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CALIFORNIA HORSE RACING BOARD

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REGULAR MEETING

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JULY 24, 2003

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9:30 A.M.

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HELD AT:

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DEL MAR SATELLITE WAGERING FACILITY

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2260 JIMMY DURANTE BOULEVARD

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DEL MAR, CALIFORNIA

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24 Reported by: Leslie A. Todd, CSR 5129 and RPR

25 Job No.: 03-25315

1 BOARD MEMBERS PRESENT:

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3 ROGER H. LICHT, CHAIRMAN

4 JOHN C. HARRIS, VICE CHAIRMAN

5 WILLIAM A. BIANCO, MEMBER

6 SHERYL L. GRANZELLA, MEMBER

7 ALAN W. LANDSBURG, MEMBER

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9 ROY C. WOOD, JR., EXECUTIVE DIRECTOR

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DEL MAR, CALIFORNIA

THURSDAY, JULY 24, 2003

9:30 A.M.

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EXECUTIVE OFFICER WOOD: Good morning, everyone. Please take a seat. We would like to begin this morning's meeting.

We would like to welcome you to the regularly-scheduled meeting of the California Horse Racing Board.

This meeting is being conducted on Thursday, July 24, 2003. We are in the Del Mar Satellite Wagering facility in Del Mar, California.

Present at today's meeting are Chairman Roger Licht, Commissioner William Bianco, Commissioner Sheryl Granzella and Commissioner Alan Landsburg. We understand that Commissioner John Harris is -- oh, he's arrived. He's here. Thank you.

Before we go forward with today's meeting, I would respectfully ask if you give testimony in front of the Board, that you

1 please state your name and your organization.
2 If you have a business card to present to the
3 court reporter, we would specifically ask that
4 you do so.

5 With that, I would like to turn the
6 meeting over to our chairman, Mr. Roger Licht.

7 CHAIRMAN LICHT: Good morning,
8 everybody.

9 The first item on the agenda is the
10 approval of the minutes of our last meeting in
11 June at Pleasanton, which I thought was a
12 really good move for this Board to take its
13 show on the road to the fairs, and show that
14 we really do work with all the racing
15 interests in the state. Pleasanton showed us
16 a great time and provided us with a great
17 facility, and I think it was a real successful
18 meeting.

19 Does anybody have any questions or
20 comments on the minutes? How about a motion
21 to approve them?

22 COMMISSIONER GRANZELLA: I so move.

23 COMMISSIONER LANDSBURG: Second.

24 CHAIRMAN LICHT: Moved by
25 Commissioner Granzella; seconded by

1 Commissioner Landsburg.

2 All in favor?

3 (All Board members voted
4 affirmatively.)

5 CHAIRMAN LICHT: Opposed? The minutes
6 are approved.

7 Application for Bay Meadows to conduct
8 their meeting.

9 MS. WAGNER: Good morning.

10 Jackie Wagner, CHRB staff.

11 The application before you is from the
12 Bay Meadows Operating Company. They have
13 filed an application to conduct their
14 thoroughbred race meeting at Bay Meadows.
15 Their proposed dates are August 29th through
16 November the 2nd, 50 days, which is the same
17 number of days they raced in 2002. They are
18 proposing to race a total of 430 races, or 8.6
19 races per day.

20 They meet the ten-percent requirement
21 of stakes purses paid for Cal-Bred stakes
22 races. They will be racing five days per
23 week, Wednesday through Sunday, with eight
24 races on Wednesday, Thursday and Friday, and
25 nine or ten races on Saturday, Sunday,

1 holidays and special days of interest. Their
2 first post times are 1:45 p.m. daily during
3 the Del Mar overlap, 1:15 p.m. during the
4 Fairplex overlap, 12:45 p.m. during Oak Tree's
5 overlap, and a 7:00 p.m. Friday night racing
6 schedule for September the 26th, October 3rd,
7 the 10th, 17th and the 24th.

8 The analysis indicates missing items
9 from this application. We have received the
10 horsemen's agreement. The horsemen's
11 agreement has been signed. The fire clearance
12 has been received. And we have been notified
13 that the post time for Breeders' Cup on
14 October 25th is 11:15 p.m. -- 11:15.

15 Staff recommends that the Board adopt
16 the application as presented.

17 COMMISSIONER LANDSBURG: Jackie,
18 according to the calendar you have,
19 September 2nd is a Tuesday, I believe.

20 MS. WAGNER: That is a typo, and the
21 correct date is September 26th.

22 COMMISSIONER LANDSBURG: I just
23 wanted -- wondered how it got in there.

24 VICE CHAIRMAN HARRIS: One thing I'd
25 like to mention is that -- apparently on these

1 applications -- is it shown somewhere which
2 ADW providers they use?

3 They're showing it as satellite -- I
4 mean out-of-state simulcast -- they show like
5 YouBet, but they don't show XpressBet, which I
6 assume they would --

7 MS. WAGNER: I believe that
8 information is not actually captured on this
9 application, but if we can have a
10 representative from Bay Meadows indicate their
11 ADW provider.

12 VICE CHAIRMAN HARRIS: I think it
13 would be good. I don't know what it would
14 take for you guys -- if we need to do a whole
15 new procedure or what, but I think it would be
16 good to have both ADW providers used and also
17 what sort of dissemination methods they have
18 to the public to show their signal, whether it
19 be computers or television or what.

20 MS. THURMAN: Bernie Thurman, Bay
21 Meadows Racing Association.

22 CHAIRMAN LICHT: We can't quite hear
23 you.

24 MS. THURMAN: Bernie Thurman. Is that
25 better?

1 We'll be disseminating our signal
2 through YouBet and XpressBet. XpressBet's hub
3 is in California, so we didn't list it on the
4 out-of-state listing.

5 CHAIRMAN LICHT: You need more
6 volume. They can't hear you in the audience.

7 She said that XpressBet's hub is in
8 California; therefore, she did not believe it
9 necessary to list it on the application.

10 VICE CHAIRMAN HARRIS: About how big
11 of a TV audience do you think you will have?

12 MS. THURMAN: That would probably be a
13 question for XpressBet and YouBet.

14 VICE CHAIRMAN HARRIS: Well, YouBet
15 doesn't have any, but -- I think they have it
16 on computer now. But Horse Racing TV has a --
17 basically, I just wondered how for -- maybe
18 that'd be something that XpressBet or Horse
19 Racing TV could answer as far as how they are
20 coming along on their dissemination of their
21 TV signal.

22 MS. THURMAN: I think we could get
23 them to answer that question.

24 VICE CHAIRMAN HARRIS: You guys don't
25 know?

1 MS. THURMAN: Well, I can tell you
2 that our handle certainly increased when
3 YouBet started selling their signal.

4 VICE CHAIRMAN HARRIS: I personally
5 think that was a very good move, because it
6 allows California to bet both north and south
7 without changing providers, so I think that
8 probably was a good customer service thing.

9 CHAIRMAN LICHT: I have a question for
10 Bernie.

11 Racing Services -- in light of what is
12 going on, are you confident that we should
13 include this on your application and keep our
14 contractual relationship with Racing Services?

15 MS. THURMAN: Well, I believe that
16 Racing Services is current with all the
17 licensees in California, and that they have
18 resolved their problems in North Dakota; that
19 it would be wise for us to continue to do
20 business, but I think it would behoove us to
21 make sure they are current with all of us.

22 CHAIRMAN LICHT: When you say all of
23 us, you mean all the tracks?

24 MS. THURMAN: Yes.

25 CHAIRMAN LICHT: And I don't think

1 they are current with North Dakota, at least
2 according to the newspaper.

3 MS. THURMAN: Right. But I'm not
4 certain they have paid all their host fees and
5 money-room differences to Southern and
6 Northern California --

7 CHAIRMAN LICHT: Have they to you?

8 MR. THURMAN: I think they are pretty
9 close for Bay Meadows, but our meet closed in
10 June, so I don't know where they are with the
11 fair circuit and Hollywood Park.

12 CHAIRMAN LICHT: Well, I think it is
13 probably more of a business decision than it
14 is an administrative law decision. It
15 probably should be more up to you guys than
16 us, but I would certainly strongly urge you to
17 keep an eye on them, which you probably are
18 already doing. Obviously, there is some
19 smoke. Whether there is a fire there or not I
20 don't know.

21 VICE CHAIRMAN HARRIS: I think we've
22 got an interest, because there is a tax paid
23 on this that we would be responsible for
24 collecting.

25 MR. LIEBAU: Well, I think that tracks

1 in general, as far as the California tracks
2 are concerned, do sort of look out for each
3 other as far as payables from out-of-state
4 sources, and I think that we are watching
5 everyone, but particularly there are certain
6 ones that we probably watch more than others.
7 I think as far as what is happening to racing
8 services in North Dakota that we should look
9 to guidance on that issue from our own
10 California Horse Racing Board, rather than --
11 we just aren't in a position to have any sort
12 of dialogue with the regulatory authorities in
13 North Carolina --

14 CHAIRMAN LICHT: North Dakota.

15 MR. LIEBAU: -- North Dakota. Sorry.

16 I think that you are better situated
17 to do that than us.

18 CHAIRMAN LICHT: But you agree that it
19 should be a business decision as to whether
20 you continue to do business with them as
21 opposed to something that we would dictate?

22 MR. LIEBAU: I think that if they are
23 having regulatory problems that are
24 substantiated with the home state, that that
25 is something that should be of concern to not

1 only the tracks but to the California Horse
2 Racing Board.

3 VICE CHAIRMAN HARRIS: As I understood
4 it -- well, somewhat of a regulatory problem
5 is basically the problem that they weren't
6 paying their state, which would be more a
7 credit problem that I think everyone would be
8 concerned about.

9 CHAIRMAN LICHT: But they've been slow
10 paying. I mean they are certainly among the
11 worst payers to our tracks, I think. That's
12 what I've been told, at least.

13 VICE CHAIRMAN HARRIS: Another issue
14 is just the -- which this is not only a Bay
15 Meadows issue, but the timeliness of the
16 transmission of those signals.

17 I mean can you differentiate between
18 different people that you are selling your
19 signal to as far as how fast that they are
20 getting that information back on a given bet
21 to you, and how do you assess that? Is that
22 improving at all?

23 MR. LIEBAU: I think Bernie is in a
24 better position to answer that.

25 But, yes, we are able to track when

1 the funds or the wagering information comes in
2 from particular hubs.

3 CHAIRMAN LICHT: Why don't we wait to
4 deal with that later in the agenda.

5 VICE CHAIRMAN HARRIS: Okay.

6 One item on Bay Meadows. I would like
7 to congratulate Bay Meadows for not raising
8 their prices, which was a very prudent move,
9 and it's always been my theory that if
10 something is not selling too well, you don't
11 raise the price, although some of your fellow
12 racetracks seem to feel that raising prices is
13 a solid move.

14 MR. LIEBAU: Bay Meadows has a long
15 tradition of being thrifty, Mr. Harris.

16 VICE CHAIRMAN HARRIS: I think the
17 term is providing value.

18 But one thing that I know you will
19 do -- I don't know if it's part of your
20 license application -- but is fully cooperate
21 with the Fresno fair on your races, because
22 you really benefit, you know, as part of the
23 northern deal, you are really benefiting on
24 the simulcast races. I don't know if you have
25 any plans to at least have a dialogue with the

1 racing secretaries there to try to write races
2 that would complement each others cards, I
3 think would be prudent, and not getting
4 carried away with just trying to wipe them
5 out.

6 MR. LIEBAU: Oh, I think that is
7 certainly our intent, and I think that over
8 the years we have cooperated with the Fresno
9 fair. And maybe that's in the eyes of the
10 beholder, but I would point out to the Horse
11 Racing Board that we do include the entries in
12 our racing program, and we receive no
13 compensation for that. That is, the entries
14 of the Fresno fair, and those entries are then
15 made available throughout the satellite
16 network. And if we didn't do that for the
17 Fresno fair, they would have to print their
18 own programs and circulate them. And so we do
19 have an ongoing --

20 VICE CHAIRMAN HARRIS: But am I
21 correct that if someone bets on Fresno, I mean
22 you are gaining commission on that bet?

23 MR. LIEBAU: I get two percent on the
24 amount that is bet at Bay Meadows, but I do
25 not get two percent on any amount that is bet

1 at any of the other satellite networks in
2 California.

3 VICE CHAIRMAN HARRIS: Okay. I
4 thought you were getting something on the
5 others too.

6 MR. LIEBAU: No, that's why I'm saying
7 that is something that we do for the Fresno
8 fair that is sometimes forgotten about. We do
9 not get any compensation for money that is bet
10 on the Fresno fair other than at Bay Meadows.

11 VICE CHAIRMAN HARRIS: Okay. I didn't
12 understand it that way. I didn't take a look
13 at that.

14 COMMISSIONER LANDSBURG: One other
15 question. You have the five or what -- yes,
16 five Friday nights -- how does that impact
17 your simulcast, your national simulcast
18 revenue? It seems to me that all those Friday
19 nights now become non-simulcast or very few
20 signals coming into you.

21 MR. LIEBAU: There -- well, first of
22 all, this is a tradeoff that we make. One is
23 that we do better on track on Friday nights
24 than we do on track on Friday afternoons. We
25 do not do as well on Friday nights as far as

1 selling our signal is concerned that we do on
2 Friday afternoons.

3 I personally feel that the Friday
4 nights are very important to us, because it's
5 a time of the day in which we are able to
6 attract a large number of people in groups,
7 and hopefully those people will come back.
8 They probably wouldn't otherwise come to the
9 races, so it is a tradeoff. I think my
10 analysis is it is about a breakeven, and the
11 reason we do it is because we are able to have
12 bigger on-track attendance.

13 COMMISSIONER LANDSBURG: I
14 congratulate you for that. I wasn't being
15 critical. I just wondered if the tradeoff was
16 worth it.

17 MR. LIEBAU: I guess in my mind it is,
18 because I frankly am a big booster of group
19 sales and don't really know how else to
20 regenerate our fan base and trying to get
21 people to come to the track that wouldn't
22 otherwise come, and when they come in groups,
23 they are certainly more comfortable than just
24 coming by themselves.

25 COMMISSIONER LANDSBURG: Chris?

1 MR. KORBY: Chris Korby, executive
2 director of California Authority of Racing
3 Fairs, speaking on behalf of Fresno fair.

4 Since the Fresno fair simulcast and
5 racing while Bay Meadows is going on came up,
6 I just want to assure the Board that Fresno
7 fair will work in every way we can to
8 coordinate the simulcast. The Bay Meadows
9 races are shown throughout the grandstand at
10 Fresno fair while they are going on, so we'll
11 work with them in every way we can.

12 CHAIRMAN LICHT: Okay. Let's have a
13 motion to approve this license.

14 VICE CHAIRMAN HARRIS: One issue that
15 I might bring up that was discussed last year
16 that basically -- I think it's pretty much of
17 a done deal, but I think it's of concern going
18 forward, is that there is a six-day week in
19 October at Bay Meadows, which is kind of
20 contrary to some of the theories of five-day
21 weeks, so I think we approved it at the dates
22 level, but I think going forward it's
23 something to take a look at.

24 MR. LIEBAU: The six-day week is
25 really a result of having concurrent racing in

1 both the north and the south.

2 VICE CHAIRMAN HARRIS: But the
3 question is -- I always thought it would be
4 interesting to do an experiment where you have
5 in the south, you know, with all the
6 simulcasting available to see how it would
7 work and if it'd generate purse money for the
8 north and commission for the north, how the
9 networks would work, but --

10 MR. LIEBAU: I think that we have
11 instances where that has been done, especially
12 during the Fairplex meet.

13 CHAIRMAN LICHT: Okay. How about a
14 motion to approve the Bay Meadows application?

15 COMMISSIONER BIANCO: So moved.

16 COMMISSIONER LANDSBURG: Second.

17 CHAIRMAN LICHT: Moved by Commissioner
18 Bianco; seconded by Commissioner Landsburg.

19 All in favor?

20 (All Board members voted

21 affirmatively.)

22 CHAIRMAN LICHT: Okay. And you guys
23 will keep a good eye on this Racing Services
24 issue, and you can work with the staff
25 hopefully at the Racing Board to make sure

1 that all of our interests are protected.

2 I guess when Hollywood Park gives us
3 their report on their meet probably at the
4 next meeting, we'll have a good idea of what
5 their status is.

6 Okay. Number 3, the application of
7 Fairplex.

8 MS. WAGNER: Jackie Wagner, CHRB
9 staff.

10 The Los Angeles County Fair at
11 Fairplex has filed its application to conduct
12 its race meeting. They are proposing to race
13 from September 12th through September 28th,
14 for 17 days, with the same number of days they
15 raced in 2002. The fair is proposing to race
16 207 races, which is 13 more races than they
17 ran last year; 12 races per day on Monday
18 through Saturday and 13 races on Sunday.
19 Their first post time is 12:30 p.m. daily.
20 Their wagering program will use CHRB rules.

21 The analysis indicates that they have
22 two missing items in this application. Staff
23 has been notified that the horsemen's
24 agreement has been signed for the quarter
25 horse and the thoroughbreds, and we have

1 received the fire clearance.

2 Staff would recommend that the Board
3 adopt the application as presented.

4 CHAIRMAN LICHT: Any questions or
5 comments?

6 VICE CHAIRMAN HARRIS: Well, one of my
7 concerns on this one was that admissions
8 increase; they increased their admissions over
9 10 percent, and I thought one of the concerns
10 that Fairplex had was that they were having
11 problems with their on-track attendance, and
12 it seems contrary to me to charge \$14 to get
13 in, and I don't know if that includes a
14 program or a seat or what, but --

15 CHAIRMAN LICHT: It's the fair
16 admission, I think, John.

17 VICE CHAIRMAN HARRIS: You can't get
18 into the races without getting into the fair.
19 I mean I could sort of see the fair, although
20 that still seems pretty high to get into the
21 fair, but I haven't been to all their
22 exhibits, but I know -- it's just bothersome
23 that if someone wanted to go to the races, it
24 costs 14 dollars to get in without -- I don't
25 know what they get for that.

1 CHAIRMAN LICHT: I think they do have
2 a program, don't you, Jim, for just going into
3 the races? Something with a rewards card or
4 something --

5 MR. HENWOOD: My name is Jim Henwood.
6 I'm president of the Los Angeles County Fair,
7 and joining me is George Bradvica, who heads
8 up our racing operations.

9 Commissioner Harris, that's a good
10 question, and we actually have a variable
11 pricing program. I think we have two comments
12 here to make. One is we have a variable
13 pricing program for our fair. We have pricing
14 anywhere from a dollar to the high of \$14.
15 And the number that you quoted is actually on
16 a weekend, second and third week in our peak
17 times. Combined with that, we have an entire
18 other program that deals with horse racing and
19 other types of group sales. Much the way Jack
20 Liebau commented, our business is heavily
21 predicated on group advance sale formats of
22 business, and we have one specific to the
23 horse racing industry. We also have sales in
24 group in advance that provide people to be
25 able to come to the fair for \$7 and \$8. So

1 the pricing is a variable structure, it's
2 based on demand, but it's sensitive to
3 different audiences that we need to serve.

4 MR. BRADVICA: My name is George
5 Bradvica, Los Angeles County Fair.

6 We have a number of programs that are
7 designed specifically for race fans and it's
8 tied in quite a bit with the satellite
9 wagering program that we have. We have
10 approximately 16,000 people with a discount
11 card, called the Race Fan Club Card, and the
12 Race Fan Club Card will allow two admissions
13 per day during the fair at \$7 each, which is
14 half of the price of the \$14 regular admission
15 on weekends and less than the regular price of
16 \$10 on weekdays.

17 We also provide for those people who
18 come out to satellite wagering. In addition
19 to the GSRN program which tracks the handle
20 side of it, we track through the Race Fan Club
21 Card the admissions side of it, and for every
22 ten admissions that someone comes in during
23 satellite wagering, they get one free L.A.
24 County Fair admission ticket, which is worth
25 \$14 every time that happens.

1 In addition to that, we also provide
2 betting vouchers for incentive when they come
3 in for satellite wagering.

4 So throughout the year, we have
5 programs designed for our race fans in
6 particular which would allow them in either at
7 great discounts through the Race Fan Club Card
8 or actually free admissions through the same
9 program.

10 COMMISSIONER LANDSBURG: Have you ever
11 considered since Bay Meadows is running Friday
12 night making your starting time on Fridays a
13 little later so that you could catch up with
14 their racing without jeopardizing the daytime
15 hours?

16 MR. BRADVICA: Jim left. We have
17 tried that before, and it didn't seem to work
18 as well for us.

19 We're able to double load the
20 grandstand the way we work it right now. As
21 you probably recall, we have approximately
22 three to four concerts a week at the fair.
23 And Friday nights are good concert nights, as
24 are other nights, and so we are able to use
25 the grandstand twice during the course of the

1 day for racing and then at night for concerts,
2 and if you take a look at the people and their
3 patterns of coming into the fair, you see a
4 very distinctive pattern where we get the day
5 crowd a lot for racing and then we get a whole
6 different demographic for the nights, for the
7 concerts, so we are able to essentially double
8 load and double demographic load our fair that
9 way.

10 COMMISSIONER LANDSBURG: It just
11 seemed to me that there was more profit in it.
12 That was all

13 MR. BRADVICA: Well, we are always
14 looking to, as they say in the books, maximize
15 profits. That never happens, so you optimize
16 it. So we feel that this is a way to optimize
17 profit.

18 We would love to see Bay Meadows going
19 to the day on Fridays, but that hasn't
20 happened.

21 VICE CHAIRMAN HARRIS: It just seems
22 to me that -- I mean back to the admission
23 prices -- if you able to get into Bay Meadows
24 for \$3, but, you know, Fairplex is some four
25 or five time multiple of that -- I guess the

1 problem is you get into the whole fair, but
2 someone could be part of your audience that
3 maybe wants to go to the whole fair once or
4 twice but they want to go to the races about
5 every day, so there needs to be some program
6 that is fairly good for them just to come to
7 the races because there's -- that's one of the
8 problems that we have is that, you know, a lot
9 of people just don't -- you know, one of the
10 problems I've got really is that other
11 segments of the state or the pari-mutuel
12 clerks or the purses don't really benefit
13 unless people get in there. If you put a
14 barrier up to get in there, it's difficult.

15 MR. BRADVICA: John, another discount
16 program that we have, and we sell quite a few
17 of these, is the fair discount where the
18 average cost per day -- and this is good for
19 everyday of the fair -- the average cost per
20 day I think is about \$1.50. So it's
21 exceptionally low if you buy the entire -- a
22 ticket for the fair for the entire 17 days.

23 VICE CHAIRMAN HARRIS: Well, that
24 doesn't make sense. You can buy the whole
25 fair for 30 bucks or something?

1 MR. BRADVICA: Yes. We have that
2 available to people, as well, and we sell a
3 lot of those.

4 There's -- like Jim said, there's a
5 tremendous amount of discounts out there
6 available for people. And of course we're a
7 fair and a racetrack and that's always been
8 the challenge. We've thought many times how
9 do we get a separate entrance into the race
10 track, but that is very difficult to do, given
11 the layout of the fair, but we have many, many
12 discounts. And, again, that big discount is
13 \$1.50 a day essentially, on average, and we
14 sell -- we already sell a lot of those to our
15 satellite wagering folks as well.

16 VICE CHAIRMAN HARRIS: Yeah. That
17 might help the -- if you buy a bunch of those
18 and sell them in between.

19 MR. BRADVICA: Yeah, we're out there
20 looking for that, John.

21 CHAIRMAN LICHT: Jim?

22 MR. HENWOOD: Jim Henwood, again, the
23 Los Angeles County Fair.

24 I will just comment that George, I
25 think, expressed where we are at relative to

1 pricing. Our biggest challenge for the race
2 fan is really not the price barrier. Our
3 biggest challenge is the convenience of going
4 to the track, not having to go through the
5 fair, from a race fan standpoint.

6 Another challenge is how do we
7 cultivate a customer that's coming to see the
8 fair that views the horse racing product as
9 important in a convincing enough manner that
10 they will come in and enjoy it as a part of
11 the visit. That doesn't rank high as to why
12 they come to the fair, but once they get
13 there, they see it and they notice it. And
14 that's what we are working on and that's our
15 challenge to try to improve.

16 I need to make one comment relative to
17 pricing. Our fair is one that's designed to
18 accommodate about 1.3 million people. We have
19 about 800,000 of those people that are paying
20 at some level. We have about half a million
21 people that aren't paying anything to come to
22 the fair. And the reason is is that it's
23 designed to provide an open gate for audiences
24 that otherwise cannot come to the fair, or
25 audiences that from an educational

1 standpoint -- for example, our children's
2 program, we have a thousand -- a hundred
3 thousand people coming to that annually. So I
4 want this audience to understand that we are
5 not out there to be capitalists; we are a
6 not-for-profit organization. We design it on
7 demand and we try to make it fit right for all
8 people in our pricing structure.

9 CHAIRMAN LICHT: And I think along
10 those lines, you might want to mention you --
11 I understand you guys have done a lot of
12 things to make the racing part of the fair
13 more enticing this year, like taking down some
14 barricades, making it visible from the fair,
15 and so I think that's going to be great.

16 MR. HENWOOD: We are opening it up,
17 trying to do the best we can to present the
18 product that we know is unique and fantastic
19 and historical to the Los Angeles County Fair.
20 And what a better year to do it than with
21 Seabiscuit. So we are working on it.

22 Thank you.

23 CHAIRMAN LICHT: How about a motion to
24 approve?

25 COMMISSIONER GRANZELLA: So move.

1 COMMISSIONER LANDSBURG: Second.

2 CHAIRMAN LICHT: Moved by Commissioner
3 Granzella; seconded by Commissioner Landsburg.

4 All in favor?

5 (All Board members voted
6 affirmatively.)

7 CHAIRMAN LICHT: Opposed?

8 And you guys will keep an eye on RSI
9 too before your meet starts, Racing Services,
10 to make sure that they are in compliance?

11 MR. HENWOOD: Yes.

12 MR. JUREK: Roger Jurek (ph.). Just a
13 comment on that.

14 I talked with T. Pat Stubbs. Gilmore,
15 as you know, does the administration for us
16 and the sales for out-of-state signal, and
17 they are working on amending the contract with
18 them to require an up-front bond, so we are
19 protected up front.

20 CHAIRMAN LICHT: Oh, great.

21 MR. JUREK: So we're working on that.
22 I just want to mention one other thing, Roger.

23 CHAIRMAN LICHT: Remember you have
24 your license now. Don't do anything to
25 jeopardize it.

1 MR. JUREK: I just wanted to mention
2 that we're going to use Seabiscuit this year
3 to help bring in new fans to Fairplex, and as
4 they come into the grounds, we are going to do
5 in-theater promotions with five-second tags,
6 and we think we're going to get a lot of
7 visibility out there with being in 600 screens
8 in 55 theaters in the greater Los Angeles
9 area. So we are hoping to at least be seen by
10 a couple of million people, and then take
11 advantage of that when they get to the fair,
12 and have a number of Seabiscuit displays out
13 there and talk about the Seabiscuit movie
14 while they are out there.

15 So we are doing our best to try to
16 attract more new people out to the fair than
17 ever before.

18 CHAIRMAN LICHT: Okay. Thanks.

19 Number 4, Capitol Racing's
20 application.

21 MS. WAGNER: Jackie Wagner, CHRB
22 staff.

23 Capitol Racing has filed its
24 application to conduct harness racing at
25 Cal Expo. They're proposing to race September

1 26th through February the 29th, 2004. They
2 are proposing to race a total of 89 nights,
3 with 1,120 races, or 12.6 races per night.
4 They meet the 10-percent requirements of
5 stakes purses paid for Cal-Bred. They will be
6 racing two nights per week, Friday and
7 Saturday, through October the 4th; three
8 nights per week, Thursday through Saturday,
9 through October the 18th; four per week,
10 Wednesday through Saturday, through December
11 20th; and five per week, Wednesday through
12 Sunday, through February the 29th. Their
13 first post time is 5:35 p.m. daily and a 7:00
14 p.m. post on October 19th.

15 We are still missing from this
16 application a lease agreement, and the company
17 that will provide the electronic timing device
18 to be used during the timing of the races.

19 Staff has received several letters
20 from other interested parties expressing
21 interest in conducting the harness racing
22 meeting at Cal Expo, and we would recommend
23 that the Board hear from Capitol Racing.

24 CHAIRMAN LICHT: Well, I think that
25 missing the lease is something that's more

1 significant than some of the other things that
2 weren't normally missing. And just so I'm
3 clear, and Derry can probably clarify this for
4 all of us, we are granting this license; we
5 are not granting it to an individual
6 association, and the dates -- the dates to a
7 particular venue, so we would be giving them a
8 license without a venue at this point, which
9 we would be allowed to, I understand, if we
10 want to. Right?

11 MR. KNIGHT: That is my
12 understanding. It's discretionary.

13 CHAIRMAN LICHT: But we are not giving
14 them dates because there is no dates to give
15 them if they don't have a venue, right?

16 Can you explain to us what our legal
17 status is here?

18 MR. KNIGHT: My understanding is you
19 have a regulation that simply says that the
20 Board can -- may grant a license -- or, I'm
21 sorry -- may refuse to issue a license when
22 they do not have a commitment on a lease, so
23 it's really discretionary, and it would seem
24 to me that you would have the discretion to do
25 as you do in other situations, to make the

1 license conditional upon the lease being in
2 place by a certain date or with certain
3 conditions. I think it's really discretionary
4 with the Board.

5 CHAIRMAN LICHT: And there is some
6 litigation, which Alan, I'm sure, maybe can
7 update us on that -- helping to deal with
8 this. And is the state a party to this
9 litigation?

10 MR. KNIGHT: I'm not familiar with
11 the litigation, but I understand there are
12 people here from Cal Expo that can address
13 those issues.

14 CHAIRMAN LICHT: Okay, Alan, why don't
15 you give us a summary here?

16 MR. HOROWITZ: Alan Horowitz, Capitol
17 Racing.

18 If I might digress, because the one
19 thing that is missing in this license
20 application also, as Commissioner Harris
21 brought up, is the list of the ADW providers,
22 and those are simply all three that are
23 currently available in California. XpressBet
24 is our primary TVG, and also YouBet.com.

25 With regard to the lease, we've been

1 negotiating with Cal Expo to try to resolve
2 matters that have been caused by some
3 litigation with regard to our -- pertaining to
4 our lease and to Cal Expo extending that
5 lease. In that sense, I have here today Greg
6 Marco, who is counsel for Capitol Racing, and
7 has been negotiating the lease and finalizing
8 those negotiations into a document, and he can
9 update the status with regard to the lease
10 issue.

11 MR. MARCO: Good morning. I am Greg
12 Marco, that Alan just mentioned.

13 I'm a lawyer who represents Capitol
14 Racing in its negotiations about the lease
15 with Cal Expo.

16 As you may know, Capitol Racing and
17 Cal Expo have been in a dispute over the
18 length of the lease that Capitol Racing has at
19 the facility at Cal Expo. We've come to an
20 agreement on that litigation. The parties
21 have signed a letter of intent to extend the
22 lease for two more years, until the end of
23 July 2005. We are currently documenting that
24 settlement agreement. We expect to have that
25 before the board of Cal Expo this coming

1 Monday for their approval and will be
2 presenting it to the court to enter as a
3 settlement next Friday, August 1st.

4 If I could summarize, the parties have
5 a deal to extend the lease through July 2005.

6 CHAIRMAN LICHT: What about what
7 Jackie Wagner said that there are other
8 parties who have contacted us regarding those
9 dates? What do you know about that?

10 MR. MARCO: I don't know anything
11 about that. I do know that those other
12 parties do not have a lease or an agreement
13 with Cal Expo to race, and maybe they are
14 talking about a different facility or
15 something else, but not with Cal Expo.

16 CHAIRMAN LICHT: Are any of those
17 parties represented here today?

18 MR. MARCO: Mr. Commissioner, I do
19 have someone from Cal Expo who can also
20 address that here, Mr. Brian May.

21 Brian, could you --

22 MR. BLONIEN: Mr. Chairman, members,
23 Rod Blonien, representing Lloyd Arnold.

24 First of all, many of you may not be
25 familiar with Mr. Arnold. He operated the

1 harness meet in Sacramento for, I want to say,
2 most of ten years. He also operated harness
3 meets at Los Al. Two years ago he was the
4 Harness Horseman of the year. He's a major
5 investor in the harness industry.

6 We approached Cal Expo in 2000 and
7 asked to be able to compete for the lease, and
8 Cal Expo told us they were going to exercise
9 an option for two years with Capitol.

10 We came back in 2002 and asked to
11 compete for the lease again, and we were told
12 that they were going to go ahead and give
13 another two-year option to Capitol. And we
14 looked into it and found that there was a
15 mistake when they did the document in 2002.
16 Apparently, it wasn't the intent of Cal Expo
17 at that time to give them another option.
18 Litigation was filed subsequently. There was
19 another lawsuit filed by another harness horse
20 owner, Mr. Kouretas. That's in Superior Court
21 in Sacramento as well.

22 I can tell you that yesterday
23 afternoon, I sat in a settlement meeting with
24 the president or chairman of the Cal Expo
25 board, with the executive director, with

1 MR. MARCO: Briefly -- and we don't
2 want to litigate our cases before this
3 Board --

4 COMMISSIONER LANDSBURG: Please
5 identify yourself.

6 MR. MARCO: I'm Greg Marco, again
7 for -- excuse me -- for Capitol Racing.

8 What the last gentleman said is
9 clearly disputed. I do have here a letter of
10 intent signed by Cal Expo saying that our
11 lease goes through 2005. I don't think he has
12 anything that's signed by them. There were
13 apparently some discussions yesterday. They
14 were not agreed to by us, and, as I understand
15 it, they were not agreed to by Cal Expo.

16 CHAIRMAN LICHT: What are you
17 representing that letter says now?

18 MR. MARCO: This is a letter of intent
19 concerning lease of premises at Cal Expo for
20 harness racing.

21 What it says is that the parties will
22 agree to -- it says:

23 "Pursuant to our negotiations, the
24 terms and conditions of the new lease
25 agreement, which is to commence in September

1 2003, are as follows."

2 One of the terms are, A, term:

3 September 1st 2003 through July 31st, 2005.

4 This letter is signed by both Capitol
5 Racing and Cal Expo.

6 CHAIRMAN LICHT: Any contingencies or
7 any --

8 MR. MARCO: It's -- it has to be
9 approved by the board, as I said, on Monday.

10 VICE CHAIRMAN HARRIS: Is there anyone
11 here from Cal Expo?

12 MR. MARCO: Brian May is here.

13 MR. MAY: I'm Brian May, an assistant
14 general manager at Cal Expo.

15 Let me, if I can, go back for just a
16 moment and try and bring you up to date as to
17 how this issue occurred.

18 Cal Expo entered into a contract as a
19 result of competitive bidding with Capitol
20 Racing back in 1988. That contract had a
21 termination date of July -- excuse me --
22 December of 2000, but the contract also had
23 two one-year options that were exercisable at
24 Cal Expo's discretion. Cal Expo exercised
25 those options and then extended the agreement

1 by seven months, so that it would terminate in
2 July of 2003.

3 When those changes were entered into
4 the agreement, there was an error made in the
5 writing of the agreement which added an
6 additional two one-year options to the
7 agreement, which then gave the termination
8 date of 2005.

9 When the error was brought to our
10 attention, the board rescinded its action -- I
11 should back up a moment. Capitol came a
12 second time and asked to have those options
13 exercised for 2004 and 2005. At the time the
14 board granted those, it was unaware that an
15 error had been made in the drafting of the
16 contract. So when that was brought to the
17 board's attention, they rescinded its action,
18 which now terminates the contract in July of
19 2003. In fact, it terminates next week.

20 As a result of that error, Capitol
21 filed a lawsuit against Cal Expo asking the
22 judge to grant them the right to race through
23 2005. And, as a result of that litigation,
24 we've now entered into a letter of intent, as
25 Mr. Marco has described, which would settle

1 the litigation and allow Cal Expo -- excuse
2 me -- and allow Capitol Racing to race through
3 July of 2005.

4 CHAIRMAN LICHT: So, Derry, I guess
5 our options are to either approve or deny this
6 application as it is now, or to approve it,
7 based upon a contingency that the lease be
8 approved, or to table it and discuss it again
9 at our next meeting, if and when they actually
10 do have their lease.

11 Is that right?

12 MR. KNIGHT: Yes, sir.

13 VICE CHAIRMAN HARRIS: It seems to me
14 that no one is going to be harmed if we make
15 this final decision in August versus now, and
16 it's just at best rather quirky the way the
17 whole thing is, and hopefully it will all be
18 resolved by the parties, but I don't feel
19 comfortable approving a license with as many
20 questions marks as are out there.

21 COMMISSIONER LANDSBURG: The question
22 mark seems somewhat answered by the letter of
23 intent. I'm not sure that we have to go so
24 far as to drag it out and make it difficult,
25 if not impossible, to mount the racing as

1 scheduled.

2 VICE CHAIRMAN HARRIS: Well, it
3 would -- I mean August would still be 30 days
4 ahead of their proposed start of the meet.

5 MR. HOROWITZ: Mr. Chairman, if I
6 might respond.

7 CHAIRMAN LICHT: Yes, but please
8 identify yourself.

9 MR. HOROWITZ: Alan Horowitz, Capitol
10 Racing.

11 There are two major issues with regard
12 to carrying over this application to August.

13 One, as many of you know, we have
14 traditionally had this application filed and
15 approved by the Board in July. That's no
16 incidental use of the timing of when it's
17 approved. If you look at our racing schedule,
18 we currently race from September through July,
19 and we are off during the period of August and
20 September. During those two months, many of
21 our horsemen leave the state, although we have
22 encouraged them to continue to stay here in
23 California by providing them a training
24 facility down in the Stockton fairgrounds,
25 which is 50 miles south of Sacramento.

1 However, at the end of this race meet,
2 many of our horsemen will probably leave to
3 race in other venues, because being off in
4 August and September is a hardship on them.
5 When they go back east, if they are thinking
6 that everything is up in the air and unsettled
7 in California, and that is essentially
8 expressed by a lack of support by the
9 California Horse Racing Board for the harness
10 industry and the continuity of our racing
11 program which has always had the ten months
12 and has always had the license application
13 approved in July at the July meeting, if our
14 horsemen don't know when they leave Saturday
15 night after the last night of racing that
16 there is going to be racing and it is going to
17 be under Capitol Racing, and even though it
18 may be conditional upon the signing of a
19 documented lease, at least that'll get them to
20 come back, knowing full well that they will be
21 returning to us in advance of the meet in the
22 fall. Without that, we risk losing some
23 horses, and we certainly -- it certainly
24 stalls the process of recruiting horses during
25 the -- from July through the August meeting of

1 the California Horse Racing Board.

2 COMMISSIONER LANDSBURG: What is your
3 calendar for completing this negotiation and
4 signing the papers?

5 MR. HOROWITZ: The agreement that is
6 in place now, that is being finalized in its
7 legal form by the attorneys for both sides,
8 will be presented to the fair board on Monday,
9 this coming Monday, for their final approval.
10 We approved the agreement -- they approved it,
11 but they want to see the final copy, and they
12 have to do it in public session, so they
13 called a special meeting to have that item on
14 their agenda.

15 The other issue with regard to putting
16 it over is 30 days is not sufficient to begin
17 to do the background work in terms of the
18 marketing and promotions and getting contracts
19 in place to provide goods and services, as
20 well as media time and billboards and the
21 like, for the upcoming opening of that race
22 meet.

23 We are willing to take the risk if
24 this license application is approved on a
25 conditional basis, because we are confident

1 that the fair board will ratify the agreement
2 that their committee has already approved.

3 CHAIRMAN LICHT: And you are saying
4 there is no other contingency in that letter
5 other than approval of the board, that's the
6 only contingency?

7 MR. HOROWITZ: I've seen it. I don't
8 believe there is, but you are welcome to have
9 a copy of it.

10 David Neumeister of the Horsemen's
11 Association is also here. He is president of
12 the Horsemen's Association, and he can speak
13 to the timing issue from the standpoint of the
14 horsemen to who, at least as I've represented,
15 it would be a hardship.

16 MR. MARCO: Again, I'm Greg Marco.

17 I wanted to address Mr. Licht,
18 Commissioner Licht, your comment just now.
19 There are no other contingencies. The deal
20 will be presented to the board as an up or
21 down vote. There will not be anything else.
22 And if they say it's okay, it's a done deal.

23 VICE CHAIRMAN HARRIS: My main concern
24 is just that we don't involve the California
25 Horse Racing Board in further litigation; that

1 suddenly we approve something, and
2 subsequently we are named and we are spending
3 money on something that didn't really involve
4 us until we approved it.

5 MR. NEUMEISTER: David Neumeister
6 president of the California Harness Horses
7 Association.

8 I would just like to echo what Alan
9 said about the importance of having a meet in
10 place in the minds of the harness horsemen in
11 the state. In addition to some horsemen going
12 elsewhere to race, the ones that don't have to
13 make decisions about what to do with their
14 horses over the break, if they don't know that
15 there's going to be a race meet starting in
16 September, they may just turn horses out, sell
17 them, any number of options, which could leave
18 us without having horses ready to race in
19 September.

20 In addition, most of the horsemen that
21 race at Cal Expo are planning on going to
22 Stockton to train their horses into shape for
23 the meet that starts in September. That
24 training facility is funded by Capitol Racing,
25 which I assume, if it doesn't have a lease in

1 place and doesn't have a license from this
2 Racing Board, isn't going to fund.

3 So I just want to say that from the
4 horsemen's standpoint, it is critical that
5 this license be granted today, even obviously
6 if it is conditioned on the granting of a
7 lease by Cal Expo.

8 CHAIRMAN LICHT: Okay. And what
9 about -- one more question, Alan. What is the
10 status of the payments that are due Los
11 Alamitos from you guys and the escrow that we
12 asked for of those monies?

13 MR. HOROWITZ: My understanding is
14 that there are -- there is currently about a
15 million four, a million five in that fund.
16 About half a million of that comes from
17 payments made by Capitol into that fund. The
18 other 900 to a million comes from funds that
19 that the horsemen's purse account is currently
20 owed from Los Alamitos for what we refer to as
21 the 6/12 split. That is, when one of us
22 races -- one of us being either the harness or
23 the quarters and there is not the other three
24 racing at night during that same evening, the
25 party that races is able to import 12

1 simulcast races. The proceeds of one-half of
2 the purses generated from those races accrues
3 to the benefit of the other breeds' horsemen's
4 purse account.

5 Since 1999, also 2000, 2001, there
6 have been some monies that have not been paid,
7 obviously, not in a timely fashion at all, and
8 it's our feeling that since we, Capitol
9 Racing, have paid the purse, tool and the
10 horsemen for those dollars and essentially
11 overpaid purses in that regard, that we didn't
12 want to be double dipped by having to put
13 money aside for the horsemen's share of a
14 contested payment. Those payments are the
15 subject of litigation currently, and I
16 wouldn't want to preclude the litigation,
17 except to say that if you are interested, Neil
18 Papiano, the counsel for that litigation is
19 here, and you might ask questions of Neil.

20 CHAIRMAN LICHT: Rod?

21 MR. BLONIEN: Mr. Chairman and
22 members, Rod Blonien.

23 I've given you all a letter asking
24 that if you decide to grant this license, that
25 it be conditioned on them paying the money

1 that is owed pursuant to your order, and I'm
2 sure that Mr. Reagan can figure out the amount
3 that's owed, but I would like that to be
4 attached to their license as a condition. And
5 that further, your order also be implemented
6 regarding the portion of their meet that will
7 run until December 31 of this year, which
8 would be the end of the Zumbrun* agreement, so
9 I'd make those requests.

10 And I also have to say that I am
11 really befuddled by Mr. May's testimony here
12 today. I sat in a meeting with him for an
13 hour and a half yesterday and the president of
14 the board, Mr. Beneto, who is the head of
15 their racing committee, trying to resolve two
16 lawsuits on terms that are completely
17 different from what they've indicated here,
18 and, obviously, this was a negotiation in bad
19 faith. And I would like for you to explain,
20 Mr. May, what we did yesterday and how it
21 relates to what is going on here today.

22 CHAIRMAN LICHT: I'm not sure that
23 this is the right forum for this.

24 VICE CHAIRMAN HARRIS: Neither am I.

25 CHAIRMAN LICHT: You are welcome to

1 respond if you want to.

2 MR. MAY: I don't think there is any
3 purpose for me to respond. Everything that
4 has been discussed to this point has been
5 confidential. In fact, the meeting that we
6 had yesterday that Mr. Blonien is referring
7 to, we agreed that everything discussed in
8 that room was going to stay in that room. So
9 I have no further comment regarding that.

10 CHAIRMAN LICHT: Okay. We as a Board,
11 it is time for us to either decide to grant
12 this license, to deny it, or to grant it with
13 some kind of stipulations, as suggested by
14 Mr. Blonien and/or to just table it until
15 August.

16 So does anybody have a motion with
17 respect to it?

18 COMMISSIONER LANDSBURG: I would like
19 to move that we grant the license conditioned
20 on a 72-hour, starting Monday morning, receipt
21 of a signed agreement with Cal Expo.

22 CHAIRMAN LICHT: And what about the
23 stipulations proposed by Mr. Blonien, are
24 those attached to your motion or not?

25 COMMISSIONER LANDSBURG: It's not part

1 of my motion.

2 CHAIRMAN LICHT: No. Okay. Do we
3 have a second?

4 COMMISSIONER BIANCO: Second.

5 CHAIRMAN LICHT: Seconded by
6 Mr. Bianco.

7 Any further discussion?

8 VICE CHAIRMAN HARRIS: Now, the way
9 this would work, basically, we are approving
10 it; however, if that lease from Cal Expo is
11 not in our hands --

12 COMMISSIONER LANDSBURG: -- in 72
13 hours from the start of Monday.

14 VICE CHAIRMAN HARRIS: So it would be
15 about --

16 COMMISSIONER LANDSBURG: That's
17 Wednesday, end of business Wednesday.

18 VICE CHAIRMAN HARRIS: So it would be
19 not approved, but I guess it could thus come
20 back up at the August meeting if --

21 COMMISSIONER LANDSBURG: In August.

22 VICE CHAIRMAN HARRIS: -- if it didn't
23 work out. It wouldn't --

24 COMMISSIONER LANDSBURG: That would be
25 my assumption.

1 CHAIRMAN LICHT: I think that these --
2 that the points made by Mr. Blonien are very
3 valid. This money was ordered by this Board
4 to be paid, and, apparently, it still hasn't
5 been paid for whatever reason. I don't know
6 whether Cal Expo is suitable to be licensed if
7 they haven't made these payments. And, Alan,
8 you are welcome to address that.

9 MR. HOROWITZ: Well, the funds aren't
10 made to Los Alamitos. They are essentially
11 provided so that essentially no funds were
12 lost to either the horsemen, to management in
13 terms of commissions, and the State of
14 California.

15 This -- these agreements and this
16 dispute has been going on for like six years
17 already. The complaint was before the Horse
18 Racing Board five years ago, and since that
19 time, there have been changes in legislation,
20 the Mattie bill; there have been changes in
21 the -- an ALJ hearing on matter, and there is
22 an order by the Board on this matter.

23 So the issue is still open from the
24 standpoint of interpretation. Mr. Blonien
25 represented here that the Zumbrun agreement

6 So it's a much more complicated
7 thing. It is going to be the subject of
8 litigation. We obviously are more than happy
9 to meet with the Board and try to hammer out
10 what periods of time and what the amounts of
11 this fee would be. When there is resolution,
12 we will certainly be forthcoming with any and
13 all funds that are due.

14 CHAIRMAN LICHT: Okay. Rod, do you
15 want to address this issue?

16 MR. BLONIEN: Yeah. We would just
17 ask, Mr. Chairman, that the order that the
18 Board issued be enforced. The time for an
19 appeal on that has passed by almost two
20 months. It's a final order. And if this
21 Board is going to have any, you know, force
22 and effect in its orders, it needs to have
23 them enforced, and we just would require as a
24 condition of their license that your order be
25 enforced.

1 CHAIRMAN LICHT: I agree. I think
2 that it should be a condition of the license.

3 VICE CHAIRMAN HARRIS: It seemed to me
4 that the recourse would have been for the
5 people that did not want the money paid would
6 have been to get an injunction or something to
7 halt that payment but that apparently didn't
8 happen.

9 MR. HOROWITZ: Neil Papiano is here.

10 MR. PAPIANO: Mr. Chairman and
11 members of the Board, I'm Neil Papiano.

12 Commissioner Harris, yes, it is before
13 the courts and there is a request at the
14 present time for a writ of mandate. The court
15 hasn't acted on that yet, but all of that has
16 taken place, and I think the Board was served
17 with that two or three days ago or yesterday,
18 with the request for writ of mandate, so all
19 this is before the courts. Everything you are
20 talking about now is before the courts.

21 CHAIRMAN LICHT: We don't have any
22 record of service of that.

23 Do you have a proof of service of some
24 kind?

25 MR. PAPIANO: I don't have a proof of

1 service. I might have one here, but I have
2 the filing and the documents.

3 CHAIRMAN LICHT: Yeah, but without
4 service, I don't think that means anything.

5 MR. PAPIANO: I may have a proof of
6 service here and I may be able to get you one
7 before your meeting is over.

8 CHAIRMAN LICHT: All right. We have a
9 motion that Commissioner Landsburg has made
10 and it's been seconded, so I think it is time
11 to move on that.

12 VICE CHAIRMAN HARRIS: Well, are we
13 going to preclude any language on the other
14 issue or --

15 CHAIRMAN LICHT: No. The motion
16 specifically excluded that language.

17 CHAIRMAN LICHT: Let's take a roll
18 call.

19 Commissioner Landsburg?

20 COMMISSIONER LANDSBURG: Aye.

21 CHAIRMAN LICHT: Commissioner
22 Granzella?

23 COMMISSIONER GRANZELLA: Aye.

24 CHAIRMAN LICHT: Commissioner Bianco?

25 COMMISSIONER BIANCO: Aye.

1 CHAIRMAN LICHT: Commissioner Harris?

2 VICE CHAIRMAN HARRIS: Aye.

3 CHAIRMAN LICHT: Nay.

4 Four to one. The motion passes.

5 CHAIRMAN LICHT: Number 5, action by
6 the California Marketing Committee.

7 Who is here from the California
8 Marketing Committee?

9 All right. We'll either delay that or
10 put it off until the next meeting.

11 MR. LIEBAU: Is Mr. Van de Kamp going
12 to --

13 CHAIRMAN LICHT: No, I guess we won't
14 put it off.

15 MR. VAN DE KAMP: I'm John Van de Kamp
16 from TOC. I'm the vice-chair of the
17 committee. Jack Liebau, I think, is also
18 present. He has served as the chairman.

19 I think you had placed this on the
20 agenda. We had filed some time ago the
21 marketing and promotions plans for 2003 by the
22 committee, and I think you also received an
23 expense report going back to 1999 when the
24 program first came into effect. I think you
25 have it on for general discussion.

1 CHAIRMAN LICHT: That's the end of
2 your --

3 MR. VAN DE KAMP: Well, we did file
4 the report. I think that speaks for itself.
5 I could read you the report, and we have
6 invited, I think, the members of your
7 committee that were appointed at the last
8 meeting to the marketing committee meeting
9 that takes place after this meeting today as
10 we move forward.

11 You know, I think we are both here to
12 answer any questions that you might have,
13 Mr. Chairman.

14 CHAIRMAN LICHT: I think that with the
15 idea that Commissioners Harris and Landsburg
16 will be attending your meeting, it might be
17 better to put this off until the next meeting.
18 I don't know how you feel about that, Alan.

19 COMMISSIONER LANDSBURG: I would. And
20 because we are working with our ad hoc
21 committee, the two things are not -- the way
22 in which it's working, I would like to hold
23 off on the discussion of the CMC.

24 VICE CHAIRMAN HARRIS: Yes, I think
25 part of the ad hoc committee is more to look

6 VICE CHAIRMAN HARRIS: Yeah, and I
7 agree that it's changing, but it seems to me
8 that there should be some third-party
9 evaluation or some method, like something like
10 the Golden Rewards Network may or may not be a
11 good idea, but it's taking quite a bit of
12 money, just some way to evaluate if that is
13 really a cost effective program or if it was
14 an idea that maybe was good at one point but
15 is not now or whatever.

16 MR. VAN DE KAMP: The whole point of
17 that program, of course, was to try to
18 generate databases for marketing purposes, and
19 particularly for those kinds of facilities
20 that didn't have the means to do that. And
21 looking particularly at the simulcast
22 facilities, as you look at this program, and
23 we'll discuss it further this afternoon, and
24 we'll have a number of the marketing people
25 that work with us there -- that is, from the

1 various racetracks -- who can tell you a
2 little bit about --

3 VICE CHAIRMAN HARRIS: I didn't
4 realize there was a meeting this afternoon.
5 Did you know about it, Alan?

6 COMMISSIONER LANDSBURG: No.

7 VICE CHAIRMAN HARRIS: No one informed
8 either of us that there was a meeting.
9 There's maybe a little bit of a communication
10 problem there.

11 MR. VAN DE KAMP: My understanding is
12 that there was an invitation extended.

13 CHAIRMAN LICHT: Well, why don't we
14 put off all this discussion --

15 VICE CHAIRMAN HARRIS: I'm not really
16 clear if the -- I'm not saying that I'm
17 opposed to the concept, but how the Workers'
18 Compensation money, where that physically
19 goes.

20 MR. LIEBAU: The Workers' Compensation
21 money that flows from the marketing plan, from
22 the California marketing program, is the same
23 as the money that flows from the stabling and
24 vanning fund; it goes to replace the letters
25 of credit that have been posted by the tracks

1 and serves as security for the contingent loss
2 fund that's required by the AIG.

3 VICE CHAIRMAN HARRIS: Well, normally
4 the letters of credit are just kind of there,
5 but they aren't really drawn upon unless the
6 insurers are bankrupt or something. But is
7 this letter of credit actually drawn upon, or
8 is it just sort of sitting there?

9 MR. LIEBAU: The letters of credit
10 were issued by the individual tracks to Wells
11 Fargo Bank, and Wells Fargo Bank, in turn,
12 issued a letter of credit to AIG for the
13 contingent loss fund. The plan was that the
14 tracks' obligations under these letters of
15 credit would be replaced over time by cash
16 that was coming out of these two funds.

17 VICE CHAIRMAN HARRIS: Yeah, but that
18 cash isn't necessarily spent. It's more of a
19 safety net that if --

20 MR. LIEBAU: It is a contingent loss
21 fund, and under the agreement at such point in
22 time as the fund was no longer necessary,
23 whatever date it is, these funds are returned
24 to their source. So if the contingent loss
25 fund -- if there was never any liability

1 triggered on that fund, the money would go
2 back to the marketing fund in the same
3 proportion as it came in. Likewise, for the
4 stabling and vanning fund.

5 CHAIRMAN LICHT: Let's cut this off
6 and wait until you guys -- if that's okay with
7 you, Alan.

8 COMMISSIONER LANDSBURG: Yes.

9 I just wanted to apologize to John.
10 There was a second page of a memo that invited
11 us that I didn't get in my -- so I was
12 invited, but I hadn't seen the second page of
13 the invitation.

14 In any case, CMC operates outside the
15 jurisdiction of this Board generally; it
16 operates under its own power. We were
17 prepared to -- we are always prepared to
18 discuss our views on how wisely the money is
19 spent, and I think we've done it to
20 exasperation, saying that there is far too
21 much money spent on far too much that goes on
22 in the east and far too little spent on
23 California, primarily and specifically.

24 But that is about -- that's one of the
25 reasons -- and I think I would like just one

1 minute to explain to the attendants here that
2 this ad hoc committee on marketing has nothing
3 to do with what happened in the past, nor are
4 we trying to say you guys were all wrong.

5 We are trying to put together from
6 outside racing who are marketing experts in
7 many fields to come back to us with how they
8 would have done it, as suggestions for what
9 the marketing -- what marketing can be done in
10 racing for California. It's not a look-back,
11 as John said. It's a look-forward. And,
12 therefore, what is being done now, I think
13 we've talked about enough. What will be done
14 in the future, we are going to try to come to
15 you with some kind of program that may or may
16 not interest you and will not be mandatory,
17 but suggestions that might make racing
18 marketing better.

19 MR. LIEBAU: It's probably not
20 necessary to say this, but the California
21 Marketing Committee welcomes any input from
22 the Board and from anybody else. I mean we
23 all have the same goal, and that is to
24 increase interest in racing and to increase
25 the betterment of all the participants, so the

1 Board is -- the California Marketing Committee
2 welcomes your input.

3 COMMISSIONER LANDSBURG: So long as we
4 are spending all of it in the east -- or a big
5 portion of the money that racetracks have
6 volunteered and TOC has volunteered, I find it
7 distressing that the results are so minimal.

8 VICE CHAIRMAN HARRIS: Well, I think
9 this 30 million or six million a year is all
10 being spent in California.

11 My main concern is just as a Board
12 that we need to make sure that racing is
13 maximizing every opportunity. I don't think
14 it's really our money. It's really your
15 money. And I'm just concerned that your
16 constituencies, whether it be the tracks or
17 the fairs or the horsemen, which is really
18 where it's coming from -- are behind you; that
19 you are leading -- you are not leading a bunch
20 of people that are kind of unaware of what you
21 are doing.

22 MR. LIEBAU: Well, I think that under
23 the legislation that was enacted, the
24 interests of the people you just talked
25 about -- namely, the tracks, the fairs, and

1 the horsemen -- are represented on -- in the
2 California Marketing Committee and are
3 responsible for those expenditures. There are
4 two members from CARP, there are two members
5 from the tracks, one from the north and one
6 from the south, and two members from the
7 Thoroughbred Owners of California. But, as I
8 said before, speaking on behalf of all six of
9 those people, including myself, I mean we
10 certainly welcome your input.

11 CHAIRMAN LICHT: Okay. Let's move
12 along. Number 6, the Superfecta.

13 By the way, you will put that on the
14 agenda for the next meeting?

15 EXECUTIVE OFFICER WOOD: Yes.

16 CHAIRMAN LICHT: A report on the
17 California Marketing Committee.

18 MS. WAGNER: Jackie Wagner, CHRB
19 staff.

20 The item before you is a proposed
21 amendment to Rule 1979.1, which is the
22 Superfecta. The amendment to the rule will
23 eliminate the requirement that if less than
24 five wagering interests finish the race, the
25 entire Superfecta pool will be refunded. The

1 industry requests that this provision be
2 eliminated, because on occasion it has caused
3 confusion and disappointment among horse
4 racing fans.

5 A similar requirement was deleted from
6 the Board's Rule 1979 Trifecta back in January
7 2002. During the 45-day comment period on
8 this proposal, the Southern California Horse
9 Racing Industry Fan's Committee endorsed the
10 amendment to Rule 1979.1, and staff has
11 recommended the Board adopt the proposal as
12 presented.

13 CHAIRMAN LICHT: Any discussion? A
14 motion to accept?

15 COMMISSIONER GRANZELLA: So moved.

16 CHAIRMAN LICHT: Second?

17 COMMISSIONER BIANCO: Second.

18 CHAIRMAN LICHT: Second by
19 Commissioner Bianco; moved by Commissioner
20 Granzella.

21 All in favor?

22 (All Board member voted
23 affirmatively, with the exception
24 of Commissioner Landsburg.)

25 COMMISSIONER LANDSBURG: Opposed.

1 CHAIRMAN LICHT: Okay. Let's take a
2 break --

3 VICE CHAIRMAN HARRIS: Wait. To
4 clarify the record --

5 COMMISSIONER LANDSBURG: I raised my
6 hand no.

7 CHAIRMAN LICHT: Oh, okay.

8 VICE CHAIRMAN HARRIS: I think maybe
9 there should be some discussion of that if
10 there is some concern.

11 CHAIRMAN LICHT: Did you want to
12 express something?

13 COMMISSIONER LANDSBURG: My only
14 concern about it is that with the Trifecta, I
15 can see it, but with the Superfecta, which
16 demands four horses, it opens the door to
17 possible chicanery.

18 That is why I voted no.

19 VICE CHAIRMAN HARRIS: Yeah, I have
20 heard some concerns from such astute
21 handicappers as Roger Stein, that is sitting
22 back there, that it is of concern. I think
23 that probably the pluses outweigh the minuses
24 in it, and if everything -- something is just
25 a fluke situation, it's probably okay. But I

1 think it's something we do need to go forward
2 if we pass it, that we monitor it and the
3 stewards are --

4 COMMISSIONER LANDSBURG: That's why I
5 did not express more. I just simply was not
6 in favor of it. Okay.

7 You want to take a break?

8 CHAIRMAN LICHT: Okay. The motion
9 passes then four to one.

10 We will take a break for 10 minutes.

11 (Recess.)

12 CHAIRMAN LICHT: Item number 7, the
13 Backstretch Workers' Housing Amendment.

14 MS. WAGNER: Jackie Wagner, CHRB
15 staff.

16 As you know, AB 471 amended the Horse
17 Racing Law to provide that the Board adopt
18 emergency backstretch housing regulations
19 within 120 days of that particular statute.

20 In response, the Board did that. We
21 adopted emergency regulations, Article 28,
22 backstretch worker housing, which contained
23 six rules that govern the backstretch worker
24 housing specifications, and we amended Rule
25 1928, fire regulations.

1 What you have before you today is the
2 proposal to make these emergency regulations
3 permanent. It's a part of the process that we
4 need to implement in order to have these
5 regulations permanent rules of the California
6 Horse Racing Board.

7 The amendments have been noticed to
8 the public for 45 days, and we would recommend
9 that the Board adopt the proposal as
10 presented.

11 CHAIRMAN LICHT: Any discussion?

12 VICE CHAIRMAN HARRIS: I don't really
13 have a problem with the rules, except I think
14 going forward we need to be sure that we do a
15 good job on back stretching housing, and
16 particularly the sanitation in the restrooms
17 has been a continuing concern, and that the
18 tracks and the horsemen and all involved try
19 to keep those as presentable as possible. And
20 I'm just a little concerned that just this
21 annual inspection process is better than
22 nothing, but there needs to be some ongoing
23 inspection to make sure that they are kept up,
24 and I think our rules don't go there, but if
25 necessary going forward, we may have to assert

1 some more detailed rules on how that is. But
2 I would like to invite everybody in racing to
3 continually be looking at these facilities,
4 because this is all these people have to use,
5 and they need to be sure that they are well
6 done, and it just takes a lot of oversight.
7 And I will be on the backstretch at Del Mar
8 doing daily inspection of these.

9 CHAIRMAN LICHT: Any other discussion?

10 COMMISSIONER LANDSBURG: At some
11 point -- this rule is fine as far as it
12 goes -- we might want at some future date to
13 talk about how we can regulate those people
14 who do use this housing, and just as they take
15 care of the backstretch in terms of drinking
16 and parking, I think part of this at some
17 future point should be the responsibility of
18 backstretch workers for helping.

19 VICE CHAIRMAN HARRIS: Yeah, it's got
20 to be a team effort.

21 CHAIRMAN LICHT: Motion to approve?

22 COMMISSIONER GRANZELLA: So moved.

23 COMMISSIONER LANDSBURG: Seconded.

24 CHAIRMAN LICHT: Moved my Commissioner
25 Granzella; seconded by Commissioner Landsburg.

1 All in favor?

2 (All Board members voted
3 affirmatively.)

4 CHAIRMAN LICHT: It's unanimous.

5 Okay. Number 8 has to do with some
6 special rule waivers with respect to the
7 Breeders' Cup -- for the 2003 Breeders' Cup to
8 be held at Oak Tree.

9 MS. WAGNER: Jackie Wagner, CHRB
10 staff.

11 What you have before you are some
12 special waivers at the request of the
13 Breeders' Cup in anticipation of that race
14 meet happening here in California.

15 We are proposing that we waive the
16 Rule 1481, Rule 1554 and Rule 1693.

17 Specifically, Rule 1481, what we are
18 proposing here is to give them a special
19 120-day license that will expire 12/31/03 for
20 the purpose of participating in the Breeders'
21 Cup, and this license will be \$50, which is a
22 third of the fee for the license
23 classification.

24 Staff would recommend that the Board
25 approve a waiver of Rule 1481 for the 2003

1 Breeders' Cup.

2 CHAIRMAN LICHT: That is only for
3 owners or for every kind of license?

4 MS. WAGNER: I think --

5 CHAIRMAN LICHT: Like a groom comes
6 out with a horse, does he need to be licensed?

7 VICE CHAIRMAN HARRIS: I think
8 everybody has to be licensed.

9 EXECUTIVE OFFICER WOOD: Everybody
10 has to be licensed.

11 COMMISSIONER LANDSBURG: My concern is
12 that all of us at times have raced in other
13 states and you go through the normal licensing
14 process even though you may only have a horse
15 run in one race, but to me the Breeders' Cup
16 is the top league of owners and trainers, and
17 hopefully they would pay for their grooms'
18 license.

19 It just seems to me you are taking the
20 wealthiest people in racing and giving them a
21 break that a lot of the lesser able people
22 don't have. And just at this time we've got a
23 budget crisis in California, and much of our
24 cost of issuing a license is that initial
25 issuance, which I feel we should really do an

1 excellent job in making sure that these people
2 don't have any hassles getting their license,
3 but I can't see reducing the fee. I think you
4 are just sending the wrong signals, and it's
5 just not financially prudent to do it.

6 EXECUTIVE OFFICER WOOD:
7 Mr. Chairman, to clarify, this request for
8 this exemption from 1481 is for owners and
9 trainers whose license fee is \$150, and it's
10 the same request that we have authorized or
11 the Board has authorized in 1993 and 1997, not
12 that the precedent makes any difference, but
13 it's for a period of time which extends the
14 license only for the end of December, not for
15 three years, and it is for owners and trainers
16 only for the time that they are going to be in
17 California. Many of them who come to
18 California to participate in the Breeders' Cup
19 do not stay or race here after the Breeders'
20 Cup is over. So it's owners and trainers, so
21 that represents about a \$100-per-person
22 deviation from what would be normal.

23 And, like I say, we have been
24 requested by the Breeders' Cup to do this. We
25 get this request every time we conduct a

1 Breeders' Cup in California.

2 MR. CHILLINGWORTH: Sherman
3 Chillingworth of Oak Tree. We've done this
4 every time the Breeders' Cup has come to
5 California, and I think -- correct me if I'm
6 wrong, Roy, but I think if they stay on after
7 Breeders' Cup, then they have to pay the full
8 fare. It's only for Breeders' Cup week.

9 VICE CHAIRMAN HARRIS: So you kind of
10 favor some and you kind of discourage them to
11 keep horses here?

12 MR. CHILLINGWORTH: Beg your pardon?

13 VICE CHAIRMAN HARRIS: That would kind
14 of discourage them from staying on. It would
15 be better to have these guys --

16 MR. CHILLINGWORTH: Well, I think if
17 they thought they were going to stay on, they
18 wouldn't mind paying the fee, but just for one
19 day, we are trying to be hospitable to our
20 people -- or friends from across the ocean who
21 probably don't pay any fees at all at home.

22 VICE CHAIRMAN HARRIS: Well, I don't
23 know if that's in evidence.

24 MR. CHILLINGWORTH: And I don't think
25 we are going to solve the budget crisis.

1 VICE CHAIRMAN HARRIS: Well, if it's a
2 problem, why can't Breeders' Cup just pay it?

3 MR. CHILLINGWORTH: Breeders' Cup
4 doesn't like paying any more than they have
5 to, to be honest with you.

6 But I think, to me, it's such a minor
7 thing that, and we've done it every year, to
8 try and change it this year, it looks like we
9 are turning back the clock or something.

10 CHAIRMAN LICHT: You are only talking
11 about probably what maybe 50 of each at the
12 most?

13 MR. CHILLINGWORTH: Yes.

14 CHAIRMAN LICHT: Not even close to
15 that?

16 MR. CHILLINGWORTH: And, also, if they
17 are going to stay on, they do have to pay out
18 the full fee, so --

19 VICE CHAIRMAN HARRIS: Maybe Oak Tree
20 could devise some special loan program for
21 needy Arab owners that need this extra hundred
22 dollars or something.

23 MR. CHILLINGWORTH: That is true.

24 VICE CHAIRMAN HARRIS: I move that we
25 do not approve a change to Rule 1481.

1 CHAIRMAN LICHT: That we do not
2 approve it? Just the first one?
3 VICE CHAIRMAN HARRIS: Yes.
4 CHAIRMAN LICHT: Second? Any second?
5 COMMISSIONER BIANCO: I will second
6 it.
7 CHAIRMAN LICHT: Okay. It's moved by
8 Commissioner Harris and seconded by
9 Commissioner Bianco that we do not amend
10 1481.
11 Any further discussion with respect to
12 1481?
13 CHAIRMAN LICHT: Okay. I guess we'll
14 poll the Board.
15 Commissioner Bianco, as far as the
16 motion, your vote?
17 COMMISSIONER BIANCO: Yes.
18 CHAIRMAN LICHT: Commissioner Harris?
19 VICE CHAIRMAN HARRIS: Yes.
20 CHAIRMAN LICHT: Commissioner
21 Landsburg?
22 COMMISSIONER LANDSBURG: No.
23 CHAIRMAN LICHT: Commissioner
24 Granzella?
25 COMMISSIONER GRANZELLA: No.

1 CHAIRMAN LICHT: And I vote no.
2 The motion is denied.
3 COMMISSIONER LANDSBURG: I have one
4 question about 1693.
5 CHAIRMAN LICHT: Well, we don't
6 have -- I guess we need the converse because
7 we have nothing.
8 COMMISSIONER LANDSBURG: Yes.
9 I move that we approve 1481 as
10 proposed.
11 CHAIRMAN LICHT: Second?
12 COMMISSIONER GRANZELLA: Second.
13 CHAIRMAN LICHT: Seconded by
14 Commissioner Granzella and moved by
15 Commissioner Landsburg.
16 Let's start with this side this time.
17 COMMISSIONER LANDSBURG: Aye.
18 COMMISSIONER GRANZELLA: Aye.
19 CHAIRMAN LICHT: Commissioner Bianco?
20 COMMISSIONER BIANCO: Nay.
21 VICE CHAIRMAN HARRIS: Nay.
22 CHAIRMAN LICHT: Aye.
23 EXECUTIVE OFFICER WOOD: I think
24 that's three to two and it takes four votes to
25 make it pass.

1 CHAIRMAN LICHT: It takes four votes
2 to make it pass.

3 EXECUTIVE OFFICER WOOD: In order to
4 have an approval of anything on this Board,
5 you have to have four votes.

6 CHAIRMAN LICHT: Okay. I guess the
7 motion is denied then. And if we want to
8 bring this back on another agenda, we can do
9 that, right?

10 EXECUTIVE OFFICER WOOD: You can
11 always do that.

12 CHAIRMAN LICHT: Nothing we can do.

13 MS. WAGNER: Jackie Wagner, CHRB
14 staff.

15 The second rule waiver we are
16 requesting is Rule 1554, and this would allow
17 foreign horses to race without an
18 identification tattoo.

19 This has been done in the past, and
20 staff would recommend that the Board approve
21 the waiver to rule 1554 for the 2003 Breeders'
22 Cup.

23 CHAIRMAN LICHT: Any discussion?

24 VICE CHAIRMAN HARRIS: The important
25 part would be I don't think it's that sacred a

1 tattoo, but what measures do we have in place
2 to assure that the horse is the correct horse?

3 EXECUTIVE OFFICER WOOD: The
4 registration of the horse and markings thereof
5 and past performances of the horse.

6 VICE CHAIRMAN HARRIS: Because I was
7 under the impression that foreign horses did
8 have some -- actually, more sophisticated
9 identification measures than we have with
10 these tattoos. I'm not clear what they have,
11 but I thought they had something more than
12 just looking at the papers.

13 CHAIRMAN LICHT: Chilly, do you know
14 anything about that?

15 MR. CHILLINGWORTH: There is a
16 possibility they have a DNA determination, but
17 I'm not sure about that. But before we had
18 lip tattoos, every horse was identified by
19 colors -- sorrels, chestnuts. You know,
20 that's been a practice for over a hundred
21 years. And the lip tattoo is done as an, I
22 guess, an insurance policy to be overly
23 cautious. I think -- the type of horses that
24 are coming for the Breeders' Cup, the chance
25 of getting a misidentified horse is almost

1 zero, and there are enough methods identifying
2 a horse without using a lip tattoo that you
3 can do it accurately.

4 VICE CHAIRMAN HARRIS: I'm for
5 changing it, for this rule change, but I was
6 just wondering what -- I would think that the
7 Europeans would have something, but -- I mean
8 long term what needs to really happen is some
9 form of a computer chip or something that is
10 in each horse that can firmly identify that
11 horse. I mean the lip tattoos are kind of an
12 archaic thing that have been around for quite
13 awhile, but I think with all the technology
14 they have there should be some better way to
15 do it anyway, so it's kind of a side issue.
16 But go ahead.

17 MR. CHILLINGWORTH: Jack Liebau just
18 suggested that if we bring a horse over here
19 and tattoo it, and it's been previously
20 identified as horse A, we are just confirming
21 a mistake if there was a mistake. So the
22 purpose of having the tattoo after the horse
23 comes over here is, you know, lost.

24 EXECUTIVE OFFICER WOOD: Yeah, there
25 are a lot of reasons why we wouldn't want to

1 require foreign horses that come to the
2 Breeders' Cup to be tattooed under our system,
3 because when they go back, they will race
4 under the system they're under currently,
5 whether that's DNA, advanced techniques of
6 identification, et cetera,

7 So what we are asking to do is waive
8 this rule for the Breeders' Cup races only;
9 not for an extended period of time.

10 MR. CHILLINGWORTH: Also, again, I
11 reiterate that the type of horses that are
12 coming over here are so well known that will
13 be racing in the Breeders' Cup; it's not like
14 having a \$10,000 claiming race in Paradise or
15 something.

16 CHAIRMAN LICHT: Dr. Jensen?

17 DR. JENSEN: Dr. Ron Jensen. I'm the
18 equine medical director for the Board.
19 Foreign horses travel with a passport that
20 include all their markings, including the
21 whirls and swirls, and that is how they are
22 identified for import, export, and for racing.

23 CHAIRMAN LICHT: Okay. Any further
24 discussion on this one?

25 VICE CHAIRMAN HARRIS: No, I don't

1 have a problem with this. I think it brings
2 up the idea, though, that -- I think this
3 Board should work with other racing boards and
4 the Jockey Club and whoever to try to look at
5 some better way to identify horses than
6 tattoos. It's something that I think could be
7 very helpful for workouts and things like that
8 too because you can't read a workout -- a
9 tattoo just on a horse working out to work,
10 where I think in Japan and some of these
11 places like that, they've got much more
12 sophisticated systems than we have.

13 But is it clear that this is only for
14 the Breeders' Cup, not foreign horses to race
15 without tattoos in general?

16 CHAIRMAN LICHT: Yes.

17 VICE CHAIRMAN HARRIS: Okay. I will
18 move that we accept this change.

19 CHAIRMAN LICHT: Second?

20 COMMISSIONER GRANZELLA: Second.

21 CHAIRMAN LICHT: Moved by Commissioner
22 Harris; seconded by Commissioner Granzella.

23 All in favor? Aye.

24 (All Board members voted
25 affirmatively.)

1 CHAIRMAN LICHT: Okay. Unanimous.

2 Okay. The third rule.

3 MS. WAGNER: The third rule is
4 Rule 1693, and we are requesting that the
5 waiver be placed to allow human attendants to
6 escort their horses onto the track until the
7 finish of the post parade, and, if requested,
8 that these attendants be allowed to be present
9 at the starting gate.

10 This has been done in the past, and
11 staff would recommend the Board approve a
12 waiver of Rule 1693 for the 2003 Breeders'
13 Cup.

14 EXECUTIVE OFFICER WOOD: And I will
15 state that normally this is only for
16 horses that -- the only people who request
17 this are European horses who have this as a
18 fundamental use when they are racing in other
19 countries. It's not normally an exception
20 that is requested by many people or asked to
21 be done more than six or seven times during
22 the whole Breeders' Cup program. But in order
23 to allow it to be done, we have to waive this
24 rule for this one particular day.

25 COMMISSIONER LANDSBURG: I don't know

1 if it does any good, but it should be at their
2 own risk too.

3 EXECUTIVE OFFICER WOOD: That is their
4 risk, I mean --

5 COMMISSIONER LANDSBURG: It doesn't
6 indicate it in the rule, but it should be at
7 their own risk.

8 EXECUTIVE OFFICER WOOD: I'm sure that
9 the racetrack and the insurance company of the
10 racetrack would have some sort of insurance to
11 cover that.

12 COMMISSIONER LANDSBURG: If we are
13 passing the rule, it should be just simply
14 stated at their own risk. That's all.

15 CHAIRMAN LICHT: I agree. I think
16 that's a good change.

17 EXECUTIVE OFFICER WOOD: We can waive
18 the rule with the --

19 CHAIRMAN LICHT: With Mr. Landsburg's
20 condition.

21 EXECUTIVE OFFICER WOOD: With
22 Mr. Landsburg's condition.

23 VICE CHAIRMAN HARRIS: But, I mean,
24 basically it's the same risk as a pony would
25 have -- I mean it's sort of implied that it's

1 at their own risk. I don't know if we can
2 legally waive -- force someone to waive
3 liability in general.

4 CHAIRMAN LICHT: I think it's
5 important to point it out in the rule, because
6 it's an unusual condition. It's certainly
7 different than anything that we normally do.
8 I think that's a very good --

9 VICE CHAIRMAN HARRIS: But clearly
10 it's at their own risk.

11 CHAIRMAN LICHT: Any more discussion
12 or motion or anything?

13 COMMISSIONER LANDSBURG: I move
14 that -- are you ready for a motion?

15 CHAIRMAN LICHT: Yes.

16 COMMISSIONER LANDSBURG: I move that
17 we accept Rule 1693, with the condition that
18 it state it's at their own risk; that the
19 attendants on the track are at their own risk.

20 CHAIRMAN LICHT: Second?

21 COMMISSIONER BIANCO: Second.

22 CHAIRMAN LICHT: Seconded by
23 Commissioner Bianco; moved by Commissioner
24 Landsburg.

25 All in favor? Aye.

1 (All Board members voted
2 affirmatively.)

3 CHAIRMAN LICHT: Opposed?

4 VICE CHAIRMAN HARRIS: So that this is
5 clear, it could be not just foreign horses,
6 but any horse could take advantage of this?

7 EXECUTIVE OFFICER WOOD: Yes, sir.

8 We should make sure that the Racing
9 Association duly notes that on the condition
10 book and in the overnights and all advance
11 publications that go out to everybody,
12 please. I think that would be important.

13 MR. CHILLINGWORTH: Sherwood
14 Chillingworth, Oak Tree.

15 We agree to that. We will make sure
16 that the condition book entry forms will
17 provide that they do this at their own risk.

18 VICE CHAIRMAN HARRIS: But also as far
19 as the ability to do this, I'm not clear if
20 this is just on Breeders' Cup day, but what if
21 you are running in a Breeders' Cup prep or
22 something like that?

23 MR. CHILLINGWORTH: Well, I think the
24 only exception we might want would be to do it
25 on Friday prior to Breeders' Cup where we have

1 horses that are coming from Europe, don't get
2 into Breeders' Cup races, and we would like to
3 have racing on Friday afternoon that would
4 include those horses, and you might have some
5 amongst that group that would like to have
6 their handlers bring the horse on the track.

7 VICE CHAIRMAN HARRIS: My only problem
8 is I wonder how much reciprocal things we get
9 when American horsemen go other places. Are
10 they as easy to work with as we are?

11 COMMISSIONER LANDSBURG: Generally,
12 yes, John, from my viewing of it and my
13 participation. You are pretty much on your
14 own with your horse.

15 EXECUTIVE OFFICER WOOD: I would
16 recommend, Mr. Chairman, that you adopt, as
17 you did, adopt a rule for Breeders' Cup day
18 only, and then allow administrative approval
19 if requested to change or allow this exemption
20 on the day of the qualifier races that
21 Mr. Chillingworth spoke of.

22 MR. CHILLINGWORTH: Would you use the
23 stewards for that purpose?

24 EXECUTIVE OFFICER WOOD: However the
25 Board would like to do it, with stewards or

1 they could go through the staff. Whichever --

2 CHAIRMAN LICHT: I think the stewards
3 is more expeditious. Okay. Let's --

4 COMMISSIONER LANDSBURG: May I ask to
5 revisit 1481, in lieu of the passage that
6 we -- perhaps we can now come to a
7 determination with the two rules that are in,
8 to revisit --

9 CHAIRMAN LICHT: I don't know since
10 it's already been voted on and we're past it.
11 Derry, are we allowed to revisit it again?

12 MR. KNIGHT: Sure.
13 I don't know of anything that
14 precludes you from doing that.

15 COMMISSIONER LANDSBURG: I think
16 under --

17 VICE CHAIRMAN HARRIS: Maybe we can
18 take up a collection or something.

19 COMMISSIONER LANDSBURG: I move that
20 we accept Rule 1481 as proposed and go a
21 second round at this time.

22 CHAIRMAN LICHT: Hearing any second of
23 that motion?

24 EXECUTIVE OFFICER WOOD: 1481 is the
25 license fee reduction.

1 COMMISSIONER LANDSBURG: It's the fee
2 reduction.

3 CHAIRMAN LICHT: It's been moved by
4 Commissioner Landsburg. Is there a second?

5 COMMISSIONER GRANZELLA: Second.

6 CHAIRMAN LICHT: Any more discussion
7 on this?

8 VICE CHAIRMAN HARRIS: I hate to, you
9 know, be the skunk of the picnic, but it just
10 seemed to me that there is not a compelling
11 need for us to change our fees; that most of
12 our fee cost is really in the licensing
13 procedure, which I think is very important.
14 We do a good job of licensing people, but
15 that -- I don't think that someone coming from
16 someplace else -- and we are not prejudice
17 against people coming to the United States,
18 obviously -- but that they should be treated
19 differently than someone coming -- you know,
20 a quarter horse person could be shipping in
21 from New Mexico to run in the All American
22 Futurity -- not the All American Futurity, but
23 whatever the Los Alamitos futurity is -- they
24 don't get special treatment. So I think we
25 need to be careful that we have level playing

1 fields, and I think this creates a playing
2 field that's not level.

3 CHAIRMAN LICHT: I think it's a little
4 bit unique because Breeders' Cup is an entity
5 unto itself. I mean it's not really -- and,
6 Chilly, you can correct me if I'm wrong, but
7 basically you are renting the facility to
8 Breeders' Cup to run at your facility, right?
9 It's not Oak Tree's event; it's Breeders' Cup
10 event?

11 MR. CHILLINGWORTH: Well, they
12 obviously run under our dates. The general
13 program is they pay all the costs and take all
14 the revenues and give us a fee. This is an
15 event that travels around the country, and, as
16 far as I know, every other jurisdiction where
17 they've been have granted them this relief.
18 And, you know, for California to say, well, we
19 want the whole thing is I think -- it's just
20 not going to -- it's not the end of the world,
21 but I think it's kind of a little slap.

22 COMMISSIONER LANDSBURG: And I think
23 it's good for racing, Chilly. Having the
24 Breeders' Cup here is going to help California
25 racing, in general. It's just a little more

1 awareness of what we do, and I'm willing to
2 pay for it.

3 CHAIRMAN LICHT: That's how I feel,
4 because I think we want to try to entice
5 Breeders' Cup back here as much as possible,
6 similar to the volume -- that other Breeders'
7 Cup is from California, and we are trying to
8 convince Breeders' Cup to run the event in
9 California more often.

10 MR. CHILLINGWORTH: And the
11 possibility is you will get it back in -- I
12 mean California will get it back in 2009, and
13 I wouldn't want to throw any road blocks in
14 front of that effort.

15 EXECUTIVE OFFICER WOOD: And I would
16 like to clarify, Mr. Harris, that in many
17 instances, the quarter horse, the NBNA
18 challenge, was transferred from several venues
19 each year, rotates around. Starting back
20 eight years ago, the Board at that time had
21 granted the administrative approval authority
22 to adjust the license fees for those quarter
23 horse trainers who participate in the NBNA
24 challenge, so they do get a reduced license
25 fee at the quarter horse races when we are

1 privileged to host those races in California,
2 so there has been that ongoing exception.

3 VICE CHAIRMAN HARRIS: Is that just
4 for the owners or --

5 EXECUTIVE OFFICER WOOD: Owners and
6 trainers.

7 VICE CHAIRMAN HARRIS: It just seems
8 to me that we've got a licensing procedure,
9 that the fees are not exorbitant, and it is
10 just not necessary. I mean the state is not
11 that flush right now. Maybe this is maybe
12 just a drop in the bucket, maybe it's
13 symbolic, but this is just not a year that
14 that's great of a time to do it.

15 CHAIRMAN LICHT: All right. We have a
16 motion and a second. Let's poll the Board.

17 Alan?

18 COMMISSIONER LANDSBURG: Aye.

19 COMMISSIONER GRANZELLA: Aye.

20 COMMISSIONER HARRIS: No.

21 CHAIRMAN LICHT: Bill?

22 COMMISSIONER BIANCO: Aye.

23 CHAIRMAN LICHT: Aye. Passes four to
24 one.

25 EXECUTIVE OFFICER WOOD: Four to one.

1 The waiver of the license fee passes four to
2 one.

3 MR. CHILLINGWORTH: Thank you very
4 much.

5 CHAIRMAN LICHT: Okay. Number 9, the
6 fairs' impact on the economy.

7 Is that Liz Houser?

8 MS. HOUSER: Good morning,
9 Commissioners.

10 I'm Liz Houser, director of Fairs and
11 Expositions. On behalf of my boss, Secretary
12 Bill Lyons, and the California Department of
13 Agriculture, we want to welcome you and
14 everyone to one of our most beautiful
15 fairgrounds that hosts the race meet at the
16 Del Mar Thoroughbred Club. So I'm sure
17 everybody's enjoying the day, and I heard they
18 had a record-breaking day yesterday.

19 We are very pleased to be here today
20 to present the economic impact report that we
21 had prepared on the California fair industry.

22 As we all know, fairs are community
23 assets that provide a lot of benefits to the
24 public. I think you've heard some of our
25 fairs speak today on many of their programs,

1 but a lot of times people don't stop to think
2 about the economic engines that fairs are in
3 each one of their local communities, and that
4 translates into revenues being produced, jobs
5 being produced, and sales and property tax and
6 state income tax being produced.

7 So if I could, I would just like to
8 take a little time today -- and for members of
9 the audience, there are copies of the report
10 back on the table in the corner, so please
11 help yourself to a copy of the report. I just
12 want to take a little time today to kind of
13 give you some of the highlights of the report,
14 and I think you will find the numbers as
15 impressive as we have found them, and we're
16 very, very pleased that the California fair
17 industry is such a vital component for
18 providing jobs and a positive economic impact
19 to the state.

20 With that said, I want to thank Mike
21 Knapp for being here to help with the slide
22 show. So, Mike, if you would, the next slide.

23 The California fair industry is a 2.5
24 billion -- has a \$2.5 billion total economic
25 impact on California, creating over 28,000

1 jobs, and producing \$136 million in total tax
2 revenues for state and local governments.
3 There is a copy of the PowerPoint in your
4 presentation here too. It's hard to turn
5 around here for it.

6 Next slide. We consider this a
7 guaranteed return on investment. As you know,
8 fairs receive approximately \$30 million from
9 horse racing. From every dollar wagered on
10 horse racing, a small percentage goes to the
11 fairs, and they turn around and generate over
12 \$136 million in state and local taxes. Fairs
13 do not receive any state general fund money.
14 They also do not receive any portion of the
15 sales tax that they generate.

16 Next slide. Fairs remain a popular
17 entertainment choice for California's diverse
18 and very, very active population. Over 33
19 million people attended California fairgrounds
20 last year. That's roughly the same as
21 California's population of 35 million people.

22 The average visitor attends our fair
23 2.1 times per year and lives within 100 miles
24 of the fairground, so they do travel from
25 throughout the region.

1 As you look through the report, you
2 are going to see that in many cases, the fair
3 attendance is significantly more than the
4 county that it's located in. I just came down
5 here from the Orange County Fair. Their
6 year-round attendance to their fairgrounds is
7 126 percent of the population of Orange
8 County. So we have a lot of people who come
9 to the fair. And, as you know, horse racing
10 is offered at ten of our fairgrounds, so those
11 people do have the opportunity to be exposed
12 to the sport that is very important to all of
13 us in this room.

14 Next slide. Fair attendees' opinions
15 count. Ninety-five percent of the people who
16 attended the fair when they were surveyed
17 indicated that they feel that fairs have a
18 worthwhile community benefit; 88 percent
19 believe that the fairs provide an excellent
20 venue for them to visit with their family and
21 friends; and over 1.2 million people
22 participated in their fair. That means they
23 were either on a community stage or did a
24 competitive entry or helped in some way in a
25 volunteer booth.

1 Just to reiterate, the fair memories
2 last a lifetime. I'm sure if any of you
3 attended fairs with your grandparents, you
4 remember going on the merry-go-round, maybe
5 riding a bigger ride with an aunt. So we do
6 create memories that carry on, and people do
7 return to their hometown fairs when they have
8 children.

9 Next slide. Agriculture is a key
10 component of all 78 fairs. It's one of the
11 primary parts of our mission statement, that
12 fairs have an agricultural component to them.
13 Our goal is to have fairs link urban and rural
14 California. In many of our areas, the
15 fairground is the only opportunity for young
16 people in the area to actually see a live
17 animal. We've been working really actively
18 with the Dairy Council to help educate
19 children that milk comes from a cow; not from
20 the store, so fairs do provide that vital
21 link. Fairs are learning laboratories that
22 make agricultural education come to life.
23 Sixty-nine percent of fairgoers who were
24 surveyed felt they knew more about agriculture
25 after going to the fair. In addition, our

1 junior livestock programs teach young people
2 about responsibly raising animals for the food
3 chain. I'm sure many of you have helped by
4 purchasing an animal from the auction. It
5 helps continue these programs; it helps fund
6 scholarships.

7 Next slide. In addition, our fairs --
8 this economic impact study, one of the things
9 that it includes that previous studies have
10 not included is we have included our
11 fair-related businesses. When you think of a
12 fairgrounds, when you arrive at a fairgrounds
13 when the event isn't going on, there is not a
14 lot happening at the fairgrounds. It's just
15 an infrastructure where our fair staff are
16 keepers of the infrastructure. The
17 fairgrounds is rented on a year-round basis
18 for various activities. But when the fair
19 comes into town, we basically have a moving
20 city that moves up and down the state, that
21 generates a great deal of income; it generates
22 a great deal of spending activity in your
23 community when they come to town. These
24 business partners -- we call them fair-related
25 businesses -- they include commercial

1 exhibitors, fair time and master
2 concessionaires, carnival companies and
3 entertainers, and their numbers are very
4 impressive.

5 Next slide. The commercial
6 exhibitors, these are the people that you buy
7 everything from Ginsu knives to T-shirts
8 from. They generated over \$491 million in
9 total spending for the state; \$219 million in
10 personal income; \$17 million in state and
11 local taxes, and create over 8,000 full-time
12 equivalent jobs annually. When you think of
13 those jobs, though, most of the jobs on the
14 fairgrounds are part-time jobs, so when you
15 take this 8,000 full-time equivalent, condense
16 it into the fair season, which runs February
17 to the first week of November, it equates out
18 to about 20,000 real people hired in a
19 part-time position as they move throughout the
20 state. This is the commercial exhibitor
21 component only.

22 Next slide. The fair-time and master
23 concessionaires. In a nutshell, you don't go
24 to a fair without getting a corndog; all of us
25 do. Everybody has their favorite fair food.

6 audiences as they come in. They created over
7 20 -- generated over \$28 million in total
8 spending; \$17 million in personal income;
9 1.6 million in state and local taxes; and over
10 400 full-time equivalent jobs annually.

11 Next. Our fairs are also proud to
12 have a very, very close connection with their
13 community. In addition to having a
14 requirement that they include agriculture in
15 their mission statement, they are also
16 responsible for serving as a community asset
17 and serving the needs of their community, and
18 in most cases this involves heavy involvement
19 of local community groups. Community groups
20 do everything from help staff the parking, to
21 in some cases they are in charge of the beer
22 concession and take a percentage of that
23 profit, and that's put right back into the
24 community. The advantage of community groups
25 at fairs is quite -- 90 percent of the time,

1 they are ran by the local community group.
2 There is no overhead from a corporate type of
3 group, so the money goes straight back into
4 the local area. We buy a lot of band
5 uniforms; we pay for a lot of senior meals; we
6 pay for a lot of baseball teams. Just a wide
7 variety of things that each community needs; a
8 lot of scholarships out there. Last year --
9 and we've realized this number is understated,
10 because we kind of counted what the
11 non-profits groups raised on the fairgrounds
12 during fair times, but a lot of times, they
13 rent the buildings, they have dinners and
14 raffles and things that generate additional
15 money. So over 700 non-profit groups raised
16 \$8 million at fairgrounds events. Our junior
17 livestock auctions, which focuses on young
18 people from about the age of six to the age of
19 18, raised over \$21 million, with 42,000
20 animals purchased by 19,000 buyers last year.
21 This money goes directly back into the young
22 people of that area. A lot of these young
23 people use this money to go to college on.
24 Most of them put it back into their future
25 projects so they can continue to participate

1 in FFA, 4H and Grange.

2 That makes a total of \$29 billion
3 raised for local community benefits at the
4 fairgrounds.

5 Next slide. Fairs provide a place for
6 our communities to celebrate their cultural
7 heritage, compete in a variety of events, hold
8 family reunions, display and view artwork,
9 premier new inventions and innovations, and
10 showcase the best of California.

11 In conclusion, our fairs provide jobs,
12 economic and social benefits, educate the
13 public on the importance of agriculture, serve
14 as learning laboratories, introducing the
15 general public to life on the farm, encourage
16 excellence through competitions, help to
17 define the character and uniqueness of their
18 communities, and showcase and celebrate the
19 best of the best.

20 I do just want to take a moment and
21 talk about the fairs' reinvestment into the
22 sport of horse racing.

23 Next slide. We feel that California
24 fairs and horse racing have had a winning
25 history, and we look forward to a positive

1 winning future with you. We have ten fairs
2 that have horse racetracks; 23 fairs have
3 satellite wagering facilities on their
4 fairgrounds; and, additionally, six fairs
5 currently have the ability to have an
6 off-grounds satellite wagering facility.

7 Next slide. Fairs have worked
8 actively, as you are aware, from the \$30
9 million that comes annually to support the
10 network of fairs, a portion of that goes into
11 their base allocations to help with operation,
12 but also a portion of it is used directly to
13 help with horse racing items. CARP, the
14 California Authority of Racing Fairs, their
15 board makes recommendations to the Department
16 of Agriculture annually on how best to spend
17 what we call the 192 account or the satellite
18 wagering account monies.

19 And I just kind of wanted to give some
20 recaps of what has been reinvested in the
21 sport during just the last three years, and
22 this is only from the satellite wagering
23 account; this does not count the money that
24 the fairs have added to these programs.
25 Nearly \$30 million has been reinvested. The

1 track and safety maintenance program has been
2 1.8 million in the last three years. It's a
3 program that we are extremely proud of. We
4 think it not only improves the surfaces for
5 the horses, but also provides a safer
6 environment for the jockeys. The backstretch
7 improvements, we've invested 4.7 million to
8 date, and are pleased to see the progress on
9 all the fairgrounds. And I do want to thank
10 Roy for getting out there and getting them all
11 inspected. I know he's been traveling all
12 over the state for us.

13 The satellite wagering equipment
14 replacement fund is approximately \$1.5
15 million. In the last three years, this gives
16 funding to replace the chairs, tables, TVs,
17 and various equipment in the satellites to
18 keep them in good shape for our patrons.
19 Satellite wagering facility upgrades, another
20 1.3 million, carpeting, paint -- a lot of you
21 have been to some of the satellites that have
22 been improved.

23 Next slide. And something we are very
24 proud of. I just came from the Chamber of
25 Commerce opening at the new satellite wagering

1 facility in Lancaster. If you get an
2 opportunity to go up there, it's a beautiful
3 facility. \$4.5 million invested into this. I
4 have their numbers. They've been opened since
5 the 16th; their attendance is up 32 percent;
6 their handle is up 40 percent. So I guess if
7 you build it, they will come. So they are
8 really impressed with the number of people who
9 have been coming. It's a beautiful facility.

10 We also fund the bond debt on the
11 other satellite wagering facilities that were
12 built; \$6.9 million in the last three years
13 and in supplemental purses at 4.5 million.

14 That concludes my presentation. I do
15 want to thank you for your time today.

16 I have one brief announcement. I was
17 hoping to grab Commissioner Harris beforehand,
18 so he didn't hear this from here. But Scott
19 Anderson from our big Fresno fair wanted me to
20 share with everyone that he will be leaving
21 the fair on August 1st to work in the private
22 sector. He is obviously doing a lot of
23 things. He just is announcing this week that
24 he will be leaving the big Fresno fair.
25 Scott's been a great asset to us. I know he

1 has taken an active interest in horse racing,
2 has come to several of the board meetings, so
3 he did want me to extend his thanks for your
4 support of his fairgrounds, and he promises
5 that he will show up at fair time and bet some
6 of that money he is going to be making in the
7 private sector on the ponies.

8 So if there are any questions for me,
9 I'm available, and I will be available after
10 the presentation.

11 Thank you.

12 CHAIRMAN LICHT: Thank you.

13 I think we are going to take an item
14 out of order now, item 11. Let's see -- no.
15 Item 13, the issue about maximum overweight
16 that a jockey can use -- can have in a race.
17 We will take that out of order, so some of the
18 people here that need to testify can get back
19 to their positions.

20 The nature of this item being on the
21 agenda is that there seems to be some
22 confusion among the racing public about what
23 the weight is that a jockey carries in a
24 race. In other words, if it says 117 in the
25 program, I think it's commonly understood that

1 that includes the saddle, all the tack, and
2 the jockey himself, and that is, in fact, not
3 true. There is quite a room for leeway. And
4 what this Board wants to see is whether or not
5 we need to be more specific with this rule so
6 that the public knows what actually the weight
7 is that is being carried by the horse.

8 There was a digital scale at the last
9 fair, and we were watching the television
10 simulcast. I saw jockeys weighing in six,
11 seven pounds more on the digital scale than
12 what their assigned weight was. And I don't
13 think that's a proper representation to the
14 public. I also think we need to take a look
15 at revising the scale of weights to make it a
16 more accurate reflection of the size of people
17 in this generation, which is quite a bit
18 larger than the previous generation.

19 Did we want to hear some testimony
20 from any of the staff? Did you ask anyone to
21 be here?

22 EXECUTIVE OFFICER WOOD: Actually, we
23 did, Mr. Chairman, we asked a couple of people
24 to be here. Darrell Haire from the Jockey's
25 Scale, also Dino Perez who works as a clerk of

1 scale as some of the racetracks in California
2 to go over the procedures that we go through
3 when jockeys weigh out and weigh in. We also
4 included the current regulations that are in
5 place today in California concerning the
6 amount of weight that jockeys wear -- excuse
7 me -- the amount of weight that jockeys can
8 ride with during particular races.

9 One of the things we have tried to do
10 since the last time we had this discussion in
11 front of this Board was to request that the
12 racing associations consider not only in the
13 weighing-in process but the weighing-out
14 process to employ the use of the digital
15 scales. We do find that those are more easily
16 read by the clerk of scales; they are also
17 more easily read by the patrons who may or may
18 not see them.

19 But I think the first thing I would
20 like to do is ask Dino Perez, the clerk of
21 scales, to kind of go over with us the
22 procedures of the weighing out and weighing
23 in, and then after that, we could have some
24 discussion. But I guess the main function of
25 this presentation today is to discuss what may

1 or may not be needed to do if we are going to
2 go forward in California and hopefully in
3 America in addressing the jockey's scale of
4 weights, which has been an issue I think
5 that's been on the table for quite some
6 sometime.

7 So, Dino, if you would, you and
8 Darrell come forward, and if there are any
9 questions after their discussion, we'll be
10 glad to discuss them.

11 CHAIRMAN LICHT: And I would like to
12 have Dino specifically address when the
13 jockeys are weighing out, at least, it's a
14 public perception that the jockeys never
15 actually stand on the scale and let the needle
16 steady; that they just walk across the scale
17 and leave, and that there is no possible way
18 to accurately read that scale.

19 VICE CHAIRMAN HARRIS: On a
20 non-digital scale?

21 CHAIRMAN LICHT: Yeah, when they're
22 coming in and weighing in.

23 MR. PEREZ: Dino Perez, racing
24 official.

25 The procedure when they come to the

1 scale before they go out to the track, they
2 carry their tack, boots, silks, anything they
3 are going to ride when with. When they come
4 back off the track back into the jock's room,
5 it's a lot more that they carry, because they
6 have -- obviously, helmets weigh different
7 amounts, vests; also they have mud, sweat, wet
8 shammies, four or five pair of goggles. So it
9 can easily be four to five pounds, maybe even
10 six pounds more, like you were talking about,
11 as they come off the track.

12 VICE CHAIRMAN HARRIS: But do they
13 weigh -- every time they go out they are
14 weighed and every time they come back they are
15 weighed?

16 MR. PEREZ: Yes.

17 VICE CHAIRMAN HARRIS: I'm not clear.
18 Is the helmet included in the weight?

19 MR. PEREZ: Not on the way out to the
20 track, no, it is not.

21 VICE CHAIRMAN HARRIS: And there's
22 also the vest is not included; it's just
23 arbitrarily assumed to be so many pounds or
24 something?

25 MR. PEREZ: That is correct.

1 EXECUTIVE OFFICER WOOD: The rules
2 specifically say the vest can weigh no more
3 than two pounds, and so we use that as a
4 variance for the vest.

5 CHAIRMAN LICHT: What about the idea
6 that they just walk across the scale and don't
7 actually stand there and allow this needle to
8 stabilize?

9 MR. PEREZ: My main concern when I
10 watch the scale is that they are not
11 underweight. I think if the needle goes up
12 and it shows that they were supposed to be
13 carrying 18, that they got 18. It lands on it
14 pretty quickly, and then it flutters, which I
15 think a digital scale would be better. But
16 the main concern is that they are not carrying
17 less; that they didn't take weight out.

18 VICE CHAIRMAN HARRIS: It seems to me
19 a digital scale would definitely be better.
20 But which tracks -- do the major Southern
21 California tracks have digital scales or not?

22 MR. PEREZ: The only digital scale
23 that I know of is the one inside of the jock's
24 room in Santa Anita.

25 EXECUTIVE OFFICER WOOD: Commissioner

1 Harris, I can tell you that, according to the
2 meetings this week by Mr. Fravel, that the
3 Southern California Racing Association are in
4 the process of purchasing digital scales, both
5 for weighing in and weighing out, which they
6 hope to be able to use at all locations but
7 shipping them back and forth.

8 VICE CHAIRMAN HARRIS: I don't think
9 that they are that expensive. It seems like
10 to me that we are in the 21st century now, and
11 that we should have digital scales. I mean
12 they've been around for a while, and I don't
13 know how the --

14 EXECUTIVE OFFICER WOOD: We would like
15 to see them do it on their own accord. We
16 have asked them to do so. The digital scales
17 that we've priced, quote, unquote, like at
18 Pleasanton where we talked about purchasing a
19 digital scale there, for the kind of equipment
20 that we would like to have, the only cost,
21 roughly speaking, is \$3,500. So you are
22 correct, for \$7,000, the digital scales could
23 be employed for both weighing in and weighing
24 out, and I think you will see before the meet
25 is over at Del Mar that being installed here.

1 But the old scales that -- some of them are
2 very antique -- that we have employed do show
3 a needle variation back and forth bob,
4 especially if the jocks jump on and jump off,
5 so to speak, and don't stand there long enough
6 for that needle to settle down.

7 VICE CHAIRMAN HARRIS: I'm not clear
8 if I would buy into the theory that the high
9 bob is necessarily the weight, from my own
10 experience in scales.

11 CHAIRMAN LICHT: He is saying all he
12 cares about is that they don't --

13 VICE CHAIRMAN HARRIS: But he's saying
14 the highest it goes, is that the --

15 COMMISSIONER GRANZELLA: No. The
16 problem with the scale itself is it never
17 settles out to the right weight. The high bob
18 might not be the right weight at all.

19 VICE CHAIRMAN HARRIS: The high bob
20 assures that he has at least that much weight,
21 but I'm not sure if the high bob --

22 EXECUTIVE OFFICER WOOD: It may not be
23 the correct number, but it is the number that
24 shows the maximum it could possibly go in the
25 process.

1 CHAIRMAN LICHT: How many more pounds
2 do you allow a jockey? In other words, if it
3 says 117 in the program, assuming he doesn't
4 say he's overweight, so the public thinks he
5 is riding 117, what will you allow him to come
6 back in after the race at?

7 MR. PEREZ: I would allow five above
8 117, so it would be 122.

9 VICE CHAIRMAN HARRIS: And that would
10 include the issue with the vest?

11 MR. PEREZ: Yes.

12 CHAIRMAN LICHT: The vest, the helmet,
13 the goggles, the sweat, the cinch.

14 MR. PEREZ: Yes.

15 CHAIRMAN LICHT: And that's just
16 arbitrary, I would assume.

17 MR. PEREZ: That is what I was told by
18 the stewards.

19 VICE CHAIRMAN HARRIS: It seems to me
20 that we should have the weight whether -- I
21 mean it's sort of a different issue as far as
22 the mud and all that, but it seems it would be
23 a let simpler if the weight did include the --
24 I mean when you raise the scale of weights --
25 if you include the helmet and the vest and

1 everything.

2 MR. PEREZ: Yeah.

3 EXECUTIVE OFFICER WOOD: Mr. Harris, I
4 think that it's been a long time coming, and
5 I'm not advocating one way or the other, but I
6 would present to you that one of the issues
7 that I think this Board with its active
8 participation could do is look at addressing
9 the scale of weights. I think it's time
10 that someone did that. Several years ago at
11 the request of Jockey Gayle, we brought this
12 issue to California, but set it aside, waiting
13 for a national effort to take place. I think
14 it's time that we evaluate the scale of
15 weights. I think it would be a good effort
16 that we could put together now and start
17 looking as what may be the appropriate weight
18 the jockeys should carry when riding in races,
19 and I think a good part of a lot of discussion
20 we have had about these current weights is
21 there is a variance; the rule allows as much
22 as seven pounds in a jockey to ride in the
23 race before he is disqualified. But what
24 happens is that some places, it may be five,
25 and seven in others, and I think the

1 things, and make things just -- again, there
2 wouldn't be that fluctuation that there is
3 now, because jockeys don't weigh with their
4 whips, for example. That's a pound. When
5 they get on the scale at -- what we are
6 promoting is they will have all the equipment,
7 and it will be --

8 VICE CHAIRMAN HARRIS: I think it
9 would be easier, though, to show -- I mean
10 what is important is what the horse carries,
11 not more so than what the jockey weighs, you
12 know, absent anything, where that should be
13 the public -- if I pick up a program and the
14 jock is carrying 123, I would assume that's
15 what the horse thinks it's carrying, not --
16 but really it's not.

17 COMMISSIONER LANDSBURG: What we are
18 saying is add five to seven pounds, right, to
19 what is normally in the program, and we would
20 get a more accurate weight, which would then
21 give us a more accurate feeling about whether
22 that horse can carry weight. The problem is
23 that most of our races are written at the 117
24 to 120, and now you are going to put virtually
25 every jockey onto a 122 to 127.

1 MR. HAIRE: Mr. Landsburg, that is
2 what it is now.

3 COMMISSIONER LANDSBURG: I just want
4 to be clear that that is what we are talking
5 about, and that we should advertise that five
6 to seven pounds in some fashion on the
7 programs and in the racing form, because it --
8 what is it, a pound -- one pound is a fifth of
9 a leg of a mile.

10 VICE CHAIRMAN HARRIS: It's a more
11 full disclosure issue. My concern is that we
12 fully disclose to the public -- now, the
13 separate issue really is that maybe the scales
14 should go up in general because of concern
15 with heavier jockeys and all, but to fully
16 disclose to the public clearly needs to be --

17 MR. HAIRE: But it would state -- what
18 we are saying is this: On the program, it
19 would have the weight the jockey is carrying,
20 if it's 118, and on the front of the program,
21 and all horses carry ten pounds of equipment,
22 because that is what it is, ten pounds.

23 VICE CHAIRMAN HARRIS: No. I think it
24 should show on the program what that horse is
25 carrying, including the lock, stock and

1 barrel, not just --

2 CHAIRMAN LICHT: But ten pounds is
3 constant, so if you say it's 115, you add ten.

4 VICE CHAIRMAN HARRIS: But in the
5 program it would be, in your example --

6 MR. HAIRE: All horses carry ten
7 pounds.

8 VICE CHAIRMAN HARRIS: We wouldn't
9 have something where it shows 115, but it's
10 really 125. It would be 125.

11 EXECUTIVE OFFICER WOOD: And maybe a
12 good way to do that is just to advertise what
13 the current regulations are which allow the
14 seven pounds to participate in a race, but the
15 perception that we have to change is what the
16 actual weight out is and what the actual
17 weight weighing in is, and those two things
18 are different.

19 CHAIRMAN LICHT: The best way to start
20 that is to have people actually stop on the
21 scale and weigh, instead of just walking
22 across it.

23 EXECUTIVE OFFICER WOOD: And the
24 second thing is, and I think I need to say
25 this so that everyone can understand, the

1 California Horse Racing Board, investigative
2 staff, myself, Roy Minami and others have been
3 involved in audits of these situations of
4 jockey weights, and I want you to know and
5 everybody understand that with all those
6 audits, the jockeys are weighing the weight
7 the rule allows them to weigh, and the problem
8 is that we have a perception situation of what
9 people are coming in and going out at. And
10 that's probably what we need to talk about.
11 And also as Mr. Harris so well said, we need
12 to look at adjusting long term, short term the
13 actual scale that we race under. What
14 Mr. Landsburg talked about and what you are
15 saying now is we are actually weighing horses
16 at 117 or 118, so -- but the audits that we've
17 been participating in shows that the jockeys
18 actually do follow the regulations.

19 CHAIRMAN LICHT: Darrell, where are
20 you with this proposal? I mean it's been a
21 year now, and --

22 MR. HAIRE: We have had this, and this
23 is part of the modules that we are presenting
24 to each track with our contract that we are
25 negotiating with each track throughout the

7 COMMISSIONER LANDSBURG: Do European
8 jockeys, to your knowledge, use the vest and
9 the helmet?

10 MR. HAIRE: When they weigh out for a
11 race?

12 COMMISSIONER LANDSBURG: Yes.

13 MR. HAIRE: I believe -- I'm not
14 sure. Kent would know.

15 MR. BRISARO: Vest, yes;
16 helmet, no. There's a one and a half pound
17 allotment for the vest.

18 CHAIRMAN LICHT: Why don't you state
19 your name so that the court reporter can --

20 MR. BRISARO: Kent Brisaro.
21 I've traveled abroad in Europe and the
22 Orient, and the scale, actually, when you get
23 on it is at minus 1.5; it's not at zero. It's
24 a digital scale. It's set at minus 1.5, and
25 you must wear your vest, and it must be on

1 when you weigh out.

2 VICE CHAIRMAN HARRIS: That would make
3 more sense to have a digital scale that had it
4 to factor in there. But maybe not even have
5 to factor it in there; maybe it could just be
6 part of the weight.

7 CHAIRMAN LICHT: Okay. Maybe you can
8 take that back to your board and see if you
9 can get that on our next agenda.

10 Dino, thank you very much.

11 VICE CHAIRMAN HARRIS: It is of
12 concern where I have had some fans that they
13 bet on some horses that got beat, and they
14 think the jock was five pounds more than they
15 thought he was supposed to carry, but it may
16 be that we need to assure the fans that they
17 are getting this fair break.

18 CHAIRMAN LICHT: Okay. The next item
19 on the agenda is number 10, stop betting on
20 out-of-state mergers at specified locations.

21 The genesis of this discussion is that
22 the perception, whether or not it's a
23 reality -- we don't think so, we haven't been
24 able to establish any facts that indicate that
25 there is a problem with people betting after

1 the start of a race -- but the perception is
2 that there are bets coming in late, and we
3 want to try to put the public at ease.

4 John?

5 MR. REAGAN: Yes. Commissioners, John
6 Reagan, CHRB staff.

7 As you indicate, there have been some
8 notable examples of this situation, especially
9 with what we call late money, money that was
10 bet in out-of-state jurisdictions within a
11 minute or so of the commencement of the race,
12 sometimes 30 seconds or less, and this money
13 arrives into the California pools after we
14 have already commenced the race, and perhaps
15 so well along in the race, and suddenly the
16 odds are changing, and the final cycles, the
17 tote cycles that commence after the race has
18 begun, and sometimes with dramatic changes in
19 odds, sensational, or even upsetting to a lot
20 of people, and we have certainly investigated
21 this a dozen or more times, going back to the
22 original tote in the out-of-state locations
23 and looking through, and we've always found
24 those to be legitimate bets placed at the last
25 minute or last second, and they were timed at

1 the out-of-state tote, the race -- the bets
2 were made prior to the commencement of the
3 race in California, and the money was
4 legitimate and was properly included in our
5 pools.

6 Nonetheless, those large changes in
7 the odds sometimes do cause a lot of comment,
8 concern and frustration by some of the racing
9 fans; some of the fans who had the winning
10 tickets and are receiving much less than
11 anticipated, and, of course, everyone is
12 always concerned about the integrity of the
13 system.

14 Currently, the way we have the
15 multi-hub system throughout North America,
16 these delays are built into the system
17 itself. What happens is that each tote
18 receives the individual bet, but when they are
19 in a hub situation, they accumulate that
20 information into large packages. They don't
21 send each bet itself. They accumulate package
22 information: How much was on the win pool;
23 how much was on various runners. That takes
24 anywhere from 30 to 90 seconds, depending on
25 the situation for all that information to be

1 processed, and each tote is going through its
2 own cycle, and then it forwards to another
3 tote, hopefully the host track, for instance,
4 and we find that where that tote is in its
5 cycles, it's important to know where the
6 cycles are combining, and then each one has to
7 reprocess. And so at times a bet made on the
8 East Coast may process for a minute or a
9 minute and a half to get into the California
10 pools. If that bet is made 30 seconds before
11 the race, obviously, it's going to be coming
12 in late from the perspective of California,
13 and causing some of these late changes in the
14 odds. So that's a built-in problem with the
15 hub system.

16 A flip side of that, one solution that
17 was brought up several months ago is closing
18 pools early. A lot of people didn't warm up
19 to that idea, so we are still working on other
20 systems.

21 There has been discussion about
22 perhaps upgrading the equipment. The systems,
23 the interfaces and whatnot, estimates of 40 to
24 50 million to upgrade the equipment would
25 help, I don't think it would completely

1 eliminate the problem, but of course then
2 there is a matter of where does the 40 or 50
3 million come from?

4 So the current system is working. We
5 double-check it occasionally when some of
6 these sensational situations happen, but it's
7 what we have. It's what we are working with,
8 and we will do the best we can.

9 If you have any questions.

10 VICE CHAIRMAN HARRIS: I don't see why
11 it would cost \$40 or \$50 million just to
12 upgrade that hub system. I mean that seems
13 pretty high.

14 MR. REAGAN: I think, Commissioner,
15 what has happened there is you can't just
16 upgrade one or two hubs. You have to rebuild
17 the whole system. The \$40 or \$50 million was
18 from several years ago when an outfit that we
19 all know, IBM, was thinking about perhaps
20 providing a nationwide system, and that was
21 the estimate they gave us at the time, so
22 whether that would be more or less right now,
23 I don't know. But we are still talking
24 substantial money. And it would also take a
25 lot of coordination because, like I said, if

1 California upgrades its equipment, that is
2 fine, but it also requires all the other
3 players, all the other hubs, to upgrade to the
4 same quality, to the same standards, or else
5 we haven't really accomplished much. But we
6 are still talking some money I think.

7 VICE CHAIRMAN HARRIS: My main concern
8 is that Californians be on the same playing
9 field as everybody else, and it seems like,
10 although -- I mean everyone has to have their
11 bet in that they don't -- that those hubs are
12 really getting their bets in later than
13 Californians are even, though it seems to me
14 like we should set some date certain that they
15 have to either close out their betting
16 slightly earlier than we do or develop the
17 technology to get their bets in, where -- it's
18 just bothersome to me that all the data is not
19 at the California hub when the race goes off.

20 MR. REAGAN: Certainly. That is a
21 technological situation right now, and there
22 are some various remedies, but that's a policy
23 we have to deal with.

24 CHAIRMAN LICHT: I think that it's
25 safe to say that not only does your office

1 audit certain races with aberrations, but also
2 the individual track auditors generally
3 conduct their own audits. For instance, the
4 Shoemaker Handicap at Hollywood Park was one
5 of the obvious examples that I know we did an
6 intensive evaluation of that because it's a
7 high, high volume betting race and you had a
8 large change in odds on the winner, and I
9 think you took the time to actually examine
10 the bets oncoming from various sites.

11 MR. REAGAN: Yes.

12 CHAIRMAN LICHT: And found no
13 improprieties?

14 MR. REAGAN: No. We found some large
15 last-minute bets from Oregon and RGS, and they
16 were within the prescribed time; they were
17 legitimate bets, and they were included in the
18 pool properly.

19 CHAIRMAN LICHT: Rick, could you come
20 up, please. Hollywood Park, I believe, also
21 conducted its own investigation into that
22 movement in the odds, if I'm not mistaken.

23 MR. BAEDEKER: Rick Baedeker,
24 Hollywood Park.

25 We did. Every one of these

1 investigations that we have conducted has
2 revealed the fact this these bets were made on
3 a timely basis, before the pools were closed
4 and before the horses broke from the gate.

5 CHAIRMAN LICHT: The only thing that I
6 asked John Reagan before the meeting is I
7 don't know what we would see if there were
8 something that was improper. I mean, in other
9 words, we certainly wouldn't see something
10 time stamped after the race. I don't know
11 what it is we look for, but maybe you guys
12 know more about that stuff.

13 MR. REAGAN: Commissioners, what we do
14 is as soon as we are interested in a certain
15 race, we do go from a kind of a tote to tote
16 situation. First of all, all the totes in the
17 hub are sync'd together in terms of time,
18 within 20 to 30 seconds. If we are out of
19 sync by more than that, we get alarms and
20 signals indicating there's a problem in the
21 time sync, but when we investigate a
22 situation, we immediately ask for the logs and
23 the stop betting signal, and the information
24 generated from the other hubs as to the time
25 stamps on those -- on that process and those

1 key points, and that's delivered to us, and we
2 can examine those and assure ourselves that,
3 in fact, those were done on a proper basis.

4 MR. BAEDEKER: Mr. Chairman, I know
5 that when this issue was before us in the
6 fall, the NTRA at the time in the wake of the
7 Breeders' Cup problem had brought in
8 specialists -- I call them safe breakers --
9 but their sole purpose was to determine the
10 integrity of these systems, and, as a matter
11 of fact, determine whether or not these wagers
12 or these shifts in odds were as a matter of
13 fact a result of some kind of fraudulent
14 activity. Pending the outcome of that
15 investigation, my company, Churchill Downs,
16 had recommended the zero -- stopping betting
17 at zero minutes to post. I know that
18 subsequently the report came back from the
19 NTRA that there was no evidence of fraud in
20 these late drops. I would suggest that the
21 tote companies are still working on cycling
22 the win pools before the rest of the
23 information currently, and I'm happy to be
24 corrected on this, but currently the win odds
25 are cycled at the end, and so there is a

1 further delay. But I believe that even with
2 the current technology, if the win pool was
3 cycled first, that we could see these odds not
4 when the horses break, but certainly much
5 sooner than we are now getting them, which is
6 usually about at the top of the stretch. So I
7 would keep the heat up on the tote companies
8 to reduce this risk as much as is possible.

9 CHAIRMAN LICHT: Some people have said
10 to me that odds change after the race is over
11 and the horse is already in the winner's
12 circle getting a picture taken. I find that
13 hard to believe myself. I have not noticed
14 that. But have you had complaints about that?

15 MR. BAEDEKER: I have not had
16 complaints about that. I'm not aware of an
17 incident like that at Hollywood Park. I know
18 when we as a company studied this in the fall
19 there were a couple of instances where the
20 final cycle did not occur until after the
21 horse had crossed the finish line. But those
22 were rare. The vast majority of them, I think
23 they took between 45 and 55 seconds.

24 COMMISSIONER LANDSBURG: 45 and 72.

25 MR. BAEDEKER: Thank you,

7 through the pools and everything, the odds of
8 the purse have been updated.

9 It is the case that the TR 2020
10 Committee has kept the fire to the tote
11 companies' feet to keep working on this.
12 We've gotten to a point now where we update
13 the board in 45-second cycles here in
14 California today, and I think some boards
15 around the country are a little faster than
16 that, but 45 seconds is what we've gotten to
17 at this point, and we are, as Rick said,
18 working to see what we can do to update the
19 win odds faster, working with the existing
20 technology that we have, the interface
21 protocol and the communications equipment and
22 whatnot, so there was a meeting, a TR 2020
23 meeting, just this week on the East Coast, and
24 this was again another issue for them to
25 address to get the tote companies to work

1 together to see how fast we can get the odds
2 updated.

3 CHAIRMAN LICHT: Thank you.

4 Any other questions or comments?

5 Okay. Thank you, gentlemen.

6 The next item on the agenda is a
7 discussion regarding revising our rules to
8 prevent claimed horses from leaving the state
9 for a longer period than what the rule
10 currently provides. The rule currently
11 provides that a horse can't leave the state
12 except to run in a stakes race until the end
13 of a meet. And it seems like a lot of our
14 horses have been taken out of state, claimed
15 and taken out of state, and very few have been
16 claimed out of state and brought in, and this
17 has added to our horse shortage.

18 VICE CHAIRMAN HARRIS: I wasn't sure,
19 was this brought up more of a harness horse
20 issue for this agenda item, or was there some
21 concern over thoroughbred --

22 CHAIRMAN LICHT: Thoroughbred. It's
23 for thoroughbred --

24 EXECUTIVE OFFICER WOOD: Harness was
25 already addressed under the previous rule, but

1 this is for thoroughbreds.

2 CHAIRMAN LICHT: Derry, do we have any
3 further restrictions as far as Interstate
4 Commerce Code or anything if we wanted to
5 restrict this even further?

6 MR. KNIGHT: I have to tell you, I
7 haven't looked at this issue.

8 VICE CHAIRMAN HARRIS: Okay. I think
9 there was some case on this --

10 CHAIRMAN LICHT: But I mean to me, if
11 we were able to restrict until the end of the
12 meeting, that certainly shows that we are able
13 to restrict in some way, so if we were to go
14 60 or 90 days after the end of a meeting, I
15 don't think that that could be deemed a
16 further restriction, but I don't know. But
17 that'd be something that I would like you to
18 take a look at.

19 MR. KNIGHT: It could be a question
20 of degree.

21 VICE CHAIRMAN HARRIS: I thought there
22 was some case on this in Washington or
23 someplace, because basically I think you're
24 relying on some other jurisdiction to enforce
25 your rule, because the person can basically

1 leave and take their horse. It's just a
2 question of if whoever enters that horse would
3 rely on the California rule. Is the fair meet
4 considered one meet for these purposes?

5 EXECUTIVE OFFICER WOOD: Yes, sir.
6 Several years ago, and I'm sorry, I can't
7 remember the exact date that we looked at this
8 regulation once before, and we discussed the
9 constitutionality of the Interstate Commerce
10 part of it, and I'm not sure that we ever got
11 a clear-cut decision. I know we talked about
12 it, but we kind of tabled it at the time.

13 Currently in California, with some of
14 the accelerated purse structures in other
15 parts of the country, there's been an ongoing
16 impetus of people claiming horses in
17 California in some of our shorter meets and
18 then leaving and going to other states, and we
19 put this on the agenda to discuss the
20 possibility of looking at a change in our
21 current regulation. That goes, you know,
22 through the committee process and discussions
23 and a notice for hearings, which takes, as you
24 well know now, quite some time.

25 So there has been a lot of interest in

1 some of the thoroughbred quarters to look at
2 adjusting the rule to allow such things as
3 once a horse is claimed it couldn't leave
4 California for a year from the day of the time
5 of claiming.

6 These are all the options that we're
7 looking at.

8 VICE CHAIRMAN HARRIS: I think it's
9 worth looking at.

10 Does the TOC have a position on this?

11 MR. VAN DE KAMP: Mr. Chairman, John
12 Van De Kamp, TOC.

13 We don't have an official position,
14 but I raised this issue before. You know, we
15 get horses from out of state come in, and we
16 have horses going away out of state, and what
17 you pointed out is obviously very true right
18 now. We have had horses claimed that are
19 going to Hoosier and some of the small tracks,
20 where they have slots and better purses
21 today.

22 I would make this suggestion to you,
23 you know, to be able to approach this. I
24 think that clearly if you put on a year or
25 even any some kind of barrier, you are

1 causing, you know, some interference with an
2 owner's rights to have his horse claimed and
3 have it leave the state, and it may interfere
4 with your ability to get horses in state, if
5 you have action taken against California.

6 I would suggest that you take a look
7 to see what all the other states, the major
8 racing states, are doing in this area. And
9 there may be some ability there if you get
10 into an anti- -- into a lawsuit down the line
11 to be able to defend yourself, if you put in a
12 60- or 90-day kind of a clause. I would
13 imagine one year sounds extreme. What are you
14 going to do with the horse that is sold? Are
15 you going to prevent the owner from selling
16 the horse and sending it out of state? No,
17 not by this rule. But should you try to do
18 that? I think your answer would be no. You
19 know, if someone came to Mr. Harris and wanted
20 to buy one of his horses for a good amount of
21 money and take them wherever they want to take
22 them, I don't think you would want to prohibit
23 that.

24 VICE CHAIRMAN HARRIS: I think a lot
25 of times an owner can freely sell a horse and

1 it's very different than a horse getting
2 claimed.

3 MR. VAN DE KAMP: But you are putting
4 the horse up for sale through the claiming
5 mechanism. It really isn't that much
6 different.

7 CHAIRMAN LICHT: But our regulatory
8 abilities are much stronger in the claiming
9 area than they are in the direct sale, and I
10 think the value of our horses -- in fact, I
11 think Mr. Stein is going to testify to this
12 is -- is they are becoming increasingly
13 valuable to people in other states, especially
14 our cheaper horses.

15 VICE CHAIRMAN HARRIS: Yeah,
16 especially -- I mean I could argue either side
17 of this, but one of the problems is right into
18 the meeting, the race meeting, a lot of times
19 there's a disproportionate amount of claims,
20 because then you could take the horse almost
21 immediately out of state, where it's sort of
22 an unlevel thing where maybe it should be so
23 many days from the date of claim, rather
24 than --

25 MR. VAN DE KAMP: That's why I think

1 you need to look to see what is going on in
2 other states. You may be able to put in a
3 period of time -- 30, 60 days, something like
4 that -- and that's after the date of the claim
5 rather than at the end of the meet.

6 CHAIRMAN LICHT: Dr. Stein?

7 DR. STEIN: I hope this is working.

8 My name is Roger Stein. I'm a horse
9 trainer here, and I do a radio show on the
10 weekends, and I've been looking at this issue
11 for quite awhile, and I have a little bit of
12 an advantage because I saw this happen in
13 harness racing years ago.

14 The problem with horses is the value
15 isn't a constant. It's not like gold or
16 silver, where it's traded for the same amount
17 of money across the country. It used to be --
18 when I say used to be, eight or ten years ago,
19 you could purchase a horse in other parts of
20 the country and bring them here and they were
21 worth almost twice as much. The problem is we
22 don't have slot machines and we don't have
23 purses like some tracks, like Mountaineer Park
24 that, you know, approach \$5,000 horses running
25 for \$18,000.

1 As far as what Mr. Van de Kamp just
2 said, you can't stop an owner from selling a
3 horse, and that is not what we are trying to
4 do. What we're trying to do or should be
5 trying to do is stop piracy. April is a good
6 example. Twelve horses were claimed in the
7 state that left, and these are higher-priced
8 claiming races. It puts a tremendous burden
9 on the race secretary, as it does on all of
10 racing, to present a card that people would
11 want to bet on. I mean nobody wants to bet
12 anymore on five-horse fields. They are tired
13 of it. And we don't need a crystal ball. I'm
14 here telling you now that what happened in
15 harness racing is happening here in
16 thoroughbred racing, and if you want to look
17 and see what the future is going to hold, you
18 don't need a crystal ball. You look at
19 Northern California, and you are going to see
20 what Southern California is going to look like
21 in a couple of years unless something is
22 done. We can fix the problem. We may not be
23 able to do it 100 percent. But there has to
24 be something done, and I wish I had an
25 answer. I know what the problem is, I can

1 identify that easily, but the answer is
2 stopping this from happening. The trainer
3 should be held responsible.

4 I've been approached many times, as
5 many other trainers are, and the \$1,000 or
6 \$2,000 for a couple hours' work is -- it's
7 attractive. But you have to realize that if
8 you take that money and claim a horse that you
9 know is leaving the state within a month, you
10 are contributing to the demise of racing here
11 in California and making it again tough for
12 horses to leave.

13 I went to Washington State and bought
14 five horses; didn't even claim them. I
15 claimed one and bought four. They have what
16 is called now the Roger Stein Rule, which is
17 you can't claim a horse and leave the
18 racetrack during the meet until it's over. I
19 don't know that they are any smarter than this
20 Board here. I don't think they are any
21 smarter at Hastings Park, where you also can't
22 do the same thing. The problem is that
23 regardless of whether it's a short meet or a
24 long meet and they come at the end, if the
25 scavengers come and they claim the horses, we

1 are out of certain kinds of races. As it is
2 now, we have conditioned claiming races, and
3 some of those fields at Hollywood Park, for
4 example, they had -- they needed a fifth or
5 sixth horse. They had eight possibilities,
6 and six of those they found had already left
7 the State of California. What is going to
8 happen? We are going to end up with no
9 claiming races. We are in -- I know it's
10 difficult, I know you guys can't make it
11 mandatory for people to buy horses out of
12 state. I think it should be encouraged. I
13 think the racetracks should offer \$1,000 or
14 \$2,000 for every out-of-state horse that comes
15 here and gets one start, not upon shipping in,
16 but if they intend to race here. And I don't
17 know legally what you can do to stop it, but I
18 do know that this is a huge problem, and the
19 truth is that horse racing is in dire
20 straights right now because of the size of the
21 fields. Less betting means less purses, and
22 that affects all of us. It's already started,
23 and this trickle-down effect is getting deeper
24 and deeper, and it needs to be stopped now.

25 CHAIRMAN LICHT: You say 12 horses in

1 April. Are you sure? That sounds like an
2 awfully high number.

3 DR. STEIN: It's 12; that's the exact
4 number. I actually can get you those. Nobody
5 seems to want to talk about it. They don't
6 seem to want to talk about which trainers
7 claimed them, but the facts are -- they showed
8 up at other places in the country.

9 VICE CHAIRMAN HARRIS: Is that just in
10 the south or is that also in the north?

11 DR. STEIN: I'm talking strictly here
12 in Southern California.

13 VICE CHAIRMAN HARRIS: I would
14 predict it's even higher in the north.

15 CHAIRMAN LICHT: So that would have
16 been right at the end of Santa Anita then,
17 because they couldn't have been claimed at
18 Hollywood Park.

19 DR. STEIN: That's exactly right.

20 And the thing is, John, not to
21 disagree, in Northern California, many of
22 those horses are sold. I know there is
23 nothing you can do about horses being sold,
24 because if you have a horse that you don't
25 want to continue on with, and someone shows up

1 from Mountaineer Park and walks the
2 backstretch, they are going to buy six or
3 eight or whatever they can find at the time,
4 and if they've got value -- look, I'm not --
5 you know, I sold a horse that I was going to
6 put in a \$62,500 claimer for \$100,000. I owed
7 it to my clients to get them the \$100,000
8 because it was the right business decision.
9 Looking back on it, though, I'm not alone
10 there. But I'm talking about when you have no
11 choice. To run a claiming horse here, if
12 anybody claims it, that's fine; it stays here
13 and runs. That's what we expect to happen.
14 But to lose our good high-priced claiming
15 horses, and we are doing it, and you are
16 seeing it all the time, it's making five-horse
17 fields the rule and not the exception.

18 And I don't know the answers, as I
19 mentioned, but I think if the CHRB works on
20 it, they will come up with something, at least
21 more hopeful than what our situation is now.

22 VICE CHAIRMAN HARRIS: Well, I think
23 we need to try to keep these horses here. The
24 only problem would be, and we need to research
25 it, is if we are violating interstate commerce

1 issues and things like that. It looks like we
2 are probably doing that now with the current
3 rule now. But clearly it's bothersome, right
4 at the end of these meetings, like at Bay
5 Meadows, I think there were numerous horses
6 claimed to go out of state.

7 CHAIRMAN LICHT: I would like to see
8 the staff and Derry work on a rule for our
9 next meeting that we can at least propose and
10 see how much further we can take this rule to
11 protect our horses. I agree with Roger.
12 We need to do something, or we're going to
13 lose -- I mean 12 in one month is way too
14 many.

15 Rick, or do any of you guys have any
16 statistics or comments on it?

17 MR. BAEDEKER: Rick Baedeker,
18 Hollywood Park. We don't have any further
19 statistics. We supported this rule change
20 three years ago at this meeting, so we
21 continue to be supportive of a change that
22 would cut down the number of horses being
23 taken out of California.

24 CHAIRMAN LICHT: Do you agree that it
25 is as significant as Roger Stein says?

1 MR. BAEDEKER: Yes, I do agree it's as
2 significant. I'm told that the number of
3 horses being sold privately versus those being
4 claimed is increasing. So we can pass a
5 strict regulation and still not solve the
6 problem.

7 CHAIRMAN LICHT: We can help, though.

8 DR. STEIN: If I could say one more
9 thing. I went to Florida and bought three
10 or -- claimed three or four horses. I was
11 told by the race secretary, well, you know,
12 the meet is winding down, and it would be
13 okay. It was okay until three or four horses
14 were claimed, and then the trainer who I was
15 claiming the horses through told me that if he
16 claims another horse that leaves the state, he
17 wouldn't get any stalls. So that's the way
18 they do it in Florida. Now, I know around the
19 country, things are different. I know the
20 Meadowlands has rules like that, and I don't
21 think it's wrong that we should have the same
22 kind of rules here, so that a trainer who is
23 going to take \$1,000 or \$2,000 to claim a
24 horse that he knows is going to New York and
25 he knows it's hurting our program, he should

1 know that there is some penalty to pay, and
2 that would be maybe he ought to not get
3 stalls; maybe he ought to have to ship in from
4 a farm or ship in from a training site or
5 something, and maybe it wouldn't happen, and
6 he would look and say there is a deterrent
7 here, at least, because somebody has to be
8 responsible. You can't stop them from selling
9 a horse certainly, but there's got to be
10 something done now. You can't make it
11 mandatory that people bring horses in from
12 other parts of the country, and we're losing
13 our claimers. And, I'm telling you, within
14 six months to a year, it's going to be an
15 emergency. It's not going to be funny.

16 EXECUTIVE OFFICER WOOD: Well, at your
17 direction, Mr. Chairman, we will continue to
18 work on this. We will work with Derry with
19 constitutionality problems or lack of problems
20 and look across the country, and at the August
21 meeting we'll present something for public
22 discussion to the Board that's maybe an answer
23 to try to help you address the problem.

24 CHAIRMAN LICHT: Thank you.

25 Okay. Item 12. This is the committee

1 of Commissioners Landsburg and Harris looking
2 at licensing requirements.

3 COMMISSIONER LANDSBURG: It is
4 interesting to us that we have not received a
5 single comment on the license application from
6 the racetracks. Therefore, we are
7 free-wheeling it, and we have not received in
8 two months of meetings one suggestion from
9 anyone who is unhappy with the licenses, but
10 we are going to be adding points into the
11 licenses that involve security, that involve
12 ADW processes, that will encourage better
13 television coverage of the races for the
14 purpose of identification of fouls, and better
15 backstretch security that would involve the
16 necessity to have video at every barn.

17 But we'll be back with you next month.
18 Since none of you care to make a comment on
19 how to improve the license, we will just do it
20 ourselves.

21 CHAIRMAN LICHT: Okay. Thank you.

22 As far as staff's report on the
23 concluded race meets, John, I have a
24 preliminary question. On the Santa Anita meet
25 that ended in April, why are we just doing a

1 report now in July? Is that our fault, Santa
2 Anita's fault or --

3 MR. REAGAN: John Reagan, CHRB staff.

4 Mr. Licht, it really had to do more
5 with just the agendas. We had rather long
6 agendas. We thought we would just put off
7 that report until we had a better placement
8 for it. That's really about the size of it.

9 CHAIRMAN LICHT: Okay.

10 MR. REAGAN: Looking at the summary of
11 the three meets we have, as was indicated, the
12 Los Angeles Turf Club, December 26th to
13 April 20, and the San Joaquin Fair, as well as
14 the Alameda County Fair, the L.A. Turf Club
15 meet had a bit of a rough time. The
16 information you have here in front of you is
17 what I refer to now as the traditional handle,
18 but even when you add back in the \$40 million
19 in account wagering, the ADW handle, the
20 percentages would still be down. And, of
21 course, we notice that the off-track
22 percentages are fairly significant, so we'll
23 continue to track that.

24 We did see a good meet at the opening
25 of the fair at San Joaquin, up a couple of

1 percent even on-track, although we did see
2 some off-track decrease. In this case, when
3 we add back in the account wagering, the
4 percentages in total of course go up. The
5 same numbers for the on-track and off-track.
6 And, once again, here finally with the Alameda
7 County Fair, down some percentages, fairly
8 significant there, on-track and off-track.
9 And, once again, adding back in the account
10 wagering doesn't make it whole, so we would
11 still be seeing minus numbers here. And, once
12 again, we haven't seen anything that's really
13 going to turn the program around yet.

14 VICE CHAIRMAN HARRIS: I'm not sure,
15 John, on these numbers where ADW is added
16 back. I mean are you just saying that or
17 are --

18 MR. REAGAN: Yes. The numbers, as we
19 have it here today, are what I referred to as
20 traditional handle. We want to continue to
21 track that. And what we'll probably do in
22 future reports is add an additional line to
23 the summary pages where we have total handle
24 and then we'll have furlough handle, plus ADW
25 and a percentage there.

1 VICE CHAIRMAN HARRIS: I think we need
2 to do that. And you should also do that as
3 far as the revenues to the various parties
4 how -- that's really the most important is how
5 the revenues came back, including everything.

6 MR. REAGAN: Right. And I think at
7 this point, we are still seeing situations
8 even where -- even when we add it back in, we
9 are still seeing minus signs.

10 VICE CHAIRMAN HARRIS: Could we get it
11 in future reports? I mean it's bothersome not
12 to have it there because if you want to
13 analyze it, you've got to have it there.

14 MR. REAGAN: Certainly. We can do
15 that.

16 CHAIRMAN LICHT: Any questions or
17 comments.

18 John?

19 MR. VAN DE KAMP: John Van de Kamp,
20 TOC. It is a distortion really not to include
21 the ADW in here, because it makes the entire
22 picture look much worse than it is, and it is
23 bad enough as it is.

24 I had just a couple of little
25 observations. In looking through these

1 numbers, and it's true that at all of these
2 sites, if you look at the percentage of the
3 handle that is going to commissions and then
4 to horsemen's revenue, it has gone down about
5 a quarter of a point since 2000, and that is
6 explained, I think, primarily because with the
7 advent of our ability to bet on out-of-state
8 races to a greater extent than before, the
9 interest of our bettors, I think, has turned
10 away from our betting in California because of
11 the short fields, and it is going elsewhere,
12 and that has a big impact on the percentage of
13 the handle that is going to commissions and to
14 purse revenues.

15 The second comment is this. If you
16 look at Alameda County and their fair this
17 year, they are down about \$100,000, at least
18 in the handle that's reported here. The purse
19 revenues -- strike that. The purse revenues
20 are down about \$100,000. And we are told that
21 they are overpaid -- overpaid at that fair by
22 somewhere around \$110,000, which is bad news,
23 because the fair has to eat that. And why is
24 that? Why did that happen this year? I think
25 one can look to a non-concurrent Monday, where

1 they ran, I believe it was, around -- I may
2 have the dates wrong -- but around June 27th,
3 in that vicinity, where they ran alone and
4 this was no racing in the south. \$70,000 or
5 so of the overpayment really resulted because
6 of that day. And I only raise this because
7 when we get into the racing dates issue, which
8 I believe will start tomorrow, they are coming
9 in again and asking to run on a Monday, where
10 there is no concurrent racing in the south.

11 Enough said.

12 CHAIRMAN LICHT: All right.

13 MR. KORBY: Chris Korby, California
14 Authority of Racing Fairs.

15 I'll be brief here. I know everyone
16 has been here a long time.

17 We do have some ADW figures to add
18 back to the first two fairs on this report,
19 San Joaquin and Alameda. The ADW handle
20 figures we have for San Joaquin Fair at
21 Stockton total 1.6 million, which added back
22 to the traditional total, as John is referring
23 to it, meant that they handled a record handle
24 this year, higher than any previous year.
25 Their previous record had been in 2000, when

1 they handled some 15.9 million. This got them
2 up 10 percent over that.

3 And with respect to the Alameda County
4 Fair, the ADW handle was about 2.2 million,
5 which put their handle overall up about
6 probably three percent. So we think that ADW
7 is contributing significantly to the success
8 of fair racing.

9 With respect to Mr. Van de Kamp's
10 comments about Alameda County Fair, we are
11 taking a close look at that purse situation.
12 There will be representatives of the fair here
13 tomorrow to speak to the dates' component of
14 that. Once we have looked at what the reasons
15 were for that overpayment, we'll be glad to
16 share that information with anyone.

17 VICE CHAIRMAN HARRIS: I'm not sure if
18 it's just the mechanics of those
19 overpayments. If they are short, you know,
20 basically overpaid, the fair actually has to
21 absorb that cost. That is not pushed forward
22 to the next year or anything?

23 MR. KORBY: Typically, it depends on
24 the amount. There are provisions that it can
25 carry over.

1 VICE CHAIRMAN HARRIS: I can see
2 where -- I mean I would be concerned that it
3 wasn't a very good date, but I don't know if
4 TOC was really thinking that clearly if this
5 was really a transfer of 70,000 from Alameda
6 County Fair to the horsemen, if that was
7 really that bad for horsemen. It might have
8 been bad for Alameda County Fair, but --

9 MR. KORBY: That's a question that I
10 will let them answer.

11 MR. VAN DE KAMP: Mr. Chairman,
12 Mr. Harris is correct. I think the horsemen
13 of course made out, but that's not the way you
14 should run a railroad, and it's bad news for
15 the fair, and, frankly, we try to gauge it at
16 all times so that we come out even at the end
17 of the day.

18 VICE CHAIRMAN HARRIS: I think the
19 bigger problem would be whether -- if they
20 gauged whether if that 70,000 was made up in
21 other purses, it could have paid out another
22 date.

23 MR. LIEBAU: Jack Liebau. I just
24 want to point out one thing is why the purses
25 are one factor -- why the percentage going to

1 purses and commissions is going down in
2 Northern California is that the stabling and
3 vanning fund has been raised from .7 to .94 in
4 order to generate money for the Workers'
5 Compensation, and of course the take-out is a
6 finite number, so if you raise one percentage,
7 that causes the other percentages to go down,
8 and so that is definitely a factor that is
9 impacting both purses and commissions on a
10 percentage basis.

11 VICE CHAIRMAN HARRIS: Yeah, it was
12 interesting that, you know, despite all
13 these different Workers' Comp problems and
14 lack of -- you know, all the different
15 problems, that the starts did go up at both
16 Alameda and San Joaquin County Fair, which I
17 think was encouraging.

18 MR. KORBY: If you look at the
19 percentage in the report, San Joaquin is up
20 about nine percent over last year in total
21 starters, and Alameda is up about five
22 percent.

23 CHAIRMAN LICHT: Okay. Any more
24 comments on this?

25 All right. Thank you, John.

1 Any general business? Any old
2 business?

3 All right. This meeting is
4 adjourned.

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6 (Whereupon, the meeting was
7 concluded at 12:45 p.m.)

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