if Mr. Liebau's here, frankly, can we ask
5 him --

6 MR. FRAVEL: Well, let me just finish one -- to be
7 fair to Mr. Liebau. The issues that relate to the planning
8 on stabling at Fairplex really relate to developing a
9 financing plan. And Fairplex, along with the rest of us,
10 have done a substantial amount of work with financial
11 advisors, as well as bond counsel, to discuss the ways that
12 we might be able to get to a financing plan. We've done
13 significant cost estimating, and we have scheduled a meeting
14 next week, hopefully, as soon as we can hear back from Mr.
15 Fancher, for various representatives of the industry to meet
16 with Mr. Liebau and Mr. Fancher to try and find a way that
17 we can all agree upon a plan going forward, in terms of how
18 we can finance the improvements at Fairplex.

19 Our major objective here is to have availability
20 for stabling in the event that the Hollywood Park closed on
21 relatively short notice. And Mr. Liebau has undertaken to
22 get back to me, to schedule this meeting early next week.
23 And we're hopeful that will be a very productive session,
24 and we'll be able to report back to you that we have the
25 outlines of an agreement for a financial plan going forward.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, I
2 appreciate that.

3 Mr. Liebau, perhaps you can -- if you can -- can
4 you please tell us what it is the current planning, and what
5 is that -- as I recall, you are committed to race through
6 September 23rd, 2008 at Hollywood Park. You have dates for
7 all of 2008.

8 Can you tell us what the current plan and thinking
9 is in terms of how long you will race here, at Hollywood
10 Park?

11 MR. LIEBAU: I think that when the dates for 2008
12 were allocated, under heavy cross examination, it was
13 conceded that we were going to -- if we got dates, we were
14 going to run those dates. So we are running through the
15 fall meet for sure, because that's our commitment.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, and what
17 about 2009?

18 MR. LIEBAU: I don't know. I think that, you
19 know, I've been correctly quoted in a number of papers, and
20 I don't know, and I don't know if anybody knows. I don't
21 think anybody knows.

22 COMMISSIONER CHAIRPERSON SHAPIRO: So if you were
23 in our shoes, our being the industry, and we had such a
24 vital piece of our puzzle that was in flux, and didn't know,
25 what should we be doing to plan and protect as we look

1 forward? In your eyes, what should this Board be doing?

2 MR. LIEBAU: Well, I would think that you would
3 try to develop a contingency plan and -- or and if you had a
4 plan in place and ready to go, I would assume you wouldn't
5 allocate us dates because we weren't making any commitment.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

7 MR. LIEBAU: And I think that it's in -- as far as
8 the industry's concerned, I assume that the industry would
9 agree that the longer that Hollywood Park can remain in
10 existence, the better off the industry is, in lack of there
11 not being an available alternative at the moment.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I think,
13 I certainly believe that we're all better served to keep
14 Hollywood Park as a racing facility as long as possible.

15 MR. LIEBAU: And at this point in time I can't
16 commit past the fall meet.

17 Now, I think that, you know, things may crystalize
18 here in the next couple of months. I mean, the land company
19 is processing entitlements through the City of Inglewood and
20 at this point in time don't know exactly how long that's
21 going to take, but with the passage of time it should become
22 more certain.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

24 MR. LIEBAU: And we're going to meet with the
25 industry, we had somewhat developed an agreement that was

1 subject to six months' notice. I mean, there's all sorts of
2 things that, hopefully, can be done.

3 COMMISSIONER CHAIRPERSON SHAPIRO: So that being
4 the case, then I think what we just heard is that there's no
5 commitment on behalf of Hollywood Park beyond this year, so
6 then it comes back to you guys what are the alternatives and
7 what is the contingency plan?

8 MR. FRAVEL: Well, let me add something. I think
9 it's clear, and I'm not trying to pick on Hollywood Park
10 here, that we don't know come December 31, or come November,
11 the end of November/December period, precisely what will be
12 available to us at Hollywood Park.

13 So we essentially have to have two contingent
14 planning operations. One long term, which is the Fairplex
15 operation. And the second is a short-term plan that really
16 takes advantage of whatever existing facilities we may have,
17 be that San Luis Rey Downs, Galway Downs, Del Mar, Santa
18 Anita, Fairplex, to come up with a short-term plan for
19 whatever transition period we might have between the closure
20 of Hollywood Park and the availability of a first-rate
21 training facility at Fairplex.

22 And Tom Robbins, from Del Mar, is actually
23 working, as we speak, on the development of that plan. He
24 has visited and worked with Leanne Howard, at San Luis Rey
25 Downs, some discussions with Fairplex. I think we probably

1 have to have some discussions with the owners of Galway
2 Downs, which have not taken place, to identify where we
3 might relocate horses in some transition period.

4 And I'm not going to tell you we have the answer
5 to that right now. You know, I think there are options that
6 are probably not as advantageous as we have in the north,
7 simply because we don't have as many facilities that are
8 easily available on a year-round basis, but we do have some
9 options that we are considering. And whether those be
10 temporary or --

11 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I think
12 Mr. Liebau was up front and he basically said, you know, we
13 have to move forward or you have to move forward, plan as if
14 they're not going to be here, hopefully they will. And so I
15 think what you're doing is prudent because, you're right,
16 you need a short-term emergency plan and then, hopefully, a
17 long-term plan.

18 MR. LIEBAU: But Mr. Chairman, I would just add
19 that at some point in time everyone's going to have to fish
20 or cut bait in this. I mean, when dates come up and if
21 Hollywood Park applies for any dates, I would assume that as
22 in the past that those dates would not be allocated to
23 Hollywood Park without a commitment by Hollywood Park that
24 they would race.

25 And so I think that it's not that a decision is

1 being made today, with the passage of time the things may
2 not be as urgent as they are now. I mean, we're looking at
3 worst case right now and we have --

4 COMMISSIONER CHAIRPERSON SHAPIRO: I agree, but we
5 have -- I agree with you and I agree with what you're
6 saying.

7 MR. LIEBAU: In a couple months, you know, things
8 might be different.

9 COMMISSIONER CHAIRPERSON SHAPIRO: But we have to
10 plan for the worst case, though.

11 MR. FRAVEL: We are planning for the worst case
12 and I think we need to amp up that effort significantly in
13 the very near future.

14 And, secondarily, I don't pretend to speak for
15 everyone, but I believe that we're all in agreement that all
16 of us would like to see Hollywood Park both apply for dates
17 and run in 2009. And, candidly, we'd all like to see them
18 apply for dates and run in 2010.

19 And when we do have a meeting with Mr. Fancher
20 next week, we will clearly be stating that as a request.
21 Now, whether they can honor that or not is another issue.
22 But we are all in agreement that we want them to continue to
23 race.

24 Because having time to adequately plan, we'll all
25 be better off in the long run if we do this right, rather

1 than do it fast.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I think
3 we all appear, sitting up here, would also agree with that.
4 We all want them to, too.

5 So when you meet with Mr. Liebau and Mr. Fancher,
6 hopefully, you'll say you think that we also concur and want
7 that as well.

8 MR. LIEBAU: And I think that as Commissioner
9 Andreini and Commissioner Harris can attest, I mean, the
10 entitlement process at San Mateo took eight to ten years,
11 and the entitlement process at Inglewood has been less than
12 a year at the moment.

13 COMMISSIONER HARRIS: Yeah, it's a tough
14 situation. All of us want Hollywood to stay here. It's
15 like an old friend that you have at a dinner party, and you
16 want you want your friend to come to the party. But at some
17 point, if the friend can't come, you've got to find another
18 friend to come to the party because you can't have an empty
19 seat at the party.

20 MR. LIEBAU: Well, this friend is willing to RSVP
21 so --

22 COMMISSIONER HARRIS: Well, sort of. That's the
23 problem, we can't have an RSVP come the night before, oh, by
24 the way, we can't make it.

25 COMMISSIONER AMERMAN: Would it make any sense to

1 move forward quickly on 2009 dates that include Hollywood
2 Park, to find out whether, indeed, Hollywood Park wants to,
3 as you say, come to the party?

4 COMMISSIONER CHAIRPERSON SHAPIRO: Well, but what
5 I think we're hearing --

6 MR. LIEBAU: If you push us, the answer
7 becomes -- becomes difficult.

8 COMMISSIONER AMERMAN: I'm sorry, I didn't hear
9 that.

10 MR. LIEBAU: I'm saying that if you were to push
11 us today, I would have to tell you that we are unable to
12 make any commitment and no dates would be allocated to us.

13 COMMISSIONER AMERMAN: Well, I understand that.

14 MR. LIEBAU: Okay.

15 COMMISSIONER AMERMAN: I'm just trying to say is
16 there not some middle ground here where you feel
17 comfortable, and we feel comfortable, about assigning dates
18 where it's -- I don't know, is it June, is it July, is it
19 whenever?

20 MR. LIEBAU: I really think that we need to await
21 the conversation next week with Mr. Fancher.

22 COMMISSIONER AMERMAN: Okay.

23 MR. FRAVEL: And I was going to add to that, I
24 don't think it makes a lot of difference right now when you
25 consider the dates, other than putting somebody on the spot.

1 We're going to have to make -- unless Hollywood is
2 able in the next month or so to say here's your -- you know,
3 here's what we can do and here's what we'll support. What
4 we really need is Hollywood to work with us to come up with
5 the contingency plan and cooperate in that effort. And with
6 both contingency plans.

7 And if we can all do that together, I think our
8 chances of getting through this are good. If we end up
9 having battles in front of the Board, or in Sacramento, or
10 wherever, over the contingency planning, then we've got a
11 bigger problem because we can't even do that.

12 COMMISSIONER CHOPER: And it's rolling more
13 rapidly in the next couple of weeks.

14 MR. FRAVEL: Correct. And I think, again, I'm
15 hopeful, like Mr. Liebau is, that we can have a productive
16 meeting next week and that we will at least come up with a
17 framework to address the solutions, even if they are unable
18 to tell us when they're going to open or close.

19 COMMISSIONER CHOPER: Which you might be able to
20 talk to us about even at the next meeting, in May.

21 MR. FRAVEL: Well, if it's okay with Mr. Liebau, I
22 will undertake to -- you know, he and I, together, can
23 inform whatever group of you, or individuals would like to
24 be informed.

25 COMMISSIONER CHOPER: I have the sense that

1 there's not much more but to wish you good luck at this
2 point on that meeting.

3 MR. FRAVEL: And I think it's important to be
4 aware that whatever we come up with is going to require a
5 large effort, not just from the participants in the
6 industry, but we're going to need help in the Legislature,
7 we're going to need help in the Governor's Office, because
8 we're going to need to move bills forward quickly, that
9 allow us to use resources available to the industry to pay
10 for whatever it is we decide we're going to do.

11 COMMISSIONER CHOPER: Yeah.

12 MR. FRAVEL: And right now we've identified the
13 location, we've identified the approximate price tag, we've
14 identified the costs on an ongoing basis.

15 COMMISSIONER CHAIRPERSON SHAPIRO: You're talking
16 about stabling now; correct?

17 MR. FRAVEL: Talking about stabling. And to be
18 honest with you, we have not had the dirty, bloody fight
19 over who gets what because we didn't see the point in trying
20 to divide up spoils. You know, the immediate problem, you
21 know, no matter what happens is going to be stabling. And I
22 think we can address the issue of dates and where things go,
23 you know, in a more calm fashion once, if Hollywood's told
24 us they're not applying for dates.

25 So, again, I'm in Mr. Choper's camp here, the best

1 thing at the moment is to wish us luck and, hopefully, we
2 can come up with something. And, I think, hopefully, we'll
3 be coming to you, asking your support for our plan, and the
4 Governor's Office, as well.

5 COMMISSIONER ANDREINI: Mr. Fravel, in a worst
6 case scenario, could you get by temporarily with the San
7 Luis Rey Downs and Galway, would that suffice for the
8 moment, if there were no --

9 MR. FRAVEL: Based on Tom had a meeting with
10 Leanne last week and, obviously, there's a lot of questions
11 that need to be addressed, you know, the same kind of issues
12 you address everywhere, with wastewater, and community
13 issues, and all that.

14 But I do believe that between -- I, personally,
15 believe that between Fairplex, Del Mar, for periods when
16 it's available, and assuming that's okay with the fair
17 there, and San Luis Rey Downs, that we can come up with
18 sufficient stabling to make up the deficit for some period
19 of time.

20 It will not be an ideal situation. I mean, I
21 wouldn't kid you.

22 COMMISSIONER CHAIRPERSON SHAPIRO: It's also going
23 to require, though, that there's a close scrutiny of what
24 horses are actually racing horses and what horses are using
25 the racetrack for farm facilities, that perhaps belong at

1 real farms, and are taking up stall space, and probably have
2 to be more judicious about who you're allocated stalls to.

3 COMMISSIONER ANDREINI: Correct.

4 MR. FRAVEL: And I should add Santa Anita,
5 clearly, in some form or fashion would be a part of that
6 interim solution, as well. I mean, we might have to
7 identify locations for interim stabling there, you know, in
8 addition to what they currently have as a permanent
9 facility.

10 I can tell you, you know, Del Mar goes to being a
11 fairgrounds to stabling 2,300 horses in the space of three
12 weeks. There's a lot you can do to create very acceptable
13 stabling situations, assuming you have a racetrack that can
14 handle the traffic.

15 And I believe that all of the options we have we
16 can come up with a plan that works, that won't compromise,
17 you know, Southern California racing permanently. But it's
18 still not going to be a good a solution as Hollywood Park
19 staying open for two more years. So, I mean, we all hope
20 and pray that that will happen.

21 COMMISSIONER CHAIRPERSON SHAPIRO: I think we all
22 agree with that up here, too. We agree with that. Okay.

23 Anything that TOC or Fairplex wish to add to that?

24 MS. NAIFY: No.

25 COMMISSIONER CHAIRPERSON SHAPIRO: No.

1 Okay. Well, again, I think we stand ready to do
2 everything we can to support coming to a conclusion. I
3 think that I do appreciate that Hollywood Park is being as
4 forthcoming as they can. I honestly believe they don't
5 know. And, you know, it's clearly a time where it's a
6 difficult period.

7 COMMISSIONER HARRIS: I'm concerned on this short-
8 term contingency plan that no one -- I mean, I don't think
9 the Board should be micromanaging at all, but I think we
10 just need assurance that you're not holding up on any
11 legislative things you could be doing, or permitting things,
12 or you can do a lot of things that are really soft cost to
13 get out of the way, so that all of the sudden you don't have
14 to do a lot of things when you find out that you really have
15 to implement it.

16 MR. FRAVEL: Well, we'd certainly like to take
17 advantage of the staff's good graces, if we need that
18 assistance.

19 COMMISSIONER CHAIRPERSON SHAPIRO: We will
20 absolutely do that. Again, thank you very much.

21 We're now going to take a short break and then we
22 will reconvene in ten minutes.

23 (Off the record.)

24 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, we are
25 now going to go to Item Number 9, which is a presentation to

1 and discussion by the Board concerning AB 21, the
2 feasibility and potential profitability of operating a
3 minisatellite wagering facility.

4 Last year there was a new law that was enacted,
5 which I believe Rod Blonien was the person that helped make
6 that law a reality, which authorized, please correct me if
7 I'm wrong, that 15 minisatellite facilities in each zone of
8 the State could be operated under certain conditions.

9 And, therefore, the issue is there are some
10 challenges, I think, with respect to opening these
11 minisatellite facilities. And Commissioner Moss, you were
12 kind enough to bring this to the attention, and also to
13 invite George Kokorian, who is a very well known owner, and
14 breeder, and has had a lot of good horses, and happens to be
15 a very nice man, who's done some study, as he also is the
16 owner of Krikorian Premier Theaters.

17 So, Mr. Moss, I'll let you introduce this from
18 this point forward.

19 COMMISSIONER MOSS: Thank you, Mr. Chairman. With
20 the passage of AB 241, entitling the Board to license 45 new
21 satellite facilities to accept wagering on horse racing, it
22 offers us an opportunity to discuss the current 34 satellite
23 situations that have been a mainstay in California for some
24 years.

25 We can look at how they do and how they impact an

1 important requirement of the newly designated 45. That
2 being that the new sites currently must recognize a 20-mile
3 distance to operate from the established sites.

4 And regarding this particular aspect of AB 241, I
5 got a call from George, who said he's familiar with the
6 State on a population basis, and that he would like to share
7 some information with us regarding this stipulation.

8 I should mention that I did ask the State Auditor,
9 Francisco Gonzales, for some figures, just to let everybody
10 know what we're talking about. And just to let you know
11 that in 2006, California off-track wagering was responsible
12 for \$1,347,224,323.60. In 2007, that figure became one
13 million -- \$299,140,427.70.

14 So we're talking about some real money here.
15 We're talking about perhaps some opportunity for us to
16 present our product in a new phase.

17 And with all that, I'd like, if George is around,
18 for him to start his presentation and introduce him to you
19 all. Thank you.

20 MR. KRIKORIAN: Well, good morning. Or I'll say
21 good afternoon, now. Thank you very much.

22 First of all, my name's George Krikorian, and as
23 both a horse owner and an entrepreneur, I became intrigued
24 when I first read the announcement that the California Horse
25 Racing Board would consider license applications for

1 additional simulcast facilities.

2 And I was curious as to what the revenues were
3 currently being generated by existing simulcast facilities,
4 as well as what the potential opportunities might be for
5 increasing those revenues by adding additional locations.

6 Applying the techniques that I've used for more
7 than 35 years in my business, the first thing we did was
8 develop a list of all existing simulcast facility locations
9 in California, and we marked them up on a scale map, which
10 is rolled up, currently, over here, off to my left. But you
11 can see the locations on the map, on the board here.

12 Secondly, we looked at a detailed list of the
13 actual revenues and attendances generated by each of the
14 existing simulcast facilities for the year 2007. The
15 information was provided for us by the CHRB staff.

16 From this 2007 data, for all the existing
17 simulcast sites, we then calculated the following averages.
18 The average daily attendance per site was 555 patrons. The
19 average handle per person, per site, was \$287.

20 The total yearly attendance for all sites, 4.4
21 million patrons. And total yearly handle for all sites was
22 approximately \$1.3 billion.

23 We then looked at current population and
24 demographics for each of the existing locations for a 5-,
25 10-, and 20-mile radius from each site.

1 Using the Pleasanton/Alameda Fair market as an
2 example, we looked at the population in the area surrounding
3 the existing site in a 5-mile radius, a 10-mile radius, and
4 a 20-mile radius.

5 Next, we needed to determine the average daily
6 attendance to each location as a percentage of population in
7 the same 5-, 10-, and 20-mile radius.

8 I lost my spot here.

9 For example, the Alameda site shows us the impact
10 a facility has on a geographic -- on a market share for each
11 succinct geographic market.

12 If you look in a 5-mile radius, you have 111,000
13 people, and the average daily attendance was .56 percent
14 population.

15 In a 10-mile radius, you have 422,000 people, and
16 the average daily attendance was .15 percent of population.

17 And then when you go out 20 miles, you have a
18 million and a half people and the daily attendance was four-
19 hundredths of a percent, which means four people for every
20 10,000 population in that market.

21 The most profound and revealing statistic is that
22 in 20-mile radius the average daily attendance is a
23 mere -- being so negligible -- this percentage is so
24 negligible that its contribution is virtually irrelevant.
25 You are only talking about, again, four people per 10,000

1 here, but it's only three per 10,000 average across the
2 State.

3 Additionally, when you look at the remaining
4 pockets of opportunities that are available to locate new
5 facilities, respecting a 20-mile radius, you have very few
6 economically viable geographic choices remaining.

7 You have sparsely populated areas to the east and
8 the north of Los Angeles, and the south of San Francisco.
9 Places like Camp Pendleton, 29 Palms, Chula Vista. A little
10 pinpoint down the south of San Diego, along the Mexican
11 border.

12 So how are they going to generate any substantial
13 revenues if you had simulcast sites in those locations?

14 My professional conclusion is that imposing a 20-
15 mile radius restriction from all existing simulcast
16 locations, as is currently proposed for new facilities, is
17 totally unnecessary and, in fact, detrimental to the best
18 interests of horse racing in California.

19 The 20-mile radius restriction only creates a
20 major impediment to your ability to explore a vast, rich,
21 and previously untapped market. A 20-mile security blanket
22 for existing facilities may create the perception that the
23 existing facilities are being protected, but in reality the
24 attendance beyond even a 5-mile radius is negligible, at
25 best.

1 An average daily attendance of only three-
2 hundredths of a percent in a 20-mile radius screams out one
3 fact, people do not like to travel far and they do not like
4 to spend more than 10 or 15 minutes getting somewhere.

5 And with gas prices skyrocketing over \$4.00 a
6 gallon, they're even least likely to want to drive very far
7 in the future.

8 While people might be willing to travel a greater
9 distance once or twice a year to view horse racing, they are
10 not going to be regular customers, which is what horse
11 racing needs to thrive as an industry.

12 Using the factual data discussed earlier, we then
13 conducted an analysis as to what might happen if the radius
14 restriction were reduced from 20 miles to, say, 10 miles.
15 We looked at what the actual population is in each 5-mile
16 radius, going ten miles north, south, and east -- excuse me,
17 north, south, east and west of all existing simulcast
18 locations.

19 Again, using Pleasanton as an example, you can see
20 the untapped substantial population pockets in each of the
21 5-mile circles outside the ten miles surrounding that
22 facility.

23 For example, if you go ten miles to the east, you
24 have a population pocket in a 5-mile radius of 61,000
25 people. That's to be a virtually untapped market.

1 To the north, 85,000 people. Again, untapped
2 market.

3 To the west, 324,000 people, living in a 5-mile
4 radius, ten miles from Pleasanton, an untapped market.

5 And to the south, 76,000 people, additionally.

6 If you add those four new -- if you put simulcast
7 locations in each of those four, north, south, east and
8 west, you pick up an additional 547,000 patrons annually.

9 If you take, for example, Pleasanton again, in
10 2007 the actual attendance was 167,000 people and the actual
11 handle was \$54,000, and this is from simulcast racing.

12 COMMISSIONER CHAIRPERSON SHAPIRO: It's 54
13 million.

14 MR. KRIKORIAN: 54 million, sorry.

15 If you take the additional sites, you would add
16 almost 500,000 patrons, at \$287 average, that's an
17 additional \$143 million dollars of revenues that could be
18 generated just from this one geographic market.

19 What's the next exhibit we have? The next one.

20 Okay. The Pleasanton market, when combined with
21 the expansion of the other 33 existing simulcast markets,
22 adjusted to a 10-mile radius restriction, would increase
23 your average annual attendance by almost 10 million people.

24 When you take 10 million people times that \$287,
25 you're adding potentially \$2.8 billion in simulcast revenues

1 a year.

2 With the addition of these new facilities, the
3 annual simulcast wagering would then exceed over \$4 billion
4 per year, and generate an addition estimated take of more
5 than \$550 million.

6 Based on the current division of the take
7 revenues, racing purses would receive more than an
8 additional \$100 million per year.

9 In order for this program, if implemented, to have
10 the best opportunity to be successful, I believe that
11 consideration of modifying a few of the current rules or
12 proposed rules would be necessary.

13 First, the Board should insist on a high standard
14 of quality visuals and a high standard of quality for each
15 facility, and state-of-the-art audio and visual
16 presentation. If you want to attract the masses, you need
17 to create a more compelling experience than what patrons can
18 enjoy in their own living rooms.

19 Customers want large screens, clear digital
20 projection sound equipment, comfortable seating, clean and
21 well-maintained facilities, and the convenience of automated
22 ticketing machines. Patrons want to bet on horses, but also
23 want to be entertained and watch other sporting events
24 simultaneously, like basketball, football games, et cetera.
25 They want quality food and bars that are designed to

1 socialize.

2 They want facilities that are of a similar quality
3 and have similar amenities that the Sports Books and some of
4 the class A hotels in Las Vegas have.

5 In order to create such facilities, simulcast
6 locations would need to earn more than the two to two and a
7 half percent fees that are proposed in order to remain
8 profitable.

9 And I would urge you to consider raising the
10 facility fee to at least four percent. While some might
11 look at the four percent as an expense, I would like to ask
12 you to look at it as an investment that costs you nothing. If
13 these facilities are not built, you are not going to
14 generate any additional revenues, and you're not going to
15 attract any new fans to racing.

16 If quality facilities are built, they are going to
17 attract new customers who are now rarely, if ever, attend
18 live racing.

19 If the facilities have the opportunity to run a
20 decent return on their investments, then they will have the
21 dollars to maintain their facilities in a proactive manner.

22 By way of example, if you go to Las Vegas and you
23 walk into a class A hotel, you're never going to see any
24 holes in the carpeting because they're proactively
25 maintained.

1 Secondly, new licensees should be granted their
2 license for a minimum of ten years, because it takes this
3 long to amortize the investment costs to create these
4 facilities.

5 Also, no bank is going to make a loan to a
6 business that might lose its right to operate in one or two
7 years. And no landlord is going to lease its retail space
8 to a tenant who might not be able to operate after a year or
9 two.

10 I am sure that there are other ways the Racing
11 Board can protect its interest, and the public's best
12 interest, without having to resort to a one- or two-year
13 license restriction.

14 I might also recommend that licensees be given a
15 reasonable time to get their facilities approved and
16 constructed. It would take 18 to 30 months to design and
17 build quality facilities, and probably less to retrofit some
18 existing facilities, retrofit them.

19 And, of course, allow new sites to be built not
20 more than ten miles from existing sites.

21 While I am confident that the analysis I provided
22 today is accurate and that my conclusions are realistic and
23 achievable, I intend to have them verified, at my own
24 expense, by a reputable consulting agency that specializes
25 in this type of analysis, if this is the direction that this

1 Board wishes to support.

2 I would also want you to know that my company
3 would have a strong interest in seeking the license at
4 several key locations, if some of the requirements discussed
5 could be modified as suggested, and we would relish the
6 challenges and opportunities associated with building
7 compelling facilities that would annually draw millions of
8 more customers to horse racing.

9 I want to thank you for the opportunity to let me
10 speak to you, and thank you for donating your time to this
11 great industry.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Well, first of
13 all, thank you. I think that's a very impressive
14 presentation, very impressive analysis and something that we
15 as the -- I think I speak on behalf of everybody on the
16 Board, and the industry, that we rarely get somebody to come
17 forward to do such a nice presentation, and it's clear that,
18 you know, your intent is obviously terrific.

19 There are a couple of things. First of all, the
20 limit -- the most limiting issue here, and I think Rod
21 Blonien, if he's still in the audience here, I can't see
22 him, could address is this was -- this is a law, and the
23 restriction that's placed in the law -- and I know Mr.
24 Blonien worked very hard on this. It's imposed by the law,
25 not by us. And we had our druthers, some of us would

1 clearly want to see the 20-mile restriction reduced.

2 Now, there is an exception in existing law that
3 says it can be less than 20 miles, but you need to get the
4 people that are within that 20 miles to agree to it, which
5 probably is not very likely. I don't know that Pleasanton
6 is going to be willing to say, oh, sure, we'd be willing to
7 have somebody siphon off some of our business, if was within
8 five miles.

9 But perhaps, and I see now Mr. Blonien got up
10 there. Rod, you could perhaps tell us some of the
11 challenges you went through to just get this far and ways
12 that we could address the issues that Mr. Krikorian raised,
13 such as what would be involved in raising the takeout -- or
14 raising the takeout to get a four percent fee, which is
15 going to be a challenge, and the other issues, since you
16 worked so hard on this law.

17 MR. BLONIEN: Thank you.

18 COMMISSIONER CHAIRPERSON SHAPIRO: You're welcome
19 to sit up front, if you want. I mean, you can stand there,
20 whatever you want.

21 MR. BLONIEN: Okay.

22 COMMISSIONER CHAIRPERSON SHAPIRO: Why don't you
23 sit up here and --

24 MR. BLONIEN: Thank you, Mr. Chairman and Members.
25 And, Mr. Krikorian, I join the Chairman in congratulating

1 and applauding you for the study that you've conducted. And
2 I must say that I don't disagree with anything that you have
3 presented in terms of your study and your observations.

4 First of all, I would like to indicate that this
5 bill took I think five years to reach the Governor's desk.
6 And Mr. Amerman will know that he and I talked about this
7 five years ago, when he was on the TOC Board.

8 Ron Charles and I have been working on this and
9 it's very difficult because you have competing interests.
10 You have the fairs that already have the facilities, that
11 have invested a lot of money in the infrastructure and they
12 want to make certain that they are not hurt.

13 You have other interests. TOC was a major player
14 in all of this.

15 And, again, it's a situation where this isn't the
16 bill that I wanted, this is the bill that the political
17 reality of our industry and the Legislature dictated that we
18 could get through.

19 We had Senator Kevin Murray start a bill for us
20 two years ago. The bill made it halfway through the
21 Legislature and it got bogged down.

22 Twenty miles, we wanted it to, frankly, be less.
23 That at one point there was somebody insisting that it be 40
24 miles for one particular fair.

25 And so like a lot of things legislatively, it's a

1 stew, it's different pieces to it.

2 And as you correctly point out, Mr. Chairman, the
3 bill does indicate that if the proposed facility is within
4 20 miles of one of the above-mentioned satellite facilities,
5 then the consent of each facility within 20 miles must be
6 given before the proposed facility can be approved.

7 And I'm happy to tell you that here, in Los
8 Angeles County, at least in terms of one situation, Santa
9 Anita and Hollywood Park have both indicated that they would
10 waive their consent. There's a possibility that there could
11 be satellite wagering at one of the major card clubs in Los
12 Angeles County, where every day there are 2,000 to 2,500
13 people wagering, anyway.

14 And in years past this club would sell 50 to 65
15 copies of the Daily Racing Form. They sell fewer copies,
16 now, because people are downloading the information and
17 bringing it to the club. But we feel that is a natural for
18 us.

19 But the hold up with that situation, and I should
20 say that Mark Thurman, and Mr. McWilliams, from Scientific
21 Games, have been aggressively going around and talking to
22 people, and trying to get them interested. But the two
23 percent is a real hangup.

24 We would like to be able to go to four percent but
25 then, you know, I don't know where we get the four percent.

1 I don't think the racing associations or the horsemen are
2 each going to give up an additional percent, and then you're
3 going to have to have a higher takeout, and then you're
4 going to have someone there that has a winning ticket,
5 showing that the win is \$12.75, except that they go to cash
6 it and it's \$11.00 because there is a bigger hold and bigger
7 takeout than the track odds that are displayed on the
8 television, so you have that problem to deal with.

9 And I think we really need to get sort of our
10 industry group back together, TOC, the associations, the
11 fairs, and talk and see if there is a way that we can come
12 up with more than two percent.

13 I that in terms of the impulse bettor -- and, Mr.
14 Krikorian, I should tell you that when I did this bill, when
15 we first did the first iteration, I wanted to have some of
16 the facilities that you showed. But we reached the
17 conclusion that those were economically unfeasible at the
18 two percent level.

19 At one time our friend, Mr. Hubbard, had a grand
20 idea of building this facility out in the San Fernando
21 Valley, where it would be fine dining, you could take your
22 wife there in a cocktail dress, watch the races and make the
23 wagers. We've backed away from that because of the cost of
24 land, the cost of those type of facilities, and felt that
25 what we really needed to do was go into an existing

1 facility, whether it be a card club, whether it be a sports
2 bar, some existing -- a restaurant, or some existing
3 business, and put in satellite wagering as another amenity,
4 and that would be the only way we could make it work with
5 two percent.

6 But as I told Mr. Moss's Committee, recently, two
7 percent we're not getting a lot of takers. There are some
8 that are interested, but I think if we could go to four
9 percent, there would be many more that would be interested
10 in offering this as part of the amenity.

11 And there's a card club in the Bay Area that is
12 very interested, and the racetrack that's within 20 miles,
13 both racetracks are willing to give a waiver, and at this
14 time the fair that is closest, is indicating that they're
15 going to think it over and it's questionable whether we're
16 going to get a waiver.

17 But that card club is willing to do it for two
18 percent.

19 But, clearly, I think we need to have some
20 flexibility. And for some of these prime locations, we are
21 going to have to pay more.

22 Senator Vincent has a bill that is a Senate bill,
23 that's in the Assembly, that we could put language in and
24 get this done in short order and that, hopefully, the change
25 could be ready at about the time that the regulations could

1 be ready. But we need to have industry consensus.

2 You know, I think I'd like to talk to TOC and CARF
3 and see if we can't reach some agreement on that.

4 COMMISSIONER CHAIRPERSON SHAPIRO: So, I mean,
5 there was the bill that authorized the fairs to charge an
6 additional one percent takeout. So how would it even work
7 that, let's say, for a newly constructed or a simulcast
8 facility, and how would you do that? Would it simply be
9 that there's a different payoff at that simulcast facility,
10 is it almost like a tiered payoff system that would have to
11 happen, I'm not sure how you do that?

12 COMMISSIONER MOSS: It would have to be across the
13 board.

14 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, so
15 you --

16 COMMISSIONER MOSS: It would be for everybody.

17 COMMISSIONER CHAIRPERSON SHAPIRO: On-track and
18 off-track? I mean, I personally have --

19 COMMISSIONER MOSS: Well, current facilities and
20 new facilities, that's all I'm talking about.

21 COMMISSIONER CHAIRPERSON SHAPIRO: All right, see,
22 again, I'm not sure how this would work but, frankly, as
23 ADW's expanding, and with the opening of ADW to where we are
24 licensing all the ADW operators to take all the signals, the
25 question is how is this going to impact the simulcast

1 facilities and the racetracks? And what we've seen so far
2 at Santa Anita is there was a tremendous influx of new or
3 additional wagering through ADW, because they were way up in
4 ADW, but it clearly cannibalized their on-track. And it did
5 have a negative effect on them.

6 So what's that going to do to simulcast facilities
7 is an issue.

8 And then the issue is, well, should we be --
9 should we have, in fact, a different payoff on-track, than
10 we do off-track, to compensate people who are going to spend
11 the money to go to a racetrack, and spend the money to
12 drive, and come here, and should they in fact not get
13 rewarded with, perhaps, a higher payoff.

14 I, personally, believe we should do that. Now,
15 maybe that's the same for a simulcast facility, and that's a
16 differentiation with ADW wagering.

17 But I'm not sure how it works that how do you get
18 the four percent, I'm not sure how that would happen?

19 MR. KRIKORIAN: I have a question for you, my
20 understanding was is that percentage now comes off the top
21 of the total handle; is that not correct? That's what it
22 says when I read the rules.

23 COMMISSIONER CHOPER: The cost is spread by
24 the --

25 COMMISSIONER HARRIS: Well, the two percent

1 only comes from the handle on satellite wagering.

2 COMMISSIONER CHAIRPERSON SHAPIRO: In other words,
3 let's say there's 20 cents taken out of a wager, that same
4 20 cents is split up differently whether it's an ADW wager,
5 an on-track wager, or a simulcast wager.

6 COMMISSIONER CHOPER: But the payoff is the same.

7 COMMISSIONER CHAIRPERSON SHAPIRO: It's the same
8 20 cents, so the payoff's the same.

9 COMMISSIONER HARRIS: The two percent takeout is
10 just part of the distribution.

11 COMMISSIONER CHAIRPERSON SHAPIRO: So in that 20
12 cents that's coming out, in simulcasting is that there's two
13 percent of it going to the simulcast, but somebody else
14 isn't -- there's a different allocation. And TOC's done a
15 great job of doing a pie that shows that, which you should
16 see.

17 MR. KRIKORIAN: But I understand, I've seen that
18 pie. But my understanding was, let's say a hundred dollars
19 is wagered?

20 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah.

21 MR. KRIKORIAN: Then my understanding was that
22 simulcast facilities now get two percent of the hundred
23 dollars.

24 COMMISSIONER HARRIS: Yeah.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Yes.

1 MR. KRIKORIAN: Then the balance, okay, of
2 your -- then the handle would be the 19 and a half percent
3 of the hundred dollars, less what was paid to the simulcast
4 facility and that's what you would have left to distribute,
5 is that not accurate?

6 COMMISSIONER CHAIRPERSON SHAPIRO: Well, wait a
7 minute, in the hundred dollars that's wagered, \$20 of it --
8 okay 20 percent. So you've got 20 percent, so 20 bucks is
9 being held back as the takeout.

10 MR. KRIKORIAN: Right. And the simulcast
11 facility, my understanding, gets two percent of the hundred
12 dollars, which is four dollars, leaves you with 16 dollars
13 to distribute to all other sources -- I mean, 18 dollars.

14 MR. BLONIEN: It would be two dollars.

15 MR. KRIKORIAN: Two dollars, and you've 18
16 dollars, then, to distribute -- in the pie you talked about,
17 which would be your take.

18 MR. BLONIEN: Yes.

19 MR. KRIKORIAN: That's my understanding, is that
20 not the way it is now?

21 MR. BLONIEN: Yes, yes.

22 MR. KRIKORIAN: So all I'm saying is --

23 EXECUTIVE DIRECTOR BREED: But the pie is
24 distributed to every bettor.

25 MR. KRIKORIAN: No, I understand that. So instead

1 of two percent off the top, what I'm suggesting is you make
2 it four percent off the top.

3 COMMISSIONER HARRIS: Well, the problem is if you
4 make it four, really that is coming from the horsemen and
5 the tracks, because they get the residual take.

6 MR. KRIKORIAN: Well, no, that's what I don't
7 agree with though because you --

8 COMMISSIONER CHAIRPERSON SHAPIRO: Well, hold on,
9 hold on. Drew? Drew, do you want to shed some light here?

10 MR. BLONIEN: No, no, no, the State tax is about
11 one and a quarter percent at the most.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Right.

13 COMMISSIONER HARRIS: Well, it varies. It's two
14 percent on some wagers, but the reason it's lower is because
15 we blend all the ADW and all that into it.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Yes.

17 MR. COUTO: Okay, Drew Couto, Thoroughbred Owners
18 of California. First, I'd like to thank Mr. Krikorian for
19 the work he did.

20 COMMISSIONER CHAIRPERSON SHAPIRO: That microphone
21 is hard to hear so either --

22 MR. COUTO: Let me see if I can be a little more
23 forceful here.

24 One, I wanted to begin by thanking Mr. Krikorian
25 for the work he did. I'm encouraged by the fact that

1 somebody outside the industry has spent this much time
2 looking at how to generate some new revenue for us, because
3 we certainly need that.

4 I'm going to make two observations about the
5 presentation and then, hopefully, offer a suggestion that we
6 might start looking at, that could accomplish what he says.

7 I understand that that slide, in particular,
8 suggests that by doing this we can see an increase of \$560
9 million in purses.

10 But if it doesn't take into consideration is that
11 if we did it the way we currently do it, we're going to
12 reduce, actually, that 560 million by almost a third,
13 because we'd have to contribute one percent -- essentially,
14 horsemen, would be contributing one percent to the
15 additional two percent that he needs to get up to four.

16 So that number's not really accurate. That's
17 based on current distribution, so that's going to come down
18 by a third.

19 But, secondly, you know, TOC has been probably one
20 of the organizations fighting this 20-mile rule for probably
21 how long. But I understand the investment, that the fairs
22 have made this sort of very difficult.

23 The third concern I had here was the automation.
24 I think we all recognize that we'd like to see more
25 automation, but it is an issue with regard to pari-mutuel

1 labor. And I think we, as the industry, have to get
2 together with pari-mutuel labor and sort of redefine their
3 role, so that they do have a greater role dealing with the
4 automated machines, which would ensure their jobs going long
5 term.

6 So if we can get past those three hurdles, I think
7 this has merit. But I want to throw out one consideration
8 for you.

9 When you do this current analysis, it's done with
10 the idea that we have to treat this as a traditional
11 simulcast wager. And I think the course is run on the old
12 simulcast model, particularly in the State, in the
13 satellite. And it's confining us, rather than helping us
14 expand.

15 If there were some way, creative way that we could
16 get together and define this as rather than a satellite
17 wager, but an ADW wager, then that four percent is actually
18 very easy to reach, because it's under a different
19 distribution scheme. And at four percent, paying the
20 satellites as a four-percent location fee, as an ADW wager,
21 actually ends up producing more revenue for both tracks and
22 for horsemen, because the distribution scheme is different.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Isn't the State
24 really the one that gives up because the State doesn't get
25 money from ADW? That's the bottom line?

1 MR. COUTO: Correct, the State is one of the
2 parties that doesn't benefit from ADW. But, again, what we
3 have tried to do is convince the State that a reinvestment
4 in the industry will benefit it in many different ways. And
5 the State hasn't been able to allocate revenues to us,
6 whether it's from tribal games or whatever.

7 But this is a way, by redefining how this wager
8 occurs, that we'd actually generate more money for the
9 facility, more money for purses, more money for commissions.

10 So I think we have to treat it looking forward,
11 rather than looking backwards.

12 COMMISSIONER CHOPER: Can I ask you one question,
13 does that assume the same percentage payoff to the bettor?

14 MR. COUTO: Correct, that would mean a uniform
15 takeout rate for everybody --

16 COMMISSIONER CHOPER: That's what I thought, I
17 just wanted to --

18 MR. COUTO: -- no additional changes, the numbers.

19 COMMISSIONER CHOPER: Well, that's simple enough
20 to simply -- if it is true that you're going to generate all
21 this more revenue, then it seems to me it's simple enough to
22 get everyone's agreement; right?

23 COMMISSIONER CHAIRPERSON SHAPIRO: Well, it's not
24 so simple, hold on a second.

25 MR. COUTO: No, it's not simple.

1 COMMISSIONER CHAIRPERSON SHAPIRO: You have to
2 understand, and Mr. Blonien, I mean, I must tell you I know,
3 and I appreciate he finally got this bill through, okay, but
4 this is not simple by a long shot.

5 And as he can tell you, I mean, five years -- keep
6 in mind, people are very territorial over that 20 miles. I
7 mean, there are even some places that don't conduct horse
8 racing, that have a simulcast facility, that have proved to
9 be very difficult to even expand in a major market. I mean,
10 it's insane.

11 COMMISSIONER HARRIS: The old system needs to be
12 redesigned. Because the problem is we've got too many
13 things that have kind of been built on everything else. I
14 mean, we started off with live racing, then we went to
15 satellite, then we went to ADW, and they've all got
16 different schemes, and they need to -- and there's all kinds
17 of funds, some funds get money from one thing, some don't.
18 I mean, it's a pretty dysfunctional system we've got and
19 it's working. And I think all of us agree that there are,
20 there is need for more satellites, but I don't know how many
21 more. Maybe there's a few, low-hanging fruit ones, or
22 there's a whole bunch of them or what.

23 But the whole point is we can't, probably,
24 economically have wagering someplace unless we end up with
25 more income at the end of the day than if we didn't.

1 And I think to do that, you have to use the ADW
2 model, probably, to some extent.

3 COMMISSIONER CHOPER: One of the things --

4 COMMISSIONER CHAIRPERSON SHAPIRO: Well --

5 COMMISSIONER CHOPER: Can I just say, and this is
6 just right off the top. I mean, this is a very -- this is
7 not an uncomplicated matter, and I was kidding you when I
8 said that.

9 However, it does seem to me that no one's going to
10 be in -- no one, who is going to have their net revenue
11 reduced, is going to favor this; right?

12 MR. BLONIEN: Correct.

13 COMMISSIONER CHOPER: So on the other hand, if you
14 have your net revenue increased, then the fact that it's
15 costing you something is simply a cost of doing business.
16 So the way to attack this, it seems to me, is to determine
17 whether there is anyone whose net revenue is being
18 decreased, and to take care of those people, because it's
19 only self-interest. I mean, you wouldn't want us to take a
20 cut of one's self-interest, I'm sure you'd all agree with
21 that.

22 If I were a fair, or whatever else I was, that
23 said if you put a competitor within my present 20-mile
24 radius, I'm going to be out. Right. Well, one way of
25 taking care of me, and if there aren't too many of those

1 people, is to simply say, well, you get the facility, and
2 then your revenue's increased, as a matter of fact, net
3 revenue is increased because you're generating that much
4 more total expenditure by the better.

5 Now, that obviously, you can't solve these
6 problems in 30 seconds.

7 But that is a very promising sort of thing. If it
8 is true. It looks almost too good to be true, let me say.

9 MR. KRIKORIAN: Well, I understand it's me, you're
10 just hearing it from me and I'm just one person, and I have
11 my opinion based on the way I do things. And that's why I
12 say, you know, I'd be happy at my own expense to go out and
13 get an outside, third-party consultant who specializes in
14 doing this, to ratify or certify what's been said.

15 But I feel strongly enough about it that if the
16 Board and the law would support putting the facilities, I'd
17 put my money where my mouth is, I'd build these facilities.
18 And if you'd pay the four percent, which is not
19 unreasonable, because you're going to generate a lot more
20 money, it would be profitable. I'd be willing to take that
21 risk today, based on the work that we've done.

22 The other thing is that, you know, I noticed
23 yesterday, opening day at Hollywood Park, the on-track
24 handle was just over a million dollars, but out-of-state
25 handle was over 3.4 million, and in-state or off-track

1 betting was another 1.5, or a million -- it's right there in
2 the newspaper.

3 It goes to show you that basically on-track handle
4 represents about 20 percent, off-track handle represents
5 about 80 percent, and the public has spoken. They want
6 simulcast facilities, that's where they're going to go and
7 that's where they're going to spend their money.

8 And if you don't build these facilities, you're
9 not going to generate the money, because these people are
10 not going to get in their cars and drive 20 miles. Three
11 per 10,000 is what's happening now, and that's what you're
12 faced with.

13 I understand it's an uphill battle, and the people
14 have their existing facilities, and they're concerned about
15 losing them, but I'm only speaking about what's in the best
16 interest of horse racing, okay, for the State of California.

17 So far, with the indians getting all the rights
18 for the slot machines and everything, I don't see an
19 alternative by something like this, that you could really
20 get a strong increase in your handle.

21 How you divide that handle, you know, without
22 getting into all of those details, I mean, it's a lot of
23 money -- \$560 million is a lot of money to make everybody
24 happy, and get a lot more money to owners and breeders, who
25 need the money in the purses to remain competitive, and that

1 our industry can remain -- the horse industry can remain
2 competitive in the State of California.

3 And I think that this is really a good thing, this
4 is not a negative -- these are untapped resources. If you
5 don't do this, you're not going to generate these additional
6 dollars. And in my opinion, the ten million people is a lot
7 of people, but that's not that many people in the State of
8 California.

9 That means that, on average, everybody in Alameda
10 County might go to the track, to that facility, once a year.
11 That's all you're talking about.

12 Some people will never go, but other people will
13 go 10 or 15 times. If it's convenient and if they can have
14 a good experience, a compelling experience, something
15 different.

16 And with all due respect, not a card club. I
17 mean, a card club's fine, and maybe that might create some
18 additional revenue for horse racing, but that's not the
19 vision I -- that's not what I'm envisioning here for a
20 facility, to get new people to come to the track.

21 COMMISSIONER HARRIS: It's sort of an interesting
22 contrast, there are theaters and other ways to watch movies,
23 I guess. I mean, but it's sort of a social thing where
24 people go to one place to be with all their friends, or new
25 friends, or watch something.

1 But with ADW, personally, I'd just as soon stay
2 home. But you feel that there are people who would actually
3 leave home, even though they can bet from home, watch TV
4 from home and all that, would still go someplace?

5 MR. KRIKORIAN: But they do that now. People come
6 to the track, even though they can watch it on TV. But not
7 many, not as many as you used to have ten years ago.

8 It's not just that. I mean, if you want to talk
9 about technology, right now you could actually simulcast
10 racing in 3-D. You could have simulcast facilities, today,
11 the technology is there, and people could walk into these
12 facilities and watch a hundred-foot screen, and they could
13 watch it in 3-D.

14 COMMISSIONER HARRIS: Yeah, if it differentiated
15 itself, that would do it.

16 MR. KRIKORIAN: Well, that would do it, for sure.

17 COMMISSIONER CHOPER: I take the point of view
18 that these numbers probably are low. Because you're taking
19 the simulcast sites that we already have, and we went
20 through this big book, and it's kind of depressing going
21 through that book, and God bless us, we've got them.

22 But I think you take the numbers from there and
23 then extrapolate them up to the additional places.

24 I suggest, with what you showed, that it's going
25 to be far beyond those numbers.

1 So it really is an opportunity for us that we
2 can't afford to let go by, without additional work on it.

3 MR. KRIKORIAN: I would agree with that. And I've
4 got the list of the actual numbers, you know, by location
5 what they do. You've got locations that the total handle
6 for the year, this is what you're protecting, \$17
7 million -- these are actual numbers, \$17 million, \$13
8 million, \$7 million, \$9 million, \$13 million, \$5 million.
9 These are the kinds of facilities, that if you're going to
10 protect them at the expense of the horse racing industry,
11 that's going to lose millions of millions of dollars.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Mr. Krikorian,
13 again, I want to -- we agree with you. Okay, we all agree
14 with you.

15 The problem is not here. The problem is there and
16 I'm not really pointing at Rod. The problem is that it is
17 going to take a legislative change to do what we all believe
18 would be best. And we all agree with you, and we agree, we
19 have got to find a way to take our product in a new way, to
20 the people, so that we can build upon this and expand, and
21 expose our product. We're in total agreement.

22 The problems we have are the same problems this
23 industry has all the time, which is you have competing
24 interests that have been able to thwart any progress.

25 You know, as we've said many times, it isn't that

1 we get a lot done, but everybody seems to have a veto card
2 to stop the other person from doing something.

3 What you're bringing is a very fresh perspective,
4 which I believe we all want to work with you, and work with
5 all of us to do. And there's nobody better, probably, than
6 the man sitting to your left, who understands this, has
7 more clients than anybody. I'm sure some of his own clients
8 would have a problem with some of what you're suggesting,
9 even though he may feel it would be a good thing.

10 I mean, that's the problem here, and I think that
11 we're not going to solve it today, but we should take this
12 discussion further. I think one thing that would be
13 interesting would be for you to get some census data of who
14 is actually attending Pleasanton's simulcast facility, and
15 see where they are coming from.

16 Are the people there unique and are they, in fact,
17 coming from outside the five-mile ring, I don't know.

18 COMMISSIONER MOSS: And I know Craig wants to say
19 something. But I just mention that I believe the TOC
20 perhaps has the facility to see how we can put together a
21 package that, certainly Mr. Blonien can live with, that
22 people can live with, to at least, as a united industry, get
23 this in front of, perhaps, the State Legislator and the
24 Governor.

25 Because this industry, as you say, is just losing

1 fans. We face a situation where even TVG, you know, is --
2 if Hollywood Park closes, what is going to be the fate of
3 TVG, you know, after this year?

4 We can't wait five years to save our skins here,
5 we got to move, we've got to do something. And I would say
6 the TOC may have the facility to put together a package
7 where we can get a four percent takeout, where we can find a
8 way to do this that it works somehow. You know, and I just
9 suggest we try to come up with a package that we can all
10 sort of live with, while all of us understand we have to
11 give up a little something, but let's see what we can do,
12 and that's the recommendation.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I don't
14 know if it's TOC, but I think that either the Federation, or
15 some industry group that could come together and revisit
16 this with some fresh eyes, perhaps to see if there can be
17 consensus.

18 Mr. Fravel, you've been standing there a long
19 time.

20 MR. FRAVEL: Yeah, Craig Fravel, Del Mar
21 Thoroughbred Club.

22 I just wanted to make one brief, editorial
23 comment. All of us, in this room, can sit here and give 30
24 reasons why this is going to be difficult, and we all know
25 that there are a lot of vested interests. But I do think

1 if Mr. Krikorian is willing to engage outside consultants
2 and work with us, we should all jump at that chance.

3 I don't pretend to have answers to these issues,
4 but I do think fresh eyes, and fresh ideas would be very
5 helpful, and that we should not go out of here, if
6 somebody's making that kind of offer, without really
7 indicating our willingness to accept it.

8 So we'll dedicate our staff and resources to help
9 with that and provide whatever data, and learning, and our
10 analysis of the obstacles to whoever he suggests.

11 And I would also tell you that there are examples
12 of this that deserve looking at. There's the networks of
13 facilities in Arizona, Virginia. Woodbine Entertainment has
14 adopted models for high-end entertainment and dining venues
15 that all of which may have success or failure stories that
16 these consultants could consider.

17 So I would just offer our support for the effort
18 and hope we could go forward with the analysis. Thank you.

19 MR. BLONIEN: Mr. Chairman, I would like to make a
20 suggestion and that is that the Federation have a meeting in
21 the next couple of weeks, three weeks, and kick this around
22 and see what we can come up with. And then if we could have
23 Mr. Moss's Committee the day before, or the day of the next
24 meeting, have this back on the agenda, and see what we've
25 been able to work out with the Federation, and see if we

1 have something that we can put in a bill to get done in
2 short order.

3 COMMISSIONER CHAIRPERSON SHAPIRO: I think that's
4 a terrific idea. And, again, we all are very appreciative,
5 Mr. Krikorian, of what you've done, it's very impressive.
6 And thank goodness you're bringing it forward, because we do
7 need fresh ideas and fresh thinking.

8 MR. KRIKORIAN: Well, I appreciate it. And I'm
9 not trying to be controversial or to create problems here, I
10 just --

11 COMMISSIONER CHAIRPERSON SHAPIRO: No, there's no
12 problem, it's great.

13 MR. KRIKORIAN: -- something that seems so obvious
14 to me, and maybe I'm just a little more excited about it.
15 But, you know, horse racing is a great industry.

16 And if the reality is if horse racing, today, if
17 horse racing had to survive on what they handle, they
18 wouldn't be in existence right now. If it weren't for
19 simulcast racing, you wouldn't have any racetracks right now
20 because they wouldn't be generating enough money.

21 COMMISSIONER CHAIRPERSON SHAPIRO: That's why
22 we're losing some.

23 MR. KRIKORIAN: But the thing is that this will
24 generate more money. And I think even the way that pie we
25 talked about is cut up, more of that goes to horse racing

1 and, certainly, it should all be able to be massaged to make
2 it a win/win situation for everybody. But it's a lot of
3 money to not take advantage of.

4 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again,
5 thank you very much.

6 MR. KRIKORIAN: Thank you very much.

7 COMMISSIONER CHAIRPERSON SHAPIRO: We really
8 appreciate it. Thank you.

9 I see you standing there. I don't know if you're
10 stretching your legs or you're just --

11 MR. HAMMERLE: I just have one thing to ask of the
12 Board.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Yes.

14 EXECUTIVE DIRECTOR BREED: State your name?

15 MR. HAMMERLE: Rick Hammerle, with Santa Anita. I
16 appreciate Mr. Krikorian's presentation, as we all did. He
17 said one thing up there that we -- I hear frequently, in the
18 back, talked about. He said, we want to get people out of
19 the living rooms and out to these simulcast facilities.

20 As I'm sure most of you know, currently,
21 California offers the least attractive simulcast menu of
22 anybody in the country.

23 Asking someone or more than 45 individuals to open
24 up these sites, without offering an attractive menu of races
25 to bet on, doesn't sound that encouraging.

1 Is there any talk of lifting the current limit of
2 races we can bring in? I mean, without having a product
3 that we can offer from day, into the afternoon, into the
4 evening, a consistent product with races to be on, I don't
5 see the upside of --

6 COMMISSIONER CHAIRPERSON SHAPIRO: Well, maybe Mr.
7 Blonien got away a little too quick. But I think a lot of
8 us favor this notion of expanding the number of permitted
9 simulcast races. It is unfortunate that somebody can bet on
10 ADW anything they want, and then at simulcast facilities and
11 racetracks they can't.

12 Mr. Blonien, I believe there's a bill moving on
13 that?

14 MR. BLONIEN: Yes, there is. There's a bill that
15 would raise it to 40 races per day. And I believe Mr.
16 Fravel is the sponsor of that bill. And it's anticipated
17 that will be some very fertile discussions occurring
18 relating to that.

19 There's also a bill for the night industry, that
20 Assemblyman Silva has, AB 2048, that Los Al is sponsoring,
21 that would allow both night breeds to being in an additional
22 two races per night. Thank you.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

24 MR. COUTO: A final word.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Drew.

1 MR. COUTO: Drew Couto, Thoroughbred Owners of
2 California. I'd just like to point out that if this were
3 under the ADW model, there would be no limitation. There's
4 no limitation on the import, so we wouldn't even need
5 legislation under that. Well, we'd need some legislation to
6 do it but --

7 COMMISSIONER CHAIRPERSON SHAPIRO: So what is the
8 hurdle? I mean, we all -- I think everyone here will say
9 great, put it under the ADW law. Where's the opposition?

10 MR. COUTO: The opposition's going to come, I
11 think, probably from the existing facilities, to the extent
12 you're looking to do this within 20 miles of existing
13 facilities.

14 And whether it's -- you know, if you try and build
15 a facility-based ADW entity, I think there's going to be a
16 lot of resistance from existing facilities, saying, these
17 are basically satellite, and you have to treat them as
18 satellites and, therefore, ya-da-ya-da-ya-da.

19 COMMISSIONER CHAIRPERSON SHAPIRO: So the
20 fairs -- in most cases, it would be the fairs that would
21 have a problem with it?

22 MR. COUTO: Since the fairs have the majority of
23 satellites, I would imagine that they're the most concerned.

24 COMMISSIONER AMERMAN: I can't hear you.

25 MR. COUTO: Since the fairs control the majority

1 of satellites, I would imagine they'd have the most to be
2 concerned about.

3 COMMISSIONER AMERMAN: What's the condition of the
4 existing facilities?

5 MR. COUTO: I used that term as shorthand for
6 existing satellite facilities.

7 COMMISSIONER AMERMAN: Well, I don't do shorthand
8 so --

9 MR. COUTO: Okay. I'm talking about existing
10 satellite facilities that are fair operated.

11 COMMISSIONER ANDREINI: Mr. Couto, you know, if my
12 memory serves me, I think law allows that there be a
13 satellite facility in the San Francisco Bay Area. I think
14 that law was passed some time ago.

15 COMMISSIONER CHAIRPERSON SHAPIRO: That's true.

16 MR. COUTO: And Mr. Hartman's saying three of
17 them, actually.

18 COMMISSIONER ANDREINI: Yes, you're right. Of
19 course, you're always right.

20 MR. COUTO: That's Robert.

21 COMMISSIONER ANDREINI: But in any event, it's
22 been years since that law was passed and, yet there is no
23 facility there. Because there's one fight after another
24 from it's either Golden Gate Fields, or Bay Meadows, or
25 someone objects to that. But I mean, the law has

1 been -- it's set in stone.

2 COMMISSIONER CHAIRPERSON SHAPIRO: So
3 let's -- Chris, I don't mean to put Mr. Korby on the spot,
4 but I do mean to put him on the spot.

5 Mr. Korby, you've heard this whole discussion, so
6 let's say that Mr. Krikorian said, hey, why don't you either
7 change it to a five-mile radius, or why don't we try to get
8 it under ADW law, how would -- what would your objections to
9 that be?

10 MR. KORBY: Chris Korby, California Authority of
11 Racing Fairs.

12 I think my -- the first point of conversation, if
13 he were -- if he and I were to have a chance to sit down was
14 how can we partner, together, to do something.

15 Fairs have not been opposed to expansion. We
16 supported these bills for as long as they've been coming
17 down the pike.

18 COMMISSIONER CHAIRPERSON SHAPIRO: Have the
19 individual fairs supported them?

20 MR. KORBY: Yes. We think there are under-served
21 markets in this State that deserve more satellite
22 facilities. But we don't want any expansion to go on in a
23 way that injures those facilities that are already in place.

24 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

25 MR. KORBY: I don't think that's a complicated

1 concept. We're open to expansion. We want to be part of
2 it.

3 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

4 MR. KORBY: Now, the ADW model has some other
5 challenges. There is a completely different distribution
6 schedule that applies to ADW wagers.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Right.

8 MR. KORBY: That's problematical. For instance,
9 there are no license fees associated with it. It pays no
10 money into the stabling and vaning fund. It does not
11 contribute to the 2.5 simulcast expense fund.

12 There's a whole range of impacts that have come
13 about because of the different distribution schedule for
14 ADW. So it's not a simple, one-fix-fits-all kind of
15 solution. As several of you have mentioned, it's a
16 complicated and interwoven set of matrices.

17 COMMISSIONER CHOPER: But if you can demonstrate
18 that you are expanding the revenue stream, in the way that
19 has been suggested, then it seems to me there has got to be
20 a way to take care of everyone fairly, and the way that they
21 would find satisfying, and that includes the people that
22 have got the present simulcast locations.

23 Part of the package after all, to begin with, is
24 doubling the amount that they can take out, from two to
25 four. That's not small consideration to begin with, if I'm

1 running a satellite facility.

2 But I don't want to get into the details. It's a
3 question of demonstrating to people that this kind of
4 expansion of revenue stream can take place. That is the
5 biggest, that's an enormous benefit that we don't want to
6 pass up.

7 COMMISSIONER AMERMAN: I think it's important to
8 look at what the current situation is. The numbers that
9 have been provided to us for 2006 are a certain number, you
10 look at the numbers for 2007 and, guess what, it's going
11 down. So I assume that in 2008 it's going to go down,
12 again.

13 So it would seem to me is there's more revenue
14 that's generated, the people that are involved at the
15 present time, that are in the books, can be -- there's some
16 way to make sure that they do not get hurt in this whole
17 situation.

18 MR. KORBY: We're very supportive of what Mr.
19 Choper suggests.

20 COMMISSIONER CHAIRPERSON SHAPIRO: It would be
21 interesting if the corresponding increase in ADW, though,
22 made up for the down simulcast.

23 COMMISSIONER AMERMAN: Yeah, I bet it will.

24 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, thank
25 you. I think we're going to move on. Thank you very much.

1 I'm going to move to Item Number 5, now, which is
2 public hearing and action by the Board on the adoption of
3 the proposed amended to CHRB Rule 1481, occupational
4 licenses and fees, Rule 1783, registration of stable names,
5 Rule 1784, registration to disclose all partners, to permit
6 the licensing of stable name groups, which would allow
7 multiple entities, each owning multiple horses, with
8 different sets of owners under one stable name.

9 Jackie, do you want to summarize what the heck's
10 going on here?

11 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
12 CHRB staff. This proposal was the result of a request from
13 Little Red Feather, and some of our other stable name
14 groups, who are operating right now. It's a proposal,
15 essentially, to bring more people into the business.

16 We've got a proposal that will amend Rule 1481,
17 which will add the license class of stable name group to the
18 list of entities that could register and be issued a
19 license.

20 The proposed amendment to Rule 1783 and to 1784
21 are needed in order to get the complete package for the
22 licensing of stable name groups.

23 Rule 1783 and 1784 would create a separate license
24 classification for the groups, and a stable name group would
25 allow multiple entities to run under one stable name.

1 This proposal has been noticed to the public for
2 the 45-day comment period. We've received no comments on
3 it, and staff would recommend that the Board adopt it as
4 presented.

5 COMMISSIONER CHAIRPERSON SHAPIRO: All right. Is
6 there any discussion from the Board with respect to this, at
7 all?

8 COMMISSIONER HARRIS: I think it's a good thing.
9 Just to clarify, a person could be a member of two different
10 stables?

11 STAFF SERVICES MANAGER WAGNER: Yes, they could.

12 COMMISSIONER MOSS: And you examine the ownership
13 credentials of people, generally, by nature anyway, so --

14 STAFF SERVICES MANAGER WAGNER: Yes, we do, and we
15 would continue to do that.

16 COMMISSIONER MOSS: Well, then the red flag goes
17 up if somebody's a felon, or something like that, I guess.

18 COMMISSIONER HARRIS: Well, I think, technically,
19 this would allow someone to be a ten percent or less partner
20 without having a license. He would not have access to the
21 backside.

22 But the problem is that somebody gets into the
23 thing and they don't have time to get their license, they
24 just want to be an investor in horses and they don't really
25 have time to go all this stuff right away. I mean, they

1 eventually would.

2 But I think it's a way to circumvent some of the
3 red tape that people have to do, now.

4 STAFF SERVICES MANAGER WAGNER: And that's one of
5 the reasons why Little Red Feather and other groups came to
6 us with this proposal.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Right. I think
8 this is a good thing, that we're encouraging people to be in
9 the game, and it's going to lead into the next discussion.

10 Commissioner Andreini, did you have a motion?

11 COMMISSIONER ANDREINI: I make a motion that we
12 adopt both of the proposed amendments.

13 COMMISSIONER HARRIS: I'll second.

14 COMMISSIONER CHAIRPERSON SHAPIRO: It's moved,
15 it's seconded. Any further discussion?

16 All in favor?

17 (Ayes.)

18 COMMISSIONER CHAIRPERSON SHAPIRO:

19 Congratulations. Okay, good work.

20 I don't know where your compatriot is, but tell
21 him he owes us one. Okay. I see Mr. Fenton sitting there.
22 Okay.

23 All right, moving on. Thank you.

24 Item Number 6, discussion and action by the
25 Board -- you know what, I'm going to take a -- because we

1 just dealt with that, I want to go right over to Number 7.

2 Discussion and action by the Board regarding the
3 feasibility of amending CHRB Rule 1505, qualifications for
4 license as a horse owner, to permit a horse owner, whose
5 license has expired, to qualify for a renewal of the
6 license, even if they are not an owner of a properly
7 registered race horse, which is the in care of a licensed
8 trainer at the time of renewal.

9 This issue was brought forward and, essentially,
10 as I understand it, this is where somebody was an
11 owner --

12 COMMISSIONER HARRIS: I can go ahead and go
13 through it if you --

14 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah, why don't
15 you go through it.

16 COMMISSIONER HARRIS: This was brought to my
17 attention by Billy Deeks, who was here earlier, and had to
18 leave.

19 But essentially the problem is someone has a
20 license, now, and their horse gets claimed, or is sent to a
21 farm, or whatever, and their license is going to expire and
22 they want to renew it. Well, the way it is now, they go
23 into our office and the office asks them, do you have a
24 horse in training, at a track, with a trainer, and they say,
25 no, I'm going to get one, or I'm going to bring my horse

1 back from the farm or whatever, but they don't have it. So
2 then they can't get a license.

3 So it's kind of a Catch-22 when they renew. Now,
4 it may well have been that you've got people out there that
5 haven't had a horse and still have a license. But the idea
6 is to be more user-friendly. We need to keep people in this
7 game, we need to keep owners in the game, and not put up
8 roadblocks for them.

9 And all of these people would have been, when they
10 got their original license, they were fingerprinted and all
11 the background checks, everything was normal. They got
12 their license. And all we want to do is just be able to
13 renew the license without having a horse on the grounds, in
14 the care of a trainer. Because it's really just a fairness
15 issue.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. Does
17 anybody here, on the Board, have any comment?

18 Frankly, I think that we should be punitive, we
19 should be trying to encourage people to be owners, and
20 shouldn't make it so difficult. If somebody was in good
21 standing, I don't see why they have to have a horse that own
22 on the grounds.

23 COMMISSIONER HARRIS: Yeah.

24 COMMISSIONER CHAIRPERSON SHAPIRO: Drew Couto?

25 MR. COUTO: Sure. Drew Couto, Thoroughbred Owners

1 of California.

2 Obviously, we don't want to be punitive to anybody
3 who is a horse owner.

4 I was just checking with the racing offices, I'm
5 not sure that the requirement is that you have to have a
6 horse on the grounds and in training, but you have to own
7 part of a horse that is a race horse.

8 COMMISSIONER HARRIS: That's the way it should be,
9 but the way that our offices are interpreting it, you've got
10 to have a horse on the grounds, with a trainer, I think.
11 That was his problem.

12 MR. COUTO: Okay. Well, then it's interpretation,
13 it's not the rule, or the application.

14 But it's my understanding if you won a
15 thoroughbred, and it may be -- it doesn't have to be on the
16 track, but if it's in training, et cetera, you can be
17 licensed. And even if you don't own a thoroughbred at the
18 time, you've lost all your horses, there still is a license
19 for that individual. It's a different license, it's the
20 open claim license.

21 COMMISSIONER HARRIS: It may be, but there's a
22 claiming license. But I know we've had owners at our farm
23 that had a horse, it was a young horse, they wanted to get a
24 license, the horse isn't at the track, yet. They go in and
25 they tell them they can't get a license because the horse

1 isn't at the track, yet.

2 Well, I think we're just running people off. I
3 think we need to just let people -- let's have a big tent
4 and let everybody in, if they meet all the other criteria.

5 MR. COUTO: Well, to some extent we agree, and we
6 disagree. Because you dilute the pool in terms of
7 legitimate owners that vote on issues, that have interests
8 that need to be protected.

9 If someone owned a horse for a while, and then
10 hasn't owned a horse in four or five years, but maintains an
11 owner's license, are they really an owner?

12 You know, and that's the question. It's if they
13 had it for a year or two and they've been five years without
14 a horse, is that really an owner. Is that --

15 COMMISSIONER HARRIS: Well, they've got to pay for
16 their license. I just don't think that many people -- in
17 the old days I think there was concern of people getting a
18 free pass and all that. But a license doesn't necessarily
19 entitle you to passes. And we need every body in here we
20 can get, anyway.

21 MR. COUTO: Sure. But my point, I think I raised
22 in an e-mail to you, earlier, there's an existing law today
23 that says that even if you don't have a horse, you can be
24 licensed as an owner. There's a price difference.

25 But this problem isn't a problem in the sense that

1 you already have a law, you already a rule that addresses
2 it.

3 COMMISSIONER HARRIS: Well, that's to claim a
4 horse. What if you just want to buy a horse and --

5 MR. COUTO: No, no, no, it's not the claimed
6 horse, it's to be licensed as an owner. It permits you to
7 claim a horse without one, but it is still a valid owner's
8 license, it has a different constraint. Does not require
9 ownership of a horse at the time you are licensed.

10 One license is premised on the more -- the less
11 expensive license is premised on the fact that you have a
12 horse in training that can run today, or is about to run,
13 you can get licensed.

14 The other is for those people who do not have a
15 horse in training at that time. They can still get
16 licensed, but they have to get a different license. But
17 they're still owners.

18 So it seems to me that there's not the issue.

19 COMMISSIONER HARRIS: Well, we have to put this
20 out for comment anyway, don't we, Jackie?

21 STAFF SERVICES MANAGER WAGNER: If we decide to.

22 COMMISSIONER HARRIS: I mean, the issue today is
23 should we put this out for comment, which I think we should.
24 I mean, there's enough bureaucracy in the world, without us
25 creating some more. If a guy's had a license, his

1 horse -- something happens to the horse, it goes to the
2 farm, I don't think we should hassle them around. I mean,
3 they're paying \$150 to get the license, why not let them
4 have it.

5 I just don't think it's going to be abused. If
6 it's going to be abused, we can change it.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Well, why don't
8 we, if there's no objection, I would recommend that we put
9 this out for comment. Let's see if there is comment.

10 I, personally, tend to agree that we should have
11 the welcome mat out there, and I don't see what the problem
12 is in doing it, but maybe there's something we're not
13 thinking of.

14 COMMISSIONER HARRIS: Yeah. Well, that's the
15 whole idea of comment period, people can comment and come up
16 with anything.

17 COMMISSIONER CHAIRPERSON SHAPIRO: All right, so
18 why don't we put this out for comment and we'll see what
19 happens from there.

20 COMMISSIONER HARRIS: Do they need a motion? I'll
21 move that we put out the language for comment, as is in the
22 packet.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, is there
24 a second?

25 COMMISSIONER ANDREINI: Second.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Second. All
2 those in favor?

3 (Ayes.)

4 COMMISSIONER CHAIRPERSON SHAPIRO: Opposed? None.

5 All right, that brings us to Item Number 6,
6 discussion and action by the Board regarding a proposal to
7 amend CHRB Rule 1481, occupational licenses and fees, and
8 Rule 1486, terms of license, to initiate a provisional
9 exercise rider program, to provide a training program to
10 allow aspiring exercise riders to gain experience before
11 becoming licensed exercise riders.

12 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
13 CHRB staff. This proposal came as a result of a request
14 from Leanne Howard, who is here with us, from San Luis Rey
15 Downs. She has requested that the Board consider putting
16 into place a program that -- she has suggested putting into
17 place a program for the Board to provide an opportunity for
18 aspiring exercise riders, to give them an opportunity to
19 gain the experience and knowledge that they would need in
20 order to become an exercise rider.

21 And she has suggested that we go forward with a
22 program to do that.

23 What you have in the package is a preliminary
24 attempt to go ahead and implement this particular program.
25 Staff thinks that it's probably something that we should

1 work at, and we are continuing to work with Leanne.

2 And she is here to address any questions that you
3 may have.

4 Our recommendation would be that you forward this
5 to the appropriate committee, so we can go ahead and
6 complete the work that needs to be done, and get it fully
7 vetted by getting the input from the industry, and the
8 interested parties.

9 Leanne Howard is here to answer any questions that
10 you may have.

11 COMMISSIONER CHAIRPERSON SHAPIRO: Good
12 morning -- or good afternoon, Leanne.

13 MS. HOWARD: Good afternoon.

14 COMMISSIONER CHAIRPERSON SHAPIRO: First of all,
15 personally, I think is a good idea. And I should also tell
16 you that in harness racing they do that. In harness racing,
17 before somebody can become a driver, for instance, you have
18 to become qualified, you go through a program.

19 And so I think there's some similarity there is
20 where, you know, I think it's easier in thoroughbred racing.

21 But I, personally, think it's a good idea. I
22 don't know the proper -- maybe the proper framework is laid
23 out here and perhaps you want to just describe for us what
24 it is you're proposing be done.

25 MS. HOWARD: Well, what I'm wondering is -- Leanne

1 Howard. I guess San Luis Rey Downs is the hat I'm wearing
2 today, or racing official, something.

3 Do you all know how an exercise rider, at the
4 track, gets his license? Does everyone here know?

5 COMMISSIONER CHAIRPERSON SHAPIRO: No, so why
6 don't you tell us?

7 MS. HOWARD: Okay. I wrote out a provisional
8 exercise rider problem, and the solution, and that's how
9 this all started.

10 The problem is, and I'm just going to read some of
11 this, everybody's hungry and in a hurry so -- there's no
12 method in place by which an aspiring exercise rider can ride
13 a thoroughbred race horse in a setting that duplicates the
14 day-to-day experiences at a CHRB approved racetrack. Now,
15 this is all we're talking about, a CHRB approved racetrack,
16 training track. Anything that's not approved, that's not
17 applicable here at all.

18 The only license available to people who ride
19 these race horses is an exercise rider license. To receive
20 this license, a rider must gallop a horse on the track, in
21 front of the official outrider.

22 Okay, if the person can't be -- isn't licensed,
23 yet, what's he doing on the racetrack, riding in front of an
24 outrider. So there's the first little signal that
25 something's wrong here.

1 The outrider must judge the rider's skills of
2 riding a race horse and knowing the track rules. The
3 outrider must then sign a steward card, stating the rider's
4 qualified to gallop and breeze horses, along with everyone
5 else.

6 Some tracks, it's been pointed out, Golden Gate
7 has a test that they actually ask questions. I'm not really
8 sure about this, I didn't know about this until today. But
9 I have talked to the people at Pleasanton, and outriders,
10 and trainers, and exercise riders all over the country, and
11 everyone wants this to be much more severe than it is.

12 So anyway, this difficult decision, of the
13 conscientious outrider, to make what -- to make, because the
14 inexperienced rider has a license, there is no way for
15 anyone to distinguish him from any other exercise rider out
16 there.

17 In other words, once the outrider says, okay, I
18 hope that everything will be fine, and somebody will take
19 you under their wing, and you'll be okay, this rider has his
20 little license and he goes out there and he's thrown in with
21 everyone else. Even if a trainer says, oh, I'll help you
22 out and put you on some easy horses and so forth.

23 The trainers have no way to judge the level of
24 confidence of a new person, who strides purposely into the
25 barn, in the mornings, looking for a gallop job.

1 This rider may, and often does, exaggerate skills,
2 and be put on a tough horse to ride. The situation's bad
3 enough, if the horse gets out of control in the barn area
4 with this inexperienced rider, if this escalates to being a
5 runaway horse during the time when 30 or 40 other horses are
6 out on the track, some breezing, some jogging, some breaking
7 from the gate, this could be a disaster.

8 And this is one of the reasons -- this is the
9 reason why we put this program together.

10 STAFF SERVICES MANAGER WAGNER: If I may, I want
11 to just clarify one thing that Leanne indicated. The
12 stewards currently do have a say-so or some type of oversee
13 as to who initially gets an exercise rider's license.
14 Initially, the process begins in the licensing office, the
15 applicant presents themselves to the CHRB licensing office.
16 They fill out the application and then they are directed to
17 the stewards.

18 At that time, the stewards do question them and
19 they do get a feel for the individual. They're just not
20 blatantly put out on the track without any questioning.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

22 MS. HOWARD: When does the card come into effect,
23 then?

24 STAFF SERVICES MANAGER WAGNER: The card does not
25 come into effect until after they have completed the gallop

1 and the breeze.

2 COMMISSIONER CHAIRPERSON SHAPIRO: All right.

3 MS. HOWARD: That hasn't been my experience but,
4 okay.

5 COMMISSIONER CHAIRPERSON SHAPIRO: So, all right,
6 I mean, I don't think we have an objection to this. This
7 may be a very good thing and we, obviously, can put this out
8 for comment. Again --

9 COMMISSIONER HARRIS: We should put it out for
10 comment. I think it's a great idea, but let's not waste a
11 lot of time on it now, unless somebody has some reason we
12 shouldn't even put it out for comment.

13 COMMISSIONER CHAIRPERSON SHAPIRO: All right.

14 STAFF SERVICES MANAGER WAGNER: Yeah, my
15 suggestion would be that we take it to the committee, the
16 appropriate committee, to discuss the merits of the program
17 and to get all of the --

18 COMMISSIONER CHAIRPERSON SHAPIRO: So this would
19 go to the licensing committee.

20 STAFF SERVICES MANAGER WAGNER: Correct, Security
21 and Licensing Committee.

22 COMMISSIONER HARRIS: You don't want to wait up
23 too long on it, though. I don't know that the Licensing
24 Committee has any particular expertise that we don't.

25 COMMISSIONER CHAIRPERSON SHAPIRO: You know,

1 frankly, I think that that's probably a good idea. Why
2 don't we put this out to comment and see if we get comment.

3 In the meantime, I do have one comment card from
4 Ed Halpern, on behalf of the trainers, and I'd just be
5 curious to hear what his comment is on this.

6 MR. HALPERN: Thank you. Ed Halpern, California
7 Thoroughbred Trainers.

8 I just wanted to indicate that the California
9 Thoroughbred Trainers supports this idea, and we're grateful
10 to Leanne for taking the initiative to start the cycle and
11 for getting it done. Because you do -- it is not uncommon
12 to see riders out on the track that are of questionable
13 ability, and should have some review or oversight before
14 being permitted their license.

15 COMMISSIONER CHAIRPERSON SHAPIRO: You do this,
16 but I don't get back out there on a horse, I know that.
17 But, okay.

18 Okay, that being said, what I recommend is we make
19 a motion, let's put this out for comment, if anybody doesn't
20 have any objection to that.

21 COMMISSIONER MOSS: Moved.

22 COMMISSIONER ANDREINI: Second.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, it's
24 moved, it's seconded. All in favor.

25 (Ayes.)

1 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you.

2 Well, that was easy, Leanne.

3 MS. HOWARD: Yes, I survived.

4 COMMISSIONER CHAIRPERSON SHAPIRO: All right, Item
5 Number 8, discussion and action by the Board regarding a
6 proposal to amend CHRB Rule 1853, examination required to
7 allow thoroughbred horses to race unshod.

8 Dr. Arthur, are you -- who's going to present
9 this?

10 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
11 CHRB staff.

12 This proposal initially came from our Vice
13 Chairman, Commissioner Harris, he brought it to our
14 attention. I think the idea of allowing horses to race
15 unshod initially surfaced with the installation of our
16 synthetic tracks here, in California, and that was the
17 proposal initially going forward.

18 After some thinking about it, we came up with a
19 proposal to extend it to all track surfaces. What you have
20 before you is a -- if the Board agrees that this is a good
21 idea -- is text that will allow thoroughbred horses to race
22 unshod.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, and this
24 also is going to be put out for comment; is that correct?

25 STAFF SERVICES MANAGER WAGNER: Correct.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

2 COMMISSIONER HARRIS: There's a lot of backup
3 material on this, too, and I know there are people with
4 varying opinions. But keep in mind, this is not saying
5 you've got to race unshod, it just gives a trainer that
6 option, if he wants to take it. And there is a lot of
7 science out there that in certain situations an unshod horse
8 might be a good decision.

9 But we're not compelling it at all, and I don't
10 think the horseshoers, or the shoe manufacturers, or any of
11 these folks have any major financial crisis that's going to
12 come about as a result of this, but I think we're just a
13 little bit of a libertarian move.

14 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again, I
15 think we should put this out for comment, I have no
16 objection to it.

17 The only thing I do, though, is that I believe
18 that there should be a notation if a horse is racing unshod,
19 it should be clearly indicated in the program.

20 COMMISSIONER HARRIS: Oh, yeah, yeah.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Because I think
22 it's going to be a handicapping angle.

23 COMMISSIONER HARRIS: Yeah, it would be like
24 blinkers or anything.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Right.

1 COMMISSIONER HARRIS: Actually, we should really
2 almost get more information on shoes in general in the
3 program.

4 COMMISSIONER CHAIRPERSON SHAPIRO: It's
5 interesting, at the break, as I walked through the other
6 room, and I saw that from Bay Meadows, they list the shoes
7 that the horse is wearing.

8 COMMISSIONER HARRIS: Yeah.

9 COMMISSIONER CHAIRPERSON SHAPIRO: I don't know
10 why we don't do that.

11 COMMISSIONER HARRIS: Yeah, why is that? Northern
12 California has got all sorts of information on shoes, and
13 Southern California doesn't, which would seem like it's --

14 COMMISSIONER CHAIRPERSON SHAPIRO: I think it's
15 only on a board, at this racetrack, is where I ever see it
16 is on the board or the --

17 COMMISSIONER HARRIS: Where's the board?

18 COMMISSIONER CHAIRPERSON SHAPIRO: It's on that
19 owner/trainer lounge they built.

20 COMMISSIONER HARRIS: Really?

21 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah. Down on
22 the third floor, there's a wall and I think it says shoes on
23 there, I saw it yesterday.

24 COMMISSIONER HARRIS: That's a shoe store.

25 COMMISSIONER CHAIRPERSON SHAPIRO: It's not a shoe

1 store.

2 Okay. So, again, I don't know if there needs to
3 be further discussion on this. I would recommend that we
4 put this out for public comment.

5 COMMISSIONER AMERMAN: So moved.

6 COMMISSIONER CHAIRPERSON SHAPIRO: So moved.

7 COMMISSIONER CHOPER: Second.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Second. All in
9 favor?

10 (Ayes.)

11 COMMISSIONER CHAIRPERSON SHAPIRO: All right, that
12 should bring us to our staff report on concluded race meets.
13 And, Mr. Breed, who are going to be giving those staff
14 reports?

15 EXECUTIVE DIRECTOR BREED: They're self-
16 explanatory.

17 COMMISSIONER CHAIRPERSON SHAPIRO: They're self-
18 explanatory, we will not be -- okay. So then let's go to
19 Item Number 12. In our packets, there were reports from
20 each of the end-of-meet results.

21 And I must tell you that I thought that the
22 format, I don't know who put this together, but the format
23 that we got this time was terrific. Because it clearly
24 allowed us to see the breakdown of handle, attendance, in a
25 manner that I thought was terrific, both comparatively and

1 from an analysis perspective.

2 And so I guess my question here is, is there
3 anybody that wishes to address this, without going through
4 each one specifically?

5 Are there any comments?

6 COMMISSIONER HARRIS: Yeah, I think it is
7 important that we do these on a daily basis, because we've
8 got so many different meets that have different days, or
9 lost days, or whatever that --

10 COMMISSIONER CHAIRPERSON SHAPIRO: What do you
11 mean a daily basis?

12 COMMISSIONER HARRIS: Well, not daily. As far as
13 just the data, on an average daily versus --

14 COMMISSIONER CHAIRPERSON SHAPIRO: Oh, oh.

15 COMMISSIONER HARRIS: Because some of these, when
16 they do them for the meet, it gets distorted because they
17 had more days, or less days, or whatever.

18 COMMISSIONER CHAIRPERSON SHAPIRO: Right. But I
19 thought this format was terrific.

20 COMMISSIONER HARRIS: Yeah, I liked the format,
21 yeah.

22 COMMISSIONER CHAIRPERSON SHAPIRO: And so would
23 you make sure that the appropriate people at staff know that
24 we appreciated it.

25 EXECUTIVE DIRECTOR BREED: And these were all

1 cross-checked with CHRIMS and the associations.

2 COMMISSIONER CHAIRPERSON SHAPIRO: So everybody is
3 now in agreement -- is in agreement that CHRIMS, the
4 individual racing associations, and so forth?

5 EXECUTIVE DIRECTOR BREED: That's correct.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

7 COMMISSIONER CHOPER: The only comment I have to
8 make is the dramatic demonstration of what happened at Bay
9 Meadows this last time around.

10 And as someone who's there, periodically, I want
11 to say it's not because it's not nice there, it's very nice
12 there. And I'd like to commend them for continuing, even
13 though it's closing, to keep the track up in a clean, and
14 attractive way.

15 The explanation is very clear, and it is because
16 of the size of the fields. I just think people are not
17 interested in going -- in betting as much as they are, or
18 going out there under the circumstances. And I think it's
19 sort of a lesson that we've got to learn.

20 COMMISSIONER CHAIRPERSON SHAPIRO: Well, clearly,
21 what we've seen with the advent of synthetic surfaces have
22 been pretty dramatic.

23 COMMISSIONER CHOPER: Yeah.

24 COMMISSIONER CHAIRPERSON SHAPIRO: Up north is
25 that the field size increases tremendously with the

1 synthetic surfaces.

2 I know there are some people that claim they can't
3 handicap them, and they can't bet on them, but that hasn't
4 proved to really be true from the analysis that I've seen.

5 And I think, as evidenced by these results, that
6 they're pretty glaring.

7 COMMISSIONER CHOPER: Yeah, look at the next page.
8 I mean, the Pacific Racing Association is Golden Gate
9 Fields.

10 COMMISSIONER CHAIRPERSON SHAPIRO: Right, right.

11 COMMISSIONER CHOPER: And the dramatic increase in
12 the size of the fields there.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Right.

14 COMMISSIONER CHOPER: I'm just confident -- all
15 you can do is guess at this sort of thing, but I'm just
16 confident it is a product of having lots of horses.

17 COMMISSIONER AMERMAN: Good observation.

18 COMMISSIONER CHAIRPERSON SHAPIRO: You're correct.
19 I mean, you had 12 and a half percent.

20 Average starters per event was up 14.26 percent at
21 Golden Gate, year to year.

22 COMMISSIONER CHOPER: You know, what's truly
23 dramatic is the out-of-state handle.

24 COMMISSIONER CHAIRPERSON SHAPIRO: Right.

25 COMMISSIONER CHOPER: Everybody went up with the

1 out-of-state handle except Bay Meadows, they went down 12,
2 almost 13 percent.

3 COMMISSIONER HARRIS: It's because of the field
4 size.

5 COMMISSIONER CHAIRPERSON SHAPIRO: It's field
6 size.

7 COMMISSIONER CHOPER: And that's certainly -- it's
8 just very dramatic.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I will
10 report that I went to the Keeneland -- John and I were at
11 the Keeneland Welfare Safety Summit, and if you listen to
12 all the track superintendents, and these were guys who, for
13 their whole lives, for 30 years each, they've all been
14 working with dirt, every one that had worked with dirt and
15 synthetic said that the synthetic had more positive
16 implications. They all preferred synthetic. Even though
17 there are issues and challenges with all the synthetics
18 today. And they felt the results would be positive as a
19 result of, you know, seeing what's going on with field
20 sizes. So that was a good thing.

21 COMMISSIONER MOSS: But the Keeneland result was
22 the handle was down 17 percent.

23 COMMISSIONER CHAIRPERSON SHAPIRO: I'm not talking
24 about Keeneland, that meeting, I'm talking about the Welfare
25 Safety Summit.

1 COMMISSIONER MOSS: Oh.

2 COMMISSIONER CHAIRPERSON SHAPIRO: They're down
3 this meeting 17 percent, that's true, year to year, but that
4 was not the discussion. Okay.

5 COMMISSIONER MOSS: Okay.

6 COMMISSIONER CHAIRPERSON SHAPIRO: All right, that
7 will then bring us to public comment. And I have a number
8 of cards here, and I'm going to ask, because I think this is
9 probably all on the same subject, and so I'm going to call
10 all these names and see if everybody needs to address it
11 or --

12 COMMISSIONER HARRIS: Is this on our collection
13 deal?

14 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I'm not
15 sure, I don't --

16 COMMISSIONER HARRIS: If it's on the collection
17 deal, that's an item, wasn't it, or will it be?

18 COMMISSIONER CHAIRPERSON SHAPIRO: Was it? Where?
19 No.

20 COMMISSIONER HARRIS: I mean, I don't think we
21 should discuss it -- if it's not on the agenda, I don't
22 think we can discuss, Derry, a broad item, like apparently a
23 dispute over a --

24 DEPUTY ATTORNEY GENERAL KNIGHT: You have to hear
25 it, first.

1 COMMISSIONER CHAIRPERSON SHAPIRO: We have to hear
2 it, first.

3 COMMISSIONER HARRIS: But I don't know if we can
4 really discuss the ins and outs of how we collect or don't
5 collect, or whatever.

6 DEPUTY ATTORNEY GENERAL KNIGHT: That's true.
7 You'd have to agendize it, if you're going to do that.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Well, it's not
9 fair -- let's find out what they're here for, first. Okay.

10 So I'm going to start with Karen Klawither.
11 Karen?

12 MS. KLAWITHER: Hi.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Karen, hi.
14 And, Karen, I'm going to ask if Jeff Blea is here?

15 MS. KLAWITHER: Yes.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. And are
17 there any other vets? Sharla is with the California Equine
18 Retirement.

19 Again, I'm not trying to not let anybody speak.
20 But if it can be repetitive comments, but the same thing,
21 maybe you can get together and not have to do it
22 individually.

23 MS. KLAWITHER: Okay.

24 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, so Karen,
25 why don't you start off.

1 MS. KLAWITHER: Hi, I'm Karen, I'm with the
2 Southern California --

3 COMMISSIONER CHAIRPERSON SHAPIRO: Will you just
4 get near the microphone, that one's not so great.

5 MS. KLAWITHER: I'm Karen, I'm with the Equine
6 Hospital, Santa Anita, Hollywood Park, and Del Mar Race
7 Tracks. I am the CEO of Southern California Equine
8 Foundation, which actually runs these hospitals.

9 First of all -- I'll stand on my toes. Thank you.

10 COMMISSIONER CHAIRPERSON SHAPIRO: No, it's much
11 better.

12 MS. KLAWITHER: Okay. First of all, I want to
13 thank you guys. The hospital, and this isn't my first three
14 minutes, the hospital has seen a drastic reduction of x-
15 rays, nuclear centrigraphies, surgeries. You're putting us
16 out of business with these new tracks.

17 Our workload has gone down dramatically. I know
18 we've provided racetrack injury reports to Dr. Arthur, and
19 the different racetrack entities, and they all look very
20 positive. So that's been very nice for us to do for the
21 horses.

22 COMMISSIONER CHAIRPERSON SHAPIRO: Well, we're
23 glad to give you more free time.

24 MS. KLAWITHER: Yeah, so I can come here. I'm
25 here to discuss the directive that was issued on 4/10, and

1 it was -- the directive is number 208. I'm very nervous, I
2 hate this stuff, sorry.

3 COMMISSIONER CHAIRPERSON SHAPIRO: I'll tell you
4 what, Karen --

5 MS. KLAWITHER: Yes.

6 COMMISSIONER CHAIRPERSON SHAPIRO: -- will you do
7 me a favor and sit at this table here? A, we'll here you
8 better and, B, there's nothing to be nervous about.

9 COMMISSIONER HARRIS: Well, I think we need to
10 hear from people since they took the time to get here. But
11 I'm concerned, if we're going to have a thorough discussion
12 of our whole policy on how we involve the stewards on
13 collections, that needed to be on the agenda. And just to
14 kind of launch into a whole thing is not right.

15 DEPUTY ATTORNEY GENERAL KNIGHT: That's correct.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, so wait a
17 second, right. If we're going to get in-depth on an issue,
18 then we need to put it on the agenda, and we're more than
19 happy to do that.

20 If it is something that you quickly want to ask us
21 and make comment about, which is really not where we're
22 going to necessarily respond to you, we will take it under
23 advisement and we will then look to put it on the agenda.

24 So keep in mind that, basically, you got to keep
25 it brief. If what you're here to say is, hey, we don't like

1 this directive and we think it should be thoroughly
2 discussed, fine, we'll put it on an agenda and we'll do
3 that. But we can't do it today.

4 MS. KLAWITHER: And that was my request, to come
5 here and --

6 COMMISSIONER CHAIRPERSON SHAPIRO: Is that your
7 request?

8 MR. KLAWITHER: -- put it on an agenda. And until
9 it has been addressed on the agenda, and voted by the Board
10 this directive that was given out is rescinded, and the rule
11 is followed as it is written, until it has been on an agenda
12 and addressed by a --

13 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, we hear
14 your request. We're not agreeing to it, we're not saying
15 what we're going to do, but we've heard what you've asked of
16 us, okay. And I don't mean -- I'm not trying to be rude,
17 and we will put it on the agenda.

18 MS. KLAWITHER: Okay, that's fine.

19 COMMISSIONER CHAIRPERSON SHAPIRO: We will do
20 that. I'm not saying, though, that we're going to tell the
21 Executive Director to change the directive, but we hear what
22 you want.

23 MR. KLAWITHER: Okay. I guess my question is
24 he --

25 MR. BLEA: Mr. Chairman, Board, if I may

1 interject? My name is Jeff Blea, I'm a veterinarian on the
2 backside, I'm also the President of the Southern California
3 Equine Foundation, and a partner in a large group practice,
4 of which services many of your horses.

5 COMMISSIONER CHAIRPERSON SHAPIRO: And you do a
6 great job.

7 MR. BLEA: Thank you. The reason we're here
8 today, and I think I can probably speak for most of the
9 people that are on the public comment card, as well as for
10 Karen, is to bring about a public comment regarding the
11 directive issued regarding Rule 1876, which is the financial
12 complaint directive.

13 And what we're asking for, in response to Mr.
14 Harris's comments, is we're basically asking for this to be
15 put on as an agenda item from the Board.

16 We're not here to air out problems, grievances,
17 we're just asking it to be an agenda item.

18 As a veterinarian, we understand the problems.
19 This is a complicated issue, I understand that. I know the
20 stewards and the investigators are bogged down in a lot of
21 paperwork, it's tiresome, it's cumbersome, it's, quite
22 frankly, in my opinion, a waste of time on both parties, not
23 only the enforcement parties, but the people presenting the
24 information.

25 It's a complicated issue because how we practice

1 is a matter of good faith and it's a credit-based system.
2 This isn't only affecting veterinarians, but it affects all
3 vendors. This, being that directive to Rule 1876. Those
4 vendors, including horse transporters, horseshoers, horse
5 dentists, feed companies, and even Louie the Boot, amongst
6 several other people.

7 So we're not asking to air grievances, we're just
8 asking this to be put on as an agenda item.

9 We realize there's a problem. As veterinarians,
10 we feel there are solutions to this problem, and we'd like
11 to be a part of that process to maybe either revamp the
12 system, or take another look at how this credit system is
13 used on the backside, and thereby help provide some
14 solutions for this problem and, basically, dismiss this as a
15 problem.

16 We have a list of solutions that we've discussed
17 amongst the veterinarians, as well as some of the other
18 vendors, that we'd like to bring about when this becomes an
19 agenda item.

20 And I would encourage you to invoke a new system
21 of collections and remuneration of fees on the backside.

22 Again, we're not trying to air grievances, we'd
23 just ask you to put this on the agenda so we can discuss it
24 or move forward with that.

25 COMMISSIONER CHAIRPERSON SHAPIRO: We will put

1 this on our May agenda, we will have a thorough discussion
2 of it. Okay.

3 MR. BLEA: Thank you for your consideration.

4 COMMISSIONER CHAIRPERSON SHAPIRO: But please
5 understand where we're coming from is we spend an inordinate
6 amount of time, of our people, collecting bills. And, you
7 know, just so you can have some food for thought in the
8 intervening period, I think what we want to see is, rather
9 than -- and I'm going to use my friend, Commissioner
10 Harris's comments here, rather than us being the court of
11 first resort, we want to be the last resort of collecting
12 bills.

13 And all too often what happens is -- and we
14 understand the leverage. Well, I'll go to the stewards and
15 you'll -- it's the big stick, we understand that.

16 But the problem again for us is that our staff,
17 and our stewards end up spending so much time bill
18 collecting, that they're not doing other things that they
19 should and can be doing.

20 MR. BLEA: I do understand that and I recognize
21 that.

22 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

23 COMMISSIONER HARRIS: I think I'd also like to see
24 more of what you're doing, just as good business practice.
25 I get a sense that the vendors that are complaining about

1 it, you know, aren't doing credit checks on new accounts,
2 aren't -- there's a lot of rating services that can give you
3 a credit. There are different ways you can get guarantees
4 from other people, or whatever. I'm not sure if you're
5 really doing everything that you can.

6 Because all of us, in business, have receivable
7 problems. I'm a horse farm, I've probably got more bad
8 receivables than anybody in the world.

9 But you kind of get through it and I don't think
10 that our board of stewards were put on earth to solve your
11 problems.

12 MR. BLEA: I recognize that and I agree with you,
13 Mr. Harris. We, as a practice, in 2006, submitted zero
14 financial complaints to the stewards. In 2007, we submitted
15 two.

16 You're absolutely correct, as a business, and we
17 have a business model in our practice to go through a series
18 of events to ensure standard of credit, so forth, and so on.

19 Part of the problem is there's a Privacy Act in
20 California, which a lot of times we're not able to get the
21 correct ownership, the right ownership, their correct
22 addresses, and so forth, and so on.

23 Our practice has a collections department which
24 pursues all avenues to try to achieve that information
25 before we have numerous conversations. It's all documented

1 within our practice and through the Foundation, so two
2 different sources. So we do try to exhaust all avenues.

3 And I agree with you, the stewards are not put on
4 here as a collection board. And in my mind, we don't use
5 them as a collection board.

6 I am sympathetic to the problem, and I think there
7 are some possible solutions.

8 COMMISSIONER HARRIS: Yeah, I'm sympathetic to the
9 problem. It sounds like your firm isn't really part of the
10 problem, you're representing others.

11 But I can't believe there's horses being treated
12 where the vet has no idea -- and maybe it's working out that
13 way, but they should have an idea. I mean, the trainer or
14 somebody should have an idea of who owns this horse, what's
15 their address, or whatever.

16 MR. BLEA: For example --

17 COMMISSIONER CHAIRPERSON SHAPIRO: Well, hold it,
18 hold it. I just -- I just leaned over and said you're now
19 violating the very rule that you said we can't do.

20 (Laughter.)

21 COMMISSIONER CHAIRPERSON SHAPIRO: So --

22 MR. BLEA: There's a lot of discussion that needs
23 to be had.

24 COMMISSIONER CHAIRPERSON SHAPIRO: That's correct.
25 And, therefore, I'm going to cut this off and just ask if

1 Allen Severinsen, Vida Ann Randall, Hobson Saddlery, Kyle
2 Baze, or Tom Dublin, if they're -- I'm assuming that if any
3 of those people are here, they wanted to address the same
4 thing, and I'm going to assume that their view were
5 represented.

6 If you feel differently, then come to the podium.
7 Fine, so I'm going to assume I dealt with all those.

8 MS. KLAWITHER: I would like to ask and, I'm
9 sorry, I don't know how this works. At your last meeting,
10 Brian Pitnik addressed this for trainers --

11 COMMISSIONER CHAIRPERSON SHAPIRO: Yes.

12 MS. KLAWITHER: -- and you were going to set up a
13 working committee to help address these issues of
14 collections. I would like to be part of that. I think that
15 we've been around the racetrack a long time, we know how it
16 works, we know how we'd like to have it work. and I think
17 we're -- I submitted a memo, with a lot of suggestions of
18 what we could do prior to having me talking to the stewards,
19 so I'd like to be involved in that.

20 COMMISSIONER CHAIRPERSON SHAPIRO: Well, Karen,
21 again, you need to contact Mr. Breed.

22 MS. KLAWITHER: That would be fine.

23 COMMISSIONER CHAIRPERSON SHAPIRO: So that, again,
24 we would prefer it doesn't have to come to the Board and it
25 can be worked out.

1 MS. KLAWITHER: Right.

2 COMMISSIONER CHAIRPERSON SHAPIRO: But, again, we
3 appreciate it and thank you for all the good work you do at
4 the hospital.

5 MS. KLAWITHER: Oh, thank you.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, because
7 you do a great job.

8 Sharla Sanders? Sharla, do you want to come to
9 the table, please, it's just a better microphone for us.
10 Thank you.

11 Sharla, you're with the California Equine
12 Retirement Foundation, and I don't -- I know what that is.

13 MS. SANDERS: It's GEVA.

14 COMMISSIONER CHAIRPERSON SHAPIRO: What's GEVA?

15 MS. SANDERS: GEVA is the Grant Allen Vocational
16 Academy in Northern California. They're similar in what
17 they do.

18 COMMISSIONER CHAIRPERSON SHAPIRO: Great, great.
19 What can we do for you?

20 MS. SANDERS: I have a prepared statement that I'd
21 like to read.

22 Thank you, Chairman Shapiro, and the Board
23 Members, for the opportunity to represent Ms. Grace
24 Belcoure, of the California Equine Retirement Foundation,
25 aka, CERF, and Ms. Pam Berg, of GEVA, in Northern

1 California.

2 My name is Sharla Sanders and I've been asked to
3 present to you a statement regarding equine retirement farms
4 and the exploration of additional industry assistance.

5 CERF currently houses 75 thoroughbreds and GEVA
6 has 35. The average cost to care for one of these horses
7 each year is \$6,000, which does not include staff or
8 overhead.

9 A horse's life expectancy is about 18 to 20 years
10 at the ranch, and they come -- they're about four years old,
11 now. Before, it was about eight or nine, they're coming in
12 earlier and earlier.

13 Neither of these women takes a salary. They
14 efficiently run their farms with little staff. Or in the
15 case of GEVA, Ms. Berg is literally the only one caring for
16 these horses. GEVA has been long ignored by the racing
17 industry in Northern California.

18 Both CERF and GEVA appreciate what the CHRB and
19 the TOC are doing to raise funds for equine retirement,
20 especially in light of the growing disparity between the
21 horses that are in need of homes and the funds to support
22 their care.

23 Both farms receive two to three calls or e-mails,
24 daily, asking for a horse to be placed with them.
25 Admittedly, not all of these are thoroughbreds, and

1 certainly not all that have spent time at the track.

2 While the actions of the CHRB and CARMA are a
3 step, they are a very small step towards a very long walk
4 together.

5 The lack of concern for a racing thoroughbred by
6 its owners, after it can no longer compete, must not be a
7 perception, real or imagined, by the public and, more
8 importantly, by those that take on the burden of caring for
9 that same horse for the rest of its life.

10 It should not be okay to continue to breed or
11 purchase additional racing stock when others, who never had
12 a financial interest in the retiree, are left to care for it
13 without some reciprocity.

14 CERF and GEVA encourage the CHRB to continue to
15 think outside the box, to raise funds, so more horses can be
16 cared for. Grass root coalitions are able to gather up
17 funds to save literally hundreds of horses annually, why
18 can't racing do the same for its own.

19 Just some of the ideas, and some of these would be
20 without cost to the Associations, that we've come up with,
21 are to allow the farms to advertise in the racing programs;
22 allow fund raising days at the tracks on prominent racing
23 days; allow an infield event with high visibility; develop
24 partnerships between the breeders and owners, and the farms.
25 Charity day distribution and the license applications. The

1 creation of a surcharge or a fee for all of the licenses.
2 Renewals by the jockeys, trainers, and owners, which would
3 be allocated to the farms. The creation of a hay fund.
4 Currently, CERF and GEVA are paying 15.75 for a bale of hay,
5 and GEVA's feed bill literally went up 40 percent last week.

6 We understand that not all of these ideas fall
7 under the jurisdiction of the CHRB. CERF and GEVA would be
8 happy to participate in ad hoc groups or panels to explore
9 any of these ideas.

10 Without the horse, there would be no racing in
11 California and none of the jobs that it supports. The horse
12 is the industry. We all collectively owe a moral debt, on
13 their behalf, to see that they are taken care of after their
14 careers are over. Thank you.

15 COMMISSIONER CHAIRPERSON SHAPIRO: Sharla, thank
16 you for your very heartfelt comments. And let me just tell
17 you, this isn't the Horse Racing Board, okay. I mean, this
18 is all of us that care about the horse.

19 I don't know what it is that we, as Board, can do,
20 that we're not already doing.

21 I mean, I can only speak, personally, okay. I'm
22 for any possible way to raise money for retired horses. I
23 know that I've paid to put horses on farms. I know that
24 other Commissioners take care of horses.

25 This is an epidemic, this is a huge problem, and I

1 don't know what else we can do.

2 You know, in terms of an infield event, God, I
3 would think Santa Anita, which has an infield, or any other
4 tracks would be more than willing to donate their facilities
5 to do this.

6 I don't know how we can help you. You know, we
7 want to. And if there's anything that we're not doing, I
8 think that we're open to hear it. But I don't know what
9 else we can do.

10 MS. SANDERS: Well, I appreciate just the
11 opportunity to be able to tell you that, you know, we're in
12 a crisis mode.

13 COMMISSIONER CHAIRPERSON SHAPIRO: And it's great
14 work that you and all the other people do. I mean, it's
15 really a very unfortunate and sad thing. You read the
16 stories, I mean, you know.

17 MS. SANDERS: Well, thank you very much for your
18 time.

19 COMMISSIONER CHAIRPERSON SHAPIRO: But thank you
20 very much.

21 All right, and I have one last comment card from
22 an Edward Murphy.

23 MR. MURPHY: I'm Ed Murphy.

24 COMMISSIONER CHAIRPERSON SHAPIRO: Mr. Murphy, did
25 we not hear from you at the last Board meeting?

1 MR. MURPHY: Yes, Mr. Shapiro, you did.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, so is
3 this something different?

4 MR. MURPHY: Yes, it is.

5 COMMISSIONER CHAIRPERSON SHAPIRO: Oh, okay.

6 MR. MURPHY: I'm here to request an investigation
7 relative to --

8 COMMISSIONER CHAIRPERSON SHAPIRO: Can you come up
9 here, we can't hear from that microphone, unfortunately.
10 Okay.

11 MR. MURPHY: Once again, my name's Ed Murphy. I'm
12 here to request an action --

13 COMMISSIONER CHAIRPERSON SHAPIRO: You have to get
14 close to it to -- there you go.

15 MR. MURPHY: Can you hear me better, now?

16 COMMISSIONER CHAIRPERSON SHAPIRO: Now, we hear
17 you.

18 MR. MURPHY: I'd like to request an action that's
19 relative to the allegations of fraud that I leveled against
20 Commissioner John Andreini.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. Hold it,
22 hold it, hold it. Okay. If what you want to do -- first of
23 all, that's the same subject you told us -- we heard from
24 you about before, so I don't hear something new.

25 MR. MURPHY: Yes, of course it is.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. And if
2 what you want to do is you want to ask for an investigation,
3 that's not something you come to the Board for. That's
4 something you come through our executive staff and through
5 our investigative staff, that's the proper way.

6 MR. MURPHY: Yes, I -- okay, I thought that --

7 COMMISSIONER CHAIRPERSON SHAPIRO: We shouldn't be
8 doing that.

9 MR. MURPHY: Well, I thought that perhaps I --

10 COMMISSIONER CHAIRPERSON SHAPIRO: Well, let me
11 just tell you, if you make it to us, we're not allowed to be
12 involved in it, we can't know the facts about it, okay.

13 MR. MURPHY: Yes.

14 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, so don't
15 talk -- if there's something that you want to make
16 allegations about, you have to do it through the proper
17 channels. You can't -- we're not supposed to hear that.

18 MR. MURPHY: Well, the public -- one of the
19 provisions of the Bagley-Keene Act allows for public
20 criticism of this Board, so the public is informed of
21 allegations such as this.

22 And I will go through channels to request this.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, that's
24 all I'm saying.

25 MR. MURPHY: However, I wanted to mention that one

1 of the reasons I am requesting this action is because the
2 historical problem that I detailed involving Commissioner
3 Andreini spans a period of about 30 years. And so, because
4 of that I have, as a member of the betting public, I have
5 considerable concerns over the integrity of horse racing in
6 California.

7 Quite frankly, I wonder if these many races are on
8 the level, given what I know about Commissioner Andreini's
9 activities.

10 And so I would like to call on the Attorney
11 General to investigate whether or not Commissioner Andreini
12 is suitable to sit on this Board.

13 DEPUTY ATTORNEY GENERAL KNIGHT: I think you have
14 to -- the Commissioners are all appointed by the Governor.

15 MR. MURPHY: I realize that.

16 DEPUTY ATTORNEY GENERAL KNIGHT: And if you have a
17 request, the only thing I can suggest is that you provide it
18 in writing and we'll respond to it appropriately, however
19 that might be. I can't prejudge how that would be.

20 MR. MURPHY: Yes. All right, I will put that in
21 writing.

22 DEPUTY ATTORNEY GENERAL KNIGHT: I'll give you a
23 card if you want to direct it to me.

24 MR. MURPHY: All right, terrific, thank you for
25 your time.

1 COMMISSIONER CHAIRPERSON SHAPIRO: All right,
2 thank you very much.

3 I was handed one last comment card. Madeline
4 Auerbach. Do you have an unusually hot issue?

5 MS. AUERBACH: I have an unusual problem
6 with --

7 COMMISSIONER CHAIRPERSON SHAPIRO: No, no, no, I
8 was making a play on words that you didn't get.

9 MS. AUERBACH: I got it.

10 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

11 MS. AUERBACH: I'm frazzled.

12 COMMISSIONER CHAIRPERSON SHAPIRO: All right.
13 Well, I'm sorry you're frazzled. What can we do for you?

14 MS. AUERBACH: I have a three-year-old filly, a
15 lot of them, and I have one that we have planned to run in
16 the Melair for a month now, and everybody knows that's where
17 we're running her. But as a lot of us do, we nominate a
18 bunch or horses for a race.

19 So this morning, when it was time to draw the
20 race, the -- Barry can attest to it. I'll tell you the
21 story and then you can ask him whatever questions you wish.

22 He was making the entries, and whoever accepts the
23 entries, and I don't know the person's name today, said to
24 him, well, what about Bel Air Sizzle, she was also nominated
25 for the same race. He says, there's only three horses in

1 the race. And Barry said, no, no, no, no, I'm not going to
2 run her, I want to run Lethal Heat because --

3 COMMISSIONER CHAIRPERSON SHAPIRO: Hold it, hold
4 it, hold it. Is this a matter that should come before the
5 full Board?

6 MS. AUERBACH: Yes. I'll tell you why, because
7 it's very temporal. And I'll get to it as quickly as I can.

8 The bottom line is the horse that's running today
9 is the other horse, who's in a five-horse field who, if
10 you're scratching out of that field, you need someone's
11 position. We're not scratching out of that field, the other
12 horse is running.

13 They published -- the person made a mistake. He
14 sent out the published race with this misinformation in it,
15 and all we are asking for is an opportunity to make sure
16 that our horse gets an opportunity to run in the race.

17 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, Madeline,
18 I appreciate you have an issue and you have a problem, okay.

19 MS. AUERBACH: But we found a way to resolve it,
20 but it requires your acceptance of our way to resolve it.

21 COMMISSIONER CHAIRPERSON SHAPIRO: When you say
22 "your," I don't know if you're talking about the full Board,
23 if you're talking about me, or you're the Executive
24 Director.

25 All I'm saying is this is not the right place.

1 This is not -- a full Board meeting, this is not the right
2 place for this.

3 MS. AUERBACH: Okay. Well, then I apologize to
4 everybody else, I'm sorry.

5 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, I'll be
6 more than happy to talk to you off to the side.

7 MS. AUERBACH: I am really frazzled.

8 COMMISSIONER CHAIRPERSON SHAPIRO: I understand
9 you're frazzled. But this not a public comment issue.

10 MS. AUERBACH: No, it's not.

11 COMMISSIONER CHAIRPERSON SHAPIRO: Barry, sit
12 down. I love you, but sit down. Okay.

13 No, no, no. No, no, Barry, we're not going to
14 hear this now, we'll hear it afterwards.

15 COMMISSIONER HARRIS: Some of the stuff that
16 refers to the Board, really means the Executive Director.

17 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah,
18 so --

19 MS. AUERBACH: Can the Executive Director do
20 something of this nature by himself?

21 COMMISSIONER CHAIRPERSON SHAPIRO: You know what,
22 we have to find out what it is. It's simply not a Board
23 issue.

24 MS. AUERBACH: Okay.

25 COMMISSIONER CHAIRPERSON SHAPIRO: We'll talk to

1 you after the meeting.

2 MS. AUERBACH: Oh, you won't get away from me, you
3 know that.

4 COMMISSIONER CHAIRPERSON SHAPIRO: I know that.
5 (Laughter.)

6 COMMISSIONER CHAIRPERSON SHAPIRO: And you know
7 where I live.

8 MS. AUERBACH: If I didn't, I'd find out.

9 COMMISSIONER CHAIRPERSON SHAPIRO: I know. I know
10 you know.

11 Okay, if there's nothing else, I would like to
12 adjourn the meeting.

13 COMMISSIONER CHOPER: There's one more item, I
14 thought it might be worth nothing --

15 COMMISSIONER CHAIRPERSON SHAPIRO: Yes.

16 COMMISSIONER CHOPER: -- that next month's
17 meeting --

18 COMMISSIONER CHAIRPERSON SHAPIRO: Oh, thank you.

19 COMMISSIONER CHOPER: You're welcome. Go ahead,
20 you're the Chairman.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Next month's
22 meeting, we were changing it to be May 20th. That's a
23 Wednesday.

24 EXECUTIVE DIRECTOR BREED: The 20th's a Tuesday.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I've

1 got -- he's -- I can't read your scribbles.

2 COMMISSIONER HARRIS: May 20th is a Wednesday.

3 COMMISSIONER CHAIRPERSON SHAPIRO: May 20th is a
4 Wednesday. That's 2009.

5 COMMISSIONER HARRIS: Oh, in '09.

6 COMMISSIONER CHAIRPERSON SHAPIRO: In 2009, it's a
7 Wednesday.

8 All right, so let's just see, we are changing the
9 meeting to be --

10 COMMISSIONER CHOPER: We have changed it.

11 COMMISSIONER CHAIRPERSON SHAPIRO: -- to be the
12 20th of May, which is a Tuesday.

13 COMMISSIONER HARRIS: And it's going to be in
14 Sacramento.

15 COMMISSIONER CHAIRPERSON SHAPIRO: The 20th. And
16 that works for you?

17 COMMISSIONER HARRIS: Let's also, while we're
18 talking about dates, we've got that August meeting at San
19 Luis Rey, where we met at San Luis Rey last year, which was
20 a good meeting. I don't know if we need to go back to San
21 Luis Rey, if it's not right on everyone's beaten path,
22 although it's convenient for Leanne.

23 COMMISSIONER AMERMAN: It's convenient for me.

24 COMMISSIONER HARRIS: Okay, if people like San
25 Luis Rey --

CERTIFICATE OF REPORTER

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of May, 2008.

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