

MEETING

STATE OF CALIFORNIA

HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
)

ALAMEDA COUNTY FAIR
4501 PLEASANTON AVENUE
PLEASANTON, CALIFORNIA

FRIDAY, JUNE 27, 2008

9:00 A.M.

Reported by:
John Cota

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

Richard B. Shapiro, Chairperson

John C. Harris, Vice Chairperson

John Andreini

Jesse H. Choper

Jerry Moss

STAFF

Kirk Breed, Executive Director

Richard Bon Smith, Assistant Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Staff Services Manager I

Michael Marten

ALSO PRESENT

Dr. Rick Arthur, Equine Medical Director

Chris Korby

Stuart Titus

David Elliott

Charles Dougherty

Barry Broad

Darrell Haire

Ed Halpern

William Anton

John Hndman

APPEARANCES CONTINUED

ALSO PRESENT

Jack Liebau

Scott Daruty

Craig Fravel

Gregg Scoggins

Brad Blackwell

Sherwood Chillingworth

Peter Tunney

Ron Charles

Drew Couto

Michael Power

Rod Blonien

Curren Price

Tom Bachman

Linda Schinkel

Linda Slocum Lara

Richard Castro

Kathleen McCarty

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INDEX

PAGE

Action Items:

1. Approval of the minutes of the regular meeting of May 20, 2008 5
2. Discussion and action by the Board on the request from the California Authority of Racing Fairs and its participating fairs, whose subsequent applications to conduct a horse racing meeting will reflect such request, to increase the takeout an additional one percent pursuant to Business and Professions Code section 19601.4. Deferred
3. Discussion and action by the Board on the request from the Los Angeles County Fair at Fairplex to increase the takeout an additional one percent pursuant to Business and Professions Code section 19601.4 for the 2008 Fairplex Park race meeting at the Los Angeles County Fair. Deferred
4. Discussion and action by the Board on the Application to Conduct a Horse Racing Meeting of the Humboldt County Fair (F) at Ferndale commencing August 7 through August 17, 2008, inclusive. 12
5. Discussion and action by the Board on the Application to Conduct a Horse Racing Meeting of the California Exposition and State Fair (F) at Sacramento commencing August 20 through September 1, 2008, inclusive. 20
6. Discussion and action by the Board regarding mandating the use of safety reins at California racetracks and the proposed amendment to CHRB Rule, 1689.2, Safety Rein Required, to require the use of safety reins at California racetracks. 34
7. Discussion by the Board and reports from industry representatives, stakeholders, participants concerning the open Advance Deposit Wagering "experiment" initiated November 7, 2007 continuing through July 13, 2008. 80

INDEX

PAGE

Action Items:

8. Discussion by the Board concerning progress and planning for the thoroughbred racing alternatives in Northern and Southern California, including options; combined race meetings, financing arrangements for track improvements and time schedule for proposed improvements, development of plans for race dates, stabling and related issues. 152
9. Discussion and action by the Board on the distribution of race day charity proceeds of the Oak Tree Charitable Foundation in the amount of \$78,213 to 21 beneficiaries. 173
10. Public Comment 173
11. Closed Session 189
- Adjournment 189
- Certificate of Reporter 190

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
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PROCEEDINGS

EXECUTIVE DIRECTOR BREED: Ladies and gentlemen, will the meeting come to order. This is a regular meeting of the California Horse Racing Board on Friday, June 27th, 2008 at the Alameda County Fair, 4501 Pleasanton Avenue, Pleasanton, California.

Present at today's meeting are Chairman Richard Shapiro, Vice Chairman John Harris, Commissioner John Andreini, Commissioner Jesse Choper, Commissioner Jerry Moss.

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

The cards, the agendas are underneath that picture on that wall, to my left, and also on the podium.

The Board invites comments from the general public about items on its agenda. It also invites public comment about items not on the agenda, that are related to horse racing, during the public comment period.

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

In order to assure that each individual who wishes to comment will have an adequate opportunity to do so, and

1 also to assure that the meeting as a whole will be completed
2 in a timely manner, so that individuals wishing to comment
3 on multiple matters will not be required to stay for an
4 unreasonable length of time, I will strictly -- the Chair
5 will strictly enforce a three-minute time limit for each
6 person wishing to speak on any agenda item.

7 The shorter, three-minute limit is necessary today
8 because of the lengthy agenda in open session, and also a
9 closed session.

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

13 In order to expedite the comment process, there is
14 a public comment sign-in sheet for each agenda item on which
15 public comment will be taken, as well as a sheet for comment
16 about anything related to horse racing that is not on the
17 agenda.

18 The sheets are located where I said they were,
19 back underneath that picture and on the podium.

20 Please print your name legibly so that the Chair
21 does not mangle it.

22 Just prior to our discussion of the item, the
23 comment sheet will be brought to the Chair.

24 After initial statements from staff and interested
25 parties, the Chair will ask for public comment. When the

1 Chair calls your name, please come to the podium to speak.
2 The Chair will let you know when your time has commenced,
3 when there is one minute left, and when your time is up.

4 When your time is up, you will be expected to
5 return to your seat so that the Chair may call the next
6 person waiting to the podium.

7 When all the names have been called, the Chair
8 will ask if anyone else has a comment on the agenda item,
9 who has not already spoken.

10 At that point, the Board will not take any further
11 comment on an item unless the Board has specific questions
12 it wishes to address.

13 When the time is up, the Chair will ask the
14 speaker to please take his or her seat. If a speaker is
15 repeating himself or herself, the Chair will ask the speaker
16 if he or she has any new comments to make. If not, the
17 Chair will ask the speaker to allow the next speaker to come
18 to the podium, irrespective of the time remaining, unless a
19 Board member indicates that he or she still wishes to hear
20 from the individual.

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

1 Mr. Chairman.

2 COMMISSION CHAIRMAN SHAPIRO: Thank you very much.
3 And good morning to everybody.

4 And, first, I'd like to thank Rick Pickering, and
5 the Alameda County Fair for hosting us on their 150th year
6 anniversary. And, as always, it's always a pleasure to come
7 here because they do a terrific job. And so thank you very
8 much to Rick.

9 I'd also like to make a couple other notes, which
10 is I'd like our minutes to reflect that, unfortunately, John
11 Amerman is no longer a member of the Board. He decided to
12 step off the Board for personal reasons, as he bought a home
13 out of the country, and I guess he wants to spend more time
14 traveling, and things like that.

15 But he will certainly be missed and I know that we
16 will issue a resolution thanking him for his service on the
17 Board.

18 I'd also like to introduce that Robert Miller is
19 our counsel. Bob is now in-house counsel and will be
20 advising the Board. And like to, Bob, welcome you, sitting
21 up here for your first Board meeting, as well.

22 STAFF COUNSEL MILLER: Thank you, Mr. Chairman.

23 COMMISSION CHAIRMAN SHAPIRO: And we look forward
24 to your involvement.

25 You know, the Board is trying to find ways to be

1 more interactive and proactive in helping you, and I think
2 having Bob here will be a big addition.

3 And so with that, why don't we get underway. I
4 know that we're under some time constraints today.

5 And so the first issue is Item Number 1, which is
6 approval of Minutes of the Regular Meeting of May 20th,
7 2008. Are there --

8 COMMISSION VICE CHAIRMAN HARRIS: I have a minor
9 correction on that. On page 2, there's a statement that
10 staff analysis indicated 126 million would be raised by the
11 requested reduction. Unfortunately, that is not the right
12 number.

13 Possibly, I think what they were talking about is
14 it would be 1.26 million, so it should be changed to that.

15 COMMISSION CHAIRMAN SHAPIRO: Okay, thank you,
16 that's a good catch. Staff, I'm sure you'll make the
17 appropriate correction to that.

18 Are there any other comments, changes, additions
19 to the minutes?

20 If not, I'll entertain a motion to approve.

21 COMMISSIONER ANDREINI: So moved.

22 COMMISSION CHAIRMAN SHAPIRO: Seconded?

23 COMMISSIONER MOSS: I second it.

24 COMMISSION CHAIRMAN SHAPIRO: All in favor?

25 (Ayes.)

1 COMMISSION CHAIRMAN SHAPIRO: Passed.

2 Okay, Item Number 2 and Number 3 are being
3 deferred, they will not be heard today.

4 However, I don't want the deferral of these items
5 to not signify how important the issue of this is. Under
6 the law that was -- that would have authorized a one percent
7 additional deduction from the takeout there were concerns
8 and issues as to whether or not that money would actually
9 reach the intended goal of improving the facilities here, at
10 Alameda County Fair, or Fairplex.

11 And so both CARF, and the Alameda -- and all of
12 the CARF members have agreed to defer it, as well as
13 Fairplex, separately.

14 But I think that we all need to be mindful that
15 with the closure of Bay Meadows and the pending closure or
16 possibility of closure at Hollywood Park, we desperately
17 need to improve those facilities for training and racing to
18 replace the loss of those facilities, and the stalls, and
19 the track, and so forth.

20 So it is certainly my hope, and I hope this Board
21 will embrace and work with the rest of the industry to come
22 up with a better, more permanent solution to create the
23 funding mechanism that will allow both the Alameda County
24 Fair and Fairplex to be improved, such that we can continue
25 racing both north and south, and have the best facilities

1 possible.

2 So if anybody has a comment in that regard, I
3 welcome it. But, again, this by no means is taking this
4 issue off the agenda, it's just the specific hearing of the
5 one percent, which is off the agenda.

6 COMMISSION VICE CHAIRMAN HARRIS: I would have a
7 quick comment that I agree that it's very important we
8 approve these fair facilities to have a good place to race
9 going forward.

10 One of my concerns is that we don't try to
11 exclusively put this on the backs of the fans by increasing
12 takeout, completely, unless there's also some amounts of
13 funds coming in from other segments, such as the fairs,
14 themselves, and the horsemen, and possibly the State.

15 And I'm concerned that so much of the revenue, if
16 there is an increase in takeout, would not necessarily stay
17 in California because I don't -- I need to be convinced that
18 you could actually sell your signal for one percent more to
19 other states, which is pretty debatable, unless there's some
20 creative way you can come up to do that.

21 COMMISSION CHAIRMAN SHAPIRO: Well, I appreciate
22 your comments. And, again, I think that what needs to
23 happen is that this Board, along with the Legislature, and
24 all the stakeholders, and participants need to work
25 cooperatively to come to the proper solution.

1 What we shouldn't lose sight of is that this is
2 something that needs to get done, we have to find a way to
3 do it. Fairplex needs to be improved, and the Alameda
4 County Fair needs to be improved so that we can, again,
5 continuing racing north and south. So we just need to
6 figure out how to do that and I know there are people
7 working on it.

8 COMMISSIONER CHOPER: Just before you leave it,
9 that's all right, finish it?

10 COMMISSION CHAIRMAN SHAPIRO: That's all right,
11 I'm done. Did you have a comment?

12 COMMISSIONER CHOPER: I just wanted to say that
13 I'm glad that you're putting it off because I think there
14 are probably a long series of issues, but three that I've
15 thought about, and Mr. Korby and I have talked about it.

16 One is that it does seem to me that we ought to
17 have assurances, as the Chairman's indicated, that this
18 money not go for many perfectly good causes in improving
19 fairgrounds and fair facilities, but be focused on the very
20 special need that we have of replacing Bay Meadows, up in
21 Northern California, and the possibility of Hollywood Park
22 in Southern California.

23 So that's one, and I think we ought to have
24 assurance of that. Even though they could do lots of
25 things, at lots of fairs, that would improve the facilities.

1 But that's not, it seems to me, the point of this.

2 The second is I think that we ought to be very --
3 this is difficult stuff, as everyone -- raising money is
4 very often what it's all about. It's difficult. And while
5 you can't be assured that every nickel will be there before
6 you start spending what you've got, nonetheless, I think we
7 ought to go as far as we can toward that end, toward
8 believing that what we start has a reasonable, or a stronger
9 than reasonable possibility, a real good possibility of
10 being finished before we start putting here, putting it
11 there, and then finding out, you know, that there's some
12 major change in the offing.

13 And I guess the third involves the particular
14 statutory scheme, which we talked about last time, in which
15 the ultimate decision is made, not by this Board, but by
16 this advisory group established by the Secretary of
17 Agriculture. And that may be fine, but I think that we
18 ought to have strong assurance that the first two goals that
19 I've indicated are share by the State authorities.

20 Because it certainly has the potential for filling
21 perfectly legitimate uses being -- having the money spent
22 for perfectly legitimate uses, but not the focused ones that
23 we're all about with this program.

24 So I'm just repeating that for the record. We
25 talked about it at some length yesterday.

1 COMMISSION CHAIRMAN SHAPIRO: Point well taken. I
2 don't know that everybody understood that under the current
3 law that the way it actually worked is that the additional
4 monies that were derived from the one percent would actually
5 go into the General Fund, and would have to be allocated, is
6 what I've been told. And if I'm wrong, you'll correct me.

7 But that they would go into the General Fund and
8 be part of the budget process. And, obviously, we've got a
9 State that's got a \$19 billion deficit.

10 And then, if the monies are allocated, they would
11 go into a fund at the fairs, and then the money would have
12 to come from there.

13 So we need to find a source that comes directly to
14 the intended purpose of helping horse racing improve
15 Fairplex, for the improvements Fairplex needs for horse
16 racing, and the same thing for the Alameda County Fair,
17 here, what they need for horse racing, whether it's widening
18 the bridle path, or putting in a turf course, or those
19 issues.

20 So I think we're all on the same page and I do
21 want to thank both Fairplex and CARF for seeing the wisdom
22 of not moving forward and finding -- we'll all work together
23 to find the right way.

24 Chris, do you have something to --

25 MR. KORBY: Chris Korby, California Authority of

1 Racing Fairs.

2 COMMISSION CHAIRMAN SHAPIRO: Okay.

3 MR. KORBY: I'll be very brief. We've agreed to
4 defer this for some of the reasons that the Chairman
5 mentioned. We appreciate hearing, from the Board, the
6 importance of focusing these improvements at Alameda and Los
7 Angeles County Fairs. We share that.

8 All our efforts are going to be directed toward
9 funding that will allow us to make those improvements, so
10 that they can step into the vacuum. At least in Northern
11 California, the vacuum that's being left by Bay Meadows.

12 And in that vein, we are going to be working with
13 other industry representatives to develop more comprehensive
14 legislation that will assist us in doing that. And we ask
15 for your support in that. And I'm asking all the other
16 industry representatives, who are here, that we take that
17 forward, because we're at a critical juncture in racing.

18 We really need these facilities to come up to a
19 high level in Northern California.

20 COMMISSION CHAIRMAN SHAPIRO: I think we all
21 realize that, we all understand it, and I think we're all on
22 board for that.

23 MR. KORBY: Thanks.

24 COMMISSION CHAIRMAN SHAPIRO: Thank you. Thank
25 you, Chris.

1 All right, we'll move on to Item Number 4, which
2 is discussion and action by the Board in the application to
3 conduct a horse race meeting of the Humboldt County Fair at
4 Ferndale, commencing August 7th through August 17th, 2008.

5 And I'm going to say, on behalf of my friend, Mr.
6 Harris, here, if you haven't been there, you need to go.
7 Because we went up last year and it's a terrific, terrific
8 place, terrific people, and a lot of fun.

9 COMMISSION VICE CHAIRMAN HARRIS: They want to
10 talk about that opportunity in August, too, in part of
11 Stewart's presentation.

12 COMMISSION CHAIRMAN SHAPIRO: Okay. So, Jackie,
13 you want to introduce this? And, again, I am trying to move
14 the agenda along today because I know that we've got a lot
15 of -- the ADW issue's going to take a lot of time, and I
16 know there's a lunch here, and a Legislator -- Legislative
17 Day, and we're trying to be mindful of that.

18 Jackie?

19 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
20 CHRB staff.

21 The application is from the Humboldt County Fair.
22 They are proposing from August 7th through August the 17th.
23 This is ten days, the same number of days that they raced in
24 2007.

25 They will be racing Thursday through Monday the

1 first week and Wednesday through Sunday the second week.
2 They are proposing to race six races on Wednesdays, seven
3 races on Mondays and Thursdays, eight races on Friday and
4 Saturday, and seven or nine races on Sunday.

5 Their first post time is 1:55 p.m. on Saturday and
6 the Sunday post is 2:25 p.m.

7 They have indicated that their ADW providers are
8 TVG, XpressBet, Twin Spires, and YouBet.

9 The application is complete. We do have
10 representatives from the Fair.

11 COMMISSION CHAIRMAN SHAPIRO: Terrific. But I'd
12 like to ask our staff a question, and that is we have had
13 discussions in the past, you know, that the CHRB -- and this
14 will apply to the other application, too.

15 The CHRB has operating costs of manning each of
16 these racing associations. We pay for stewards, we pay for
17 vets, we pay for a lot of things, investigators. Do we do
18 an analysis and are we looking at -- at this fair, and
19 everywhere else, are we in fact covering our nut, so to
20 speak, in the staffing that we have to put forth at each of
21 these meets?

22 EXECUTIVE DIRECTOR BREED: No.

23 COMMISSION CHAIRMAN SHAPIRO: No, we're not
24 looking or, no, we're not covering it?

25 EXECUTIVE DIRECTOR BREED: We are looking at we

1 are not -- we are not covering at Cal Expo, the harness, and
2 barely covering at Los Alamitos.

3 COMMISSION VICE CHAIRMAN HARRIS: I think we need
4 to look at that. Because one issue is their license fee is
5 less, I think, at Los Al and Cal Expo than it is at some of
6 the fairs. I could see maybe combining all --

7 COMMISSION CHAIRMAN SHAPIRO: What licenses?

8 COMMISSION VICE CHAIRMAN HARRIS: State licensing.

9 COMMISSION CHAIRMAN SHAPIRO: The State licensing,
10 yeah.

11 COMMISSION VICE CHAIRMAN HARRIS: I could see
12 covering all of the maybe CARF fairs as one entity, and make
13 sure that they cover it, rather than individually.

14 But I think we need to get a report on that, when
15 we look at their license fees, to see how much it's going to
16 cost the CHRB to basically do it.

17 COMMISSION CHAIRMAN SHAPIRO: Well, that's my
18 point. I think that as a condition to approval of licenses,
19 moving forward, we need for each of the racing associations
20 to agree that they will cover the costs that we incur in
21 terms of manning their meets.

22 Because when they come and they ask for an extra
23 day of racing, and that's an extra day that we staff, and
24 then we need to know that we're going to get our costs
25 covered.

1 COMMISSION VICE CHAIRMAN HARRIS: Yeah, we do.

2 COMMISSION CHAIRMAN SHAPIRO: And I think we have
3 the legal authority to require that.

4 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I think
5 it's by law I think we have to. It gets a little convoluted
6 on a fair like Humboldt, or Fresno, that they're never the
7 host. And when they're not the host, their revenues are
8 hurt but -- so that needs to be factored in at some point.

9 But, clearly, I think the law states that we're
10 supposed to cover our revenues. I think where we're falling
11 the shortest is the harness meets.

12 COMMISSION CHAIRMAN SHAPIRO: And I agree with
13 you. And so I would propose that, again, staff move forward
14 to look at each of these meetings and issue an assessment to
15 them, if we're not covering it.

16 And as we consider license applications moving
17 forward that it's understood, or we put something even in
18 our application that you agree to fund any shortfall. And
19 if CARF is considered one meet, that's fine, I just want us
20 to be covered, that's all.

21 COMMISSION VICE CHAIRMAN HARRIS: Yeah.

22 COMMISSION CHAIRMAN SHAPIRO: Okay.

23 COMMISSION VICE CHAIRMAN HARRIS: I don't know,
24 one issue I have --

25 COMMISSION CHAIRMAN SHAPIRO: Why don't we have

1 any representative, Stuart Titus.

2 COMMISSION VICE CHAIRMAN HARRIS: Well, before we
3 get into that, the issue I had doesn't -- I don't want to
4 really pick on Humboldt on this issue, because it's not
5 really this problem, but --

6 COMMISSION CHAIRMAN SHAPIRO: Come on, he flew all
7 the way down.

8 COMMISSION VICE CHAIRMAN HARRIS: But we could.
9 But there was a statement made by Jackie that their ADW
10 applications were all in order. Now, does this mean that
11 the horsemen's organization --

12 COMMISSION CHAIRMAN SHAPIRO: That's not what she
13 said. What she said was that the --

14 COMMISSION VICE CHAIRMAN HARRIS: What did you
15 say, can you repeat what you said?

16 COMMISSION CHAIRMAN SHAPIRO: -- ADW providers
17 were and she listed the names.

18 COMMISSION VICE CHAIRMAN HARRIS: Well, how
19 did -- wouldn't that imply that they had horsemen's consent?

20 COMMISSION CHAIRMAN SHAPIRO: Well, again, I
21 believe just to help you here, okay, and it's going to come
22 up in the other thing --

23 COMMISSION VICE CHAIRMAN HARRIS: Yeah.

24 COMMISSION CHAIRMAN SHAPIRO: -- their ADW
25 providers will, in fact, be the four companies that she

1 named.

2 COMMISSION VICE CHAIRMAN HARRIS: Yeah.

3 COMMISSION CHAIRMAN SHAPIRO: The question and
4 issue is will those providers be accepting wagers from out-
5 of-state people. That's what I believe the issue is.

6 So the ADW providers are the four that she listed
7 and that is in the contract.

8 COMMISSION VICE CHAIRMAN HARRIS: Yeah, yeah.

9 COMMISSION CHAIRMAN SHAPIRO: The question's going
10 to be, and Drew, you may need to head up here or somebody
11 else --

12 COMMISSION VICE CHAIRMAN HARRIS: Well, I guess
13 we're going to get into that.

14 COMMISSION CHAIRMAN SHAPIRO: We're going to get
15 into that. Let's defer that until --

16 COMMISSION VICE CHAIRMAN HARRIS: We'll beat that
17 dog up later.

18 COMMISSION CHAIRMAN SHAPIRO: All right. All
19 right, Mr. Titus, how are you? Good morning.

20 MR. TITUS: Very well, thanks.

21 COMMISSION CHAIRMAN SHAPIRO: You want to
22 introduce yourself?

23 MR. TITUS: Stuart Titus, General Manager,
24 Humboldt County Fair.

25 COMMISSION CHAIRMAN SHAPIRO: Great. Do you want

1 to tell us anything? I mean, I've read your application, I
2 really have very few questions, other than I note here that
3 you describe your promotional plans, "promotional plans will
4 be directed towards the goal of attracting, once again,
5 greater on-track attendance than the Bay Meadows Fair."

6 MR. TITUS: Correct.

7 COMMISSION CHAIRMAN SHAPIRO: That's your goal?

8 MR. TITUS: That's our goal.

9 COMMISSION CHAIRMAN SHAPIRO: Well, can you
10 explain that to me, I thought that was kind of interesting?

11 MR. TITUS: Well, for the last couple of years the
12 statistics would show that we have drawn more people on
13 track for the ten days of racing in Ferndale than our
14 counterpart in the Bay Area has, at Bay Meadows. And
15 that's, I think, a measurable goal and one that we are
16 excited to try to meet.

17 COMMISSION CHAIRMAN SHAPIRO: You strive for?

18 MR. TITUS: Yes.

19 COMMISSION CHAIRMAN SHAPIRO: Okay. All right.

20 Well, again --

21 COMMISSION VICE CHAIRMAN HARRIS: One thing that I
22 thought of is that at our August meeting, we're having a
23 July meeting at Del Mar, and our August meeting last year we
24 had at San Luis Rey, and we're considering having it there
25 again. But I think it would be a tremendous opportunity to

1 have the Board meet in Ferndale because a lot of people
2 really aren't familiar with what you have up there, and it
3 is such a unique environment, both at the track and the town
4 of Ferndale, and the whole scene is pretty special.

5 And I talked to Commissioner Andreini, and I,
6 would be able to volunteer our air force to fly some of the
7 key people up there.

8 But would having a meeting at CHRB, somehow tying
9 into some day at your race meet be feasible?

10 MR. TITUS: We would be delighted. We would be
11 delighted, yes.

12 COMMISSION VICE CHAIRMAN HARRIS: I suggest we
13 have our staff look at different alternatives and see
14 what -- if that may be --

15 COMMISSION CHAIRMAN SHAPIRO: All right, we'll ask
16 staff look into that and you can explain it to Leanne
17 Howard. Okay.

18 COMMISSION VICE CHAIRMAN HARRIS: She can come
19 with us.

20 COMMISSION CHAIRMAN SHAPIRO: Okay. Are there any
21 other questions for this applicant? I think that the
22 application was pretty complete, and you guys do a great job
23 and it's a lot of fun. I especially enjoy the Marathon Race
24 and I know that's fun.

25 Are there any other questions or comments for this

1 applicant?

2 There being none, I'll entertain a motion to
3 approve it.

4 COMMISSION VICE CHAIRMAN HARRIS: So moved.

5 COMMISSIONER MOSS: Second.

6 COMMISSION CHAIRMAN SHAPIRO: All in favor?

7 (Ayes.)

8 COMMISSION CHAIRMAN SHAPIRO: Thank you, and good
9 luck, and say hi to all the friends in Ferndale.

10 MR. TITUS: Thank you.

11 COMMISSION CHAIRMAN SHAPIRO: Item Number 5,
12 discussion and action by the Board on the application to
13 conduct a horse racing meeting of the California Exposition
14 and State Fair at Sacramento, commencing August 20th through
15 September 1st, 2008.

16 Thoroughbred racing returns to Cal Expo State
17 Fair. Jackie.

18 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
19 CHRB staff.

20 The application is from the California Exposition
21 and State Fair. They are proposing to run from August 20th
22 through September 1, which is 11 days, the same number of
23 days that they ran in 2004, which was the last time that Cal
24 Expo conducted a mixed race meeting.

25 In 2004 they did run that 11-day race meeting,

1 from August 25th through September the 6th.

2 They have not run a State Fair mixed race meeting
3 since 2004. In 2005 they did harness race meeting from July
4 13th to September the 7th -- the 17th. And in 2006 and 2007
5 harness racing was conducted during that State Fair period.

6 The analysis indicates the current meet estimates,
7 from all sources, and I do want to make a correction to
8 those figures. The current meet estimate, from all sources
9 to be distributed in the form of purses or other benefits to
10 horsemen, during the 2008 fair time frame is \$1,395,146.

11 In 2004, in comparison, the total current meet
12 estimate from all sources, that were distributed in the form
13 of purses or other benefits to the horsemen during that 2004
14 meet, actually was \$1,336,069.

15 They are proposing to race 12 race days in 2008.
16 And they are requesting permission to reduce their live
17 racing by one day. They are proposing to eliminate Monday,
18 August the 25th, which would enable them to have a double-
19 header on Friday, August the 22nd. On that day they're
20 proposing to race 16 races.

21 In 2004, the last time they ran their race
22 meeting, they did have a double header and that took place
23 on Monday, August 30th. And at that time I believe they ran
24 17 races.

25 They will be racing Wednesday through Sunday the

1 first week, and Wednesday through Monday the second week.
2 Ten races will be run on August 20th, the 21st, the 27th,
3 28th, and 29th. On August 23rd, 24th, 30th, 31st, and
4 September 1 they will be racing 12 races.

5 COMMISSIONER CHOPER: Excuse me?

6 STAFF SERVICES MANAGER WAGNER: Uh-hum.

7 COMMISSIONER CHOPER: I should have this, but is
8 Del Mar racing on that Monday? They are. So they'll be
9 racing themselves, here?

10 COMMISSION CHAIRMAN SHAPIRO: Yes. Yeah, they
11 are.

12 STAFF SERVICES MANAGER WAGNER: Their post times.
13 They're proposing a first post time of 1:15 for a daily post
14 time. On Friday, August the 29th, their post time will be
15 2:45 p.m.

16 On their double-header, Friday, that they're
17 proposing, their post time will be 1:15 on that double-
18 header Friday.

19 And the eighth race, the post time will be 4:45
20 p.m.

21 Let's see what else we have on here. Their
22 application indicates that their ADW providers will be
23 YouBet, TVG, XpressBet, and Twin Spires.

24 We do have a representative from the fair and
25 staff would recommend that you hear from the representative

1 and that you approve the application.

2 COMMISSION CHAIRMAN SHAPIRO: Thank you, Jackie.

3 Mr. Elliott, welcome, how are you?

4 MR. ELLIOTT: Thank you.

5 COMMISSION CHAIRMAN SHAPIRO: First of all, I
6 think it should be noted, and I think that you deserve to be
7 complimented for the comprehensive explanation that was
8 given in terms of converting the track, from what has been a
9 harness track for a couple years now, back to a thoroughbred
10 track and all the steps that were taken.

11 I thought it was very reassuring to understand,
12 and informative, that we understood what that process was.

13 MR. ELLIOTT: Sure.

14 COMMISSION CHAIRMAN SHAPIRO: So my compliments to
15 you on that.

16 Do you want to just describe to us, perhaps, a
17 little bit about what your plans are to reintroduce
18 thoroughbred racing at the meet?

19 I mean, I saw your promotional plan and your
20 advertising, but I think it would be worthwhile if you gave
21 us a few minutes of just explaining what the strategy is?

22 MR. ELLIOTT: Sure. As you very well know, we've
23 been -- we haven't had thoroughbred, mixed breed racing at
24 the California State Fair, during the Fair, since 2004, as
25 mentioned.

1 We're back in the business. We're very
2 optimistic. There's a pent-up demand, if you will, for
3 thoroughbred racing back at the Fair. It's been met with a
4 lot of enthusiasm locally. Obviously, we're going to put
5 out the very best product. We're going to have the safest
6 racetrack that we could possibly have, we'll be doing a lot
7 of work, spending a lot of money on the racetrack to get it
8 back to snuff.

9 We're confident, with Steve Wood's help, and
10 CARF's assistance, that we will be able to do that.

11 As far as our marketing and advertising, for the
12 thoroughbred racing, we'll be front and center with our
13 marketing and advertising themes for the Fair. We spend
14 over a million dollars, as some other fairs do, the larger
15 fairs, you know, for our State Fair meet.

16 We're excited about it. The harness horses have
17 been there, it will be 46 months, come August, straight.
18 And, you know, they, of course, would like to continue
19 racing 12 months a year but, you know, they need a break.
20 They're about split on that. They need a break, like they
21 used to have all of the time, and I think that, you know, we
22 come in with the thoroughbred meet and we're excited to see
23 the thoroughbred trainers that are already coming over and
24 saying hello, some of them, anyway. And some of them live
25 in Sacramento, too.

1 And, again, we're optimistic and excited about it.

2 COMMISSION CHAIRMAN SHAPIRO: And I noted you're
3 spending a hundred thousand dollars to upgrade the Turf Club
4 for this meeting; is that right?

5 MR. ELLIOTT: Yeah, oh yeah. Yeah. Yeah, it's
6 like 1972, we're going to turn it into like maybe 1992.

7 COMMISSION VICE CHAIRMAN HARRIS: That's 20 years.

8 MR. ELLIOTT: Yeah.

9 COMMISSION VICE CHAIRMAN HARRIS: I would --

10 MR. ELLIOTT: That's all a hundred thousand will
11 do these days.

12 COMMISSION CHAIRMAN SHAPIRO: You know what
13 Mr. Bartosik's doing behind your back right now?

14 MR. ELLIOTT: Probably -- I don't know.

15 COMMISSION CHAIRMAN SHAPIRO: Never mind. Okay.
16 And by the way, how do you get a dog into the 9th Annual
17 California Dog --

18 MR. ELLIOTT: You have to enter.

19 COMMISSION CHAIRMAN SHAPIRO: Oh, shoot. Does it
20 matter, she's got a steel rod in her back? Never mind,
21 okay.

22 MR. ELLIOTT: Yeah, as long as she's safe to go
23 and she can pass the vet check, she's good to go.

24 COMMISSION CHAIRMAN SHAPIRO: Okay, that's great.

25 COMMISSION VICE CHAIRMAN HARRIS: Actually, I

1 congratulate you on bringing thoroughbred racing or mixed
2 breed racing back. I've gotten a lot of comments, very
3 positive and excited about that. I think it was probably
4 one of the dumbest things that Cal Expo ever did was to drop
5 it.

6 COMMISSION CHAIRMAN SHAPIRO: You're not going to
7 say -- you're not going to say that you were going to say.

8 COMMISSION VICE CHAIRMAN HARRIS: But the smartest
9 thing they ever did was bring it back, so it balanced out.

10 But --

11 COMMISSION CHAIRMAN SHAPIRO: Well, that was
12 politically correct.

13 MR. ELLIOTT: I don't comment.

14 COMMISSION VICE CHAIRMAN HARRIS: Anyway, I think
15 it's good, too, that you're looking at the double header and
16 some of that, and looking at, you know, out-of-the-box type
17 thinking to see what may help stimulate interest, because
18 it's a big sports area up there and it's always been
19 somewhat under-tapped.

20 But one of the things on the stabling which,
21 actually, this also applies to Stockton and Fresno, it looks
22 like your dates are pretty close, according to the
23 application, that stalls are only available at Sacramento
24 from August 20th through September 1, which is Labor Day.
25 So there needs to be a little bit of an overlap.

1 MR. ELLIOTT: That's incorrect, sir. I don't know
2 where you're getting the August 20th date. That's opening
3 day of our race meet.

4 COMMISSION VICE CHAIRMAN HARRIS: Well, it's
5 racing conducted, but they say open -- oh, open for stabling
6 through Wednesday, September 3rd, and then it's the same way
7 at -- the stabling dates for both State Fair, San Joaquin
8 Fair, and Fresno Fair are pretty tight. I'd like to see a
9 little bit more overlap because -- I realize it's expensive
10 to keep a place open, and maybe Sacramento, particularly, if
11 you got the harness meet to get back to, but to allow
12 horsemen some time.

13 Because particularly in the Stockton, the --
14 Stockton just runs the stabling at no cost through September
15 20th, but the stabling at Fresno doesn't open until
16 September 21st. So if there could be a little bit of
17 overlap, it would be good.

18 MR. ELLIOTT: I don't think it's out of the
19 ordinary for other fairs. In the past, we had stayed
20 open -- in 2004, we had stayed open for a little bit of a
21 time. Obviously, the schedule's changes, now, and we stayed
22 open until Fresno could get open, before.

23 Well, now, you're going to have -- after our meet
24 is over, you're going to have Golden Gate Fields, you're
25 going to have Pleasanton, and you're going to have Stockton,

1 as well.

2 I would imagine Stockton is probably pretty happy
3 that we will be closing, you know, three days after our meet
4 is over, so that those fellows -- they're either going to go
5 to Pomona, or they're either going to go to Stockton, or
6 they're going to go back home to Golden Gate Fields or
7 Pleasanton.

8 So, I mean, there's others in the room that are
9 obviously more versed in the stabling better than I am, and
10 perhaps they can speak to it, but I believe that there's
11 plenty of space. We're not going to kick anybody out.

12 COMMISSION VICE CHAIRMAN HARRIS: Well, it just
13 needs to work with the horsemen to make sure that they are
14 taken care of.

15 MR. ELLIOTT: Yeah.

16 COMMISSION CHAIRMAN SHAPIRO: Okay.

17 COMMISSIONER CHOPER: Could I ask to that Monday?

18 MR. ELLIOTT: Yes, sir.

19 COMMISSIONER CHOPER: I'm sure you've thought all
20 this through.

21 MR. ELLIOTT: Yes, sir.

22 COMMISSIONER CHOPER: But I'd just be curious as
23 to -- you could, I take it, there's no rule that's stopping
24 you from racing on Monday?

25 MR. ELLIOTT: No, sir.

1 COMMISSIONER CHOPER: So does this have to do with
2 the horse population or -- that's it, huh?

3 MR. ELLIOTT: It has to do with the horse
4 population. Normally, the --

5 COMMISSIONER CHOPER: Because I think there's a
6 real good opportunity to get people --

7 MR. ELLIOTT: A lot of times there is -- there is
8 the opportunity for some of those horses that race on the
9 Friday, to come back and race -- you know, some of the
10 cheaper horses, to race on Labor Day Weekend, maybe, perhaps
11 on Labor Day, itself, from Friday. That's about a
12 ten-day -- you know, that we have found that is a
13 possibility.

14 Whereas, if we were to race on that Monday,
15 normally the fields are very short, attendance at the fair
16 is smaller on a Monday, than it is on a Friday, Friday
17 night, Saturday or Sunday.

18 And so we're basically -- we want to provide all
19 the racing opportunities that we can for all the horses but,
20 yeah, we would like to get some of the cheaper horses that
21 help fill our cards, you know, that race on Wednesday,
22 Thursday and Friday, to come back on that Labor Day Weekend.

23 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I think
24 it's an okay idea, and I realize what you're going through,
25 and there's not another California wagering opportunity.

1 MR. ELLIOTT: That's right.

2 COMMISSION VICE CHAIRMAN HARRIS: But the
3 satellite will be open and I think Saratoga, and some of
4 these other tracks that are running that day, and I think it
5 is -- towards the end of the summer, particularly, that
6 horse population does get tough --

7 MR. ELLIOTT: It's tight.

8 COMMISSION VICE CHAIRMAN HARRIS: -- and if
9 they're going to do this double-header that still,
10 basically, takes up another card.

11 MR. ELLIOTT: Yes, of course, the satellite and
12 the Northern network will be open for Del Mar, of course,
13 and the out-of-state imports, as well.

14 COMMISSION CHAIRMAN SHAPIRO: All right. Are
15 there any other comments?

16 If not, there is a comment card and it does
17 pertain to the double-header. Charlie Dougherty? And, you
18 know, just -- go ahead, why don't you express your concern.

19 MR. DOUGHERTY: Charlie Dougherty, California
20 Thoroughbred Trainers.

21 The most positive aspect of Cal Expo being back in
22 business with the thoroughbreds is I get to deal with Dave
23 again. So, actually, one concern we do have regarding the
24 double-header request, knowing the history of what took
25 place in the previous double-header request, we had some

1 trainers who had some significant concerns over how long of
2 a day that actually made for themselves, but most definitely
3 their help.

4 I had a trainer tell me that they got back to Bay
5 Meadows at 2:30 in the morning, following the running, as
6 they were in the last race.

7 So what we have -- we support the double-header
8 concept, but what we have asked Cal Expo is that on the day
9 that they are entering for this double-header, that trainers
10 be allowed to specifically designate whether they are
11 entering for the day card or the night card.

12 COMMISSION CHAIRMAN SHAPIRO: And why do you need
13 us for that? Okay, I mean --

14 MR. DOUGHERTY: Because at this point Dave is
15 unwilling to put that --

16 COMMISSION CHAIRMAN SHAPIRO: Got it.

17 COMMISSION VICE CHAIRMAN HARRIS: Wouldn't that be
18 part of the horsemen's agreement? It could be, I think, but
19 I don't know.

20 COMMISSION CHAIRMAN SHAPIRO: Look, my view is
21 that I understand the request, and I can't believe you guys
22 can't work it out. And it's kind of like, I mean, it's a
23 concern if somebody's in the first or the 16th race, and the
24 guy doesn't want to be there, so that's kind of legit. So
25 maybe you can come to where you say, okay, if anybody is

1 separate by more than ten races, they'll get a something.

2 I'm not sure why the Board has to do it.

3 COMMISSION VICE CHAIRMAN HARRIS: You were a
4 baseball player, did you ever play any double-headers, where
5 you picked which one you wanted to be in?

6 COMMISSION CHAIRMAN SHAPIRO: Put me in, coach.

7 COMMISSION VICE CHAIRMAN HARRIS: I think that's
8 the attitude.

9 COMMISSION CHAIRMAN SHAPIRO: He's willing to put
10 you in, you're in.

11 MR. ELLIOTT: Charlie and I are friends and I
12 appreciate Charlie's -- I appreciate his Board's position on
13 this.

14 If we put in the condition book that this race is
15 going to be used at night, and this race is going to be used
16 in the day, there are probably quite a few trainers that
17 probably wouldn't enter the night races, number one, that
18 probably wouldn't go.

19 We are paying a \$75 starter bonus, plus the \$100
20 CARF starter bonus. You know, for those horses that will
21 race on the night program, they will get \$175.

22 We're also paying the grooms, we're giving the
23 grooms at \$10 food chit so that they can eat. They can use
24 it anytime they want, as soon as they walk into the paddock
25 with their horse.

1 We're feeding the pari-mutuel clerks, we're doing
2 all those things necessary.

3 I understand that there was one trainer that it
4 was inconvenient for them, that shipped back to Bay Meadows
5 on the double-header night. Our last race is at 8:55.
6 There's no guarantee that that's going to be a thoroughbred
7 race, it may be an Arab race, hence, making the last
8 thoroughbred race at 8:25.

9 COMMISSION CHAIRMAN SHAPIRO: Okay. I mean,
10 again, again --

11 COMMISSION VICE CHAIRMAN HARRIS: I don't think we
12 want to make that a condition.

13 COMMISSION CHAIRMAN SHAPIRO: Right. Yeah, and
14 honestly, you know, guys, work it out. I mean, I don't mean
15 to be rude, but we got to deal with ADW, and race dates, and
16 some other stuff, and it's kind of like, you know, why don't
17 you guys get together, the meet's not here, yet. And I have
18 a hunch that you guys will find the solution, but you don't
19 want us to impose it on you, you don't need us to tell you
20 that.

21 COMMISSION VICE CHAIRMAN HARRIS: Yeah, and keep
22 in mind that at Los Alamitos they get through about
23 midnight, you ought to go down and represent those guys.

24 COMMISSION CHAIRMAN SHAPIRO: It's one night,
25 okay. So let's support it, let's get the fair up and

1 running. Let's make it a success. And if that's okay, work
2 it out.

3 And if you really come to an impasse, then call
4 Kirk and Kirk will lay down the hammer. Okay, thank you.

5 All right, if there's no other comments, I'd like
6 to entertain a motion to approve.

7 COMMISSIONER MOSS: Moved.

8 COMMISSION VICE CHAIRMAN HARRIS: Second.

9 COMMISSION CHAIRMAN SHAPIRO: Second.

10 All in favor?

11 (Ayes.)

12 COMMISSION CHAIRMAN SHAPIRO: It's passed. Thank
13 you.

14 MR. ELLIOTT: Thank you.

15 COMMISSION CHAIRMAN SHAPIRO: Welcome back to Cal
16 Expo, okay, one of my favorite facilities.

17 Okay, moving on. Item Number 6, discussion and
18 action by the Board regarding mandating the use of safety
19 reins at California racetracks and the proposed amended to
20 CHRB Rule 1689.2, safety rein required, to require the use
21 of safety reins at California racetracks.

22 I'm going to ask Mr. Broad to please come forward
23 and make a presentation.

24 And I have to tell you, we received an awful lot
25 of items very, very late on this issue. Okay, I mean,

1 getting letters at the last second, and e-mails at the last
2 second, it's really difficult.

3 And, honestly, if you saw the material for this
4 meeting, there's no way to get through it all.

5 So I appreciate that Mr. Gray's not here, he sent
6 a letter. But I'm not going to read it into the record.

7 We've done our best. I think we've all seen this
8 issue and heard this issue so, in the spirit of time, I
9 don't think we need to see every aspect of every rein, okay,
10 because we've done it.

11 There are concerns and I would ask that you
12 address some of those concerns. Those concerns being that
13 we don't want to see a single-use vendor, is a big concern
14 of some people.

15 Safety rating, you know, are there safety
16 standards, really, that say that something's safer than
17 something else? And so I hope that you'll address those
18 but, Mr. Broad, perhaps you can kick us off here.

19 MR. BROAD: Okay. Mr. Chair and Members, Barry
20 Broad, on behalf of the Jockey's Guild.

21 Let me start with the statute, because the statute
22 is very clear about the CHRB's responsibility here. The
23 statute says that after holding a public hearing, the CHRB
24 must determine whether the use of safety reins would provide
25 jockeys and exercise riders greater protection from

1 accidents than conventional reins.

2 If they do, and I would pause it that that is not
3 contested, clearly they protect jockeys. They're defined in
4 the statute. Then you are mandated to require them.

5 COMMISSION CHAIRMAN SHAPIRO: So let me be clear.
6 That is in the law, it's already been adopted.

7 MR. BROAD: Right.

8 COMMISSION CHAIRMAN SHAPIRO: And as I recall,
9 that was a year --

10 MR. BROAD: Over a year, and it was -- and we are
11 now a year over the mandated requirement date that was
12 imposed on the Board, by the Legislature, of July --

13 COMMISSION CHAIRMAN SHAPIRO: Yes, but not at the
14 fault of this Board.

15 MR. BROAD: No, that is certainly not, it's not
16 the fault of the Board.

17 COMMISSION CHAIRMAN SHAPIRO: Right.

18 MR. BROAD: It's really an effort to accommodate
19 the various concerns that were raised by various parties.
20 And we asked that the matter be put over so that we could
21 try to answer every conceivable question, and we're now at
22 the end of that road.

23 So this is a very -- you -- the Legislature has
24 basically said, unless you find that conventional reins are
25 safer for jockeys and exercise riders than safety reins, you

1 must adopt safety reins. That's the statute, it's very
2 clear and very unambiguous.

3 It's not like if you don't feel like it, which is
4 your normal standard, you can vote not to have them.

5 Now, and I'm not -- I don't mean this with any
6 disrespect or anything, but this is a situation where the
7 Legislature has limited your authority and mandated what
8 standard you are to use.

9 COMMISSIONER CHOPER: Could we give Mr. Miller the
10 statutory citation?

11 MR. BROAD: Yes, Business and Professions Code
12 Section 19504(b).

13 COMMISSION VICE CHAIRMAN HARRIS: But it is clear
14 that our delay was with the concurrence of the Jockey's
15 Guild.

16 MR. BROAD: Yes, yes.

17 COMMISSION VICE CHAIRMAN HARRIS: It wasn't some
18 unilateral decision we made.

19 MR. BROAD: No, it was not. And I'm not -- and I
20 have no problem with that because I think in the intervening
21 period of time a number of issues that were raised at the
22 beginning were dealt with, and which I will cover in a
23 second.

24 COMMISSION CHAIRMAN SHAPIRO: And so you know, we
25 have agendaized this a number of times and, at the request

1 of the Guild, pulled it off, deferred it.

2 MR. BROAD: Right. Okay, so let's talk about it.
3 You have a -- or get to the heart of the matter. You have a
4 language in front of you that's been proposed by the staff.

5 Our formulation was slightly different, but it's
6 perfectly fine, the language that's been proposed by the
7 staff.

8 COMMISSION CHAIRMAN SHAPIRO: Well, let me just
9 tell you that the language that's contained in your letter
10 says that no horse, essentially, should be ridden without a
11 safety rein.

12 MR. BROAD: Right.

13 COMMISSION CHAIRMAN SHAPIRO: Okay, hold it.
14 Which, to me, was not acceptable in that there are horses
15 ridden as ponies on the back side by, you know,
16 people --

17 MR. BROAD: Here's what the statute says:

18 "No racehorse shall be ridden at a
19 racetrack unless the rider is equipped
20 with a safety helmet and safety vest.
21 No later than July 1, 2006, the Board
22 shall conduct an investigation,
23 including one public hearing, to
24 determine whether the use of safety
25 reins would provide jockeys and exercise

1 riders greater protection from accidents
2 and injuries than conventional reins.
3 Should the Board determine that the use
4 of safety reins would provide greater
5 protection for jockeys and exercise
6 riders than conventional reins, it shall
7 adopt a regulation no later than July 1,
8 2007 mandating the use of approved
9 safety reins whenever a racehorse is
10 ridden at a racetrack."

11 COMMISSION CHAIRMAN SHAPIRO: Okay, I have no
12 problem with that language. The problem I had was in the
13 language that you sent in your June 5th letter, which
14 basically said that the Guild supports the adoption of the
15 following language, and you modified it to where it
16 basically said "any horse," and that was the difference.

17 COMMISSION VICE CHAIRMAN HARRIS: Isn't there also
18 a harness issue here?

19 MR. BROAD: A what?

20 COMMISSION VICE CHAIRMAN HARRIS: The harness
21 industry is also supposed to be covered by the safety reins.

22 COMMISSION CHAIRMAN SHAPIRO: Yeah, but they're
23 racehorses. In the --

24 COMMISSION VICE CHAIRMAN HARRIS: But they say
25 ridden, though.

1 COMMISSION CHAIRMAN SHAPIRO: Well, I think, okay,
2 ridden or driven. But, Barry, if you look at your
3 language --

4 MR. BROAD: Your right, it should say "racehorse,"
5 the language that we had.

6 COMMISSION CHAIRMAN SHAPIRO: That was my problem
7 with it.

8 MR. BROAD: Yes.

9 COMMISSION CHAIRMAN SHAPIRO: Okay.

10 MR. BROAD: You're right.

11 COMMISSION CHAIRMAN SHAPIRO: Okay.

12 MR. BROAD: I take that --

13 COMMISSION CHAIRMAN SHAPIRO: What did you say?

14 MR. BROAD: I take that --

15 COMMISSION CHAIRMAN SHAPIRO: No, no, what was
16 that part, I'm right?

17 MR. BROAD: Yes, you're right.

18 COMMISSION CHAIRMAN SHAPIRO: Thank you, Barry.

19 MR. BROAD: Extremely right. Okay, so that being
20 said, let me talk about the practical issues. The language
21 that's before you, whether you choose our language or the
22 language drafted by the -- that was drafted by the staff,
23 and either one is fine, does not mandate any particular
24 design.

25 There are essentially two designs, and there are

1 any number of manufacturers, and we don't -- we're not in
2 favor of or want to create any monopoly on the manufacturer.

3 One design basically has a continuous
4 reinforcement through the loop of the rein, that attaches to
5 the bit.

6 The other has a separate clip. And the clip, it's
7 a second safety clip.

8 Now, what's the difference between the two? First
9 of all, let me -- and all this stuff is in the record, and I
10 realize it's a voluminous record, but this stuff has been in
11 the record for quite some time.

12 The various rein manufacturers that have weighed
13 in on this, and there several with different -- with these
14 different designs, have had them tested for their breaking
15 strength, along with conventional reins.

16 COMMISSION CHAIRMAN SHAPIRO: And it should be
17 noted that it is important that these reins break at a
18 certain level or stress level --

19 MR. BROAD: Right.

20 COMMISSION CHAIRMAN SHAPIRO: -- in the event that
21 a rein would come off of a horse and when he steps on it,
22 you would want the rein to break.

23 MR. BROAD: Correct. Now, let me talk about that.
24 A conventional rein, a conventional leather rein, that is
25 brand-new, not talking about one that's disintegrating, but

1 one that's brand-new breaks at about 400 pounds per square
2 inch of pressure.

3 This rein, with the separate clip, was designed
4 specifically to respond to that question, which is it
5 should -- if the rein goes over the horse's head and the
6 horse steps on it, at what pounds per square inch will it
7 break? And this will break, the actual safety rein, and the
8 regular rein, together, will break at about the same pounds
9 per pressure, of maybe 50 pounds per pound more, it's sort
10 of an insignificant amount, than a conventional, a new
11 conventional rein would break in the same circumstances.

12 COMMISSION CHAIRMAN SHAPIRO: So let me ask you a
13 question. If the second attachment is basically a redundant
14 attachment for safety, okay, would the original rein that's
15 affixed to the bit, let's say that breaks, so that's one
16 450-pound-per-inch rein that just broke.

17 COMMISSION VICE CHAIRMAN HARRIS: When it broke it
18 was --

19 COMMISSION CHAIRMAN SHAPIRO: Well, whatever it
20 was, it broke. Okay. Is the remaining attachment, which is
21 what you're --

22 MR. BROAD: The snap.

23 COMMISSION CHAIRMAN SHAPIRO: The snap, okay, is
24 that also 450 pounds, independent of the other 450? Is it
25 like having two attachments of 450 pounds each?

1 MR. BROAD: As I understand it, the answer is yes.

2 It's a second attachment.

3 COMMISSION VICE CHAIRMAN HARRIS: If the rein
4 breaks, say, in the middle of the rein, that other part's
5 not really going to help you.

6 MR. BROAD: Oh, yes, that's what it's for.

7 COMMISSION CHAIRMAN SHAPIRO: No. No, no. No,
8 wait a minute. How far up does the safety component go
9 inside the rein?

10 MR. BROAD: Up to here.

11 COMMISSION VICE CHAIRMAN HARRIS: Oh, it does, I
12 didn't realize that part.

13 MR. BROAD: It goes all the way to just below the
14 knot.

15 COMMISSION VICE CHAIRMAN HARRIS: Okay, I thought
16 it was just down there.

17 MR. BROAD: On both designs.

18 COMMISSION CHAIRMAN SHAPIRO: So on both designs
19 there is a nylon cord, or something like that, that is sewn
20 into the rein, in addition to the leather, so that if the
21 leather breaks, that nylon cord is there.

22 MR. BROAD: So if this -- here's what would
23 happen, essentially. If the horse -- since this is on there
24 slightly loose, right, that -- the safety clip, so it's not
25 under tension. So you don't have, in effect, the combined

1 strength of the two.

2 So if this breaks, almost instantaneously the
3 other one would break in the circumstance we're talking
4 about, where the horse steps on the rein.

5 COMMISSION CHAIRMAN SHAPIRO: Oh, steps on it,
6 right.

7 MR. BROAD: Okay, so that it's designed to answer
8 the questions of that issue.

9 COMMISSION CHAIRMAN SHAPIRO: Okay.

10 MR. BROAD: This one is the Sureline rein that Art
11 Gray manufactures, or has manufactured.

12 COMMISSION CHAIRMAN SHAPIRO: Right, okay.

13 MR. BROAD: The second one, which we'll call the
14 Bryan Peck rein, is -- does not have that feature. It
15 simply has the reinforcement all the way. So it will
16 break --

17 COMMISSION CHAIRMAN SHAPIRO: It does not have a
18 separate --

19 MR. BROAD: Right, right.

20 COMMISSION CHAIRMAN SHAPIRO: It does not have a
21 separate attachment.

22 MR. BROAD: It will break at 1,100 pounds. Now,
23 what I'm not certain, what we're not certain of is what a
24 horse stepping on it does in terms of breaking. So it
25 breaks at a substantially greater amount of pressure.

1 Now, our personal preference would be a design
2 similar to this.

3 COMMISSION CHAIRMAN SHAPIRO: A second attachment
4 design.

5 MR. BROAD: Yeah, the second attachment. But this
6 has a patent on it that Mr. Gray has. So if you specify
7 this, you are specifying one manufacturer, okay.

8 So our view of this, in order to respond to
9 everybody's various things, which is it should -- we
10 shouldn't pick one manufacturer, but we should also have
11 this, is to have two options. If you could have this
12 option --

13 COMMISSION CHAIRMAN SHAPIRO: Well, how about more
14 than two?

15 MR. BROAD: Well, in the sense -- not just
16 two -- two generic options, one with a separate clip and one
17 without it. It has to either -- under the statute, it's got
18 to be this is the universe of types of material, I think,
19 that you could come up with.

20 COMMISSION CHAIRMAN SHAPIRO: Well, now, wait a
21 minute, wait a minute.

22 MR. BROAD: There can be a thousand manufacturers,
23 but it's kind of like you can't make a hat for a jockey 12
24 feet tall. I mean, you know, it's got to be --

25 COMMISSION CHAIRMAN SHAPIRO: Well, but we have

1 seen other designs. A Mr. Ford showed us a design, where I
2 believe he put in --

3 MR. BROAD: That's fine. We don't care. I mean,
4 look, at this point we just want a safety rein adopted. And
5 if the market of these guys, the trainers and the owners, or
6 whoever, wants to determine which one they like, as long as
7 it's a safety rein that meets the standard of the statute
8 and that, you know, has been tested for breaking strength by
9 the manufacturer, we're fine with it.

10 And in the future, if somebody wants to decide one
11 is better than the other, if they're worried about the rein
12 going over the head and breaking, pick this one. If they're
13 not worried about, pick this one. Or whatever other ones
14 meet the standard.

15 COMMISSIONER MOSS: Excuse me. Wouldn't it be
16 better if the jockeys just picked the reins they preferred
17 and then have the trainers --

18 MR. BROAD: Be required to use it?

19 COMMISSIONER MOSS: Well, yeah, basically, as a
20 general rule.

21 MR. BROAD: The safety rein that they used?

22 COMMISSION CHAIRMAN SHAPIRO: Well, it probably is
23 going to be, anyway.

24 COMMISSIONER MOSS: Well, no, have the jockeys
25 actually make their own individual choice on which rein they

1 prefer.

2 MR. BROAD: Between safety reins?

3 COMMISSIONER MOSS: Between all the safety reins,
4 yes.

5 MR. BROAD: Yeah, you know, if you want to -- I
6 don't know that we want to mandate that a particular trainer
7 has to ask each individual jockey, because it's --

8 COMMISSIONER MOSS: And if the jockey wants to use
9 a safety rein, then the trainer should --

10 MR. BROAD: Yeah, that's not debatable, in our
11 view, because you have to mandate a safety rein, because
12 safety reins don't rot.

13 What happens to a conventional rein is that that
14 400 pounds per square inch turns to nothing.

15 And let me just show you what they look like,
16 because we just went over to the barn on the way over here
17 in the morning, just now, and walked in there, and in two
18 minutes we just asked for some reins, and this is what's in
19 use right now, today, here at Pleasanton. They're rotting
20 away. That's a conventional rein, this is rotting away.

21 This doesn't have 400 pounds per square inch.
22 This is probably down at a hundred. It's literally falling
23 apart in both cases. This rein will be used, and we
24 promised to keep the people anonymous, this will be used
25 until it breaks.

1 That's why it has to be safety reins. Which
2 safety rein, we don't care. Somebody's going to die
3 eventually because of this.

4 Now, and so that's why the Legislature was
5 prescriptive. At this point there is no evidence,
6 whatsoever, in the record, that a conventional rein provides
7 more safety to a jockey than a safety rein.

8 COMMISSIONER MOSS: I don't know if you quite
9 understood. I'm just suggesting that each jockey pick out
10 the safety rein that he's comfortable with.

11 MR. BROAD: Well, that's fine with me, but the
12 trainers typically own the reins, not the jockey so --

13 COMMISSION CHAIRMAN SHAPIRO: But, Barry,
14 Barry --

15 MR. BROAD: -- I mean, that's fine.

16 COMMISSION CHAIRMAN SHAPIRO: -- if we wanted to
17 say, look, we don't care who provides it, and if the jockeys
18 want to pick their particular rein and they want to provide
19 it, they can. You don't have a problem with that; correct?

20 MR. BROAD: Well, the only thing is I don't want
21 to start a new thing where it's, now, you buy the reins, you
22 bring the reins, you supply the reins.

23 COMMISSION CHAIRMAN SHAPIRO: Well --

24 MR. BROAD: Because there's exercise riders and
25 all kinds of other people. And the other thing is there's

1 an enforcement issue here.

2 And you know what, I don't have a problem in
3 principle, but think about the enforcement issue. You know,
4 these safety reins look a heck of a lot like conventional
5 reins, okay. If somebody uses a non-safety rein here, and
6 there's all kinds of people bringing different safety reins,
7 and somebody gets hurt, there is going to be extraordinary
8 liability on everybody's part.

9 Okay, so this is like the safety vest, or any of
10 the other safety equipment, or the safety rail, it is an
11 enforcement responsibility, ultimately, of the CHRB.

12 So all I'm saying is, yeah, that's fine. I kind
13 of think that this is sort of the employer, if you will, and
14 I mean that loosely, the employer's decision of which safety
15 reins they want to have, as long as they have one, if they
16 want to tell the jockey "use this one."

17 If the jockey objects or something, and says,
18 well, I have this special safety rein that's the one I use,
19 I suppose that's okay, provided it is a safety rein.

20 COMMISSION CHAIRMAN SHAPIRO: Okay.

21 COMMISSION VICE CHAIRMAN HARRIS: You know, the
22 employer, he's covering these guys for worker's comp. I
23 mean, common sense would say he'd want the best safety
24 device he could get.

25 MR. BROAD: Yeah, I think it's sort of a non-

1 issue, because I think once we say safety reins, everybody's
2 going to go get them.

3 COMMISSION VICE CHAIRMAN HARRIS: The only thing I
4 don't like in the regulation, I just noticed that it talks
5 about that it doesn't go into effect for 18 months, and that
6 seems ridiculous.

7 MR. BROAD: Well, here's what the legislation
8 contemplated, so we're okay with that, it contemplated, this
9 is what was negotiated between us and the trainers, and the
10 tracks, and everybody, when the bill was going through, was
11 that it would give them 18 months to sort of --

12 COMMISSION CHAIRMAN SHAPIRO: Use up their old
13 inventory.

14 MR. BROAD: Use up their old reins, if you will.

15 COMMISSION VICE CHAIRMAN HARRIS: Well, if it's a
16 key issue, I mean --

17 MR. BROAD: Well, look, it's not my preference
18 that they have to go get these tomorrow, they obviously -- I
19 think that that's a bit of a burden.

20 COMMISSION CHAIRMAN SHAPIRO: Well, it should be
21 noted, too, and I want to have Ed Halpern and Bill Anton
22 come forward because we need to hear from the trainers, but
23 it's my understanding that there have been a couple hundred
24 sets of each of these that have been tested and put in use
25 by the trainers, and so this is not something that's being

1 sprung on them out of the blue. They're well aware of this
2 and they've been testing them.

3 From what I understand, I think there was one
4 trainer or two trainers that didn't -- that voiced
5 opposition.

6 MR. BROAD: Yeah, and a couple that wouldn't
7 participate, and about seven or eight that just took the
8 reins and ran. But the --

9 (Laughter.)

10 COMMISSION VICE CHAIRMAN HARRIS: They've got
11 them, now.

12 MR. BROAD: Because they were free. But anyway,
13 and we have had some conversations. I had a conversation
14 with Bobby Frankel at the Kentucky Derby, who said, "it's a
15 no brainer," is what he told me.

16 And Darrell talked to John Shirriff, who was
17 supportive, who started out skeptical several years ago, but
18 is supportive, now.

19 COMMISSION CHAIRMAN SHAPIRO: Right.

20 MR. BROAD: So I think it's --

21 COMMISSION CHAIRMAN SHAPIRO: We got it. And
22 again, I'm trying to get the meeting moving.

23 MR. BROAD: Okay.

24 COMMISSION CHAIRMAN SHAPIRO: Therefore, I'm going
25 to ask Ed Halpern and Bill Anton, if they would come

1 forward. There's seats here. So why don't you -- you're
2 trainers and perhaps --

3 COMMISSION VICE CHAIRMAN HARRIS: I'll move over.

4 MR. HAIRE: Chairman Shapiro?

5 COMMISSION CHAIRMAN SHAPIRO: Yes.

6 MR. HAIRE: Can I just add that --

7 COMMISSION CHAIRMAN SHAPIRO: State your name,
8 Darrell.

9 MR. HAIRE: Darrell Haire, Western Regional
10 Manager of the Jockey's Guild.

11 I know the trainers' concern is if the horse gets
12 the reins over the head and steps on it, I know that's been
13 a big concern.

14 And my concern is when a rider in a race, when it
15 breaks at the rubber, or near the bit, that's what my big
16 concern is and it's happened too often.

17 COMMISSION CHAIRMAN SHAPIRO: And we understand.
18 We clearly understand what the issue is. I mean, we've
19 heard this enough that we understand it.

20 Now, you're point is already in the record and we
21 understand that, okay.

22 Mr. Halpern, do you want to tell us your views as,
23 I guess, the king macho of the CTT?

24 MR. HALPERN: Thank you, Commissioner, for
25 everything but the description. Ed Halpern, California

1 Thoroughbred Trainers.

2 First of all, there's no argument about wanting to
3 use the safest equipment here. When the legislation passed,
4 we all agreed that it's best to have the safest equipment,
5 so we don't have an argument in that respect.

6 I handed out or presented to the Board today, and
7 some of you might have gotten it yesterday, the most current
8 report that we just finished. Unfortunately, I'm sorry that
9 it's so late in coming, but we didn't have notice of the
10 agenda until a week or two ago, so we rushed it together as
11 soon as we can, and Sonia did a great job of putting it
12 together.

13 You know, I want to point out that the CTT
14 manages -- excuse me -- runs, manages, and created the CHSA,
15 which is involved in all these safety programs and runs
16 these safety programs. We were the first organization in
17 the country to concentrate on safety.

18 We created the first safety video in the country.
19 We created the first safety training classes, which are
20 ongoing in the country. We were the first to create a new
21 and better safety vest. We were the first to create a new
22 and better safety helmet. And we were the first to pay for
23 and obtain certification of the safety ratings.

24 So I don't think you can question our commitment
25 to safety, and that's not our issue here.

1 But we do oppose passing this regulation at this
2 time.

3 COMMISSION VICE CHAIRMAN HARRIS: Just a point of
4 clarification, are we passing this or are we putting it out
5 for comment?

6 COMMISSION CHAIRMAN SHAPIRO: Putting it out for
7 comment, is my understanding.

8 COMMISSION VICE CHAIRMAN HARRIS: I think we're
9 just putting it out for comment.

10 MR. HALPERN: No, I understand that, and I think
11 that's a good point to at least look at. I don't think we
12 should be putting rules out for comment, with all due
13 respect, until we're certain that they're a rule we at least
14 want to pass, and then we're looking for --

15 COMMISSIONER MOSS: So how do you see the
16 practical application of this --

17 COMMISSION VICE CHAIRMAN HARRIS: Well, I mean,
18 the whole idea of comment is to get comments and then go
19 from there. I mean, obviously, we don't want to put out a
20 rule that we feel so certain about that we're not even going
21 to ask for comment.

22 MR. HALPERN: Well, no, that's not what I'm
23 pointing out. But you don't just put out all sorts of rules
24 and say, okay, let's get comment and see whether we should
25 decide them, at least a rule should have a direction.

1 But let me move forward. You know, to approve or
2 talk of approving the safety reins under current
3 circumstances, plus that only gives you 45 days, by the way,
4 is really putting the horse before the cart, it's premature.

5 We need to be patient enough to give us some time
6 to come up with some standards for these reins.

7 As Mr. Broad pointed out, we don't even have any
8 information about what weight, or Mr. Shapiro it might have
9 been, at what weight we want these reins to break. And the
10 issue is more than just stepping on reins. They get wound
11 up in things, they get messed up with the pony that they're
12 with. They can get wrapped around a rider one way or
13 another. So there are lots of circumstances under which you
14 might want a rein to break.

15 And we ought to know at what weight we do want
16 them to break.

17 The Board needs to be sure that we cover all the
18 alternatives in the types of design and safety, along with
19 assessing the possible problems. For example, even in Mr.
20 McCarren's letter I believe that he points out that two of
21 the situations in which reins broke was a buckle problem.
22 Now, I don't know whether it was a rotten buckle or they
23 just weren't buckled well. But we need to assess what the
24 problems really are. Reins don't generally just break.

25 Even Art Gray, who's been the longest proponent

1 and the manufacturer of these reins, says in his report, and
2 it's in the Board package, at page 6-10, he lists a whole
3 bunch of factors still under consideration regarding testing
4 of these reins before we know what standards to apply. And
5 he's the guy pushing for the rule, but he says that we don't
6 know what standards should apply, yet.

7 I know there's a feeling on the Board and amongst
8 many that you want to move forward and you want to get this
9 done, and we all do, we want people to be as safe as
10 possible.

11 But what I am saying is let's just take a breath
12 here, let the CHSA continue to do its work, it will do the
13 homework, it will pay for it. In the meantime we've
14 had -- in the meantime, the downside of not rushing into
15 this regulation, without knowing the consequences, there
16 really is very little.

17 Since we've had this organization, we've had about
18 200,000 starters. We've not had one injury from a broken
19 rein. In that same time period we've worked and galloped
20 horses about 11 million miles, and we have not had one
21 injury from a broken rein reported in the Worker's Comp
22 program.

23 Now, Barry's making faces, but that's the stat.

24 COMMISSION CHAIRMAN SHAPIRO: Barry. All right.

25 MR. HALPERN: Let me just finish up, if I might.

1 COMMISSION CHAIRMAN SHAPIRO: Okay.

2 COMMISSION VICE CHAIRMAN HARRIS: But if this is
3 all going out for comment, all we're doing here now is
4 trying to come up with a rule that we can put out for
5 comment.

6 COMMISSION CHAIRMAN SHAPIRO: I agree, but let's
7 let Ed finish and, again, let Mr. Anton speak and --

8 MR. HALPERN: Mr. Harris, that assumes that within
9 45 days we can cure all these problems that I'm raising.
10 And what I'm saying is let's come up with some standards,
11 let's pay for some testing, let's know what we're getting
12 into.

13 COMMISSIONER CHOPER: Could you describe, just for
14 a moment, what kind of further testing do you think -- what
15 are you looking for?

16 MR. HALPERN: Well, there are national bodies that
17 come up with safety standards. And we can go to them and
18 say, look, we want a rein that will break if this much
19 pressure is exerted.

20 COMMISSION CHAIRMAN SHAPIRO: Mr. Halpern, with
21 due respect, okay, and I do respect your views, this item
22 has been out there now for a year. We've all known this law
23 was passed. We've all known that we needed to do this. And
24 whether it's 45 days for comment or it's, you know, what the
25 standards are, if you guys haven't figured out the standards

1 yet, well then, you know what, I do know that -- I'm
2 not -- no one is saying that doing this is a bad thing.
3 And, in fact, if it saves one injury or one life, it's a
4 good thing.

5 MR. HALPERN: But it might be a bad thing, we
6 might be doing the worse thing, we might be creating a rein
7 that doesn't break.

8 COMMISSION CHAIRMAN SHAPIRO: Okay, but --

9 MR. HALPERN: And what if that happens?

10 COMMISSION CHAIRMAN SHAPIRO: Well, but we have
11 tests that show these reins do break, okay.

12 MR. HALPERN: But at a weight that we don't know
13 is ever even relevant to the situation. The weight may be
14 so much above where we want them to break that we may be
15 creating a problem.

16 COMMISSION CHAIRMAN SHAPIRO: Well, it's not the
17 data that I'm seeing here that they break at some level, and
18 what we're hearing is that the rein breaks at approximately
19 the same pressure as the conventional rein, but then it has
20 a redundant system, so to speak.

21 MR. HALPERN: But then it won't break. The
22 redundant system won't necessarily break, you don't know
23 that. You don't know at what weight the redundant system
24 will break at.

25 COMMISSIONER CHOPER: Can I ask you about how long

1 would you expect would be needed to -- I understand your
2 point. About how long -- and I understand the other point,
3 too, that people are impatient. So maybe you could give us
4 some idea, is it 60 days, three months?

5 MR. HALPERN: You know, I would say probably three
6 to six months. I mean, I don't do the testing so I don't
7 know what it takes, but I do know --

8 COMMISSION VICE CHAIRMAN HARRIS: But this is a
9 legislative mandate that everyone's known about. I think
10 we've got to move forward.

11 MR. HALPERN: Well, you know, you're passing
12 appraisals on who should do what. Where's the Jockey's
13 Guild been with this issue, they're the ones who are
14 proposing it.

15 MR. BROAD: Well, excuse me, Mr. Halpern, you've
16 sat in the Legislature, agreed to this deal, and supported
17 it, and it's three years ago. And then you have the
18 temerity to come here and pretend you didn't?

19 COMMISSION CHAIRMAN SHAPIRO: Mr. Broad, okay,
20 please stop. Please stop. Mr. Broad, please sit down. Mr.
21 Broad, just sit down.

22 Okay, Mr. Anton, do you have a comment, do you
23 want to add to this?

24 MR. ANTON: Is the wild horse through?

25 COMMISSION CHAIRMAN SHAPIRO: No, let's -- thank

1 you, Mr. Anton.

2 MR. ANTON: William Anton, California Thoroughbred
3 Trainers.

4 You know, I'm looking at my point of view as a
5 trainer. For 38 years I've never had a leather break. Why,
6 maintenance.

7 Do you see this piece of garbage they brought up
8 here to show you, they brought it up here because it's a
9 piece of garbage, to influence you. These reins are not
10 taken care of properly, they probably will break. Why?
11 Maintenance. I'm just showing you.

12 COMMISSION CHAIRMAN SHAPIRO: Okay, Mr. Anton, I
13 agree with you. But you know what, you do a good job.

14 There are some people who are out there, who don't
15 do a good job, and there are some people, who are jockeys,
16 who have to make a living, or exercise riders, that have to
17 use that piece of garbage you're pointing to.

18 MR. ANTON: I totally understand. Those jockeys
19 should know their trainers, those jockeys should refuse to
20 ride for those trainers.

21 COMMISSION CHAIRMAN SHAPIRO: Yeah, unfortunately,
22 I think economics are that sometimes they get on horses they
23 may not want to get on, they may get on with equipment that
24 they shouldn't. I agree with you in a perfect world.

25 COMMISSION VICE CHAIRMAN HARRIS: And just on

1 that, the horses that McCarren were referencing were trained
2 by Mandela, Che Knight, and Ian Hardy, which those are not
3 exactly low-life trainers.

4 MR. ANTON: Those are fantastically good trainers.

5 COMMISSION VICE CHAIRMAN HARRIS: Well, somehow
6 they had a rein break. So I agree it's maintenance
7 but --

8 MR. ANTON: Well, those were buckles. Who the
9 hell knows why the buckles broke. Chris even said two of
10 the three were buckle problems.

11 You see what I'm saying, it's not nothing to do
12 with the leather.

13 COMMISSION CHAIRMAN SHAPIRO: Mr. Anton, I agree
14 with -- we understand, okay, and we know you're a good
15 trainer, I know you take care of equipment.

16 But, again, what we're talking about is something
17 that is to protect against, is to do something. And what I
18 fail to see is, I haven't seen the harm. And what I do see
19 is that we -- this has been around a long time and it's time
20 to move it.

21 MR. ANTON: Well, I think -- don't you think you
22 should err on the side of caution, rather than err on the
23 side of --

24 COMMISSION CHAIRMAN SHAPIRO: Yes. And I,
25 personally, would be siding on caution being to make sure

1 somebody doesn't get hurt, that's the difference.

2 MR. ANTON: I totally agree with that, Richard.
3 Geez, every time a guy goes -- let's say we could care less
4 about the rider, let's say we're heartless. We've got to
5 care about our insurance, we've got to care about our horse,
6 I totally agree with you one hundred percent.

7 But on the other hand, let's do it right. We do
8 too many things, and I hope I don't offend you --

9 COMMISSION CHAIRMAN SHAPIRO: You won't offend me.

10 MR. ANTON: We do too many things haphazardly,
11 both on the Board, both on our meetings, and even the TOC,
12 we jump to conclusions too quickly. We need to take care of
13 the things properly. And so if it takes three more
14 months --

15 COMMISSION VICE CHAIRMAN HARRIS: Well, but the
16 thing is this has been dragging. I agree that it's possible
17 to jump to things too quickly, but this has been dragging on
18 for quite a while.

19 MR. ANTON: Well, let's kick it in the pants and
20 get it right. Getting it right's the main thing, John.

21 COMMISSION CHAIRMAN SHAPIRO: All right, thank
22 you.

23 MR. BROAD: Let me say I'm sorry, let me just
24 apologize for my outburst. But after a while, you know,
25 after the bill got passed they could have tested to their

1 hearts content. If that's what this supposed safety
2 organization does for people, or of the industry, but they
3 did nothing.

4 COMMISSION CHAIRMAN SHAPIRO: All right, well,
5 but --

6 MR. BROAD: And so now they're saying they need
7 more time after doing nothing.

8 COMMISSION CHAIRMAN SHAPIRO: Mr. Broad, Mr.
9 Broad, I agree with you, this has been around a long time.
10 I fault everybody for not testing. I believe that whether
11 it was the Guild, whether it was the trainers, the
12 manufacturers, we sat at Hollywood Park a year and a half
13 ago, when we had Art Gray there, and the guy from Kentucky,
14 and I think Mr. Ford, and we said you need to come up with
15 standards, you need to come up with safety standards, okay.

16 Now, I have seen some testing here, it appears
17 people have done it. And I have to compliment those people
18 that are trying to really save lives and injuries.

19 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I
20 think --

21 COMMISSION CHAIRMAN SHAPIRO: Personally, I think
22 that we should move forward with it.

23 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I think we
24 just move forward. I think it should be an 18-month period,
25 as long as this has dragged on, that the rule should go out

1 as a six-month-after-effective date.

2 And keep in mind that, miraculously, we find that
3 these safety reins are ill-advised, we can always waive the
4 rule if there's some new evidence that comes to us.

5 COMMISSION CHAIRMAN SHAPIRO: And let me ask a
6 question, have you see the inspection reports that are in
7 the packet and did you review those? I'm directing this to
8 Mr. Halpern and Mr. Anton.

9 MR. HALPERN: Yes, I did, with all due respect,
10 and they don't answer the question that needs to be
11 answered, and that is at what weight do you want them to
12 break at, that's the most important question.

13 COMMISSIONER CHOPER: Mr. Broad, would you respond
14 to that point, please? Because if that -- excuse me. I
15 mean, I don't know a lot about reins --

16 MR. BROAD: Well, I know a lot about --

17 COMMISSIONER CHOPER: -- but if it's true that
18 they won't -- if there's a possibility that they won't
19 break, and if that's true that that's going to endanger
20 the -- will threaten serious injury, and if it's also true
21 that we haven't had any experience, or extremely limited
22 experience with injuries occurring because of the absence of
23 the safety reins, if I got to vote for that, I must say I
24 have some hesitation, unless there's an answer to that.

25 MR. BROAD: Well, let me respond to that. Reins

1 break all the time. Almost every jockey has had them break
2 and they've been listed in here, of some of the well-known
3 situations where the reins have broken. Most of the time
4 when it happens in a race, the jockeys try to come together
5 and help control the horse in the race, rather than worry
6 about winning the race. That's basically what happens.

7 They rot from the inside, not from the outside, so
8 you can sort of know it's coming, but it's a surprise.

9 Now, the main delay here has been in responding to
10 Mr. Halpern's comment that, in the first instance, that
11 these don't break.

12 So Mr. Gray went out and created a rein that broke
13 at the same essential pressure as a -- as leather reins,
14 currently in use -- as the conventional reins, when they're
15 in use.

16 Now, if he has an argument about conventional
17 reins, I don't know why it wasn't raised in the last 200
18 years, but it hasn't been.

19 But the fact of the matter is the Legislature
20 said -- and this whole issue about the rein breaking has
21 nothing to do with the safety of the rider, it has to do
22 with a potential injury of the horse, which isn't even part
23 of the statutory mandate.

24 COMMISSION CHAIRMAN SHAPIRO: Well, okay.

25 MR. BROAD: So we've accommodated that, even

1 though you actually can't take that into consideration when
2 you vote, and if you did, you would be violating the
3 statutory mandate.

4 COMMISSION CHAIRMAN SHAPIRO: Okay, okay.

5 MR. BROAD: Richard, I'm sorry, but having done
6 that, we took the horse's health into consideration, which
7 is what people get most exercised around here, and
8 accommodated that.

9 Now, they want a national testing standard based
10 on --

11 COMMISSION CHAIRMAN SHAPIRO: Barry, Barry, you
12 know what, that's an inflammatory, insulting comment. I'm
13 sorry, we don't care about just the horse, we care about the
14 riders.

15 MR. BROAD: I'm not saying -- I'm not saying you,
16 I'm saying them.

17 COMMISSION CHAIRMAN SHAPIRO: They care, too. And
18 you know what, you're being offense. Please stop.

19 MR. BROAD: That organization has never said yes
20 to anything.

21 COMMISSION CHAIRMAN SHAPIRO: Barry, Barry, I've
22 got to ask you to stop because it's just inflaming the
23 situation and it's not right.

24 MR. BROAD: Well, you know what --

25 COMMISSION CHAIRMAN SHAPIRO: Barry, please.

1 Barry.

2 MR. BROAD: -- three years after a statute's
3 passed, and somebody raised the same issue --

4 COMMISSION CHAIRMAN SHAPIRO: Everyone's working
5 here, okay.

6 MR. HALPERN: I can't hear Mr. Broad, can he speak
7 up a little bit?

8 COMMISSION CHAIRMAN SHAPIRO: Okay, okay. May I
9 make --

10 COMMISSIONER MOSS: Can I just make one --

11 COMMISSION CHAIRMAN SHAPIRO: Yes, please,
12 Commissioner Moss.

13 COMMISSIONER MOSS: I'm just trying to get,
14 because we're mandated to use these in some form, so the
15 question I'm asking is, Darrell, have the jockeys, each
16 individual jockey reviewed this and have they each picked a
17 set of reins that they would feel would protect them or feel
18 as comfortable using?

19 MR. HAIRE: Mr. Moss, Members of the Commission,
20 we've gone over this and the riders have -- this has taken
21 five or six years to perfect these. We've gone slow with
22 the length of the reins, with the grips. There's been a lot
23 of time and effort, and the riders have some preference
24 whether it's the rope reins, or whether it's the Sureline
25 reins. All they know is it's been --

1 COMMISSIONER MOSS: So each jockey has a
2 preference, so to speak; is that correct?

3 MR. HAIRE: Well, when I say a preference, the
4 preference is they want a safety rein, that's their
5 preference.

6 COMMISSIONER MOSS: Right.

7 MR. HAIRE: Because as Mr. -- well, you know,
8 okay --

9 COMMISSIONER MOSS: I'm just trying to get a sense
10 of, you know, we have a lot of products on the table, they
11 are reins that have been approved as being so-called safety
12 reins, but they're from different manufacturers, as they
13 say. But the point is, it gets personal after all, which
14 jockey likes which rein.

15 And by the same token, I'd ask Mr. Halpern, have
16 there been trainers that have chosen reins that they feel
17 would work in this situation?

18 And I'm just trying to figure out how you get
19 these reins on a horse and actually get moving on this area,
20 you know?

21 MR. HALPERN: That's a fair question. And as
22 you'll see on the report which, admittedly, we got to you
23 late, but with good reason, there are all sorts of opinions
24 on which reins, and the reasons why. And when you get a
25 chance to read that, you'll see it. So, yeah, everyone has

1 a personal preference.

2 One of the problems is that there's probably only
3 one set of reins that's a clip rein, and one that's a loop
4 rein, that would be approved under the statute, there are no
5 others available, so you've got this problem.

6 COMMISSION CHAIRMAN SHAPIRO: Well, that's not
7 true. That's not true.

8 And, again, my big issue here is that, A, I
9 believe that we do need to move forward with this, and I
10 don't want to see the single-source vendor. So I believe
11 the SureRein should be -- it should be defined as a safety
12 rein.

13 I believe the other rein here, whatever the name
14 of it should be, I believe Mr. Ford's rein could qualify as
15 a safety rein.

16 And I think that so long as there is an added
17 component to the rein that is more of a redundant type of
18 safety component incorporated in or onto the rein, and that
19 it breaks at a comparable strength as a conventional rein
20 but, in fact, it has this redundancy to it, that's a safety
21 rein. And I don't think we should have a problem there.

22 Now, if you, or somebody later determines that the
23 proper breaking strength is at a different level, then I
24 think the Board can come back and improve upon this
25 language.

1 But at this point I think we need to move forward
2 and adopt this. We're mandated by the Legislature.

3 I appreciate your views, I don't think this closes
4 the door to further study.

5 But we need to do this, and I just don't see the
6 harm in doing it. They've been tested, we've known about
7 this, everybody's had time. And if you don't like what
8 we're approving, then come back with a study and say would
9 you amend it. That's my recommendation.

10 MR. HALPERN: With all due respect, and I just got
11 to stand up for the people that put in the time and effort
12 to work on this, when we were asked to look into it, we got
13 200 pairs of these reins on our own, we paid for them --

14 COMMISSION CHAIRMAN SHAPIRO: And you did a great
15 job.

16 MR. HALPERN: -- and the time has been taken. You
17 can't just put these reins out and say they're good or no
18 good, we've taken the time to let people --

19 COMMISSION CHAIRMAN SHAPIRO: And we --

20 MR. HALPERN: -- and that's what this is all
21 about, there's been no delay.

22 COMMISSION CHAIRMAN SHAPIRO: And I recognize
23 that, and I applaud you for what you've done.

24 We're going to -- I'd like to see this approved,
25 we'll put it out for 45 days' notice. And if anybody wants

1 to come up with, you know, some better definitions of what
2 we're approving, we'll do it.

3 But at this point, I would like to entertain a
4 motion that we approve this and we put this out for comment
5 today.

6 COMMISSIONER CHOPER: I'd like to say one thing.

7 COMMISSION CHAIRMAN SHAPIRO: Yes?

8 COMMISSIONER CHOPER: We're only putting it out,
9 it is --

10 COMMISSION CHAIRMAN SHAPIRO: Do you now want me
11 to have it through the motion and a second or --

12 COMMISSIONER CHOPER: Go ahead.

13 COMMISSION VICE CHAIRMAN HARRIS: I'll make the
14 motion we do that, although I would like to change the 18
15 months to six months after the date of the regulation.

16 COMMISSION CHAIRMAN SHAPIRO: You know what, I
17 really don't know that they can be manufactured that
18 quickly, and that's fair, and that can be a burden on the
19 trainers, since they supply the reins. I really think
20 that's short.

21 COMMISSION VICE CHAIRMAN HARRIS: Well, how much
22 do reins cost?

23 COMMISSION CHAIRMAN SHAPIRO: About seventy some
24 odd dollars a set?

25 MR. HALPERN: Anywhere from seventy to a couple of

1 hundred, depending on how --

2 COMMISSION CHAIRMAN SHAPIRO: Yeah.

3 MR. HALPERN: There's weight issues and --

4 MR. BROAD: This version is about \$30 and
5 the -- and the conventional's 75 --

6 COMMISSION VICE CHAIRMAN HARRIS: Well, one of
7 the -- I thought there was a theory of liability. We need
8 to find some good liability analyst, chasing attorney here.

9 COMMISSION CHAIRMAN SHAPIRO: How about a year.

10 COMMISSION VICE CHAIRMAN HARRIS: Well, isn't
11 there some theory of liability that if you know something is
12 safer, and you don't use it, that that creates a higher
13 liability?

14 COMMISSION CHAIRMAN SHAPIRO: Well, that's not
15 really for us to get into, I don't think.

16 COMMISSION VICE CHAIRMAN HARRIS: Well, if I was
17 some trainer and it was going to cost me 70 bucks for reins,
18 I would kind of be concerned about that.

19 COMMISSION CHAIRMAN SHAPIRO: Well, hopefully, CTT
20 will advise its members.

21 So you're making a motion, will you go for a year?

22 COMMISSION VICE CHAIRMAN HARRIS: Nine months.

23 COMMISSION CHAIRMAN SHAPIRO: A year, fine. He'll
24 do a year.

25 COMMISSION VICE CHAIRMAN HARRIS: Nine months.

1 COMMISSION CHAIRMAN SHAPIRO: Is there a second
2 for a year?

3 COMMISSION VICE CHAIRMAN HARRIS: Are these not
4 manufactured?

5 MR. HALPERN: What do you mean?

6 COMMISSION VICE CHAIRMAN HARRIS: Well, you made
7 an allegation that no one manufactures these now, so it's
8 going to take --

9 COMMISSION CHAIRMAN SHAPIRO: No, no, but to
10 produce that many? I don't know if they're just sitting on
11 a shelf somewhere.

12 MR. HALPERN: They're not. These are small
13 companies. It took us months to get them -- even from Mr.
14 Gray, it took us months to get a hundred pairs.

15 COMMISSION CHAIRMAN SHAPIRO: Right.

16 COMMISSION VICE CHAIRMAN HARRIS: Oh, okay.

17 MR. HAIRE: Champion's not a small company.

18 COMMISSION CHAIRMAN SHAPIRO: Well, but they're
19 not sitting on a shelf?

20 MR. HAIRE: No.

21 COMMISSION CHAIRMAN SHAPIRO: Fine. Are you okay
22 for a year?

23 COMMISSION VICE CHAIRMAN HARRIS: A year, yeah.

24 COMMISSION CHAIRMAN SHAPIRO: A year. Is there a
25 second?

1 COMMISSIONER MOSS: I'll second it.

2 COMMISSION CHAIRMAN SHAPIRO: Thank you.

3 Commissioner Choper, you have a comment now?

4 COMMISSIONER CHOPER: have a comment. There are
5 two issues on which we've had contradictory statements here,
6 they're issues of fact.

7 Now, it just doesn't make any sense. We've been
8 told on the one hand that these accidents never -- that the
9 reins never break. We're told on the other hand that they
10 break all the time. There's got to be an answer to that.

11 Second, we've been told that it's possible that
12 this new safety rein will not break in any way like a rein
13 is desired to be broken. And we've been told, no, that's
14 not true.

15 Now, that, to me, is the guts of the
16 question -- or goes to the guts of the question as to
17 whether we find that they would provide greater protection.
18 That's what this Board has got -- that's our job.

19 I don't think that I can make a finding, and until
20 I understand better how those two facts are to be resolved.

21 MR. BROAD: It's all in the record. All the
22 testing, it's all there.

23 COMMISSION CHAIRMAN SHAPIRO: Yeah, you were not
24 on the Board. And what I would ask is that, I believe,
25 Darrell, you have access to the DVD that Mr. Gray and others

1 have shown, where you -- there was a video that was shown of
2 reins that broke and what transpired. We've seen that
3 previously on this Board.

4 COMMISSIONER CHOPER: I see.

5 COMMISSION CHAIRMAN SHAPIRO: Okay. And so, Mike,
6 if you have it, perhaps you can get it, I see you standing
7 there, to Commissioner Choper, and let him see it.

8 MR. MARTEN: Yes, Mike Marten, on the CHRB staff.
9 I walked the backstretch and the jockey's room for months
10 and months, and I don't think I found a single trainer or
11 jockey that didn't say a rein broke on them.

12 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I think
13 everyone understands that --

14 COMMISSION CHAIRMAN SHAPIRO: It's pretty
15 undisputed, that part of it.

16 COMMISSION VICE CHAIRMAN HARRIS: I think the only
17 thing in dispute is how serious of injuries have happened
18 due to that.

19 COMMISSION CHAIRMAN SHAPIRO: And how often.

20 COMMISSIONER CHOPER: And the injuries -- your
21 position is injuries don't occur, despite the fact that the
22 reins break, is that -- I'm sorry, is that right?

23 MR. HALPERN: I have two positions. One is that
24 we have not had an experience of injury in 200,000 starts.
25 And the other is that they break, and they break because

1 they grow old and they rot. Everybody, the first lesson you
2 learn when you're six years old and start being around
3 horses -- actually, the first lesson. The first one's
4 husbandry, the second one don't walk behind the horse, and
5 the third one is check your equipment.

6 And the jockeys and all of us need to take
7 responsibility. Every time you get on a horse, you ought to
8 look at your stuff.

9 MR. HAIRE: But that's not so. That's not so.
10 They do break, they're defective. The material is
11 defective. McGhehey, one of the leading trainers in the
12 country, had two almost brand-new reins break. John
13 Velasquez rode both horses, they snapped, it does happen.

14 COMMISSION CHAIRMAN SHAPIRO: Okay, I need to cut
15 this off.

16 COMMISSIONER CHOPER: Well, it will happen with
17 safety reins, too.

18 COMMISSION CHAIRMAN SHAPIRO: Commissioner Choper,
19 do you have any more comments or questions?

20 COMMISSIONER CHOPER: Well, that's one question.
21 The other is the issue of at what weight will the safety
22 rein break. And I think we'd like to have some sort of
23 answer to that.

24 MR. HAIRE: You have that answer.

25 COMMISSIONER CHOPER: Because when you say the

1 horse -- you know, the horse goes down, the jockey is also
2 going to be in danger. So I don't think you can separate
3 the safety of the horse from the safety of the jockey very
4 often.

5 COMMISSION CHAIRMAN SHAPIRO: Commissioner Choper,
6 there is data in our package. But what I would ask is in
7 the intervening 45 days, if the parties would, in fact,
8 please come back to us with -- if you could send us
9 additional information or any other information with respect
10 to at what weight or what pressure a conventional rein
11 breaks, and at what pressure the safety reins are going to
12 break, which I believe we have it in the data here.

13 MR. BROAD: Well, perhaps what you can do is have
14 the staff just go through the tests that were submitted.
15 It's all there, we'd be sending the same thing into you
16 guys, you just need to read the record.

17 COMMISSION CHAIRMAN SHAPIRO: Fine.

18 MR. BROAD: And I realize it's voluminous --

19 COMMISSION CHAIRMAN SHAPIRO: I'm going to ask our
20 staff to work with you in doing that. Okay?

21 MR. BROAD: And then you can highlight it, we'll
22 do whatever it takes, but all this has been sent in.

23 COMMISSION CHAIRMAN SHAPIRO: Fine.

24 MR. HALPERN: With all due respect, the one
25 question that's not been, unless I've missed it, is if a

1 horse steps on a rein, how many pounds of pressure are
2 exerted and at what -- and, therefore, it should break at
3 that pressure.

4 MR. BROAD: 478.

5 COMMISSIONER ANDREINI: Well, it's an unanswerable
6 question, in my view.

7 COMMISSION CHAIRMAN SHAPIRO: Well, we will see if
8 that answer can be -- if that question can be answered,
9 because I actually believe that that question was asked an
10 answered at a prior meeting some time ago.

11 All right, are there any other comments from the
12 Board? If not, there's a motion and I would like to take a
13 vote.

14 All right, there's a motion and there's a second.
15 All those in favor, aye?

16 (Ayes.)

17 COMMISSION CHAIRMAN SHAPIRO: Commissioner
18 Andreini, which one are you?

19 COMMISSIONER ANDREINI: Aye.

20 COMMISSION CHAIRMAN SHAPIRO: Aye.

21 Commissioner Moss?

22 COMMISSIONER MOSS: Aye.

23 COMMISSION CHAIRMAN SHAPIRO: Commissioner Choper?

24 COMMISSIONER CHOPER: Aye.

25 COMMISSION CHAIRMAN SHAPIRO: It passes, thank

1 you.

2 MR. ANTON: Mr. Shapiro, I want to make one
3 statement, make it very clear to that gentleman that's
4 walking out, that was so rude earlier, yes, we care about
5 our horses, but we also care about our jockeys, they're a
6 team.

7 COMMISSION CHAIRMAN SHAPIRO: I know you do.

8 MR. ANTON: They're a team. And I take offense to
9 something like that, from a person like him.

10 COMMISSION CHAIRMAN SHAPIRO: Okay, thank you, Mr.
11 Anton, I appreciate that.

12 Okay, we are going to keep moving because I'm not
13 doing a very good job here. Where's the agenda?

14 All right. You know what, I can't -- where's my
15 agenda. I lost it. Where's my agenda. Kirk, give me your
16 agenda for a moment, I've got mine mixed up. Oh, here it
17 is, okay.

18 Item Number 7.

19 You know what, I'll tell you what, we're going to
20 take a five-minute break. We're going to take a five-minute
21 break and then we're going to come back to Item Number 7,
22 which I expect will take a while, so let's take a five-
23 minute break.

24 (Off the record.)

25 EXECUTIVE DIRECTOR BREED: Hello, hello.

1 Absolutely nobody is paying attention. Hey, let's sit down
2 and take our seats, please.

3 COMMISSION CHAIRMAN SHAPIRO: All right, if
4 everybody will please take your seats, we're going to start
5 the meeting. We're going to start with Item Number 7.

6 Commissioner Harris?

7 All right, Item Number 7 on the agenda, which is a
8 discussion by the Board and reports from industry
9 representatives, stakeholders, participants, concerning the
10 open advanced deposit wagering experiment initiated November
11 7th, 2007 and continuing through July 13th, 2008.

12 I would like to put a little bit of background on
13 this for some people that may not have been in attendance.
14 But when this issue came up and before the experiment, the
15 Board, at that time, had been discussing this at a prior
16 meeting, and we were looking at what the law provides, which
17 we are to use wagering on horse races, while providing for
18 the maximum exposure of horse racing opportunities in the
19 public interest.

20 And thus we kind of concluded, or I did, that one
21 of the ways that we could do this is looking at how we can
22 expose more people to horse racing and using advanced
23 deposit wagering, which has been the growing segment of our
24 wagering industry.

25 Fortunately, before the Board moved forward to

1 enact any rule with respect, in connection with licensing of
2 our ADW providers, the industry, with the help of,
3 particularly, of Mr. Liebau, Mr. Couto, Mr. Daruty, and a
4 few others, came together and came up with what we've had,
5 now, as about an eight-month experiment, where we've had
6 open wagering for our four licensees, ADW licensees, TVG,
7 XpressBet, YouBet, and Twin Spires.

8 Today, what we want to do is we want to hear what
9 the results of that experiment have been to date,
10 recognizing that the experiment is going to expire at the
11 end of the Hollywood Park meeting, which is less than
12 probably -- I don't think it closes on the 13th or -- but is
13 going to expire shortly.

14 I also think that it's important to understand
15 that during that period there was a fair content exchange.
16 By way of example, for the Santa Anita meeting, Santa Anita
17 was able to share its content with TVG, and so TVG accepted
18 wagers on Santa Anita. And during Hollywood Park, the
19 XpressBet, and Twin Spires, and companies, were able to
20 wager on Hollywood Park, so there was a good content
21 exchange.

22 As we now move forward, there are exclusive
23 agreements that TVG holds with Fairplex, Del Mar, and Oak
24 Tree for the remainder of this year. Those are existing
25 agreements. Those agreements have been negotiated between

1 the parties, and this Board has no standing to try and upset
2 those agreements, and so we have to recognize that, you
3 know, that's a factor of life. And unless the industry can
4 find a way, itself, to make a fair exchange of content,
5 perhaps, there's not much that we can do.

6 So with that all being said, what I would like to
7 do is have the industry come forward and present their views
8 of the experiment.

9 And to do that, I would ask that each of the ADW
10 providers, and I'd like to start with the largest, which is
11 TVG, that represents some 60 percent, I think, of the
12 market. I see that Mr. Hindman is there.

13 (Clapping.)

14 COMMISSION CHAIRMAN SHAPIRO: And, Mr. Castro, we
15 don't need that. Thank you.

16 And so, Mr. Hindman, why don't you, and whatever
17 representatives you have from TVG, fill us in on your views
18 and what you see as we move forward.

19 MR. HINDMAN: Absolutely. Thank you very much,
20 Mr. Chairman, and thank you, Commissioners. Good morning.

21 Joining me is Melanie Frank, from TVG Today, she's
22 helping me with the Power Point.

23 So we're here this morning to, as I think the
24 Chairman stated, give our analysis and reports, as we agreed
25 to do back in November, and as was noticed on the agenda.

1 And so let me just, without further ado, get right
2 to it and answer any questions.

3 COMMISSION CHAIRMAN SHAPIRO: Do you have written
4 copies of those or are they just up here?

5 MR. HINDMAN: I don't, I'm sorry. I didn't
6 realize it was going to be behind you, so I apologize for
7 that.

8 COMMISSION CHAIRMAN SHAPIRO: That's fine.

9 MR. HINDMAN: And we can provide you with those
10 after.

11 Let's go to the first slide. Very quickly, what
12 was the experiment? I think the Chairman already went over
13 it. A fair, reciprocal exchange of ADW rights. The
14 TrackNet, ADWs, Twin Spires, and XpressBet, and YouBet
15 received rights to Hollywood Park and Bay Meadows. TVG and
16 YouBet received rights to Santa Anita and Golden Gate.

17 Each party retained TV rights that they previously
18 had. And there were to be what's called TV fees paid, based
19 on the distribution of the various television networks.

20 Let's go to the next slide. Some challenges that
21 occurred, from TVG's perspective, during the experiment,
22 some of which were probably unique to TVG, and some of which
23 certainly weren't, that certainly impacted the numbers that
24 we saw were, first, obviously, the track surface issues at
25 Santa Anita impacted every single participant in the racing

1 industry, TVG was not immune.

2 Secondly, it was our understanding at the
3 beginning of the experiment, that Hollywood Park and Bay
4 Meadows signals would be made available to other ADW
5 providers outside of California, which would have resulted
6 in additional TV fees, and Commissions, and purses, and it
7 was not.

8 Third, the inability of -- our inability to
9 televise races from Santa Anita and Golden Gate, which we
10 knew going in, did impact our ability to generate the
11 maximum amount of wagering on those tracks.

12 Fourth, the return on the experiment content was
13 less than other content on our platforms. And just to
14 expand that a little bit, we did a lot of nice volume during
15 Santa Anita, we generated a lot of wagering, but it was at
16 significantly lower margins than we realized elsewhere.

17 And so while that was nice from the stand point
18 of -- and, also, the handle on Santa Anita and Golden Gate
19 replaced handle on other tracks, so that was something that
20 made the experiment a little more challenging for us.

21 And then the fifth thing was, outside of the
22 experiment, during this period, we provided to TrackNet, at
23 our track and the horsemen's urging, six additional tracks
24 that were all available on their systems in California. And
25 we received no tracks in return.

1 And the reason why that's important is a
2 fundamental amount of the market access fees that the tracks
3 and the horsemen get in this State are for wagering on
4 tracks outside of the State.

5 So the various content mix that each ADW provider
6 has does impact what flows back to the tracks and the
7 horsemen.

8 And I'll just give a very good example. At the
9 Hollywood Park fall meeting in 2007, which was the first
10 meeting during the experiment, total ADW during that
11 meeting, on an average daily basis, including the imported
12 signals, was actually down. That wasn't due to wagering on
13 Hollywood Park, that was due to wagering on other things not
14 being available on TVG's platform, as it had been in
15 previous years, mainly fairgrounds and Churchill Downs.

16 So it does impact the money that flows back from
17 ADW to the tracks and the horsemen.

18 Please go to the next slide.

19 COMMISSIONER CHOPER: Why wasn't that available?

20 MR. HINDMAN: Because the -- basically, our
21 contractual arrangements with those tracks ended and they
22 ended up in a new contractual arrangement, called TrackNet,
23 which we'll be speaking later today, and so we no longer had
24 a relationship with them.

25 I think it's important that, you know, for years,

1 when we've talked about the experiment and what happened
2 with this experiment, people said that there was a
3 tremendous amount of customer confusion in the marketplace,
4 and that with this type of experiment the volume of ADW
5 would grow precipitously.

6 And we didn't believe that going in. We hope that
7 would be the case, we didn't necessarily believe it would
8 be.

9 But I think, you know, in some of the remarks that
10 I saw that were sent to the Board in advance of this,
11 people's remarks about the experiment were, well, it was
12 good because ADW grew.

13 Well, that's not really the question, because ADW
14 has grown in every single time period since 2002, since it
15 started. It's the one part of the industry that's growing.

16 And so the question is really did it grow more
17 during the experiment period than it did in prior years?
18 That's the bar that we used to analyze the success or
19 failure.

20 Please go to the next slide. As you can see here,
21 this is in-state wagers during the experiment, total in-
22 state wagers in California, answering the question of did
23 Californians, on everything that was available to them, bet
24 more than they bet before and, if so, how much more?

25 And you can see the top line there is the

1 experiment period where total ADW, total all providers, all
2 tracks grew eight percent during the experiment period.
3 That is basically in line with every period before the
4 experiment.

5 You can see below, the immediate period before the
6 experiment it grew 10.8 percent higher than the experiment
7 period.

8 The 2006 period was the worse period in the
9 history of California of ADW, the ADW grew 4.7 percent that
10 year, for reasons that people still don't quite understand.

11 And in 2005 it increased 30 percent. And in
12 earlier years, with a smaller base, the growth rate was even
13 higher.

14 COMMISSION VICE CHAIRMAN HARRIS: Weren't there
15 several dark days at Santa Anita during that period?

16 MR. HINDMAN: Absolutely, Commissioner Harris, and
17 that's a good point. And that's why I put that as the first
18 challenge on this slide, it certainly did impact that, and
19 we recognize that.

20 COMMISSION VICE CHAIRMAN HARRIS: Okay, but not
21 you're really comparing apples to apples, though, as far as
22 the growth.

23 MR. HINDMAN: Well, I think that if you look at a
24 fair analysis, you know, there's a lot of racing during that
25 time period. This started in November and it's going to end

1 in July, and certainly it did impact that.

2 But I don't think, with the amount of handle
3 you're seeing there, had Santa Anita ran every day, you
4 would have seen anything -- maybe, okay, it would have been
5 10 percent instead of 8 percent, it wouldn't have been
6 significantly more.

7 And we actually hoped it would have been better,
8 and we're disappointed that it wasn't. But that's what the
9 numbers tell us for the California wagering.

10 COMMISSION CHAIRMAN SHAPIRO: But, Mr. Hindman,
11 those are just absolute numbers and they don't reflect other
12 conditions, correct, such as the economy, and all the other
13 factors that go into it.

14 MR. HINDMAN: And that's right, Chairman Shapiro,
15 and all the factors that I mentioned on the previous slide,
16 that impacted us directly.

17 COMMISSION CHAIRMAN SHAPIRO: Right, so if there
18 was growth then it's interesting but, again, the world is a
19 different world than it was perhaps in other periods.

20 MR. HINDMAN: Right but --

21 COMMISSION CHAIRMAN SHAPIRO: Reflected by two
22 years ago, with the 12/05 aberration or -- well, experience.

23 MR. HINDMAN: The 2006 experience where it was 4.7
24 percent?

25 COMMISSION CHAIRMAN SHAPIRO: Right, right.

1 MR. HINDMAN: Of course. But I think if you look
2 at -- again, I go back to the central thesis is people
3 thought it would grow a lot and with this type of
4 experiment. And the -- if it just grew, that's fine, it's
5 great, everybody's happy, we're happy. We think it should
6 have grown more, we're disappointed it didn't.

7 COMMISSION CHAIRMAN SHAPIRO: Okay.

8 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I would
9 like to see some numbers factoring in something for those
10 days that Santa Anita lost, like they lost two different
11 weekends that potentially could have been locked in.

12 MR. HINDMAN: Understood. Next slide, please.

13 The next slide shows the growth in out-of-state
14 wagers on California tracks. So this is total wagering on
15 California tracks during the experiment period and for every
16 pre-experiment period.

17 As you can see here, total wagering on all
18 California tracks during the period was 9.6 percent out of
19 state, which is lower than every period preceding it.

20 Again, it grew, that's great, and a very -- to
21 Chairman Shapiro's point, in a very tough environment it
22 grew, but it wasn't significantly different from what we'd
23 seen in prior periods and it was impacted, of course, by
24 Santa Anita, as we pointed out earlier.

25 COMMISSIONER CHOPER: How do you explain the

1 continued reduction in the percentage of increase that's
2 straight, unlike the other slide that you had?

3 MR. HINDMAN: I really don't know. And, again,
4 it's disappointing to us, because I think account wagering's
5 become available in more markets outside of California.

6 Obviously, you're seeing a bigger base to work off
7 of, but that's a very good question, Commissioner Choper.

8 COMMISSIONER CHOPER: See, when you're just
9 thinking about bets on California tracks during that period
10 of time, then the Santa Anita thing makes a big difference.

11 MR. HINDMAN: Of course.

12 COMMISSIONER CHOPER: It's got to make a very
13 substantial difference.

14 COMMISSION CHAIRMAN SHAPIRO: But, Commissioner
15 Choper, I think what Mr. Hindman said is actually very
16 telling. To the extent to the base growth, it may be
17 unreasonable to think that the percentage increase is going
18 to continue to grow because it can't, it may not be able to.
19 I mean, it has to be recognized the base is growing
20 significantly.

21 MR. HINDMAN: The next slide is results
22 during --

23 COMMISSIONER CHOPER: I just want to say, you
24 know, it is very difficult to explain these kinds of
25 statistical variations. You have 25 factors that you

1 probably don't know about, and another ten factors that you
2 can't control in the statistical demonstration.

3 So, I mean, when you -- it's just very difficult
4 to try to control these things. And, I mean, it's not that
5 it's irrelevant, this information, but it doesn't -- it
6 scratches the surface, really, of trying to figure out these
7 things.

8 I think intuition, sometimes, and common sense
9 goes a lot beyond trying to make statistical demonstrations
10 about things.

11 COMMISSION CHAIRMAN SHAPIRO: Well, why don't we
12 let you continue.

13 MR. HINDMAN: I certain understand.

14 COMMISSION CHAIRMAN SHAPIRO: Thank you.

15 MR. HINDMAN: The next slide is the results during
16 the experiment by ADW provider, both in California and
17 outside of California. And these results, again, are
18 certainly impacted by Santa Anita, in a number of ways.

19 First of all, we never had Santa Anita before,
20 everybody else did. So the decline or decrease in Santa
21 Anita certainly impacted them more than it impacted us,
22 because we never had it before.

23 And the second thing is, since the experiment
24 hasn't concluded yet, the numbers are changing by the day.
25 And, unfortunately, again, it's the same bottom line

1 numbers, eight percent in-state, 9.6 percent out of state.

2 Unfortunately, the pie hasn't grown that much.
3 What we have seen is there's a lot of robbing Peter and
4 paying Paul here, and we were definitely Paul for the first
5 three and half months of this year, and we're Peter, now.

6 COMMISSION CHAIRMAN SHAPIRO: But you've been
7 Goliath, though, for a number of years.

8 MR. HINDMAN: But --

9 COMMISSION CHAIRMAN SHAPIRO: And I think David
10 maybe got a little bit more, but you have been Goliath. You
11 don't disagree with that?

12 MR. HINDMAN: Well, we definitely have been the
13 largest ADW provider in the State of California, that's
14 absolutely right, Mr. Chairman.

15 COMMISSION CHAIRMAN SHAPIRO: And you still are
16 very dominant.

17 MR. HINDMAN: And but just pointing out the
18 numbers, and I want to present the numbers by ADW company,
19 and I'm sure the others will speak for themselves. And
20 again, like I said, we certainly benefitted during the
21 earlier part of the year. They had it more difficult than
22 we did. During the later part of the year, I think if you
23 looked at the numbers by the end of the experiment, they
24 would have changed pretty rapidly at this point during
25 Hollywood Park and Golden Gate.

1 The next slide, please. This slide shows average
2 daily ADW handle by track. And you can see here, this is
3 both during the experiment period and not during -- and
4 tracks that haven't been in the experiment period, yet.

5 And you can't see a whole lot of difference. The
6 only two large anomalies on average daily ADW by track are
7 on the far left-hand side of the chart, on the far right-
8 hand side of the chart. Santa Anita and Golden Gate.

9 But before the experiment, Santa Anita had one of
10 the lowest ADW average daily handles in Southern California
11 and Golden Gate's was significantly lower than Bay Meadows.

12 And so basically what you saw through experiment
13 is that their totals matched -- you know, Santa Anita, for
14 instance, it's total with TVG became closer to Hollywood
15 Park's and Del Mar's. And Golden Gate grew, much more than
16 Bay Meadows did because, again, the addition of TVG, and its
17 handle grew significantly.

18 COMMISSION CHAIRMAN SHAPIRO: Mr. Hindman, can I
19 ask you a question? I mean, and this is great analysis and
20 it's very detailed, but bottom line, how much more volume
21 did TVG do during the experiment period in -- if my
22 understanding is correct, during the experiment period there
23 was approximately \$45 million more bet on California racing
24 through ADW. Is that correct?

25 MR. HINDMAN: Melanie, excuse me, the previous

1 slide. That shows you how much more we did, to date, during
2 the experiment. So if you look at the variance, we did \$29
3 million more in California and \$11 million more outside of
4 California, on California tracks.

5 COMMISSION CHAIRMAN SHAPIRO: So, essentially, you
6 did \$40 million more?

7 MR. HINDMAN: That's correct.

8 COMMISSION CHAIRMAN SHAPIRO: Okay, and if I
9 understand, really, the synopsis of what you're saying is,
10 while you did \$40 million more, perhaps your net suffered
11 because that \$40 million may not have been at the same
12 profit as the -- what you were used to getting; is that
13 correct?

14 MR. HINDMAN: Certainly, that was one factor. And
15 the other factors that came into play on how we viewed the
16 experiment were, obviously, TV fees, which were impacted by
17 the availability of Hollywood Park's signal available
18 outside of California.

19 COMMISSION CHAIRMAN SHAPIRO: Okay.

20 MR. HINDMAN: Which was something that all the
21 parties look at in going into this. And, also, you're
22 looking at -- there's no question that it increased handle
23 on California tracks.

24 But, again, if you look at the overall picture,
25 which is how we make our living, taking bets on everything,

1 it wasn't, you know, that significant.

2 And, again, like I said, we wished the overall pot
3 had grown more than eight and nine percent, but within that
4 period there's a lot of robbing Peter and paying Paul. And
5 while we've been Paul for a while, we're Peter right now.
6 So we understand that and we understand that moving forward.

7 So I'd like to finish the presentation and then
8 ask me questions.

9 COMMISSION CHAIRMAN SHAPIRO: Okay.

10 MR. HINDMAN: So again, next slide, did ADW grow
11 more during the experiment than in prior years. To date,
12 no, we can't see evidence of that. But we do believe that
13 the California experiment has had significant merits.

14 Customer satisfaction being the most prominent.
15 They didn't wager more than they normally have, but customer
16 satisfaction obviously is important, and it was apparent
17 that that's one thing that was achieved here.

18 Next slide, please.

19 COMMISSION CHAIRMAN SHAPIRO: So isn't that the
20 paramount thing?

21 MR. HINDMAN: Well, it's very important and so I'd
22 like to continue --

23 COMMISSION CHAIRMAN SHAPIRO: I mean, when we say
24 customer satisfaction, the whole thing is we served our
25 fans.

1 COMMISSION VICE CHAIRMAN HARRIS: Could you go
2 back to the previous slide, I didn't quite understand
3 something there. It didn't grow? I mean, you say the
4 answer is no, where I didn't see that it --

5 MR. HINDMAN: Did it grow, was the growth
6 outstanding? Was the growth more than it's been in its been
7 in its history, was the growth outside of the trend?

8 COMMISSION VICE CHAIRMAN HARRIS: Well, I guess
9 beauty's in the eye of the beholder but, you know, an eight
10 percent growth is not --

11 COMMISSION CHAIRMAN SHAPIRO: Most businesses
12 would like that.

13 MR. HINDMAN: Understand. But the question is,
14 hey, it was growing before, and it was growing at 10
15 percent, 5 percent, 30 percent. And so the question is,
16 really, did this, in and of itself, did it make people bet
17 more money than it otherwise -- they otherwise would have
18 bet? And there's not really a whole lot of evidence from
19 our perspective.

20 I'm sure other people have perspectives, but I'm
21 not really here to argue it.

22 COMMISSION CHAIRMAN SHAPIRO: I don't think you
23 can determine that.

24 COMMISSION VICE CHAIRMAN HARRIS: I just don't
25 think when you say it's a no, it's maybe a maybe.

1 COMMISSION CHAIRMAN SHAPIRO: Who knows.

2 MR. HINDMAN: Understood. I'm not here to argue
3 with anybody.

4 COMMISSION CHAIRMAN SHAPIRO: Okay.

5 MR. HINDMAN: Next slide, please. I wanted to
6 relate TVG's continuation, position on the continuation of
7 the experiment.

8 First, TVG supports continuation of the experiment
9 based on a fair exchange of ADW rights. There's a typo
10 there.

11 The original experiment is not yet complete, but
12 was predicated on the exact same principle as Chairman
13 Shapiro pointed out in his introduction, a fair, reciprocal
14 exchange of rights.

15 Taking it one step further, TVG proposes to
16 exchange all racing content for wagering purposes at fair
17 prices, providing open access to all tracks, for all
18 customers, across all licensed ADW providers for an
19 indefinite period.

20 TVG stands ready and willing to engage in business
21 negotiations to achieve that end, alongside its business
22 partners, the tracks and the TOC.

23 And, again, I want to emphasize, so there's no
24 confusion, we did present our analysis. We wished it would
25 have been better. We're willing to continue on, on fair

1 terms. We're at the table. We've had several conversations
2 with the Thoroughbred Owners of California, we know they're
3 at the table. We've had conversations with Del Mar, we know
4 they're on the table.

5 And so that's where we are today. I appreciate
6 your time.

7 COMMISSION CHAIRMAN SHAPIRO: All right, Mr.
8 Hindman, I appreciate it, too. And, again, I do appreciate
9 that TVG has played an important role in the experiment.
10 And, of course, personally, and I believe that most of us,
11 for the benefit of our fans and for the growth of the
12 industry, and when you do look at the numbers, there was
13 significant purse generation as a result of this experiment,
14 and it was beneficial for California, and it served our
15 fans. And we do appreciate your participation.

16 And I think I, certainly, would love to see it
17 continue and appreciate that TVG has expressed a willingness
18 to also see that. So I just wanted to say that.

19 MR. HINDMAN: Thank you.

20 COMMISSION CHAIRMAN SHAPIRO: All right, if we
21 could then have, next, YouBet? Is YouBet here to address
22 the issue? Mr. Liebau?

23 MR. LIEBAU: Obviously, we will.

24 COMMISSION CHAIRMAN SHAPIRO: Well, you're an ADW
25 provider and I'm trying to just make sure that everybody's

1 voice can be heard here. And so if you don't --

2 MR. LIEBAU: I think that as far as YouBet is
3 concerned -- Jack Liebau, from YouBet. We already had
4 signals from all the tracks in place, so it didn't make a
5 great deal of difference to us one way or the other.

6 Although, the added competition did result in our
7 average daily handle going down at tracks, such as
8 Hollywood, because of the competition from Twin Spires and
9 XpressBet.

10 I would say, you know, also with my other hat on,
11 as far as Hollywood Park is concerned, we keep referring to
12 this as an experiment, and it started out at Hollywood Park
13 in the fall, and it was not an experiment as far as I was
14 concerned. I made a business deal that I thought was then
15 in the best interest of Hollywood Park.

16 And, frankly, we did not benefit as much as I
17 thought we would benefit, and that was because the
18 contribution that was made by XpressBet and Twin Spires at
19 that meet was significant, but it wasn't as much as I had
20 hoped.

21 I think that as far as the --

22 COMMISSION CHAIRMAN SHAPIRO: The open wagering
23 concept.

24 MR. LIEBAU: Well, I think that when you keep
25 talking about, you know, added or incremental wagering,

1 that's a question. We don't know. I mean, what you have to
2 look at is what was the total handle in California.

3 And, you know, I think that the presentation
4 was -- you know, that TVG just went through, certainly was
5 accurate as far as Bernie Thurman's analysis, if I can just
6 rely on the numbers that she produced for us.

7 But the big benefit of it, based on our numbers,
8 and I'm sure that, you know, TrackNet or Ron Charles will
9 support this conclusion, is that Santa Anita did very well
10 by TVG coming on board and having their signal, which they
11 didn't have the year before. That was, by far, the biggest
12 beneficiary, as far as my looking at the numbers are
13 concerned.

14 As far as Bay Meadows is concerned, the -- Bay
15 Meadows is probably -- you know, was a benchmark, because we
16 previously had our signal available to everybody. And the
17 only difference was that in the -- during this period that
18 we keep referring to as the experiment, we did have more
19 television exposure from TVG than we had in the preceding
20 year.

21 And for that reason, our handle was up slightly
22 more for ADW.

23 I would kind of concur with what Mr. Hindman said,
24 was that I had hoped that ADW would do better than it has,
25 because it's certainly, the growth trend had flattened out.

1 Now, maybe it was unrealistic for us to continue to see the
2 numbers that we had in the past.

3 So, you know, I would say that, you know,
4 everybody's going to have presentations, everybody's going
5 to have numbers.

6 I would suggest that if you want to delve into
7 this more, that it might be better to lock the various
8 people in the room, and have them talk about these numbers
9 with themselves, and come up with some conclusions and some
10 recommendations that could then be made to you. But I
11 mean --

12 COMMISSION CHAIRMAN SHAPIRO: There's one problem
13 with that, and that is how do we get the fans in the room?
14 I mean, you know, as you and I discussed --

15 MR. LIEBAU: Well, the fans are -- the fans are
16 casting their votes by betting their dollars.

17 COMMISSION CHAIRMAN SHAPIRO: I agree, and they
18 can't be locked in the room, and the truth is that we have
19 to consider them.

20 MR. LIEBAU: No, no, no, you're misunderstanding
21 what I'm saying.

22 COMMISSION CHAIRMAN SHAPIRO: Oh.

23 MR. LIEBAU: I'm saying that it would -- I think
24 it would be helpful to have people, that are involved, not
25 the fans, but are looking at the raw numbers, to sit around

1 a table and try to come to some conclusions among themselves
2 as to what the results of this experiment were. I'm not
3 sure, at least I wouldn't be smart enough, sitting where you
4 are, for all of us to come up here and present numbers, and
5 grasp some meaning from them.

6 COMMISSION VICE CHAIRMAN HARRIS: I hope -- I
7 mean, I agree that, actually, it shouldn't even be called an
8 experiment, it was really a period of multiple users. But
9 as I see the problem, though, that TrackNet controls a lot
10 of signals who are out of state.

11 I mean, the problem is we're looking at all this
12 stuff in-state, but the out-of-state deal seems to be the
13 thorn of --

14 MR. LIEBAU: Well, I think that last count, and I
15 think Mr. Daruty's here, but I think TrackNet represents
16 some 16 tracks across the country.

17 COMMISSION VICE CHAIRMAN HARRIS: Yeah, and as I
18 understand it, TVG's problem is that they have not offered
19 some of those up in exchanges.

20 But I think if we get everybody in a room, we've
21 got to pull in everybody, and we get the out-of-state
22 people, too.

23 COMMISSION CHAIRMAN SHAPIRO: Well, there are a
24 lot of people that aren't in California, in the room, if
25 we're going to have --

1 COMMISSION VICE CHAIRMAN HARRIS: Well, that's the
2 problem.

3 MR. LIEBAU: You know, we've had -- the numbers,
4 too, that you're looking at, as far as just being an
5 operating is concerned, I mean, if you look at Hollywood
6 park, our ADW at the current meet is up nicely, much more
7 than we could expect. But the reason for that, I think, is
8 because there isn't as much product available in the ADW
9 market because of the shut down of Calder, and Churchill,
10 and everything else.

11 So, you know, I like it, because if fans want to
12 bet through ADW, they're betting on New York and Hollywood,
13 and but for this circumstance, which is unfortunate to the
14 industry as a whole, I'm benefitting, or Hollywood Park's
15 benefitting.

16 COMMISSION VICE CHAIRMAN HARRIS: And that's
17 important, I agree. California tracks and horsemen
18 definitely benefit from, basically, TrackNet's decision not
19 to allow their signal on TVG, or their wager on TVG.

20 COMMISSION CHAIRMAN SHAPIRO: Maybe there's simply
21 too much racing and too much product being offered, and the
22 dollars gets --

23 COMMISSION VICE CHAIRMAN HARRIS: No, I think --

24 COMMISSION CHAIRMAN SHAPIRO: No, I'm not talking
25 about in California.

1 COMMISSION VICE CHAIRMAN HARRIS: Yeah.

2 COMMISSION CHAIRMAN SHAPIRO: I'm talking about
3 nationally, that there's just too many dollars chasing --

4 MR. LIEBAU: Well, I might indicate it's a zero
5 sum game, there are just so many dollars in there.

6 COMMISSION CHAIRMAN SHAPIRO: Right, I'm agreeing
7 with you. I'm agreeing with you.

8 MR. LIEBAU: So I'm sure --

9 COMMISSION CHAIRMAN SHAPIRO: All right, so bottom
10 line -- bottom line, I mean, you played an instrumental
11 role --

12 MR. LIEBAU: If Hollywood Park was faced with the
13 same decision that we were faced with in 2006, for the fall
14 meet, I would do the same thing.

15 COMMISSION CHAIRMAN SHAPIRO: Thank you, that's
16 what I wanted to hear.

17 COMMISSION VICE CHAIRMAN HARRIS: In 2007?

18 COMMISSION CHAIRMAN SHAPIRO: Yeah, that's what he
19 means.

20 MR. LIEBAU: In '07.

21 COMMISSION CHAIRMAN SHAPIRO: In '07.

22 MR. LIEBAU: Well, this is '08, so this is our
23 second fall meet, so '07.

24 COMMISSION CHAIRMAN SHAPIRO: Yeah, the fall
25 meet -- the fall meet is -- when it started.

1 MR. LIEBAU: Right, when it started.

2 COMMISSION CHAIRMAN SHAPIRO: Thank you. And
3 that's really what I was trying to get to. Thank you.

4 MR. LIEBAU: Thank you.

5 COMMISSION CHAIRMAN SHAPIRO: Okay, Mr. Daruty.

6 MR. DARUTY: Hello, Scott Daruty, with TrackNet.

7 COMMISSION CHAIRMAN SHAPIRO: You're welcome to
8 sit at the table or wherever you want.

9 MR. DARUTY: Oh, that's okay, I'll stand up here,
10 thank you.

11 COMMISSION CHAIRMAN SHAPIRO: Okay.

12 MR. DARUTY: Scott Daruty, with TrackNet Media.
13 My company, as was mentioned earlier, is the sales agent for
14 about 16 racetracks across the country. That includes
15 Golden Gate Fields and Santa Anita, in California.

16 We're also the purchasing agent for a number of
17 wagering outlets, including our racetracks and their related
18 OTBs, as well as the Magna and Churchill account wagering
19 platforms, XpressBet and Twin Spires. And so I sort of have
20 a bunch of interests here, both Santa Anita and Golden Gate,
21 as well as XpressBet and Twin Spires.

22 There are going to be individuals later, from each
23 of those entities, making a very brief statement to this
24 Board. But I wanted to just give a little bit of an
25 overview, and also respond to some of the comments that Mr.

1 Hindman made on behalf of TVG.

2 First of all, the fact that this matter is being
3 addressed by the California Horse Racing Board is an
4 indication, I think, of how we should be addressing the
5 issue, from an overall California basis. What's best for
6 California racing, what's best for the California
7 racetracks, and what's best for the California horsemen. I
8 think that, above all, should be our focus.

9 And I was looking, as were you, at Mr. Hindman's
10 presentation and there was a lot of information in there
11 about how this impacted TVG, about maybe they had a lot of
12 handle, but it was at lower margins, maybe it wasn't a great
13 financial deal for them. I'm not sure that should be our
14 concern as the California industry. Certainly, we want them
15 here, we want all the account wagering companies here and to
16 be successful, but I'm not sure it's our job to make sure
17 they always continue to be as profitable as they have been
18 in the past.

19 I think our job is to make sure we create an
20 environment where the racetracks and the horsemen in
21 California can thrive.

22 So with that, I think it's important to focus.
23 When Mr. Hindman was talking about handle growth, account
24 wagering handle growth, and he showed how there was not
25 maybe as much growth this last year, as there had been in

1 the past, I think it's a little bit misleading to look at
2 overall handle growth.

3 I think what we need to look at is handle growth
4 on California product. When California residents are
5 betting on an out-of-state product we, as an industry, make
6 less than when those residents are betting on a California
7 product.

8 And I'll give you just one specific example to
9 make the point. Golden Gate Fields, during this period of
10 this experiment, the overall account wagering handle, that
11 they were the beneficiary of, including imports from out of
12 state, rose 14 percent. That's a fine, but relatively
13 modest growth. You wouldn't say this was a home run
14 transaction if you looked at it just from that 14 percent.

15 What I think is more relevant is the account
16 wagering handle on the Golden Gate Fields content, both in
17 the state and out of state, rose 83 percent. That is a home
18 run deal. It is a lot more money to the California tracks
19 and horsemen. I think that's what we need to focus on. I
20 think that shows that this experiment was a tremendous
21 success for California.

22 COMMISSIONER CHOPER: Do you know why it went up
23 so much? I do.

24 MR. DARUTY: Well, my belief is that it went up so
25 much because TVG and YouBet have very strong platforms.

1 They have historically been, you know, the number one and
2 number two companies within the State of California.

3 COMMISSION CHAIRMAN SHAPIRO: Do you think it was
4 a synthetic surface and the better fields.

5 COMMISSIONER CHOPER: That may have been it, it's
6 the fields. I mean, if you're sitting in -- wherever you're
7 sitting, in Chappaqua, New York, and you want to make a bet,
8 and then you see five horses in one field, and ten in
9 another, unless you really like one of those five, you're
10 going to go to the bigger field.

11 MR. DARUTY: I think that the bigger fields were
12 definitely a part of it. Obviously, Santa Anita had a
13 synthetic surface this year, too, but had some difficulties
14 with the surface. It's very similar numbers if you look at
15 Santa Anita. The growth was modest on overall ADW, it was
16 huge if you look at just on that product.

17 And the point I was going to make about TVG and
18 YouBet is that sometimes people get starts in their eyes
19 because of the size of the handle that they've done. But,
20 remember, they've been in a situation of significant content
21 advantage over the last five or six years in California, and
22 that's allowed them to really grow a customer base.

23 And our belief is that if everybody has all the
24 content and is competing on a fair playing field, then all
25 the account wagering companies will be able to compete for

1 customers equally.

2 And, most importantly, the customers, themselves,
3 will have the opportunity to choose which platform they like
4 best and get all the content through it.

5 I believe, unquestionably, this experiment should
6 be continued through the end of the year. And as the
7 selling agent for Golden Gate Fields, I stand here and say
8 we're absolutely prepared to let YouBet and TVG continue to
9 bet on Golden Gate Fields, under the same terms as we did in
10 the past.

11 TVG makes the point, well, you know, that's maybe
12 not a fair exchange, Hollywood -- sorry, Del Mar and Oak
13 Tree is a better content than Golden Gate. And I'm not
14 going to stand here and debate that fact, I think that's
15 self-evident.

16 I'll also point out I think the content that we
17 gave them earlier in the year was stronger than what they
18 gave us. I don't think it has to be a perfect exchange.

19 There is a financial condition in our existing
20 experiment that says the TrackNet platforms will actually
21 pay TVG a fee, a television fee, when we take bets on their
22 content. And they'll pay us a television fee when they take
23 bets on our content.

24 Well, if TVG's really giving us better content
25 than we're giving them for the balance of the year, that

1 means we're going to be paying them a whole lot more fees
2 than they pay us. It all sort of works out in the end.

3 I will point out, XpressBet was down on handle on
4 both the Santa Anita and the Hollywood -- the Santa Anita
5 and Golden Gate Fields meets.

6 Again, we're not looking at this from the stand
7 point of what's best for XpressBet, we think what's best for
8 the California racing industry is important.

9 So by opening Santa Anita and Golden Gate to other
10 platforms, that's actually hurt the Magna-owned account
11 wagering platform, but we think it's been more than made up
12 for in the overall benefit to the industry.

13 And then I just have to make one comment, there
14 was a slight in Mr. Hindman's presentation, where it
15 mentioned that TVG gave TrackNet platforms six different
16 racetracks outside the State of California, and got nothing
17 in return. I believe that is a completely inaccurate
18 statement.

19 The fact is there were six racetracks that used to
20 be exclusive, whose exclusive agreements expired and who
21 made their own decision no longer to sell to TVG on an
22 exclusive basis.

23 I think that's an indication that the whole
24 country recognizes the exclusive model doesn't work. It's
25 not good for the tracks, it's not good for the fans, it's

1 not good for the horsemen. So the exclusive model's a thing
2 of the past.

3 I think California should be commended. It was a
4 big part -- a big part of the momentum that started was
5 because of the action that this Board and this industry took
6 last fall. And I think, absolutely, we should continue the
7 experiment.

8 COMMISSION CHAIRMAN SHAPIRO: Can I ask you a
9 question?

10 MR. DARUTY: Absolutely.

11 COMMISSION CHAIRMAN SHAPIRO: You're a
12 businessman, okay. If you had something that was exclusive
13 to you, of real value, and you didn't have to share it,
14 would you just voluntarily share it if you weren't getting
15 something of, at least in your mind, equal value?

16 MR. DARUTY: Absolutely we would, and we did it
17 this past winter, when we gave up the exclusive that we held
18 on Santa Anita, and we made it available to TVG and YouBet,
19 and we didn't get fair value in return. No knock to
20 Hollywood Park, but I don't think that's fair value. I
21 think it's, you know, relatively comparable, but not the
22 same.

23 COMMISSION CHAIRMAN SHAPIRO: All right. And, I
24 mean, I'm just trying to lay it open fairly here. Okay.
25 You're talking about Del Mar, and Oak Tree, and Fairplex,

1 okay. Three Southern California meetings that, you know,
2 certainly Del Mar is the premier meet, arguably the premier
3 meet in California.

4 And then there's Golden Gate which, thankfully,
5 has improved and, hopefully, will have a great meet.

6 Do you really think that they are comparable?

7 MR. DARUTY: No, I'm not arguing that they're
8 comparable.

9 COMMISSION CHAIRMAN SHAPIRO: Okay. All right.
10 So can you not see, though, from their perspective -- and,
11 again, I want the experiment to continue. And I appreciate
12 that you're saying you want it to, and I heard Mr. Hindman
13 wants it to, on behalf of TVG.

14 And I heard Mr. Liebau says he's in favor of it,
15 and he's YouBet.

16 All right, and I expect when we hear from Twin
17 Spires, they're going to say the same thing, and XpressBet.

18 But doesn't it really come down to what the
19 problem is, is this content exchange, and what's a fair
20 trade, and why should they give up the last year of their
21 exclusive? Isn't that really what the issue is?

22 MR. DARUTY: Well, I think -- I mean, I believe
23 that is what TVG's concern is. I mean, I listened to the
24 same presentation you listened to, so I think that's the
25 essence of the problem here.

1 I believe it's made up for, again, by the fact
2 that we're going to be paying them fees when XpressBet and
3 Twin Spires take a bet on Del Mar and Oak Tree.

4 And if they're saying we're going to do a lot more
5 handle on Del Mar and Oak Tree, than they're going to do on
6 Golden Gate, then we're going to pay them a lot more than
7 they're going to pay us, so that should make it even in the
8 end.

9 COMMISSION VICE CHAIRMAN HARRIS: Yeah, isn't
10 there some sort of a TV fee?

11 MR. DARUTY: That's exactly what I'm referring to.

12 COMMISSION VICE CHAIRMAN HARRIS: That's the fee
13 that you're referring to.

14 MR. DARUTY: That's what I'm referring to.

15 COMMISSION VICE CHAIRMAN HARRIS: That is bigger
16 to TVG than it is to --

17 COMMISSION CHAIRMAN SHAPIRO: HR.

18 COMMISSION VICE CHAIRMAN HARRIS: -- HRTV.

19 MR. DARUTY: Well, first of all, not only is the
20 amount of the fee, under the current deal, a larger --

21 COMMISSION CHAIRMAN SHAPIRO: Isn't it a half a
22 percent more?

23 MR. DARUTY: It's a larger percentage to TVG,
24 which I don't believe is fair, but that was a concession we
25 made back in the fall, to try to get this deal done.

1 COMMISSION VICE CHAIRMAN HARRIS: Well, I think
2 TVG takes the attitude that they have more viewers, which
3 they do. But, still, that's supposed to be --

4 COMMISSION CHAIRMAN SHAPIRO: But that's why they
5 got paid, I think it was a half a percent more fee; correct?

6 MR. DARUTY: It is in the neighborhood of a half a
7 percent. Off the top of my head, I'm not positive.

8 COMMISSION CHAIRMAN SHAPIRO: Right. Right,
9 right. All right, okay, Mr. Daruty, thank you.

10 MR. DARUTY: Thank you.

11 COMMISSION CHAIRMAN SHAPIRO: Thank you. Mr.
12 Fravel?

13 MR. FRAVEL: Craig Fravel, Del Mar Thoroughbred
14 Club. Well, we'll not an ADW provider and, candidly, we
15 were not a party to the experiment, or even the negotiations
16 or discussions leading up to it. So I'm not here to make a
17 presentation on the results of the experiment because,
18 candidly, other people have better information about that
19 than I do.

20 I do think, to be fair, as I said at the last
21 Board meeting, TVG, XpressBet, everyone certainly has a
22 legitimate right to have this evaluated intelligently, and a
23 determination made of whether or not this was a good thing.

24 I do take some issue, and I would take issue
25 whether it was the Racing Board presenting it, or TOC, or

1 anybody else. When you simply present raw handle numbers in
2 this business, you're not presenting the full story.

3 The real issue, in my mind, comes down to how much
4 did one company make in hub fees, and television fees, and
5 how much did purses benefit, and how much did racetrack
6 commissions benefit.

7 And total handle doesn't really tell you very
8 much. It's a -- you know, there's no two elements of handle
9 are the same.

10 And so I'd really like to see, from my friends at
11 TVG, and from XpressBet, how much money they made from each
12 other, you know, whether the deal was fair. And if one and
13 a half and two wasn't the right payment for television fees,
14 you know, somebody come up with a proposal that they know
15 the other side might even consider accepting.

16 I think we all know there's a nationwide war going
17 on amongst ADW companies, and horsemen's groups, and
18 everybody else. There's only -- there are a lot of losers
19 in here, there are very few winners in that debate.

20 And from what I can (clears throat) -- sorry, I
21 must be getting emotional about the subject.

22 From what I can tell, there really aren't any
23 losers in this experiment so far. California's managed to
24 stay out of this national debate with the Thoroughbred
25 Horsemen's group.

1 TVG might not have made as much margin on this
2 product, as they make on other product, but I haven't heard
3 them say, well, we had a really bad year and we lost money.
4 I think -- I've watched some of their press releases and I
5 believe they did pretty well in the first quarter of the
6 year.

7 I think the horsemen are going to get up and tell
8 you that their purses look pretty good. You know, in a
9 pretty horrendous economy, an eight percent growth rate in
10 total, even though I believe total handle's a misleading
11 figure, I don't think that's so bad.

12 And as I said, I don't think there's any losers on
13 the track side, the horsemen's side, or the ADW side of the
14 equation. And the fact of the matter is the customers seem
15 to be the winner. So I'm not sure why we can't find some
16 solution to this.

17 And, again, if it's playing around a little bit
18 with the one and a half, or two percent, and maybe XpressBet
19 or HRTV throw in a couple signals in that they have from
20 some out-of-state sites, it would only benefit them to have
21 access to California that they don't have right now through
22 TVG.

23 I don't see the down side. To me, it's amazing
24 that we can't find a way to get through this.

25 I would simply endorse Mr. Liebau's perspective,

1 that we ought to -- you know, with the Board's assistance,
2 do what you did before Hollywood opened up, and get five or
3 six of us in a room and let's see if we can pound out
4 something and get through the presentation phases of this.

5 COMMISSION CHAIRMAN SHAPIRO: We're more than
6 willing to do that. I would like to make mention, though,
7 that, you know, unfortunately, this Board does not get
8 involved and cannot be involved in some of the economic
9 interests of the private companies, and so we're somewhat
10 restrained there, as you know.

11 On the other hand, more than willing to try and
12 get in a room and hammer something out with you, to do that.

13 Because I agree with you, I think that the fans
14 were the biggest beneficiary in the industry, and the
15 purses.

16 I'm curious, though, in your letter of June 12th,
17 you wrote to our staff, and it says here, "furthermore,
18 under the terms of the Del Mar Thoroughbred Club's agreement
19 with ODS Technologies, or TVG, we believe a contractual
20 obligation exists on the part of TVG to do so."

21 And I think what you're saying there is that a
22 continuation of the open wagering experiment through your
23 meeting. Can you explain what that means?

24 MR. FRAVEL: Well, you know, our agreement with
25 TVG provides that if there's a deal offered to someone else,

1 that's superior to our deal, that it needs to be presented
2 to us, and we have an opportunity to say we want it or not.

3 And simply, the way -- the same, we just believe
4 we need to live up to our respective contractual
5 obligations. Now, if they have a different view of that,
6 they're welcome to express it. I'm not asking them to do it
7 in front of the Board, and I'm not going to get into a
8 litigation posture here, in front of you, but we think
9 there's a legitimate question there about whether that
10 provision applies or not.

11 COMMISSION CHAIRMAN SHAPIRO: All right, so are
12 you just --

13 MR. FRAVEL: But the bottom line, you know, I'm
14 not interested in lawsuits. I mean, everybody loves to sue
15 over ADW these days. But to be honest with you, what we're
16 interested in is finding a way that works for everybody.
17 And again, I can't, for the life of me, believe that there
18 isn't a deal that can be worked out here, that's good for
19 everybody.

20 COMMISSION CHAIRMAN SHAPIRO: I agree with you. I
21 can't, for the life of me, believe there isn't a way,
22 either. So I think we agree with you and we think it's a
23 disservice not to do it.

24 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I mean,
25 it's a classic situation where they all agree a bigger pie

1 is better than a smaller pie. And all of us want a bigger
2 pie, and it's up to the folks to figure out how they're
3 going to cut it up.

4 MR. FRAVEL: Well, let me just point out one other
5 thing, I think it's important for the Board to know. I
6 mean, there was a letter that you're aware of, where the
7 Thoroughbred Owners of California have offered to -- and by
8 the way, you know, I should put on the table, we're
9 certainly willing to consider a modification of our
10 agreements to continue this experiment through 2009, which I
11 think would be helpful for everybody. You know, our
12 agreement with TVG, we could work on extensions or that kind
13 of stuff, assuming that we can all work out a deal. So
14 we're willing to put concessions on the table from our stand
15 point.

16 But I do think it's important to understand that
17 there is a letter that has been sent, I have not yet
18 received it, but I've read reports on it, that absent the
19 continuation of the experiment in some acceptable form, that
20 the TOC intends to exercise its consent right with respect
21 to prohibiting out-of-state ADW wagers on California
22 product.

23 And, you know, I'm here to tell you that the pie
24 will not grow, even a little bit, if that happens. It's
25 going to be a significantly negative impact on purses and

1 commissions. So let's not --

2 COMMISSION VICE CHAIRMAN HARRIS: Well, that
3 really is a nuclear weapon because as I see it, too, it
4 might impact the coverage that Del Mar racing gets via TVG,
5 because they're limited to just taking bets from
6 Californians.

7 MR. DARUTY: I guess my only point is I think
8 everybody, it's incumbent upon all of us to sit down and go
9 through this, and try to find a way to make this work for
10 all of us.

11 COMMISSION CHAIRMAN SHAPIRO: Well, I agree with
12 that. Thank you, Mr. Fravel.

13 COMMISSIONER CHOPER: Do you have a specific
14 suggestion as to how and when that ought to be accomplished?

15 MR. FRAVEL: I'll come to a meeting anywhere,
16 anytime.

17 COMMISSIONER CHOPER: Who sets these things up?

18 MR. FRAVEL: Well, I mean, in the past the Board
19 has graciously offered to sort of mediate and make some
20 suggestions, and be helpful and convene the folks, and to
21 keep us from yelling at each other too vigorously.

22 COMMISSION VICE CHAIRMAN HARRIS: Because Del Mar
23 opens in basically less than three weeks, I think.

24 MR. FRAVEL: Three weeks, basically three weeks.

25 COMMISSION VICE CHAIRMAN HARRIS: So I don't want

1 us, you know, three or four days ahead of Del Mar, into
2 something. We need to set a deadline and then some --

3 COMMISSION CHAIRMAN SHAPIRO: Well, let's get
4 through this, and I think that's a very good suggestion and
5 perhaps we'll do that, okay. Thank you.

6 MR. FRAVEL: Thank you.

7 COMMISSION CHAIRMAN SHAPIRO: Okay, let's see who
8 else, what cards? That one's done.

9 Greg Scoggins, XpressBet. How are you?

10 MR. SCOGGINS: Good morning, Chairman, Members of
11 the Commission. For the sake of the record, Greg Scoggins.
12 I'm here on behalf of XpressBet.

13 Our position is pretty brief. We've looked at the
14 numbers that CHRIMS has provided relative to XpressBet's
15 performance, with regard to wagering on California handle
16 inside and outside of the State of California, as well as
17 what the other ADWs have done. And our conclusion is
18 there's no other conclusion to make than it has been very
19 successful.

20 As Mr. Daruty mentioned we, at XpressBet, saw a
21 decline in Golden Gate Field's handle, and Santa Anita
22 handle in the spring, as we anticipated it would. But there
23 was a much more -- you know, there was a significant growth
24 in the handle through the YouBet and TVG platforms.

25 And to Mr. Choper's point, earlier, about why the

1 handle was higher at Golden Gate Fields than last year, I
2 would suggest it didn't have as much to do with field size
3 as it did platform carriage. Because XpressBet's numbers
4 went down, whereas now that it was available on TVG and
5 YouBet, they went up precipitously.

6 And so, yes, there are aspects that draw bettors
7 to particular tracks, but the fact that it was available on
8 additional platforms I think is significant and can't
9 be -- cannot be ignored.

10 Our numbers, that I included with the letter that
11 I sent to the Commission, reflect or look slightly different
12 than the numbers that TVG had up. I understand both of them
13 came from CHRIMS, so I'm not sure I can reconcile them.

14 But we saw an increase across the board for the
15 pre-existing ADWs, which are XpressBet, TVG, and YouBet. We
16 did not include Twin Spires, since they were not licensed to
17 conduct ADW to the prior period.

18 And we saw an increase in handle, by California
19 residents, of around 30 percent.

20 We saw an increase in handle by non-California
21 residents by about 18 percent, and this is all on California
22 content.

23 And I respect what Mr. Fravel said about how much
24 stock you can put into that, but that certainly is one
25 metric and there was a significant change.

1 And so you've seen growth both in California and
2 in outside of California, on California content, which is
3 very important, in our judgment, to California.

4 And then, finally, as Chairman, as you mentioned
5 it, the customers love it. They love having the access to
6 the additional California signals that, previously, they
7 were not -- that were not available to them.

8 And I'm sure TVG customers and YouBet customers
9 feel the same way, but I will let those platforms speak for
10 themselves.

11 So from our stand point, we think the experiment
12 has been very successful, it should be continued, and we
13 look forward to that hopeful result.

14 COMMISSION CHAIRMAN SHAPIRO: Thank you, Mr.
15 Scoggins.

16 MR. SCOGGINS: Thank you.

17 COMMISSION CHAIRMAN SHAPIRO: Brad Blackwell, Twin
18 Spires.

19 MR. BLACKWELL: I'm Brad Blackwell, on behalf of
20 Twin Spires.

21 We appreciate the opportunity to weigh in on this
22 issue today, and I will simply state that Twin Spires
23 supports the continuation of the content exchange agreement.

24 And one hundred percent of the feedback that we've
25 received from our customers indicates that they want this.

1 And to Mr. Fravel's point, earlier, I have not
2 heard any negatives today about the content exchange. It
3 seems like there's somewhat a debate over what figures to
4 use, and how much we can put into those figures, but it
5 seems like it's positive, it's what's in the best interest
6 of California horse racing, and it's what's in the best
7 interest of the customers. And we feel that it's a great
8 time to do what's in the best interest of the customers.

9 COMMISSION CHAIRMAN SHAPIRO: Okay, thank you, Mr.
10 Blackwell.

11 Mr. Chillingworth? Where's my good friend, Mr.
12 Chillingworth? There he is.

13 MR. CHILLINGWORTH: Sherwood Chillingworth, Oak
14 Tree Racing.

15 I'd like to say one thing to begin with, is that
16 TVG was a pioneer in ADW and deserves a lot of respect and
17 credit for having done that. They have been very good
18 partners with us in many respects. They promote some of our
19 events that we need help on advertising, such as Cal Cup and
20 Million Dollar Pick-Sixes.

21 Having said that, on the other hand, we started
22 out here, I think it was about ten years ago, and thought
23 that we would be switching percentages with them in about
24 three or four years. We then waited five years, nothing
25 happened, and then we --

1 COMMISSION CHAIRMAN SHAPIRO: Do you want to
2 explain what you mean by switching percentages? I think I
3 know what you mean, but I'm not sure if --

4 MR. CHILLINGWORTH: Well, the racetrack gets a
5 smaller percentage that TVG gets. And the understanding was
6 when cash flow was equal, they were getting as much money
7 coming in as it went out, we would then -- we would get
8 their percentage and they would get ours.

9 That never occurred. And then at the end of the
10 fifth year they wanted us to extend the exclusive
11 partnership on the basis they couldn't get additional radio,
12 or excuse me, television outlets on the east coast unless
13 they had an exclusive.

14 And we felt, well, wait another two years, and
15 that never occurred.

16 In our contracts, we were -- we have the right to
17 see their cash flow statements every year, audited. Well,
18 they sent me a cash flow statement last year, it was one
19 page long, by their auditors, and at the bottom of which
20 there was a paragraph that said, this statement has been
21 prepared for the parent and the subsidiary, only, and not to
22 be used by third parties. Well, what kind of a statement is
23 that?

24 I'm just saying that I think they've done a great
25 job to this point. It's now a question of not whether it's

1 good for TVG, it's whether it's good for the industry. We
2 got horsemen out there that need purses, we have tracks that
3 are -- we've lost two tracks already, that need the income.

4 And I think we have to look at it on an industry-
5 wide perspective. I want TVG to exist and prosper, but not
6 at the expense of the whole industry.

7 My last statement is that because Santa Anita was
8 not operating normally in the first part of the year, the
9 numbers are kind of skewed. I think it would be very
10 beneficial to go through a whole year and see what the
11 effect is, particularly when you have different tracks in
12 California operating during the summer and fall, and
13 different tracks outside of California operating, to get a
14 complete picture of how everybody works, and what the total
15 effect is, I think we ought to go the whole year. Thank
16 you.

17 COMMISSION CHAIRMAN SHAPIRO: Thank you, Mr.
18 Chillingworth.

19 Okay, Peter Tunney? Go ahead, Peter. Peter, go
20 ahead.

21 MR. TUNNEY: Peter Tunney, representing Golden
22 Gate Fields. And just wanted to echo the remarks made by
23 Mr. Daruty, but also by TVG. We did, in fact, go up 83
24 percent from the pre-experiment, until this last year. And
25 so we were the -- actually, daily handle was \$145,000 a day

1 and it went up to \$266,000, as a result of having more
2 ability to send it more places, so it's very impressive.

3 I think it's also important to note that, as a
4 result of that, that the increased field size went up to an
5 average of eight per race, and that's certainly a condition
6 of what the new racing surface is.

7 And we think, you know, our company for taking the
8 lead and putting in this racing surface. I think it's just
9 an enjoyable coincidence that Professor Choper came on the
10 Board about the same time the field size went up.

11 (Laughter.)

12 MR. TUNNEY: Thank you.

13 COMMISSION CHAIRMAN SHAPIRO: I just think it was
14 all his way of he decided to finally unleash some of that
15 money, and that's the difference.

16 MR. TUNNEY: I say thank you.

17 COMMISSION CHAIRMAN SHAPIRO: Well, I was trying
18 to be nice. Okay, thank you.

19 Well, keeping with the Magna theme, Mr. Charles.
20 Oh, he's going to sit down no less, great.

21 MR. CHARLES: It's been a long day.

22 COMMISSION CHAIRMAN SHAPIRO: Yeah, sit back and
23 rest.

24 MR. CHARLES: Ron Charles, MEC. Obviously, I
25 addressed the Board last month in supporting and encouraging

1 Del Mar to go ahead with the experiment. Gave the numbers
2 last month. But at Santa Anita we saw a 40 percent increase
3 in ADW handle going to purses and commissions.

4 We also saw that the fact that when we opened it
5 up to all providers, wagering opened to all providers, we
6 saw that California was the recipient, players were playing
7 California racetracks. That's a good sign.

8 We're here in California, we're trying to promote
9 our sport, and this seems like a no-brainer. It's
10 difficult, there's not -- you're hearing the ADW companies,
11 you're hearing -- you will hear from the owners. Hopefully,
12 you'll hear from the trainers.

13 And I think if the fans were here, you'd hear a
14 hundred percent this is what they want. They're showing it
15 with their betting dollar. I think it's important that we
16 continue.

17 I'd like to just touch on one issue, Mr. Chairman,
18 that you addressed to Scott Daruty, was, if you have an
19 exclusive, would you give it up?

20 Being very careful what I say, two years previous
21 to this experiment Santa Anita offered to give up their
22 exclusive on television. And it wasn't able to be worked
23 out.

24 When you talk about fair trades, with Del Mar
25 coming up right now, I don't think anyone in this room would

1 believe that a fair trade is Santa Anita for Hollywood Park.
2 So what we're asking for is to continue this experiment,
3 let's look at it for one year, understand it, analyze it,
4 and then move forward.

5 COMMISSION CHAIRMAN SHAPIRO: Okay. Well, you do
6 understand my question and, you know, I'm just trying to
7 base -- look at the realities of it, that I presume that TVG
8 believes they have something of considerable value to them,
9 and they're looking for something in return, and I don't
10 think, you know, any of us as business people, or just
11 people, are going to look at it and not think that that's a
12 fair issue to address.

13 And I'm just being realistic about it. I mean, I
14 can't imagine how well, how good Del Mar could be if we
15 could actually have open wagering this year, and Oak Tree,
16 too. I mean, it's something we need to do for our fans, for
17 the horsemen, for our industry. And I'm just trying to get
18 to the bottom line.

19 And perhaps Mr. Fravel's suggestion is the only
20 way we're going to do it, which is to try to get people in
21 the room and try to see if we can hammer something out,
22 because we owe it to our industry.

23 MR. CHARLES: Oh, and I agree. And, again, we owe
24 it to the fans.

25 COMMISSION CHAIRMAN SHAPIRO: Absolutely.

1 MR. CHARLES: The fans have spoken on this issue.

2 COMMISSION CHAIRMAN SHAPIRO: Absolutely, we've
3 been saying it for years, and I agree, and they've got to
4 come first. Thank you. Thank you, Mr. Charles.

5 MR. CHARLES: Thank you.

6 COMMISSIONER CHOPER: Let's get them all together,
7 that's what I said, before that. Let's do it.

8 COMMISSION CHAIRMAN SHAPIRO: Okay.

9 COMMISSION VICE CHAIRMAN HARRIS: On that issue,
10 too, as Jesse just brought up, we need, before we leave
11 today, some agreement of the players that they are setting a
12 date certain in the next few days, hopefully, to get
13 together. It's not just, yeah, we'll talk about it.

14 COMMISSION CHAIRMAN SHAPIRO: Okay. Well, first
15 of all, let's finish these presentations and then we'll talk
16 about that, if that's okay.

17 Mr. Couto, you didn't put in a card, but I have a
18 hunch since you have that huge billboard advertising TOC
19 behind us, for the beginning of the meeting, that you have
20 something to say.

21 MR. COUTO: Good morning. Drew Couto,
22 Thoroughbred Owners of California. Good afternoon,
23 actually.

24 And, obviously, Chairman Shapiro, you are quick on
25 the uptake on that one.

1 COMMISSION VICE CHAIRMAN HARRIS: You need a mike.

2 MR. COUTO: Need a mike.

3 COMMISSION CHAIRMAN SHAPIRO: And you figured that
4 one out, did you?

5 MR. COUTO: Yeah, I shouldn't tease you, if I
6 can't figure out I need a mike.

7 I've got a short presentation, compared to some of
8 my others in the past.

9 COMMISSION CHAIRMAN SHAPIRO: Well, that's good.

10 MR. COUTO: Which we'll try and go through very
11 quickly, to identify what we learned from the experiment,
12 and what we expect from the experiment, if we were to go
13 forward.

14 And I apologize to you for not having copies
15 available to you folks, but I didn't complete the
16 presentation until about four o'clock this morning, and then
17 caught a plan. So it's a weak explanation.

18 But let's look at what we did observe as a result
19 of this experiment. We looked at it overall, what was the
20 industry's experience.

21 Well, through the Hollywood Park fall meet, Santa
22 Anita winter meet, Hollywood Park spring meet, and the Bay
23 Meadows and Golden Gate meets up north, what we saw was an
24 increase in total, an overall increase in ADW handle.

25 And what we're looking at here is ADW handle on

1 California races. We're focusing on California races. This
2 was a California experiment, focused on California product.
3 What happens if we had California product with all of the
4 ADW companies, what did we learn?

5 So as I said, we saw an increase in the total ADW
6 handle. An increase in the total of track commissions from
7 ADW handle. An increase in purse revenues from ADW handle.
8 And an increase in ADW provider revenues, meaning more money
9 to the ADW providers, en masse, than they had previously.

10 And these comparisons are based on average daily,
11 what we'll call comparative metrics, because we did it on an
12 average daily basis because we didn't have corresponding
13 periods in a prior year, exactly the same thing, due to the
14 shortening of the Santa Anita meet, and calendars differing.

15

16 So, again, we did this on an average daily
17 comparative metric.

18 What else did we observe? Some very important
19 things. One, that we had happy fans. Fans were content,
20 they could bet California product on every ADW provider
21 licensed in the State. Both here in the State, and around
22 the country we had happy fans. We had happy horsemen.

23 We finally had non-exclusivity in terms of
24 wagering rights, and we saw exactly what we had been saying
25 for seven years, you would have an increase in purse

1 revenue, you would have an increase in commissions, you
2 would have an increase in revenues to the ADW companies, and
3 you would have happy fans.

4 Track management was happy because, again, their
5 commissions went up.

6 And as I said, we had mostly happy ADW providers,
7 and it's kind of shocking to us that we didn't have all
8 happy ADW providers, because the total amount of
9 compensation to the ADW providers was increased through this
10 experiment.

11 What are our expectations if this experiment were
12 to continue? Well, I'm just going to, again, just reiterate
13 what I said. We're going to provide fans greater access to
14 our signals, which they very much appreciated.

15 As we're going to show, we're going to improve and
16 continue to improve the economic condition for stakeholders.
17 That, in the terms of purses, commissions, and ADW revenues.
18 And we're going to demonstrate, again, that these non-
19 exclusive distribution serves the interest of everyone, and
20 that includes the ADW providers.

21 Okay. The experiment or our analysis of the
22 experiment was largely focused on Del Mar, because that's
23 what we're talking about. If we continue this experiment,
24 what is likely to happen at Del Mar?

25 And in order to make some projections about what

1 would happen at Del Mar, we needed to identify the closest
2 like meet within the experiment and make some assumptions
3 based on that. And the closest like meet within the
4 experiment was Hollywood park. That's because Hollywood
5 Park was a TVG exclusive prior to the experiment. And, as
6 has been argued, benefitted less under the experiment, than
7 did Santa Anita.

8 So we chose Hollywood Park, and we chose Hollywood
9 Park's spring meet, and we used a period from the start of
10 the meet through June 15th. It's not the complete meet, but
11 we used that period because that was the most current period
12 and we took, again, the average daily metrics.

13 I wanted to start by showing you in-state handle
14 or estimated revenues last year at Del Mar, 2007, from in-
15 state wagering on California races.

16 Now, this is a sort of hard-to-understand graph,
17 but the columns on the left indicate revenues produced on
18 wagers in-state, on Del Mar races, through the Del Mar meet
19 by TVG.

20 And if you start from the extreme left and move
21 inward you see the blue column is purses, the maroon column
22 is commissions, the purple column we call other, which is
23 satellite fees, et cetera, all of the other distributions
24 under ADW.

25 The tall red column is TVG's hub fees, last year

1 handling California wagers on Del Mar. And the yellow is
2 our estimation of the five percent, or what we understood to
3 be a five percent license fee paid to TVG. So the red and
4 yellow reflects TVG revenues.

5 That's the license fee paid by YouBet last year,
6 and the second column over, the shorter one is what YouBet
7 handled and produced in terms of revenue in -- again,
8 California wagering on Del Mar product last year.

9 So if this is our starting point, we then tried to
10 project what will happen in 2008, and it's hard to see from
11 these graphs, really, what the changes are. But you see the
12 key change here is you will have two additional ADW
13 companies in-state, handing wagers. That's Twin Spires and
14 YouBet.

15 In-state, using these numbers, what we projected
16 for Del Mar was that overall there would be an increase in
17 ADW purse revenues and commission revenues, just on the in-
18 state component, of approximately 10.8 percent. Meaning
19 purses, the revenue derived from ADW wagers, by
20 Californians, on Del Mar product, would go up 10.8 percent,
21 as would the commissions.

22 So we then took the second sort of project here,
23 we decided what would happen if the experiment continued out
24 of state. So this is out-of-state residents betting on Del
25 Mar, through the ADW companies. We looked at last year as

1 our starting point at Del Mar, with again being the far
2 left, TVG. The next one to the right is YouBet, those
3 series of columns pertain to YouBet.

4 And my eyesight is terrible. I believe the next
5 set of columns over is Twin Spires and the final one is
6 XpressBet.

7 We used this as the starting point. We made
8 projections, again, using the figures we derived from
9 Hollywood Park. Projected out what would happen in terms of
10 2008.

11 And, again, if we look at the series of columns on
12 the extreme left, the tall red one is what TVG would be
13 obtaining in terms of its hub fees, or revenues it derived
14 out of state, and wagers on Del Mar. And the yellow
15 component reflected the two percent television. So you add
16 the red and yellow together and you get a sense of what TVG
17 would be deriving.

18 And those small columns over there, to the extreme
19 left, show you what purses and commissions would get from
20 out-of-state wagers on California, and it puts it in
21 perspective to what the ADW companies are making.

22 Again, we boiled it down, overall what we found,
23 our projections, if the experiment were to continue, that
24 both purses and commissions would increase on the order of
25 56.8 percent from out-of-state wagers on California ADW.

1 Now, I'm not saying overall purses would go up.
2 I'm saying, looking at this component of our handle, that
3 you could expect, based on the Hollywood Park meet, to see
4 at Del Mar a 56.8 percent increase in the purse revenue
5 derived from ADW out of state.

6 That's obviously a significant increase and that
7 is consistent with the experience of the Hollywood Park
8 numbers, based on our analyses.

9 COMMISSION CHAIRMAN SHAPIRO: Drew, Drew?

10 MR. COUTO: Yes, sir?

11 COMMISSION CHAIRMAN SHAPIRO: This is a little bit
12 difficult to read and perhaps a little more detailed than
13 some of us can handle.

14 In those, looking at your findings, if we just
15 took an example of, let's say, a straight maiden at Del Mar,
16 and I don't what a straight maiden goes for there, but it's
17 probably around 50,000, something like that?

18 Okay, if this experiment were to filter in, what
19 would you guess the purse size of a straight maiden would be
20 at Del Mar, based on these numbers?

21 MR. COUTO: Okay, ADW revenues account for
22 approximately 12 percent, I think, of total purse revenues.
23 And then you have to break down what portion of that 12
24 percent is due to wagering in-state versus out of state, and
25 make the calculations from there.

1 I haven't done that, and I'm not equipped to do
2 that at the moment.

3 But you would see, again, if 12 percent is your
4 current contribution to purses from ADW, the blend between
5 the 10 percent and the 56 percent increase is what you're
6 going to see increase. And I don't know how to tell you in
7 an exact number right now, without going back and
8 calculating that.

9 But what you are talking about is an increase, and
10 not an insignificant increase, mind you, for purse revenues
11 for Del Mar.

12 This chart was another way of looking at the same
13 thing. What we've done is break down 2007 and '08, in-state
14 and out of state with, again, the red columns indicating to
15 you what the ADW companies will be receiving as a result of
16 handling wagers on Del Mar.

17 And I want to speak briefly, just for a second,
18 about what the ADW companies did in terms of their revenues
19 at the Santa Anita meet.

20 Using the 77-day period, what we've found is ADW
21 companies' revenues went up, they increased about a million
22 six, total. The ADW, from wagers on California product,
23 went up about a million six between the four of them.

24 Okay. So there was a shifting going on,
25 obviously. TVG could now accept wagers on Santa Anita.

1 XpressBet, which had enjoyed its exclusivity in the past,
2 actually lost as money shifted over.

3 But the interesting thing to me was, with a \$1.6
4 million total increase, TVG, which obviously could not wager
5 on Santa Anita before, received almost \$2 million -- \$2
6 million during the 77 days of the Santa Anita meet, on
7 wagers it facilitated on Santa Anita, both in and out of
8 state.

9 And, remember, we only saw a \$1.6 million increase
10 overall, but TVG ended up with a \$2 million nut there at the
11 end. So it worked out pretty well.

12 I sort of want to summarize, if I can, just
13 briefly go through these and show you, in terms of real
14 dollars and percentages, how we think this plays out at Del
15 Mar, again using these numbers.

16 If we look at handle -- now, I need to get that.
17 Handle, in-state, on California -- on Del Mar's signal,
18 through the ADW companies, we would expect that for the
19 upcoming meet to increase by 56.3 percent. Meaning, through
20 all the ADW companies we should see, on wagers at Del Mar,
21 an increase of roughly 53 percent.

22 Out of state, we would expect a 26.6 percent
23 increase of out of state on Del Mar.

24 If we look at track commissions, in-state, again,
25 Del Mar, we would expect to receive a 10.8 percent increase

1 and a 56 percent increase out of state.

2 Purses are roughly the same thing, 10.8.

3 Although, monetarily, it's slightly less than what the
4 tracks get but, percentage-wise, it's the same thing, 10.8
5 percent in-state, 56.8 percent out of state.

6 And the ADW companies, what they -- how will they
7 benefit through this, as a group? In-state, the ADW
8 retention would increase by 14.5 percent, and out of state,
9 the ADW retention would increase by 22.1 percent, based on
10 our numbers.

11 So, again, our expectations are if we were to
12 continue the experiment, and putting aside for the moment
13 this issue of content exchange, based on this we would
14 expect the same thing to occur in the Del Mar meet. An
15 overall increase in purse revenues derived from ADW, an
16 overall increase in track commissions derived from ADW, and
17 an overall increase in ADW providers' revenues through ADW.

18 Again, what we concluded, as far as TOC and
19 looking at these numbers, is that the experiment was an
20 unqualified success, if you put the interest of the industry
21 at the top of this analyses.

22 And our view, at TOC, is that the ADW became a
23 reality in this State, was supported by the industry of the
24 State because it was going to benefit the industry, benefit
25 stakeholders, and provide additional revenues.

1 And if you look at it from the stakeholders
2 perspective, and even if you include the ADW providers and
3 look at the overall numbers, everybody's benefitted. It has
4 certainly pleased the fans, horsemen, tracks' interests.

5 And we think that what the experiment has
6 definitely proven is that broad distribution of California
7 signals is best for the California racing industry.

8 And we would ask that the experiment continue,
9 because we don't think it is of the best interest of the
10 industry to hold hostage these signals any longer.

11 Thank you.

12 COMMISSION CHAIRMAN SHAPIRO: Thank you, Mr.
13 Couto. All right, you have --

14 COMMISSION VICE CHAIRMAN HARRIS: Well, I don't
15 know, while Drew is up, could you clarify the position of
16 TOC now, as far as withholding the out-of-state signal, kind
17 of where they are on that?

18 MR. COUTO: Yes, Mr. Harris, I'm glad you brought
19 me back up here for that. I let Mr. Fravel know that I
20 think he misspoke.

21 We have not issued -- yes, he misspoke. We have
22 not -- and it's the letter that he hasn't seen, so I can
23 understand that.

24 But we have not issued a letter saying that we
25 will not allow interstate simulcast to occur. What we have

1 said, in terms of our press release and in the authorization
2 for CARF is, that absent continuation of the experiment, in
3 order to have the interstate simulcast out of state proceed,
4 we're asking that the ADW companies negotiate with THG on
5 the terms of those interstate simulcasts.

6 So all we've said is in order to have that
7 continue, they need to sit down with THG and work something
8 out.

9 COMMISSION VICE CHAIRMAN HARRIS: So the issue,
10 though, is they were to negotiate or to cut a deal?

11 MR. COUTO: THG is simply our broker agent. The
12 authority to enter into a deal resides with TOC.

13 So what we have asked is the ADW companies sit
14 down with THG and begin the negotiations for the terms and
15 conditions under which those interstate simulcasts will
16 occur.

17 COMMISSION VICE CHAIRMAN HARRIS: Because I'm not
18 quite clear on the Horse Racing Act, the Federal Act talks
19 about the horsemen's ability, which I think is a good idea,
20 to cut off signals going to --

21 COMMISSION CHAIRMAN SHAPIRO: Well, they have
22 consent rights.

23 COMMISSION VICE CHAIRMAN HARRIS: Consent rights.
24 Well, traditionally, that was to certain states; wasn't it?
25 I think it originally came up was where it was only going to

1 benefit Greyhound racing and you could cut it off.

2 But, now, you're not really talking about a state,
3 you're really talking about a system. But you think the
4 Interstate Horse Racing Act does cover ADW systems, as well?

5 MR. COUTO: Correct. What we're talking about,
6 and it doesn't matter who's facilitating, is you're talking
7 about an interstate wager. And under the IHA, not only do
8 we have consent rights, but we have the right to set terms
9 and conditions, which we do. And TOC has done, basically,
10 since its inception in 1995, the official organization.

11 So what we are entitled to do, as advised by anti-
12 trust counsel, is that we're entitled to appoint a broker or
13 agent to negotiate on behalf of us, reserving to TOC the
14 right to make decisions about the terms that will be
15 acceptable to us. So that's all we have indicated is that
16 if this experiment is not going forward, the ADW companies
17 must sit down THG and begin to negotiate, on our behalf, the
18 terms under which this will go forward.

19 And if an ADW company elects not to sit with THG,
20 well, then, they have chosen, not us, to not engage in a
21 discussion about how the -- about how Interstate wagering
22 will occur.

23 So the onus, in one sense, from our perspective,
24 is to the ADW companies to reach out to THG, if their intent
25 is not to continue the experiment. They have to make

1 up -- that's their choice. If they choose to not go forward
2 with the experiment, then their choice is to talk to our
3 agent and work out whatever the terms will have to be.

4 COMMISSION VICE CHAIRMAN HARRIS: So the actual
5 out-of-state simulcast would continue, it wouldn't be
6 impacted. I mean, two different racetracks, and satellite
7 facilities, and all that could well go on, but the ADW
8 segment would just be in California, they couldn't --

9 COMMISSION CHAIRMAN SHAPIRO: Correct, it is out
10 of state that he's talking about.

11 COMMISSION VICE CHAIRMAN HARRIS: Yeah.

12 MR. COUTO: And it's just limited to the ADW, the
13 interstate ADW.

14 COMMISSION VICE CHAIRMAN HARRIS: So the other
15 providers could take bets from Californians, but it couldn't
16 take bets from anybody -- it's not by state, it's just that
17 they couldn't take bets from anybody --

18 COMMISSION CHAIRMAN SHAPIRO: It's out of state
19 and it does not affect simulcast facilities.

20 MR. COUTO: The way to look at that is that we're
21 talking about wagers placed on California signals by out-of-
22 state residents.

23 The in-state ADW is also interstate wagering
24 because of the use of the wires, and the fact that they're
25 hubbed outside. But we have a statute here that --

1 COMMISSION CHAIRMAN SHAPIRO: That limits it.

2 MR. COUTO: -- controls it, and we have no intent
3 to hold that hostage.

4 COMMISSION VICE CHAIRMAN HARRIS: Okay, I just
5 wanted to clarify how it works.

6 COMMISSION CHAIRMAN SHAPIRO: Okay. Okay, thank
7 you, Mr. Couto.

8 MR. COUTO: Thank you.

9 COMMISSION CHAIRMAN SHAPIRO: Okay, Mr. Fravel
10 needs to rebut something.

11 MR. FRAVEL: Having misspoken, I do want to make
12 it clear one thing, in response to Mr. -- Commissioner
13 Harris's last statement. Craig Fravel, Del Mar.

14 The implication of -- let's assume all the ADW
15 companies do not negotiate a deal and close it with respect
16 to the out-of-state signal for Del Mar, and the experiment
17 does not continue? I mean, I think that's the worse case
18 scenario.

19 That means that Del Mar is limited, in terms of
20 its distribution, to California residents betting through
21 TVG, and that would be the only thing.

22 So there would be no -- there might be YouBet, I'm
23 not clear on that one, but there wouldn't be any Twin Spires
24 or XpressBet taking bets in California, on Del Mar.

25 COMMISSION CHAIRMAN SHAPIRO: And if TVG isn't

1 taking bets from all over the country, they may limit their
2 television. Possibly, I don't know.

3 MR. FRAVEL: Well, you know, I hope not.

4 COMMISSION CHAIRMAN SHAPIRO: Well, I hope not. I
5 hope none of this happens --

6 COMMISSION VICE CHAIRMAN HARRIS: It would be an
7 awkward situation.

8 MR. FRAVEL: I hark back to this that there's got
9 to be a deal in here somewhere.

10 COMMISSION CHAIRMAN SHAPIRO: I agree.

11 MR. FRAVEL: Okay.

12 COMMISSION CHAIRMAN SHAPIRO: Can we -- I'd like
13 to finish, two more cards.

14 MR. BLONIEN: Could I interrupt for purposes of
15 introduction?

16 COMMISSION CHAIRMAN SHAPIRO: Sure.

17 MR. BLONIEN: I'd like to introduce a member of
18 the Legislature, who has just joined us.

19 COMMISSION CHAIRMAN SHAPIRO: Wonderful.

20 MR. BLONIEN: And he happens to be the Chair of
21 the Assembly Governmental Organizations Committee, and a new
22 Chair of the Assembly Governmental Organizations Committee,
23 and representing the City of Inglewood, the Honorable Curren
24 Price.

25 COMMISSION CHAIRMAN SHAPIRO: How are you?

1 (Applause.)

2 COMMISSION CHAIRMAN SHAPIRO: Welcome, and it's a
3 pleasure to have you here.

4 MR. PRICE: Well, it's my pleasure, Mr.
5 Commissioner, and Members, I look forward to working with
6 you on the exciting issues that face the industry, and the
7 unique perspective that you have as well. So I look forward
8 to working with you.

9 COMMISSION CHAIRMAN SHAPIRO: Well, thank you. I
10 will tell you, on behalf of all of us in the room, we
11 clearly want to work with you and we clearly would like your
12 help. This is an industry that's going through transition.

13 And if you've listened to much of our meeting,
14 you'll see that we're challenged in many ways, but there's a
15 lot of good people and a lot of good jobs at stake here, and
16 we need the help of our friends in the Legislature. So we
17 do appreciate you coming here and working with you.

18 MR. PRICE: Well, count me as a friend. I know
19 several of you, look forward to meeting you all, and working
20 cooperatively, together.

21 COMMISSION CHAIRMAN SHAPIRO: Well, thank you
22 again, very much.

23 MR. PRICE: Thank you.

24 COMMISSION CHAIRMAN SHAPIRO: All right, I will
25 continue, now, and I will ask William Anton, you have a

1 card. Do you have a comment on this?

2 MR. ANTON: Bill Anton, CTT. The only thing we'd
3 like to bring up to the Board is that we do believe in free
4 enterprise. We'd like to see this experiment go longer, but
5 at least to the end of the year, so you can get a good
6 picture of everything that's happening, and then go ahead
7 and go from there, thank you.

8 COMMISSION CHAIRMAN SHAPIRO: Thank you. Thank
9 you, Bill.

10 Michael Power.

11 MR. POWER: Michael Power, CTBA Board Watch.

12 One question, is there any state prohibition
13 against the State of California becoming an ADW provider?

14 COMMISSION CHAIRMAN SHAPIRO: I have no idea.

15 MR. POWER: Would it be possible for the CHRB to
16 sit down with Ms. Bryant, of the Governor's Office, and say,
17 we would like to be considered as an ADW provider,
18 ourselves, let all the profits flow to the industry, rather
19 than to private enterprise.

20 COMMISSION CHAIRMAN SHAPIRO: Well, I don't know
21 that Ms. Bryant is the right person to have that discussion
22 with at all. I think that if it was something that the
23 Board thought it was worth doing, I'm assuming we would have
24 our Executive Director explore that and look into -- you
25 know, if the Board that was something worth looking at, we

1 can ask Mr. Breed to do that.

2 MR. POWER: Would you put that on the Board's
3 agenda, for the future?

4 COMMISSION CHAIRMAN SHAPIRO: Well, I don't know
5 that we'll put that on the agenda. I mean, it's something
6 that why don't we just -- I mean, I don't know. Mr. Harris?

7 COMMISSION VICE CHAIRMAN HARRIS: Well, I don't
8 think the State really wants to get into that business. I
9 mean, there would be a lot of private individuals, or a
10 group could do it on their own, but it's not something, it's
11 not really a State function to be an ADW --

12 MR. POWER: Well, the State runs the lottery.

13 COMMISSION VICE CHAIRMAN HARRIS: And they're
14 trying to sell that.

15 MR. POWER: And it's not given to private
16 enterprise to run, yet?

17 COMMISSION VICE CHAIRMAN HARRIS: Well, they
18 haven't done that great doing that.

19 MR. POWER: So why don't we think in the positive
20 sense, instead of finding ways to kill it. Why don't we
21 think about the State in relation --

22 COMMISSION CHAIRMAN SHAPIRO: I don't know about
23 the State. Maybe there are other ways to conduct ADW.
24 Personally, I'm not one for thinking that government can
25 necessarily run things as entrepreneurs.

1 Therefore, what I would suggest is that maybe
2 there are other organizations or nonprofits that would want
3 to do it, not necessarily the State of California.

4 MR. POWER: Well, we have four or five now, and we
5 see the bickering that's evolved from that.

6 COMMISSION CHAIRMAN SHAPIRO: They're all profit
7 motivated.

8 MR. POWER: Perhaps, just to suggest as an option,
9 to solve the purse problems in California, to solve the
10 breeding industry problems, that we should cut out the
11 middle man and get involved ourselves. When I say
12 ourselves, I mean the State, the people of California. Why
13 not?

14 COMMISSION CHAIRMAN SHAPIRO: Well, again, Mr.
15 Power, it's an interesting concept, it's something that I
16 think we can -- each of us can talk about. And if there's a
17 consensus of the Board that wants to have this heard,
18 they'll contact Mr. Breed and we'll go from there.

19 MR. POWER: Could we have something a little more
20 definite in terms of time?

21 COMMISSION CHAIRMAN SHAPIRO: Well, not really,
22 because you're coming up with something that is part of an
23 agenda item, where we're reviewing an existing system.

24 MR. POWER: I understand that.

25 COMMISSION CHAIRMAN SHAPIRO: And so I'm not going

1 to say, oh, yeah, we'll do that by next week because,
2 frankly, we're backed up with lots of other things, as you
3 well know.

4 MR. POWER: I do know. And I appreciate your
5 time.

6 COMMISSION CHAIRMAN SHAPIRO: All right, thank
7 you. Thank you very much.

8 MR. POWER: Thank you.

9 COMMISSION CHAIRMAN SHAPIRO: Okay, I believe that
10 that pretty much deals with the discussion. I think we've
11 had a good discussion here. So it's not an action item.
12 But what I am going to do is, with the consent of the rest
13 of the Board members, I'm going to ask Commissioner Harris,
14 you, to join me and, in fact, for us to put a meeting
15 together with the various ADW companies and stakeholders, to
16 try and get locked in a room to see what we can do. And I
17 would propose to do that the week immediately subsequent to
18 the July 4th weekend, if that's okay with you, and that's
19 okay with the other Commissioners.

20 COMMISSION VICE CHAIRMAN HARRIS: That's fine.

21 COMMISSIONER CHOPER: That's fine.

22 COMMISSION CHAIRMAN SHAPIRO: All right, so is
23 there anybody, of all of the people that made presentations,
24 the ADW companies, the horsemen, or anybody else, is there -
25 - the tracks, anybody have an objection to having such a

1 meeting?

2 There's no objection.

3 COMMISSION VICE CHAIRMAN HARRIS: One of the
4 issues, I think, would be -- would be to get a deal out of
5 the meetings which, really, the CHRB can't do much about,
6 except for a bully pulpit type posture.

7 But would there be any chance of the parties
8 agreeing to some version of arbitration, or mediation, or
9 something?

10 COMMISSION CHAIRMAN SHAPIRO: Well, I don't think
11 we're going to find that out today. I think that's what
12 we're going to meet with them about. I don't think we want
13 to do it in a public forum, in a recorded meeting.

14 COMMISSION VICE CHAIRMAN HARRIS: Yeah.

15 COMMISSION CHAIRMAN SHAPIRO: So there was no
16 objection and so, therefore, what we will do is
17 everybody -- all the ADW companies, and the tracks, and the
18 horsemen, please plan that there will be a meeting -- I
19 don't have my calendar in front of me. But immediately
20 after the 4th of July, that week.

21 All right, we'll move on in our agenda, if I can
22 find the damn thing. I got them mixed up. Thank you.

23 Okay, Item Number 8, discussion by the Board
24 concerning the progress and planning for the thoroughbred
25 racing alternatives in Northern and Southern California,

1 including options. Combined race meetings, financing
2 arrangements for track improvements. And time schedule for
3 proposed improvements, develop of plans for race dates,
4 stabling, and related issues. Item Number 8.

5 Jackie, do you -- is there an introduction to
6 this?

7 STAFF SERVICES MANAGER WAGNER: At our last Board
8 meeting, the Committee -- excuse me, the Chairman asked that
9 the stakeholders get together and provide staff, and the
10 Board, with their plans in progress for alternative racing
11 in Northern and Southern California, given the current
12 situation that we are in, with the closure of Bay Meadows,
13 and the possible closure of Hollywood Park.

14 In anticipation of that, staff contacted the
15 stakeholders and asked them to submit their progress and
16 plans thus far, as to where they are in making alternative
17 suggestions for 2009 racing season and beyond.

18 That information is included in the package, and
19 we do have the stakeholders here, who are prepared to make a
20 presentation to the Board.

21 COMMISSION CHAIRMAN SHAPIRO: Okay, thank you,
22 Jackie.

23 So let me put Mr. Liebau on the spot for a moment,
24 if I can. Mr. Liebau, I'm assuming that there -- if you
25 wouldn't mind, why don't you take a seat, or stand, or

1 something.

2 Mr. Liebau, with respect to Bay Meadows, August is
3 going to be, I guess, the San Mateo County Fair. I'm
4 assuming there's nothing on the horizon or any changes that
5 are going to change, that Bay Meadows is going to close
6 thereafter; is that correct?

7 MR. LIEBAU: That is correct. We've,
8 unfortunately, had to send out our letters, under the Warren
9 Act, to most of our employees, saying that there was going
10 to be a mass layoff. And shortly, as soon as it's
11 determined as to how long we will stay open as an
12 accommodation to the horsemen, there will be another letter
13 that will go out that will terminate all of the remaining
14 shareholders -- not shareholders, but employees.

15 COMMISSION CHAIRMAN SHAPIRO: Okay. And I know
16 that's not something that you enjoyed doing.

17 With respect to Hollywood Park, it's my
18 understanding that you have committed to race through the
19 spring meeting of 2009, and that you would provide what I'll
20 call a running six months notice thereafter, or as part of
21 that. Is that correct or is there any --

22 MR. LIEBAU: It's all set forth in Mr. Goodrich's
23 memo, that's in your packet, and that is correct.

24 COMMISSION CHAIRMAN SHAPIRO: And there is no
25 change --

1 MR. LIEBAU: Subject, of course, to us being
2 allocated our historic dates.

3 COMMISSION CHAIRMAN SHAPIRO: Fine. Okay.

4 MR. LIEBAU: Which is all in your hands.

5 COMMISSION CHAIRMAN SHAPIRO: And I appreciate
6 that. And there's no changes on the horizon, in any way,
7 with respect to Hollywood Park that we don't know about,
8 then?

9 MR. LIEBAU: Or that I don't know about.

10 COMMISSION CHAIRMAN SHAPIRO: Or that you don't
11 about, fine. Okay.

12 All right. So that kind of then leaves us where,
13 if I understand where we stand in both Northern and Southern
14 California, in Southern California, I think it would be
15 prudent to hear from representatives of Santa Anita, Del
16 Mar, the horsemen, Fairplex, whomever, to tell us what the
17 plans are. Because it would appear that we need -- the most
18 critical -- or one of the most critical issues is stabling.
19 And as I understand it there, it is to improve Fairplex.

20 And as we spoke about earlier in the meeting, we
21 need to find the funds to do that.

22 So I guess you're the designated spokesman to tell
23 us?

24 MR. FRAVEL: Craig Fravel, designated victim.

25 (Laughter.)

1 MR. FRAVEL: Yeah, Mr. Chairman, we have done a
2 lot of work in the last several months. And when I say we,
3 I mean primarily the staff and consultants for Fairplex
4 Park. And Fairplex has in place at least a preliminary plan
5 for the expansion of the stable area, racetrack, creation of
6 a turf course, dormitories, which I think in a number of
7 different meetings Board members have received copies of the
8 current proposed modifications to Fairplex.

9 And the industry, I think, has coalesced around
10 Fairplex as the long-term option for stabling, for training
11 purposes. And we have a piece of legislation that has moved
12 through committee, that we'll be continuing to work on for
13 the next month to fine tune, to create a financing mechanism
14 that will be available for financing improvements at
15 Fairplex. I believe that bill will also contemplate
16 financing mechanisms for the Northern California tracks.
17 But right now, we're still working on sort of a number of
18 different details related to municipal finance, and other
19 relevant issues, so that we can create the right kind of
20 funding entity that would be available for the financing.

21 So I would think within the next month we will
22 have completed a piece of legislation that we will sit down
23 at the Board and review, so that everybody's on the same
24 page, and hope for the industry to be able to support that.
25 Because absent that funding mechanism, we're not going to be

1 able to pay for the improvements, which are extensive.

2 COMMISSION CHAIRMAN SHAPIRO: So great, and I
3 think we have to do that.

4 In our packets, the Southern California calendar
5 looked like this, okay, which is nothing.

6 MR. FRAVEL: Well, candidly, the agreement with
7 Hollywood Park, for 2009, is the rest of the industry is
8 supportive of their allocation of their historical race
9 dates, with the understanding that if they were not going to
10 run their fall meet that the industry would have six months
11 notice of that.

12 There's also a bill that is moving, has moved,
13 that would permit the flexibility in racing dates so that
14 the Board could reallocate dates to different venues,
15 particularly the Fairplex dates, if that facility were
16 unavailable for racing as a result of construction
17 activities.

18 COMMISSION CHAIRMAN SHAPIRO: So my question is to
19 you, though, so okay, is what the industry proposing to us
20 is that in Southern California we should essentially move
21 forward to allocate the historical race dates for 2009, and
22 are you going to propose that should Hollywood park,
23 unfortunately, not be in a position to race their fall
24 meeting who's -- is there going to be a backup plan should
25 that occur?

1 MR. FRAVEL: Let me respond to that. The answer
2 to the first part, unless somebody out here disagrees with
3 me, we're going to ask --

4 COMMISSION CHAIRMAN SHAPIRO: Okay.

5 MR. FRAVEL: -- we're going to present a calendar
6 that will contemplate -- and we all hope --

7 COMMISSION CHAIRMAN SHAPIRO: As do we.

8 MR. FRAVEL: We all hope that Hollywood will also
9 run their fall meet in 2009. So I think the industry will
10 coalesce around supporting that calendar. And I would also
11 expect, within the next month or two months, we will have a
12 plan for should we commence construction at Fairplex in a
13 fashion that would preclude them from running their fall
14 meet, their traditional fair meet and, also, should
15 Hollywood Park not decide to run its fall meet, we'll have a
16 contingency plan for those dates, as well.

17 We don't have that right now. Candidly, we have
18 not had extensive meetings on the dates issue. There's some
19 discussions going on with other parties that might be
20 interested in running dates.

21 And we wanted to focus on the most critical issue,
22 which is stabling, before we focus on the contingency plan
23 for dates.

24 COMMISSIONER CHOPER: So I take it you're not at
25 liberty to talk about the details, but what you're doing is

1 giving us some reason to feel --

2 MR. FRAVEL: Well, it's like the gleam in your
3 father's eye, that's kind of where we are right now, there's
4 not much --

5 COMMISSIONER CHOPER: Well, I hope it's better
6 than that.

7 (Laughter.)

8 MR. FRAVEL: It depends on what comes out, right.

9 COMMISSION CHAIRMAN SHAPIRO: Okay. Well, can we
10 then at least get -- I mean, we're at July 1st, now, and I
11 think we need to -- you know, we need to know when there's
12 going to be a plan or when you guys are going to present it
13 to us.

14 MR. FRAVEL: Well, I think by the time you're
15 ready to have a meeting that would be involved in the dates
16 allocation process, that we'll have some -- I'm pretty
17 confident we'll have some alternatives with respect to
18 contingency plans should Hollywood Park not run in '09.

19 And I think, also, probably some calendars to
20 suggest for years thereafter.

21 COMMISSION CHAIRMAN SHAPIRO: All right. Well, I
22 think historically we have done that around September or
23 October, somewhere in there is when we've done the dates and
24 so what I would --

25 MR. FRAVEL: I think we'll be well beyond

1 the --

2 COMMISSION CHAIRMAN SHAPIRO: Well in front of?

3 MR. FRAVEL: Well, in front of you on that one.

4 COMMISSION CHAIRMAN SHAPIRO: Okay, thank you.

5 All right, thank you, appreciate the Southern California
6 update.

7 COMMISSIONER ANDREINI: Mr. Chairman?

8 COMMISSION CHAIRMAN SHAPIRO: Yes.

9 COMMISSIONER ANDREINI: Before we leave the Bay
10 Meadows matter, with the imminent demise of Bay Meadows, is
11 the satellite facility going to stay open there, in San
12 Mateo?

13 COMMISSION CHAIRMAN SHAPIRO: Well, the San Mateo
14 Exposition and Event Center is improving it, and they made a
15 presentation to us that they are working to improve their
16 facility. I did get an update from Chris Carpenter who's, I
17 think, the General Manager of that, and they're moving
18 forward, working as quickly as possible so that there would
19 be a continuation of simulcast wagering at the Event Center.

20 And I've asked him to give us updates, periodic
21 updates to make sure that we're not going to have a lapse of
22 wagering there.

23 COMMISSIONER ANDREINI: Thank you.

24 COMMISSION CHAIRMAN SHAPIRO: Okay? Sure.

25 Okay, so let's now move to the north. Is there

1 somebody who's the anointed spokesman for the north? It
2 looks like two people.

3 MR. TUNNEY: Two anointments.

4 COMMISSION CHAIRMAN SHAPIRO: Two anointees. Oh,
5 wait a minute, we've got a third. All right, anoint away.

6 MR. TUNNEY: Well, I'll start, Peter Tunney,
7 representing Golden Gate Fields. We've had numerous
8 meetings on the dates with all the players, the TOC, the
9 CTT, CARF, ourselves, and on the dates, specifically.

10 We've had a number of meetings, individually, with
11 Pleasanton, about the transition and, you know, what it
12 might look like as a training facility.

13 We did this last summer, as you know, when we
14 closed Golden Gate to put the track in, everybody cooperated
15 and it worked out very well, and so we know what we have to
16 do in this coming year to facilitate this transition.

17 COMMISSION CHAIRMAN SHAPIRO: Okay.

18 MR. KORBY: Chris Korby, California Authority of
19 Racing Fairs. Peter's absolutely right, we've -- all the
20 principals have put a lot of work into developing a
21 calendar.

22 I'd add to that, that we've been working on a
23 three-year plan, which we sent to the Board, and we've been
24 working on a simple principle of looking at blocks of dates
25 in the calendar that can be run at different venues, if

1 necessary, to allow for contingencies over the next three
2 years as we look at major improvements at the Pleasanton
3 facility, with the objective of eventually moving additional
4 dates to Pleasanton.

5 One of the reasons for moving those dates to
6 Pleasanton will be to generate revenue that would allow us
7 to continue the improvements necessary to bring this
8 facility up to a first class standard.

9 COMMISSION CHAIRMAN SHAPIRO: So I've got your
10 calendar of block plans in front of me, and I appreciate the
11 effort that's gone into this. But just a couple, one
12 question, are you going to -- is the goal here to eliminate
13 any overlap, we're not going to have overlapping fairs, and
14 race meets, and everything; correct?

15 Do you want me to ask it, again?

16 MR. BACHMAN: Tom Bachman, TOC, Vice Chairman
17 North.

18 You know, in developing the 2009 calendar, one of
19 our goals was to actually reduce the number of racing days
20 in Northern California, which we were able to do as the
21 fairs, as you will see, are only going to race five-day
22 meets over the Del Mar meet.

23 The one concession that was made in the overlap is
24 to have Humboldt continue to be overlapped currently with
25 the Golden Gate running two weeks in August. And we think

1 that in the Golden Gate situation there will not be the
2 emerging breeds, and so that the emerging breeds and perhaps
3 the lower claiming horses will be sent to Ferndale to
4 strengthen the number of animals available for their
5 program, and at the same time have turf racing continue
6 during the summer with the Sonoma County Fair, as well as
7 Golden Gate having turf racing for a four-week period during
8 the summer.

9 COMMISSION CHAIRMAN SHAPIRO: Who would be the
10 host during that period?

11 MR. BACHMAN: That's to be worked out.

12 COMMISSION VICE CHAIRMAN HARRIS: So if you're
13 concerned about turf racing, why didn't you continue the
14 experiment with Santa Rosa, to give them more of the Vallejo
15 meet.

16 MR. BACHMAN: Vallejo wanted the -- the agreement
17 between Vallejo and Sonoma County ended, and I believe that
18 Vallejo took their week back again, and they will race at
19 their own facility.

20 COMMISSION VICE CHAIRMAN HARRIS: For going
21 forward, though.

22 COMMISSION CHAIRMAN SHAPIRO: He's looking at
23 going forward. Well, okay, and let me just --

24 MR. BACHMAN: Well, but we did not get into the
25 '10 and '11 calendar because we don't know the health of the

1 industry through '09.

2 COMMISSION CHAIRMAN SHAPIRO: All right. Well,
3 you brought up something that I'm not going to say who, in
4 the room, reminded me of it, but they were absolutely right.
5 Which is, I think in 2006 or '07, when we dealt with the
6 fair dates and we were looking at making some adjustments,
7 we were told by the people down at Vallejo that if they
8 couldn't make it, they were not going to race. I don't know
9 if you remember that?

10 And then they went to the experiment where the
11 combined, and it was this was our last gasp, this was our
12 last try. Okay, now they've come back and they want their
13 dates, again. And as we know, that meet has not prospered
14 and it has not done well.

15 So now, where they told us they wouldn't come back
16 for dates, they did come back for dates. They said they
17 would try the experiment as their last gasp, and they've
18 gone back and they've abandoned that.

19 And I have to admit, in hindsight, that at the
20 last Board meeting, where I kind of got a little upset, I
21 would say, I probably took it out on the wrong people, that
22 we had been promised and representations had been made to
23 this Board, and I think the record will reflect it, that
24 they weren't going to come back for dates. They were going
25 to concede that, you know what, there's a lot of racing,

1 there's places to give, and they were going to look to not
2 race if they couldn't add value.

3 Now what you're saying is that they're not only
4 going to want to stay, but we're going to take -- we're
5 going to have more overlap and we're going to impact
6 Ferndale, who doesn't get a fair shot.

7 COMMISSION VICE CHAIRMAN HARRIS: Yeah, because a
8 lot of it's the host fees. I mean, a track could basically
9 do a miserable job in running their meet and still make
10 money, if they are the exclusive host in the north. So
11 that's what distorts things and that's how, historically,
12 Ferndale and Fresno have always been damaged in that they
13 never got to be the host.

14 And I realize there's only so many days, we're
15 trying to keep the majors going, but if fairs are going to
16 go away, we've got to take care of -- or not fairs are going
17 to go away, racing dates are going to get cut, I think,
18 giving Fresno and Humboldt a chance to be an exclusive host
19 would be only logical and would better supply --

20 COMMISSION CHAIRMAN SHAPIRO: And the fairs that
21 are going to be, need to be strengthened and improved, and
22 you guys have got to look at how we're going to put a viable
23 calendar up and going in Northern California. And, you
24 know, I really question and think we should go back and look
25 at what we did with Vallejo.

1 MR. TUNNEY: Well, once again, Mr. Chairman, I
2 think you're speaking to the wrong three individuals.

3 COMMISSION CHAIRMAN SHAPIRO: No, I think --

4 MR. TUNNEY: But to the point that your memory is
5 as the way you explained it, is absolutely correct, from my
6 stand point. That's exactly what took place on the Board
7 level.

8 To Mr. Harris's point that we've eliminated the
9 overlap for the Fresno Fair, and so what is out there right
10 now is the issue of Ferndale, and we've talked about that at
11 length, and talked with Stuart, as well. So it's on the
12 board for consideration.

13 COMMISSION CHAIRMAN SHAPIRO: Well, I think it
14 needs to be on more than just consideration. I think, as
15 there are more dates going to be available, and as the
16 reconfiguration's going forward, as well as -- you know,
17 frankly, I'm angry at myself that I blew it at the last
18 meeting when I didn't remember this. And somebody was nice
19 enough to remind me.

20 But all of that should have been taken into
21 consideration and it should filter back to what we do with
22 Ferndale.

23 MR. TUNNEY: And I'll let Mr. Bachman make --

24 COMMISSION VICE CHAIRMAN HARRIS: Yeah, and it's
25 really not this groups problem, exactly, but the key is

1 nobody owns their dates.

2 COMMISSION CHAIRMAN SHAPIRO: Right.

3 COMMISSION VICE CHAIRMAN HARRIS: And just some
4 historic allocation doesn't really get it, if we've got
5 changing times.

6 MR. KORBY: Well, I'd like to report on the
7 direction that our organization is going, which is to expand
8 the combined meet concept to include all the fairs. And
9 that -- we believe that that gives us the most flexibility
10 as far as approaching which fair venues make the most sense
11 to run the most dates.

12 And if the block of fair dates is run as a
13 combined fair meeting, it allows us to do that more easily.
14 So that's the direction that we're going.

15 COMMISSION CHAIRMAN SHAPIRO: And, Chris, I think
16 you know that we have been pushing and in favor of that.
17 All right, so, you know, when we get down to seeing these
18 specific dates, just be mindful that, you know, personally,
19 I'm not going to look favorably that in 2009 we've got a
20 bunch of overlap, you know, and we're not giving some of the
21 fairs that deserve a chance, a chance to do better and grow.

22 MR. BACHMAN: Chairman Shapiro, Tom Bachman, TOC.
23 Stuart Titus came forward, as did CARF, with a calendar that
24 gave Ferndale five days of unoverlapped racing.

25 And from a horseman and from an owner's point of

1 view, and I think from my perspective, for Ferndale's point
2 of view, in today's conditions, I don't think anybody would
3 ship up there to race for the five days. And I think that
4 people would just take a break in Northern California, and
5 we might lose horses from Northern California for the
6 circuit, because you had a week break in the middle of
7 August.

8 In other words, if Ferndale would have run
9 unoverlapped for a single week in August, and be a host, I
10 think racing would suffer in Northern California and I
11 think, actually, that Ferndale would suffer in Northern
12 California.

13 COMMISSION VICE CHAIRMAN HARRIS: I would differ
14 with you on that. I think it wouldn't be a problem. And we
15 have week gaps in racing over Christmas, and all kinds of
16 things, and I think it would be a big boost for CARF. I
17 could see if you didn't overlap them at all, but I mean,
18 five days of overlap is not going to dramatically change
19 things.

20 COMMISSION CHAIRMAN SHAPIRO: How are you going to
21 know if you never try?

22 MR. BACHMAN: Nine days unoverlapped.

23 COMMISSION VICE CHAIRMAN HARRIS: That's right,
24 nine days --

25 MR. BACHMAN: Where there would be no other

1 racing?

2 COMMISSION VICE CHAIRMAN HARRIS: Well, there
3 would be no other -- well, we got Humboldt would be racing,
4 and Del Mar would be racing, and I think it would be an
5 experiment, we try experiments all the time. I guarantee
6 you that the horsemen aren't going to ship out of Northern
7 California to Idaho, or someplace, because there's a five-
8 day gap. I mean, I'm not -- I'll guarantee you that not
9 every horse in Northern California is going to go to
10 Ferndale, I'll stipulate that, but some of them would, and
11 it would be a different type of racing. But it would allow
12 them, by being the exclusive host, to do a lot of things
13 that they haven't been able to do previously.

14 I don't think they're really want to change the
15 tenor of their meet that much, but they could give horses
16 down here a little bit of a break and make it work.

17 COMMISSION CHAIRMAN SHAPIRO: You know --

18 MR. BACHMAN: Commissioner Harris, you're
19 describing, from my point of view, and from an owner's point
20 of view, something that will make financial health to
21 Ferndale but, in fact, impact the racing in Northern
22 California during that period, if you're an owner and you
23 want to race your horse.

24 COMMISSION CHAIRMAN SHAPIRO: Mr. Bachman, Mr.
25 Bachman, I don't think we're looking to debate, today, those

1 issues. I just think the point is that it's something that
2 I think we would like people to be cognizant of, to
3 consider, as they're planning these blocks out, to look at
4 what we can do to improve the health of everybody and deal
5 with some of the -- you know, whether it's combined race
6 meetings, or eliminating certain meets that historically
7 have run, let's take all of those things into consideration.

8 COMMISSION VICE CHAIRMAN HARRIS: I think we've
9 got to look, too, it is broke, we've got to try different
10 ways to do it. We just keep doing it the same way and it
11 might not be the best way.

12 COMMISSION CHAIRMAN SHAPIRO: Okay. Thank you,
13 appreciate it. If the Board doesn't have any other
14 conversation on that, let me check my cards and make sure I
15 didn't miss anybody.

16 He spoke, wasn't very interesting, anyway. He
17 spoke.

18 Linda Schinkel. Is Linda here? Did I mangle your
19 name, Linda?

20 MS. SCHINKEL: Yeah, yeah, you did very good,
21 actually. It's Schinkel, so you're close.

22 COMMISSION CHAIRMAN SHAPIRO: Schinkel, okay.

23 MS. SCHINKEL: Yes.

24 COMMISSION CHAIRMAN SHAPIRO: Okay, Linda
25 Schinkel, you're friends of Bay Meadows, what can we do for

1 you?

2 MS. SCHINKEL: Yes, thank you. I just wanted to
3 say, you know, I certainly realize that -- yes, my name is
4 Linda Schinkel, I'm with Friends of Bay Meadows, we're a San
5 Mateo based citizens group. We're working to -- we're
6 attempting to preserve historic Bay Meadows Race Track.

7 And, you know, I just wanted to make a comment
8 that, you know, I realize that you gentlemen are challenged
9 with planning alternative racing schedules here, in
10 California, and you certainly need to count on facilities
11 that you believe are still going to be standing a year from
12 now.

13 And, you know, I certainly can't speak for the Bay
14 Meadows Land Company, as far as if they ever do intend to
15 race. A representative of the Land Company, this week, told
16 me that he -- you know, and I think he was sincere, he
17 believes that horse racing is a dying industry in
18 California. You know, I've known the gentleman for some
19 time and I've heard him remark several times in public, that
20 Bay Meadows is not a historic racetrack. So I'm not worried
21 about racing going on here, in Northern California.

22 Perhaps, even with the loss of Bay Meadows or even
23 with the loss of Golden Gate, I think that thoroughbred
24 racing would go on in some form, on the fair tracks.

25 The founder of Bay Meadows Race Track, Bill Kyne,

1 had a very active hand in starting racing at the fairgrounds
2 under the pari-mutuel system in 1933. I think it's
3 something that the industry should certainly be very proud
4 of.

5 However -- yes. Yes, I would -- at this point, in
6 this juncture, I think where California horse racing is
7 possibly faced with the loss of two historic racetracks, I
8 would urge creativity, imagination, not to give up. I think
9 it's a truth, this morning, that Bay Meadows future as a
10 facility is uncertain.

11 We have an October court date. Our attorney's
12 assured me, yesterday, that we do have the necessary legal
13 tools to keep the structure in one piece until we get a
14 court review.

15 And I would just like to remind everybody here
16 that I think, you know, you certainly are the future of
17 racing in California. And it's a time, the roughest
18 road -- I think the road is kind of choppy right now, and it
19 is a time to keep possibilities open.

20 That there are models, such as Del Mar, for some
21 of these historic tracks.

22 And even, you know, if a major track could be
23 built in Northern California, you can't recreate that
24 history, and that history is priceless.

25 And I do regret the uncertainty that our lawsuit

1 is prolonging in the Bay Meadows issues, and it was weighed
2 before we decided to file this lawsuit, but I believe that
3 the value of that history is so important. We learn from
4 other generations. We can't recreate the wheel in a
5 lifetime.

6 This industry can benefit from the values of
7 William P. Kyne. I think very much so, across the country.

8 Thank you very much.

9 COMMISSION CHAIRMAN SHAPIRO: Thank you very much.

10 MS. SCHINKEL: Bye-bye.

11 COMMISSION CHAIRMAN SHAPIRO: Appreciate the
12 comments.

13 Okay, I'm going to now move forward to Item Number
14 9 on the agenda. Discussion and action by the Board on the
15 distribution of race day charity proceeds of the Oak Tree
16 Charitable Foundation in the amount of \$78,213 to 21
17 beneficiaries. I think we all have them in our packets, we
18 are aware of what they are.

19 I would move that we approve them and thank the
20 Oak Tree for the generous donations. Is there a second?

21 COMMISSION VICE CHAIRMAN HARRIS: Second.

22 COMMISSION CHAIRMAN SHAPIRO: All in favor?

23 (Ayes.)

24 COMMISSION CHAIRMAN SHAPIRO: Thank you very much.

25 Okay, public comment. Linda Slocum Lara. Did I

1 get it right, Linda Slocum --

2 MS. LARA: Linda Slocum Lara.

3 COMMISSION CHAIRMAN SHAPIRO: Thank you. Hi,
4 Linda.

5 MS. LARA: Thank you. Hi, how are you?

6 COMMISSION CHAIRMAN SHAPIRO: What can we do for
7 you?

8 MS. LARA: I just wanted to say, I don't belong to
9 any group, any organization, any board, I'm just a member of
10 the public and a fan.

11 COMMISSION CHAIRMAN SHAPIRO: Good.

12 MS. LARA: And I just wanted to put in my two
13 cents, in a general capacity, if I may. And I wanted to say
14 that I'm also the daughter of a retired jockey, and the
15 granddaughter of owners and trainers. I'm a member of the
16 public and a fan.

17 And I wanted to say that none of my comments are
18 in any way meant to be critical or disrespectful of your
19 hard work and your diligence.

20 So that being said, my comments have to do with
21 all of the pending regulations, and re-regulations, and
22 mandates, and reorganizations to better the horse racing
23 industry in California, that I've heard today, here, and
24 that I hear or read in your minutes, or read in articles,
25 newspaper, Blood Horse, whatever.

1 All of these things are done to protect California
2 horse racing industry, the horses, the jockeys, and all of
3 the connections. But as a member of the public and a
4 resident, and a resident of San Mateo, and a passionate fan,
5 there's no fans here today, and fans were brought up several
6 times today, I wanted to say that it's very heartbreaking,
7 the pending closure of Bay Meadows, and the extraordinary
8 disruptions to the California Horse Racing industry due to
9 its closing, and also the pending closure of Hollywood Park.

10 So my question to you, as the California Horse
11 Racing Board is, is there any way you can create
12 regulations, and mandates, and maybe put this on a future
13 agenda that there can be discussions made, and rules, and
14 mandates, and regulations made to prevent people, like Terry
15 Fancher, and Bay Meadows Land Company, and Stockbridge
16 Capital Partners purchasing California racetracks, and then
17 destroying them, and developing them, and putting such a
18 monkey wrench in this industry, which is what I've been
19 hearing all day today here.

20 I'm saying that sincerely that, as a fan, and I
21 think I represent a lot of fans, we're sad to see the
22 disruption and the disarray that the industry is in, just as
23 you are, and we know you all work hard to try to do
24 something about it.

25 But I just wanted to make those comments and ask

1 you to consider that. I don't know what that would be, some
2 kind of legislation --

3 COMMISSION CHAIRMAN SHAPIRO: Well, let me try to
4 respond to you, Ms. Lara.

5 MS. LARA: Okay.

6 COMMISSION CHAIRMAN SHAPIRO: Okay, first of all,
7 I think everybody in this room has a lot of respect and
8 sadness to -- with the reality that Bay Meadows is going to
9 close, and the same if it occurs with Hollywood Park. Each
10 of us has our own memories, our own connection to those
11 racetracks. And that includes, in my opinion, even the
12 people that own them today and are closing them.

13 I believe there's a large group of them that feel
14 sad about it.

15 But they're private properties. And just as, you
16 know, people can buy private property and they can do with
17 it, you know, that's the way our -- that's what America's
18 all about.

19 And, unfortunately, these tracks have been
20 purchased, the people that bought them don't see the
21 economic benefit, and so we can't do much about it. I mean,
22 we appreciate all the efforts made by people that care.

23 MS. LARA: And forgive me, I'm not trying to
24 interrupt you, I'm not assuming that you can do anything
25 about it. I think --

1 COMMISSION CHAIRMAN SHAPIRO: Well, you just asked
2 if we could do something so that Mr. Fancher couldn't buy
3 another racetrack or something.

4 MS. LARA: Well, consideration for the future.

5 COMMISSION CHAIRMAN SHAPIRO: I don't think this
6 Board can do anything. I don't think this Board has the
7 ability to do anything.

8 MS. LARA: Okay. Well, as Mr. Powers mentioned
9 earlier, just something to think about.

10 COMMISSION CHAIRMAN SHAPIRO: Okay.

11 MS. LARA: I'm just using this venue to give
12 everybody something to think about.

13 COMMISSION CHAIRMAN SHAPIRO: And I appreciate you
14 came here.

15 MS. LARA: We all seem to be very concerned about
16 the dire straits of this industry, and that's one of my
17 concerns. Whether it's a valid concern or not, I'm just
18 sharing it with you.

19 And another point I wanted to make, thank you for
20 your time very much, but another footnote, I noticed in the
21 meeting here, today, this is the first one I've ever been
22 to, so it's all brand-new to me, and I'm a little bit
23 nervous, but I'll say the only time that this room was
24 completely quiet and everybody was listening attentively,
25 was when the discussion was about money. I noticed that.

1 Every other subject that was on the agenda today, there was
2 all kinds of other conversations going around. But when the
3 subject was about money, the ADW discussion, the room was
4 very quiet, like a library.

5 So I want to say what's happened to the sport?
6 Without the sport, you have no fans. And without the fans,
7 you have no money. Thank you.

8 COMMISSION CHAIRMAN SHAPIRO: Thank you very much.

9 Mr. Liebau?

10 MR. LIEBAU: My name is Jack Liebau, and I'm
11 talking on behalf of Bay Meadows and Hollywood Park, that
12 are owed upwards of \$200,000 in location fees by the
13 Sacramento Harness.

14 I will say that I had requested, at least on three
15 separate occasions, to be placed on the agenda today, and
16 I'm somewhat disappointed that was not the case.

17 I do understand that the subject is going to be
18 discussed in Executive Session, and that's the reason it did
19 not go on the agenda. I think that's true, from what I've
20 been told.

21 Therefore, I am taking my opportunity here to make
22 my case, again, as to the priorities that these location
23 fees have. And I may point out that it's not just Jack
24 Liebau, Bay Meadows and Hollywood Park are up here, I
25 actually have some white hats in that there are a number of

1 fairs that are owed location fees, that are of the same
2 amount that Bay Meadows are.

3 I think that Mr. Korby will subsequently confirm
4 that those fairs are also owed upwards of \$200,000.

5 I will point out that this was a subject of a
6 meeting and an agenda item on April 24th, and was thoroughly
7 discussed at that meeting. I had urged all of you to review
8 that transcript at that point in time.

9 I will just read a couple excerpts from it. And I
10 have to say that having read those, I have now decided that
11 Chairman Shapiro is not quite as powerful as I thought he
12 was, because what he directed and what I thought the Board
13 had, in fact, determined has not been carried out.

14 And on the transcript, Mr. Shapiro says, "on the
15 other hand, I believe the Board does, I agree with Mr.
16 Liebau, we have an obligation to enforce, statutorily, what
17 the law requires. And for that reason, I believe that our
18 staff and our counsel should be involved with respect to
19 those issues."

20 There's been absolutely nothing that has happened
21 since that date.

22 Again, Commissioner Shapiro says, "and I think
23 that's what we should be telling Sacramento Harness, and/or
24 whoever's holding the money that is due Sacramento Harness,
25 that these are lawful obligations, they need to remit these

1 monies."

2 "Commissioner Harris: But how do we force the
3 issue, though, what are we actually -- you know, we can't
4 just tell them to do it, we've got to have some kind of club
5 to get them to do that."

6 And Mr. Shapiro was quite adamant, and I have to
7 say for this time, I'm in total agreement with what he said.

8 COMMISSION CHAIRMAN SHAPIRO: Oh, stop.

9 MR. LIEBAU: And Mr. Shapiro says, "well, I think
10 we do have a club. We have a club and that is the law. And
11 that I believe our staff will, working with counsel, can
12 order them and order these parties to make payments pursuant
13 to the Horse Racing Law. Now, if they don't make them, you
14 know, they face those consequences."

15 Commissioner Choper says, "well, we jump off the
16 bridge when we come to it."

17 We've come to the bridge and nothing has happened.
18 I'd just like to review the law, just briefly, as to what
19 it -- why this Horse Racing Board has that authority. And I
20 know that I'm repeating something, because I'm sure that all
21 of you are well aware of the mandate that the California
22 Horse Racing Board has.

23 First, in the constitution, the Legislature is
24 granted the authority to regulate horse racing, and horse
25 race meetings, and wagering results. And it goes on to say,

1 "Legislature enacted section 19420, which gave the Board and
2 charged it with the jurisdiction and supervision over
3 meetings in California, where horse races, with wagerings on
4 their results are conducted, and over all persons or things
5 having to do with the operation of such meetings."

6 It goes on and says that "you're responsible for
7 the administration and enforcement of laws, rules and
8 regulations affecting horse racing and pari-mutuel
9 wagering."

10 It goes on after that to have specific
11 distributions that are supposed to be made from a wager
12 that's made at the track, and that's what we're talking
13 about here today.

14 The law specifically says what is to happen with
15 the money that's wagered. And what is really here and is
16 now being questioned, because of the lack of any action, is
17 the integrity of the pari-mutuel pools here, in California.
18 And there is a definition, in the law, of what pari-mutuel
19 wagering is.

20 Pari-mutuel wagering is where the track, who takes
21 the bet, acts as a stakeholder, and they take the money and
22 they disburse it accordingly.

23 If you come to the conclusion that those
24 distributions are not mandatory, let me tell you what you're
25 doing, you're saying that every wager that's placed here in

1 California, that the track becomes -- the track is a general
2 creditor, or that the person making the bet becomes a
3 creditor of the track.

4 The implications of that is unbelievable. Because
5 what you're going to do then is when you go through these
6 license applications, you're going to have to assure that
7 the public is going to get their money, and you're going to
8 have to have bonds that no tracks are going to be able to
9 post.

10 COMMISSIONER CHOPER: Can I interrupt?

11 MR. LIEBAU: Absolutely.

12 COMMISSIONER CHOPER: I think I understand you.
13 What, specifically, would you have the Board do today?

14 MR. LIEBAU: First of all, I was genuinely
15 impressed by the fact that the Board was going to have a
16 meeting, and draw people together, about ADW, when they said
17 that they had no jurisdiction over it.

18 I can tell you in the past, when we had questions
19 like this, we all got told that we better come up to
20 Sacramento, and meet, and get this thing ironed out. So
21 that's one thing that could do.

22 Another thing that could help is that if you could
23 just --

24 COMMISSIONER CHOPER: I'm sorry, I missed.

25 COMMISSION VICE CHAIRMAN HARRIS: Isn't the issue,

1 though, that --

2 COMMISSIONER CHOPER: The question of the money,
3 how --

4 COMMISSION VICE CHAIRMAN HARRIS: The money -- the
5 problem is, I understand the money that Sacramento Harness
6 should be paying you, but they don't have any money, but you
7 feel they have a receivable from one of the Wincs, that you
8 would like assigned to you or --

9 MR. LIEBAU: What we would like you to say is to
10 come to the conclusion, or issue a ruling that these
11 distributions are really mandatory, and that the track held
12 them as a stakeholder in trust. And if they won't turn them
13 over to me at that point in time, I will call them, as John
14 as referred to the Wincs, I'm sure that the Wincs will
15 interplead this, and I can go to the court and say the
16 California Horse Racing Board which, as the regulatory
17 agency, has the absolute right to interpret the law, has
18 come and said that these laws -- that these are mandatory
19 distributions that should have been made.

20 COMMISSIONER CHOPER: You simply want us -- I
21 don't know if it's simple or not. But as I understand it,
22 to affirm that what --

23 MR. LIEBAU: To affirm the obligations that --

24 COMMISSIONER CHOPER: But what you say is obvious,
25 already.

1 MR. LIEBAU: Right, that these are --

2 COMMISSION CHAIRMAN SHAPIRO: Mr. Choper and Mr.
3 Liebau, this is going to be discussed in Executive Session.
4 Now, it was not my decision to have it in an Executive
5 Session, but I was told on advice of counsel, because of the
6 sensitivity of it and potential litigation, that this should
7 be -- the issues of what is at hand should be discussed in
8 Executive Session.

9 I understand, and I think my views are pretty well
10 known with respect to what I believe should happen here.
11 But I've been cautioned and told that the discussions should
12 be in Executive Session.

13 COMMISSIONER CHOPER: Well, I don't mean to
14 discuss it, I just want to understand it.

15 COMMISSION VICE CHAIRMAN HARRIS: Just want to get
16 the facts on the table, here.

17 COMMISSIONER CHOPER: I just want to understand
18 it.

19 COMMISSION CHAIRMAN SHAPIRO: Well, I think that
20 it's very clear that Mr. Liebau is asking this Board to
21 intercede and to direct the distribution of these monies
22 pursuant to statute; is that correct?

23 MR. LIEBAU: Either that or just issue a ruling as
24 to the priority of these distributions.

25 I mean, if I would have known on April 14th that

1 no action would have been taken, I would have brought an
2 action for mandamus against the California Horse Racing
3 Board and taken my chances.

4 COMMISSIONER CHOPER: As I understand, your
5 position is that when money is wagered at the track, the
6 track holds it as a trustee to make a statutorily determined
7 distribution.

8 MR. LIEBAU: Correct.

9 COMMISSIONER CHOPER: Now, if all you're asking
10 for is a reaffirmation of that, that's just what I want to
11 know.

12 MR. LIEBAU: I would settle for that.

13 COMMISSIONER CHOPER: You would run with that, is
14 that your point?

15 MR. LIEBAU: I would settle for that at this point
16 in time.

17 COMMISSION VICE CHAIRMAN HARRIS: Just to clarify
18 that --

19 MR. LIEBAU: I would say that you did take that
20 action with respect to their purses already, that there were
21 a couple meetings on the fact that the purse account was
22 light and you directed them to bring it to the respective
23 balances.

24 So, I mean, it's not that this is an unprecedented
25 thing that I've asked.

1 COMMISSION VICE CHAIRMAN HARRIS: Yeah. Well,
2 while you're here, this 200,000, though, was this
3 accumulated over a long period of time or how long of a --
4 how old is this receivable? I guess parts of it aren't very
5 old, but parts of it must be pretty old?

6 MR. LIEBAU: No, not really, John. I mean, you
7 know, 200,000, I don't know. Months, December 1st. Yeah,
8 December 1st when they got re-licensed. There's another
9 problem with the re-licensing, which I won't go into.

10 COMMISSION VICE CHAIRMAN HARRIS: Yeah, you know,
11 that's a separate issue but --

12 COMMISSION CHAIRMAN SHAPIRO: Again, it's a
13 very -- it's a complicated matter. Mr. Liebau, I think we
14 clearly understand your position.

15 MR. LIEBAU: I don't really think it's
16 complicated, but I'd leave it at that. I mean, you take
17 money into the track --

18 COMMISSION CHAIRMAN SHAPIRO: I wasn't referring
19 to just your issue. There are other issues of complication,
20 that's all I was saying.

21 Mr. Korby, I'm going to guess you're going to echo
22 everything he just said and I'm trying --

23 MR. KORBY: I am and I do --

24 COMMISSION CHAIRMAN SHAPIRO: I'm just trying to
25 get us into Executive Session.

1 MR. KORBY: I am, I support the position that Mr.
2 Liebau laid out. We've written a demand letter to
3 Sacramento Harness, expressing our position that this is a
4 statutory obligation they have. They owe our members
5 \$197,000 that was accumulated from November through January,
6 November '07 to January '08. And we would urge the Board to
7 take the action you were just discussing. Thank you.

8 COMMISSION CHAIRMAN SHAPIRO: Thank you, Mr.
9 Korby.

10 Mr. Castro?

11 MR. CASTRO: Richard Castro, representing Pari-
12 Mutuel Employee's Guild. I'm also echoing the two previous
13 speakers, we're owed money, also, and I don't want it passed
14 by. Thank you.

15 COMMISSION CHAIRMAN SHAPIRO: Thank you. Kathleen
16 McCarty.

17 MS. MC CARTY: Hi, thank you. I have a question
18 and that is -- Kathleen McCarty.

19 My question is what has this Board done to help
20 save Bay Meadows from destruction, and my question is what
21 can you do?

22 From my observation, Bay Meadows is the linchpin
23 of Northern California racing. As goes Bay Meadows, so goes
24 Northern California racing.

25 So whether you care particularly about Bay

1 Meadows, I know you care about horse racing. And if Bay
2 Meadows goes, Northern California horse racing goes.

3 I know Pleasanton is going to make some efforts to
4 make this attractive to people, but nobody will come here.
5 And Golden Gate is not particularly popular, either.

6 So it is in the interest of all for you to do what
7 you can to help save Bay Meadows.

8 COMMISSION CHAIRMAN SHAPIRO: Thank you.

9 Okay, I don't have any other cards.

10 MR. KORBY: On behalf of the host, Mr. Pickering
11 asked me to tell the audience where lunch is being served,
12 and how to get there, and how to park, if I can beg the
13 Board's indulgence.

14 COMMISSION CHAIRMAN SHAPIRO: We're not going
15 there for a while but --

16 COMMISSION VICE CHAIRMAN HARRIS: Just tell them
17 not to eat it all up before we get there.

18 MR. KORBY: If you exit the satellite parking lot
19 and find your way to Pleasanton Avenue, which is where the
20 fairgrounds administration building is, there is a parking
21 lot directly across the street. It's the Western Pacific
22 parking lot. The entrance is just passed the fairgrounds
23 administration building on the right-hand side.

24 When you get to the admission gate, just tell the
25 attendant that you're with the CHRB or with CARF, and

1 they'll let you in the park.

2 Same with the entrance to the fair, the yellow
3 gate.

4 COMMISSION VICE CHAIRMAN HARRIS: It's actually an
5 area, a new area that Pleasanton did the last few years, and
6 I recommend people take a look at it, it's a nice amenity.

7 MR. KORBY: It's a very nice addition, right track
8 side.

9 COMMISSION CHAIRMAN SHAPIRO: Oh, I know where
10 you're talking about.

11 COMMISSION VICE CHAIRMAN HARRIS: It's on the
12 clubhouse turn, just about.

13 COMMISSION CHAIRMAN SHAPIRO: Yeah. Chris, thank
14 you very much.

15 The meeting is now going to adjourn into Executive
16 Session. I want to thank everybody for their participation
17 and indulgence.

18 (Thereupon the California Horse Racing
19 Board Regular Meeting resolved into
20 Closed Executive Session at 1:10 p.m.
21 and was thereafter adjourned.)

22 --oOo--

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CERTIFICATE OF REPORTER

I, JOHN COTA, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing Meeting of the California Horse Racing Board; that thereafter the recording was transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, or in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of July, 2008.

John Cota

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