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MEETING  
STATE OF CALIFORNIA  
HORSE RACING BOARD

LOS ALAMITOS RACE COURSE  
4961 KATELLA AVENUE  
LOS ALAMITOS, CALIFORNIA

THURSDAY, MAY 26, 2005  
3:00 P.M.

CAROL MATHER  
HEARING REPORTER

1 APPEARANCES

2 BOARD MEMBERS

3 Mr. John Harris, Chairperson  
4 Mr. William Bianco, Vice Chairman  
5 Mr. Richard Shapiro, Member  
6 Mr. John Sperry, Member

7 STAFF

8 Ms. Ingrid Fermin  
9 Ms. Jackie Wagner  
10 Mr. Tom Robbins  
11 Mr. Paul Porter  
12 Mr. Chris Korby  
13 Mr. Joe Barkett  
14 Mr. Corey Oakley  
15 Mr. Reagan  
16 Mr. Rick Baedeker  
17 Mr. Jack Lee Bow [phonetic]  
18 Mr. Paige Noble  
19 Mr. Richard Gonzalez  
20 Mr. Guy Lamothe  
21 Mr. Dick Gonzalez  
22 Mr. Ron Charles  
23 Mr. Steve Molnar  
24 Mr. Roy Manomi  
25

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1                   BOARD MEETING INTRODUCTION

2                                   3:00 P.M.

3           Ladies and gentlemen, will the meeting come to  
4 order, please. This is a regular meeting of the  
5 California Horse Racing Board on Thursday, May 26, 2005,  
6 at Los Alamitos Race Course, 4961 Katella Avenue, Los  
7 Alamitos, California.

8           Present at today's meeting are:

9                   Chairman John Harris

10                   Vice-Chairman William Bianco

11                   Commissioner Richard Shapiro

12                   Commissioner John Sperry

13           Before we go on to the business of the meeting,  
14 I'd like to ask everyone to please state your name and  
15 organization clearly for our court reporter.

16

17                                   PROCEEDINGS

18                                   3:33 P.M.

19

20           EXECUTIVE DIRECTOR FERMIN: If the meeting could  
21 come back to order, please. Just before Mr. Harris  
22 takes over -- our court reporter, just a reminder, she  
23 had asked that we state our names very clearly, spell  
24 them. And if you're quoting something or from a rule,  
25 if you could give her a heads up on what it is.

1                   She wants to make a very clear transcript  
2 for us. So hopefully we'll have everybody's  
3 cooperation. Thank you.

4                   CHAIRPERSON HARRIS: I would like to welcome  
5 everyone to our meeting. Thank you, Los Alamitos, for  
6 hosting this today. We're a little bit short field,  
7 which is somewhat typical of California. So we will not  
8 have Superfecta or Trifecta meeting -- four votes. But  
9 we do have a quorum of four people, and we need four  
10 votes to pass anything through.

11                   The first item is discussion and action by  
12 the Board on the application to conduct a Horse Racing  
13 Meeting of the Del Mar Thoroughbred Club at Del Mar,  
14 commencing July 20 through September 7.

15                   REGULATIONS LEGISLATURE MANAGER WAGNER: Good  
16 afternoon. Jackie Wagner, CHRB Staff.

17                   The application before you is from the Del  
18 Mar Thoroughbred Club. They have filed their  
19 application to race from July the 20th through September  
20 7th, for 43 days, which is the same number of days that  
21 they raced in 2004. They are proposing to race a total  
22 of 371 races or 8.6 races per day.

23                   They will be racing six days per week  
24 Wednesday through Monday, which is eight days -- on the  
25 weekdays, and nine races on opening day, on certain

1 weekend days, and 10 races on certain weekend days,  
2 Labor Day, and closing day.

3           They are proposing a 2:00 daily post time.  
4 However, there will be exceptions on specific days. On  
5 August 21st their post time will be 1:00. On Friday,  
6 August 19th, 26th, and September 2nd, they're proposing  
7 a 3:30 p.m. post time, and on Friday, July 22nd, 29th,  
8 and August 5th, August 12th, they're proposing a 4:00  
9 post time.

10           This application is complete except for the  
11 TOC agreement, which I understand is in negotiations.  
12 And staff would recommend that the Board approve the  
13 application contingent upon us receiving the additional  
14 information.

15           CHAIRPERSON HARRIS: Any comments or questions on  
16 this application? When to introduce that the horsemen's  
17 agreement be done?

18           REGULATIONS LEGISLATURE MANAGER WAGNER: I  
19 believe they're in negotiations right now. I'm not sure  
20 when they're expecting to be completed.

21           CHAIRPERSON HARRIS: We usually always get worked  
22 out. Let's be sure to let the Board know when anything  
23 that's out does get that approval.

24           REGULATIONS LEGISLATURE MANAGER WAGNER: I will  
25 do that. Usually they're very good about letting us

1 know when the missing information is supplied, and I  
2 will make sure that the Board is aware that we receive  
3 this information.

4 COMMISSIONER SHAPIRO: I think that we ought to  
5 insist that the horseman's negotiations are completed by  
6 the time that we approve these applications. I know  
7 that it's just a matter of time until it gets done.  
8 People know that meeting date, but I would suggest that  
9 perhaps in the future to make the applications complete  
10 that we do that.

11 MR. LAMOTHE: The contract is all in order. The  
12 President was not able to sign it before he left out of  
13 the country, but we appreciate your comments as far as  
14 the time in this in the future.

15 COMMISSIONER SHAPIRO: Are the parties agreed as  
16 to the terms, just awaiting a signature?

17 MR. LAMOTHE: That's correct.

18 COMMISSIONER SHAPIRO: Thank you.

19 CHAIRPERSON HARRIS: One thing will be unusual  
20 for this meet is, you're overlapping. Cal Expo Racing  
21 will be at another fair. I'm not sure what -- Cal Expo  
22 Harness and Harness Racing -- is it racing day or night,  
23 or what are they going to do during the state fair?

24 COMMISSIONER SHAPIRO: Night.

25 CHAIRPERSON HARRIS: Okay. So racing at night.

1 Coming in -- that is really handled by the fair. Del  
2 Mar didn't really get involved in that. Do they -- I  
3 think.

4 COMMISSIONER SHAPIRO: I think you're right. Can  
5 I just ask also, on Exhibit 7, there were two notes here  
6 which said, "Within the U.S. the Del Mar Thoroughbred  
7 Club is working with Northern California Coordinator --  
8 Simulcast from New York Association." There are two  
9 notes, both of which say, "We will notify the Board as  
10 soon as possible if changes occur," and the second one  
11 again. And I didn't understand what these notes meant.

12 Do you know what they are referring to?

13 DIRECTOR OF RACING ROBBINS: Tom Robbins,  
14 Director of Racing Del Mar Thoroughbred Club.

15 Craig Fravel could not make it today. And  
16 I'm here to try to answer any questions or some  
17 questions. I also have some very capable people from  
18 the Del Mar Thoroughbred Club behind me, and I'm going  
19 to dish off this question to Mr. Paul Porter.

20 SIMULCAST DIRECTOR PORTER: Paul Porter,  
21 P-o-r-t-e-r, I'm the Simulcast Director at the  
22 Thoroughbred Club.

23 Those notes were posted simply just to let  
24 you know that I am in the process of signing the  
25 agreements with NYRA and -- I believe it's Harlington

1 Park. And since I don't have those particular contracts  
2 signed at this moment, I thought I'd just note that  
3 there at the bottom.

4 COMMISSIONER SHAPIRO: Okay.

5 CHAIRPERSON HARRIS: One thing. This is the  
6 first time I've seen it. It's confidential information  
7 on the different rates that signals are being sold for.  
8 As part of the overall protocol, are those rates  
9 approved by the TOC, or the tracks just do those  
10 themselves?

11 SIMULCAST DIRECTOR PORTER: The TOC. And  
12 whenever I seek an approval for any type of simulcast  
13 agreement, I seek that approval with the TOC and the  
14 CHRB.

15 COMMISSIONER SHAPIRO: I have one question that I  
16 think Mr. Robinson can answer, which is, What procedures  
17 are being taken to make sure that there's a clear log of  
18 what horses are shipping in and shipping out? Jackie,  
19 do you know?

20 REGULATIONS LEGISLATURE MANAGER WAGNER: I'm not  
21 exactly sure what the procedure is at Del Mar, but I  
22 believe they're following what every other track is  
23 following. The stable gate person is supposed to be  
24 keeping a log of those horses shipping in and shipping  
25 out.

1           We are going to be implementing very  
2 shortly -- finalizing our new procedure, which will  
3 require also that the trainer sign the departure slip  
4 for those horses that are leaving, and if they that have  
5 no signature, those horses will not be able to leave.  
6 So I'm sure the Del Mar is indeed following some  
7 procedures.

8           Also, we are going to be requiring that  
9 those records that are being kept at the stable gate be  
10 supplied to the stable office and be made available to  
11 the CHRB at our request.

12           EXECUTIVE DIRECTOR FERMIN: I might just add that  
13 I have talked to Mr. Robbinson and Bridget Crawford at  
14 Del Mar, and we've gone over all the recommendations  
15 that CHRB has listed that we want in there in compliance  
16 and willing to do everything that we've said.

17           Also, I wanted to add, when you mentioned  
18 the implications, there may be a couple things missing.  
19 So there's a little disadvantage for this first month.  
20 And with the exception of fire inspections for the  
21 fairs, everything else is expected to be complete from  
22 now on.

23           COMMISSIONER SHAPIRO: I think this was a very  
24 complete application. Actually, I was impressed with  
25 some of the information that was provided to us, but I

1 believe -- I think we should make sure that we  
2 understand what the ship-in and ship-out procedures are  
3 and see if the recommendations that we put forth are  
4 being implemented in each track.

5 I'd move to approve this if there are no  
6 other comments.

7 CHAIRPERSON HARRIS: Second to approve the Del  
8 Mar application. All in favor?

9 (Ayes.)

10 CHAIRPERSON HARRIS: The next item is Application  
11 to Conduct a Horse Racing Meeting of the Solano County  
12 Fair at Vallejo, from July 13 through July 25.

13 REGULATIONS LEGISLATURE MANAGER WAGNER: Jackie  
14 Wagner CHRB Staff.

15 The Solano County Fair has filed its  
16 application to conduct a horse racing meeting at  
17 Vallejo. They are proposing to race from July 13th  
18 through the 25th, or 11 days, which is the same number  
19 of days they raced in 2004. They are proposing to race  
20 a total of 125 races. This is also the same number that  
21 they ran in 2004. They will be racing five days the  
22 first week, Wednesday through Sunday, and six days the  
23 second week, Wednesday through Monday; 11 races per day  
24 on Monday, Wednesday, Thursday, Friday; and 12 races on  
25 Saturday and Sunday. Their post time is 12:45 P.M.

1 daily. This application noted on the analysis is  
2 missing a stabling and vanning (phonetic) agreement.

3 I'm pleased to report that we have received  
4 that agreement in the office. We received that on  
5 May 23rd. The fire clearance is complete, and this  
6 application has nothing outstanding.

7 Staff would recommend the Board approve the  
8 application, and I believe there is a representative  
9 from this Solano County Fair present to answer any  
10 questions.

11 CHAIRPERSON HARRIS: I noticed the Del Mar  
12 application -- were some figures given as far as money  
13 to be spent on promotion and advertising? I didn't  
14 notice this in the Vallejo application. Maybe it's not  
15 a requirement yet.

16 REGULATIONS LEGISLATURE MANAGER WAGNER: That  
17 information should be included in the Commissioner's  
18 binders.

19 CHAIRPERSON HARRIS: I didn't see it.

20 REGULATIONS LEGISLATURE MANAGER WAGNER: I have  
21 that information. I'll make sure you get it.

22 CHAIRPERSON HARRIS: One of my concerns, frankly,  
23 is that Vallejo is the degree of on-track attendants  
24 able to get there due to a number of reasons. I'm not  
25 really clear if they are doing very much promotion.

1           COMMISSIONER SHAPIRO: I think if you look at the  
2 last page, the pink section where it says "on-track" --  
3 No. 13, "on-track attendants and development." I  
4 believe it's in there as Item "B" and "A" -- actually  
5 "A" and "B," do you see it?

6           CHAIRPERSON HARRIS: Last page. I don't know how  
7 that -- 33, okay. I urge you to spend whatever it takes  
8 to maximize these.

9           COMMISSIONER SHAPIRO: Can I ask a question,  
10 because I'm unclear. If you look at the application --  
11 and this is not just directed to Solano. It may be the  
12 way -- I'm missing something.

13                   If you look at the first program, under  
14 Section A it says, "estimated purse distribution," and  
15 it says, "A million 283 in 'D' total estimated amount  
16 from all sources to be distributed at the meeting." It  
17 says, "A million 627." And then it goes on to "E,"  
18 which says, "Estimated purse funds to be generated  
19 on-track and off-track, and this 'F' Estimated purse  
20 funding to be generated from interstate."

21                   I couldn't figure out how to add these  
22 numbers -- to know what the right number was. How do  
23 you get to a million six and a quarter or million 627,  
24 if I was clear?

25           MR. KORBY: Chris Korby, California Authority of

1 Racing Fairs, here on behalf of Solano County Fair.

2 COMMISSIONER SHAPIRO: Do you see where I'm  
3 looking, Mr. Korby, under 5 where it says, "Purse  
4 Program" of your Application -- of the application? Do  
5 you see under "A-1" it says "a million 283"?

6 MR. KORBY: That's correct. In addition there's  
7 a sum of \$90,000.

8 COMMISSIONER SHAPIRO: Right, and so that adds  
9 roughly to what's called a million four -- just rough  
10 numbers. And then if you go to "D" down below. It  
11 shows a million 627. And then it breaks out where the  
12 million 627 is, but none of these numbers add. And I'm  
13 trying to figure out what the number is.

14 CHAIRPERSON HARRIS: I think it could be  
15 presented better. It may be some of those funds are  
16 going to different organizations, and some are going  
17 to --

18 COMMISSIONER SHAPIRO: Those are there too?

19 REGULATIONS LEGISLATURE MANAGER WAGNER:  
20 Mr. Shapiro, I do have a formula for figuring out the  
21 addition of the first program in the section of this  
22 application, and I can get that to you. I can make sure  
23 that you get that information.

24 I don't remember what the formula is right  
25 off the top of my head, but there is a way that these

1 numbers do add, and I can get that formula to you.

2 MR. KORBY: I think we need to go through the  
3 arithmetic, sir, if you give us a minute.

4 COMMISSIONER SHAPIRO: Okay. Are you  
5 distributing a million 627? Is that the amount of money  
6 that will be available for purses, or is it a million  
7 283 plus 90 plus 70?

8 MR. KORBY: Well, the million 627 is monies that  
9 are distributed in any form to horsemen, not just  
10 purses.

11 CHAIRPERSON HARRIS: By "horsemen," you're  
12 including breeders and TOC and CTT --

13 MR. KORBY: And horsemen organizations and so  
14 forth.

15 COMMISSIONER SHAPIRO: Okay. If you could just  
16 reconcile that.

17 REGULATIONS LEGISLATURE MANAGER WAGNER: We  
18 reconcile the numbers every time the application is  
19 submitted. So I do have the figures and reconciliation  
20 program. I'll make sure you get that.

21 UNIDENTIFIED SPEAKER: Mr. Barkett has had a  
22 chance to put the arithmetic together and maybe in  
23 future license and applications, even if the application  
24 form is not called for, we could submit a supplemental  
25 table.

1           COMMISSIONER SHAPIRO: Yeah, it will make it  
2 easier for us to understand where all the money is  
3 going.

4           CHAIRPERSON HARRIS: We did revise these  
5 applications, but it's not that clear. It would be good  
6 to show purses how this compares to previous years and  
7 something like that.

8           COMMISSIONER SHAPIRO: Right.

9           MR. BARKETT: Joe B-a-r-k-e-t-t. Yes, we need to  
10 improve the presentation on this. But I think I can  
11 answer the question.

12                     The million \$283; \$800 when added to the  
13 \$90,000 overnight stakes, \$70,000 non-overnight stakes.  
14 \$117,000 estimated funds to be generated for all  
15 California of Breed Incentive Awards, and then the  
16 66,640, which are the estimated payments to recognize  
17 Horsemen's Organizations, that should add up to the  
18 million 627.

19           CHAIRPERSON HARRIS: We had this version of  
20 presentation for quite a while, but we need to look at  
21 it. It's just this track's issue.

22           COMMISSIONER SHAPIRO: Wasn't picking a fight. I  
23 got it then. All right. Thank you.

24           COMMISSIONER SPERRY: Approval period of time  
25 application?

1 CHAIRPERSON HARRIS: All in favor?

2 (Ayes.)

3 CHAIRPERSON HARRIS: Pass it.

4 Application for license to conduct a horse  
5 racing meeting at the Sonoma County Fair at Santa Rosa  
6 July 24th through August 8th.

7 REGULATIONS LEGISLATURE MANAGER WAGNER: Jackie  
8 Wagner, CHRB Staff.

9 The Sonoma County Fair has filed this  
10 application to run a horse racing meeting. They will be  
11 racing from July the 27th through August the 8th, or 12  
12 days, which is the same number of days that they raced  
13 in 2004. They are proposing to race a total of 134  
14 races, which is also the same number of races that was  
15 raced in 2004. They will be racing Wednesday through  
16 Monday, with 10 races per day on Monday, Wednesday, and  
17 Thursday, 12 races on Saturday and Sunday, and 13 races  
18 on Friday.

19 Their first post time is 12:45 P.M. This  
20 application, you will note on the analysis, indicates  
21 that the contract for stabling and vanning is in  
22 negotiations.

23 Again, we have received the contract from  
24 CARP in our office, and the fire clearance has been  
25 noted on application. That is not completed. However,

1 a date has been set for that. And Staff would recommend  
2 that the Board approve the application contingent upon  
3 receiving additional information.

4 And I do have a representative from the fair  
5 here to answer any questions you may have.

6 CHAIRPERSON HARRIS: Your application -- on the  
7 bi-carb testing, there's a -- kind of blanket program,  
8 but they've got some language in there that refers to  
9 the track, but then fair racing moves fairly rapidly.  
10 So does each fair sort of become the track where the  
11 detention -- whatever the fair is, then?

12 MR. OAKLEY: Corey Oakley. C-o-r-e-y,  
13 O-a-k-l-e-y.

14 My understanding is that we will work  
15 together so it will go from fair to fair. So should  
16 there be a detention situation, we will continue --

17 COMMISSIONER SHAPIRO: Will this be the first  
18 year that you use your track?

19 MR. COREY OAKLEY: Yes.

20 I've got a quick update. As you know, the  
21 Sonoma County Fair under the guidance of retired Manager  
22 Jim Moore has invested \$3 million in renovation and,  
23 most importantly, in addition of a seven-eighths mile  
24 turf track.

25 We will be racing on that surface this year

1 and plan to have our first and largest stake's race, the  
2 Grace Handicap, on Saturday, August 6th. \$100,000  
3 guaranteed on the turf -- mile and 16th. So that would  
4 be our grand opening. We will be toasting the track on  
5 that day. So we invite all of you to come.

6 We plan to run approximately 20 races on  
7 turf this year. We will be spending extra money  
8 promoting marketing for a program on that Saturday as  
9 well as throughout.

10 CHAIRPERSON HARRIS: Is that turf course? Do you  
11 have a chute or anything, or is that just an oval?

12 MR. OAKLEY: It is an oval and does not have a  
13 chute. It's a seven-eighths oval. So we'll start back.

14 CHAIRPERSON HARRIS: Can you have any sprints on  
15 it or all be miles or something?

16 MR. OAKLEY: I think that they'll all be miles.

17 CHAIRPERSON HARRIS: That's fine. I just  
18 wondered. I really commend you for developing that turf  
19 course. It adds a new dimension. What kind of grass do  
20 you have?

21 MR. OAKLEY: It is --

22 EXECUTIVE DIRECTOR FERMIN: I might add, just for  
23 the Board's information, I met with Chris Korby, and we  
24 worked out a plan for the detention stalls and TCO-2 and  
25 the cameras to be going from one fair to another. And

1 the plan is in place and hopefully will satisfy the  
2 Board.

3 CHAIRPERSON HARRIS: Any questions on this  
4 application?

5 COMMISSIONER SPERRY: Mr. Chairman, with the  
6 understanding that we get the contract -- and vanning, I  
7 move approval.

8 CHAIRPERSON HARRIS: Second?

9 COMMISSIONER SHAPIRO: Second it.

10 CHAIRPERSON HARRIS: All in favor?

11 (Ayes.)

12 CHAIRPERSON HARRIS: Next item is the discussion  
13 and action by the Board on the adjustment of the current  
14 allocation of Northern Fair and Thoroughbred Race Dates  
15 for 2005.

16 SENIOR PARIMUTUEL EXAMINER REAGAN: You have in  
17 your package the color chart indicating the current  
18 allocated dates for the northern thoroughbreds and fairs  
19 and then right next to it, you have the proposed  
20 reallocation, and this was discussed at a Race Dates  
21 Meeting.

22 COMMISSIONER SHAPIRO: Yes. The Race Dates  
23 Committee met, viewed this, and approved this calendar.  
24 There are no objections, and everybody is in favor of  
25 this. And I recommend that the Board approve this

1 calendar as submitted.

2 COMMISSIONER SPERRY: Second.

3 CHAIRPERSON HARRIS: All in favor?

4 (Ayes.)

5 CHAIRPERSON HARRIS: I believe -- had a problem.

6 COMMISSIONER SHAPIRO: That was corrected and  
7 resolved, and everybody is happy.

8 CHAIRPERSON HARRIS: Next item is discussion and  
9 action by the Board on the request of the Los Angeles  
10 County Fair to amend their 2005 allocation of fair  
11 dates.

12 SENIOR PARIMUTUEL EXAMINER REAGAN: This is a  
13 request from the L.A. County Fair as indicated. They  
14 have an attached letter, but essentially they're going  
15 to close on the Monday, one day past their current  
16 allocation. But they're going to go dark on the two  
17 Tuesdays during the course of their meet. So actually,  
18 16 days, one less than currently allocated.

19 I have spoken to the Oak Tree Meet that  
20 follows the L.A. County Fair. They tell me they have no  
21 problem with this allocation. As such, we recommend  
22 approval.

23 COMMISSIONER SHAPIRO: If you'll recall, it was  
24 brought up at our last meeting where we couldn't take  
25 action on it, but we did review this as well at the

1 Dates Committee. So I'll also recommend this be  
2 approved.

3 CHAIRPERSON HARRIS: I think it makes sense --  
4 consecutive days, a couple breaks in there would help.  
5 I guess the problem is, this would allow a one day break  
6 between Pomona and Oak Tree --

7 SENIOR PARIMUTUEL EXAMINER REAGAN: Correct.  
8 Only the Tuesday between the two.

9 CHAIRPERSON HARRIS: I think the gain is better  
10 than the loss there.

11 COMMISSIONER SPERRY: Second the motion.

12 CHAIRPERSON HARRIS: Made the motion. All in  
13 favor?

14 (Ayes.)

15 CHAIRPERSON HARRIS: Next is the proposed public  
16 hearing by the Board on the adoption of the regulatory  
17 amendment to CHRB Rule 1433, application for licensing  
18 to conduct a horse racing meeting.

19 REGULATIONS LEGISLATURE MANAGER WAGNER: As you  
20 know, the proposal to amend the Rule 1433, it would  
21 amend our CHRB applications both the 17th and 18th -- to  
22 ask for additional information to make clarifying  
23 statements on the application.

24 Specifically, CHRB 17 would be amended to  
25 require applicants to file an audit and an annual final

1 statement of the actual license holder of the  
2 application. And the application would have been  
3 revised to collect information about the applicant's  
4 electronic security system, the emergency lighting  
5 system.

6 In addition, both forms were amended to  
7 identify steps that were being taken by the applicant to  
8 increase on-track attendance, including advertising and  
9 promotional plans.

10 During the 45-day comment period, staff  
11 received comments from several individuals on the  
12 proposed amendments. Specifically, we received a  
13 comment from the federation, the California Federation  
14 of Racing Associations. They expressed support for the  
15 amendments with the exceptions of having to disclose  
16 advertising and budgetary information. They are  
17 contending that this information may be considered  
18 proprietary, and they requested that be kept  
19 confidential. Del Mar Thoroughbred Club also submitted  
20 the same objections.

21 In addition, we received comments from  
22 Hollywood Park, and they submitted a comment requesting  
23 that language be added to the application to allow a  
24 licensee to submit the audited consolidated annual  
25 financial statement of the parent owner. If the parent

1 owner is a publicly traded company and guarantees the  
2 obligations of the licensee, they are requesting that  
3 that language be added to the applications under  
4 Section 4-C.

5 In addition, during the 45-day comment  
6 period, applicants have been using the proposed new  
7 form, and we have received comments and questions  
8 concerning the security control questions in the  
9 application. And in response, staff has modified  
10 Section 11 to clarify that the requirement that a  
11 written plan for security, for greater stake races, be  
12 expanded to include races of \$100,000 or more. And we  
13 also added clarifying language to let the applicant know  
14 that we do, indeed, require information regarding their  
15 detention barn plans.

16 In response staff would recommend that the  
17 Board instruct us to initiate a 15-day comment --  
18 additional comment period to incorporate the  
19 modification of the proposed applications.

20 Any questions?

21 CHAIRPERSON HARRIS: Comments or questions on  
22 this?

23 I personally could buy into most of the  
24 suggested changes. I do have concern about the  
25 advertising and promotion budget. I don't see as

1 that -- the racing California is important to so many  
2 different people, I don't think we're really --  
3 inappropriate -- to require that as being public  
4 information as far as what kind of amounts they're  
5 planing to spend. Different parties -- adequate  
6 promotion and it's something I think should be out  
7 there.

8 COMMISSIONER SHAPIRO: And how do you feel about  
9 the consolidated?

10 CHAIRPERSON HARRIS: I think that's okay. As  
11 long as it's very clear that parent company is  
12 guaranteeing all the obligations of the licensee. I  
13 could see it probably would be that expensive for a  
14 subsidiary to get a whole step statement.

15 Our real concern is that there's somebody,  
16 someplace holding the bag. That would probably do it as  
17 long as there's a clear assumption of the liabilities.

18 MR. BAEDEKER: Rick Baedeker, Hollywood Park.  
19 I'd just like to shed some light on our position on  
20 providing the budgetary information.

21 We do maintain it's proprietary as private  
22 business. And just simply put, we're worried that some  
23 point in the future, a Horse Racing board decides to do  
24 the business for us and determines that whatever amount  
25 of money we've decided to spend on marketing is not

1 enough by some crazy figure and, as a matter of fact,  
2 decides that they will make those decisions for us. And  
3 with this precedence, perhaps there's a requirement for  
4 us to submit our prices for everything, hot dogs and  
5 parking submission and so forth, in which case the Board  
6 gets more involved in the management of the business and  
7 probably should just go ahead and take it over.

8 I know that's extreme, and I know that this  
9 current Board would never dream of getting that  
10 involved. As a precaution in the future, I don't think  
11 any racetrack would hesitate to stand before you on kind  
12 of a parallel sidebar basis prior to the meet, as I did  
13 in advance in the spring/summer meet, and go through the  
14 advertising and promotion schedule with you in as much  
15 detail as would you like.

16 So that's the thinking. I don't want to  
17 overplay it. We're just concerned, generally, that this  
18 is getting into an area that the Board hasn't gotten  
19 into before. As matter of precedence, it causes some  
20 concern.

21 COMMISSIONER SHAPIRO: I appreciate what you're  
22 saying, Rick, and I can buy into that to some degree.  
23 But I think that Chairman Harris brings up a good point,  
24 which is, we're charged with granting licenses to racing  
25 associations and also looking after the public trust and

1 the benefit of California Racing.

2           And so I think that because -- and believe  
3 me, I don't want to micromanage your business. And I  
4 want you to do whatever is best. But how do we protect  
5 our interests in horse racing and making sure that an  
6 association is putting forth both an effort of energy  
7 and also expenditure to justify giving them that  
8 license?

9           These licenses aren't owned. And I think  
10 that there's some incentive that we have to keep people  
11 from spending money and promoting the game and building  
12 on the game rather than just milking it and not  
13 investing.

14           So I'm torn on this issue because I do  
15 respect the proprietary information, and I understand  
16 that it should be perhaps sensitive and maybe can be  
17 kept sensitive. But I think we have an obligation to  
18 make sure that those racing associations are stepping up  
19 to the plate and making the investment that garners  
20 their right to have the license.

21           CHAIRPERSON HARRIS: For years we've gotten the  
22 information on parking and admissions that hasn't really  
23 created a problem. I think the Board is coming --

24           MR. BAEDEKER: Those are revenue lines. And  
25 again, you can pretty much surmise that based on

1 attendance and so forth, these are expense lines.  
2 Again, if you don't need these accompanying in managing  
3 these things. I know that's extreme, but I think I need  
4 to make the example extreme to make the point. And I  
5 would say, Commissioner Shapiro, that you're doing what  
6 you're charged to do.

7           Some of the industry together we all will  
8 put forth marketing plans in front of you, anybody else  
9 that wanted to see them and made them public not only  
10 for this year but previous years.

11           We've taken suggestions, and we've acted on  
12 them, and we're acting in good faith. And any  
13 association that would apply for a license that is not  
14 acting in good faith in this area or any other, you  
15 certainly have the wherewithal to withhold a license or  
16 apply lots of pressure in lots of different areas to  
17 compel the associations to comply.

18           So, you know, I think we're right where you  
19 are. We're worried about this becoming a gray area, and  
20 we're worried about subsequent Boards possibly taking  
21 this power and just replacing the purpose of the  
22 management group. And so, you know, if it would be  
23 acceptable to the Board that when we file the license  
24 application at the same time we file our marketing and  
25 promotions plan -- sounds reasonable. I would prefer

1 that we do it as an addendum or even as a separate  
2 document, separate from the license itself. And perhaps  
3 start there, if that's not satisfactory to you. If  
4 we're not complying, then perhaps you need to take more  
5 of an iron-fisted approach.

6 I just wouldn't rush into this, what I think  
7 is kind of a fundamental change in the nature of the  
8 license application and a fundamental change in the way  
9 the associations and private businesses have operated in  
10 the past.

11 COMMISSIONER HARRIS: Really one of my concerns  
12 is that the whole industry is not doing well. If we  
13 were all doing well and showing gains and everyone feels  
14 pretty good about racing, I would say "why are we  
15 looking at this? It's not broke. Don't fix it."

16 We're showing pretty good decreases -- could  
17 have something where you don't have to file it if you're  
18 coming off enough years or something. That would be a  
19 novel approach. But I just don't see where it's that  
20 big of a problem. It's tough to keep things at a Board  
21 level confidential because none of us could really  
22 discuss things.

23 COMMISSIONER SHAPIRO: If it comes into our  
24 possession and -- just whispered to me. I think that we  
25 can't keep it confidential. It becomes public record.

1 I think there's a problem in that. It goes to the root  
2 of what Chairman Harris is saying. We all know racing  
3 is going through tough times, and we all hear how we all  
4 want and need relief to get the game back in California  
5 on its feet.

6 One of the things that we honestly just  
7 don't know is when you look at a Churchill or Magna --  
8 and I'm not picking on them -- or private company, we  
9 hear you need relief, but we can't see or understand it  
10 or really don't know what the bottom line is. And we  
11 then say, "Well, what type of effort is being put  
12 forth?" I really don't want to cross over that line in  
13 getting proprietary information.

14 But in Churchill's case, we're talking about  
15 a consolidated statement which is acceptable. They are  
16 going to guarantee the obligations of Hollywood Parking  
17 or whatever the correct name is.

18 But again, we understand in here you need  
19 help. And my view is we want to get you help. And we  
20 want to be on your side with that.

21 On the other hand, we can't say -- and I  
22 don't know what effort you're making in going forward  
23 and expending so that there's a full picture. So it's  
24 tough for us to be an advocate -- for me, at least, to  
25 be an advocate -- that you really need help because I

1 don't know what you expend. And then I don't know what  
2 your results are. I have no idea if you're making lots  
3 of money or if you're losing money.

4 So that's the issue that I struggle with in  
5 a game that, clearly, every month we look at results  
6 they are down, down, down.

7 MR. BAEDEKER: Of course, in a public company the  
8 earnings are published every year.

9 COMMISSIONER SHAPIRO: I understand that. But  
10 that includes all of Churchill Downs --

11 MR. BAEDEKER: No, but it also indicates each of  
12 the racetracks. And of course, I have financials for  
13 Hollywood park as a unit that are separate and distinct  
14 from the Churchill Downs financials.

15 And I would much prefer to sit down with  
16 you, Commissioner Shapiro, or anybody else for as long  
17 as you want. I'd take you through the financials, and  
18 I'd show you the changes over the last several years.

19 The changes in a nutshell are mostly on the  
20 expense side as opposed to the revenue side. And I  
21 would welcome that. I would welcome an understanding by  
22 this body of that side of the business. But I look at  
23 that as different than as part of the license  
24 application being required to furnish that information  
25 to you.

1           To give you an extreme example again, the  
2 Commission someday says, "Well, your marketing budget of  
3 'X' million isn't sufficient. You need to increase it  
4 by \$3 million before this license will be approved."

5           I don't expect that's going to happen. You  
6 know, we haven't expected a lot of things in the game  
7 that, in fact, have happened. I just think it's  
8 inappropriate to have it as part of the license  
9 application itself.

10           If there was language added that said "As  
11 part of the process, not part of the application, the  
12 association" -- I know we'd have to work on the language  
13 to accomplish what I just said. More on a one-on-one  
14 basis, take any commissioner through the financials and  
15 show them the information that they're interested in.  
16 Have a discussion about why we do the things we do.  
17 Explain all the numbers and go from there. I think  
18 that's a healthier relationship between this Board and  
19 the associations.

20           CHAIRPERSON HARRIS: Well, I'm not sure what our  
21 options are. The proposal we've got on the table  
22 here -- why isn't it a 15-day comment period?

23           REGULATIONS LEGISLATURE MANAGER WAGNER: It will  
24 have to go out for an additional comment period because  
25 we're proposing to make changes to the initial

1 application divisions that went out. So any changes  
2 that we made to the initial 45-day comment period will  
3 have to go out for an additional time.

4 CHAIRPERSON HARRIS: Do we still have to bring it  
5 back?

6 REGULATIONS LEGISLATURE MANAGER WAGNER: Correct.  
7 That's correct.

8 COMMISSIONER SHAPIRO: So if we wanted, in fact,  
9 now to put on Section 5 where we put, for instance, this  
10 year's purse distributions and we wanted to add a column  
11 comparing it to last year, could we make that change?

12 REGULATIONS LEGISLATURE MANAGER WAGNER:  
13 Absolutely. Any changes that you would like to make on  
14 the application, that you do not see right now, we  
15 should go over those so we can make those changes and  
16 get the language. And when I send it out for the  
17 additional comment period, they would be included.

18 COMMISSIONER SHAPIRO: I think it would be useful  
19 to us to know if they're projecting what the purses are,  
20 at least compared to the prior meet for the same period  
21 so that we could see how well they are projecting, that  
22 they expect to be distributing more or less money. So  
23 far it would be helpful just to know that.

24 MR. LEE BOW (phonetic): Jack Lee Bow, from the  
25 Bay Meadows Associations.

1           Mr. Shapiro, Committee, I think it was  
2   called "Bring the Fans Back" or something like that, I  
3   think, that all of the tracks, and I suspect -- I know  
4   Bay Meadows did. I know other tracks did -- submitted  
5   their marketing plans to that committee for review. And  
6   that was done without any great need to have a  
7   regulation or anything else. So I mean -- I -- one of  
8   Mr. Harris' things is if it's not broke, don't change  
9   it. And you know that's being done.

10           We have just resently submitted these  
11   marketing plans and with no need for any sort of  
12   regulation. Thank you.

13           CHAIRPERSON HARRIS: Yeah, I think we're probably  
14   not that far apart in a way. But I don't see where it's  
15   a problem to submit it. It doesn't have a history. My  
16   main concern is not really so much now, but going  
17   forward at some point, racing could become sort of a  
18   studio sport that attracts -- looks at their numbers and  
19   says, "Let's don't spend anything on promotion or  
20   advertising because we're making all of our money just  
21   satelliting to other locations." So it basically will  
22   be a very meager existence here as far as our on-track.

23           My concern is, we don't have some degree of  
24   on-track promotion that you lose a lot of the magic of  
25   the sport.

1 MR. LEE BOW: Jack Lee Bow, again.

2 As far as promoting the sport, I'm beginning  
3 to become of the opinion that, for instance, the track  
4 in Northern California might be better off allocating  
5 part of its marketing budget to the satellites, because  
6 I think you can get more for your buck as far as  
7 attendance and satellites. And you might be able to  
8 have on-tracks.

9 I would urge you not just to concentrate  
10 on-track because both of Northern California and  
11 Southern California is based upon the setup we have here  
12 in California. I mean, our satellite networks are so  
13 important to us.

14 COMMISSIONER SHAPIRO: Can I ask a question  
15 before you go, Mr. Lee Bow? It's my understanding  
16 before I was on the Board that money was allocated to  
17 promotion fund in the takeout; is that correct?

18 MR. LEE BOW: Yes.

19 COMMISSIONER SHAPIRO: Would you have a problem,  
20 or would Mr. Baedeker have a problem that those monies,  
21 if I understood them, were there specifically to promote  
22 horse racing?

23 MR. LEE BOW: Those monies, Commissioner Shapiro,  
24 now flow to the California Marketing Committee. What  
25 has happened, historically, was in Northern California

1 the promotional money went to everybody individually  
2 based on their handle at various satellites. In  
3 Southern California, the money went to the tracks to  
4 spend on behalf of the satellite at work. Neither north  
5 or south was happy with what was going on, so we went  
6 for the California Marketing Committee, and that's where  
7 all the promotional money goes. And now we find  
8 ourselves, or at least some of us, unhappy with the  
9 results that we're getting there.

10 But that's where the promotional funds go is  
11 to the California Marketing Committee. Roughly in the  
12 neighborhood of \$6 million of which \$1 million is now  
13 being allocated, I think, for our workers' compensation  
14 insurance. So there is \$5 million more or less in the  
15 California Marketing Committee on an annual basis.

16 COMMISSIONER SHAPIRO: Does the night industry do  
17 it; do you know?

18 MR. LEE BOW: The night industry has a  
19 promotional fund, but how it's distributed I don't know.

20 COMMISSIONER SHAPIRO: I think it's different  
21 with the night industry.

22 CHAIRPERSON HARRIS: But it is a complex issue  
23 because you've got the California Marketing, you've got  
24 NTRA, you've got each individual tracks. And I don't  
25 know there may be something else too. We just need to

1 get our arms around how much you're really doing and,  
2 more important, how effective a job you're doing.

3 MR. LEE BOW: That's right. Part of the  
4 marketing budget could probably -- by each track that's  
5 a member of the NTRA. For instance, this year Bay  
6 Meadows contributes probably upwards of \$150,000 to the  
7 NTRA. There's certain advertising that supposedly  
8 inures to our benefit.

9 COMMISSIONER SHAPIRO: That was convincing.

10 MR. LEE BOW: "Supposedly"?

11 COMMISSIONER SHAPIRO: I'm personally okay in  
12 that I don't want to cross the line of making racing  
13 associations open up and show us the numbers. I will  
14 say that in the "Bring Back the Fans" Committee nearly  
15 every racing association came forward and was very  
16 forthcoming.

17 I think we got to a point where there were  
18 some ideas that were being exchanged. I think we're  
19 going to have another meeting of that committee. And  
20 everybody seemed to be at least pulling together and  
21 recognizing that perhaps there's some benefit by working  
22 together in terms of it.

23 So I'm okay not having to see the money at  
24 this moment.

25 CHAIRPERSON HARRIS: I don't have to see the

1 money. I would just like to see the numbers.

2 How do the rest of the Board members feel?

3 VICE CHAIRPERSON BIANCO: Same opinion as you and  
4 Richard.

5 CHAIRPERSON HARRIS: It seems to me that the  
6 numbers are not really that confidential if they've been  
7 available to us at all anyway. I don't know if it's  
8 anything that proprietary about the fact that people are  
9 going to spend money and try to get people to come to  
10 the track. It's not like --

11 COMMISSIONER SHAPIRO: I think the problem  
12 cutting through all the stuff is that -- and I'm just  
13 using names. No intention of pointing the finger at  
14 anybody. If Santa Anita shows that they spent  
15 \$2 million and Churchill shows that it spent \$4 million,  
16 then people are probably going to say, "Hey, Santa  
17 Anita, look, Churchill's spending \$4 million. Why  
18 aren't you doing it?" And you got to spend the same  
19 amount of money. I would guess that's one of  
20 Mr. Baedeker's concerns in this.

21 CHAIRPERSON HARRIS: It's not necessarily bad,  
22 though.

23 COMMISSIONER SHAPIRO: I don't know if it's right  
24 for this body to hold associations to a certain level.

25 CHAIRPERSON HARRIS: Maybe for this body, but

1 just for the public to say, "Look, why aren't you doing  
2 more? Maybe the other party is."

3 COMMISSIONER SHAPIRO: I'm sure their operating  
4 costs are different, and their plants cost them  
5 differently. So I don't know if one dollar is the same  
6 as another to each association.

7 MR. BAEDEKER: Rick Baedeker, Hollywood Park.  
8 That's the point I wanted to make. I think, again, as a  
9 sidebar to the application, I mean, we'll show you -- of  
10 course, it's 90 days in advance, so a lot of things are  
11 subject to change, but we'll show you absolutely every  
12 promotional plan that scheduled -- every marketing,  
13 every advertising plan that's scheduled, where it's  
14 going to be, when it's going to run, and so forth. You  
15 could probably figure it out if you want -- you know,  
16 what the dollars are.

17 We have not -- just speaking for Hollywood  
18 Park, we have not to this date, "This is what we spend  
19 on this line. This is what we spend on, you know,  
20 advertising, direct marketing," so on and so forth. We  
21 have consistently drawn the line there.

22 So, you know, I would suggest that we should  
23 draw that line between the regulatory body and private  
24 business and work together as we have and just do this  
25 business better than we have.

1 EXECUTIVE DIRECTOR FERMIN: Would it be feasible  
2 for, say, someone from staff and then Mr. Shapiro or  
3 somebody who was on the fans thing, that we were to have  
4 something of a supplement of some sort that were outside  
5 of the application and then just a recommendation from  
6 staff that the proposals are adequate, or there could be  
7 something along those lines?

8 COMMISSIONER SHAPIRO: Again, if it's in our  
9 hands, it becomes part of the public record. And I will  
10 say that in the "Bring Back the Fans" Committee, I  
11 believe Del Mar was the only association that was  
12 willing to come forth and disclose the amount of their  
13 expenditures. And if I missed somebody, I'm sorry.

14 UNIDENTIFIED SPEAKER: Oak Tree.

15 COMMISSIONER SHAPIRO: Oak Tree. Most of them  
16 were willing to tell us what their promotion and  
17 marketing plans were, but only a couple were willing to  
18 go come forth and actually put out the numbers that they  
19 spent.

20 MR. BAEDEKER: And I believe Del Mar's numbers  
21 are public by virtue of their -- least -- relationship  
22 with the state.

23 CHAIRPERSON HARRIS: One of my concerns is just  
24 the different businesses I've been in. When things  
25 start going bad, the first thing you usually cut is

1 advertising and promotion. That's a good way to run a  
2 business. But I don't know if it's necessarily a good  
3 policy for racing. It seems to me that it would almost  
4 help the track to show that "Look, we're trying. We're  
5 spending 'X' amount. We'd like to spend more if we  
6 could make more." I'd like to see more transparency.

7 COMMISSIONER SHAPIRO: I think they did do that  
8 at the "Bring Back the Fans." There were many examples  
9 of where there were promotions, and I don't remember  
10 specific ones. I think it was Bay Meadows who did  
11 leather jackets or one of the tracks did it and said,  
12 "We made money on this. We lost money on that," based  
13 on how many fans showed up and so forth.

14 And they were sharing ideas and exchanging  
15 ideas. So they were trying to do it without saying, "We  
16 spent \$131,000" and questioning should they have spent a  
17 \$141,000. So they were forthcoming about that.

18 CHAIRPERSON HARRIS: We just have four members  
19 here. I would propose that we go ahead. I would go for  
20 everything except for the disclosure of the promotion  
21 and advertising. Put that out. We still got to revisit  
22 it at the next meeting anyway, and we can get it  
23 resolved.

24 COMMISSIONER SHAPIRO: Will you accept that we  
25 can ask staff to change the distribution of the purses

1 amount to show a comparative year-to-year comparison in  
2 this as well?

3 CHAIRPERSON HARRIS: Yeah. That would be  
4 helpful. With a 15-day comment period, does it have to  
5 be germane to one change, or you can make any change you  
6 want?

7 REGULATIONS LEGISLATURE MANAGER WAGNER: It  
8 should be germane to the changes to the original --  
9 initial notice. However, I will do what I can to  
10 facilitate the 15 day and try not to have to go to the  
11 45 day. But I will have to contact the Office of  
12 Administrative Law if there is any question.

13 CHAIRPERSON HARRIS: I don't know if there's any  
14 big urgency in this. And there's nothing in here that's  
15 that earth shattering anyway -- 45 days.

16 REGULATIONS LEGISLATURE MANAGER WAGNER: Just so  
17 I'm understanding, what we are going to do, then, is go  
18 back on that Section 14. We are going to continue to  
19 ask the applicants to describe any promotional plans  
20 they may have, but delete the requirement asking for the  
21 budget; is that correct?

22 CHAIRPERSON HARRIS: No. My proposal is to  
23 include the budget, but not the financial statements of  
24 them. We go for everything, except we would like to see  
25 a promotional plan including amounts supposedly spent.

1           REGULATIONS LEGISLATURE MANAGER WAGNER: So you  
2 still want to see the promotional plans and the budget  
3 that's proposed for the promotional plans and the  
4 advertising, which is the same thing? So plans and  
5 the money?

6           COMMISSIONER SHAPIRO: We're leaving that in  
7 place. We're not accepting the comment from Hollywood  
8 Park or that Federation on that aspect. And it will be  
9 revisited when this is back to us again.

10          REGULATIONS LEGISLATURE MANAGER WAGNER: Now, if  
11 we revisit it again and we make any changes from what  
12 I'm going to put out now, it will have to go out again.

13          CHAIRPERSON HARRIS: That's all right.

14          REGULATIONS LEGISLATURE MANAGER WAGNER: All  
15 right. Just so we're on the same page. And on that  
16 same line, we received a comment objecting to the  
17 disclosing of the charges that are -- the associations  
18 are expected to charge for out-of-state simulcasting  
19 activity. The fees that are charged, they also wanted  
20 to keep that information confidential. That came from  
21 Del Mar Thoroughbred Club.

22                    Did you want to still require those fees to  
23 be disclosed?

24          CHAIRPERSON HARRIS: I could see not disclosing  
25 those as long as the horseman's group has an approval

1 process where they've disclosed them to those and it's  
2 part of a package approval.

3 REGULATIONS LEGISLATURE MANAGER WAGNER: Okay.

4 CHAIRPERSON HARRIS: Anything else?

5 COMMISSIONER SHAPIRO: Just one second.

6 Apparently, if that's disclosed to us, it  
7 becomes public record.

8 CHAIRPERSON HARRIS: I don't think we really have  
9 to see it as long as we're relying on the relationship  
10 between the horsemen and the tracks. It's really up to  
11 them -- it's really their revenue that they're gaining  
12 or losing by selling it for more or less.

13 I think our main concern is just that  
14 it's -- how are they doing it -- it's legally done. I'm  
15 not really interested in particularly seeing that.

16 COMMISSIONER SHAPIRO: Okay.

17 CHAIRPERSON HARRIS: Just as long as it's clear.  
18 My concern would be if there was no checks on it at  
19 all.

20 COMMISSIONER SHAPIRO: Oh, yeah.

21 CHAIRPERSON HARRIS: Okay. So we need a motion  
22 to --

23 COMMISSIONER SHAPIRO: Also, move that we approve  
24 those changes. And second?

25 VICE CHAIRPERSON BIANCO: Second.

1 CHAIRPERSON HARRIS: All in favor?

2 (Ayes.)

3 CHAIRPERSON HARRIS: Okay. The next is, public  
4 hearing by the Board adoption of regulatory amendment to  
5 CHRB Rule 1887.

6 REGULATIONS LEGISLATURE MANAGER WAGNER: The  
7 proposal to amend Rule 1887 will extend the time to  
8 notify a trainer of a potential positive test finding  
9 from 18 days -- calendar days to 21 calendar days. The  
10 notice has been sent out for the 45-day comment period.  
11 Staff has not received any comments on the proposal.  
12 And we would recommend that the Board adopt the proposed  
13 amendment to Rule 1887 as presented.

14 CHAIRPERSON HARRIS: -- medication committee.  
15 I'm a little concerned that we don't -- it's sort of  
16 like a Horseman Agreement -- we don't adopt an attitude  
17 "let's not get it done until the last minute." The aim  
18 is to get it done ASAP, but if somehow there's shipping  
19 problems and things occur, this raises that outer limit,  
20 but the mindset will still be to progress along as  
21 quickly as we can.

22 COMMISSIONER SHAPIRO: I move to approve this.

23 VICE CHAIRPERSON BIANCO: Second.

24 CHAIRPERSON HARRIS: All in favor?

25 (Ayes.)

1           CHAIRPERSON HARRIS: Okay. The next one is  
2 public hearing by the Board on the adoption of the  
3 regulatory amendment to CHRB Rule 1976.9.

4           REGULATIONS LEGISLATURE MANAGER WAGNER: The  
5 proposed amendment to Rule 1976.9 would provide that if  
6 the conditions of the turf course warrants a change of  
7 the racing surface, and a race included in the Pick (N)  
8 wager and the public is not informed of the change prior  
9 to the close of the wagering of the Pick (N), the race  
10 will be declared no contest by the stewards for the  
11 purpose of that pool.

12                   During the 45-day comment period, we did  
13 receive a comment, and the comment addressed the term  
14 "no contest" that was used in Rule 1976.9 Section N.  
15 The comment was that the term "no contest" would be  
16 confused with the provisions of our current Board Rule  
17 1544, which provides circumstances where the stewards  
18 may declare a race as no contest.

19                   So in order to avoid any confusion, staff  
20 has modified Rule 1976.9 to state rather than declare  
21 the race no contest; all wagers on the race shall be  
22 considered winning wagers for the purposes of the Pick  
23 (N) Pool.

24                   In addition, we received a comment just  
25 recently addressing this proposal, and the comment

1 addressed that the rule as proposed would change the  
2 conditions for when we had a turf -- a change in a  
3 course from turf to dirt, and they were requesting that  
4 the same provision apply when the conditions of the dirt  
5 course warrants a change to the turf.

6 The staff would recommended the Board  
7 instruct us to notice the amended text to incorporate  
8 those two.

9 COMMISSIONER SHAPIRO: Who was that comment from?

10 REGULATIONS LEGISLATURE MANAGER WAGNER: That  
11 comment was from a racing fan. Actually, it was from  
12 Greg Bravitica (phonetic), but he was making the comment  
13 on behalf of himself and not with any association.

14 CHAIRPERSON HARRIS: Do we publish comments as  
15 they come in, or could we put them on a website -- or I  
16 don't know.

17 REGULATIONS LEGISLATURE MANAGER WAGNER: The  
18 comments that come in during the 45-day comment period  
19 have to be addressed in the Rule Making File. So every  
20 comment that we receive -- once the Rule Making File is  
21 completed, we have to address whether or not we agree  
22 with the comments or whether or not we disagree with the  
23 comments and what the Board's action is.

24 CHAIRPERSON HARRIS: Does the Board have a chance  
25 to see these comments?

1           REGULATIONS LEGISLATURE MANAGER WAGNER:

2   Absolutely. Typically we don't give those to you until  
3   we have the meeting here.

4           CHAIRPERSON HARRIS: It would be good if we got  
5   those -- unless they were so voluminous.

6           REGULATIONS LEGISLATURE MANAGER WAGNER: Not a  
7   problem. That would be a new procedure for me. But as  
8   soon as I receive a comment on any proposal that's out  
9   there, I will be sure to forward those comments to you.

10          COMMISSIONER SHAPIRO: I think this is a great  
11   rule change, and I'm in favor. I commend whatever  
12   committee it was.

13          CHAIRPERSON HARRIS: It was the Parimutuel with,  
14   I believe, Jerry Moss.

15          COMMISSIONER SHAPIRO: I think this terrific. I  
16   do have a question. I haven't ever seen where a turf  
17   race has been moved to dirt. So I don't know if that's  
18   something that happens at all.

19          CHAIRPERSON HARRIS: Where it does happens  
20   occasionally is a turf paradise -- I don't think it's  
21   ever happened in California.

22          COMMISSIONER SHAPIRO: Is there anybody in the  
23   audience who has heard of a turf race?

24          CHAIRPERSON HARRIS: Dirt removed to turf.

25          SENIOR PARIMUTUEL EXAMINER REAGAN: At one time a

1 race was moved from the turf to the dirt, and I did hear  
2 about it.

3 CHAIRPERSON HARRIS: Oh, it happens a lot. But  
4 we're talking about a race going from dirt to the turf.  
5 When did it happen?

6 SENIOR PARIMUTUEL EXAMINER REAGAN: When it did  
7 happen, we heard about it.

8 CHAIRPERSON HARRIS: When did this happen?

9 SENIOR PARIMUTUEL EXAMINER REAGAN: A year ago.

10 CHAIRPERSON HARRIS: I don't recall that.

11 MR. BAEDEKER: Rick Baedeker. It happened in  
12 Hollywood Park several years ago when the exercise pool  
13 on the back stretch flooded down onto the main track  
14 and right in the middle of the day. And they moved the  
15 racing from the dirt to the turf. It's extraordinary,  
16 obviously --

17 COMMISSIONER SHAPIRO: So all the races would  
18 have been all winners. You know, that's a true  
19 aberration.

20 SENIOR PARIMUTUEL EXAMINER REAGAN: Yeah, there  
21 would have been several thousand winning ticks that day,  
22 I expect though, as opposed to the first suggestion --  
23 where I think -- when we had the problem during the  
24 fall, as a matter of fact, the race that was moved from  
25 the turf to the dirt was won by the favorite -- had the

1 original proposal been in place where that was a no  
2 contest, you would have had upset folks. But in this  
3 instance, where you're recommending that every ticket is  
4 a winner, at least everybody stays on the same field.  
5 Playing field is treated fairly, equally.

6 So I think it can happen the other way. And  
7 as long as you're going to make the change, you might as  
8 well plan for that extraordinary circumstances.

9 REGULATIONS LEGISLATURE MANAGER WAGNER: That  
10 example was cited in the comment that was received from  
11 the Board.

12 CHAIRPERSON HARRIS: Only problem is we want to  
13 approve this today.

14 REGULATIONS LEGISLATURE MANAGER WAGNER: We're  
15 approving it to go out for 15 days.

16 CHAIRPERSON HARRIS: It changes the turf to dirt  
17 and dirt to turf?

18 REGULATIONS LEGISLATURE MANAGER WAGNER: Yes.

19 COMMISSIONER SHAPIRO: Will we be extending the  
20 period if we make it reciprocal -- either way, or can we  
21 still do that within the 15 day?

22 REGULATIONS LEGISLATURE MANAGER WAGNER: I'm  
23 going try to do both of them within the 15 days.

24 CHAIRPERSON HARRIS: We've got a meeting on  
25 July 1, so this will go out. So what we're seeing here

1 is the total rule, or is this the total rule changed?

2 REGULATIONS LEGISLATURE MANAGER WAGNER: This is  
3 the total rule. It does not include the language  
4 addressing the moving from the dirt to the turf. That  
5 comment was received after the package was prepared. So  
6 when I get back to my office, we will include the  
7 language addressing the moving from the dirt to the turf  
8 as well as changing the language to address all wagers  
9 shall be considered winning wagers for the purposes of  
10 the pool.

11 COMMISSIONER SHAPIRO: As long as we do it in the  
12 same framework, I'm fine with it.

13 REGULATIONS LEGISLATURE MANAGER WAGNER: I'm  
14 certainly going to try to do it within the same time  
15 frame.

16 CHAIRPERSON HARRIS: Does this cover the  
17 instance -- I guess the next rule, it covers the  
18 instance of disclosing the live tickets for the last  
19 race?

20 COMMISSIONER SHAPIRO: Right.

21 CHAIRPERSON HARRIS: Okay. This only relates to  
22 the changes in the --

23 COMMISSIONER SHAPIRO: This is just that one  
24 aspect. There's another one coming up.

25 CHAIRPERSON HARRIS: Any other comments on this?

1 Basically, this surface change aspect to go to whatever  
2 section was to all --

3 COMMISSIONER SHAPIRO: I move that we approve  
4 this, and we incorporate the changes so that if the  
5 track surfaces changed from one to the other, and we can  
6 do that within the 15 days, it would be approved.

7 VICE CHAIRPERSON BIANCO: Second.

8 CHAIRPERSON HARRIS: I feel it's a good move, and  
9 I think some of the fans will appreciate it, hopefully.

10 All in favor?

11 (Ayes.)

12 CHAIRPERSON HARRIS: Okay. The next one is the  
13 Pick (N) Pool, which can be a Pick (6) Pool or (4) or  
14 (3) or --

15 COMMISSIONER SHAPIRO: (4), (5), (6) isn't it?

16 CHAIRPERSON HARRIS: There's not a Pick (3) Pool  
17 there's just a Pick (4) or (5) or (6). How about a  
18 "place all" and Pick (N) Pool. Go ahead. Are you going  
19 to present this?

20 REGULATIONS LEGISLATURE MANAGER WAGNER: We just  
21 did Item Number 8.

22 COMMISSIONER SHAPIRO: No. But now you're  
23 looking at Attachment B 1976.9 Pick (N) Pool. That's  
24 the one that says "at least 4 but no greater than 10,"  
25 where we can disclose what potential winning payoff

1 would be.

2 REGULATIONS LEGISLATURE MANAGER WAGNER: That's  
3 the same rule.

4 CHAIRPERSON HARRIS: Okay. We got a problem with  
5 that rule. I mean, I like the rule. I mean, we got a  
6 problem with the language in that. In the last page of  
7 this is a paragraph that says "Providing information to  
8 any person regarding covered accommodations amount  
9 wagered on specific combination number of tickets sold  
10 or number of live tickets remaining is prohibited."

11 So I thought the whole idea was that we were  
12 going to provide that information before the last race.

13 REGULATIONS LEGISLATURE MANAGER WAGNER: I'm  
14 sorry, Mr. Chairman. Where were you reading from?

15 CHAIRPERSON HARRIS: Over here on Attachment B  
16 the last page on top of that. It just took out the  
17 "strictly," but then it still says "prohibited." Then  
18 it goes on and says -- sort of contradictory.

19 SENIOR PARIMUTUEL EXAMINER REAGAN: The impact of  
20 this rule is that we will be able to do the -- we'll  
21 show the "will pays" for the last -- after the fifth leg  
22 is complete, we'll then be able to show the  
23 "will pays." If Runner 1 wins, it will pay this much;  
24 If Runner 2 wins, it pays this much, and so on and so  
25 forth. That's what we will then be allowing the

1 display.

2 CHAIRPERSON HARRIS: I think one of the issues is  
3 that the "will pays" get a little more complicated  
4 because it might be some -- Runner No. 3 wins, there's  
5 not going to be a Pick (6). If Runner No. 4 wins, it's  
6 going to pay "X" but if 3 wins --

7 SENIOR PARIMUTUEL EXAMINER REAGAN: There's a  
8 carryover.

9 CHAIRPERSON HARRIS: So the way the first part of  
10 it reads, it sounds like it can't disclose amounts  
11 wagered on number of live tickets remaining. So you  
12 can't really say -- in one hand, you can't tell about  
13 how many live tickets you have left, and then the other  
14 hand, you're saying how much everything's going to pay.

15 SENIOR PARIMUTUEL EXAMINER REAGAN: What we're  
16 saying is we're not going to disclose the exact number  
17 of tickets or any other information. We'll simply -- if  
18 Runner 1 wins the sixth leg or the last leg of the  
19 Pick (N), then the payout for this pool this day will be  
20 \$100,000.

21 CHAIRPERSON HARRIS: I could see that. But if  
22 you got one that's going to be a carryover, doesn't that  
23 imply that there were zero tickets on that one? So you  
24 are disclosing the number on that one is zero.

25 SENIOR PARIMUTUEL EXAMINER REAGAN: That's true.

1 But -- in providing the "will pays," that's part of the  
2 process. I mean we understand there may be a situation  
3 where if Runner 4 wins, there's zero payout.

4 CHAIRPERSON HARRIS: The only thing that seems  
5 contradictory -- where, say, the number of live tickets  
6 remaining -- basically, you implied if you got payouts  
7 on 5 out 10. You've got only five live horses in there.

8 SENIOR PARIMUTUEL EXAMINER REAGAN: True.

9 CHAIRPERSON HARRIS: But we could probably -- as  
10 long as we understand the intent of it.

11 Comments from the audience on this?

12 As I recall, this was originally put in  
13 thinking that it would -- by not disclosing it, that you  
14 had people selling tickets and all this and that. But I  
15 think it's an interesting thing because it adds a lot of  
16 excitement to the end of a card.

17 If people are looking at a big payoff or if  
18 they maybe got some horses and they want to figure out  
19 some kind of an arbitrary strategy, they can do that.  
20 So I think it might help.

21 COMMISSIONER SHAPIRO: Can we maybe make some  
22 minor changes to this language so that there isn't any  
23 ambiguity?

24 If you're looking , Mr. Chairman, at the  
25 language where it starts "the -- will be programmed to

1 suppress all information."

2 CHAIRPERSON HARRIS: Well, that got taken out.

3 COMMISSIONER SHAPIRO: Where are you looking?

4 CHAIRPERSON HARRIS: The last page. Just before  
5 you get to 9. The top of there it says, "The number of  
6 live tickets remaining is prohibited." Well, obviously  
7 you're disclosing the number. If the number is zero on  
8 certain tickets, you are disclosing the number, but  
9 we're saying it's prohibited.

10 COMMISSIONER SHAPIRO: Right. So -- and what is  
11 the problem with saying that there are 13 tickets  
12 remaining -- still live? Why are we not disclosing  
13 that?

14 CHAIRPERSON HARRIS: I don't know.

15 COMMISSIONER SHAPIRO: Why can't we say No. 3  
16 will pay \$4,000 and there are 12 tickets live. Why  
17 aren't we doing that?

18 SENIOR PARIMUTUEL EXAMINER REAGAN: Really, the  
19 standard procedure in providing a "will pay" is  
20 simply -- as you will notice at the track, for instance,  
21 a matrix for an exacta. We simply -- Runners 1,3,4,5  
22 and we say what the payout is, period.

23 We don't say that there's 1,000 exacta  
24 tickets or 10,000 winning tickets. We just say if you  
25 have a winning ticket of this denomination, it will pay

1 this much money. That's a "will pay."

2 CHAIRPERSON HARRIS: I don't see if it makes a  
3 difference to your point at how many -- it's sort of up  
4 to the track if they wanted to keep doing it the way  
5 they are. We're not saying they've got to do it. We're  
6 just not prohibiting it.

7 COMMISSIONER SHAPIRO: I just think that, you  
8 know -- I don't even know why we really care. I think  
9 that we just want to make sure that the language is very  
10 clear that we're allowing the tracks to show what the  
11 "will pay" will be after the next final leg of the Pick  
12 (N) will be. If they want to say that there's, you  
13 know, one ticket out there or there's 20, I don't care.

14 CHAIRPERSON HARRIS: It's going to be pretty  
15 obvious that people know the pool. Some horses are  
16 gonna pay \$800,000. There's probably just one. But if  
17 it's going to pay \$30, there's probably 30,000.

18 COMMISSIONER SHAPIRO: This goes for the 15 days.  
19 Can we just look at that language and just clean it up  
20 to make sure there is not ambiguity?

21 REGULATIONS LEGISLATURE MANAGER WAGNER:  
22 Absolutely. John and I will work on cleaning up that  
23 language.

24 COMMISSIONER SHAPIRO: I have no objection to  
25 it. I think we'd have to ask somebody --

1           CHAIRPERSON HARRIS: It seemed like from a  
2 mathematical standpoint, you'd -- 5, but some of  
3 those -- them, you don't really know how many of those  
4 is 5. Somebody might have a 5th -- might be the last  
5 one. It will be a pretty complicated matrix to figure  
6 out, I think. Let's get this done first, and we'll get  
7 on to that.

8           Okay. Is there a motion to approve this? We  
9 just put this out for 15-day comment just clarifying  
10 that you can't do it. Okay. There's a motion for that?

11           COMMISSIONER SHAPIRO: I'll so move.

12           VICE CHAIRPERSON BIANCO: I'll second.

13           CHAIRPERSON HARRIS: All in favor?

14           (Ayes.)

15           CHAIRPERSON HARRIS: Next item is approval of  
16 service stewards and official veterinarian contracts.

17           CHIEF OF ADMINISTRATION NOBLE: Good afternoon.  
18 Commissioners, Paige Noble, N-o-b-l-e, Horse Racing  
19 Board Staff.

20                   Each year the Horse Racing Board enters into  
21 a variety of service agreements and contracts. And for  
22 each contact over \$5,000, we're required to provide a  
23 copy of the motion approving and authorizing the  
24 agreement.

25                   We provided to you a list of service

1 contracts and official veterinarian and steward  
2 contracts proposed for the 2005 and 2006 fiscal year  
3 with estimated costs. As you'll see on the list, some  
4 of the contracts are multi-year. The steward and  
5 official veterinarian contracts are estimates based on  
6 assignments for the 2005 racing calendar. No guarantees  
7 of assignment are assumed based on the attached lists.

8                 So staff would recommend that the Board  
9 approve the attached list of service contracts and  
10 contracts for steward and official veterinarians for  
11 2005-2006 fiscal year.

12                 CHAIRPERSON HARRIS: It's clear that all the  
13 parties listed are not limited to just the parties  
14 listed. It could be these are really dollar amounts  
15 we're approving.

16                 CHIEF OF ADMINISTRATION NOBLE: That's correct.

17                 COMMISSIONER SPERRY: It's your move,  
18 Mr. Chairman.

19                 CHAIRPERSON HARRIS: Second to approve this. All  
20 in favor?

21                 (Ayes.)

22                 COMMISSIONER SHAPIRO: Before Mr. Noble gets  
23 away, this is his last meeting in 14 years. I don't  
24 know -- in the audience he may want to have his voice  
25 ready to sing.

1 CHAIRPERSON HARRIS: I didn't realize that.

2 Paige has been a very available part of the Board. We  
3 wish you well.

4 VICE CHAIRPERSON BIANCO: We all do.

5 CHAIRPERSON HARRIS: Next item is Item 10. Do  
6 you guys have somebody to cover this, rebating? Report  
7 by the Racing Association Simulcast Coordinators on the  
8 procedures used to verify the identity and legitimacy o  
9 out-of-state simulcast customers and if rebating is  
10 practiced.

11 Actually when I was looking over the  
12 package, I thought that we were going to get some  
13 background material on this. We haven't. It may be  
14 something we have to defer to another date to really get  
15 our arms around it.

16 COMMISSIONER SHAPIRO: Mr. Chairman, I agree with  
17 that. And what I would suggest is, I think that this is  
18 a very important issue and yet a very complex issue.  
19 And because we don't have staff report and we haven't  
20 really been able to receive much information on it, I  
21 would like to see this matter deferred to a committee  
22 that could perhaps report back to us to where we could  
23 understand some of the complexities and the issues  
24 involved in this, because I think it might make it  
25 easier. Because I think that there's an awful lot of

1 complex issues here that need to be understood.

2 SENIOR PARIMUTUEL EXAMINER REAGAN: Certainly the  
3 Parimutuel Committee has addressed this issue a number  
4 of times. We can refer this item back to them for  
5 further discussion, and they can report back in future  
6 meeting as to their findings and updates, if that's your  
7 place.

8 CHAIRPERSON HARRIS: I think that's what we  
9 should do. I don't necessarily have a bias for rebaters  
10 or against rebaters. I'm just not sure what the actual  
11 rules and laws are relative to rebating, and I think  
12 it's something -- there's a lot of debate nationally on  
13 it. And there's a big issue -- there's people on the  
14 side that if we lose the rebaters, it's going to be such  
15 a significant loss of handle. That's very serious.

16 And there's other people on the side. It's  
17 not really a level plain field because certain wagers of  
18 some wagers here at Los Alamitos or Hollywood Park --  
19 however, is effectively not getting as much on a payback  
20 as someone that's in some island in the Caribbean and  
21 all kinds of like -- makes a Supreme Court debate look  
22 pretty tame.

23 SENIOR PARIMUTUEL EXAMINER REAGAN: Commissioner,  
24 just to bring you to the current point, of course, the  
25 CHRB has a rule which prohibits rebating, and it

1 requires the associations to include their simulcast  
2 contracts paragraph indicating there is no rebating.  
3 Obviously, those have been danced around and several  
4 various forms of that. But to be quite up front with  
5 you, the rule does exist, and the associations have been  
6 putting that into their contracts. After that, it's a  
7 whole different subject.

8 CHAIRPERSON HARRIS: I think it should be on the  
9 table because I think it's pretty common knowledge that  
10 there is rebating going on. And it's kind of "don't  
11 ask, don't tell" mentality that sometimes comes back to  
12 haunt you at some point. I think the Board needs to  
13 decide that we just don't care, or we care and we're  
14 going to really look into it.

15 What we want to do as an industry and try  
16 to -- we're never going get a 100 percent of the people  
17 agreeing, but get a consensus on how do we best serve  
18 racing -- better to serve racing with a current  
19 structure, or should we take a harder look at rebaters,  
20 or what we really want to do.

21 SENIOR PARIMUTUEL EXAMINER REAGAN: I have on  
22 several occasions volunteered to take a six-month tour  
23 through the Caribbean and South America to examine this  
24 problem very carefully and thoroughly. Unfortunately --  
25 I hear the laughter.

1           COMMISSIONER SHAPIRO: I think we should also  
2 include in the discussion -- I'd like to know, every  
3 month when we get these applications in front of us and  
4 there's a list of all these different companies, which I  
5 don't know who they are, and I'd like to at least be  
6 able to understand the procedures that we go through to  
7 approve these companies and verify whether or not they  
8 are, in fact, rebating or not rebating.

9           And we should look at what procedures that  
10 should be in effect without harming ourselves. And I  
11 agree: If we are going to recognize that rebating is an  
12 important integral role of our business, then we should  
13 provide accordingly and make sure that we understand who  
14 they're taking wagers from. Are they people in  
15 California or not in California? And what steps and  
16 what safeguards? We have to know exactly who we're  
17 dealing with.

18           SENIOR PARIMUTUEL EXAMINER REAGAN:  
19 Commissioners, I have invited up here one of your staff  
20 members who has worked for me more than a dozen years.  
21 His name is Richard Gonzalez, and I guess you could call  
22 him the CHRB Simulcast Coordinator. And he works  
23 directly with those people at the racetracks to make  
24 sure that there is due diligence, that there are  
25 contracts in place and so on and so forth.

1           So if you have questions about specific  
2 details or processes in which the due diligence is done  
3 and it is being done and all the other process, Dick can  
4 address more of those specific issues in terms of actual  
5 day-to-day paperwork on that.

6           COMMISSIONER SHAPIRO: I don't want to question  
7 you publicly on all the steps that you take. I guess  
8 what I'd like to see is exactly when these companies are  
9 reviewed, who they are, what type of companies they are,  
10 and what assurances we have that what they're doing is  
11 within the law, within California law. And maybe you  
12 can just give us an outline of what steps are taken --

13          CHAIRPERSON HARRIS: To answer the question --  
14 obviously, I'm not really clear if we have the standing  
15 to particularly review those companies, or do we?

16          MR. GONZALES: Actually, we don't. What we have  
17 is a network that we've established throughout the  
18 country with not only other Commissioners, but other  
19 coordinators in the United States that keep their finger  
20 on the pulse of what's going on around the country.

21                 As an example, when our notorious RSI and  
22 the convicted Susan Balla (phonetic) surfaced to my  
23 attention two years ago, what we did was we confirmed  
24 this with other coordinators. And as we worked together  
25 with other commissioners, it came to be pretty clear the

1 fact that because she was being investigated by the  
2 State of North Dakota and also by the Federal  
3 Government, I asked our coordinators what the status was  
4 with RSI. And they said to me that RSI was in arrears  
5 of paying for their Dakota fees and simulcast fees that  
6 were charged, and some of them were over a year old.

7           At that point I told the coordinators that  
8 we are no longer doing business with RSI. This was  
9 before the convictions and such came out, and when --  
10 naturally, I got contacted by RSI, and they asked why,  
11 and I said to them that "you were arrearred (sic) in your  
12 bills to the tracks of California," and that since the  
13 State of California also gets license fees from that,  
14 that it was our duty to protect not only our industry  
15 but also the public. And he said "Well, we're going  
16 into bankruptcy, and that will be up to the judge." And  
17 I said "Well, you'll have to work that out with the  
18 judge, and my position is with the State of California."

19           And since then, they went bankrupt, but  
20 they were -- long before this thing became  
21 newspaperworthy, we had cut them off. And it was  
22 because of the relationship we had with our own  
23 coordinators here in the State of California and the  
24 network we used to find people. And they were a major  
25 rebater, as it turned out. And that's what we did, and

1 we also cut off other sites that were using this through  
2 various networks.

3           If you recall the industry in Idaho, we were  
4 alerted by the New York Commission what they were doing,  
5 and we shut them off. But they, in turn, corrected  
6 themselves in a matter of about three hours in order to  
7 get our California signal back. So it's our  
8 relationship with people like Ann Curry (phonetic) and  
9 Paul Porter, Tim Harden (phonetic), Kay Webb (phonetic)  
10 that allows us to work efficiently and to do our job.

11           Now recently, we were requested by the Board  
12 members, to begin looking at our Caribbean and South  
13 American pools. We pool these together, and we got a  
14 list of Caliente for the first time disclosing the  
15 sites, the contacts, the jurisdictions they were under.  
16 And when the Board decides that we put this together in  
17 connection with -- as John said, "We're ready to go."

18           CHAIRPERSON HARRIS: I'm not personally worried  
19 about the pools because I understand there it's more of  
20 a business decision as what's an appropriate price to  
21 sell that signal. Once that signal is sold, their own  
22 pool is not really competing with people that are  
23 betting into our pools here.

24           My concern is where we've got people betting  
25 here in a pool that's commingled with somebody that's in

1 the Caribbean or someplace that's commingling into our  
2 pools but getting rebates, and it's not really a level  
3 playing field with the California customer. But I'm not  
4 sure of how much betting is coming out of California  
5 into those.

6 I mean, it's probably not a problem.  
7 Somebody in the Caribbean, they're never going to get in  
8 California anyway except by virtue of this situation you  
9 have there. But if people are using their cell phones  
10 to call an 800 number and knowing they're going to get a  
11 rebate, then that's really siphoning money that could  
12 be -- do you have any reason to think that that does  
13 happen?

14 SENIOR PARIMUTUEL EXAMINER REAGAN: I think it  
15 happens, yes. I think it's what the impact -- and how  
16 do we trace it in this electronic age we live in now?  
17 Internet, cell phones, instant communication in every  
18 direction.

19 I think, getting back to the original  
20 concept in terms of California, let's say there's 200,  
21 300, 400 out-of-state sites. California is not the only  
22 state working with those sites. As Dick indicated,  
23 there's a nationwide, North America-wide network.  
24 Everyone is known to those sites -- aren't just our  
25 sites or only known to us. All these other

1 jurisdictions are also vending them and keeping track of  
2 them. As something happens at one of those sites, it's  
3 very quickly indicated to all the other jurisdictions  
4 that something is going good or bad at the site. And  
5 this whole group is known to a great many people, both  
6 the track coordinators and simulcast coordinators as  
7 well as the regulators.

8           So overall, I think these sites are known to  
9 the people, that the racetrack bet them very carefully  
10 their due diligence before they do bring them online and  
11 sign a contract with them -- like a credit report or  
12 something. At least they are known to us.

13           CHAIRPERSON HARRIS: The track is selling to  
14 somebody -- South Dakota people that went bankrupt, who  
15 basically this is assuming -- was collected who loses,  
16 does it take that loss? Does State of California and  
17 all these other people take that loss?

18           SENIOR PARIMUTUEL EXAMINER REAGAN: In terms of  
19 commingled pools, arrangements are made between the  
20 California track and out-of-state location who is  
21 hosting that simulcast location, and those revenues  
22 generally evened out within a day or two, a week at the  
23 most, so that if there is any loss, the handle has been  
24 generated in a sense that the track would take the  
25 difference. Because once the handle is generated, we do

1 know from our processes what money has been generated  
2 into the pool. And that's owed as a license fee. So if  
3 there is a loss, that it would take.

4 Now on the other hand, some of the separate  
5 pools or some of the other arrangements, the state  
6 received 8 percent of whatever the track receives. So  
7 in that case, if there's a flat fee or something and  
8 it's not paid, even though the signal is sold, if the  
9 track does not receive the funds, then we don't get our  
10 8 percent. But generally speaking, the 8 percent is  
11 nothing to worry about.

12 But we have here Andy Curry (phonetic) from  
13 Santa Anita to answer specific questions you might have  
14 about the process.

15 CHAIRPERSON HARRIS: Actually, the loss would be  
16 slightly between horseman and the racetrack.

17 SENIOR PARIMUTUEL EXAMINER REAGAN: Good point.

18 CHAIRPERSON HARRIS: So it would have been kind  
19 of wrong, maybe, to be readjusted or something.

20 SENIOR PARIMUTUEL EXAMINER REAGAN: Correct.

21 CHAIRPERSON HARRIS: Well, I don't know. This is  
22 something we need to get more into. It's of concern.  
23 One of the issues too is the Senator Kyle (phonetic)  
24 just introduced a bill to effectively prohibit internet  
25 gambling. The commission has been able to get horse

1 racing exempt from the -- this current bill, right at  
2 this point, does not have that exemption. This is  
3 devastating for racing because, technically, almost all  
4 the gambling we do considers all the different  
5 simulcasting within the state and whatever is some  
6 version of the Internet. So it's really a hot issue on  
7 a federal level. We need to figure out how best to  
8 address it.

9 Any other comments?

10 COMMISSIONER SHAPIRO: No. I think that I just  
11 looked at Section 1950.1, which prohibits rebating. And  
12 yet in reality, we know it's going on. And it is  
13 absolutely a fact of our existence. So the truth is  
14 that I think we need to understand what's really going  
15 on. If this law is not the proper law, then we should  
16 look to revise the law to provide that it works to our  
17 benefit and not to our detriment and not have something  
18 in the law that we're just --

19 CHAIRPERSON HARRIS: That was one of my reasons  
20 of concerns. I'm not clear. Before we rebate -- but I  
21 think it's bad government. In general, you have laws  
22 that you're not enforcing. You're aware that there's a  
23 problem. You're not enforcing it.

24 COMMISSIONER SHAPIRO: And that's why I think  
25 that we should have a special session of whether it's

1 done by the Parimutuel Committee or special committee.  
2 It should be done to look into this whole issue of  
3 rebates: Where rebates are being offered, what extent  
4 they're being offered, what agreements are between the  
5 tracks and the different sites, in terms of accepting  
6 wagers from Californians or not accepting wagers from  
7 Californians. If they take our signal, and it's to a  
8 guy in Timbuktu, I don't care if they give him a rebate  
9 because he's not going to be here.

10 So I think that we should have a whole study  
11 of this. And I think we should include that study also  
12 on a separate issue, which is illegal bookmaking. I  
13 think that's something that we know is going on. You  
14 just have to open up the racing form, and you'll see  
15 illegal bookmakers are advertising there. And that's  
16 something we all should not want and shouldn't be  
17 encouraging and should take steps to prohibit.

18 CHAIRPERSON HARRIS: You're referring to this,  
19 not necessarily horse sports?

20 COMMISSIONER SHAPIRO: Sports betting and also on  
21 horse racing. It's going on just have to open up the  
22 racing form, and you'll see ads for it, which I don't  
23 understand why racing publications would accept ads that  
24 are promoting something that's illegal, but it's  
25 happening. You go to Handicap Day at Santa Anita,

1 there's the airplane flying overhead, and the airplane  
2 has a banner promoting illegal bookmaking. It says,  
3 "Don't bet here at Santa Anita. Bet with us." That's  
4 taking money out of racing's pocket.

5 CHAIRPERSON HARRIS: We have discussed this  
6 issue. The publications take the attitude it's a First  
7 Amendment.

8 COMMISSIONER SHAPIRO: We should either issue a  
9 policy or try to see if we could get industry forces to  
10 join us in encouraging them not to do that.

11 CHAIRPERSON HARRIS: Got a comeback there?

12 MR. LAMOTHE: Guy Lamothe, thoroughbred owner.

13 I just want to add some -- talked about the  
14 efforts that have been made toward transparency that  
15 TOC's been involved in. California law right now  
16 requires the ADW companies compile information on their  
17 customers, the name, address, social security number,  
18 date of birth. And we've worked with the NTRA on this  
19 to obtain assurances from most of the offshore companies  
20 to provide this sort of information to a third party.  
21 So there have been efforts on this, and we're very well  
22 aware of this problem. Thank you.

23 CHAIRPERSON HARRIS: We'll make efforts --  
24 Parimutuel Subcommittee.

25 What I would like to see happen is not

1 necessarily that we impose something on the industry.  
2 It's just that the industry comes back and says, "Yes,  
3 going down this path is the way we really want to go for  
4 the good of the industry." But right now, it's kind of  
5 a -- not a very transparent type of situation we have."

6 COMMISSIONER SHAPIRO: I agree. I think we  
7 should reevaluate what's best for California Horse  
8 Racing, and this rule may not be the best. And how can  
9 we craft it so that we could honor --

10 CHAIRPERSON HARRIS: Move on to the next item,  
11 which is to handle and attendance for all 2005 for  
12 year-to-date on the California Racing.

13 MR. GONZALES: Dick Gonzalez, CHRB Staff.

14 This is an extensive report that the Board  
15 members asked us to compile for them. This report  
16 covers a period from the beginning of the 2005 racing  
17 year, which is December 26th, through approximately May  
18 6th of 2005. This compares to the same period with the  
19 period for 2004.

20 The report is broken down between Northern  
21 California Thoroughbred, Southern California  
22 Thoroughbreds, Quarter Horses, Harness Horses, and I  
23 guess we don't have fairs.

24 Comparing bottom lines, the Northern  
25 California Thoroughbreds handled in 2004 \$406 million

1 for approximately the five-month period, 4 1/2-month  
2 period, and in 2005 that compared with 399,000. That  
3 was a drop of 1.78 percent.

4 Southern California for the same time period  
5 respectively \$1.017 billion versus \$978 million, for a  
6 drop of 3.82 percent.

7 Quarter Horses handled \$101.7 million, and  
8 for that same period in 2005, \$100.9 million, for a drop  
9 of 0.79 percent. Harness Races \$81.7 million and \$63.7  
10 million, for a drop of 22.08 percent.

11 Overall the handle in California for the  
12 4 1/2-month periods 2004, \$1.607 billion versus \$1.542  
13 billion, for an overall drop of 4.04 percent.

14 CHAIRPERSON HARRIS: Which date does this go  
15 through?

16 MR. GONZALEZ: This is December 26th through  
17 May 6, 2005.

18 CHAIRPERSON HARRIS: I found it interesting.  
19 Northern California, ADW was up, and -- ADW was up  
20 almost twice as much in Northern California -- all of  
21 California had a lot of rains, probably more in than the  
22 south. But I was wondering what the thoughts were on  
23 the plan? I guess where they had three -- they had all  
24 the ADW providers cover Express Bet, U Bet and TVG. It  
25 looks to me like that was successful. But does anybody

1 have any thoughts on if that was successful or not?

2 MR. GONZALEZ: Well, we can't speak for the  
3 industry, but we have industry people here.

4 CHAIRPERSON HARRIS: One of the concerns, it  
5 looks like that's something that the tracks should look  
6 at more, I guess, economics with each situations.  
7 That's a pretty good impressive number there.

8 COMMISSIONER SHAPIRO: Overall the numbers are  
9 just --

10 CHAIRPERSON HARRIS: The numbers are just -- the  
11 only thing that's encouraging is ADW.

12 Success has many fathers. We've got a real  
13 orphan on our hands here. But you order 64 million off.  
14 So maybe the 6 or 7 million --

15 VICE CHAIRPERSON BIANCO: How much did we lose  
16 because of weather?

17 CHAIRPERSON HARRIS: Well, weather had to be a  
18 factor because of being not a good time to go to the  
19 races or go to anyplace. But also short fields because  
20 of the weather was a big factor, also.

21 COMMISSIONER SHAPIRO: 315,000 less fans because  
22 of this period.

23 CHAIRPERSON HARRIS: Well, it's definitely a  
24 concern. And it's one reason I requested staff to do  
25 this every month. I hate to bring out the bad news.

1 One good thing is somebody is -- get a bad year. Next  
2 year you can see these big -- May of next year looking  
3 at some ups. We really need to get this industry  
4 showing some pluses.

5 MR. LAMOTHE: We appreciate the work that's going  
6 into this sport. A suggestion that we might add some  
7 value to this is to add some purses and track  
8 commissions. So we also see the trend on that.

9 Of course, what you don't see here is the  
10 shift in the mix of where the handle is coming from,  
11 which might have different yields. Thank you.

12 CHAIRPERSON HARRIS: That's particularly --  
13 that's a good point. Where we're losing some or more of  
14 profitability areas, we are actually down, rather some  
15 of the ones that are not really -- and as far as  
16 revenue.

17 SENIOR PARIMUTUEL EXAMINER REAGAN: Right.

18 CHAIRPERSON HARRIS: Any more questions on this  
19 report? Let's go to this.

20 MR. KORBY: Chris Korby.

21 Is there a reason that the fairs were not  
22 included in this?

23 MR. KORBY: There are no fairs running in this.

24 CHAIRPERSON HARRIS: But you'll be on next time,  
25 for a couple of days anyway.

1                   When does Stockton start?

2                   MR. KORBY:   June 15th, and you are invited.  We  
3 have used ADW for three years and continue to use it.

4                   CHAIRPERSON HARRIS:  You folks are the leaders,  
5 and I think that's commendable.

6                   MR. KORBY:  Thank you.

7                   CHAIRPERSON HARRIS:  Next is a report for Los  
8 Angeles Turf Club at Santa Anita from December 26, 2004,  
9 through April 18, 2005.

10                  MR. GONZALEZ:  Dick Gonzalez, CHRB Staff.

11                         Reports for the Los Angeles Turf Club from  
12 the period December 26, 2004, through April 18, 2005,  
13 comprised of 85 race dates.  The average daily statistic  
14 included an average daily handle minus 4.24 percent;  
15 average on-track, minus 9.51 percent; average off-track,  
16 minus 8.22 percent; average interstate-exported minus  
17 3.4 percent -- 3.14 percent; average ADW, an increase of  
18 22.54 percent; average daily attendance for Santa Anita  
19 minus 10.58 percent; average on-track minus 10.49  
20 percent; average off-track minus 10.65 percent.

21                   CHAIRPERSON HARRIS:  One thing I didn't quite  
22 understand was how -- as I recall, Santa Anita didn't  
23 have to do a purse reduction during their meet, which  
24 was good.  But I don't understand how they were able to  
25 pull that off with those declines.

1           COMMISSIONER SHAPIRO: I think Charles just lent  
2 them the money.

3           MR. CHARLES: Ron Charles. One of the reasons  
4 with the weather was a drastic amounts of races being  
5 taken off the turf, which we substituted by races that  
6 weren't on the turf, which basically had a lower purse,  
7 and it's pretty much that simple. When you start taking  
8 races with a 50, 55 -- and having replaced those with  
9 purses 20- to \$25,000 to have 5, 6, 7, 10 horses, that's  
10 pretty much what we have to work with.

11          CHAIRPERSON HARRIS: A good item to have on this  
12 would be an average daily.

13          MR. CHARLES: We have that information if you  
14 look.

15          CHAIRPERSON HARRIS: It looks like it must be  
16 going down.

17          MR. CHARLES: And it definitely went up last  
18 month. We carted five races once the handle show, the  
19 attendance show, and we had a very good last month.

20          CHAIRPERSON HARRIS: That has got to be the worst  
21 possible year anybody could have. And I think that  
22 probably the new person that came in must have been  
23 responsible for it. But I told you at the meeting you  
24 could see an energy developing, but that rain was really  
25 devastating.

1 MR. CHARLES: It was, and it was depressing. And  
2 I made a comment a number of times on Sunday or  
3 Wednesday we had 2400 -- or I mean, those are real  
4 racing fans to come out during the running of the  
5 races -- they could barely see the horses -- for people  
6 to stay there wagering. Give the racing fans a lot of  
7 credit.

8 COMMISSIONER SHAPIRO: And participants.

9 MR. CHARLES: And --

10 CHAIRPERSON HARRIS: Okay. We'll wish you a much  
11 improved year.

12 MR. CHARLES: Thank you.

13 EXECUTIVE DIRECTOR FERMIN: On the end of the  
14 year note, the Commission said they liked having  
15 comments from staff about the meet, and the ones that  
16 came in really were too late to include in the packet, I  
17 did give them to Mr. Charles.

18 However, I think it would be better to put  
19 them on the agenda next time. And a lot of them didn't  
20 concern the facility so much. It's kind of a good  
21 review. So we'll do it next month.

22 CHAIRPERSON HARRIS: Okay. Next report is  
23 coupled tremendous amount of work last month Ad Hoc  
24 Committee on Harness and Quarter, Rich and John.

25 COMMISSIONER SHAPIRO: Commissioner Sperry and I

1 met with all interested parties related to Harness  
2 Racing and Quarter Horse Racing and all of the pending  
3 issues that everyone has heard ad nauseam. We met from  
4 1:00 to about 9:00. And the Santa Anita lent us their  
5 conference room, and we appreciate that. Everybody came  
6 in, and I think there was a heck of a try made. We came  
7 within a whisker of being able to resolve all of the  
8 issues, but unfortunately, we didn't get past the  
9 goalpost.

10           Having said that, we are continuing a  
11 dialogue with some of the individuals involved, and  
12 while we remain hopeful to bring closure to all of it,  
13 we simply don't know. There's a meeting next week  
14 between Capitol. I expect to be meeting Capitol Racing  
15 and the CHHA Harness Horsemen. I think it's in  
16 everybody's best interest to do it. Hopefully by the  
17 next meeting we'll be able to report back. Commissioner  
18 Sperry had a lot of help to this and the industry. I  
19 appreciated it.

20           CHAIRPERSON HARRIS: I commend you on all the  
21 work, and hopefully we'll get it. It sounded like you  
22 got as close as we've ever been.

23           Any comment, John?

24           COMMISSIONER SPERRY: No.

25           COMMISSIONER HARRIS: In the general business and

1 the other communication, it's request for a future  
2 action of the Board. We've got a couple ideas that I  
3 was thinking about. We're going to be bring up at some  
4 future meeting. Just to keep in mind, I have got some  
5 concerns, some discussions on how involved the stewards  
6 should be in resolving financial disputes and sort of  
7 acting as a collection agency for different financial  
8 things, and I wanted to put that on a future agenda to  
9 get some feedback from the industry.

10 On old business, anybody got anything?

11 COMMISSIONER SHAPIRO: I did that. I also have  
12 asked that at our July meeting that we invite the  
13 different Tote companies to come in and make  
14 presentations to us on what new technology is out there  
15 and available to us.

16 I think our Tote technology has aged, and I  
17 think we should look at what we can do, and I think  
18 there should be a presentation at the July meeting.

19 CHAIRPERSON HARRIS: Del Mar meeting?

20 COMMISSIONER SHAPIRO: Isn't that July?

21 CHAIRPERSON HARRIS: Yeah. Anything else in the  
22 general business?

23 Under old business, we would like to raise  
24 for discussion -- only that been brought before the  
25 Board. One item I wanted to bring up, there might be

1 someone here that could comment on it, with the  
2 jockey-wing issues. You recall we agreed to allow the  
3 Racing Associations and the Horsemen and the Jockey's  
4 Guild and anyone else who has worked together to try to  
5 get a comprehensive plan on how best to improve jockey  
6 health, which will include racing weights, but to really  
7 get to be a health issue rather than just looking at one  
8 segment of it.

9           As I understand, some progress as been made  
10 on that. But Craig Fravel couldn't be here today, but  
11 they have held a meet and are working on it.

12           COMMISSIONER SHAPIRO: I continued to be in touch  
13 with the Guild and Barry Broad, and we've maintained a  
14 dialogue. I also have forwarded the report to five  
15 other racing commissioners and other jurisdictions in  
16 Kentucky, New York, Ohio, Illinois, as well as to the  
17 RCI and requested they distribute that report throughout  
18 the country. I am trying to see if we can't get some  
19 national support for what we're trying to do.

20           It's also my understanding that we've been  
21 given a preliminary estimate as to what this study would  
22 cost. It's not a hard estimate. And I have also asked  
23 the Guild and suggested to them that they participate in  
24 it because we are going through -- right now there's a  
25 series of meetings that have been taking place and

1 conversations between the CHRB, TOC, and the Jockeys  
2 Guild to resolve some of the misunderstandings and  
3 confusions related to the California Health and Welfare  
4 plan.

5 We have cleared up a number of those. But  
6 in connection with the jockey-weight issue, there's  
7 still a dialogue going forward, and we're pushing it to  
8 hopefully bring that study to fruition.

9 CHAIRPERSON HARRIS: I think it's important  
10 because we have given everybody an assurance that we're  
11 going to get some closure on the issue, and we're not  
12 just going to sweep it under the table and forget about  
13 it.

14 COMMISSIONER SHAPIRO: Tom Robbins just gave me  
15 some information, which I'll be providing to Mr. Broad,  
16 to illustrate what California has done in terms of  
17 raising its weights over the years. Some additional  
18 information.

19 CHAIRPERSON HARRIS: Any other old business  
20 anyone have?

21 VICE PRESIDENT MOLNAR: Steve Molnar,  
22 M-o-l-n-a-r, from executive vice president.

23 The question that I have for you is that in  
24 that July meeting, what are the time constraints for  
25 doing the presentation? It would help to us frame it

1 properly.

2 CHAIRPERSON HARRIS: How much time do you think  
3 you need? Del Mar we start a little bit earlier. The  
4 attention span sometimes -- not the commissioner's  
5 attention span, but the audience starts to drift. But  
6 do you think you could cover it pretty well in 20  
7 minutes or so?

8 I think we ought to -- hopefully not have to  
9 many -- slightly early Del Mar 2:00 post might be  
10 helpful. If you could send us out any material,  
11 something that we could have before hand to review.

12 Any other old business? Thanks for being  
13 here. Los Alamitos hosting anything after this? Anyone  
14 here from Los Alamitos?

15 ASSISTANT EXECUTIVE DIRECTOR MANOMI: Roy Manomi.  
16 I believe that everyone has been invited up to the club.

17 CHAIRPERSON HARRIS: What time does it open? Is  
18 it open now? Okay. Might be interesting to get a tour  
19 of the facilities. If there's nothing else, I'll  
20 adjourn the meeting.

21 (THEREUPON THE CHRB HORSE RACING BOARD

22 MEETING ADJOURNED AT 5:27 P.M.)

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CERTIFICATE OF REPORTER

I, CAROL MATHER, a Hearing reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Horse Racing Board meeting was reported in shorthand by me, Carol Mather, a hearing reporter, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this            day of            , 2005.

CAROL MATHER, HEARING REPORTER

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