

STATE OF CALIFORNIA

HORSE RACING BOARD

In the Matter of:                    )  
  )  
Regular Meeting                        )  
  )

AUDITORIUM

CALIFORNIA DEPARTMENT OF WATER RESOURCES

1416 9TH STREET

SACRAMENTO, CALIFORNIA

TUESDAY, MAY 22, 2007

1:00 P.M.

Reported by:  
Peter Petty

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

Richard B. Shapiro, Chairperson

John C. Harris, Vice-Chairperson

John Amerman

John Andreini

Jesse H. Choper

Marie Moretti

STAFF

Ingrid J. Fermin, Executive Director

Jacqueline Wagner, Staff Services Manager I

Derry L. Knight, Deputy Attorney General

Richard Bon Smith, Assistant Executive Director

Mike Marten

Roberto Zavales

ALSO PRESENT

Jim Moore, Sonoma County Fair

Joseph Barkett, Solano County Fair

Chris Korby, CARF

Joseph Harper, Del Mar Thoroughbred Club

Drew Couto, TOC

Frank DeMarco, Jr., Santa Anita Park

Jerry Jamgotchian, Owner

Robert Pontelle, Weston

Eual Wyatt, Hollywood Park

APPEARANCES CONTINUED

ALSO PRESENT

George Haines, Santa Anita Park

David Stilwell, SEIU Local 1877

Franklin Davis

Marsha Naify, TOC

Guy Lamothe, TOC

Michael Power, Owner/Breeder

Robert Hartman, Golden Gate Fields

Ben Kenney, CHHA

William Anton, Trainer

Jack Liebau, Bay Meadows/Hollywood Park

Michael Corbett, County of San Mateo

Rod Blonien, Bay Meadows/Hollywood Park

Allen Gutterman, Santa Anita Race Track

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PROCEEDINGS

EXECUTIVE DIRECTOR FERMIN: Ladies and gentlemen, will the meeting come to order. This is a regular meeting of the California Horse Racing Board, on Tuesday, May 22nd, 2007, at the Resources Building, 1416 9th Street, Sacramento, California.

Present at today's meeting are Chairman Richard Shapiro, Vice-Chairman John Harris, Commissioner John Amerman, Commissioner John Andreini, Commissioner Jess Choper, Commissioner Marie Moretti.

Before we go on to the regular business, I'd like to remind everyone to please approach the podium if you want to speak, and also clearly state your name for our court reporter.

Mr. Chairman.

COMMISSION CHAIRPERSON SHAPIRO: Thank you. Before getting started I would like to make a couple comments. The first of which is I would like to welcome our newest member, Jesse Choper, the Board. I think it's a wonderful addition, we look forward to your being on the Board. We will avail ourselves of your legal prowess at times, I'm sure. But more importantly we look forward to your helping us engage to improve the industry, and I just want to welcome you on behalf of the Board.

COMMISSIONER CHOPER: Thank you very much.

1           COMMISSION CHAIRPERSON SHAPIRO: I would also, on  
2 a more somber note, I would like to at least announce and  
3 put on the record that this past week we lost a good friend  
4 in racing when Steve Buttgenback passed away. Those of us  
5 that knew Steve, Steve was a wonderful man, a wonderful  
6 veterinarian, and had a deep passion and love for the sport  
7 of horse racing, and I think it's a terrible loss.

8           And so with that, I'd like to just ask for a  
9 moment of silence.

10           (Moment of Silence.)

11           COMMISSION CHAIRPERSON SHAPIRO: Thank you. I'm  
12 sure everybody shares with me in expressing to Steve's  
13 family our great condolences and sorrow on his passing.

14           The Board invites comments from the public on  
15 items on its agenda. It also invites public comment about  
16 items not on the agenda, that are related to horse racing,  
17 during an open comment period.

18           In order to assure that each individual, who  
19 wishes to comment, will have an adequate opportunity to do  
20 so, and also to assure that the meeting as a whole will be  
21 completed in a timely manner, so that individuals wishing to  
22 comment on multiple matters will not be required to stay for  
23 an unreasonable length of time, I will strictly enforce a  
24 five-minute time limit for each person wishing to speak on  
25 any agenda item.

1           The goal of this rule is to assure that each  
2 person's right to make their views known is not disrupted by  
3 another person's conduct.

4           In order to expedite the comment process, there  
5 are public comment cards available for each agenda item on  
6 which a public comment will be taken, as well as other  
7 comments cards, I believe, which are in the front. Would  
8 somebody raise their hand and identify where they are?  
9 Thank you. Over on the side.

10           Please print your name legibly, so I do not mangle  
11 it.

12           Just prior to our discussion of the item, the  
13 comment cards will be brought to me. After initial  
14 statements from staff and interested parties I will ask for  
15 public comment. When I call your name, please come to the  
16 podium to speak. I will let you know when your time has  
17 commenced, when there's one minute left, and when your time  
18 is up.

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

22           When all the names have been called, I will ask if  
23 anyone else has a comment on the agenda item, who has not  
24 already spoken.

25           At that point the Board will not take further

1 comment on an item unless the Board has specific questions  
2 it wishes addressed.

3 If the time is up, I ask the speaker to please  
4 take his or her seat.

5 If it appears that the speaker is repeating what  
6 has previously been stated, I will ask the speaker if he or  
7 she has any additional comments to make. If not, I will ask  
8 the speaker to allow the next speaker to come to the podium,  
9 irrespective of the time remaining, unless a Board member  
10 indicates that he or she wishes to hear from the individual.

11 If it appears that a speaker is not speaking to  
12 the agenda item, or is speaking to another agenda item, I  
13 will ask that the speaker please return to his or her seat  
14 and address his or her comments at the appropriate time.

15 With that, the first item on our agenda is  
16 approval of the minutes of our Regular Meeting of April  
17 19th, 2007.

18 COMMISSIONER AMERMAN: So moved.

19 COMMISSION VICE-CHAIRPERSON HARRIS: Well, I may  
20 have a brief correction. On page 13, we were talking about  
21 the retirement of horses, and I mentioned that if a horse  
22 was not competitive on the track, there were a lot of other  
23 uses for the animal. And here it says "in other aspects of  
24 racing." I think my intent was to say "in other equine  
25 uses."

1           COMMISSION CHAIRPERSON SHAPIRO: And I will  
2 correct the minutes to reflect that. I think that's what  
3 you did say, so no problem.

4           Are there any other comments?

5           We have a motion, is there a second?

6           COMMISSIONER MORETTI: Second.

7           COMMISSION CHAIRPERSON SHAPIRO: All in favor?

8           (Ayes.)

9           COMMISSION CHAIRPERSON SHAPIRO: The motion is  
10 approved.

11           The next agenda item is Item Number 2, which is  
12 discussion and action by the Board on the application to  
13 conduct Sonoma Solano Wine Country Racing, a combined horse  
14 racing meeting of the Solano County Fair, at Vallejo, from  
15 July 11th through July 15th, inclusive, and the Sonoma  
16 County Fair, at Santa Rosa, from July 18th through August  
17 6th, 2007.

18           Jackie?

19           MS. WAGNER: Good afternoon, Commissioners. The  
20 application before you is from the Solano County Fair  
21 Association and the Sonoma County Fair and Exposition. They  
22 have filed an application to conduct Sonoma Solano Wine  
23 Country Racing, a combined horse racing meeting.

24           To my knowledge, this is a first for us, it's kind  
25 of exciting.

1           The race meet will commence at the Solano County  
2 Fair and then continue on to the Sonoma County Fair. The  
3 Solano portion of the race meet will be held from July 11th  
4 through the 15th. Sonoma will then proceed racing from July  
5 18th through August the 6th, they will be racing 23 days.

6           The fairs are proposing to race a total of 244  
7 races, 55 races at Solano County Fair and 189 races will be  
8 run at Sonoma County Fair.

9           Solano is proposing to race five days the first  
10 week, Wednesday through Sunday, with 11 races per day. And  
11 Sonoma will then race Wednesday through Monday, with 10  
12 races per day, Mondays, Wednesdays, and Thursdays, and they  
13 are proposing to race 11 races on Friday, Saturday, and  
14 Sunday.

15           The post times for Solano will be 12:35 p.m., and  
16 the post times for Sonoma will 12:45 p.m.

17           The analysis indicates that we are missing the  
18 vanning and stabling agreement. CARF can speak to that.  
19 And we have received everything else. And staff would  
20 recommend that the Board approve the application contingent  
21 upon us receiving the stabling and vanning.

22           COMMISSION CHAIRPERSON SHAPIRO: Thank you,  
23 Jackie.

24           First, again, at our last meeting when we heard  
25 about this, it's very exciting and I think it's a wonderful

1 thing to see these two fairs getting together to combine  
2 something that may prove to be a benefit for the industry,  
3 and themselves, and so I think it's very exciting that this  
4 is taking place.

5 Do any of the Board members have any questions  
6 about the applications that are in front of them?

7 COMMISSION VICE-CHAIRPERSON HARRIS: I did talk to  
8 some of the people from these fairs on one thing, it was  
9 their purse program shows \$40,000 added purses. The rules  
10 now, there's a committee that decides which rules are stakes  
11 rules, which is important for breeders because they get to  
12 be listed as stakes winners or stakes placed in the  
13 catalogues when a horse is sold, and it helps their value.  
14 And so it's good if you can have -- make sure the stakes  
15 races qualify. And \$40,000 formerly qualified, but now it  
16 takes \$45,000. And so I think there's agreement to make 45.

17 Furthermore, I'm concerned on the overall stakes  
18 program is still fairly light. I recall Santa Rosa had a  
19 \$100,000 stake last year.

20 COMMISSION CHAIRPERSON SHAPIRO: If I can just  
21 interrupt for one second. I just got an e-mail that the  
22 volume is too low on the webcast. So I don't know who's  
23 doing the webcast, but if they could adjust it to make it  
24 louder for the people that are watching, that would be  
25 helpful. I won't tell you what the other part of the

1 message said, though.

2 (Laughter.)

3 COMMISSION VICE-CHAIRPERSON HARRIS: Is it from  
4 your wife?

5 COMMISSION CHAIRPERSON SHAPIRO: No, it wasn't  
6 from my wife. It was from Ed Halpern and I'll get back at  
7 him. Go ahead.

8 COMMISSION VICE-CHAIRPERSON HARRIS: So anyway, I  
9 think one of the bigger issues, just on the fairs in  
10 general, that you have a viable stakes program because I  
11 think, historically, the fairs represented a lot of great  
12 stakes opportunities for California horsemen, and you've got  
13 to work it out with TOC. But I just hope you keep your eye  
14 on a good stakes program.

15 Furthermore, is the Cal Bred Program at the  
16 stakes -- the Cal Bred Program at the fairs for stakes is  
17 supposed to be 10 percent stakes that are designated as Cal  
18 Breds by dollars, and as I see it, it looks like you're  
19 falling behind that. And that needs to be addressed.

20 I know, and actually it was mentioned earlier,  
21 that this is Ken Maddy's birthday today, and he was one of  
22 the ones that had done a lot for racing in general, but also  
23 had pushed this 10 percent rule.

24 So I hope that the fairs, in general, will go back  
25 and revisit their stakes program.

1           COMMISSION CHAIRPERSON SHAPIRO: In terms of  
2 looking at the purse program I, too, had a question, which  
3 is I understand this is a new meeting and it's new, but what  
4 I couldn't tell by looking at our package was that the  
5 current estimate for purses is about \$2,746,000 in total.  
6 How -- that's for this new, combined meet. How does that  
7 compare to last year, when they weren't combined?

8           And please introduce yourself for the record, and  
9 so forth.

10           MR. MOORE: I'm Jim Moore, from the Sonoma County  
11 Fair, in Santa Rosa. The purses are probably a little bit  
12 less than they were last year, and that is because we were a  
13 little too ambitious last year and we overpaid about a  
14 hundred thousand dollars.

15           So, unfortunately, this year we're going to have  
16 to cut back somewhat and, hopefully, next year we will be  
17 back to where we were a couple years ago with a very good  
18 stakes program, and both at Santa Rosa, and if we combine  
19 again, at Solano as well.

20           COMMISSION VICE-CHAIRPERSON HARRIS: Well, the  
21 shortfall was just at Santa Rosa or did --

22           MR. MOORE: It was Santa Rosa primarily last year.  
23 As a matter of fact, the thoroughbreds were at Santa Rosa,  
24 the emerging breeds, Solano was actually over the --

25           COMMISSION VICE-CHAIRPERSON HARRIS: You would

1 think that by combining the meets, where you've got really  
2 more weeks at Santa Rosa, you would produce more handle,  
3 than the previous scenario. But are you factoring that in?

4 MR. MOORE: Frankly, no. We're kind of on  
5 untested ground here. We hope that what you say will turn  
6 out that way but, unfortunately, this third week at Santa  
7 Rosa is something totally new and so we don't want to gamble  
8 too much. Like I said, we overpaid last year about a  
9 hundred thousand dollars, and for the fair that's a  
10 significant amount.

11 COMMISSION CHAIRPERSON SHAPIRO: But if you just  
12 did some projections of what the handle was previously,  
13 you're taking that period from Vallejo and moving it to  
14 Santa Rosa, and you just extrapolate what happened last  
15 year, wouldn't there be more wagering and more purses if the  
16 same happened, the averages?

17 MR. MOORE: If the third week at Santa Rosa is  
18 equal to the first two at Santa Rosa then, yes. And,  
19 hopefully, that will be the case. But like I said, I don't  
20 think we --

21 COMMISSION CHAIRPERSON SHAPIRO: Unchartered  
22 waters.

23 MR. MOORE: -- want to really gamble them.  
24 Because when you do overpay then it just makes it that much  
25 more painful the following year, and that's where we are,

1 actually, this year.

2 MR. BARKETT: Mr. Chairman, Joe Barkett, from the  
3 Solano County Fair. We did spend a lot of time trying to  
4 analyze that and predict it, and as Jim said, the issue of  
5 racing that third week at Santa Rosa, where there's no fair  
6 going on, is the big unknown and the big experiment. And  
7 also in light of the fact that such a significant percentage  
8 of the handle comes off track, we decided to budget  
9 according to what we did last year. But we very much  
10 anticipate that we will do better. I mean, that's why we're  
11 doing this.

12 COMMISSION VICE-CHAIRPERSON HARRIS: Do you have  
13 an advertising program that's ramped up to reflect the three  
14 weeks?

15 MR. BARKETT: We do. And we will be advertising,  
16 especially for that third week, much more in the Bay Area to  
17 try to get some of the San Francisco and Oakland folks up to  
18 Santa Rosa, and to enjoy the racing, the wine country, the  
19 wineries, and the fine restaurants, and so forth.

20 And so we will be concentrating much more than we  
21 ever have in the past on that population, but still doing  
22 everything that we've always done for our local population,  
23 up in Santa Rosa.

24 COMMISSION VICE-CHAIRPERSON HARRIS: And will the  
25 fair be running the three weeks or just the --

1 MR. BARKETT: The fair will run two weeks.

2 COMMISSION VICE-CHAIRPERSON HARRIS: And so the  
3 dark week of the fair will be the final week?

4 COMMISSION CHAIRPERSON SHAPIRO: They're uncovered  
5 for a week.

6 MR. BARKETT: The third week will be without the  
7 fair.

8 COMMISSION CHAIRPERSON SHAPIRO: Okay. I noticed  
9 on your promotion, specific to Solano County, "WPS, win  
10 place show promotion after the eighth race. What is that?

11 MR. BARKETT: We have a drawing for people who are  
12 attending on track. Our fair board members get out there  
13 and award cash prizes to people who, you know, participate  
14 in this. It's something we've done for the last several  
15 years and it's somewhat popular.

16 COMMISSION CHAIRPERSON SHAPIRO: I also noted that  
17 Vic Stauffer, we'll appreciate, that it said said "world  
18 famous race caller Vic Stauffer." So Vic got a nice plug  
19 there.

20 MR. BARKETT: You're right.

21 COMMISSION CHAIRPERSON SHAPIRO: Okay.

22 COMMISSION VICE-CHAIRPERSON HARRIS: On your  
23 admissions, and parking, and some of those things, will  
24 those be the same when you're with the fair, versus that  
25 last week, or how are you going to do that?

1 MR. MOORE: Admission to the fairgrounds and  
2 parking will be free. We'll charge for the grandstand, but  
3 at a reduced rate.

4 COMMISSION VICE-CHAIRPERSON HARRIS: At the final  
5 week?

6 MR. MOORE: Right.

7 COMMISSION VICE-CHAIRPERSON HARRIS: That will be  
8 a good test to see at the last. Because how much is it if  
9 you go during the first two weeks?

10 MR. MOORE: It depends on which seat it is, but I  
11 think by and large the relationship is like \$5 during the  
12 two weeks of the fair and \$3 during that last week.

13 COMMISSION VICE-CHAIRPERSON HARRIS: No, I mean  
14 the parking and just general admission and parking.

15 MR. MOORE: Oh, the parking is like \$7 a car, and  
16 the admission is \$7.

17 COMMISSION VICE-CHAIRPERSON HARRIS: So if you go,  
18 that might help that last week if it's \$14 cheaper to get  
19 in.

20 MR. MOORE: Yeah. No fair, I mean, there's  
21 nothing else going on but the racing.

22 COMMISSION VICE-CHAIRPERSON HARRIS: Well, they've  
23 been to the fair the first two weeks, they're just coming  
24 back.

25 MR. MOORE: Yeah.

1           COMMISSION CHAIRPERSON SHAPIRO: In the  
2 application it says that "the contract for stabling and  
3 vanning is in negotiations." That's not complete?

4           MR. BARKETT: It is not complete. It has been in  
5 the context of the auxiliary stabling that is being provided  
6 by the Alameda County Fair and the Solano County Fair,  
7 anticipating the installation of the synthetic surface at  
8 Golden Gate Fields.

9           Chris Korby can tell you where we are, we're very  
10 close to a final agreement.

11          COMMISSION CHAIRPERSON SHAPIRO: Mr. Korby?

12          MR. KORBY: I'm prepared to speak to that, if I  
13 may, Mr. Chairman. Chris Korby, California Authority of  
14 Racing Fairs.

15          When Golden Gate Fields announced that it was  
16 going to be putting in the new track surface, fairs offered  
17 to assist them in becoming a temporary home for the horses  
18 that are stabled at Golden Gate, during the period of time  
19 when Golden Gate would be closed for stabling and training  
20 for the installation of that new surface.

21          We've proceeded with the planning. That required  
22 a complete restructuring of the stabling and vanning  
23 agreement, since those approximately 1,000 horses that are  
24 stabled at Golden Gate Fields would be disbursed mostly to  
25 Vallejo and Pleasanton, with a certain number going to Bay

1 Meadows.

2 That meant that there had to be a renegotiation of  
3 what the expenses were, what would be reimbursed to those  
4 two fairs, what the schedule would be, how we would handle  
5 it. It's a rather complicated negotiation.

6 We're inches away from completing it and I think  
7 there's general agreement amongst the parties involved, but  
8 we do not have a signed agreement at this time.

9 COMMISSION CHAIRPERSON SHAPIRO: All right, but  
10 you expect it will be in place and resolved well prior to  
11 their commencement of their race meet?

12 MR. KORBY: Yes.

13 COMMISSION CHAIRPERSON SHAPIRO: Okay. And  
14 I'm -- why don't you sit there for a second, because my next  
15 question is I'm assuming all of your ADW agreements and  
16 contracts are in place, and there's nothing that would  
17 impede the ability of the signals to be sent out, or any  
18 cessation of wagering through ADW; is that correct?

19 MR. KORBY: That's correct.

20 COMMISSION CHAIRPERSON SHAPIRO: Okay. Does  
21 anybody else have any questions?

22 COMMISSIONER MORETTI: I'd just like to ask, I  
23 don't recall seeing any particular marketing plan for the  
24 Wine Country Racing Program, and when you finalize that,  
25 could you send us a copy of it?

1           MR. MOORE: We will. But there is a page, a full  
2 page in the packet that you received, I believe.

3           COMMISSIONER MORETTI: Maybe I missed it, sorry.

4           MR. MOORE: About midway through.

5           COMMISSIONER AMERMAN: What page is it?

6           COMMISSION CHAIRPERSON SHAPIRO: Well, again,  
7 there's a page that basically says what you're doing in  
8 terms of your promotions, and you're going to spend \$325,000  
9 or something like that in combined advertising, I think it  
10 was. But is there, in fact, more of a plan, was probably  
11 the question that was coming from Commissioner Moretti.

12           COMMISSIONER MORETTI: Because I, too, I just want  
13 to reiterate what others said, am very excited about your  
14 partnership here, because we have been talking about doing  
15 some kind of consolidation, doing something for a few years,  
16 and this is the first that we've had. So I congratulate you  
17 on coming together and doing it. But I think that  
18 especially with the wine country racing, and all that we  
19 have to offer up here in Northern California, it would be  
20 fabulous to see some great marketing take place, I think  
21 that would really help.

22           COMMISSION CHAIRPERSON SHAPIRO: Yeah, we heard  
23 last time that there was going to be some joint promotion, I  
24 thought, with a vintner. Is that not the case or have you -  
25 - I was waiting for the big announcement.

1           MR. BARKETT: Frankly, we've had some changes in  
2 management of the Sonoma County Fair, and so we're  
3 transitioning to the new partnership here. We do intend to  
4 try to cross promote our race meets as much as possible. We  
5 have recently sent out a package to all our box seat  
6 holders, offering them additional opportunities at the  
7 Sonoma County Fair, and we are hoping to do giveaways of  
8 Sonoma and Solano wines, and we're in the process of working  
9 with them.

10           But we need to work, we still have some work to do  
11 in terms of consolidating that marketing because, you know,  
12 our plans are somewhat --

13           COMMISSION CHAIRPERSON SHAPIRO: Fluid.

14           MR. BARKETT: Fluid, yes.

15           COMMISSION CHAIRPERSON SHAPIRO: If you could,  
16 though, please do keep the Board apprised and keep the  
17 industry apprised, because we're all looking for this as a  
18 great experiment.

19           COMMISSION VICE-CHAIRPERSON HARRIS: Yeah.

20           MR. MOORE: And if I could add to what Joe said,  
21 we are still actually talking to one of the major wine  
22 companies up in Sonoma County, still hopeful that we will  
23 get some sponsorship there, and feature at least those  
24 wines. But I think in the long run, if we continue on this  
25 in the future, we'll try to involve as many wineries as we

1 possibly can, both in Sonoma and Napa Counties.

2 MR. BURKETT: We have wineries there.

3 COMMISSION VICE-CHAIRPERSON HARRIS: It really  
4 does have a lot of potential because you have turf course,  
5 it's going to be a fresh course going into the meet, that  
6 last week you're going to basically have a free gate. I  
7 mean, you got a lot of things to sell. My only fear would  
8 be that people didn't realize that the meet went three weeks  
9 and didn't keep coming back.

10 MR. MOORE: It will probably take a few years to  
11 build up.

12 COMMISSION VICE-CHAIRPERSON HARRIS: Hopefully,  
13 let's make it happen in one year.

14 MR. MOORE: Well, we hope so, too.

15 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.  
16 Any other comments from the Board? If not, I'll entertain a  
17 motion to approve this application.

18 COMMISSIONER MORETTI: So moved.

19 COMMISSIONER ANDREINI: Second.

20 COMMISSION CHAIRPERSON SHAPIRO: It's moved, it's  
21 seconded. All in favor?

22 (Ayes.)

23 COMMISSION CHAIRPERSON SHAPIRO: Congratulations  
24 and drink up.

25 MR. MOORE: Thank you.

1 MR. BURKETT: Thank you.

2 COMMISSION CHAIRPERSON SHAPIRO: All right, the  
3 next item on our agenda is discussion and action by the  
4 Board on the application to conduct a horse race meeting of  
5 the Del Mar Thoroughbred Club at Del Mar, from July 18th  
6 through September 5th.

7 How about Jackie Wagner, CHRB staff.

8 MS. WAGNER: Exactly. The Del Mar Thoroughbred  
9 Club has filed this application to conduct its race meeting.  
10 They're proposing to race from July 18th through September  
11 the 5th, or 43 days. This is the same amount, number of  
12 days that they raced in 2006.

13 They are proposing to race a total of 371 races,  
14 or 8.63 races per day. They will be racing six days per  
15 week, Wednesday through Monday, with eight races per day on  
16 weekdays, nine races on the opening days and on certain  
17 weekend days, and ten races on certain weekend days,  
18 including Labor Day and the closing day of the race meet.

19 They're proposing a first time post of two o'clock  
20 daily. They will have a 1:00 p.m. post time on Sunday,  
21 August 19th, a 3:30 p.m. post time on Friday, August 17th,  
22 the 24th, and the 31st. And their post time on July 20th,  
23 27th, August 3rd, and August the 10th will be four o'clock.

24 The analysis indicates that their horsemen's  
25 agreements and the CTT agreement are outstanding. I'm

1 pleased to report that we have received those agreements,  
2 they have been signed, we do have them at headquarters.

3 And staff would recommend that the Board approve  
4 the application as presented. There is a representative  
5 from Del Mar Thoroughbred Club here.

6 COMMISSION CHAIRPERSON SHAPIRO: A couple  
7 questions, which may not be just germane to Del Mar, but I'm  
8 just concerned. The advance deposit wagering providers are  
9 TVG, XpressBet, and Youbet. I read in the paper an awful  
10 lot of issues taking place and my concern here is through  
11 the Del Mar meeting will that in fact be the case without  
12 interruption? I don't know all that's going on with these  
13 agreements between TrackNet, and TVG, and things like that.

14 COMMISSION VICE-CHAIRPERSON HARRIS: Well, I'm not  
15 sure if it will be for California residents, either.

16 COMMISSION CHAIRPERSON SHAPIRO: Well, we need to  
17 be mindful of this and we are very fortunate to have Joe  
18 Harper make this cameo appearance at our Board. All the way  
19 from Cancun, too.

20 MR. HARPER: I think the answer to your question  
21 is, yes, no problem.

22 COMMISSION CHAIRPERSON SHAPIRO: Great. Now,  
23 would you tell me the question, Joe?

24 MR. HARPER: Yeah, there shouldn't be any  
25 interruption. I mean, in the non-TVG states we will be in

1 there with XpressBet.

2 COMMISSION VICE-CHAIRPERSON HARRIS: So just in  
3 California, only TVG account holders can bet on Del Mar.

4 COMMISSION CHAIRPERSON SHAPIRO: Okay, so we don't  
5 have a problem. So Youbet will be able to accept wagers on  
6 Del Mar, and TVG will be accepting wagers on Del Mar.  
7 XpressBet will not be accepting wagers on Del Mar, if  
8 they're from California; is that correct?

9 MR. HARPER: In the non-TVG states.

10 COMMISSION CHAIRPERSON SHAPIRO: In the non-TVG  
11 states, thank you. Okay, and the all those agreements are  
12 in order and there's nothing on the horizon that could --

13 COMMISSION VICE-CHAIRPERSON HARRIS: Is the money  
14 back to California in purses and track commissions the same  
15 in a state that is a TVG state, versus a non-TVG state? I  
16 want to make clear how all those numbers work.

17 MR. HARPER: Yeah, we better call Fravel on that  
18 one, because I'm not sure.

19 COMMISSION CHAIRPERSON SHAPIRO: Along that --

20 MR. HARPER: I think Drew can probably answer that  
21 question.

22 MR. COUTO: Yeah, Drew Couto, Thoroughbred Owners  
23 of California. The return from a non-TVG state is typically  
24 greater than the return from a TVG state. We charge a  
25 higher rate in a non-TVG state. So that answers that

1 question.

2 COMMISSION CHAIRPERSON SHAPIRO: In your  
3 application, you mention Traxis. Is that the -- are you  
4 going to be utilizing a Traxis system at Del Mar this year?

5 MR. HARPER: It's our intention to, yes.

6 MR. COUTO: Yes.

7 MR. HARPER: And we would very much like to, yes.  
8 It's gone over very well.

9 COMMISSION CHAIRPERSON SHAPIRO: Yeah, we think  
10 that's great.

11 MR. HARPER: I think it's a super deal.

12 COMMISSION CHAIRPERSON SHAPIRO: Well, that's  
13 something to look forward to. And then, also, I know the  
14 tote company contract is up in September of '07. Will you  
15 be using -- I recall from a while ago that Del Mar would be  
16 a place where some of the new technology would be rolled out  
17 during your meeting to, I guess, work out the bugs, test it,  
18 and you're the guinea pig. Is that, in fact, going to be  
19 taking place, do you know?

20 MR. HARPER: It's pretty much an ongoing thing.  
21 We were rolling out some things last year and it's my  
22 understanding that we will be doing some more this year.

23 COMMISSION CHAIRPERSON SHAPIRO: Because I know  
24 last year you also had where people could bet on a limited  
25 number of PDAs --

1 MR. HARPER: Right.

2 COMMISSION CHAIRPERSON SHAPIRO: -- and that will  
3 be continuing through your meeting?

4 MR. HARPER: Correct.

5 COMMISSION CHAIRPERSON SHAPIRO: That's great.  
6 Could you -- we're all, obviously, excited that this will be  
7 the first poly track Del Mar meeting. How's the track and  
8 anything to tell us about that?

9 MR. HARPER: Well, it's in and we had tested it  
10 about three weeks ago, brought some horses down. Doug  
11 O'Neil brought some down, Neil Drysdale. It was all very  
12 positive, the horses looked good, went over the track well.  
13 I even galloped a horse around myself and you could  
14 certainly tell the difference. Everything seemed to go very  
15 well.

16 We are now covering the stretch, actually, the  
17 whole entire stretch is covered with a thing called  
18 hexadeck, which protects it during the fair, while the stage  
19 goes out there for the fair, their annual shows and things.  
20 So there will not be any automobiles allowed on the track  
21 where the hexadeck is not, so we should be protecting it  
22 through the fair months.

23 COMMISSION CHAIRPERSON SHAPIRO: Well, that's very  
24 exciting. And in your application you also said there's a  
25 new 14 foot by 14 foot turf course rail position. What is

1 that, do you know?

2 MR. HARPER: No.

3 (Laughter.)

4 COMMISSION CHAIRPERSON SHAPIRO: Okay. Well, that  
5 answered that. We need Fravel back, okay. Go back to  
6 Cancun, Joe.

7 MR. HARPER: Well, actually, the turf course and  
8 the dirt course are now at the same elevation, so what  
9 you're going to see is where before there was a major  
10 problem of horses getting up onto the turf course --

11 COMMISSION CHAIRPERSON SHAPIRO: Right.

12 MR. HARPER: -- when we put in the poly track, we  
13 put it at the same elevation as the turf course, so which  
14 leads to a lot simpler application of getting your horses on  
15 there, as well as any equipment, such an ambulance.

16 COMMISSION VICE-CHAIRPERSON HARRIS: That's a good  
17 idea.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay. Are there  
19 any other comments?

20 COMMISSIONER AMERMAN: I would just comment that I  
21 thought the marketing plan that was put together was one of  
22 the best I've ever seen in racing. We all know that  
23 marketing drives this sport and every other sport. I was  
24 very impressed with the customer training program you have.  
25 It seemed like it was a three-day program, and very

1 extensive and, obviously, customer service is a very  
2 important part of any marketing program.

3 And your sponsors are pretty impressive, you go  
4 from American Airlines, to Toyota, to the official domestic  
5 beer, whatever that might be, or to the official foreign  
6 beer. And, you know, it all pulled together.

7 Because what was said, and I hope this is correct,  
8 and it wouldn't have been said if it wasn't correct; right,  
9 Joe?

10 MR. HARPER: Absolutely.

11 COMMISSIONER AMERMAN: Okay. What was said was  
12 that 70 percent of the patrons are between 18 and 49, and 40  
13 percent of the patrons are female, and that's exactly what  
14 we need in this sport.

15 So if I had a wish, Mr. Chairman, it would be  
16 after the 43 days are over, and we have all the fun at Del  
17 Mar, that the management team at Del Mar would go preach the  
18 gospel to the other tracks across this wonderful State of  
19 California. And then when we solve all of that, you can go  
20 and help out the rest of the tracks across the country.

21 You are as cool as ever.

22 (Laughter.)

23 MR. HARPER: Thank you, John, I appreciate those  
24 remarks. And Craig Dado is here, who put that marketing  
25 plan together.

1           COMMISSION CHAIRPERSON SHAPIRO: Yes, I was going  
2 to say, we're really talking to Craig.

3           MR. HARPER: Yeah, I realize that. And thank you  
4 on behalf of Mr. Dado, whose marketing genius has certainly  
5 been proven out at Del Mar.

6           COMMISSIONER AMERMAN: It's genius, but it's also  
7 blocking and tackling, and work.

8           COMMISSION VICE-CHAIRPERSON HARRIS: One thing  
9 that I think was a great presentation, probably the best one  
10 we've seen, wonderful initiatives to get people there. The  
11 only thing I'm a little concerned about is just the growth  
12 of on-track handle, is it really mirroring the attendance?  
13 I mean, I think a lot of people are getting out, are getting  
14 there, which is a lot of the game, but we've got to figure  
15 some way to also grow the handle once they get there,  
16 because I think a lot of the people that are coming are  
17 coming for the concerts, and different things like that.  
18 But we've got to figure out, which I think you're doing,  
19 ways to get them to stay around and keep wagering.

20          MR. HARPER: Yeah, it seems to be growing. I  
21 mean, what's happening is that we're getting the people  
22 there a little earlier for the concerts. We've put on  
23 different things that attract a non-patron. I mean, the  
24 whole marketing concept here is, I hate to admit it, but  
25 we're not marketing our product as much as we're marking our

1 venue, and the fact that Del Mar is kind of the happening  
2 place and there are pretty people there.

3 And I think that the things that we do to create  
4 an ambiance there gets people out. And as long as we can  
5 get those young people there, they're going to learn about  
6 racing. There certainly is, you know, as we put in our  
7 license application, every part of Del Mar is a newcomer's  
8 spot. And we have -- you know, we train our employees to  
9 handle the new folks, not just the hard core old folks.

10 So I think if any place can deliver new money for  
11 handle, it's probably us.

12 COMMISSIONER AMERMAN: I was interested in the  
13 comment this morning, at another meeting, where someone said  
14 that we've lost two or three generations of people, for  
15 whatever the reason. And I think that's what Del Mar's  
16 trying to build, and that is get the young people to come  
17 out to the racetrack and, hopefully, as a result of that,  
18 we'll get the handle to go up.

19 COMMISSION CHAIRPERSON SHAPIRO: Well, I agree.  
20 And I'll certainly entertain a motion that we approve Del  
21 Mar's application.

22 COMMISSIONER AMERMAN: So moved.

23 COMMISSION CHAIRPERSON SHAPIRO: Moved. Second?

24 COMMISSIONER CHOPER: Second.

25 COMMISSION CHAIRPERSON SHAPIRO: Second. All in

1 favor?

2 (Aye.)

3 COMMISSION CHAIRPERSON SHAPIRO: Thank you. I  
4 need to apologize, there were two comment cards on the last,  
5 on Agenda Item Number 2, Drew Couto and Jerry Jamgotchian,  
6 and I didn't mean to omit them. I don't know if you still  
7 need to speak, the Board's taken action.

8 Are you okay? Okay, thank you.

9 Item Number Four, report by the representatives of  
10 Magna Entertainment Corporation on the progress of the  
11 redevelopment of the barn area at the Santa Anita Park Race  
12 Track.

13 As we will recall, as a Board, this has been an  
14 issue that we have been discussing for a long, long time. I  
15 believe at our last meeting we asked Santa Anita to come  
16 back and provide us with a time schedule, a copy of  
17 elevations and plans with respect to their planned  
18 redevelopment of the barn area, where they had said they  
19 were going to start by the end of the year with the  
20 reconstruction of ten barns.

21 So once again we have our nice Mr. DeMarco in  
22 front of us, to give us an update. So Mr. DeMarco, welcome.

23 MR. DE MARCO: Mr. Chairman and members of the  
24 Board, I've been asked by the Chief Executive Officer of  
25 Magna Entertainment Corp. to appear today and read his

1 letter, which will express the position of Magna  
2 Entertainment Corp., in response to your agenda item.

3 This is a letter from Michael Neuman, N-e-u-m-a-n,  
4 who's the Chief Executive Officer of Magna Entertainment  
5 Corp. It's dated April 26th, 2007, and it's addressed to  
6 Mr. William R. Kelly, the City Manager of the City of  
7 Arcadia.

8 "Dear sirs" -- the re: line on this is  
9 the shop at Santa Anita's specific plan.

10 "This letter will clarify both our  
11 position and intent regarding the  
12 statement made to the California Horse  
13 Racing Board at their Regular Meeting on  
14 Thursday, April 19, 2007. Mr. DeMarco  
15 clearly stated that 'until now we had no  
16 definite plan as to which barns to move  
17 and which ones we couldn't move. We are  
18 now going to be preparing the plan and  
19 will keep you advised of what we are  
20 doing.'"

21 Mr. Neuman goes on to say, "the  
22 statement is self-explanatory. Mr.  
23 DeMarco clearly states we never had a  
24 plan and we currently do not have a plan  
25 to replace barns at Santa Anita. Mr.

1 DeMarco went on to express his opinion  
2 as to what a future plan might entail.  
3 This statement does not represent the  
4 current intent of Santa Anita. It is  
5 also clear from other comments made by  
6 Messrs. Charles and DeMarco that there  
7 are no plans for new barns. These  
8 gentlemen expressed notions as to what  
9 new barns might look like, however,  
10 these musings do not in any way indicate  
11 an intent or formal plan by Santa Anita.  
12 The California Horse Racing Board has  
13 been urging Santa Anita to upgrade the  
14 stable area for some time and Santa  
15 Anita may, at some point in the future,  
16 decide to make changes to the stable  
17 area. If, as, and when that decision is  
18 made, a plan will indeed be made and the  
19 proper environmental analysis will be  
20 undertaken and the appropriate  
21 applications will be made to the  
22 appropriate authorities. In the  
23 meantime, we respectfully request that  
24 you," -- meaning the City of Arcadia at  
25 that point -- "disregard the claims made

1 of Mr. Casey's correspondence, dated  
2 April 20, 2007."

3 It's signed by Michael Neuman, Chief Executive  
4 officer.

5 That is the official position of Magna  
6 Entertainment Corp.

7 COMMISSION VICE-CHAIRPERSON HARRIS: I don't see -  
8 - I thought we've been talking about a plan for some time.  
9 Maybe we were hallucinating or something, but I recall that  
10 there was some plans that were --

11 COMMISSIONER MORETTI: We've all been  
12 hallucinating, if that's the case.

13 COMMISSIONER AMERMAN: I'm stunned, absolutely  
14 stunned.

15 COMMISSIONER ANDREINI: So am I.

16 COMMISSIONER AMERMAN: So am I. I feel like Mr.  
17 Nathanson of TVG.

18 COMMISSION VICE-CHAIRPERSON HARRIS: Where is Mr.  
19 Charles, by the way, today?

20 COMMISSION CHAIRPERSON SHAPIRO: He's not here  
21 today.

22 Mr. DeMarco, I hope that you'll -- I hope you, and  
23 I know Mr. Haines was present, will remember back to the  
24 April -- the October 2006 Board meeting. At that Board  
25 meeting, which was a very contentious Board meeting, and it

1 was a very difficult Board meeting for lots of people  
2 because we were dealing with a squeeze week between  
3 Hollywood Park and Santa Anita.

4 At that meeting I believe this issue was also  
5 brought up as part of the conversation. We were told very  
6 clearly that Santa Anita and Magna intended to rebuilt at  
7 least ten barns.

8 And I believe that I, and other members of this  
9 Board, even made statements to the effect that if the work  
10 had not commenced by the end of 2007 I, personally, would be  
11 inclined to not have awarded the swing week to Santa Anita,  
12 but rather to Hollywood Park. And I believe we even went  
13 further to say and perhaps more dates.

14 Now, that's paraphrasing at least what the  
15 comments were at that time, but that was clearly what was in  
16 my mind.

17 We had had a clear understanding that those barns  
18 are uninhabitable by human or by equines. They are rat  
19 infested, they are dangerous.

20 And while I appreciate Mr. Neuman's letter, it is  
21 not what's been represented to this Board and, in fact, we  
22 have had people wag fingers at us, saying you're being  
23 fooled, unkept promises, and things like those types of  
24 statements, which if this is the position of Magna, you  
25 know, we're wrong and those people were right.

1           Our California horsemen depend on having a  
2     habitable and safe barn area for their horses. And I think  
3     I understand that, you know, there is a problem here between  
4     the development of the shops at Arcadia, or at Santa Anita,  
5     whatever it's called, and the barns.

6           But we're the California Horse Racing Board and  
7     we're in the horse racing business. And I think that it is  
8     unreasonable for anyone to stand in front of us today, and  
9     not at least admit, yes, we told you that, but we're not  
10    going to do it, but even then it's -- to me, personally, I  
11    find this to be unacceptable.

12           COMMISSIONER MORETTI: Mr. DeMarco, first of all,  
13    I feel very sorry for you, that you had to come here and  
14    deliver that letter today. That must be a very tough  
15    position to have placed you in.

16           But what the Chairman is saying, I believe I'm one  
17    of those people that said that back in October, and I would  
18    ask that you convey to Mr. Neuman our dismay,  
19    disappointment, and --

20           COMMISSIONER AMERMAN: Was that letter sent to the  
21    Chairman of the Board?

22           MR. DE MARCO: No.

23           COMMISSION CHAIRPERSON SHAPIRO: No.

24           COMMISSIONER AMERMAN: This is the first time that  
25    we have any kind of knowledge that Mr. Neuman wrote that

1 letter?

2 MR. DE MARCO: Apparently so. It's a matter of  
3 public record in Arcadia.

4 COMMISSIONER ANDREINI: But, you know, I mean, I'm  
5 not clairvoyant, but I've been around a long time. I mean,  
6 I saw this coming from the moment Mr. Charles got up in  
7 October, that's when I first came on the Board. I mean,  
8 this is deplorable.

9 MR. DE MARCO: All I can do is convey the  
10 displeasure of this Board to the proper authorities and I  
11 will certainly do that.

12 COMMISSIONER AMERMAN: Well, it's more than  
13 displeasure.

14 COMMISSIONER CHOPER: Can I ask a question?

15 COMMISSION CHAIRPERSON SHAPIRO: Yes, Commissioner  
16 Choper.

17 COMMISSIONER CHOPER: What is the scope of the  
18 Board's authority, A, to require that these barns be built  
19 or redone and, B, the scope of its power to take action if  
20 they're not?

21 COMMISSION CHAIRPERSON SHAPIRO: Well --

22 COMMISSIONER CHOPER: I just don't know the  
23 answer.

24 COMMISSION CHAIRPERSON SHAPIRO: I understand, and  
25 I'm not sure I'm going to give you a precise answer.

1 However, this Board is entrusted with awarding the race  
2 dates and as part of doing that, we also do inspections  
3 every time of a racetrack, front side, back side.

4 I think what I was alluding to in my comments was  
5 that, believe me, I don't want to see race dates taken away  
6 from any racetrack. But back in October, where we had a  
7 very difficult situation, and Hollywood Park did take the  
8 step of installing a cushion track, we said very clearly  
9 that if Santa Anita's not going to step forward then,  
10 personally, it's difficult to reward them with the  
11 continuance of the number of dates that they have, and  
12 without recognizing that it's not in the best interest of  
13 the game, if they don't fix this barn area.

14 Since Mr. Stronach purchased the racetrack, he has  
15 promised to rebuild this barn area, he's said it. I flew to  
16 Florida and went to Palm Meadows, and toured the barn area  
17 back there with Mr. Stronach and some others from Magna, and  
18 I was told these are the barns that we're going to put at  
19 Santa Anita.

20 So this comes at a great surprise to me that that  
21 commitment is not being fulfilled, based on the letter that  
22 you just read.

23 COMMISSION VICE-CHAIRPERSON HARRIS: Yeah, one  
24 point I'd like to make, though, I don't think that this  
25 Board wants to go on record on saying that these barns are

1 not inhabitable. Because we have certified that they could  
2 be there --

3 COMMISSIONER AMERMAN: They need to be upgraded.

4 COMMISSION VICE-CHAIRPERSON HARRIS: They need to  
5 be upgraded. I think they're badly in need of repairs,  
6 replacement. I mean, there's a lot of things they need, but  
7 we can't really say that there should absolutely not be  
8 anybody there, we should evacuate them today because --

9 COMMISSION CHAIRPERSON SHAPIRO: I'll stand  
10 corrected and I didn't mean to that extent they are not  
11 habitable.

12 COMMISSIONER AMERMAN: They just strictly need to  
13 be upgraded.

14 COMMISSION CHAIRPERSON SHAPIRO: But they are, and  
15 I don't think anybody, including Mr. DeMarco and Mr. Haines,  
16 would say that they don't need significant improvements.  
17 And I know that both gentlemen sitting in front of us would  
18 love to see that these barns were being rebuilt.

19 But, you know, we've said it over and over that  
20 we're concerned that there could be a tragedy. I mean,  
21 those barns were built in 1933. And, you know, we've heard  
22 about they're low, they're very low barns, horses can rear  
23 up and hit their heads, exercise riders could get hurt. I  
24 mean, there's just a lot of issues that I don't think  
25 anybody refutes.

1 COMMISSIONER ANDREINI: Well, the problem --

2 COMMISSIONER CHOPER: May I ask another question?

3 Go ahead.

4 COMMISSIONER ANDREINI: No, no, go ahead.

5 COMMISSIONER CHOPER: So as I understand it, the  
6 sole incentive that we have, the Board has to seek  
7 improvement of these barns is to adjust the number of racing  
8 dates?

9 COMMISSION CHAIRPERSON SHAPIRO: Or other  
10 sanctions, we could --

11 COMMISSIONER CHOPER: What are the other  
12 sanctions?

13 COMMISSION CHAIRPERSON SHAPIRO: Well, I'm  
14 assuming the Board could, and I would have to look to  
15 counsel, there could be a monetary sanction.

16 COMMISSION VICE-CHAIRPERSON HARRIS: Well, I think  
17 we have standards that we expect barns to meet and,  
18 unfortunately, these, as well as others in the State,  
19 probably don't meet those. It just depends on how tough  
20 we're going to be on enforcing our standards.

21 COMMISSIONER CHOPER: Well, it just seems to me,  
22 from what I understand, and I have both the benefit not only  
23 of this advantage, but the benefit of not having gone  
24 through all of this before. But it seems to me that the  
25 Board is entitled to a fuller explanation, A, of why nothing

1 has been done to this point and, B, whether there are any  
2 plans, a more specific answer. Although, maybe it is pretty  
3 clear, they're not going to do anything.

4 Do you read that as saying that they're not going  
5 to do anything about it?

6 MR. DE MARCO: As a lawyer, who's practiced for 55  
7 years, in six states, and --

8 COMMISSIONER CHOPER: That's good.

9 MR. DE MARCO: -- I would say the letter speaks  
10 for itself.

11 (Laughter.)

12 COMMISSIONER CHOPER: Would you read -- would you  
13 reread, please, the section that deals with plans, future  
14 plans?

15 COMMISSION VICE-CHAIRPERSON HARRIS: Well, I think  
16 the context, as I understand it, that that letter may well  
17 have been written in, which I'm not -- I don't think it  
18 excuses the letter, that they're trying to convince the City  
19 of Arcadia they don't need to redo their environmental  
20 impact report on their shopping center, which might be  
21 required if they put the barns in. But that's not really  
22 our problem.

23 COMMISSIONER AMERMAN: No, not our problem.

24 COMMISSION CHAIRPERSON SHAPIRO: I think there's a  
25 sentence in that letter that says that "we have no plans."

1 MR. DE MARCO: There is. I'll offer to -- we'll  
2 submit this letter to the reporter, here, for inclusion in  
3 the record here.

4 COMMISSIONER CHOPER: But would you mind rereading  
5 that one sentence, I just -- any sentence that mentions the  
6 issue of future plans?

7 MR. DE MARCO: "It is also clear from other  
8 comments made by Messrs. Charles and DeMarco, that there are  
9 no plans for new barns.

10 COMMISSIONER CHOPER: Uh-hum.

11 MR. DE MARCO: And it also goes on to say that  
12 when we do decide to put them in, we'll comply with all the  
13 appropriate authority.

14 COMMISSIONER AMERMAN: Well, I think that's very  
15 clear. But what isn't so clear is the contentious meeting  
16 we had back in October of '06.

17 COMMISSION CHAIRPERSON SHAPIRO: '06.

18 COMMISSIONER AMERMAN: Yeah, 2006. And we made  
19 certain judgements based on what was said by the management  
20 of Santa Anita, which we felt reflected the direction of  
21 Magna. It would seem to me, Mr. Chairman, we got to go back  
22 and look at that decision, once again.

23 Secondly, I would suggest that we -- next meeting,  
24 we should have Mr. Neuman here to explain what was said by  
25 the management of Santa Anita, and what is now being said by

1 the Magna management, and why.

2 COMMISSION CHAIRPERSON SHAPIRO: Well, first of  
3 all, we can't go back and revisit that discussion since that  
4 week has already transpired for '07, the squeeze week is  
5 over. But it certainly should be taken into consideration  
6 for the future.

7 I do agree with Commissioner Amerman that I would  
8 ask you to ask Mr. Neuman to attend our next Board meeting,  
9 so that we can have a full discussion of this subject.

10 MR. DE MARCO: I will do that.

11 COMMISSION VICE-CHAIRPERSON HARRIS: I think one  
12 of the problems, too, is when people appear before this  
13 Board, we assume they've got credentials to represent  
14 whoever they're appearing for, as an agent of them, and  
15 whatever that they say has credence within the organization.  
16 Where now it seems like somebody's coming up and saying  
17 that, well, they didn't really know what they were talking  
18 about and that's not what we're going to do. It's okay for  
19 them to change their mind, but I don't like the idea of  
20 saying that they didn't -- they were never authorized to say  
21 that, anyway.

22 COMMISSIONER AMERMAN: Well, I would like to know,  
23 when did Mr. Neuman come on board, and how did that relate  
24 to the discussions that were made by the Santa Anita  
25 management. Obviously, Santa Anita management must have

1 been getting some direction from someone at Magna before  
2 Mr. Neuman came on board.

3 COMMISSIONER ANDREINI: John, it was never going  
4 to happen. It was never, in my mind, going to happen.

5 COMMISSIONER AMERMAN: Yeah, but you're older and  
6 wiser than I am.

7 (Laughter.)

8 COMMISSIONER ANDREINI: I'm older, anyway.

9 MR. DE MARCO: Well, I'm older than all of you,  
10 but I'm not very wise, obviously.

11 COMMISSIONER AMERMAN: Well, but when did  
12 Mr. Neuman jump into this?

13 MR. DE MARCO: About three months ago.

14 COMMISSIONER AMERMAN: Oh, boy.

15 COMMISSION CHAIRPERSON SHAPIRO: Well, can I  
16 suggest that you be sure to send him a copy of our  
17 transcript from October of '06, and all subsequent  
18 transcripts where you, and Mr. Charles, and Mr. Haines have  
19 appeared before this Board with respect to this subject. I  
20 appreciate that Mr. Neuman may not have as much history and  
21 background, but I think that he needs to understand why the  
22 ire of the Board is as it is here, today.

23 So I would ask you to do that.

24 MR. DE MARCO: I will do that.

25 COMMISSION CHAIRPERSON SHAPIRO: All right. Is

1 there anything else, any other Commissioner -- yes,  
2 Commissioner Choper?

3 COMMISSIONER CHOPER: Could we also have, before  
4 the next meeting, a schedule of what possible penalties,  
5 apart from the award of racing dates, are within the  
6 authority of the Board?

7 COMMISSION CHAIRPERSON SHAPIRO: I think that's a  
8 good idea and I think staff should make sure that we do, in  
9 fact, look at what is available to the Board in this regard,  
10 and you will get that. Thank you.

11 EXECUTIVE DIRECTOR FERMIN: I'm sorry, I thought  
12 maybe Mr. --

13 DEPUTY ATTORNEY GENERAL KNIGHT: No, we'll be  
14 happy to provide you with that assistance.

15 COMMISSION CHAIRPERSON SHAPIRO: Thank you, thank  
16 you. I can't say thank you, but I don't have anything else  
17 to say there.

18 COMMISSION VICE-CHAIRPERSON HARRIS: Don't shoot  
19 the messenger.

20 COMMISSION CHAIRPERSON SHAPIRO: We have public  
21 comment, if there's no other comments from the Board. I  
22 have Jerry Jamgotchian.

23 MR. JAMGOTCHIAN: Mr. Chairman, members of the  
24 Board, it's kind of interesting, I put my card in last, but  
25 get called first, but I'm okay with that.

1 COMMISSION VICE-CHAIRPERSON HARRIS: Okay.

2 MR. JAMGOTCHIAN: You know, I think the bigger  
3 question that you didn't ask is why did Magna write this  
4 letter? Well, I mean, I know why. I mean, I'm not as old,  
5 but I saw it coming. In fact, I think you can blame me as  
6 being the finger waver with this whole thing. Because Magna  
7 wrote this letter because California horse racing is not a  
8 good investment to that company. They're not making money  
9 and they're not willing to contribute capital improvements  
10 into that racetrack.

11 But I think you need to read that letter even  
12 closer than you did. I think that letter's also telling you  
13 that there might not be a synthetic track at Santa Anita  
14 next year. And I think if you're going to do your job,  
15 Mr. Chairman, members of the Board, that you ought to get  
16 into that issue.

17 Because as we all know, or not as we all know, as  
18 some of us know, it looks pretty doubtful that Golden Gate's  
19 going to have a synthetic track next year, also. And I  
20 think that might relate to the fiscal condition of Magna. I  
21 don't know, but it seems like -- I'll just give you that  
22 thought process.

23 Obviously, you talked about the rats and  
24 everything else, which have been there for a very long time.  
25 The problem is not the development plan of the mall. I

1 mean, being a shopping center developer, I know that if you  
2 need to get a deal done, whether it's to buy a fire truck  
3 for a city, or repair barns for a stable area, that's easily  
4 done with the magnitude of the size -- with a development of  
5 that size, that's not even an economic consideration.

6           The issue here, once again I hate to harp on this,  
7 is that the leadership associated with this Board has been  
8 pandering to Santa Anita and Magna for a very long time, and  
9 they've shown Magna basically a lot of love, and other  
10 racetracks not the same kind of treatment.

11           And now, I've been sitting here saying to myself,  
12 well, gee, this is an automatic situation that finally came  
13 to hand.

14           So find out why Magna isn't going to make these  
15 improvements, and find out why they're probably not going to  
16 put in the synthetic tracks. Because that issue is capital  
17 improvement investment in their plant, which they don't feel  
18 they can get a proper return on.

19           This Board is going to need to understand that  
20 many more of these types of letters are going to be provided  
21 by the companies that are racing in California.

22           More importantly, if you focus this to Las Vegas,  
23 when the mob ran Las Vegas they weren't profitable. When  
24 businessmen got into Las Vegas and they analyzed what they  
25 had, now we get to Cirque de Soleil show and pay \$250, where

1 before it was free to go to shows there.

2           So you're going to find a lot of changes you're  
3 going to find a lot of major companies that are not going to  
4 contribute capital improvements. And the reason why is  
5 because this Racing Board and the Executive Director have  
6 not figured out a way to fix California horse racing and  
7 it's going to continue to happen in a manner just like this.  
8 Thank you.

9           COMMISSION CHAIRPERSON SHAPIRO: All right, Weston  
10 Benshoof -- or I'm sorry, Robert Pontelle.

11           MR. PONTELLE: Good afternoon, Mr. Chairman,  
12 members of the Board. My name is Robert Pontelle, with the  
13 law firm of Weston Benshoof. We represent Westfield, the  
14 neighbor to the racetrack, as well as the proposed shopping  
15 center.

16           I must say that I'm a little bit surprised today,  
17 as well, I came here today expecting to hear the plans and  
18 the time schedule for what was proposed to be redeveloped in  
19 the barn area and, unfortunately, we don't have any of that.

20           But I would like to note that I think, as Mr.  
21 Harris noted, that the reason for this letter is in fact  
22 possibly to avoid environmental impact report requirements,  
23 under CEQA, in conjunction with that shopping center next  
24 door. And I would note that this is not the first time that  
25 we've heard denials of the barn's redevelopment project from

1 the racetrack owner, they've said it on several occasions at  
2 the City of Arcadia level, while at the same time  
3 representing to you that they were going forward with the  
4 project.

5 In that vein, we have another letter that we'd  
6 like to submit to you today. I don't know if you saw our  
7 letter from a few weeks ago, indicating all of the  
8 statements to the City of Arcadia, where they were denying  
9 the project. We've attached that letter as an exhibit to  
10 our one today. We also have the letter from Mr. Neuman, in  
11 case you don't get it today, like you should.

12 But I think what we'd like to ask you to do is get  
13 a little bit tougher and ask why they are doing this to  
14 avoid the CEQA analysis that is required by law, in  
15 conjunction with the shop's project. We are the neighbor,  
16 we do stand to be affected by environmental impacts  
17 associated with both of these projects, and we need to know  
18 what those impacts are going to be.

19 And if this Board would look a little bit deeper  
20 into what their intentions are and find out why they are  
21 avoiding the CEQA analysis, if that is the case, that is the  
22 question that needs to be asked.

23 COMMISSION CHAIRPERSON SHAPIRO: If I can ask you  
24 a question?

25 MR. PONTELLE: Sure.

1           COMMISSION CHAIRPERSON SHAPIRO: Mr. Pontelle, why  
2 is Westfield so concerned about the barns at Santa Anita? I  
3 mean, have you -- I mean, is this really, purely an  
4 environmental issue for you or --

5           MR. PONTELLE: Several reasons. Not to interrupt  
6 you, Mr. Chairman.

7           COMMISSION CHAIRPERSON SHAPIRO: No, please.

8           MR. PONTELLE: Number one, one of our main ingress  
9 and egress points for our center's parking lot goes right  
10 adjacent to where the barns are located.

11          COMMISSION CHAIRPERSON SHAPIRO: Right.

12          MR. PONTELLE: If a construction project is going  
13 to be undertaken in that barn's area, we are very concerned  
14 as to how it's going to impact that ingress and egress.

15          COMMISSION CHAIRPERSON SHAPIRO: So let me stop  
16 you there. There are two entrances to the barn area at  
17 Santa Anita, I think gate 8 and gate 6, or something like  
18 that.

19          MR. PONTELLE: And gate 8 is the one that's where  
20 we are, I'm not sure --

21          COMMISSION CHAIRPERSON SHAPIRO: Okay, then  
22 there's another one that's closer to the mountains.

23          EXECUTIVE DIRECTOR FERMIN: Gate 7.

24          COMMISSION CHAIRPERSON SHAPIRO: What's it, gate  
25 7, okay. So if all the construction vehicles came through

1 that other gate and it wasn't affecting the shared driveway,  
2 that I'll call it, that you use, all right, so then what  
3 is -- then if that's the case, then what's your concern?

4 MR. PONTELLE: I apologize, I didn't mean to imply  
5 that it was just construction vehicles' traffic that we're  
6 concerned with. We're concerned about air emissions, we're  
7 concerned about construction noise. Those are our customers  
8 who are parking there, if they see a construction project  
9 that's next door, that's not being regulated appropriately,  
10 they're not going to want to come to our mall. They're not  
11 going to want to have to sit through the environmental  
12 conditions, the air quality impacts, the noise associated  
13 with construction, et cetera. And possibly, one of the  
14 improvements that was proposed for gate 8 and that roadway  
15 actually was going to be developed through the barns area  
16 into the roadway that we actually own.

17 So with those things in mind, it's not just the  
18 flow of traffic, it's actual impacts and ingress into our  
19 property.

20 COMMISSION CHAIRPERSON SHAPIRO: Well, I hear what  
21 you're saying. Frankly, I don't think it has anything to do  
22 with barn areas. I think this is a dispute, that we're not  
23 involved in, between two property owners over commercial  
24 development. And, you know, from our perspective, we want  
25 to make sure that we create the best possible environment

1 for the horses and the people that live back there.

2 And I think that, you know, you can say that it's  
3 over noise, and construction vehicles, and things like that,  
4 I don't think it really has anything to do, other than  
5 trying to stop the development which, frankly, isn't our  
6 business. We're just trying to provide for the horses.

7 And I don't see why Westfield would really have to  
8 have such a big concern about rebuilding a stable area.

9 MR. PONTELLE: Oh, we certainly support the  
10 Board's attempts to make everything as health conscious and  
11 safe for horses and people, as the Board would like to do.  
12 But we are entitled to an adequate environmental impact  
13 report under CEQA. And if that has to be done in  
14 conjunction with the shops project, so be it, we would just  
15 like to see what that environmental impact report says.

16 COMMISSION CHAIRPERSON SHAPIRO: Okay.

17 MR. PONTELLE: So unless you have any other  
18 questions, I'd like to submit my letter to the Board, for  
19 its review.

20 COMMISSION CHAIRPERSON SHAPIRO: You can give it  
21 to Mr. Marten, and he'll distribute it to us. Thank you.

22 MR. PONTELLE: Thank you.

23 COMMISSION CHAIRPERSON SHAPIRO: All right, we'll  
24 move on from that happy discussion to Item Number 5. A  
25 report by the racing associations regarding procedures used

1 by the associations in the recruitment and training of  
2 backstretch event personnel.

3           And I'm glad to see that we have Mr. Haines and  
4 Mr. Wyatt coming forward. As you will recall, this is an  
5 issue where we have considered a new class of licensee, but  
6 I think we wanted to understand just how this would work,  
7 and Mr. Wyatt and Mr. Haines were kind enough to work  
8 together to try to give us the details.

9           MR. WYATT: That's correct, sir. Good afternoon,  
10 Eual Wyatt, Hollywood Park.

11           COMMISSION CHAIRPERSON SHAPIRO: Can you move the  
12 mike a little closer to you?

13           MR. WYATT: I wish I could, but it's taped to the  
14 table.

15           COMMISSION CHAIRPERSON SHAPIRO: Okay, sorry about  
16 that.

17           MR. WYATT: Can you hear me?

18           COMMISSION CHAIRPERSON SHAPIRO: Yeah.

19           MR. WYATT: Okay. Yeah, several weeks ago Santa  
20 Anita and Hollywood Park volunteered, so to speak, to  
21 evaluate the procedures in place for the backstretch event  
22 personnel, i.e., those people who are assigned in the  
23 surveillance of horses and stakes races, as directed by the  
24 Board.

25           As we started that, it became a multi-purpose

1 task. We wanted to develop and formalize the criteria for  
2 selection of these people, the criteria for training them,  
3 for deployment, supervision, and the like.

4 It also did become sort of a self-evaluation, and  
5 it's surprising to me, I'm not a security expert, but I was  
6 surprised of the progress that we have made in this area  
7 since the beginning, when we started doing this some three  
8 years ago.

9 And I know that we have been criticized in these  
10 meetings, from time to time, and without admitting that that  
11 criticism was justified, I will just tell you that the  
12 evolution is quite dramatic from where we started and where  
13 we are today.

14 I think one of the main things, maybe not the main  
15 thing, but one of the important things we've done is we  
16 began some time ago, and we're almost there, to demanding of  
17 our outside sources that they only provide us personnel who  
18 have obtained a California Guard Card, notwithstanding the  
19 fact that they still need to be licensed by the CHRB.

20 The California Guard Card is only given to them  
21 when there is a background check that has been completed. I  
22 think that just -- it helps in getting better quality people  
23 on the job.

24 We've also made it clear to our suppliers that we  
25 will have the last say as to who they send us. In other

1 words, if they send us somebody that we don't approve, they  
2 won't go to work. If we have a bad experience with somebody  
3 that they send us, we can tell them not to send that person  
4 back.

5 I was surprised to find out we have some very  
6 written, very extensive written detail that we hand these  
7 people, along with, you know, every morning they're given  
8 oral instructions. So you know what, I'm just pleased.

9 Now, it was our intention to provide you with this  
10 guideline, so to speak, or this manual. We have it done to  
11 the extent that this is what we're doing today. We thought  
12 that we should spend a little more time as to how we could  
13 make that better, and then give you sort of a completed  
14 document that could be reviewed and updated after the  
15 conclusion of each race meeting.

16 COMMISSION CHAIRPERSON SHAPIRO: Okay. Mr.  
17 Haines?

18 MR. HAINES: I agree with Eual. George Haines,  
19 Santa Anita. I agree with Eual, this is a work in progress.  
20 And I want to let you know that this is a baseline security  
21 program that we're using at Santa Anita. We also use our  
22 own personnel, supplementing the backstretch event  
23 personnel. And on big days, we use the TRPB task force,  
24 which is a nationwide organization of security people that  
25 come around for the big days and really do a thorough job on

1 high profile days, such as Santa Anita Handicap, Santa Anita  
2 Derby.

3 COMMISSION CHAIRPERSON SHAPIRO: So if I  
4 understand what you're saying, is you would like for us to  
5 defer this issue again, until the conclusion of your race  
6 meeting?

7 MR. WYATT: No, I don't think we're asking for any  
8 deferment. I mean, I think the issue -- maybe I'm a little  
9 confused. I mean, this all started, I think, because of the  
10 changes necessary to provide that these people get licensed.

11 COMMISSION CHAIRPERSON SHAPIRO: Correct.

12 MR. WYATT: And we're all for that, I don't see  
13 any reason to defer that.

14 COMMISSION CHAIRPERSON SHAPIRO: All right, but  
15 there were issues with respect to who would hold their  
16 licenses.

17 MR. WYATT: I apologize, I omitted that. We, the  
18 associations, are holding the licenses.

19 COMMISSION CHAIRPERSON SHAPIRO: All right. So if  
20 somebody's sent out from the contracting party that you use  
21 to get the security guards, then you -- they would become  
22 licensed for one year, but you would retain the license so  
23 that they did not have access to restricted areas, unless  
24 they were given their card because they were working a job;  
25 is that correct?

1 MR. WYATT: That is correct.

2 COMMISSION CHAIRPERSON SHAPIRO: Okay.

3 EXECUTIVE DIRECTOR FERMIN: I would just like to  
4 comment that I've heard a lot of compliments on the system  
5 that Hollywood Park is using this meet. A number of  
6 horsemen have commented about how thorough your people have  
7 been as far as asking for identification and such. So it  
8 sounds like things are turning around.

9 MR. WYATT: I'll pass that on to security, I know  
10 they'll be pleased to hear that.

11 COMMISSION CHAIRPERSON SHAPIRO: All right. Do  
12 any other members of the Board have any questions regarding  
13 this?

14 Okay, I do have a couple of public comment cards.  
15 David Stilwell.

16 MR. STILWELL: Good afternoon, David Stillwell,  
17 from Service Employees International Union. I don't really  
18 have many comments, yet, because of the lack of detail, not  
19 in a pejorative way, but just at this time it's coming up  
20 perspective, this manual. But we also have concerns about  
21 the process for selecting the actual security contractors.  
22 There's a variety of security contractors in the State who  
23 do all types of security work, from commercial real estate  
24 on down.

25 We represent the largest ones, who've never been

1 even approached for this kind of work, so we're curious as  
2 to what the sort of niche requirements are for this piece of  
3 the industry, so that there's greater competition and  
4 there's also a greater access for employment in the  
5 industry.

6 So if that could be part of the information that  
7 the Board receives and it's ultimately made available to the  
8 public, I think it would be very helpful to us.

9 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,  
10 I don't think that -- is that a problem in providing that  
11 information?

12 MR. WYATT: No.

13 COMMISSION CHAIRPERSON SHAPIRO: Okay.

14 MR. STILWELL: Okay, thank you.

15 COMMISSION CHAIRPERSON SHAPIRO: All right.

16 Franklin Davis.

17 MR. DAVIS: I did the interviews on the trainers  
18 about the subject of security, and I approached them with  
19 the subject of whether they favor live security, cameras, or  
20 both. It was just short and sweet, and they gave me their  
21 opinion of what they wanted. It was mostly live, some both,  
22 and three cameras.

23 Talked to a couple of trainers that I know very  
24 well over the years, anything that they can do to help us  
25 with this problem, they'd be more than willing to do so. So

1 until them, until they come back up, I'll hold my opinion.

2 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

3 MR. DAVIS: Thank you.

4 COMMISSION CHAIRPERSON SHAPIRO: Thank you. All  
5 right, well, that -- there's no other discussion on that  
6 item. Item Number 6.

7 COMMISSION VICE-CHAIRPERSON HARRIS: Do we have to  
8 do anything on that?

9 COMMISSION CHAIRPERSON SHAPIRO: Well, Item Number  
10 6 is really in connection with that, which is a discussion  
11 and action by the Board on the proposed amendment of CHRB  
12 Rule 1486, term of license to add backstretch event  
13 personnel to the class of licensees whose term is one year.

14 So Jackie, correct me if I'm wrong, but this would  
15 be the enabling rule to license these people; is this  
16 correct?

17 MS. WAGNER: No, that's incorrect.

18 COMMISSION CHAIRPERSON SHAPIRO: Then how about  
19 correcting me?

20 MS. WAGNER: Jackie Wagner, CHRB staff. At the  
21 February meeting the Board adopted the proposal to amend  
22 Rule 1481, occupational licenses, which effectively added  
23 the backstretch event personnel license class to our class  
24 of licenses.

25 This proposal before you, to amend Rule 1486,

1 simply adds to our rule book the occupational license class  
2 to show that this license is a one-year license.

3 COMMISSION CHAIRPERSON SHAPIRO: I stand  
4 corrected.

5 COMMISSIONER MORETTI: So it's just terminology?

6 MS. WAGNER: Correct, it's just specifying that  
7 the term of the license is one year.

8 COMMISSIONER MORETTI: That's what I thought we  
9 voted on.

10 COMMISSION VICE-CHAIRPERSON HARRIS: I was  
11 wondering if it -- I think one of the concerns, originally,  
12 on the one year would be that you'd have a lot of people  
13 around that had no further connection to racing, who was  
14 holding a CHRB license. But if those are in fact to be held  
15 by the racing association, that problem may be solved, and I  
16 wonder if it would reduce some of the bureaucracy if we made  
17 those one-year licenses, or two-year licenses, or something  
18 since the person still has to have their other type of card  
19 that does the background checks.

20 COMMISSIONER MORETTI: Well, isn't part of the  
21 problem that this is for one-time special events and such,  
22 so if you did --

23 COMMISSION VICE-CHAIRPERSON HARRIS: Well, but  
24 there's sort of a cadre of people that they keep back, I  
25 guess, though.

1 MS. WAGNER: The license that that was  
2 adopted -- the occupational license class that was adopted,  
3 when it was adopted it was adopted as an annual license, so  
4 it already is on our rule book as an annual license. But we  
5 just need to add the license class, itself, to the  
6 classifications to specify that it's one year.

7 COMMISSION CHAIRPERSON SHAPIRO: It's a  
8 technicality.

9 MS. WAGNER: It's a technicality, that's all it  
10 is.

11 COMMISSIONER CHOPER: But you still could amend,  
12 if you wanted, the other rule, too, to have more than an  
13 annual license.

14 COMMISSION VICE-CHAIRPERSON HARRIS: Well, one of  
15 my concerns is that we do a lot of licenses that are kind of  
16 perfunctory, that maybe we're doing more stuff than we  
17 really need to do. But for now this is okay, I guess.

18 COMMISSION CHAIRPERSON SHAPIRO: If that's the  
19 case, then I would entertain a motion that we adopt --

20 MS. WAGNER: We're looking for --

21 COMMISSION CHAIRPERSON SHAPIRO: Pardon me?

22 MS. WAGNER: The recommendation is that we notice  
23 this for the 45 days.

24 COMMISSION CHAIRPERSON SHAPIRO: Oh, fine, that we  
25 put this out for the notice period so that we can move

1 forward to include backstretch event personnel in Rule  
2 1486(b).

3 COMMISSION VICE-CHAIRPERSON HARRIS: And we  
4 can't -- I guess we can't change the one-year thing because  
5 that's already part of the other rule.

6 COMMISSION CHAIRPERSON SHAPIRO: That's already  
7 part of 1481.

8 MS. WAGNER: Correct.

9 COMMISSION VICE-CHAIRPERSON HARRIS: Okay. Well,  
10 at some point I think we need to look at this whole terms of  
11 licenses.

12 COMMISSION CHAIRPERSON SHAPIRO: We can come back  
13 and do it, you're right. But for now I would recommend --

14 COMMISSIONER MORETTI: So moved.

15 COMMISSION CHAIRPERSON SHAPIRO: It's moved. Is  
16 there a second?

17 COMMISSIONER ANDREINI: I'll second.

18 COMMISSION CHAIRPERSON SHAPIRO: It's seconded.

19 All in favor?

20 (Ayes.)

21 COMMISSION CHAIRPERSON SHAPIRO: Very good. Item  
22 Number 7 on the agenda has been deferred. It will be heard  
23 at our June meeting.

24 COMMISSION VICE-CHAIRPERSON HARRIS: Why is that?

25 COMMISSION CHAIRPERSON SHAPIRO: There was a

1 request that was made by Commissioner Moss, who couldn't be  
2 here. He wanted to participate on that issue, I didn't  
3 think it was so pressing, that we'd agreed to move it to the  
4 next meeting.

5 COMMISSION VICE-CHAIRPERSON HARRIS: Okay.

6 COMMISSION CHAIRPERSON SHAPIRO: Item Number 8,  
7 discussion and action by the Board on the temporary  
8 suspension of CHRB Rule 1555, duties of a horseshoe  
9 inspector in CHRB Rule 1853, examination required to allow  
10 mules to race without shoes.

11 And as I recall here, we did ask our Deputy  
12 Attorney General to give us his views on whether or not we  
13 had to go to a rule. He came back and said he thought it  
14 was advisable. It was not this Deputy Attorney General, but  
15 I'm sure he's talked to the other one.

16 DEPUTY ATTORNEY GENERAL KNIGHT: I have, and our  
17 advice remains the same.

18 COMMISSION CHAIRPERSON SHAPIRO: Therefore, we are  
19 now looking at creating a exemption where mules could race  
20 barefoot.

21 COMMISSION VICE-CHAIRPERSON HARRIS: Yeah, I think  
22 it's important, I'm not sure if the Mule Association's  
23 represented, but as I recall, the argument was that mules  
24 are not -- or not -- do they want to comment on it or --  
25 essentially, the problem is that some mules race just as

1 well or better without shoes, plus some mules to shoe would  
2 require a tranquilizer, which would then create a medication  
3 testing issue. So it seems like a win/win situation to at  
4 least for now waive the rule, which I think was somewhat  
5 debatable, anyway, but it's probably safer to do it.

6 DEPUTY ATTORNEY GENERAL KNIGHT: It's a belt and  
7 suspenders approach, as my old law professor used to say.  
8 And I think that, yes. And I would also add, and I've  
9 spoken with Jackie about this, I think you need to make it  
10 clear that you're only suspending the rule for mule racing  
11 and not for horses.

12 COMMISSION CHAIRPERSON SHAPIRO: Absolutely.

13 DEPUTY ATTORNEY GENERAL KNIGHT: Otherwise, you  
14 know, you're not suspending the entire rule.

15 COMMISSION VICE-CHAIRPERSON HARRIS: It might be a  
16 good idea for everybody, but for this purpose we're doing  
17 mules.

18 COMMISSION CHAIRPERSON SHAPIRO: Is there any  
19 other discussion? I don't think I have any cards on this  
20 one. And, therefore, we could entertain a motion to --

21 COMMISSION VICE-CHAIRPERSON HARRIS: So moved.

22 COMMISSION CHAIRPERSON SHAPIRO: -- waive Rule  
23 1555 and Rule 1853 with respect to mules, only.

24 COMMISSION VICE-CHAIRPERSON HARRIS: Right, so  
25 moved.

1           COMMISSION CHAIRPERSON SHAPIRO:  It's moved.  Is  
2 there a second?

3           COMMISSIONER MORETTI:  Second.

4           COMMISSION CHAIRPERSON SHAPIRO:  All in favor?

5           (Ayes.)

6           COMMISSION CHAIRPERSON SHAPIRO:  Hope that works.

7 Okay, Item Number 9, discussion and action by the Board to  
8 consider posting all stewards minutes on the CHRB website.

9           Commissioner Harris?

10           COMMISSION VICE-CHAIRPERSON HARRIS:  Well, I was  
11 the one that suggested this because I'm a big believer in  
12 transparency in government, and our stewards minutes are a  
13 way that the public and all the different participants can  
14 track the week-to-week activities that are happening at a  
15 given track and what sort of things the stewards are  
16 involved in, because the stewards are involved in several  
17 very important things.  And this data is available through  
18 the Freedom of Information Act, anyway, and this would just  
19 open it up where it was on a website, we didn't have to  
20 worry about mailing it to people, and all this and that.  So  
21 I think it's just another step to show that we're a very  
22 open organization.

23           COMMISSION CHAIRPERSON SHAPIRO:  Okay.  I have to  
24 ask staff, one of the concerns I've heard is do we have the  
25 capacity on our website to do this.

1 EXECUTIVE DIRECTOR FERMIN: I believe that we do  
2 and it was just a matter of did the Board want us to do it,  
3 and I think we'll be fine.

4 COMMISSION CHAIRPERSON SHAPIRO: Okay.

5 COMMISSIONER MORETTI: My only question is are we  
6 infringing on anyone's rights by some of the information  
7 that's in the stewards report, in terms of who was cited for  
8 what, or if there's appeals going on, or anything. Is there  
9 anything in these that we would be someone in --

10 COMMISSION VICE-CHAIRPERSON HARRIS: I think we  
11 can get an opinion on that, but I think we're okay.

12 DEPUTY ATTORNEY GENERAL KNIGHT: Well, to the  
13 extent it's a public document and public record, it's  
14 public, so you would not be infringing. My assumption is  
15 that nothing in those minutes, that is not available under  
16 the Public Records Act would be made available on your  
17 website. And I think with that precaution, and I'm not  
18 aware of anything at the moment. If these filings are a  
19 part of the public record and they're available under the  
20 Public Records Act, then it's a public document and there is  
21 no privacy issue.

22 COMMISSION CHAIRPERSON SHAPIRO: Then I would  
23 suggest that the Board direct staff to post the stewards  
24 minutes on the website as soon as possible, that we start  
25 posting them and also as soon as they are transmitted.

1 Okay, I think that's the Board's wishes, so I don't think we  
2 need a motion to do that.

3 Item Number 10, one of my favorites. Discussion  
4 and action by the Board regarding the report from the  
5 Thoroughbred Owners of California concerning its proposed  
6 design to provide support for retirement farms for horses  
7 that have retired from racing.

8 As you will recall at our last meeting, we had a  
9 discussion. I think this is critically important, that we  
10 have a responsibility to try and find a better way to care  
11 for race horses, former race horses, and I'm very pleased  
12 that the TOC is taking a leadership role. Whether the plan  
13 that we have in front of us is the one that works, I think  
14 this is a wonderful thing that we can do to try and provide  
15 for these incredible animals that we all depend upon.

16 So with that, perhaps Marsha Naify and Guy Lamothe  
17 could describe to us what the plans are that you've  
18 prepared?

19 MS. NAIFY: Certainly. First off, I would like to  
20 provide a slight correction to the staff analysis of our  
21 proposal. We are requesting a deduction of .3 percent.

22 MR. LAMOTHE: Not 3.

23 MS. NAIFY: Yeah, it was a typo, which I figured,  
24 .3 percent or three-tenths of one percent. Not 3 percent  
25 from the net purse to go to the TOC's Equine Retirement

1 Account.

2 COMMISSION CHAIRPERSON SHAPIRO: And while you're  
3 there, because it will just save me from asking later, at .3  
4 percent how much money would that generate?

5 MS. NAIFY: Last year we had about \$180 million  
6 generated in purses, and it was about net \$160 million. So  
7 we are calculating about \$480,000.

8 COMMISSION VICE-CHAIRPERSON HARRIS: Yeah, part of  
9 the task that we asked TOC to come back to us with a report,  
10 would be what would be a possible cost if we had a problem  
11 in California to take care of all retired horses. It was a  
12 little gray if we take all retired horses, or just all  
13 retired race horses, or all retired certain categories of  
14 thoroughbreds, or harness horses, or whatever. But has any  
15 report like that ever occurred, I think we need to get our  
16 arms around how big this overall issue is?

17 COMMISSION CHAIRPERSON SHAPIRO: Why don't we  
18 listen to their plan and then I think --

19 COMMISSION VICE-CHAIRPERSON HARRIS: Well, we've  
20 got to see the need for the plan before we find -- and maybe  
21 the need -- well, we can all stipulate there's a need, but  
22 how we best solve it.

23 COMMISSION CHAIRPERSON SHAPIRO: So why don't you  
24 proceed to explain to us the plans, and then we'll come back  
25 and ask you questions.

1 MS. NAIFY: Okay. Last month the CHRB discussed  
2 the need for the industry to address the issue of retirement  
3 for thoroughbred race horses. The TOC had already discussed  
4 the issue of forming an equine retirement committee and  
5 resolved to come back with a plan to take care of California  
6 race horses.

7 The TOC feels that California race horses can be  
8 rehabilitated to have second careers as jumpers, riding  
9 horses, or could be used in other environments, including  
10 children's camps. In some cases, race horses will just  
11 serve out their remaining years in peaceful retirement at  
12 California farms.

13 We are proposing to amend Rule 1467 so that .3  
14 percent of the net purse earned by any thoroughbred horse be  
15 deposited into a separate account, overseen by the TOC.

16 The California Retirement Management Account, or  
17 CRMA, as we call it, will be established and managed by the  
18 TOC. Our Equine Retirement Committee will make  
19 recommendations to the TOC Board as to the dispensation of  
20 those funds. It will be up to the Committee to do its due  
21 diligence by issuing guidelines for nonprofits to receive  
22 grant money from the trust account.

23 The Equine Retirement Committee will make annual  
24 visits to all beneficiary recipients, ensuring that all  
25 money received is spent on the program specified. It will

1 be our job to examine each organization's audited  
2 financials, including its 990s, budgets, P&Ls, and other  
3 relevant documents, and perform other due diligence.

4 No member of the TOC's Equine Retirement Committee  
5 can have any association with any beneficiary.

6 The TOC will be setting up strict guidelines for  
7 its Equine Retirement Committee, which will be headed by  
8 Board Member Madeline Auerbach.

9 Our Committee has a lot of work left to do in  
10 defining its parameters and operating guidelines, but we are  
11 very clear on our goals.

12 Everyone who profits from horse racing must share  
13 in its obligations, and we feel owners must start the  
14 program rolling.

15 We felt Rule 1467 was the perfect vehicle for this  
16 project and by taking three-tenths of a percent of the net  
17 purse earned was the best financial alternative. This  
18 method will net our trust account about \$480,000 a year.

19 If we had used an alternative plan of \$5 per start  
20 fee, instead, we would have netted only about \$185,000 per  
21 year, based on starts per year from the 2000 statistics.

22 For those owners who do not wish to contribute to  
23 equine retirement, we have provided an opt out clause.

24 The TOC does not feel that this will be the only  
25 funding mechanism for our Equine Retirement Trust Account,

1 this is only the beginning. We hope to raise money by  
2 soliciting private donations from owner and industry  
3 partners.

4 Many of our owners and industry partners want to  
5 give money towards equine retirement and rehabilitation, but  
6 do not know which farms or programs really take good care of  
7 the horses and which farms are well run. By giving money to  
8 us, we take the guesswork out of it for the donor by  
9 performing our due diligence in investigating potential  
10 farms and programs.

11 The TOC feels, because this is the horsemen's  
12 purses and the owner's money, that we will be collecting  
13 from purses, and because we will be pursuing outside sources  
14 for additional revenues, that our grants should not be  
15 subject to approval by the CHRB Board.

16 Other than that provision, the TOC is satisfied  
17 with the draft B on the rule change for 1467. We would like  
18 to delete, under section D, paragraph two, where it  
19 says -- under section 2, line C, "approved by the Board."

20 While we are always willing to take the CHRB's  
21 input and suggestions and will submit yearly reports and  
22 audits to the CHRB, we believe that is as far as it should  
23 go.

24 COMMISSION VICE-CHAIRPERSON HARRIS: Which line  
25 was that, again?

1 MS. NAIFY: It's on, yeah, page 10-9, under  
2 section 2, line C.

3 COMMISSION CHAIRPERSON SHAPIRO: "Approved by the  
4 Board."

5 COMMISSION VICE-CHAIRPERSON HARRIS: Yeah.

6 MS. WAGNER: If I may, Commissioners, that  
7 language was proposed by staff and it comes from the  
8 requirements that we use currently in assessing our Charity  
9 Race dates organizations, they have to meet this criteria,  
10 and that's where we got it.

11 MS. NAIFY: Like every TOC committee, we welcome  
12 participation on the Equine Retirement Committee by any TOC  
13 member who will not have any conflicts of interest with our  
14 mission.

15 In closing, let me say, as the new Chair of the  
16 TOC, that I appreciate the CHRB's leadership in tackling the  
17 issue of equine retirement. Our horses give us everything,  
18 they are the heart and soul of this industry, we love our  
19 horses, now we can give them something in return.

20 COMMISSION CHAIRPERSON SHAPIRO: Thank you. I  
21 think, again, the spirit of this is wonderful. Let me ask a  
22 question, do we know between the various farms how many  
23 horses are in California, how many horses are retired each  
24 year? Do we have any data, have the farms been given input  
25 here to quantify what we're talking about?

1 MS. NAIFY: We have done some preliminary studies  
2 on this because we have given money in the past to some of  
3 the farms, every year we give out charity money, as well.  
4 But this is something that really -- I mean, we've only had  
5 about 30 days, so we haven't gotten that far along to study  
6 that.

7 COMMISSION VICE-CHAIRPERSON HARRIS: Because I  
8 think part of the farm issue, too, is that just about every  
9 farm in the State, the breed farms that I know of, probably  
10 has some retirement horses on it that they're taking care of  
11 at their own expense, that aren't really a traditional  
12 retirement farm, but that's just part of their oversight of  
13 their horses. So when you look at that, you've got to look  
14 at more than just what might be described as a retirement  
15 farm.

16 MS. NAIFY: Okay, good point.

17 COMMISSIONER MORETTI: I have a question, Marsha,  
18 and I congratulate you for the work that you've done on  
19 this, I think it's long in coming and it's very much  
20 appreciated. I'm a little confused and we're only talking  
21 thoroughbreds? Because in other places within the draft A  
22 and draft B, it seemed that I couldn't infer that there were  
23 standards and harness --

24 MS. NAIFY: We are only talking about  
25 thoroughbreds.

1           COMMISSION VICE-CHAIRPERSON HARRIS: To qualify  
2 for a farm, I mean, do they have to have raced, or are they  
3 just a thoroughbred, or what's the criteria to get into a  
4 farm?

5           MS. NAIFY: It's any thoroughbred horse at a  
6 thoroughbred racing association or at a fair meeting.

7           COMMISSION VICE-CHAIRPERSON HARRIS: At the  
8 meeting?

9           COMMISSIONER CHOPER: Raced in California.

10          COMMISSION VICE-CHAIRPERSON HARRIS: Well, but you  
11 mean that has raced -- I mean, that's the criteria. If you  
12 have a horse that never raced, he couldn't get into one of  
13 these?

14          COMMISSIONER CHOPER: Yeah.

15          MS. NAIFY: I'm sorry, you're talking about the  
16 criteria for the --

17          COMMISSION VICE-CHAIRPERSON HARRIS: To get into a  
18 farm, to be placed in a farm or placed in a program, what is  
19 the criteria?

20          MS. NAIFY: We're looking strictly at horses,  
21 obviously, that have raced in California. We're concerned  
22 about California horses. Farms that take care of horses  
23 from out of state, or whatever, we're going to have to  
24 separate that out and that's going to be one of our  
25 requirements. So in order for a farm to receive money from

1 us, they're going to have to show the delineation between  
2 California horses and other work that they do.

3 COMMISSIONER AMERMAN: I think at the present  
4 time, however, there is horses that are in these farms that  
5 have not raced, as long as they're thoroughbreds. That  
6 doesn't mean you're giving them monies. You cannot be --  
7 maybe you give it only to those that have raced, I don't  
8 know.

9 MS. NAIFY: Right. Yeah, when I was answering the  
10 question before, I thought he was asking about where the  
11 money was coming from, not who was getting the money.  
12 Because the money is coming only from thoroughbred horses at  
13 thoroughbred racing association fair meeting.

14 The criteria for getting the money, if a horse is  
15 born in California, California sired or whatever, and for  
16 whatever reason doesn't make it to the racetrack, and needs  
17 to be retired or rehabilitated, certainly that horse is  
18 going to qualify.

19 We haven't completely set up those parameters, but  
20 it's our goal to take care of California horses.

21 COMMISSIONER MORETTI: And an owner would have the  
22 ability to opt in each meet, each time, when a horse is  
23 bred, when you purchase them, when do you opt in?

24 MS. NAIFY: For your horse to be eligible?

25 COMMISSIONER MORETTI: For your .3 percent.

1 COMMISSION CHAIRPERSON SHAPIRO: Well, it's going  
2 to go through the paymaster account.

3 COMMISSIONER MORETTI: Only when they're racing.

4 COMMISSION CHAIRPERSON SHAPIRO: Yeah, I mean,  
5 it's going to --

6 COMMISSION VICE-CHAIRPERSON HARRIS: You've got to  
7 opt out, I think.

8 COMMISSIONER MORETTI: Opt out.

9 MS. NAIFY: We're asking, basically, if an --  
10 yeah, it's coming from an owner's purse money. So any purse  
11 money that's won, okay, at a California Thoroughbred Racing  
12 Association or fair meeting, that .3 percent is going to  
13 come out. Much like they deduct the trainer's percentage.  
14 But they can opt out of it.

15 COMMISSIONER MORETTI: Right, so you would --

16 COMMISSION CHAIRPERSON SHAPIRO: So they're  
17 included unless they specifically ask to be excluded.

18 MS. NAIFY: Right.

19 COMMISSION CHAIRPERSON SHAPIRO: From any  
20 deduction from their paymaster account at a thoroughbred  
21 race meeting.

22 MS. NAIFY: Correct.

23 COMMISSION VICE-CHAIRPERSON HARRIS: And one of my  
24 concerns, though, and I'm all for the basis of what you're  
25 doing, as far as trying to get good care for horses, either

1 out placement or whatever, but I'd like to see it on more of  
2 a voluntary basis, first, to really get a real feel for how  
3 it's going to work, where people could have a program to do  
4 it by start, or some percentages, or whatever, rather than  
5 make it mandatory. Even though there is an opt out, I think  
6 it's going to create a lot of confusion until you really  
7 know what you're doing.

8 MS. NAIFY: Right. Well, we did want to make it  
9 voluntary like you said, Commissioner Harris, and that's why  
10 we chose the opt out clause, so that people would have that  
11 option.

12 It will also be our obligation to educate owners  
13 as to what we're doing, and to their obligations in terms of  
14 equine retirement, and what we're doing, and that they do  
15 have the option of opting out.

16 COMMISSIONER AMERMAN: Have you looked at how many  
17 farms there are in California that would qualify as  
18 retirement farms, do you know what the total budgets of  
19 those farms are? I'm asking those questions in relationship  
20 to the \$480,000 that would be generated. And then what do  
21 you feel might be the opt out percentage? It isn't going to  
22 be 480,000 that's going to be available --

23 MS. NAIFY: Correct.

24 COMMISSIONER AMERMAN: -- it's going to be  
25 something substantially less than that, I would guess, at

1 least in the beginning. So I'm trying to figure out what  
2 percentage of the retirement farms' budget you will be able  
3 to help with?

4 MS. NAIFY: Well, that's a good question because  
5 you're right, Commissioner Amerman, we don't know how many  
6 people are going to opt out of this. So we hope that  
7 through education and press releases and, you know, through  
8 other ways that we can talk to our owners, to our  
9 membership, that we can keep the opt out down to a minimum.

10 COMMISSION CHAIRPERSON SHAPIRO: Is there any way  
11 to do a survey of these farms and try to find out how many  
12 horses they're caring for and what their daily cost is?  
13 Because, again, I fully support this, but I don't know if .3  
14 is the right number or .4.

15 COMMISSIONER AMERMAN: Well, frankly, that's where  
16 I come a little unglued. I don't know whether it's .3, .4,  
17 .5, or .2.

18 COMMISSION CHAIRPERSON SHAPIRO: Right.

19 COMMISSIONER AMERMAN: I don't know.

20 COMMISSION VICE-CHAIRPERSON HARRIS: Well, it  
21 might be five percent. I think the number, it depends on  
22 how big the problem is, but I don't think .3's enough,  
23 probably.

24 COMMISSIONER AMERMAN: Well, I think it's bigger  
25 than we think it is.

1 MS. NAIFY: Right.

2 COMMISSIONER AMERMAN: And I don't want this to be  
3 a message to people that we've solved the retirement  
4 problem.

5 MS. NAIFY: No.

6 COMMISSIONER AMERMAN: Because regardless of what  
7 you do and how much money you give, it isn't going to solve  
8 the fact that they've got to go out and get money on their  
9 own.

10 MS. NAIFY: Exactly. You know, I've served on  
11 different beneficiary committees for different nonprofit  
12 organizations, and one of the things that we look at is the  
13 fundraising ability of each organization that comes and asks  
14 money. We look to see where their other source of funds  
15 come from. So I have a little bit of experience in this  
16 area.

17 Certainly, when we look at equine retirement, we  
18 do not consider this to be the panacea to it, and that's why  
19 I say that we will ask our industry partners to participate,  
20 as well. Because everybody is profiting from racing, from  
21 the tracks to, you know, other partners, and so we feel  
22 everyone should participate. But we wanted to start here.

23 We felt .3 percent was something that people could  
24 live with, it wasn't going to put a huge dent in their  
25 wallet, but that it would raise enough money so that we

1 could start this program.

2 COMMISSION VICE-CHAIRPERSON HARRIS: I'm not sure  
3 if I really buy into the opt out concept. But if you were  
4 going to do that, why wouldn't you also include jockeys and  
5 trainers because they're dependent on the horse industry, as  
6 well.

7 MS. NAIFY: Right. Well, they're part of the  
8 industry partners that we do intend to involve, and we may  
9 come back with other rule changes. This was just a start.  
10 We wanted to start with the owners, we felt that was one of  
11 the biggest pieces of the puzzle. But we're going to come  
12 back and look at the rest of it, too.

13 COMMISSIONER AMERMAN: I think we've asked a  
14 number of questions. Would it be possible for Marsha and  
15 Guy to research this for another month or so?

16 COMMISSION CHAIRPERSON SHAPIRO: Yeah, I think  
17 that's appropriate. Again, wonderful start, couldn't be  
18 happier, you're doing great work here. I'm hoping the rest  
19 of the country will see what you're doing, and what we're  
20 doing, and create this model to take care of our horses.

21 I would ask that perhaps you go back and we can do  
22 this. I think our inclination is we want to find a way to  
23 do this, but let's determine how big the problem is, whether  
24 the .3 is the right number, and just further refine it.

25 And to the extent you wish to have help, I think

1 that we could form an ad hoc committee of this Board to also  
2 participate, and it could involve lots of members of the  
3 industry, because I don't know anybody that would be opposed  
4 to it.

5 COMMISSION VICE-CHAIRPERSON HARRIS: I think TOC,  
6 too, could have a voluntary program right now, as far as out  
7 placement and things like that are fairly easy with websites  
8 and things, if you could start some of the things that  
9 really aren't going to cost you very much. And maybe the  
10 Good Housekeeping seal of approval on certain types of  
11 facilities that are out there. Some of the things that are  
12 relatively easy to do, that don't cost money, I'd feel good  
13 about those happening on a voluntary basis before we have,  
14 really, a State mandated program.

15 COMMISSION CHAIRPERSON SHAPIRO: So thank you, and  
16 we'll come back to this next month. So please make sure  
17 this is on the agenda, again.

18 MS. NAIFY: Thank you.

19 COMMISSION CHAIRPERSON SHAPIRO: We have a couple  
20 comment cards. Drew, did you -- no, Drew's off. Michael  
21 Power.

22 MR. POWER: Thank you very much. I sure commend  
23 the TOC and Mrs. Naify for putting this together. I only  
24 have one brief question. Is there any statutory or rule  
25 requirement of the racetracks to participate in the funding

1 of these programs?

2 COMMISSION CHAIRPERSON SHAPIRO: I don't think  
3 there is because there is no such rule. I don't think there  
4 is at all.

5 MR. POWER: Why isn't there?

6 COMMISSION CHAIRPERSON SHAPIRO: The rule doesn't  
7 exist. We would have to go back through and go through a  
8 rule-making process, I assume. And I also don't know with  
9 respect to law what we would have to do, as well.

10 EXECUTIVE DIRECTOR FERMIN: I think maybe, as Ms.  
11 Naify saying, we're looking at lots of different partners.  
12 I don't think they've defined who that's going to be and  
13 perhaps they will be involved.

14 MR. POWER: Well, perhaps. But that would be  
15 putting the onus on the TOC to convince the racetracks,  
16 either independently or individually, to contribute to such  
17 a fund or a program. I'm thinking perhaps it might be wise  
18 for the Board to consider that in requiring a certain  
19 percent of handle or some other function to make it a part  
20 of law to contribute to the program.

21 COMMISSION CHAIRPERSON SHAPIRO: Well, as you can  
22 appreciate, statutorily the dollar, you know, each wagering  
23 dollar gets pretty divided up and there's a lot of  
24 contention over it. I'm not saying it's not a good idea and  
25 isn't something that perhaps the law could be amended to do

1 that. I don't know how difficult or how easy that would be.

2 MR. POWER: Well, is it a matter of the law being  
3 changed or of the Board requiring that of racetracks prior  
4 to approval of their dates?

5 COMMISSION CHAIRPERSON SHAPIRO: I don't know the  
6 answer, I'd probably have to look to counsel on that.

7 DEPUTY ATTORNEY GENERAL KNIGHT: Well, I think as  
8 part of the review and the preparation for the next meeting,  
9 I think we can provide you with some information. I'm not  
10 going to do that off the top of my head at this point.

11 COMMISSION CHAIRPERSON SHAPIRO: Right. So we can  
12 certainly look at it. I will tell you that I know that each  
13 of the racetracks conducts charity days, and I believe that  
14 there are certain guidelines as to how much money goes to  
15 horse related percentages of those monies. This certainly  
16 could qualify and maybe some of the tracks now do donate  
17 money.

18 EXECUTIVE DIRECTOR FERMIN: I recall they do.

19 COMMISSION CHAIRPERSON SHAPIRO: Yeah, some of  
20 them do. So, I mean, it's wonderful that everybody's  
21 embracing this notion, we just have to find the best way to  
22 do it.

23 MR. POWER: And I concur and I congratulate you  
24 for doing that. My position, I guess, would be that I know  
25 from firsthand experience that farms voluntarily and

1 unilaterally take care of many retired race horses, without  
2 asking for compensation. They do that out of love for the  
3 animal. Many trainers do that on their own. Owners retired  
4 horses of their own to various vocations and so forth.

5           The racetracks, from what I can see, are limited  
6 to the charity days that you mentioned, and perhaps a few  
7 other times, and yet they are the biggest player in our  
8 industry. It seems to me to be fair and equitable to ask  
9 them for a definite contribution, a definite commitment to  
10 the retirement of race horses.

11           COMMISSION CHAIRPERSON SHAPIRO: All right, thank  
12 you very much.

13           MR. POWER: Thank you.

14           COMMISSION CHAIRPERSON SHAPIRO: Jerry  
15 Jamgotchian.

16           MR. JAMGOTCHIAN: Mr. Chairman, and members of the  
17 Board, obviously everybody embraces this. I've got a little  
18 different spin on it, though. In racing in Arizona, it's a  
19 mandatory requirement, I think it's \$15 a start, with no opt  
20 out. And I think it's kind of not the best business  
21 strategy to allow, A, an opt out and, B, make it a  
22 percentage of the purse. Why not just make it a flat fee  
23 per start. Hopefully, we have more starts in the future in  
24 California, based upon the hopeful leadership that we see  
25 eventually from the Board.

1           But I think it should be a fixed per start with no  
2 opt out.

3           Additionally, the administration of the money in  
4 this industry concerns me, and it concerns me in this  
5 regard, that the TOC, although they allegedly represent the  
6 owners, I think it would be best if this significant amount  
7 of money was handled by a private firm, who didn't have any  
8 family ties, association with, or really any focus with  
9 regards to any of the lay up farms in California.

10           So I think that you need to take it away from the  
11 TOC, maybe allow them to assist in the operation of the  
12 program, but any expenditures certainly should be by an  
13 independent third party, not aligned with horse racing.

14           In fact, the comments later with regards to the  
15 Board are going to be just that. You know, we welcome  
16 people, independent, like the new Commissioner, to come on  
17 board, because they really don't have hidden agendas, they  
18 want to do what's best for horse racing. Although other  
19 Board members might have a little conflict and I don't think  
20 they should be participating in such events when they have a  
21 seat on the Board.

22           So in this particular case, the other issue I have  
23 is the ownership of the horse. If, in fact, you're going to  
24 give your horse, and most of the time it's going to be a  
25 colt or a gelding, I don't think any well-bred fillies are

1 going to end up at any lay up farms. But what happens to  
2 the ownership papers of that horse? Do the ownership papers  
3 go to the farm? What happens if the person takes the horse  
4 to the farm, it's rehabilitation is concluded, are they  
5 allowed to get the papers back to race the horse? Those are  
6 just some other issues.

7 With regards to track contribution, it's obvious  
8 that the tracks should contribute. And I think that it  
9 should apply to all breeds. Because if we're going to help  
10 our horses, we shouldn't just focus on the thoroughbred, we  
11 should focus on the quarter horse and the other horses that  
12 race in this State, that we benefit by.

13 And so I think those are the bases of my comments,  
14 thank you.

15 COMMISSION CHAIRPERSON SHAPIRO: Thank you. All  
16 right, we're going to go to --

17 COMMISSION VICE-CHAIRPERSON HARRIS: I might just  
18 welcome Senator Leland Yee, that just walked in. Appreciate  
19 having him come over. Assemblyman Torrico is also here.

20 COMMISSION CHAIRPERSON SHAPIRO: We're now going  
21 to Item Number 11, which I'm assuming is perhaps the most  
22 interesting thing to talk about on the agenda, and the good  
23 Senators and Assemblymen are here.

24 Which is discussion regarding the status of Bay  
25 Meadows Race Track and the Northern California calendar.

1 This is a discussion item.

2 For this discussion, of course, we will forward  
3 any Legislators, or Legislators' Chief of Staffs, or anyone  
4 the ability to speak without a time limit. We welcome them  
5 and appreciate them attending this issue, or addressing this  
6 issue.

7 This issue is a follow up to find out what the  
8 status is of our Northern California racing calendar, see  
9 what options there are. I think we want to hear from Bay  
10 Meadows and see -- I believe all of us would like to see Bay  
11 Meadows continue.

12 And so with that, unless any Board member has any  
13 statement that they would like to make, I would like to  
14 simply invite people from the audience to address this  
15 issue, so that we can come to the best conclusion possible  
16 for Northern California, given the fluid situation that it's  
17 in.

18 Do any Board members have any comments?

19 COMMISSION VICE-CHAIRPERSON HARRIS: Well, I think  
20 we'd like to hear the comments, but I think everyone needs  
21 to realize that this is a fluid situation that we need to  
22 revisit, and we need to make sure we have all the data at  
23 hand to make a good decision which, hopefully, we will.

24 COMMISSION CHAIRPERSON SHAPIRO: Does anybody have  
25 any comment on this agenda item? Mr. Couto.

1 MR. COUTO: Good afternoon, Drew Couto,  
2 Thoroughbred Owners of California.

3 I'd like to start by reading a letter from MEC  
4 on -- no.

5 (Laughter.)

6 MR. COUTO: Mr. Neuman sends his best.

7 COMMISSION CHAIRPERSON SHAPIRO: Went right over  
8 my head, sorry.

9 MR. COUTO: Okay, sorry about that. What I'd like  
10 to do for you is summarize sort of the discussions held in  
11 Northern California about two weeks ago, in Napa, which was  
12 an extension of the strategic planning efforts that the  
13 racing interests and stakeholders in the north had been  
14 engaged in for the past year.

15 And as we understood, the effort was to look at,  
16 identify what our options were for the industry to race in  
17 2008, and to do that in variable fashion. Because, as I  
18 think as everyone has pointed out, the situation is fluid.

19 So we began by making certain assumptions and  
20 trying to develop calendars that were consistent with the  
21 assumptions.

22 The first assumption we made is that if Golden  
23 Gate was unable to obtain an engineered surface, and Bay  
24 Meadows chose to run in 2008, that the calendar would  
25 largely look the same as it had in 2007, as far as race

1 dates went in 2008.

2           So again, if Bay Meadows chose to run and Golden  
3 Gate did not have a synthetic surface, again, we made the  
4 assumption it would look largely the same.

5           We made the assumption that if Golden Gate had a  
6 synthetic surface and Bay Meadows chose not to run, how  
7 would we allocate dates among those who were willing to run  
8 forward. So that was the second scenario.

9           The third scenario was if Golden Gate had an  
10 engineered surface and Bay Meadows chose to run part of the  
11 year, what would that calendar look like?

12           And these were all difficult exercises for us  
13 because while we had all of the stakeholders and constituent  
14 interests in the Northern California, we do so without the  
15 Bay Meadows folks participating, at their choice. So we had  
16 to make certain assumptions and realize that they were  
17 simply assumptions, and we were trying to do the best we  
18 could based on the information we had.

19           So I would say on behalf of my colleagues, who  
20 participated in the two days, that we have plans, we wanted  
21 to assure horsemen, we wanted to assure the Board that  
22 whatever was the eventuality as far as racing dates for  
23 2008, we had worked together on a plan, and the plans would  
24 need some tweaking. But we wanted those people, who were  
25 engaged in the business, who worked on the backside, who

1 worked at the racetracks to understand that no matter we, as  
2 an industry, were going to have a plan and, hopefully, a  
3 plan that eventually would be a very good plan for all in  
4 racing in Northern California.

5           And again, just want to let you know, we did not  
6 end up with any firm recommendations for the Horse Racing  
7 Board. We didn't feel it was our place to come forward with  
8 any firm recommendations. But that, again, it was really  
9 contingency strategy and understanding that the landscape  
10 was going to change, more than likely, in Northern  
11 California, we had to begin making transition plans. And so  
12 we did that, that was all part of the process.

13           So it's a general summary. I'm not prepared to  
14 introduce to you, right now, any of the plans because it  
15 just seems premature until we know what everyone's going to  
16 do.

17           Any questions on that?

18           COMMISSION CHAIRPERSON SHAPIRO: Well, one thing  
19 that perhaps would be helpful to follow up of what you said  
20 which, you know, I appreciate everybody getting together to  
21 look at the contingencies that we have to look at to make  
22 sure that we're providing for racing opportunity, and  
23 employment opportunity for everybody.

24           One of the big issues of that is the status of  
25 Golden Gate, and the installation of a synthetic track

1 there. I see, sitting behind you, Peter Tunney, and Mr.  
2 Hartman, perhaps they could get up and tell us exactly up to  
3 the minute what the status is, as you know it, with respect  
4 to the Golden Gate synthetic track.

5 Mr. Hartman?

6 MR. HARTMAN: Robert Hartman, Golden Gate Fields.  
7 Commissioner, members of the Board, Golden Gate Fields is  
8 committed to the installation of an engineered surface and  
9 we have, to date, already spent millions of dollars on the  
10 surface, on sand, on rubber fibers, on a new safety rail  
11 that we're going to put on the inside of the track. So it's  
12 not for a lack of commitment, we're running into some  
13 problems with the city process.

14 We're committed to preserving horse racing in the  
15 north for the long term. And I'll go into some details,  
16 now, about what's going on, specifically.

17 We remain optimistic that the surface will be  
18 installed this year, but there are some dissident groups  
19 that are attempting to slow down the process. The project  
20 is on the Albany/Berkeley waterfront, and that is giving  
21 some concern to members of groups like the Sierra Club, and  
22 another group called CESP, which is Citizens for East Shore  
23 Parks.

24 There was a public information session yesterday,  
25 at last night's city council meeting, and there was an

1 outpouring of support for the project, so that was a very  
2 positive sign. Now, it's up to the city staff to issue us a  
3 grading permit, and we believe that will happen in the near  
4 future.

5           However, with that being said, these groups that I  
6 just mentioned could slow down the project. They can  
7 appeal, they can take us to court, they can file  
8 injunctions. There's a lot of things they can do and,  
9 honestly, they're very good at using the political system.

10           My last job was at the University of California  
11 Athletic Department, and Memorial Stadium went through a  
12 very similar thing, as Commissioner Choper knows. Not with  
13 the installation of the racetrack, but with their project,  
14 and similar types of groups that ended up living in the oak  
15 trees outside of Memorial Stadium because they wanted to  
16 save the oaks and were afraid that if a few trees were  
17 chopped down, you know, that would cause irreparable harm.

18           So, you know, we're dealing with environmental  
19 groups. We want to work with them, we actually held  
20 meetings with some of the dissidents, as well, to try to  
21 work things out in a private forum, and those are positive.

22           So we're at a point, now, where we think a  
23 permit's going to be issued here in the near future, but the  
24 real concern is this appeals process that may happen and,  
25 unfortunately, that could drag on for a very long time,

1 which would not allow us to install the surface this year.

2 COMMISSION CHAIRPERSON SHAPIRO: So you're  
3 basically up in the air, you don't know, the decision from  
4 the city staff is due shortly, I'm assuming?

5 MR. HARTMAN: Correct.

6 COMMISSION CHAIRPERSON SHAPIRO: And then it will  
7 be a matter of whether or not the decision's going to get  
8 appealed if they vote in your favor.

9 If it's required, what are the steps and the  
10 timing, do you know, if you get a favorable decision, and  
11 then it's appealed, is that likely to be a year process?

12 MR. HARTMAN: Well, currently, there's a 14-day  
13 notice period, and then we would get on the planning and  
14 zoning agenda, so that could take another few weeks, and  
15 then that decision could be appealed to the city council,  
16 which is another 14-day notice period, and then we have to  
17 get on the city council agenda.

18 So you can do the addition there and that may, you  
19 know, delay us another month and a half or so, once the  
20 permit is issued. However, there can be remedies in the  
21 court, as well, if they decide to file an injunction, or  
22 temporary restraining order, or other such matters that  
23 could potentially slow us down. You know, I'm not sure if  
24 those groups will take it to that level.

25 COMMISSIONER MORETTI: Have they asked for

1 specific mitigation or they just don't want you to do any  
2 renovation work?

3 MR. HARTMAN: Their concerns are very general, you  
4 know, not very concrete or specific. They're concerned  
5 about the ecological area and just the fact that  
6 construction along the waterfront may disturb that. But,  
7 again, they're not very specific in their requests. It's  
8 not like they want a specific report done or us to look at  
9 one specific bird that may be potentially hurt as a part of  
10 this project. It's very general, you know, the waterfront  
11 could be damaged somehow. They're not sure how, but  
12 somehow, and they want to make sure all the facts are out  
13 before we go ahead with the project.

14 COMMISSIONER AMERMAN: And, Mr. Hartman, could you  
15 refresh our memory of when you had planned to put in the  
16 synthetic surface, what the timing is, and when you had  
17 hoped to get it done, originally, and what would happen if  
18 you missed those dates?

19 MR. HARTMAN: Absolutely. The original plan, we  
20 end racing on June 10th, the plan was to start two days  
21 later, on June 12th. We were hoping to have the project  
22 concluded by Labor Day. That was the original intent. The  
23 city also does have ordinances that limit the hours we're  
24 allowed to work on the track.

25 I know other racetracks, such as Del Mar, they

1 worked seven days a week, they worked very long hours. The  
2 City of Albany does not allow that. So the project would  
3 take longer, and that's why we had to go to Labor Day.

4 The good news is we don't start racing again until  
5 the first week in November, so if the project was delayed,  
6 we do have some room on the backside of the calendar to get  
7 it done, if it's delayed for a month, or a month and a half,  
8 or potentially even two months. The problem is if it really  
9 gets ugly and it can be delayed, you know, 12 to 18 months,  
10 potentially, if they want to continue to use the court  
11 system to slow us down.

12 COMMISSION VICE-CHAIRPERSON HARRIS: Well, what's  
13 the maximum weeks that a racing association can race in  
14 Northern California?

15 MR. HARTMAN: Currently, it's 22 weeks.

16 COMMISSION VICE-CHAIRPERSON HARRIS: How many  
17 weeks do you have, now?

18 MR. HARTMAN: We have about a hundred days, so a  
19 little -- you know, 20 weeks.

20 COMMISSION VICE-CHAIRPERSON HARRIS: I was just  
21 trying to figure, the most weeks you could pick up would be  
22 another two weeks over what you have, possibly.

23 MR. HARTMAN: Actually, there are ways to work  
24 within that rule, potentially create another racing  
25 association that would race at Golden Gate Fields, other

1 than Pacific Racing Association.

2 So Pacific Racing Association would race 22 weeks,  
3 and a separate racing association would race additional  
4 weeks.

5 You know, we really believe in the mandate of the  
6 Board and the importance of the engineered surface and, you  
7 know, the most dates we can get on a surface like that I  
8 think will help the horses, will help the jockeys, and will  
9 help the industry overall.

10 COMMISSION CHAIRPERSON SHAPIRO: And do I  
11 understand you correctly, you have already purchased the  
12 sand, and the surface has been in the process of being  
13 manufactured?

14 MR. HARTMAN: It hasn't been mixed, yet. There is  
15 a --

16 COMMISSION CHAIRPERSON SHAPIRO: All the  
17 ingredients?

18 MR. HARTMAN: All the ingredients, yeah, we're in  
19 the process of purchasing the ingredients. We purchased, I  
20 believe, all of the sand and most of the rubber fibers  
21 already. We need a new safety rail because the track will  
22 be a little higher. That's been purchased and is actually  
23 on site, already.

24 So it's not for a lack of spending the money,  
25 we're doing that. It's for the process more than anything,

1 and we're working as hard and as fast as we can to make this  
2 project happen.

3 COMMISSION CHAIRPERSON SHAPIRO: All right.  
4 Anybody else have any comments on that?

5 COMMISSIONER CHOPER: Are there any non-private  
6 agencies that are complaining at Golden Gate? Are there any  
7 public agencies that are potential plaintiffs in your  
8 lawsuit?

9 MR. HARTMAN: I don't believe so.

10 COMMISSIONER CHOPER: And are any of them asking  
11 for an environmental impact report?

12 MR. HARTMAN: Well, that's what the Sierra Club  
13 and CESP are saying in these meetings, that we should do a  
14 full blown environmental impact report, which has not been  
15 done at any other racetrack, including Del Mar.

16 COMMISSION VICE-CHAIRPERSON HARRIS: But who makes  
17 that decision on that request, the city council?

18 MR. HARTMAN: City staff, it's actually a city  
19 staff decision.

20 COMMISSION VICE-CHAIRPERSON HARRIS: The city  
21 staff. But if they say it's not necessary, the Sierra  
22 Club's got the recourse to go to court and require it, I  
23 guess.

24 MR. HARTMAN: Right, right. From my  
25 understanding, there are three levels of review. One of

1    them is whether it's categorically exempt from CEQA, the  
2    next level is what's called a mitigated NEGDECK, and then  
3    the next level after that is a full environmental impact  
4    report.  The dissident groups are asking for a full  
5    environmental impact report to be done.

6                COMMISSION CHAIRPERSON SHAPIRO:  All right, thank  
7    you.  Is there anybody else that wishes to comment on this  
8    matter?  Yes, I believe -- I'm sorry, go ahead.

9                MR. KENNEY:  Ben Kenney, California Harness  
10   Horsemen's Association.

11               COMMISSION CHAIRPERSON SHAPIRO:  Welcome back to  
12   the States.

13               MR. KENNEY:  Thank you very much, Chairman.  I'm  
14   just here to -- I know that you guys are looking over the  
15   Northern California dates, and just to remind you that you  
16   don't hear too much from us.  But we're in serious issues  
17   and serious problems.  Currently, we race at Cal Expo, which  
18   is giving us sort of a year-to-year lease, and that  
19   certainly doesn't do anything to promote any stability in  
20   our industry, or any new owners or fresh horses.  In fact,  
21   it's caused a bit of an exodus in our industry.

22                As you know, we race basically four nights a week,  
23   every week, all year.  We are looking for a long-term home.  
24   We need a long-term home, not just for racing, but for  
25   breeding.  Currently, it is a very hard sell to the breeders

1 to say breed horses in California, you might be racing in  
2 2009.

3 So I ask you, as you sort of mull over the  
4 Northern California dates, and the facilities and  
5 everything, that you keep us in mind. Certainly, that we  
6 are a big part of the cog of the wheel, and these are some  
7 of the issues that we are facing and that I ask you to keep  
8 in mind.

9 COMMISSION CHAIRPERSON SHAPIRO: I appreciate  
10 those comments and I think it is important to recognize that  
11 the harness industry, given all of the moving parts here,  
12 their home has been Cal Expo for a long time and we don't  
13 want to lose sight of providing, making sure there's a place  
14 for the harness industry to race and prosper, and so I do  
15 appreciate those comments.

16 MR. KENNEY: Thank you, Chairman.

17 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

18 COMMISSION VICE-CHAIRPERSON HARRIS: Yeah, I'd  
19 agree. I think that the same could be said about all of  
20 Northern California racing, we need some certainty of where  
21 things are going to happen, which is one reason that I voted  
22 for the waiver to give Bay Meadows and opportunity to race  
23 in '08, is because of the large number of people there that  
24 are employed, that live there. That to force them to move  
25 in a relatively short time would do hardship. You know, I

1 think all of us support synthetic tracks, but without some  
2 other place to go, that is a synthetic track, it seems  
3 doubly important. And that's the reason I think it's  
4 important that this Board reconsider that waiver, which  
5 we're not going to do today, but at some point I think  
6 that's a logical thing.

7 I think we do need to get a commitment from Bay  
8 Meadows that they will, in fact, race in '08. And at the  
9 same time get some concrete ideas about who is going to be  
10 where in '09, and what kind of a track they're going to  
11 have, and what sort of improvements they could make.

12 (Applause.)

13 COMMISSION CHAIRPERSON SHAPIRO: Mr. Anton?

14 MR. ANTON: Good afternoon, Mr. Chairman. I've  
15 been a trainer and an owner since 1970. I've watched this  
16 business deteriorate quite readily. I think it's  
17 deteriorated on situations such as Bay Meadows right now.  
18 These people want to race, but they don't want to make a  
19 commitment. If they want to race, make a commitment. They  
20 could get the waiver with a commitment. But no, they want  
21 to treat us like prostitutes, want us to do their work, make  
22 money for them, and then throw us out on their whim. If you  
23 don't think they will, you just watch.

24 Some people said, well, if Golden Gate doesn't get  
25 their track, why should Bay Meadows have to sign a

1 commitment? Golden Gate has showed you a commitment today,  
2 and their wounds are not self-inflicted. Bay Meadows'  
3 wounds are self-inflicted.

4 Sign a commitment for a year, I'm sure the Board  
5 will give them a waiver.

6 We have grooms, horses, trainers, owners, and we  
7 have to know when and where we're going to move, and not to  
8 move whenever Jack Liebau and his people decide to move.

9 I applaud the four of you for voting no. I wish  
10 the other two would reconsider your position. I think  
11 you're on the wrong team. Thank you.

12 COMMISSION VICE-CHAIRPERSON HARRIS: I'm not  
13 clear, though, on the '08, just looking at '08. Is it true  
14 or not true that Bay Meadows, assuming they got the waiver,  
15 would race in '08? Oh, they won't? I'm not sure if they  
16 will. I get different stories on that.

17 MR. ANTON: That was very clear, I think.

18 COMMISSION VICE-CHAIRPERSON HARRIS: Well, we're  
19 right today, regardless of where we were in March, where are  
20 we today? Would Bay Meadows race in '08 today if they had,  
21 you know, somewhat similar dates to what they had in '07? I  
22 think that's the key question, if they're not going to do  
23 it, then we're just --

24 MR. ANTON: Then it's silly.

25 COMMISSION CHAIRPERSON SHAPIRO: Well, perhaps

1 representatives of Bay Meadows would step forward and would  
2 like to address this.

3 COMMISSION CHAIRPERSON SHAPIRO: Are you Mr.  
4 Corbett?

5 MR. CORBETT: I am, but I can follow him.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay, I'll call  
7 you next, okay. Thank you.

8 MR. LIEBAU: My name is Jack Liebau, I'm with the  
9 Bay Meadows Racing Association. You know, somebody made  
10 mention of the October '06 meeting, and I've been reflecting  
11 on that in light of the representations that Mr. Hartman has  
12 just made to you, and I was wondering whether any of you  
13 would ask him whether he had the authority to make those  
14 representations. Because I was a victim of representations  
15 made by Magna in connection with the allocation of the 2007  
16 dates. And I think all of you would acknowledge that that's  
17 the case.

18 I said exactly what was going to happen and I  
19 think it was Mr. Amerman who brought up the phrase "unkept  
20 promises," and I think that that's one of the things that I  
21 raised, that everybody poo-poo'd, but we do in fact have a  
22 history of unkept promises with respect to the  
23 representations made by Magna.

24 And I think that for this body, now, to rely on  
25 representations made by Magna, and Mr. Hartman, is foolish.

1 I also think that all of the sudden, now, the waiver has  
2 gotten confused because what's going to happen if Golden  
3 Gate doesn't get a synthetic track? Are we going to deny a  
4 waiver to Golden Gate Fields and have no racing at either  
5 Bay Meadows or Golden Gate in the north? It's one hell of a  
6 problem, and I think that that could happen.

7 As far as Bay Meadows racing in 2008 is concerned,  
8 we wouldn't be asking for a waiver, but it would depend on  
9 the number of days that we got, because we have to have a  
10 critical mass of days.

11 And, once again, we got hurt with respect to the  
12 2007 allocation of racing days at Bay Meadows because the  
13 schedule had to be made in such a way to give Golden Gate  
14 ample time to put in a synthetic track. And believe me, I  
15 questioned whether they needed all of that time. But in the  
16 end, they convinced everybody that they needed all of that  
17 time.

18 When this was going on, I urged that they get all  
19 their permits and everything with respect to the city, the  
20 State, and everything, and here we're coming up empty.

21 And, you know, this thing is a little bit more  
22 complicated, now. And all of you have probably heard it,  
23 there's all sorts of rumors going around as to whether Santa  
24 Anita's going to put in a synthetic track.

25 And I was surprised that when the issue was

1 raised, that somebody didn't ask the people here, at Santa  
2 Anita, whether they are committed to put in a synthetic  
3 track.

4 Certainly, if they don't put in a synthetic track,  
5 boy, it looks tough not giving a waiver to Bay Meadows, and  
6 not doing the same thing to the other two.

7 We've got a problem here and I think that, you  
8 know, one of the things that I would suggest that we do to  
9 solve that problem is that you suspend the rule with respect  
10 to the synthetic track for some period of time. And I think  
11 that that can be done under Section 1406, of the rules. I  
12 think it's really appropriate for California to pause for a  
13 moment and look at what is happening with the other tracks  
14 across the country, and let us learn -- when we're talking  
15 about California, let us learn by what's happening with  
16 those tracks.

17 I will tell you that the maintenance of these  
18 tracks is a steep, steep learning curve. And I readily  
19 admit that, having one of the, I guess, the only operative  
20 synthetic track in California at the minute. We are in a  
21 steep learning curve and it varies from day to day,  
22 depending on the temperature and the track that we have.

23 We encountered problems when it got cold. We hope  
24 that those problems don't get worse when it gets warm.

25 As far as the actual rule of 1433 is concerned, I

1 really have some questions as to the basis of that rule and,  
2 if you'd like, I'll tell you why I think the rule is invalid  
3 and not in compliance with the law. But if you don't want  
4 me to go into that, I won't.

5 COMMISSION CHAIRPERSON SHAPIRO: You're welcome to  
6 do as you choose.

7 MR. LIEBAU: Well, first of all, under the --  
8 under Section 19401(e), if the AG has a book up there --

9 DEPUTY ATTORNEY GENERAL KNIGHT: Do you need it?

10 MR. LIEBAU: Sorry.

11 DEPUTY ATTORNEY GENERAL KNIGHT: Here you go.

12 MR. LIEBAU: No, I don't need it. I mean, if you  
13 wanted to look at it --

14 COMMISSION VICE-CHAIRPERSON HARRIS: He remembers  
15 it.

16 MR. LIEBAU: I remember it. 19401(e), of the  
17 Horse Racing Law, requires there to be uniformity of  
18 regulation for each type of racing in California. I believe  
19 that that means just what it says, regulations for  
20 thoroughbreds are to be uniform in Section 1433, the rule,  
21 it's clearly not uniform.

22 In 2006, 17 percent of the thoroughbred races were  
23 run at the fairs. Ten percent were run at Los Alamitos. So  
24 27 percent of the thoroughbred races in California were run  
25 at -- run on tracks that you're not requiring to be

1 synthetic. I do not think that that is uniform regulation  
2 for thoroughbred races.

3 So in short, I think that it does not comply with  
4 Section 19401(e).

5 Secondly, I think the rule is ambiguous. If you  
6 read the rule, it talks about a racing association that  
7 conducts four weeks of continuous thoroughbred racing. It's  
8 clear that Los Alamitos is a racing association, and it's  
9 clear that it conducts thoroughbred racing on a year-round  
10 basis. Yet, in our wisdom, or somebody's wisdom, we've  
11 decided that the rule is not applicable to Los Alamitos.

12 Well, I think it also lacks clarity. And in that  
13 regard, the regulation, it's unclear as to whether it  
14 impacts the subsurface.

15 Chairman Shapiro brought this issue up at, at  
16 least, three meetings. It's also unclear as to the  
17 synthetic surface and what it is.

18 And if I could just look for a minute at some of  
19 the transcripts of when this has been brought up, with  
20 respect to the subsurface, Executive Director Fermin said,  
21 and this was really kind of a housekeeping thing, because  
22 when we went through the transcripts we couldn't see that it  
23 was specifically in the transcript. Although the concept,  
24 everybody has assured us, that's what their plan was. Well,  
25 I don't know whose plan it was, if it was never discussed.

1           And then, also, and again this is the meeting in  
2 June, Chairman Shapiro says:

3           "Could somebody make a case that the  
4 track that currently exists at Hollywood  
5 Park is a synthetic racing surface;  
6 could somebody say?

7           "MR. LIEBAU: I don't know if you can  
8 make that argument at Hollywood Park. I  
9 might make a pretty good argument that  
10 the track at Bay Meadows is."

11           We go on, and Chairman Shapiro, this is after the  
12 rule has been enacted.

13           "CHAIRMAN SHAPIRO: Okay, again, I'm not  
14 trying over complicate it, and we can do  
15 it, if we can do it in a license  
16 application. I just want to make sure  
17 that no one can come in and say, well,  
18 we've already got a synthetic racing  
19 surface because we have some fibers, and  
20 some stabilizers, and some support  
21 grids, and sand, which is what is the  
22 top layer of the surface."

23           And then he goes on to say:

24           "Well, what I want is something that is  
25 general in nature, so that we're not

1           specifically mandating to the tracks how  
2           to do it, but also expresses the intent  
3           of the Board."

4           This is all after the rule has already been done  
5           that we're now going to the intent of the Board. Which it  
6           seems to me that it should have been clearly made when you  
7           were bringing on the rule.

8           The problem is that because of that you went  
9           through -- you started a rule-making process, and you came  
10          up with the fact that you were going to put it in an  
11          application. And that went to you in the July 30th meeting,  
12          and it was discussed then, but no action was ever taken.

13          And so I mean, I think that the Board, itself, has  
14          acknowledged that there's a problem with the rule because it  
15          doesn't talk about the subsurface, but you haven't done  
16          anything about it.

17          Now, the other problem has to do with what's  
18          required by the fibers. And here, it's also unclear as to  
19          what is meant under the rule. And Commissioner Amerman  
20          said, and this was at the July meeting:

21                 "No, I agree with that totally. What I  
22                 was trying to get at though is each  
23                 variation, do they meet the parameters  
24                 of what we're trying to accomplish with  
25                 a synthetic track? In other words, do

1           they all solve the issues? Do we know  
2           whether they will solve the issues,  
3           because this is a big investment by each  
4           track, that has got to be put in, and I  
5           want to make sure that -- not I, but I  
6           think that we should be assured that it  
7           does work, it gets installed."

8           Chairman Shapiro then goes on to say:

9           "Well, I agree with your comments. I'm  
10          not sure that we know exactly how to do  
11          that, nor do I think the tracks know  
12          with complete, definitive assurance it  
13          will work. I think each of the tracks,  
14          spending that much money, is going to  
15          make the best effort they can to put the  
16          best track surface in."

17          And so my point about it is that the rule, itself,  
18          doesn't comply with the law as far as uniformity of  
19          regulation with respect to thoroughbred races, it's  
20          ambiguous on its face because the Board, itself, has  
21          acknowledged that there's a problem, that there's no  
22          subsurface. The Board considered that or was going to take  
23          some action, never took any action. And then because of it  
24          being so vague as to what the surface is supposed to be,  
25          that was brought up by Mr. Amerman.

1           There's also a problem that under the  
2 Administrative Procedures Act there's certain things that  
3 have to be complied with. One of them is an economic impact  
4 study as to what the regulation says, it's very clear. If  
5 you look at the Economic Impact Statement that was filed by  
6 the California Horse Racing Board, it talks about three  
7 tracks. It doesn't talk about Bay Meadows at all. It talks  
8 about Del Mar, Golden Gate Fields, and Santa Anita.

9           And it doesn't talk about what happens if any of  
10 the tracks don't comply. For instance, it didn't mention  
11 Bay Meadows, but if it had, what's the economic impact at  
12 Bay Meadows if it doesn't, doesn't comply?

13           Well, a lot of people lose their jobs. The county  
14 loses the fair, that's four or five hundred thousand  
15 dollars. The city loses about \$600,000. So, I mean, those  
16 are the economic impacts that were never considered. I'm  
17 just saying that because of all of these coupled together,  
18 the unclearness as to whether Golden Gate is going to put in  
19 the track -- never have asked the question about Santa  
20 Anita, yet, but I know that you've been given  
21 representations that they're going to do it, but I don't  
22 know whether we can rely on those anymore, and the fact that  
23 maybe the rule is a little suspect to begin with.

24           I really think that what should happen is that we  
25 should just suspend the rule. And besides, when this rule

1 was enacted there was one track in the United States, it was  
2 Turfway. And the reports on it then were pretty good.  
3 Since then, the problems that have been experienced at  
4 Turfway have been well documented. I got a pile about this  
5 thick.

6 They put in a track at Woodbine, and David  
7 Wilmont, the CEO of Woodbine, he defined it as it's bunk.  
8 And, you know, they're to tweak those tracks, now.

9 So, you know, maybe it is time to pause and look  
10 at what's happening out there, and to make sure that when we  
11 go forward and the tracks are required to make these huge  
12 expenditures that they're going to, you know, serve the  
13 industry well.

14 We really don't know what the suitability and  
15 durability of these tracks are over an extended period of  
16 time, we just don't know that. And, you know, maybe with a  
17 little bit more experience we would be in a better decision  
18 to make a determination as to whether the present technology  
19 is the right technology or not.

20 As far as the waiver, you know, we wouldn't be  
21 requesting a waiver if we weren't interested in running in  
22 2008, but it depends on how many days we get. We have a  
23 certain, you know, critical mass of days that we have to  
24 have to support the operation.

25 Our 2007 dates are the pits because they were all

1 fabricated around the need for Golden Gate to put in their  
2 track.

3 And so I'm sorry, if any trainer thinks that I  
4 view them as prostitutes, I'm sorry that they do and they're  
5 100 percent wrong. And I would be amazed if that is the  
6 opinion of most of the trainers on the backside of Bay  
7 Meadows. But Mr. Anton is certainly entitled to his opinion  
8 and it's a free country.

9 That's where we stand. I mean, I think the  
10 situation is fluid, as somebody said. I mean, you know, if  
11 all of a sudden Golden Gate and Santa Anita go south, I  
12 don't know, it's a tough spot.

13 So if there's any questions, I'd be glad to  
14 answer. Again, I mean, my solution is just to suspend the  
15 rule. And I think there's a basis of that and I think that  
16 the AG might be able to explain at some future date as to  
17 how this rule uniform -- you know, has uniformity of  
18 regulation for thoroughbred races.

19 COMMISSIONER AMERMAN: From my perspective, that  
20 is an excellent presentation.

21 MR. LIEBAU: But.

22 COMMISSIONER AMERMAN: Back in May -- no, not but.  
23 But back in May, I think when you applied for the waiver, I  
24 think Mr. Shapiro asked you whether you would guarantee  
25 dates for 2008 and 2009.

1 MR. LIEBAU: And I said we weren't in a position  
2 to do that.

3 COMMISSIONER AMERMAN: Right. And then I believe,  
4 and Mr. Shapiro can speak for himself, but I believe he, and  
5 Drew Couto, and Ed Halpern went up and talked to the  
6 trainers, and out of that meeting came a -- can I call it  
7 compromise, that maybe we should consider 2008. And they  
8 supposedly went over and talked to you to guarantee the --

9 MR. LIEBAU: I don't know who talked to me. I can  
10 tell you straight out that nobody talked to me, and I have  
11 not had any conversation with Mr. Shapiro since that  
12 meeting.

13 COMMISSIONER AMERMAN: Well, let me ask the  
14 question a little differently. Will you guarantee dates in  
15 2008, assuming that they were fair dates?

16 MR. LIEBAU: We would not be applying for the  
17 waiver.

18 COMMISSIONER AMERMAN: I don't mean fair, as in  
19 California fairs, but I mean reasonable.

20 MR. LIEBAU: I understand, reasonable.  
21 Commercially reasonable, how's that.

22 COMMISSIONER AMERMAN: Yeah.

23 MR. LIEBAU: Yeah.

24 COMMISSIONER AMERMAN: Okay, that's the first time  
25 I've heard that. I've not heard that.

1           COMMISSIONER MORETTI: Is that a -- are you  
2     guaranteeing dates --

3           MR. LIEBAU: Depending on how many days we get and  
4     what the dates are.

5           COMMISSIONER AMERMAN: But the premise there is  
6     that they would be consistent with what has happened in the  
7     past years, I mean, and we can argue about weeks.

8           MR. LIEBAU: I think, Mr. Amerman, these dates  
9     have jumped all over the calendar.

10          COMMISSIONER AMERMAN: I understand.

11          COMMISSION VICE-CHAIRPERSON HARRIS: Well, but I  
12     think we've got to have some -- Bay Meadows has to feel that  
13     we're going to be fair, and it's hard for us to guarantee  
14     exactly what the dates are. But I think that --

15          COMMISSIONER AMERMAN: Well, reasonable people can  
16     make reasonable decisions and --

17          MR. LIEBAU: I think that we could reach a  
18     reasonable conclusion on that.

19          COMMISSIONER AMERMAN: And you will be willing to  
20     race on 2008?

21          MR. LIEBAU: Based on us reaching a reasonable  
22     conclusion, Mr. Amerman.

23          COMMISSIONER AMERMAN: That's the first time I've  
24     heard that.

25          MR. LIEBAU: And I also have to say that, you

1 know, this thing could be a mess, and the mess is if -- and,  
2 you know, I guess to some extent I -- you know, we're kind  
3 of all in the soup together on this. But the worse thing  
4 that could have happened as far as our waiver, as far as  
5 those that opposed the waiver is happening, and that's the  
6 fact that there's some question about whether --

7 COMMISSIONER AMERMAN: Well, that's what life is  
8 all about, I think. I mean, we can't look into the future.

9 MR. LIEBAU: I know but, you know, we have good  
10 days and bad days.

11 COMMISSION VICE-CHAIRPERSON HARRIS: Well, we want  
12 to fight the next war, not the last one. But I think you've  
13 got kind of terminesque approach at times, you know, if I'm  
14 nominated, I will not run. If I'm elected, I will not  
15 serve. But I think that we need to get an assurance that if  
16 you've got dates that are fair dates for '08, you're fine  
17 with it.

18 MR. LIEBAU: I am saying that if we got dates that  
19 made sense to us that we would run. And that's where we  
20 are, John, and I'm not saying any more than that.

21 COMMISSIONER AMERMAN: Thank you very much. Thank  
22 you.

23 MR. LIEBAU: And I still think that it's in the  
24 best interest of California racing for you to think very  
25 seriously about suspending the rule. Because I will tell

1 you this, that if Santa Anita does not put in that track, I  
2 would not blame Santa Anita, because I think of all the  
3 problems that are going on, now. You've got Martin Collins,  
4 who's sort of the father of the synthetic tracks and, you  
5 know, Martin Collins says "America has been a very difficult  
6 market, the products are not the same as we use at home, and  
7 we have been reinventing the wheel a bit." That's the  
8 father of synthetic tracks. I mean, there have been  
9 problems in California.

10 Did you expect those problems when you adopted  
11 that rule? Hell, no, nobody --

12 COMMISSIONER AMERMAN: But you would accept the  
13 fact that certainly your cushion track at Hollywood Park has  
14 been kinder to horses than maybe the dirt track was in the  
15 past?

16 MR. LIEBAU: I will accept that. But I think that  
17 one thing that I did say, Mr. Amerman, and I don't know the  
18 answer to this, and I don't know if anybody knows the answer  
19 to this, it is that we do not know what the suitability and  
20 the durability of these tracks over an extended period of  
21 time.

22 COMMISSIONER AMERMAN: That's very true.

23 MR. LIEBAU: You take Ling Field, for instance,  
24 which is sort of the poster child of synthetic tracks in  
25 England. I would almost bet that we have more horses on the

1 Hollywood Park track in a single day than that track has in  
2 an entire season. They run about 20 days. We might have  
3 2,000 horses and we race in the afternoon and train in the  
4 morning.

5           Maybe I'm off. Maybe it's five days. But these  
6 tracks are getting a lot more wear and tear than they do in  
7 England, for sure, because they don't train on the tracks.

8           COMMISSION VICE-CHAIRPERSON HARRIS: Yeah, I think  
9 we're all underestimating the learning curve. I think we  
10 assume that you just put it in and it takes care of itself,  
11 but it sounds like it's a lot more complicated.

12           MR. LIEBAU: Well, I mean, the big thing was and,  
13 you know, I corrected Mr. Amerman, although his quote got in  
14 the paper on that --

15           COMMISSIONER AMERMAN: Which one is that?

16           MR. LIEBAU: About how we were going to save all  
17 this money on maintaining these tracks, and not have to put  
18 in water and everything. I'll tell you one thing, we're  
19 putting the water to the track. And, you know, it's costing  
20 us more money as manpower is concerned, and everything else.  
21 I mean, I don't know whether it's costing us more, but it's  
22 certainly no bonanza as far as saving money with the  
23 maintenance of these tracks.

24           COMMISSIONER MORETTI: Jack, and I think you made  
25 some really good points, including going back to Mr. Hartman

1 and asking him the question.

2           However, you say if you were to get dates that  
3 make sense to you. Can you be more specific? You're such a  
4 good attorney and I want to know --

5           MR. LIEBAU: No, I really can't.

6           COMMISSIONER MORETTI: But you have enough -- you  
7 have many years of experience. If you could pick a year  
8 that was a fabulous year, with those particular dates, how  
9 many weeks, what are you talking about in terms -- just give  
10 me some parameters.

11           MR. LIEBAU: Well, one of the things that's up in  
12 the air, now, that may not -- you know, that complicates the  
13 thing even further is this thing with the fairs, as far as  
14 overlaps is concerned. And I don't know, based upon where  
15 the Board is with respect to certain tracks that were put on  
16 probation. And, you know, I think those tracks have an  
17 entirely different conception of what the probation means,  
18 than what Chairman Shapiro said at that point in time. So I  
19 mean, don't know, you know.

20           COMMISSION VICE-CHAIRPERSON HARRIS: What do you  
21 mean by probation?

22           MR. LIEBAU: Well, I thought that, you know, there  
23 was some talk that, for instance, Vallejo and Stockton were  
24 getting one last chance. I think if you read the  
25 transcript, there was discussions of that.

1 COMMISSION CHAIRPERSON SHAPIRO: Well, okay.

2 COMMISSIONER MORETTI: That's different.

3 COMMISSION VICE-CHAIRPERSON HARRIS: That's kind  
4 of a strong term for it.

5 COMMISSION CHAIRPERSON SHAPIRO: I don't think  
6 anybody was put on probation. I don't think -- I think what  
7 we talked about, Mr. Liebau, was trying to create a stronger  
8 racing network of fairs.

9 MR. LIEBAU: Well, I agree. I mean, but as  
10 Mr. DeMarco pointed out, the transcripts will speak for  
11 itself.

12 COMMISSION CHAIRPERSON SHAPIRO: That's fine. We  
13 want to see better racing at Stockton.

14 MR. LIEBAU: We all do.

15 COMMISSION CHAIRPERSON SHAPIRO: Great. And so I  
16 wouldn't characterize it as probation.

17 MR. LIEBAU: I'm sure that Mr. White will sleep  
18 better tonight.

19 COMMISSION CHAIRPERSON SHAPIRO: Okay.

20 COMMISSION VICE-CHAIRPERSON HARRIS: He probably  
21 sleeps all right every night.

22 COMMISSIONER CHOPER: Can I add something?

23 COMMISSION CHAIRPERSON SHAPIRO: Yes, please.

24 COMMISSIONER CHOPER: We all know that the dates  
25 at Bay Meadows have become very irregular over the past

1 whatever it is, I don't remember. But you used to know  
2 where to go, now you don't anymore, unless you look at the  
3 calendar.

4 MR. LIEBAU: We've missed you.

5 COMMISSIONER CHOPER: Pardon?

6 MR. LIEBAU: We've missed you.

7 COMMISSIONER CHOPER: No, I'm here. But would it  
8 be possible to agree, obviously, it's going to be difficult  
9 to come up with a schedule -- when is the schedule awarded?

10 COMMISSION CHAIRPERSON SHAPIRO: The schedule is  
11 usually done around September or October.

12 COMMISSIONER CHOPER: All right, so we're talking  
13 about four or five months from now. Would you agree, if  
14 others do, and this is just an idea, to submit any dispute  
15 to a neutral third part, that I imagine in essence -- that  
16 the relevant people would agree to. I don't know, you  
17 obviously would be one of them, I don't know who else would  
18 agree to the selection of the neutral party. And use the  
19 criterion that you've stated here, decent racing dates,  
20 consistent with what's happened in the past.

21 MR. LIEBAU: Well, I think that, Commissioner  
22 Choper, we've bantered around this issue a number of times  
23 and have sparred on it for a long period of time, and I'm  
24 somewhat guarded because I don't want to have any musings up  
25 here as far as authority and non-authority. But I will tell

1 you that if we can come up with some schedule that makes  
2 some sense for us, we're there.

3 We wouldn't be applying for a waiver, if we didn't  
4 want to run, that's obvious. Now, maybe it was a mistake to  
5 apply for two years, when we did that. But, you know, we  
6 did it. Maybe there was some thought that there was going  
7 to be a compromise and we'd get a year. You know, maybe  
8 that was a misjudgment that was made, but those things  
9 happen, too.

10 So if the dates don't come up right, you know, we  
11 aren't going to --

12 COMMISSIONER CHOPER: Well, but would you --

13 MR. LIEBAU: But what do the dates have to do with  
14 the waiver.

15 COMMISSIONER CHOPER: I understand. but --.

16 MR. LIEBAU: They really are unrelated. I mean,  
17 any racing association is not obligated to continue to run.  
18 I mean, it's never been that way.

19 COMMISSIONER CHOPER: No, but you -- I'm just  
20 trying to follow up, in what I hope is a helpful way, to  
21 your --

22 MR. LIEBAU: Right. It might be too helpful to  
23 the Board and not helpful to me.

24 COMMISSIONER CHOPER: Pardon me? I'm not at all  
25 sure that it's not -- that there's no mutuality of interest.

1           MR. LIEBAU: Well, the mutuality of interest,  
2 where the interest diverged is with respect to the  
3 investment in Bay Meadows, that is there's no question that  
4 the investors that have a -- have put up the money, which  
5 mainly are pension plans, that money has been invested on  
6 the basis of achieving certain returns, and in order to  
7 achieve those returns, the property is going to be developed  
8 at some point.

9           COMMISSIONER CHOPER: Well, I'm just looking to  
10 the narrow issue of how it might be possible to resolve the  
11 question of 2008. And the question was asked that if you  
12 would agree to run in 2008, then there might be well an  
13 opportunity to --

14           MR. LIEBAU: Well --

15           COMMISSIONER CHOPER: Let me just finish -- to  
16 extend it, to extend a waiver, or whatever you want to call  
17 it, and your condition was that you get a decent racing  
18 calendar. And that seemed to be generally accepted, at  
19 least assume that it's generally accepted.

20           Now, the racing calendar isn't made for four or  
21 five months from now. There's a lot of benefit in resolving  
22 the issue before another four or five months pass. I think  
23 it's fair to say that -- I know I would feel uncomfortable  
24 if I were in the position of saying, yes, the guarantee's  
25 done, but you have a veto of what the racing calendar is

1 five months from that.

2 MR. LIEBAU: I don't think we're going to do that.

3 COMMISSIONER CHOPER: Let me just finish. So one  
4 way of resolving that is to say that if you would agree to  
5 have any dispute on the question as to whether it is a,  
6 whatever the word is, decent racing calendar, if it couldn't  
7 be agreed to here, that you have it resolved by some neutral  
8 third party, which you would have a hand in selecting.  
9 Would you be willing to do something like that?

10 Then, if you assume that that proposal of  
11 guaranteed racing for '08, as against a guaranteed series of  
12 dates, if that were to go through, then we could resolve the  
13 whole thing.

14 MR. LIEBAU: I have a suggestion, and my  
15 suggestion is this, that this is not an action item today,  
16 and if we huddled with Golden Gate, and came up with a  
17 calendar that was acceptable to both of us, because  
18 there's -- we're on both sides of the fairs, and we brought  
19 that calendar back to the meeting next month, that may then  
20 be an action item, we wouldn't have any uncertainty, there  
21 wouldn't be --

22 COMMISSION VICE-CHAIRPERSON HARRIS: Yeah, I think  
23 the huddle would have to include the fairs somewhat, and the  
24 horsemen.

25 MR. LIEBAU: Oh, sure, we don't have a problem

1 with that. We have the horsemen, and the fairs, and  
2 whatever. So I mean, we come up with something, and we  
3 bring it to you and, you know, you have the last authority,  
4 but it brings certainty to this. We don't have me saying  
5 one thing, and you interpreting it one way, and me  
6 interpreting it another way, and we don't have arbitration,  
7 and it's just done. And nothing is going to be -- no time  
8 is going to be lost in going through that exercise.

9 COMMISSIONER MORETTI: Can I ask you one more  
10 question? To the best of your knowledge, the permitting  
11 process of the development, or the redevelopment, or the  
12 development, I guess it is, of the Bay Meadows property, do  
13 you have any anticipated dates as to when you're going to  
14 finish that process?

15 MR. LIEBAU: Well, I think that if you look in the  
16 staff report that was prepared in connection with the  
17 waiver, your staff did have discussions with the planning  
18 commission, and they did not think that anything would be  
19 done until the end of 2009.

20 COMMISSION CHAIRPERSON SHAPIRO: But what do you  
21 think? Let's not talk about our staff, because I  
22 don't --

23 MR. LIEBAU: No, no, I understand.

24 COMMISSION CHAIRPERSON SHAPIRO: Why don't you  
25 tell us -- why don't you tell us what the latest time table

1 is?

2 MR. LIEBAU: The real estate people are more  
3 optimistic than that, and that's why I'm just talking about  
4 2008, talking about bringing a calendar back to you that  
5 would have some certainty. That there's going to be no time  
6 lost on account of that because you can't do anything today,  
7 anyhow.

8 COMMISSIONER MORETTI: I would have a request and  
9 that is that if you all do huddle, that one of the things  
10 that you consider at the March meeting -- was it March?  
11 Whenever. Was it May?

12 COMMISSION CHAIRPERSON SHAPIRO: It was March.

13 COMMISSIONER MORETTI: Okay, excuse me. This is  
14 getting too much. At the March meeting, when we were  
15 talking about it, and I asked the horsemen, not the TOC, per  
16 se, but the trainers if they had a plan for the -- what  
17 seems to be the inevitable closure of Bay Meadows Race Track  
18 because of the development process that you're already going  
19 through, and they said -- and we got a couple of mixed  
20 reactions. One was we're waiting to work on a plan when we  
21 hear when the closure is. Since we don't really know when  
22 the closure is, and from what I hear you saying, the real  
23 estate people might be more optimistic, but you also don't  
24 know exactly when the closure is, but you think it's  
25 going --

1           MR. LIEBAU: Well, I think it's been pretty well  
2 assumed, for some period of time, that November 24th is the  
3 closure date of Bay Meadows.

4           COMMISSIONER MORETTI: Okay, but let's say it's  
5 November 24th next year, or 2009, or whenever it is, all I'm  
6 asking you is that during your huddle you bring in the  
7 trainers and the rest of the folks, that were so concerned  
8 about losing their jobs on, so that they can at least  
9 initiate some kind of a plan. Because that's what I've  
10 heard a lot of from people on both sides of the fence, pro  
11 and con, that they don't have time to make a plan, that  
12 you're not giving them time to make a plan, that we're not  
13 giving them time to make a plan.

14           So thinking about all those workgroups that are  
15 over there, if they could be part of the process. Perhaps  
16 not your initial dialogue with Golden Gate, but that you  
17 bring them into the process so that -- because I found that  
18 they were very surprised.

19           MR. LIEBAU: Well, as far as the Bay Meadows  
20 employees, per se, are concerned, we have had company  
21 meetings about the status of things and have kept them  
22 thoroughly advised.

23           As far as making a plan for what happens when Bay  
24 Meadows closes, the problem, and maybe it's a chicken and  
25 egg situation, but I mean there are only certain

1 alternatives that are available.

2 I mean, you can race more dates at Golden Gate. I  
3 don't think anybody thinks you could race all of the Bay  
4 Meadows dates at Golden Gate, you would have to then use  
5 some of the facilities that are in place. Having been  
6 employed by various people over the years, I can tell you  
7 that when I was with Magna, and when I was with Paine  
8 Webber, and when I was with whoever, my alternative was  
9 always sent to higher ups was that Cal Expo made the most  
10 sense.

11 And one of the problems with some of the tracks  
12 are that they're narrow, or they're in community areas. And  
13 you know, for a long, long time it was thought that  
14 Pleasanton would not be receptive to any additional racing  
15 days. Now, it appears that that has changed with time, that  
16 Pleasanton is a viable alternative.

17 So I mean there are -- I don't think anybody's  
18 going to build a new track, you know, at this point in time  
19 in Northern California.

20 COMMISSION VICE-CHAIRPERSON HARRIS: Well, I think  
21 the big problem is, though, that someone, Pleasanton, or  
22 Sacramento, or some other fair, possibly, needs to put a lot  
23 of money, like maybe \$20 million into a synthetic track,  
24 into a turf course, if they don't have one, into new barns,  
25 maybe into different things, into grandstand, and that's

1 going to take a commitment to race more than just one year,  
2 they've got to have a multi-year commitment from the Board  
3 that they will, in fact, have racing dates.

4 MR. LIEBAU: I think that's right, and that leads  
5 you to another subject, and that is that, you know, even a  
6 \$20 million investment by -- whether it's by a public  
7 entity, or a private entity, that has to generate some  
8 return. And the racing business is such in Northern  
9 California that that's tough. And, you know, our business -  
10 - we need to fix the business.

11 I keep talking about that because the business  
12 will generate the facilities if it prospers. And if it's  
13 declining, it's not going to justify the expenditure unless  
14 the State or somebody is going to make it, which I don't  
15 think is going to happen.

16 COMMISSION CHAIRPERSON SHAPIRO: Mr. Liebau, let  
17 me ask you a couple of questions, please. If Bay Meadows is  
18 granted a waiver for 2008, and let's say some of those dates  
19 were in November, December, whenever they are, are you in  
20 fact willing to commit to race for the entire year of 2008?

21 MR. LIEBAU: Mr. Shapiro, I know where you're  
22 going and the answer is I don't know about November and  
23 December, okay. I mean, I'm closing on November 24th, now,  
24 and that's the latest I've closed in a long time. So I  
25 don't know. That's why I'm suggesting that we get a

1 schedule together and come up with something, and if it  
2 works, it works. And if it doesn't, it doesn't.

3 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,  
4 again --

5 MR. LIEBAU: And I'm asking for a month.

6 COMMISSION CHAIRPERSON SHAPIRO: Now, wait a  
7 minute, I don't have a problem with our coming back in a  
8 month, I don't have that problem.

9 Where I think we got off track last time was, and  
10 I can only speak personally, it was that when you asked for  
11 a two-year waiver, rather than a one-year waiver, I,  
12 frankly, was surprised. And then it was that you weren't  
13 able to -- it wasn't that you said you wouldn't, you weren't  
14 able to commit to race. And that was -- as you know, our  
15 Board has been facing the uncertainty of knowing that  
16 eventually Bay Meadows is going to close.

17 And we, as a Board, are concerned about the jobs,  
18 about the people, about everybody, of wanting to make sure  
19 that we provide a succession plan, wherever that happens and  
20 whenever that happens.

21 And so one of the big issues here, as you well  
22 know, having run as many racetracks as you have, that it is  
23 difficult to just switch overnight, and so we are looking at  
24 it and trying to know that we have enough advance warning  
25 and knowledge so that we can effectuate a succession plan.

1           So that's why I'm curious, that it's fine with me  
2 that if you, and TOC, and CTT, and Golden Gate, and the  
3 fairs get together and can come up with a plan for 2008,  
4 that is in the best interest of all the parties, I think  
5 that's something we have been and continue to be very  
6 receptive to.

7           But, and the only but in it for me is that if  
8 there is a plan I just want to know, as I think everybody  
9 would want to know, that you're committed to see that plan  
10 through for whatever period that is.

11           So that's why I'm asking if -- if the way the plan  
12 works, if it was a mirror image of this year, would that --  
13 would you be able to commit?

14           MR. LIEBAU: I'm not able to commit to that, no.  
15 I'm not saying I'm not going to and that I can't commit, but  
16 I can't commit at this point.

17           COMMISSION VICE-CHAIRPERSON HARRIS: But you could  
18 commit next month, if you've got that plan in hand?

19           MR. LIEBAU: Right, right.

20           COMMISSION VICE-CHAIRPERSON HARRIS: I think we  
21 just need to know at some point. I don't think we need to  
22 know today, but we can't just go on forever that maybe we  
23 will and maybe we won't.

24           COMMISSION CHAIRPERSON SHAPIRO: Okay. Again,  
25 because what we're trying to do is to provide for everybody,

1 and that's what our ultimate goal is. And I'm also very  
2 curious, because you do have experience with cushion track,  
3 and I agree with you there have been challenges. And I  
4 think that whether we naively thought there would be a steep  
5 learning curve, I think that at the presentations that we  
6 heard from the people from Turf, Bob Ellison, and Nick  
7 Nicholson, when we had all those different meetings, which I  
8 think you attended, both down south and up north, and we  
9 listened to all the different vendors, I think we all heard  
10 there was a learning curve involved.

11 But notwithstanding, the surfaces do appear to be  
12 better for the horses in terms of it's less in fatalities,  
13 it's less in career ending injuries, and it is certainly  
14 better for the riders. Having the experience that you have,  
15 are you not a fan of synthetic surfaces, now?

16 MR. LIEBAU: No, I agree with everything that  
17 you've said. But I do say that I don't know what the  
18 suitability and durability of those tracks over an extended  
19 period of time are, that's all I'm saying. But there's no  
20 question --

21 COMMISSION CHAIRPERSON SHAPIRO: All right, but  
22 you are still a fan of synthetic surfaces.

23 MR. LIEBAU: There's no question that they appear  
24 to be safer. There are injuries. There aren't as many  
25 fatalities.

1           COMMISSION CHAIRPERSON SHAPIRO: And it has helped  
2 field size for the most part, it appears.

3           MR. LIEBAU: And it's helped field size, and I  
4 think it has attracted horses to California. All of those  
5 things, there's no question about it.

6           All I'm saying is that there are some problems  
7 with these tracks and, luckily, we haven't had the problems  
8 that they had at Turfway and at Woodbine. So, you know,  
9 that's where we are. We'll know a lot more when the Del Mar  
10 track gets in, or is in.

11          COMMISSION CHAIRPERSON SHAPIRO: Okay. Again, we  
12 recognize it's a very difficult balancing act that we're all  
13 trying to figure out. The balancing act of where is the  
14 industry going to move forward over the next two years, five  
15 years, ten years, and how do we preserve our horse  
16 population and increase racing opportunity. And I believe  
17 that that's what we're all trying to do.

18          MR. LIEBAU: I think what the main thing is that  
19 we've got to all, together, got to concentrate on fixing the  
20 business. Because this is not a good business for the  
21 tracks and it's not a good business for the owners.

22          COMMISSION CHAIRPERSON SHAPIRO: Well, if you were  
23 at the legislative committee meeting earlier, and I think  
24 that that was certainly the sentiment of everybody there.

25          MR. LIEBAU: No, but I mean, I just want to say

1 that all of those things will take care of themselves if we  
2 can improve the business.

3 COMMISSION CHAIRPERSON SHAPIRO: I think  
4 that's -- I don't think anybody in this room would disagree  
5 with that.

6 Okay, thank you, Mr. Liebau. Anybody else for  
7 Mr. Liebau? If not, this nice gentleman over here.

8 COMMISSION VICE-CHAIRPERSON HARRIS: And when we  
9 come back, in June we'll agenda something and, hopefully,  
10 get some closure on the whole issue.

11 COMMISSION CHAIRPERSON SHAPIRO: It's fine with me  
12 that we bring it back in June. In the interim, I would hope  
13 that Golden Gate, TOC, CTT, Bay Meadows and the fairs all  
14 get together and look at all their options.

15 Before you, Mr. Corbett has patiently waited.

16 MR. CORBETT: Thank you, Mr. Chairman. I've  
17 developed a learning curve while waiting. I am here  
18 representing the County of San Mateo, today. And within the  
19 last ten days the County of San Mateo has unanimously passed  
20 two resolutions relative to Bay Meadows. The first of those  
21 resolutions was passed last Tuesday and respectively  
22 requests that racing continue at Bay Meadows, both in terms  
23 of live racing and the continuation of simulcast.

24 We believe that Bay Meadows is very important to  
25 the local economy, not just to San Mateo County but, more

1 specifically, to the City of San Mateo.

2           And I would disagree with Mr. Liebau's comments  
3 only to the extent that he underestimated the economic  
4 impact on those two entities. Our estimation is that the  
5 impact is \$1 million on the County of San Mateo, and \$1.2  
6 million on the City of San Mateo.

7           So we would respectfully ask that you see your way  
8 to make certain that racing continues at Bay Meadows, and  
9 that the San Mateo Event Center continues to be the focus of  
10 that.

11           The second resolution which was passed this  
12 morning, also unanimously, respectfully asks that you  
13 revisit and reverse your decision relative to the request  
14 for the waiver that was made back in March. We believe that  
15 the waiver would certainly help the continuation of racing  
16 there. It would certainly help the local economy.

17           And we believe that if you, in fact, enforce the  
18 requirement that they go to a synthetic track, it would in  
19 fact force the premature closure of the race track at Bay  
20 Meadows, which certainly would be to the negative for all  
21 concerned.

22           So those are the two resolutions that were  
23 adopted, again unanimously, by the Board of Supervisors. I  
24 have copies that I will give to whomever is the appropriate  
25 person, so that you may read them in their entirety. Thank

1 you very much.

2 COMMISSION VICE-CHAIRPERSON HARRIS: Would you,  
3 just to clarify, am I clear that the County of San Mateo or  
4 City of San Mateo would prefer racing at Bay Meadows versus  
5 other types of commercial development that are being  
6 proposed?

7 MR. CORBETT: I'm only speaking to this resolution  
8 because I don't know the complexities of other things that  
9 may be going on.

10 I can tell you, again, that the Board of  
11 Supervisors in San Mateo request that racing continue at Bay  
12 Meadows, both in the live form and by simulcast. But there  
13 is this caveat, if in fact it does not continue at Bay  
14 Meadows pursuant to some decision you may make, they would  
15 hope that if it is at some other location that the legal  
16 obligations associated with Bay Meadows, as well as the  
17 revenue that flows to Bay Meadows as a result of racing  
18 would continue, notwithstanding where you may relocate the  
19 racing.

20 COMMISSION CHAIRPERSON SHAPIRO: Well, just so you  
21 know, I hope Bay Meadows stays a racetrack for the next ten  
22 years, you know.

23 (Applause.)

24 COMMISSIONER MORETTI: I want to clarify, though,  
25 I assume you mean the fair, for Bay Meadows racing fair, is

1 that what you're talking about?

2 COMMISSION CHAIRPERSON SHAPIRO: Well, no, I  
3 believe you're talking about the simulcasting that would  
4 then revert to the Event Center.

5 MR. CORBETT: The Event Center.

6 COMMISSION CHAIRPERSON SHAPIRO: And I just want  
7 to clarify, from my perspective, I don't want to see Bay  
8 Meadows close, I hope it stays a racetrack for many, many  
9 years. But if -- it's not our decision. And if,  
10 unfortunately, it does close, I would also think there's a  
11 fan base there and there would be jobs created, and we would  
12 then want to see that there is at least wagering at the  
13 Event Center, which is adjacent to it, or shares the same  
14 parking lot. I believe, I can't speak for the Board, but I  
15 personally would very much favor to see that continue, we  
16 have a fan base there.

17 MR. CORBETT: We would be happy to have you sign a  
18 resolution.

19 COMMISSION CHAIRPERSON SHAPIRO: I'll sign it. If  
20 you'll give me a copy, I'll sign that. I've got no problem  
21 with that. Thank you.

22 MR. CORBETT: Thank you very much.

23 COMMISSION CHAIRPERSON SHAPIRO: Okay, Mr. Power.

24 MR. POWER: Hello, again. Thank you for hearing  
25 me. Just to qualify, briefly, I'm a third generation horse

1 owner, breeder in California, currently own about 60 horses,  
2 give or take, mostly in California.

3 Mr. Liebau is correct, we have a learning curve  
4 involved with the synthetic track. However, we don't have a  
5 learning curve involved with the Bay Meadows dirt track. At  
6 the most recent race meet, which was about a 40-day period,  
7 26 horses died, 26 animals died at the dirt track owned by  
8 Bay Meadows Land Company, owned by Jack Liebau.

9 Now, I did not attend the March 22nd Board  
10 meeting. However, I did read the transcript. And in that  
11 transcript Mr. Andreini estimated that the monthly cost of  
12 animals which broke down at Bay Meadows at \$1 million.

13 COMMISSION VICE-CHAIRPERSON HARRIS: Andreini  
14 didn't make that.

15 COMMISSION CHAIRPERSON SHAPIRO: No, I don't think  
16 that was Mr. Andreini.

17 MR. POWER: That's what the transcript said.

18 COMMISSIONER ANDREINI: Well, I never said that.

19 COMMISSION CHAIRPERSON SHAPIRO: Then we need to  
20 fix the transcript.

21 MR. POWER: Well, in any event, we're talking  
22 millions of dollars in animals breaking down in roughly a  
23 40-day period. Now, everybody here has been so interested  
24 in what about Bay Meadows, what about the labor unions, what  
25 about this group and that group. What about the animals?

1 No one has spoken up for the animals.

2 The tracks don't want to contribute to a  
3 retirement fund for them. But, yet, Bay Meadows Land  
4 Company, according to the San Diego Tribune, contributed \$2  
5 million to political campaigns in the last four years, about  
6 \$500 of which to Senator Yee. Who, along with Mr. Harris,  
7 who also contributed significantly to Senator Yee's  
8 contributions --

9 COMMISSION CHAIRPERSON SHAPIRO: Mr. Power, Mr.  
10 Power, I don't like to cut people off but, frankly, if you  
11 want to speak to the health of the horse, I really don't  
12 think --

13 MR. POWER: I do.

14 COMMISSION CHAIRPERSON SHAPIRO: Let's stick to  
15 that, please.

16 MR. POWER: I do.

17 COMMISSION VICE-CHAIRPERSON HARRIS: I'm sorry, I  
18 totally --

19 MR. POWER: Pardon me, I'm speaking now, Mr.  
20 Harris. I think the actions of the Board must be united  
21 with their private actions, and I don't see that happening.  
22 There needs to be protection for the animals involved, and  
23 I'll tell you why, and not just for the animal's sake, for  
24 the owners' sakes, for the trainers' sakes, for the sport's  
25 sake.

1           How many new fans, who go to Bay Meadows Race  
2 Track, and see a horse break down are likely to come back  
3 again. How many new investors in racing, who watch their  
4 newly acquired horse break down at Bay Meadows Race Track  
5 are going to come back?

6           How many employees, who work at Bay Meadows Race  
7 Track, who get sick of the carnage there, are going to  
8 remain good employees?

9           How many city residents of San Mateo, who go to  
10 the track and watch these things happen on their home turf,  
11 are going to be happy with the sport?

12           What I've heard today are excuses, hyperbole, and  
13 rhetoric about changing the rule, that the Board majority  
14 wisely adopted two months ago. Please, do not go back on  
15 that. The horses depend on you, the owners depend on you,  
16 the trainers, the sport.

17           If we go back to the days that Mr. Liebau wants,  
18 by just deferring it, let's just defer it, which is another  
19 way of saying let me have my way until economics finally  
20 make sense where we can develop this thing, how many horses  
21 are going to die? How many horses that will be on your  
22 backs if you allow this action to be turned around? It will  
23 be on your backs because you had the chance that you took,  
24 and thank God you took it, to stand up for the horses, and  
25 the owners, and the trainers to say, look, these lives mean

1 something. It's more than just revenue to the city, it's  
2 more than just making Bay Meadows Land Company a little bit  
3 richer, it's about the animals.

4 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Mr.  
5 Power.

6 MR. POWER: I also am a member of CTBA Board  
7 Watch. We have received many, many replies back to our  
8 various articles from owners, from trainers, from people in  
9 upper management of racetrack, from Walter Thompson, the  
10 oldest living breeder in California, who support you folks  
11 and what you have done.

12 We have been told by owners and trainers, and many  
13 times, if they don't get an artificial surface up here, we  
14 won't race here.

15 I just got an e-mail two days ago, from a man in  
16 the Bay Area, he has an eight-horse stable. I forget the  
17 numbers, but two of them broke down during the Bay Meadows  
18 meet. He said, "I will not race there anymore."

19 You need to plug those factors into your equation  
20 when you start thinking about giving Mr. Liebau and his  
21 vague promise of dates a second thought.

22 You need to talk with realtors in the area, who  
23 might tell you what I've been told by them, that the market  
24 for commercial and housing in the immediate Bay Meadows are  
25 is very poor with no signs of turning around. They won't be

1 developing that property for years, they will string it  
2 along.

3 Like Mr. Andreini, I'm on longer than my years,  
4 they'll string it along until maybe a couple hundred horses  
5 are dead. If they string it along ten years, that's a  
6 couple hundred horses.

7 COMMISSION CHAIRPERSON SHAPIRO: All right, I  
8 appreciate it, Mr. Power.

9 MR. POWER: Thank you.

10 COMMISSION CHAIRPERSON SHAPIRO: Thank you. We  
11 have to move the meeting along.

12 Mr. Blonien, go ahead.

13 MR. BLONIEN: Mr. Chairman and members, Rod  
14 Blonien, on behalf of Bay Meadows. I just wanted to correct  
15 two things that Mr. Power said, in the interest of accuracy.  
16 Number one, Bay Meadows Land Company, Stockbridge Partners,  
17 have not made contributions of any significant size to  
18 Senator Yee. It was a great disservice of Mr. Power to  
19 misrepresent the facts.

20 Secondly, in terms of the number of breakdowns at  
21 Bay Meadows that, too, was an exaggeration and was very  
22 inaccurate. Thank you.

23 COMMISSION CHAIRPERSON SHAPIRO: All right. Okay.  
24 All right.

25 COMMISSION VICE-CHAIRPERSON HARRIS: And just to

1 clarify, too, for the record, I have never made any  
2 political contributions to Senator Yee.

3 COMMISSION CHAIRPERSON SHAPIRO: Okay. And I'll  
4 have to admit, I didn't, either.

5 (Laughter.)

6 COMMISSION CHAIRPERSON SHAPIRO: Sorry, I couldn't  
7 resist that. But I might. No.

8 Okay, Chris Korby.

9 MR. KORBY: Chris Korby, representing California  
10 Authority of Racing Fairs, and I'll be as brief as I can. I  
11 just want to tell the Board that we would welcome the  
12 opportunity to sit down with the other principal  
13 participants of racing in Northern California and talk about  
14 the 2008 dates. So we will be there, we think it's  
15 appropriate that we're involved in those discussions.

16 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Chris.  
17 Jerry Jamgotchian.

18 MR. JAMGOTCHIAN: Mr. Chairman and members of the  
19 Board, you know, I think what I'd like to do is I'd like to  
20 make a contribution to Senator Yee.

21 (Laughter.)

22 COMMISSION CHAIRPERSON SHAPIRO: Do you want us to  
23 pause and write a check, now, or do you want to do it later?

24 MR. JAMGOTCHIAN: No, I can do it after. I intend  
25 on making a contribution to his upcoming reelection,

1 whenever he comes for reelection.

2 COMMISSION CHAIRPERSON SHAPIRO: Okay, just be  
3 careful, that's on the transcript, did you say a big one?

4 (Laughter.)

5 MR. JAMGOTCHIAN: You know what, I think I will  
6 make a big one, yes.

7 COMMISSION CHAIRPERSON SHAPIRO: All right. You  
8 know what, let's stop. No kidding -- for the record,  
9 because it gets on the record, that was all joking. Let's  
10 just move on.

11 MR. JAMGOTCHIAN: Mr. Shapiro, as you know, I have  
12 approximately 158 horses and I have a significant investment  
13 in California and horse racing throughout the United States,  
14 and really in the world. And I think this Bay Meadows issue  
15 has been the best thing for California horse racing.

16 Now, you're going to ask me why, obviously, and  
17 I'll tell you.

18 (Laughter.)

19 MR. JAMGOTCHIAN: I guess you're not going to ask  
20 me why, but I'll tell you anyway.

21 COMMISSION CHAIRPERSON SHAPIRO: I wasn't going  
22 to, but I have a hunch you'll tell us.

23 MR. JAMGOTCHIAN: You know what, the Bay Meadows  
24 issue has alerted the Legislature to shine a light on the  
25 California Horse Racing Board. And the light that they've

1 shined on this Board, they have not been happy with what  
2 they've seen. They've seen personal vendettas against  
3 people. They've seen conflicts of interests. They've seen  
4 things that if they were actually in charge of the sport, I  
5 actually think that the State could operate horse racing in  
6 a more profitable --

7 COMMISSION VICE-CHAIRPERSON HARRIS: We've gone a  
8 long day, really, this is supposed to be on specifically  
9 this item on Bay Meadows and Northern California racing.

10 MR. JAMGOTCHIAN: It is, it is, it is. I was just  
11 digressing a little bit.

12 The discussion -- I'll get back to Bay Meadows.  
13 The discussion with regards to Bay Meadows is that I don't  
14 understand why, today, this isn't an action item. You know,  
15 what do we need discussion for? We have people that are  
16 theoretically out of work, we have a racetrack that's  
17 closing, and we're here chit-chatting about it.

18 Mr. Shapiro, members of the Board, I think that  
19 this should have been an action item. And, you know, it's  
20 not, so we can just waste another month.

21 With regards to the plan that has been moved  
22 forward in Northern California, I think that it's great that  
23 a waiver is given to Bay Meadows, because I think the  
24 California Horse Racing Board, the TOC, and all the other  
25 initials out here need to put together a comprehensive plan

1 for California horse racing.

2 As Mr. Liebau stated, sitting down at that table  
3 he said, California horse racing does not work. It doesn't  
4 work, the Legislators know it doesn't work. And thank  
5 goodness they cut the budget off of this agency to get it  
6 to, hopefully, work.

7 Now, it's up to you, and Ms. Fermin, and whoever  
8 is going to implement this working group to get California  
9 horse racing to work. I, obviously, have a different take  
10 on it but, you know, I'm hopeful that things will actually  
11 improve.

12 With regards to something, I think you ought to  
13 listen seriously to this. Because we've had Magna come up  
14 here and drop one bomb today. And now they're going to come  
15 up and they're going to say that, oh, yeah, we're going to  
16 put in the synthetic track, no problem, we just need to get  
17 a grading permit and a couple other permits.

18 Well, if it was my company, and I had a concern  
19 that somebody wasn't going to perform, you know what I'd do,  
20 I'd request them to put up a bond. And I don't know why  
21 counsel, although you're sitting in for Mr. Knight, so I  
22 shouldn't really say anything about you, but I don't know  
23 why this -- I don't know why this Board doesn't request  
24 bonds from people, and companies to stand behind their word.  
25 Is there something wrong with requiring a bond?

1           COMMISSION CHAIRPERSON SHAPIRO: We have done  
2 that, Mr. Jamgotchian.

3           MR. JAMGOTCHIAN: Well, I think you got two  
4 opportunities here to get bonds. I think you should put a  
5 bond on Magna, without question. And if you're concerned  
6 about Mr. Liebau stepping forward, I'm sure that Bay Meadows  
7 Land Company would consider putting up a bond.

8           So that's just something to think about. I think  
9 it's good business and I think it's something this Board  
10 needs to focus on. This Board has to be in the business of  
11 horse racing and not in the business of vendettas or  
12 anything like that.

13           With regards to Golden Gate, I'm hearing, and I  
14 have some kind of sources in the industry, and I'm not  
15 saying this is true, but I'm hearing that actually Magna is  
16 advancing the EIR study and seeking the waiver, and I think  
17 in actuality it's probably a good business decision for two  
18 reasons. One, obviously, it will postpone their investment  
19 and, secondly, it will give them time to select the correct  
20 track.

21           But more importantly, the California Horse Racing  
22 Board, if it was awake, it would think about the EIR as  
23 something that would benefit the entire industry, and the  
24 EIR could be used as an industry tool to go around to all  
25 the cities and say, well, here's the EIR we've done on a

1 synthetic track. And there's no problems. If there aren't  
2 any problems, I don't know.

3 And then the associations would be much -- it  
4 would be much easier for them to get through an EIR process  
5 or any challenges. So I think that the Board ought to  
6 consider maybe jointly entering into an EIR study, maybe  
7 participating in it, and helping out the associations.

8 Because if you want synthetic tracks, Mr. Shapiro,  
9 and members of the Board, you're really going to have to  
10 work for it.

11 Additionally, there are a lot of good things, I  
12 think, that have happened today. And, you know, I'm not  
13 usually good at seeing a lot of positive things in  
14 California horse racing but, actually, I have seen some  
15 positive events. Like Senator Yee, Senator Machado, those  
16 are really positive events, and I congratulate both of those  
17 Legislators, and Senator Flores, and others for what they've  
18 done.

19 Because, finally, horse racing is going to be  
20 looked upon as a business. And if they need to shut this  
21 sport down and reconstruct it, I'm all for that, too.

22 I'm hopeful we can get positive leadership, that's  
23 professional, that's a business based leadership. If we get  
24 that, there's a chance for horse racing in California.

25 Additionally, I think when Mr. Liebau sat there,

1 that's the first time that I can really remember him  
2 actually communicating and putting out the olive branch.  
3 Because if I was in his position, I'd probably be worse.  
4 I'd probably be more aggressive towards the Board.

5 COMMISSION CHAIRPERSON SHAPIRO: Really?

6 (Laughter.)

7 MR. JAMGOTCHIAN: Yeah, actually, I think I would  
8 be. So I think that you ought to use this benefit that he's  
9 providing you to kind of work with him, rather than to work  
10 against him.

11 COMMISSION CHAIRPERSON SHAPIRO: Excuse me, Jerry.

12 MR. JAMGOTCHIAN: Yes, I'm almost done. With  
13 regards to 1406, Mr. Liebau referenced the rule suspension.  
14 Ms. Fermin is really good at suspending rules. If you  
15 remember, 1582, she suspended that. So the Board actually  
16 has precedent if they want to suspend the synthetic track  
17 requirement, they can suspend it. Mrs. Fermin can write an  
18 e-mail and suspend it. And you can speak with Derry Knight  
19 and he can show you how to do that.

20 COMMISSION CHAIRPERSON SHAPIRO: Okay.

21 MR. JAMGOTCHIAN: No, I have another two minutes  
22 and I'm finished.

23 COMMISSION CHAIRPERSON SHAPIRO: No, you don't,  
24 you don't.

25 MR. JAMGOTCHIAN: No, I do, I have another two

1 minutes.

2 COMMISSION CHAIRPERSON SHAPIRO: No, you don't,  
3 Jerry. Wrap it up, okay, because it is five minutes.

4 MR. JAMGOTCHIAN: Okay, I'll give you a minute and  
5 a half.

6 COMMISSION VICE-CHAIRPERSON HARRIS: It's also  
7 4:15.

8 COMMISSION CHAIRPERSON SHAPIRO: A lot of us are  
9 missing airplanes.

10 MR. JAMGOTCHIAN: Sorry.

11 COMMISSION CHAIRPERSON SHAPIRO: We're missing  
12 airplanes, too, so if you could --

13 MR. JAMGOTCHIAN: Well, I have a flight, too. So,  
14 anyway --

15 COMMISSION CHAIRPERSON SHAPIRO: Maybe we can chat  
16 on the plan.

17 MR. JAMGOTCHIAN: Yeah, we'll talk on the plane.  
18 I ask that you really don't suspend this rule, I ask that  
19 you change the date to 2010. I think that synthetic tracks  
20 are good and I don't think a suspension of the rules is  
21 totally appropriate at this time.

22 Also, Ms. Moretti, you asked the question with  
23 regards to how long the process was going to take the Bay  
24 Meadows Land Company to get their permits and start  
25 construction. The staff report, page 2, on March 22nd, the

1 operative language states, "this process could take  
2 approximately two years from December 2007." So that's  
3 December 2009, add another year, 2010.

4 So once again, the key to this, Chairman Shapiro,  
5 members of the Board, with the focus that Senator Lee,  
6 Senator Machado and the other Senators are giving us,  
7 finally, I think that the future of California horse racing  
8 is something that's positive. And I think maybe in the  
9 future Mr. Liebau might be wrong, and that maybe it will be  
10 economically feasible for a developer to build a racetrack  
11 in California. Thank you.

12 COMMISSION CHAIRPERSON SHAPIRO: All right, thank  
13 you. Thank you, Mr. Jamgotchian.

14 Is there anybody else who wishes to -- I don't  
15 know if the Senators, or Assemblymen, or anybody chooses to  
16 speak to the Board, we invite you to. If you choose not to,  
17 of course, we respect that.

18 Do you choose, does anybody choose to come up?  
19 No.

20 All right, with that, if there is not anymore  
21 discussion from anybody, I think that we'll come back and  
22 visit this issue next month, as we've discussed.

23 And that leaves us to Item Number 12, which I see  
24 Mr. Smith is there for. And so a report on the status of  
25 the CHRB's current and 2007-2008 fiscal year budgets.

1           MR. SMITH: Thank you, Mr. Chairman,  
2 Commissioners. The State government fiscal year, under  
3 which CHRB operates, run from July 1 through June 30. For  
4 the current fiscal year, that ends June 30, 2007, CHRB  
5 received a support budget of approximately \$10.3 million to  
6 fund all operations.

7           As of March 31, 2007, CHRB has expended  
8 approximately \$7 million, with anticipated expenditures of  
9 approximately \$3.2 million for the remainder of the fiscal  
10 year. This would ensure that CHRB remains within the  
11 budgetary constraints placed upon it.

12           For any given fiscal year, a little bit over one-  
13 half of our appropriation goes to fund Agency contracts.  
14 For the current fiscal year, that's approximately \$5.4  
15 million.

16           Those contracts include the UC Davis Maddy Lab,  
17 the Stewards and Veterinarians, the Department of Justice  
18 for Deputy Attorney General support, the Office of  
19 Administrative Hearings, and various other service and  
20 consultant contracts.

21           The remainder, approximately \$4.9 million, covers  
22 staff salaries and benefits, CHRB facilities, and operating  
23 expenses for staff and the Board.

24           The current year budget is an increase over the  
25 prior year, the 2005-06, in that additional drug testing

1 funds were finally approved and appropriated in February of  
2 2007.

3 CHRB has moved to partner with the UC Davis Maddy  
4 Lab to procure equipment and communication tools, and to  
5 modernize the Board's information technology system and  
6 infrastructure in order to enhance CHRB's out-of-competition  
7 efforts.

8 The Governor's support budget proposal for 2007-  
9 2008 includes \$10,800,000 for the CHRB, including the  
10 permanent increase of additional drug testing and out-of-  
11 competition testing, as well as -- as well as one-time  
12 information technology and operations recovery activities.

13 During our current year budget cycle, on May 9th,  
14 through the normal State budgeting process, CHRB's 2007-08  
15 budget was heard before the Senate Budget Subcommittee  
16 Number Four. That Committee unanimously voted to eliminate  
17 CHRB's 2007-08 budget.

18 This morning, Assembly Budget Subcommittee Four  
19 met and passed the 2007-2008 proposal in full on consent,  
20 that is without additional question and comment.

21 The Legislature will again consider the CHRB  
22 budget through a process known as the Conference Committee,  
23 later in May or early June.

24 CHRB staff, and we understand as well, several of  
25 the Commissioners, have met with the Legislators, we also

1 have been available to all of our oversight and control  
2 organizations to answer whatever questions, take whatever  
3 steps are necessary to proceed as the Administration and  
4 Legislature deem necessary.

5 And I'm happy to engage any questions you might  
6 have on our current year or proposed upcoming fiscal year  
7 budgets.

8 COMMISSION CHAIRPERSON SHAPIRO: I appreciate it,  
9 Mr. Smith. I think it explains the situation. I don't  
10 know, do any of the Commissioners have any questions or  
11 comment on that?

12 All right, then we'll just accept that as a  
13 report. You'll keep us updated on that?

14 MR. SMITH: Certainly will.

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

17 MR. SMITH: Transitioning to Item 13.

18 MR. JAMGOTCHIAN: Excuse me, I believe I had a  
19 card on that, Mr. Shapiro, on number 13. Oh, I'm sorry,  
20 excuse me, excuse me.

21 COMMISSION CHAIRPERSON SHAPIRO: All right, on  
22 Number 13, discussion and action by the Board on the  
23 approval of fiscal year 2007-2008 contracts for steward,  
24 official veterinarian, and out-of-competition testing. Go a  
25 head, Bon.

1           MR. SMITH: Okay. Section 2.06 of State  
2 Contracting Manual states that boards and commissions with  
3 contracts in excess of \$5,000 must provide a copy of a  
4 motion approving and authorizing execution of those  
5 agreements and contracts.

6           We have included in the Board package a listing of  
7 contracts that will either be executed or we propose to be  
8 executed for the 2007-2008 fiscal year, and request that the  
9 Board review and approve those contracts.

10           They include stewards and vets contracts that  
11 include increases in the daily rate and consistency in the  
12 daily rate between the stewards and the vets, that reflect  
13 increases that haven't occurred in a number of years. The  
14 stewards rates, daily rates were last increased in January  
15 of 2000, and that was only a four percent increase. Now,  
16 seven years later, we're proposing approximately a 25  
17 percent increase in the overall daily rates.

18           In addition, we're proposing that the payments  
19 that the Board makes to the individual contractors for  
20 healthcare benefits be increased by approximately 25  
21 percent.

22           We're also proposing that from an \$851,000  
23 appropriation for out-of-competition funding, that the Board  
24 approve a contract with UC Davis for the bulk of those  
25 funds.

1           Our recommendation is that the Board approve the  
2 attached list, which is the back side, Item 13.2, I think is  
3 the page number, the attached list of steward, official  
4 veterinarian, out-of-competition veterinarian service  
5 contracts for fiscal year 2007-08.

6           COMMISSION CHAIRPERSON SHAPIRO: Okay, do any of  
7 the Board members, although we're losing them very quickly  
8 here, do any of them have any comments? Otherwise, I would  
9 entertain a motion that we adopt -- we do have to adopt, as  
10 I understand, this budget to pay for these officials and the  
11 medication testing; is that correct?

12           MR. SMITH: That authorizes us to engage those  
13 contracts, execute those contracts as of July 1.

14           COMMISSION CHAIRPERSON SHAPIRO: Correct. Right,  
15 which is something that we do every year at this time.

16           MR. SMITH: That's correct.

17           COMMISSION CHAIRPERSON SHAPIRO: Okay, is there a  
18 motion to approve it?

19           COMMISSIONER ANDREINI: So moved.

20           COMMISSION CHAIRPERSON SHAPIRO: Second?

21           COMMISSIONER MORETTI: Second.

22           COMMISSION CHAIRPERSON SHAPIRO: Second. All in  
23 favor?

24           (Ayes.)

25           COMMISSION CHAIRPERSON SHAPIRO: All right, moving

1 right along, you've got the hot seat there, Bon. Why don't  
2 you go right on to 14, which is discussion and action by the  
3 Board on the progress report from staff on the status of the  
4 Jockey Guild Health and Welfare Program, and the approval of  
5 an extension of the current agreement until a new agreement  
6 is executed.

7 And I know that you had a meeting yesterday --

8 MR. SMITH: Yes.

9 COMMISSION CHAIRPERSON SHAPIRO: -- with the  
10 Guild, and with the TOC, and I think we'd like to hear how  
11 that went.

12 MR. SMITH: That's correct. Okay, and I see Drew  
13 is stepping up to speak to it, as well.

14 Business and Professions Code 19612.9(a)(1) states  
15 that the parties to the negotiation for healthcare benefits  
16 are the organizations representing the owners, as well as  
17 the organization representing the jockeys, in this case the  
18 TOC and the Jockey's Guild.

19 The CHRB is at the table to regulate and to fund  
20 the TOC provision of benefits.

21 Yesterday, a meeting was held with the TOC, plus  
22 their insurance attorney, plus their insurance benefits  
23 consultant, along with the Jockey's Guild, who had counsel  
24 there, their general manager, their administration and  
25 account manager, and the P-5 service provider

1 currently --

2 COMMISSION CHAIRPERSON SHAPIRO: The plan  
3 administrator.

4 MR. SMITH: The plan administrator, thank you.  
5 Very fruitful conversation in my estimation. A serious  
6 negotiation was engaged between the TOC and the Jockey's  
7 Guild, that I think is going to result in a concrete  
8 decision coming forth from them soon.

9 As the status of the current state of the plan is,  
10 there's an audit in process for fiscal -- for the calendar  
11 year 2006. The change in the Jockey's Guild organization  
12 over the years, and in the plans, has made it difficult for  
13 a new auditor to get on board. The last CPAs that the  
14 Jockey's Guild had engaged essentially threw their hands up  
15 and walked away.

16 A new one was engaged, has had complete  
17 cooperation from the prior CPA, but neither the prior CPA,  
18 nor the current, had cooperation from the previous CPA as of  
19 2005.

20 So the current ones have had a difficult time  
21 getting all the information they need to set kind of the  
22 here's the baseline that we can then move our tests forward  
23 from.

24 Even with that, we anticipate that they may have  
25 concrete results, perhaps as soon as the next Board meeting.

1           The negotiation between the TOC and its  
2 professionals, they will receive the Jockey's Guild data and  
3 information to best position their place in the negotiation.  
4 The Guild and TOC will entertain insurance offers, with  
5 actual underwriter participation to verify the sufficiency  
6 and integrity of any offers that may be forthcoming.

7           And this has to do with the possibility that a  
8 group of jockeys has received offers of third party,  
9 independent full coverage, and that has not been confirmed,  
10 or verified, or validated, yet, by any external part to  
11 date, that I'm aware of.

12           Mr. Couto will have, no doubt, some additional  
13 comment for us. I would also request that a motion is  
14 necessary from the Board, under 19612.9(a)(3), which states,  
15 if agreement is not reached before the regular meeting of  
16 the Board in November of any calendar year, the Board, on  
17 its own motion may provide -- or shall provide that the  
18 provision of the existing agreement, if any, shall remain in  
19 effect until a subsequent agreement is reached."

20           And we recommend that the Board initiate and  
21 approve such a motion.

22           COMMISSION CHAIRPERSON SHAPIRO: I'm going to  
23 adopt what -- I'd like to make a motion for exactly what you  
24 just said, so that we don't have to try to restate it, and  
25 if there's a second, and then we'll hear from Drew Couto, so

1 that we can then do that. Because I know we have to do  
2 that.

3 COMMISSIONER CHOPER: Second.

4 COMMISSION CHAIRPERSON SHAPIRO: Thank you. Now,  
5 Drew, if you'll go ahead and give us your take on the  
6 meeting yesterday, please.

7 MR. COUTO: Well, again, Drew Couto, Thoroughbred  
8 Owners of California.

9 I'd like to begin by thanking Bon for giving a  
10 very accurate summary of the discussions yesterday. And I'd  
11 also like to extend TOC's thanks to Mr. Broad, Mr. Manley,  
12 Mr. Kennedy, all working on behalf of the Guild to try and  
13 help everyone come up with a solution for the health and  
14 welfare benefits for the riders.

15 As I think you're all aware, it's a very  
16 complicated situation and it's not going to be resolved  
17 within a week. Unfortunately, it's an insurance process  
18 that is beyond our control. But I will say this, that there  
19 is, I believe, a commitment on both sides to work something  
20 out as quickly as possible. We began, you know,  
21 acknowledging that there have been assertions made by  
22 various people about the validity of the existing program,  
23 and we had candid discussions about that and are trying,  
24 together, to ascertain exactly what the legal issues may be,  
25 and what the ramifications of those issues could be.

1           So I guess in summary what I'd like to say is over  
2 the next 30 days we anticipate that we'll have had a chance  
3 to work with third party insurers, exploring whether or not  
4 a third party policy is possible. I think, from Guild  
5 management, if we could in fact get third party coverage,  
6 they would be comfortable with that, depending on whether it  
7 covers all of the riders, any pre-existing conditions, et  
8 cetera, that provide similar coverage.

9           And to the extent that the current self-insured  
10 program is in any way inconsistent with either federal or  
11 State laws, we are going to work together to make sure that  
12 we become into compliance or have an alternative.

13           So in summary, again, it was a very good meeting  
14 and I'd like to thank Bon and everybody else who worked  
15 there and, hopefully, within the next 60 days we'll come  
16 back and tell you that this is an issue you don't have to  
17 worry about again.

18           COMMISSION CHAIRPERSON SHAPIRO: Well, that would  
19 be very refreshing, if we get to hear that, and I think it's  
20 great that there's progress. Most of us remember the  
21 difficult and dark period we went through. And so to hear  
22 that everybody's working together, my thanks go out to you,  
23 Bon, Drew, to TOC and, of course, to the Jockey's Guild, and  
24 Barry Board, and the others. Thank you very much.

25           MR. COUTO: Thank you.

1 COMMISSION CHAIRPERSON SHAPIRO: Mr. Jamgotchian?

2 MR. JAMGOTCHIAN: Yes, I'll make these comments  
3 fast. I've just been enlisted to read a statement into the  
4 record, by Chris Gibbs, and I'll do that.

5 "Mr. Shapiro and Board members, you are  
6 all made aware of the problems with the  
7 Guild management under Dwight Manley,  
8 and the serious questions regarding the  
9 illegality of the Guild self-funded  
10 health plan last November. It is now  
11 six months later and nothing has been  
12 done to protect the jockeys and their  
13 families. The Board has neglected a lot  
14 of things but if you're inaction, after  
15 being presented clear information about  
16 the seriousness of the situation causes  
17 our California jockeys and their  
18 families to be severely harmed, you  
19 should all resign immediately."

20 Once again, these are not my words, these are  
21 Mr. Gibbs' words.

22 "The Board has neglected" -- excuse me --  
23 - "how many CHRB Board meetings has the  
24 Guild National Manager failed to attend.  
25 Today, while California jockeys and

1           their families are hoping to be covered  
2           by a legal health plan, Dwight Manley is  
3           with Jesse Jackson, in Washington, D.C.,  
4           on a panel for the Center of Disease  
5           Control. The Board was made full aware  
6           of a fully insured plan for the  
7           California jockeys in November,  
8           underwritten by one of the largest  
9           health insurers in the country. But  
10          because of Mr. Shapiro's close, personal  
11          relationship with Guild co-counsel Barry  
12          Broad, and Guild National Manager Dwight  
13          Manley, nothing has been accomplished  
14          for six months to protect our California  
15          jockeys and our families. I am holding  
16          up an e-mail" -- And I'm talking about  
17          Mr. Gibbs, now.

18          "I am holding up an e-mail from Guild  
19          co-counsel Barry Broad, that he sent on  
20          November 14th, in which he stated that  
21          the Guild self-funded health fund is  
22          illegal because the jockeys are  
23          considered independent contractors by  
24          the U.S. Department of Labor. Chairman  
25          Shapiro, Ms. Fermin, and Bon Smith have

1           had this information for six months and  
2           have done nothing. This entire Board  
3           should hope that a fully insured plan is  
4           put in place immediately because the  
5           Department of Labor, the California  
6           Department of Insurance, and the  
7           California Insurance Commissioner are  
8           going to, very soon, shut down the  
9           currently illegal self-funded plan."

10           And, once again, those are not my comments, but  
11 Mr. Gibb's comments. Thank you.

12           COMMISSION CHAIRPERSON SHAPIRO: Thank you,  
13 Mr. Jamgotchian, for reading us Mr. Gibb's comments.  
14 Obviously, they were written before they heard the progress  
15 of yesterday's meetings. I do have good faith in the Guild,  
16 and the Guild and TOC, in conjunction with our staff, are  
17 working very hard to try to come to the best possible  
18 insurance available and, hopefully, we'll see that come to  
19 fruition.

20           Okay, I just lost my agenda, bear with me here.

21           COMMISSION VICE-CHAIRPERSON HARRIS: It's  
22 legislative.

23           COMMISSION CHAIRPERSON SHAPIRO: Okay, the next  
24 one is the report from the Legislative Committee.

25           MR. SMITH: Have you completed the motion?

1           COMMISSION CHAIRPERSON SHAPIRO: Oh, thank you,  
2 thank you, thank you.

3           Okay, we have a motion, we have a second. Is  
4 there any further discussion? If not, I'd ask for a vote.  
5 All in favor?

6           (Ayes.)

7           COMMISSION CHAIRPERSON SHAPIRO: It's approved.  
8 Thank you, Bon.

9           Okay, Commissioner Moretti?

10          COMMISSIONER MORETTI: Thank you. Yes, this  
11 morning we held our initial Legislative Committee meeting  
12 for 2007. Present were Chairman Shapiro and Vice-Chair John  
13 Harris, and myself were the three members of the Legislative  
14 Committee.

15          Initially, this year, this is the beginning of a  
16 two-year session, there were close to 30 bills, horse racing  
17 related bills that were introduced. Currently, there are  
18 approximately 20 or 21 that are still active.

19          It was not our intention at this particular  
20 meeting to take a position on those pieces of legislation  
21 but, rather, to use the session as an information one, not  
22 only for the Commissioners, but also for the audience  
23 participants, so that we might all have a better  
24 understanding of where various associations in the horse  
25 racing industry are going this year, legislatively, and to

1 see where we may be of assistance.

2           The CHRB, itself, is currently sponsoring three  
3 bills, mostly technical in nature. Sue Ross, on our staff,  
4 did a good job of preparing and giving us an update on those  
5 bills. One dealt with streamlining the process for the use  
6 of stewards and hearing officers. Another one was actually  
7 a technical change that codified some terminology regarding  
8 official veterinarians, and a third was to allow us to  
9 conform to penalty guidelines from the RMTTC, ones that we  
10 actually have already dealt with.

11           Sue will be providing to the Commissioners a full  
12 report, as the legislation progresses through session time.

13           We then had an opportunity to hear about some  
14 other bills that are being industry sponsored. In  
15 particular, the most pressing, I guess if you will, were the  
16 ADW bills, because as you all know ADW, the current law  
17 sunsets at the end of this year, so something must be done  
18 one way or the other to deal with that sunset date. And,  
19 again, Sue will continue to furnish us with information as  
20 we progress through the session on it.

21           These bills are all in process, they could change,  
22 as you all know, especially since we're here, in Sacramento,  
23 they could meld together, they could die on the vine. But  
24 at this point in time we know that ADW is something that we  
25 want to do.

1           And then, following are some of the subject areas  
2 of some of the other bills that we talked about today. One,  
3 in particular, regarding new funds, which is an important  
4 one for the industry, is Senator Flores' bills, and thank  
5 Norm Town, are you still here -- thank you, Norm, for giving  
6 us a rather thorough explanation of the special trust fund  
7 that would be created for the economic stabilization of  
8 fairs in horse racing which, as we all know, is very, very  
9 important.

10           We also spoke about Assemblyman Evans' bill, which  
11 was to create the racing facility improvement fund.

12           Then there were other bills that focused on the  
13 expansion of satellite wagering, and the increase of out-of-  
14 state imported races. Both of these bills -- or they're not  
15 just two bills, there's four bills on it, but both of these  
16 issues are part and parcel to the bigger dialogue of what do  
17 we do, how do we improve the racing product, where do we go,  
18 why are we so limited in our number of outlets, et cetera.

19           And I think that is, as I said, it's just part of  
20 a bigger and larger discussion that I hope that all of the  
21 horse racing industry will participate in together.

22           We didn't really have a chance to go into  
23 specifics on too many of the other bills, but there are some  
24 miscellaneous bills. The jockey minimum wage bill, the  
25 mandatory wage increases, changes in take out, by Assembly

1 Torrico, thoroughbred purse supplements, State Fair Leasing  
2 Authority, and et cetera.

3           There are probably five or six of these bills that  
4 we will hear more about and, again, we will entrust that to  
5 our good Sue Ross, who will be able to give us, throughout  
6 time, more updates.

7           And so there isn't anything more than we, as a  
8 Board, need to do at the moment. However, once we get these  
9 reports from Sue, there may be some things that we, as  
10 individual Commissioners, may want to participate in,  
11 whether it's a letter of support, or meetings with  
12 Legislators, and such. And then when it gets time, if we  
13 want to later on, we can have the opportunity to discuss the  
14 particulars of any bill, any legislation, to see if we, as  
15 the CHRB, want to voice our support.

16           COMMISSION CHAIRPERSON SHAPIRO: Thank you. A  
17 very complete report and it was a very good meeting, I  
18 thought, today.

19           All right. This is our staff report on the  
20 concluded race meeting, Los Angeles Turf Club. We're  
21 pleased that Mr. Gutterman flew all the way from --

22           MR. GUTTERMAN: I was in Europe.

23           COMMISSION CHAIRPERSON SHAPIRO: No, you weren't.

24           MR. GUTTERMAN: No, I was just kidding.

25           (Laughter.)

1 COMMISSION CHAIRPERSON SHAPIRO: He flew --

2 MR. GUTTERMAN: No, I just thought we needed a  
3 little humor.

4 COMMISSION CHAIRPERSON SHAPIRO: No, he was in  
5 Maryland.

6 MR. GUTTERMAN: Went to the Preakness, and then  
7 New York and, yeah, well, I had to come back anyway, Mr.  
8 Chairman.

9 COMMISSION CHAIRPERSON SHAPIRO: Yeah, well, you  
10 called me and said do I have come, do I have to come, and I  
11 said, yeah.

12 MR. GUTTERMAN: Well, I'm sitting here, I've  
13 listened to nothing but grief and aggravation and I have  
14 good news.

15 COMMISSION VICE-CHAIRPERSON HARRIS: We don't  
16 shoot all the messengers.

17 COMMISSION CHAIRPERSON SHAPIRO: And let me  
18 introduce one of our newest -- why don't you introduce.

19 EXECUTIVE DIRECTOR FERMIN: Robert Zavales is one  
20 of our new employees, and he's our Chief Auditor. And  
21 welcome.

22 COMMISSION CHAIRPERSON SHAPIRO: And we welcome  
23 you.

24 MR. ZAVALLES: Thank you.

25 COMMISSION CHAIRPERSON SHAPIRO: So, Roberto, you

1 get to do the intro here, and then you pass the baton over  
2 to Allen and he'll screw it up.

3 MR. GUTTERMAN: I can do the propaganda, right.

4 MR. ZAVALLES: It sounds very easy. Commissioner,  
5 I'm here to present the end-of-meet report for the Los  
6 Angeles Turf Club. The meet began on December 26th, 2006  
7 and ended April 22nd, 2007.

8 The average daily handle increased by 4.72  
9 percent. And the average daily on track attendance was up  
10 by .66 percent.

11 I understand Allen will be giving you some more  
12 specifics about it, so I guess this is where the baton goes  
13 to him.

14 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.  
15 Good job and welcome.

16 MR. ZAVALLES: Thank you.

17 MR. GUTTERMAN: Well, notwithstanding the rest of  
18 the day, I do have some good news to report about the  
19 recently concluded Santa Anita meet, which was in many ways  
20 more satisfying and more rewarding than the successful meet  
21 one year earlier. The season concluded with attendance up  
22 about one percent from the 2005-2006 winter season, which  
23 had been up about 11 percent higher than a year earlier, so  
24 growth has continued.

25 Our mantra is get them back to the track. To that

1 end, there's not much we won't try to get people to visit  
2 Santa Anita, which we feel we are turning into the most fan  
3 friendly facility in the country.

4           This season, for the first time in ten years, we  
5 produced five race days of 30,000 fans or more, including  
6 opening day, Sunshine May Day, Big Cap Day, Santa Anita  
7 Derby Day, and Closing Saturday.

8           On Santa Anita Derby Day, the total attendance hit  
9 56,810, the largest derby crowd since 1984. Our average  
10 daily crowd in this era of simulcasting, online, and in-home  
11 wagering was 9,373 live bodies.

12           We saw our signature promotion, the KROQ  
13 Microbrew, grow significantly this year, too, topped by the  
14 derby day, Microbrew crowd of over 12,000 young people.  
15 Somewhere in there new racing fans are being born.

16           We continue to develop innovative fund promotions  
17 that can draw larger crowds. Our significant advertising  
18 and the placement of those ads are always clearly concerned  
19 that television viewers know exactly what we are all about,  
20 what's going on, and when it's happening.

21           The publicity department is tenacious in its quest  
22 to find stories and deliver good news to the press.

23           All our departments worked as one to produce a  
24 singular goal, a great race meet at Santa Anita.

25           We're very proud of a second year of growth in our

1 field sizes, we averaged 8.6 horses per race, which was  
2 slightly above the 2006 season, and helped produce wagering  
3 records.

4 On track, the race obviously did a good job, we  
5 had quality, as well as quantity. And because of big,  
6 attractive fields, lively competitive racing, and  
7 outstanding weather, Santa Anita set an all source record  
8 handle of just under a billion dollars, \$997,702,511.

9 The most money ever wagered in one meet at Santa  
10 Anita was wagered this past season, mainly due to massive  
11 gains in out-of-state handle throughout the meet. This  
12 helped us for the first time ever hit four days in which  
13 handle from outside of California, alone, exceeded \$11  
14 million.

15 For the meet, total daily average handle was up  
16 one percent, to \$11.3 million.

17 The handle category in which we declined,  
18 unfortunately, was on track handle, by about five percent.  
19 And on track, some of that was definitely impacted by less  
20 simulcast racing up north, with fewer Wednesday racing  
21 dates, and Friday nighttime, daytime separations, depending  
22 who we're simulcasting with.

23 We were proud to bring lively new sponsorship to  
24 thoroughbred racing at Santa Anita. Heineken became the  
25 official beer of the KROQ Microbrew, which was -- while a

1 very successful St. Patrick's Day belonged to Budweiser, the  
2 Las Vegas Hilton, home of a great race and sports book, was  
3 the official Las Vegas Casino sponsor, and a big booster of  
4 Santa Anita Racing.

5 Sandman, Indian Bingo and Casino signed on as our  
6 first travel partner and the presenting sponsor of the Santa  
7 Anita Handicap. They were a dynamic, engaged, and energetic  
8 partner, and good for building relationships with the  
9 tribes.

10 And we continued our relationship with Pepsi,  
11 Rusnak Auto, Los Alamitos, Dave & Buster's, Welk Resorts,  
12 and Grey Goose.

13 So if I can take a moment, on behalf of Ron  
14 Charles, and George Haines, and everyone at Santa Anita,  
15 we'd like to take this opportunity to thank our sponsors,  
16 the dedicated owners, and trainers, and riders who  
17 participated wholeheartedly all winter in our meet, and most  
18 of all to our fans, our great racing fans and players all  
19 over the country, and here in California. They have made  
20 Santa Anita America's premier winter racing signal.

21 And despite all the problems and all the things  
22 that we've heard today, Santa Anita is still the great race  
23 place. Thank you very much.

24 COMMISSION CHAIRPERSON SHAPIRO: Allen?

25 MR. GUTTERMAN: Yes, sir.

1           COMMISSION CHAIRPERSON SHAPIRO: A big  
2 congratulations to you, Frank. We beat you up earlier, but  
3 congratulations to George, to you, of course to Ron, and  
4 everybody at Santa Anita, because you guys just did a  
5 terrific job. How you exceeded last year was truly amazing.  
6 I know how hard you work because I see you and you guys, you  
7 know, you gut it out and you just did a wonderful job. And  
8 our congratulations for another spectacular race meeting.  
9 You deserve it.

10           MR. GUTTERMAN: Thank you very much.

11           COMMISSION CHAIRPERSON SHAPIRO: Okay.

12           COMMISSION VICE-CHAIRPERSON HARRIS: One thing I  
13 might mention, that we were talking about the barns, and I  
14 don't want to beat a dead horse here, or a dead rat, or  
15 whatever, but there are things that can -- you can do with  
16 your existing barns. If you do have a rodent problem, you  
17 need to really look into that, because I'm tired of hearing  
18 about all these rats in the barn area there. I think you  
19 need to step up and look at some extermination program.

20           COMMISSION CHAIRPERSON SHAPIRO: Okay, I think  
21 we're at the end here. Under General Business, is there  
22 anything that needs to come up?

23           COMMISSION VICE-CHAIRPERSON HARRIS: I got a few  
24 e-mails while I was out. There, apparently, are webcast,  
25 which I think conceptually is a good idea, the sound is not

1 very good. We need to really have some standards for that  
2 because people watch us and they can't hear us, which maybe  
3 is an improvement. But we need to really make sure that  
4 that works, if we're going to do it.

5 COMMISSION CHAIRPERSON SHAPIRO: All right. All  
6 right, I believe that's it.

7 MR. JAMGOTCHIAN: I have a few, under General  
8 Business.

9 COMMISSION CHAIRPERSON SHAPIRO: Okay, Mr.  
10 Jamgotchian. I don't have a card, but I'm, of course, going  
11 to let you speak.

12 MR. JAMGOTCHIAN: Oh, sure.

13 COMMISSION CHAIRPERSON SHAPIRO: But please do me  
14 a favor -- you don't need to write one. Let's just -- it's  
15 been a long day and if you --

16 MR. JAMGOTCHIAN: Yeah, I'll limit it to less than  
17 five minutes.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

19 MR. JAMGOTCHIAN: Just a couple quick things. I'm  
20 handing you something that I'd like you to review. It's  
21 regarding an employee, and I'd like you to review that.

22 COMMISSION CHAIRPERSON SHAPIRO: Okay, Mr.  
23 Jamgotchian, we are not --

24 MR. JAMGOTCHIAN: Well, if you don't wish to  
25 review it, Mr. Shapiro, don't.

1           COMMISSION CHAIRPERSON SHAPIRO: We're not allowed  
2 to talk about this, I'm sorry.

3           MR. JAMGOTCHIAN: That's fine.

4           COMMISSION CHAIRPERSON SHAPIRO: If it's a  
5 personnel matter, we're not allowed to talk about it, so  
6 please --

7           MR. JAMGOTCHIAN: Well, there are some things in  
8 there that are very serious.

9           COMMISSION CHAIRPERSON SHAPIRO: We cannot -- I'm  
10 sorry, we cannot talk about this.

11          MR. JAMGOTCHIAN: Fine. All right, with regards  
12 to the budget, is there a line item budget for the CHRB?  
13 Because I note that in the annual report there's no line  
14 item budget. Is there a line item budget I could get a copy  
15 of?

16          COMMISSION CHAIRPERSON SHAPIRO: Yes, there is,  
17 Mr. Jamgotchian.

18          MR. JAMGOTCHIAN: Okay, I'll request it.

19          COMMISSION CHAIRPERSON SHAPIRO: Okay.

20          MR. JAMGOTCHIAN: Is this the last --

21          COMMISSION CHAIRPERSON SHAPIRO: Yes, that is the  
22 most recent.

23          MR. JAMGOTCHIAN: Okay, will there be one for  
24 2006-2007?

25          COMMISSION CHAIRPERSON SHAPIRO: Of course.

1 MR. JAMGOTCHIAN: And do you know when that will  
2 be?

3 COMMISSION CHAIRPERSON SHAPIRO: Well, that one  
4 was published --

5 MR. JAMGOTCHIAN: This is 2005-2006.

6 COMMISSION CHAIRPERSON SHAPIRO: Yeah, we publish  
7 right after the very first of the year, I think it's within  
8 30 days after the end of the year, that's when that one was  
9 published.

10 EXECUTIVE DIRECTOR FERMIN: It's fiscal year.

11 COMMISSION CHAIRPERSON SHAPIRO: It's fiscal.

12 MR. JAMGOTCHIAN: Okay, so this is the most  
13 current?

14 COMMISSION CHAIRPERSON SHAPIRO: That's correct.

15 MR. JAMGOTCHIAN: That's fine, thank you.

16 COMMISSION CHAIRPERSON SHAPIRO: Okay.

17 MR. JAMGOTCHIAN: All right.

18 COMMISSION CHAIRPERSON SHAPIRO: All right, with  
19 that --

20 MR. JAMGOTCHIAN: Wait, wait, wait, wait, don't  
21 rush. I wanted to ask, is the San Diego office, is that a  
22 budgeted item in the budget, do you know?

23 COMMISSION CHAIRPERSON SHAPIRO: Mr.  
24 Jamgotchian --

25 MR. JAMGOTCHIAN: It's either a yes or a no.

1           COMMISSION CHAIRPERSON SHAPIRO: I don't know,  
2 okay.

3           MR. JAMGOTCHIAN: Okay, that's fine. A question  
4 with regards to Rick Arthur's salary. I believe that --

5           COMMISSION CHAIRPERSON SHAPIRO: That, again,  
6 would be an issue that deals with personnel and we're not  
7 going to discuss it.

8           MR. JAMGOTCHIAN: No, it's a budget issue. It's  
9 clearly a budget issue. The CHRB is paying \$147,000; is  
10 that correct?

11          EXECUTIVE DIRECTOR FERMIN: That's correct.

12          MR. JAMGOTCHIAN: Okay. Is he getting paid any  
13 more than that?

14          EXECUTIVE DIRECTOR FERMIN: He's an employee -- he  
15 works with UC Davis, he is not an employee of the California  
16 Horse Racing Board.

17          MR. JAMGOTCHIAN: He is or he isn't?

18          EXECUTIVE DIRECTOR FERMIN: Is not an employee.

19          MR. JAMGOTCHIAN: Okay, so the \$147,000 is being  
20 paid to him as the Equine Medical Director, is not being  
21 paid as an employee?

22          COMMISSION CHAIRPERSON SHAPIRO: It's paid to the  
23 University of California.

24          MR. JAMGOTCHIAN: Okay. Well, I've requested the  
25 document, so I'll get the documents.

1 COMMISSION CHAIRPERSON SHAPIRO: Okay.

2 MR. JAMGOTCHIAN: With regards to somebody told me  
3 a while back that Dennis Hutchinson was removed out of the  
4 CHRB Board meeting on a non-agendaed item. Can anybody give  
5 me, enlighten me on that? Is that true? Mr. Harris  
6 probably would know.

7 COMMISSION CHAIRPERSON SHAPIRO: Again --

8 COMMISSION VICE-CHAIRPERSON HARRIS: Way before  
9 me.

10 MR. JAMGOTCHIAN: Before you, okay.

11 COMMISSION CHAIRPERSON SHAPIRO: We have no idea  
12 and that would be a personnel matter.

13 MR. JAMGOTCHIAN: Okay. All right. Also, I want  
14 to urge the Board to ask Ms. Matsuda to please provide the  
15 public records. I'm not interested in filing another  
16 lawsuit against the CHRB for violation of the Public Records  
17 Act, but it seems like I'm going to have to. So if somebody  
18 could urge --

19 COMMISSION CHAIRPERSON SHAPIRO: Mr. Jamgotchian,  
20 you've made over 90 Public Record Act requests, okay.

21 MR. JAMGOTCHIAN: Well, I'm interested in what's  
22 going on, Mr. Shapiro, yes.

23 COMMISSION CHAIRPERSON SHAPIRO: Excuse me, excuse  
24 me.

25 MR. JAMGOTCHIAN: Okay.



## CERTIFICATE OF REPORTER

I, PETER PETTY, 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 30th day of May, 2007.

Peter Petty

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