

BOARD MEETING
STATE OF CALIFORNIA
CALIFORNIA HORSE RACING BOARD

DEL MAR SURFSIDE RACE PLACE
2260 JIMMY DURANTE BOULEVARD
DEL MAR, CALIFORNIA

THURSDAY, AUGUST 17, 2006

10:13 A.M.

KATHRYN S. KENYON, CSR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 13061

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

BOARD MEMBERS

Mr. Richard B. Shapiro, Chairperson

Ms. Marie G. Moretti, Vice Chairperson

Mr. John Amerman, Member

Mr. John Andreini, Member

Mr. William A. Bianco, Member

Mr. John C. Harris, Member

STAFF

Ms. Ingrid Fermin, Executive Director

Mr. Peter Kaufman, Deputy Attorney General

Mr. John Reagan, Senior Parimutuel Examiner

ALSO PRESENT

Dr. Rick Arthur

Mr. John Barr, Oak Tree Racing Association

Mr. Ron Blonien, Los Alamitos Race Course

Mr. Richard Castro, Pari-Mutuel Employees Guild

Mr. Drew Couto, Thoroughbred Owners of California

Mr. Cliff Goodrich

Mr. George Haines, Santa Anita

Mr. Ed Halpern, California Thoroughbred Trainers

Mr. Robert Hartman, Golden Gate Fields

APPEARANCES CONTINUED

Mr. John Hindman, TVG

Mr. Jess Jackson, Thoroughbred Owners of California

Mr. Jerry Jamgotchian

Mr. Chris Korby, California Authority of Racing Affairs

Mr. Peter Miller

Mr. Rick Pickering, Alameda County Fair Association

Mr. Roger Stein

Ms. Bernie Thurman, Hollywood Park

Mr. Norm Towne, Solano County Fair

Mr. Peter Tunney, Golden Gate Fields

Mr. Daniel White, Fresno District Fair

Mr. Eual Wyatt, Hollywood Park

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

INDEX

	PAGE
Proceedings	1
Executive Session	2
1. Approval of the minutes of the regular meeting of July 20, 2006.	5
Motion	5
Vote	5
2. Discussion and action by the Board on the Application for License to Conduct a Horse Racing Meeting of the Fresno District Fair (F) at Fresno, commencing October 4 through October 15, 2006, inclusive.	5
Motion	24
Vote	25
3. Discussion and action by the Board on the Application to Conduct a Horse Race Meeting of the Oak Tree Racing Association (T) at Santa Anita, commencing September 27 through October 29, 2006, inclusive.	25
Motion	44
Vote	44
4. Public hearing by the Board on the adoption of the proposed amendment to CHRB Rule 1486, Term of License, to change the expiration date of one-year licenses from December 31 to the last day of the birth month of the license.	44
Motion	46
Vote	46
5. Public hearing by the Board on the adoption of the proposed amendment to CHRB Rule 1544, Calling off Race, and CHRB Rule 1658, Vesting of Title to Claimed Horse, to provide that any claims submitted in a race that is called off, canceled, or declared no contest shall be void.	46

INDEX CONTINUED

	PAGE
6. Public hearing by the Board on the adoption of the proposed amendment to CHRB Rule 1733, Whips, to bring the allowed length of a driver's whip in line with the United States Trotting Association (USTA) requirements.	57
Motion	57
Vote	58
7. Discussion and action by the Board on the matter of: (1) licensing and setting of ADW hub rates and the obligations of ADW companies and or racing associations to have agreements with horsemen's or owner's organizations; (2) TVG and TOB hub fee rate dispute, relating to imported TB races and the propriety of an ADW company to import races without a contract in place with a racing association or horseman's organization of the same breed as the imported races; (3) method of determining, calculating, and reserving for rates in dispute; (4) any other related matter considered part of the dispute between any ADW company and any racing association or horsemen's or owner's organization.	58
Item Deferred	
8. Discussion and action by the Board on the request of NOTWINC for an adjustment to the stabling and vaning percentage that is withheld from the northern thoroughbred and fair off-track handle.	81
Item Deferred	
9. Report by representatives from Hollywood Park and Bay Meadows regarding the results of the experimental temporary suspension of CHRB Rule 1606, Uncoupling of Horses, at their concluded 2006 Spring Race Meetings.	89

INDEX CONTINUED

	PAGE
10. Public hearing by the Board on the adoption of the following actions:	
A. Repeal of CHRB Rule 1606, Coupling of Horses, and CHRB Rule 1974, Wagering Interest.	101
Motion	109
Vote	109
B. Proposed amendment of CHRB Rule 1420, Definitions; Rule 1954.1, Parlay Wagering on Win, Place or Show; Rule 1957, Daily Double; Rule 1959, Special Quinella (Exacta); Rule 1976, Unlimited Sweepstakes; Rule 1976.8, Place Pick (n); Rule 1976.9, Pick (n) Pool; Rule 1977, Pick Three; Rule 1978, Select Four; Rule 1979, Trifecta; and Rule 1979.1, Superfecta.	
11. Staff presentation on the monthly statistical report, which includes 2005 vs. 2006 comparison for monthly and year-to-date handle, purses, track commission, and attendance information.	110
12. Discussion on Senate Bill 756 (Vincent), to require a written agreement between quarter horse and harness associations to include impact fees to accept satellite wagering signals.	115
13. Staff report on following concluded race meets:	131
A. Hollywood Park Racing Association, LLC, at Hollywood Park from April 26 through July 16, 2006.	
B. Alameda County Fair at Pleasanton from June 28 through July 29, 2006	
C. Solano County Fair at Vallejo from July 12 through July 24, 2006	
Committee Reports	
14. Report of the Medication Committee	127

INDEX CONTINUED

	PAGE
Other Business	
15. General Business	144
16. Old Business	
17. Executive Session	148
Adjournment	148
Reporter's Certificate	149

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

1 PROCEEDINGS

2 EXECUTIVE DIRECTOR FERMIN: If we could have your
3 attention please, we'll start the meeting.

4 Don't everybody move at once, here.

5 If we could please have your attention, we would
6 like to open the meeting, and we have another
7 announcement, and then we'll be going into executive
8 session.

9 Ladies and gentleman, will the meeting come to
10 order. This is a regular meeting of the California Horse
11 Racing Board on Thursday August 17, 2006, at the Del Mar
12 Surfside Race Place, 2260 Jimmy Durante Boulevard, Del
13 Mar, California.

14 Present today, at today's meeting, Chairman
15 Richard Shapiro, Vice Chairman Marie Moretti, Commissioner
16 John Amerman, Commissioner John Andreini, Commissioner
17 William Bianco, and Commissioner John Harris.

18 We're going to be going into executive session.
19 However, I would like to just make one quick announcement,
20 and that is that we do have the cards. If you are going
21 to speak to an agenda item, we have placed them on the
22 back, I believe, and also at the podium. So if you have a
23 particular item that you are going to address, if you
24 would please sign in and then Eileen will be bringing them
25 up, prior to each agenda item beginning.

1 So while we're in executive session, you can plan
2 your morning.

3 Thank you.

4 (Thereupon the Board recessed into executive
5 session.)

6 EXECUTIVE DIRECTOR FERMIN: We're ready to
7 reconvene the meeting, if everybody can take their seats
8 please.

9 We'll open this meeting again at this time. I
10 would just like to remind everybody about the -- the
11 agenda item number and the speaker cards, that if you're
12 going to address an item, and also that if you would
13 please state your name clearly for the court reporter so
14 that she can make sure that she knows the identities of
15 everyone who's speaking.

16 Thank you.

17 CHAIRPERSON SHAPIRO: Good morning, everybody.

18 I would like to read the meeting procedure -- the
19 meeting procedure for public comments.

20 The Board invites comments from the public about
21 items on its agenda. It also invites public comment about
22 items not on the agenda that are related to horse racing
23 during an open comment period.

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

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

7 The goal of this rule is to assure that each
8 person's rights to make their views known is not disrupted
9 by another person's comment. In order to expedite the
10 comment process, there is a public comment sign-in sheet
11 for each agenda item on which public comment will be taken
12 as well as a sheet for comment about anything related to
13 horse racing that is not on the agenda.

14 The sheets or cards are located in the back of the
15 room and at the podium. Please print your name legibly so
16 that I do not mangle it.

17 Just prior to our discussion of the item, the
18 comment sheet or cards will be brought to me. After
19 initial statements from staff and interested parties, I
20 will ask for public comments. When I call your name,
21 please come to the podium to speak. I will let you know
22 when your time has commenced, when there is one minute
23 left, and when your time is up.

24 When your time is up, you will be expected to
25 return to your seat so that I may call the next person

1 waiting to the podium.

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

7 In the interest of time and fairness to those
8 wishing to speak, repetitious statements are not
9 desirable. Thus, if a particular point has previously
10 been made, please simply state that you agree with the
11 prior speaker. Further, statements that are off the point
12 of the agenda item or which address another agenda item
13 will not be permitted. If time is up, I will ask the
14 speaker to please take his or her seat. If it appears the
15 speaker is repeating what has previously been stated, I
16 will ask the speaker if he or she has any additional
17 comments to make. If not, I will ask the speaker to allow
18 the next speaker to come to the podium irrespective of the
19 time remaining unless a Board member indicates he or she
20 still wishes to hear from the individual.

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

1 With that, we will move to Agenda Number 1, which
2 is approval of the minutes of the regular meeting of
3 July 20th, 2006.

4 Are there any comments, corrections, or changes to
5 the minutes?

6 If there are none, I will entertain a motion to
7 approve them.

8 COMMISSIONER AMERMAN: Move.

9 CHAIRPERSON SHAPIRO: Moved.

10 Is there a second?

11 COMMISSIONER BIANCO: Second.

12 CHAIRPERSON SHAPIRO: All in favor?

13 (Ayes.)

14 They are approved.

15 Item No. 2.

16 Mr. Reagan, good morning.

17 SENIOR PARIMUTUEL EXAMINER REAGAN: Good morning,
18 commissioners. John Reagan, CHRB staff.

19 This is the application for the Fresno District
20 Fair at Fresno, October 4th through 15th, 2006. That is
21 11 days, the same as 2005.

22 The fair proposes to race a total of 95 races,
23 which is four less than 2005.

24 In the staff analysis, you have the calendar
25 showing the exact days of the racing, and those comport

1 with the allocated dates. Racing will be six days the
2 first week, five days the second week, eight races per day
3 Monday and Wednesday, eight to nine races on Thursday,
4 Friday, and Saturday, nine to ten races on Sunday.

5 Racing will be concurrent with the Oak Tree Racing
6 Association at Santa Anita and Pacific Racing at Golden
7 Gate Fields.

8 The first post will be 12:37 on Saturday and
9 Sunday; 1:30 Friday; and 1:15 Monday, Wednesday, and
10 Thursday.

11 We still need the name of the horseshoe inspector,
12 but we recommend that you approve this after discussion.

13 CHAIRPERSON SHAPIRO: Thank you.

14 12:37?

15 COMMISSIONER HARRIS: I think what they are trying
16 to do there is to stagger a post meet between two of the
17 tracks.

18 CHAIRPERSON SHAPIRO: I found that humorous.

19 Okay.

20 Does anybody on the Board have any questions?

21 I see that -- I believe Mr. White is in the
22 audience.

23 COMMISSIONER HARRIS: Just to clarify, I think one
24 problem Fresno Fair has is that they never get to be the
25 host even though they don't overlap on four different

1 days. It's a right that even when they are running and
2 the northern track is not running, in this case, Golden
3 Gate, the northern track is the host for the incoming
4 races.

5 SENIOR PARIMUTUEL EXAMINER REAGAN: That is
6 correct, Mr. Harris.

7 CHAIRPERSON SHAPIRO: And why is that?

8 SENIOR PARIMUTUEL EXAMINER REAGAN: It's in the
9 law, and it simply indicates that when there's an overlap
10 in time between a thoroughbred or fair that the
11 thoroughbred meet shall be the official host.

12 COMMISSIONER HARRIS: I think there's some
13 exceptions that are in the law also, but Fresno hasn't
14 been able to get them.

15 MR. WHITE: Daniel White.

16 CHAIRPERSON SHAPIRO: All right.

17 I have a couple of questions for you.

18 I note on your calendar that your second week is
19 six days of racing, and I know the Board has tried to
20 eliminate six-day racing weeks. And I also understand
21 that you have a very short time period.

22 But the question is -- goes to, how many horses
23 are going to be available to you? I see the numbers of
24 averages in 2005 was 7.3 thoroughbreds; 6.4 quarter
25 horses; 6.9 Arabian; 5.5 Appaloosas; and mules, 6.85.

1 I question whether or not the Wednesday date,
2 which would be the 11th, which would follow the sixth day,
3 is really a day that, you know, we should be awarding to
4 the fair because we're trying to eliminate six days of
5 racing.

6 COMMISSIONER HARRIS: I think one issue there
7 though is Oak Tree is racing that week. And that would
8 provide both north and south to race on that -- that week.
9 And it's an unusual situation for Fresno to only have 11
10 days anyway. And I think if they were losing that day, I
11 think that would impact...

12 CHAIRPERSON SHAPIRO: I appreciate that. I have
13 the same question coming from Oak Tree. And I question
14 why Oak Tree needs to have that six days' racing. And I
15 recognize from the Fair's perspective that you only have
16 11 days of racing, so it's harmful. But I do question
17 whether the Board should be -- you know, we've tried to
18 reduce racing dates to six to eight weeks, and with the
19 horse situation, I just question whether -- we don't say
20 whether we should be having the six days. I think it's
21 troubling.

22 Does any of the Board members have any thoughts on
23 that?

24 COMMISSIONER HARRIS: I think there might be some
25 thought also that during a meet like this that you do have

1 a lot of people employed at that fair, that are there just
2 for that season. And I would guess that some of the
3 unions and all would prefer them -- that week to be six
4 days, but I would like to hear from them.

5 MR. WHITE: Mr. Shapiro, I'm Daniel White from
6 Fresno Fair. The Monday racing is Columbus Day. It's
7 traditionally a very huge day at the Fresno Fair, so that
8 has been a tradition of the Big Fresno Fair. With the
9 Wednesday racing, that is one of the few days that's
10 allowed to us that is a non-overlap of Bay Meadows where
11 Golden Gate where they have gone dark and allowed us, so
12 we're anticipating more entries because we will not be
13 racing the Wednesday and Thursday of both days of our
14 meet. So with the Monday being the traditional racing due
15 to a holiday and Wednesday and Thursday would be a
16 northern facility going dark, we anticipate nice fields
17 for our meet.

18 CHAIRPERSON SHAPIRO: Okay.

19 A few other questions, if you would, please.

20 What ADW providers will be taking your signal
21 and -- for your race meet?

22 MR. WHITE: I'm actually not positive on that. I
23 imagine just the XpressBet is one of the main. I'm not
24 positive on that.

25 COMMISSIONER HARRIS: I think the fair uses all of

1 them. They all are at the facility, all three providers.

2 CHAIRPERSON SHAPIRO: So all -- TVG, YouBet, and
3 XpressBet will all be taking your signal? And those
4 agreements are in place?

5 MR. KORBY: If I might, Mr. Chairman.

6 Chris Korby, California Authority of Racing
7 Affairs.

8 That is accurate. Each of the fairs that conducts
9 live racing has agreements with all three license
10 providers.

11 CHAIRPERSON SHAPIRO: Okay.

12 COMMISSIONER HARRIS: How does that work when
13 there is overlap? Who gets that -- the ADW handle on --
14 that normally that would go to the host track, would all
15 that go to Golden Gate, on ADW bets?

16 MR. KORBY: No. Certainly the provisions that
17 apply to distributions or other handle during overlap also
18 apply to ADW.

19 CHAIRPERSON SHAPIRO: While you're there, if you
20 can answer, in terms of the cameras for watching the
21 races, are there head-on cameras, both on both
22 straightaways?

23 MR. KORBY: Yes. And a portable camera and we
24 will be adding the additional camera at the top of the
25 track this year.

1 CHAIRPERSON SHAPIRO: The 5/16th?

2 MR. KORBY: That's correct.

3 CHAIRPERSON SHAPIRO: That's good.

4 Can you please enlighten us as to what promotions,
5 what advertising the Fresno Fair will be doing, and what
6 you anticipate, you know, this year's meet, how it will be
7 better than last year's meet?

8 MR. WHITE: We started our promotion at Christmas.
9 We sent out over 450 Christmas cards to every owner and
10 trainer that ran a horse at Fresno Fair.

11 We also sent out turkeys and hams to owners and
12 trainers that sent more than an average number of horses.

13 CHAIRPERSON SHAPIRO: Does Harris send you back
14 meat?

15 COMMISSIONER HARRIS: I don't eat turkey or ham.

16 (Laughter.)

17 MR. WHITE: In addition -- in addition to that,
18 we've already started sending -- months ago, we sent out a
19 letter to every owner and trainer -- over 450 letters --
20 telling them of what we offer at the Fresno Fair, asking
21 them for their support, our owner-trainer incentive
22 program is still in effect, where we give away \$10,000 a
23 trailer. We also have a mixed breed;

24 We have a backside barbeque, which was last year
25 sponsored by John Harris;

1 We give away a saddle. We have a jockey incentive
2 program where they win a belt buckle for top jockeys;

3 We also just sent out a postcard, again, following
4 up to every owner and trainer that's in Fresno, just
5 telling them that we need their horses;

6 If they want hotel reservations, I put my personal
7 cell phone number on there. The response from that was
8 extremely positive. I had owners calling me who did not
9 have trainers, who had horses wanting trainers, and I was
10 referring them to some of the northern Cal trainers,
11 giving them out phone numbers, sending them stall apps,
12 condition books, and whatever they needed to accommodate
13 their horses in Fresno.

14 So the response has been fantastic.

15 And once again, we've added the saddle racks we
16 give away to trainers that come to Fresno, who just go a
17 little above and beyond. We have a Artie Demanal
18 (phonetical) saddle where we give out a saddle to a
19 trainer who just stepped up to the plate, assisted the
20 Fresno Fair in providing a great race meet.

21 And on top of the constant improvements we're
22 making to our grandstand, to improve our picture quality,
23 we've hydroseeded the inside of our track; we've added two
24 miles of irrigation to provide a nice green surface that
25 was painted;

1 We put a roof on the backside of the Racing
2 Secretary's Office, Winner Circle Restaurant;

3 We've put stonework, painted the barns and we're
4 upgrading all the barns as we speak.

5 We've also gone through our satellite, repainted
6 it, put up some stonework, installed coolers, try to make
7 it more pleasant for the betting fans that are there.

8 CHAIRPERSON SHAPIRO: Well, we were there as -- we
9 had our meeting there, as you recall, last year. It
10 certainly was -- it appeared that you are doing a good job
11 and worked very hard, and the Big Fresno Fair deserves the
12 "big" from what we could see.

13 COMMISSIONER AMERMAN: Mr. Chairman, I have a
14 question along the same lines.

15 Certainly, as impressed by everything that you're
16 doing, the only question in my mind comes to the fact that
17 on a piece of paper, you're showing purse distribution
18 used to be down by over 3 percent.

19 So a two-part question: Why did you come up with
20 those figures? And secondly, what can you do a get a
21 breakeven, at least, for purse distribution in 2006?

22 Seems to me, we're splitting hairs and the
23 mentality of dropping by 3 percent is just the wrong
24 mentality to have. We should be putting down that we're
25 going to gain by 3 percent.

1 MR. WHITE: Could you repeat the question, please.

2 COMMISSIONER AMERMAN: Sure.

3 I appreciate everything that you said about what
4 you're doing at the Fair, but it doesn't jive (sic) with
5 what the numbers are in your presentation that shows that
6 purse distribution is going to be down by 3.1 percent.

7 I felt it might be worthwhile to ask you what went
8 into your thinking of the decline of 3.1 percent. And
9 more important than that, what could be done to bring it
10 up to at least a breakeven or more importantly, a gain
11 over a year ago? What additional things can you do that
12 will improve the estimate that you're making?

13 MR. WHITE: Well, as far as -- according -- the
14 tracks right now are running at about 10 percent for the
15 fair meetings. The average handler has been down about
16 10 percent.

17 COMMISSIONER HARRIS: I'll ask it, weather
18 related, they've had gorgeous weather out there. But
19 you're going to have great weather in October.

20 MR. WHITE: Our purse distribution, our purse is
21 based on afternoon funding because of our overlap, so we
22 sort of base that on --

23 CHAIRPERSON SHAPIRO: Yeah, but Mr. White, I
24 believe where Commissioner Amerman is headed is why are
25 you -- why are you not projecting an increase? It's a

1 mindset that I believe -- and please correct me if I'm
2 wrong --

3 COMMISSIONER AMERMAN: Correct. Absolutely right.

4 CHAIRPERSON SHAPIRO: Why -- what we look at and
5 what I see in these applications is that people take last
6 year's numbers, they prorate them based on the number of
7 days or races they are going to run, and they simply
8 project last year to this year with no optimism and no --
9 no belief that they are going to increase their business.

10 I think that most of the applications we see do
11 that, and I think what I hear Commissioner Amerman
12 saying -- and I embrace and I believe everyone here would
13 say, "Why aren't you looking at it from the perspective of
14 we're going to do better than last year?" What are you
15 doing that's going to make it better and not just, you
16 know, tread water? And I think that goes to the point.

17 We appreciate all the improvements that you're
18 making and all the outreach that you're doing for the
19 horsemen, but what are you doing to bring in more fans to
20 wager on the Big Fresno Fair? That's -- and attend the
21 fair? How can we get more of those customers that are
22 going to the fair into the racetrack? What's being done
23 in that regard so that your handle will, in fact,
24 increase?

25 MR. WHITE: Our grandstand, Fridays, Saturdays,

1 and Sundays, normally sells out. Bringing fans to the
2 grandstand during our live meet on weekends has really not
3 been a problem. I mean, we put on numerous -- most amount
4 of tellers of any racing fair during our meet. If you've
5 been, and you can see it in the pictures of the booklet
6 I've handed out, our grandstand does sell out on Fridays,
7 Saturdays, and Sundays. And I think the grandstand holds
8 about 8,000 people. Our average attendance is around
9 10,000. I mean, our crowd on track is excellent. And to
10 bring in more, we do advertising in local papers,
11 newspaper, television. We promote horse racing year
12 round. I mean, it's a -- Fresno, if you have been there
13 before, the live race meet is -- is -- it's similar -- not
14 similar, it can't compare to Del Mar, but it's something
15 that the fans look forward to in the Valley. We don't
16 have a lot of entertainment, so this is something that's
17 never been a problem, filling it up. I mean, so
18 increasing the handle, that's why we put it in there to
19 possibly add more races, try to get in more horses by
20 offering these incentive programs, which will put out a
21 better quality, a better payout to the bettor, to try to
22 improve a six-horse -- try to get better than a six-horse
23 field, so by trying --

24 COMMISSIONER HARRIS: I think one of the issues
25 Fresno has is they're doing well on track, but they are

1 not getting their fair share of some of the off-track
2 wagering. If someone bets in Turlock on Belmont, none of
3 that comes to Fresno. It all goes to Golden Gate or Bay
4 Meadows.

5 COMMISSIONER AMERMAN: That situation has been
6 ongoing?

7 COMMISSIONER HARRIS: That's been ongoing. It's a
8 quirk in the law which is --

9 COMMISSIONER AMERMAN: All I would just try to say
10 is everything that this gentleman has said about Fresno is
11 very positive. It's absolutely spot on. We're doing
12 everything we can do, but the mentality says that we're
13 going to protect ourselves and we're going to drop; we're
14 not going to do that.

15 COMMISSIONER HARRIS: I agree with it; it's a bad
16 mentality to assume you're going to decline. That's
17 counterintuitive.

18 CHAIRPERSON SHAPIRO: Well, we would -- we would
19 encourage you to, you know, have a positive attitude. We
20 wish you, of course, the best. I know you do a great job.
21 It's great to hear that the grandstands are full.

22 I think John -- Commissioner Harris's point, that
23 of the concerns that I have is that the fairs are not
24 disadvantaged by getting sufficient ADW airtime from the
25 people that are broadcasting for signals.

1 COMMISSIONER HARRIS: Right.

2 CHAIRPERSON SHAPIRO: I think that when we -- when
3 we all tune into, be it, XpressBet or TVG, all too often,
4 we see the Evangeline Downs or Lone Star or places that
5 frankly aren't benefitting California.

6 And I think that it's important that you and
7 others work with our ADW providers to get your fair share
8 of the broadcast time to promote these fairs. And that's
9 not your fault. All I'm saying is, I think it's one of
10 the things that we need to look to do to increase our
11 business.

12 So I take --

13 MR. WHITE: Well, in fact, we do spend 350,000 a
14 year on advertising for horse racing. So we, you know, do
15 spend our fair share of the money out there to bring the
16 people out to our facility.

17 CHAIRPERSON SHAPIRO: One last question.

18 I note that your inner rail is a metal
19 powder-coated rail; is that correct? Is it not a Fontana
20 rail.

21 MR. WHITE: I do believe it's a Fontana rail from
22 Australia, but the metal appears to be powder.

23 CHAIRPERSON SHAPIRO: Okay.

24 But it is a safety rail --

25 MR. WHITE: Yes, sir.

1 CHAIRPERSON SHAPIRO: -- to the riders?

2 MR. WHITE: Yes, sir.

3 CHAIRPERSON SHAPIRO: Okay.

4 In the application, it wasn't clear. All right.

5 Thank you.

6 Mr. Korby, are you trying to say something?

7 MR. KORBY: Yes, if I may.

8 Chris Korby, California Authority of Racing
9 Affairs.

10 I would just like to draw the Board's attention to
11 another element of the purse projections portion of the
12 application. And that is the -- the question that relates
13 to the cumulative purses, estimated pay -- to be paid for
14 Fresno Fair. That's Paragraph D, and that cumulative
15 total does show an increase in purses paid, projected for
16 2006.

17 CHAIRPERSON SHAPIRO: We note the \$22,000
18 increase.

19 Thank you.

20 In terms of public comment of this application,
21 Mr. Jamgotchian, do you have a comment?

22 MR. JAMGOTCHIAN: Mr. Shapiro, Members of the
23 Board.

24 Being a former resident of Fresno, I can tell you
25 that the Fresno Fair was always an exciting part of the

1 summer. And I think that they've done a great job. I
2 haven't raced any horses there, but they have done a great
3 job in galvanizing a strong basis of support within the
4 Central Valley.

5 So I don't think it's right in this regard to
6 attack this fair as maybe being recalcitrant when it comes
7 to their business model.

8 I had a horse up in Santa Rosa and I and about 15
9 other people were there, and that was about it. I think
10 you might want to focus on that fair.

11 COMMISSIONER HARRIS: I thought Santa Rosa was
12 pretty good.

13 MR. JAMGOTCHIAN: It wasn't the day -- it was the
14 stakes race, and Fairfield stakes was not --

15 COMMISSIONER HARRIS: That's not Santa Rosa.
16 That's Solano.

17 MR. JAMGOTCHIAN: I'm sorry. Right. Solano.

18 COMMISSIONER HARRIS: Get you a map.

19 MR. JAMGOTCHIAN: Excuse me. You're right.

20 The fact too, then, the problems with field size
21 that they endure in Fresno, I think that's really more of
22 a leadership issue that the CHRB needs to look at, with
23 regards to horses in this state.

24 So passing your problems that we have in Southern
25 California, and especially in northern California, to

1 Fresno, and saying, "Well, what are you doing about it?"
2 I think that you ought to focus on your business model
3 first, before you assess them and the problems that you're
4 causing them.

5 Additionally, the issue is with reduced handle,
6 the ADW providers, why is it -- why isn't it that in the
7 contracts that you have with the ADW providers, that you
8 require them to carry the signal? Obviously they don't
9 want to carry the Fresno signal, because maybe people
10 don't play in Fresno. They might play at Evangeline Downs
11 and other places. But that's really the leadership issue
12 of the CHRB. And I think the more that filters down to
13 Fresno is unfair.

14 I do want to ask one thing, and I read a nice
15 press release by Mr. Amerman, and I'm looking forward to
16 having a businessman up there for a change. And he
17 noticed -- and he referenced in his press release, it
18 says, "On a national level, racing needs to have a central
19 office." And I was thinking about that; it makes a lot of
20 sense to me.

21 The stewards in Fresno -- I didn't see an
22 application, the stewards. I suspect that there are
23 stewards there. I don't know who they are.

24 But why is it that since the CHRB is in such a
25 significant budget crisis -- I think everybody knows out

1 here -- why do you have stewards in Fresno? Why can't
2 stewards be off-site, monitor their races off-site? You
3 can have a racing secretary. You can have the ancillary
4 people there and entries, but why do you pay stewards to
5 go to Fresno to sit there and look at races when you could
6 be saving lot of money, a lot of stipends, a lot of
7 everything when you can do it on a television screen?

8 And once again, we get to the leadership under
9 Ms. Fermin, and I don't see any thought process with
10 regards to --

11 CHAIRPERSON SHAPIRO: All right.

12 Mr. Jamgotchian, Mr. Jamgotchian, I'm going to
13 have to stop you because what we are hearing in this
14 matter is a license application for the Fresno Fair.

15 MR. JAMGOTCHIAN: Right. And I'm asking --

16 CHAIRPERSON SHAPIRO: Mr. Jamgotchian, I'm
17 speaking. And therefore, if you have any comments related
18 to this license application, please make them. Otherwise,
19 please do not go into other areas.

20 MR. JAMGOTCHIAN: My question who are the stewards
21 for this meet?

22 CHAIRPERSON SHAPIRO: I don't know at this time.

23 MR. JAMGOTCHIAN: Does anybody in the room know
24 who the stewards are?

25 CHAIRPERSON SHAPIRO: I don't know.

1 EXECUTIVE DIRECTOR FERMIN: I don't recall who
2 they are off the top of my head, but we can certainly let
3 you know immediately. We have a list for the whole year.

4 MR. JAMGOTCHIAN: Thank you. That's all I have.

5 CHAIRPERSON SHAPIRO: Thank you.

6 Mr. Castro, do you have a comment on this?

7 MR. CASTRO: My name is Richard Castro,
8 representing the Pari-Mutuel Employees Guild.

9 I support this application. I want to make that
10 clear. I do support the application.

11 I want to let you know that we have approximately
12 20 people living in the Fresno area. They hire
13 approximately 60 people. With our clerks, it's a very
14 popular meet. They come from northern California; they
15 come from Southern California.

16 I also would like to make another point, and this
17 is one that does alarm me, and it deals with the
18 commitment the Fresno Fair has towards racings.

19 About two years ago, they cancelled the last day
20 of racing. And in going to these meetings for almost 20
21 years, virtually every association, when they lose a day
22 of racing, they come to the Board and they ask to make up
23 the day.

24 And this does raise the question to me, just how
25 much of a commitment Fresno does have for thoroughbred

1 racing.

2 That's all I have to say.

3 CHAIRPERSON SHAPIRO: Thank you.

4 COMMISSIONER HARRIS: As I recall that day that
5 was cancelled there was an issue with the track. The
6 jockeys felt it was unsafe to ride. I don't know how they
7 could made up another day if the fair is over.

8 MR. CASTRO: That's not totally what I understood.
9 What I understood was the Fresno Fair went to the stewards
10 and asked them not to race that day because they
11 thought -- they thought it was going to rain. And it
12 rained in all the surrounding area, but it did not rain on
13 the racetrack or on the fairgrounds.

14 CHAIRPERSON SHAPIRO: Well, I appreciate the
15 comment.

16 I think that we don't need to debate whether or
17 not they are committed to racing. I think that they are
18 demonstrating they are.

19 We hope they will have a great meet, and we're
20 glad you support their meeting.

21 And so therefore I entertain a motion.

22 COMMISSIONER HARRIS: I move that we approve
23 the --

24 COMMISSIONER AMERMAN: Second.

25 VICE CHAIRPERSON MORETTI: Second.

1 CHAIRPERSON SHAPIRO: Multiple seconds.

2 All in favor?

3 (Ayes.)

4 CHAIRPERSON SHAPIRO: It is approved.

5 Item No. 3 on the agenda.

6 SENIOR PARIMUTUEL EXAMINER REAGAN: Commissioners,
7 this is the application of the Oak Tree Racing
8 Association.

9 They will race September 27 through October 29,
10 2006, for 26 days. That represents five days less than
11 last year, but that's not actually five days per se.
12 There's a swing week every year between Oak Tree and the
13 fall-winter meet at Hollywood Park, so they trade the five
14 days, so this is a standard reduction. Next year, they
15 would have the extra five days and Hollywood would have
16 five fewer, etc. So they propose to race 224 races, or 8.6
17 per day. In 2005 they had 8.6 with an average of 7.86
18 runners per race.

19 The calendar for the meet is included in the staff
20 analysis for your review. They will be racing five days
21 per week, Wednesday through Sunday, with eight races
22 weekdays; nine, opening day, weekends, Monday,
23 October 9th and 11th; Saturday, October 28th, California
24 Cup day.

25 Racing concurrently with the Fresno District Fair

1 and Pacific Racing, first post will be at one o'clock,
2 weekdays, except Fridays, and 12:30 p.m. weekdays --
3 weekends and holidays; 12:00 p.m., October 28th, Cal Cup
4 Day, and closing day, October 29th.

5 The application is complete, and we recommend your
6 approval.

7 CHAIRPERSON SHAPIRO: Thank you.

8 What I would like to do is ask staff, in the
9 future, if they would, in fact, attach a copy of the
10 horsemen's agreement and also reflect on here which ADW
11 providers are at each race. I think that would be helpful
12 to us if we knew that. Then we wouldn't have to go
13 through some of the these questions.

14 SENIOR PARIMUTUEL EXAMINER REAGAN: We can
15 certainly do that.

16 CHAIRPERSON SHAPIRO: All right.

17 With respect to this, I would like to now discuss
18 why Oak Tree is running on the 11th of October.

19 I appreciate Columbus Day. I understand from the
20 fair's perspective they only have 11 days, but here, I see
21 that we are again perpetuating a six-day race week, and I
22 just have a really problem with that.

23 Is there a representative?

24 Yes, Mr. Barr.

25 MR. BARR: My name is John Barr, and I'm standing

1 in for Mr. Chillingworth, who's out of town. And I'll
2 attempt to answer your questions.

3 Pretty much the same answer you got from Fresno.
4 It's traditionally a holiday for a good many people and an
5 opportunity for us to have those fans come to the races.
6 As you can see for the balance of the calendar, we try to
7 respect the five-day racing for the rest of the meet. And
8 this particular meet is five days less than last year, and
9 so we're trying to protect those 26 days because they are
10 all very valuable to us.

11 We're not trying to change the general philosophy
12 of the six-day week; it's just whenever a holiday comes
13 like that, we like to take advantage of it.

14 COMMISSIONER HARRIS: I think as we look
15 forward -- I've always been a big proponent of cutting
16 back these six-day weeks, but if this calendar was
17 approved last year, I think the tracks, you know, have an
18 expectation that we're going to follow it, and it's kind
19 of tough for us to drop a day at this point.

20 CHAIRPERSON SHAPIRO: You're point is well taken.
21 But I guess maybe just having this discussion will
22 sensitize everyone too, but I think that we need to look
23 to not conduct six-day weeks in the future.

24 I'm not looking to cut back a day, but I certainly
25 am troubled by the six-day race week. It's been done at

1 most of the meetings.

2 I do also want to compliment you on the stake
3 schedule and the outline and the way it was presented to
4 us. I thought that that was terrific and so forth.

5 I do question your purse distribution in that it
6 obviously is dramatically reduced and I'm assuming that it
7 is as a result of having the fewer days and losing the
8 Breeders Cup.

9 MR. BARR: Those are the two essential
10 ingredients. That's correct, the Breeders Cup means a
11 great deal to us even though it's not held in our meet,
12 and the fact that it's five days less. I mean, I think
13 it's pretty much the answer. We're hopeful that we'll be
14 able to follow up on Santa Anita's success this past --
15 their past meet.

16 We will be employing the same marketing team that
17 they've used. As you know, we lease them all of our
18 services and facilities from Santa Anita. So we're
19 hopeful -- to Mr. Amerman's comments -- that we can
20 improve upon our record of last year, which was not a bad
21 record at all. But I can't tell you precisely what
22 percentage has been worked into those numbers with regard
23 to the optimism for this forthcoming meet.

24 CHAIRPERSON SHAPIRO: Do you know if there is a
25 larger advertising and promotional budget for this year's

1 meeting versus last year's meeting? And if so, can you
2 share that with us? And to what percentage or anything?
3 Do you know that? I know that you're filling in for
4 Mr. Chillingsworth (sic), so you may not know this.

5 MR. BARR: Chillingworth. There's no "S" in
6 there. I'll step on you on his behalf. He would do it if
7 he were here.

8 I -- my recollection is -- I would say about an
9 18 percent increase in the marketing budget.

10 CHAIRPERSON SHAPIRO: Okay. That's helpful to us.

11 COMMISSIONER HARRIS: One thing would be good in
12 the future -- it's not really Oak Tree's problem, but in
13 the depiction of these different purses, it would be
14 easier to do it on a per-day basis because they are
15 comparing apples and oranges. Showing the purse number on
16 a per day basis --

17 CHAIRPERSON SHAPIRO: You know, I think that's a
18 great point, and perhaps staff can do that for us.

19 SENIOR PARIMUTUEL EXAMINER REAGAN: Will do.

20 CHAIRPERSON SHAPIRO: Staff's giving me the
21 A-okay, I guess.

22 SENIOR PARIMUTUEL EXAMINER REAGAN: Yes, sir.

23 COMMISSIONER AMERMAN: Mr. Barr, I have a thought
24 that we brought up at the last meeting.

25 Essentially, when you go to the tracks, you find

1 people like me that are there, and we kind of lost a
2 generation or two. And one of the big things that I saw
3 at Keeneland, specifically, was offering college
4 scholarships to students to come out.

5 One of the great challenges, I think, in racing is
6 to get younger people back into horse racing. And I was
7 gratified that a gentleman from Golden Gate -- can you
8 raise your hand? Yeah, right there.

9 CHAIRPERSON SHAPIRO: Robert.

10 COMMISSIONER AMERMAN: Robert came up to me before
11 this meeting and saying they were going to implement that
12 up in northern California, in Golden Gate, and they had
13 reached out to some of the universities. And by gosh,
14 we've got the universities in Southern California, with
15 USC and UCLA and Whittier and on and on and on. It seems
16 like a way to get young people to come out to the track.

17 MR. BARR: I'm unaware of any scholarship program,
18 per se; we have not pursued that. We've tried for Friday
19 afternoons, unsuccessfully, I might say, to promote
20 infield events in the past for all of the major campuses
21 around. This has been a pet project of our director,
22 Mr. Capehart, and we have just not done it right so far.
23 We haven't been able to attract those young people because
24 you're absolutely right, they are the old guys like us in
25 the future.

1 But that is an -- that is an item that continues
2 to occupy some time during our marketing sessions and
3 our -- perhaps we'll be able to do something with it.
4 I'll look into the scholarship feature that you mentioned.

5 COMMISSIONER AMERMAN: Like most things in life,
6 Mr. Barr, nothing is new. And I got that idea from what
7 was done at Keeneland, and you would be surprised at how
8 many students would come out from Transylvania University
9 and University of Kentucky, just waiting to get a
10 scholarship and suddenly the place is jumping, instead of
11 being a little bit dead.

12 MR. BARR: I promise you, we will look into it.

13 COMMISSIONER AMERMAN: Thank you.

14 CHAIRPERSON SHAPIRO: Mr. Barr, would I be correct
15 in saying that Oak Tree has an agreement in place with TOC
16 and CTT, that if any trainer tests positive for TC02
17 violation, that they will be placed in a detention barn?

18 MR. BARR: Yes.

19 CHAIRPERSON SHAPIRO: Okay.

20 COMMISSIONER HARRIS: I notice you got the stall
21 application in there, so you are requiring any trainer
22 that plans to race at Oak Tree to sign your stall
23 application in regards to where they stable?

24 MR. BARR: Yes.

25 COMMISSIONER HARRIS: Because that binds them into

1 TOC2 testing, I presume.

2 CHAIRPERSON SHAPIRO: I don't think that's the
3 stall application. I think that's an attachment to the
4 stall application.

5 COMMISSIONER HARRIS: It's a supplemental. I
6 think it's important, if that's a deal, that they do, in
7 fact, sign that, which I presume --

8 MR. BARR: It will be in the future.

9 CHAIRPERSON SHAPIRO: Okay.

10 I would like to ask a question, and I'm not sure
11 that you will know the answer, so perhaps somebody from
12 Los Angeles Turf Club will be able to address this.

13 MR. BARR: Sure.

14 CHAIRPERSON SHAPIRO: But in terms of the stake
15 surveillance, currently, I believe you contract for
16 surveillance with Elite Security or a firm like that.

17 MR. BARR: Yes, that's correct.

18 CHAIRPERSON SHAPIRO: Okay.

19 And I'm questioning why you're not -- why you're
20 contracting with a company like that versus using security
21 guards that are licensed by the CHRB?

22 This has been brought to our attention, and I
23 think it's a good point, and I'm curious to know if we
24 couldn't, in fact, see that there was security forces that
25 were licensed and familiar with the racetrack to perform

1 that responsibility. And if not, why not?

2 MR. BARR: Well, as you know, we do lease these
3 services and facility from Santa Anita, and I see George
4 Haines has jumped up here to rescue me, so please let him
5 address that.

6 CHAIRPERSON SHAPIRO: I appreciate that. Thank
7 you.

8 MR. HAINES: George Haines, Santa Anita.

9 Your question is well taken.

10 It's -- our regular security guards involved are
11 ones that do the daily work at Santa Anita and on weekends
12 are from Local 495 at Teamsters Union.

13 When we first started surveilling and placing
14 people outside of the stalls during the stakes race
15 period, we were not able to hire within 495 to give us
16 that extra labor. Sometimes we go up to 40 to 60 people
17 guarding horses on that day. So we are forced to go to an
18 outside service. We use O and R. They are an hourly
19 based company. They do all sorts of security throughout
20 the L.A. area: rock concerts, any other thing at large
21 events, so they know how to deal, and most of them are
22 some sort of off-duty police or whatever. So we thought
23 that was a good idea.

24 And we use those people because they can supply
25 us, on a moment's notice, the amount of guards we need and

1 we were not able to do that with the union.

2 CHAIRPERSON SHAPIRO: Well, I recognize the
3 difficulty that you have this great fluctuation on days --
4 let's say, on Sunshine Millions Day, Cal Cup Day, and
5 those things, that you don't know how many people you're
6 going to need.

7 And I'm wondering if there is not a better system,
8 if you can't get the labor through the Teamsters.

9 Now, I did have a meeting a month or so ago with a
10 variety of different unions and they felt that they could
11 supply the number of people that were licensed to the
12 tracks.

13 And I recognize this is a very difficult thing for
14 the track operators because you don't know how many people
15 you're going to need. On the other hand, we are talking
16 about horses, and I think that you need some people that
17 also have some horse sense. I'm not saying that -- I
18 don't think we need people with guns. I would hate to see
19 that but people that, but people that are familiar with
20 how to work within a barn area and are licensed.

21 And I'm wondering if you and the other track
22 operators couldn't get together to see if there's a better
23 way to do this, because it is somewhat troubling that we
24 have people that are rock concert event, you know, guys
25 with yellow jackets saying "event" on the back of them,

1 guarding horses and observing -- not that they are
2 guarding the horses, but they are observing, and they
3 just -- they don't even know what they are looking at.

4 I mean, it's unreasonable to think that they
5 really would know what's going on. I understand they are
6 holding a camera, but --

7 MR. HAINES: In regards to that, we do train the
8 people before we assign them a position. In the past,
9 Roger Middleton, our backside security agent, will give
10 them a course on what to look for. And even Chris
11 McCarron did it when he was at Santa Anita. So we do
12 train them. Yes, there are new people and they have to be
13 trained constantly.

14 But what I was getting to, the people from rock
15 concerts and whatever, they know how to detain people and
16 they know the basis of security work.

17 CHAIRPERSON SHAPIRO: Well, I would just
18 encourage -- I think this is a difficult situation, and
19 unless we went to some form of a detention barn where all
20 the horses that were in stakes were in one barn and around
21 horse people, and I know there's a lot of push-back of
22 people that don't want to do that. I think that maybe if
23 the various tracks would get together and see if there
24 isn't a better way than just hiring guys in yellow jackets
25 that don't seem --

1 MR. HAINES: We would be happy to work with
2 Hollywood and other racing associations in providing that.

3 CHAIRPERSON SHAPIRO: Thank you.

4 MR. HAINES: There's one change in the
5 application, and it's very minor, but I just want to point
6 it out.

7 On Page 33, on the post-time schedule where it
8 says "except Fridays," we should delete that. Fridays
9 will be the 1 o'clock post. It's very minor.

10 CHAIRPERSON SHAPIRO: Thank you.

11 In terms of -- if there's no other comment from
12 the Board, public comment.

13 Drew Couto. You filled out a card. Do you choose
14 not to speak?

15 You don't need to; sit down.

16 MR. COUTO: Good morning, Members of the
17 Commission.

18 I filled out the card in the event you needed me
19 to speak, and there are several issues there. So I will
20 stand up as necessary.

21 CHAIRPERSON SHAPIRO: Thank you.

22 Jerry Jamgotchian.

23 MR. JAMGOTCHIAN: Mr. Chairman and Members of the
24 Board, with regard to what just transpired with regards to
25 security, you know, the CHRB rules say that nobody is

1 supposed to be in the backstretch unless they are
2 licensed, yet this Board just continues to ignore that
3 rule and prejudice the opportunity of safety for my horses
4 and other horses with people who I talk to at Hollywood
5 Park, who are employed that day who are -- could be a gang
6 banger, could not, could be a druggie, a lock bookmaker,
7 and there's no security for any of these people. So it
8 might be true that there is a training program and there
9 was a training program two years or so ago, when Chris
10 McCarron was here, but the facts are that you, as Board
11 members, are basically ignoring the rules with regards to
12 licensed people on the backstretch.

13 I don't know what liability that provides to the
14 Board, since this is obviously a knowing disregard of the
15 rules, but you ought to consider that, Mr. Shapiro and
16 Members of the Board.

17 Additionally, the focus of you, Mr. Shapiro, is to
18 cut days on racing meets, and that doesn't seem to be
19 productive, because by cutting days it also reduces jobs,
20 it reduces profits, and it reduces exposure of the sport.

21 Instead of cutting, Mr. Shapiro, why don't you get
22 more horses here? And why don't you be able to focus this
23 business in a positive vein?

24 With regards to this application, No. 10, I note
25 that in the application, they have not provided a

1 financial statement. Have they provided a current
2 financial statement?

3 CHAIRPERSON SHAPIRO: Yes, they have.

4 MR. JAMGOTCHIAN: Okay.

5 It's available for the -- because the application
6 says it's not completed.

7 You have it --

8 CHAIRPERSON SHAPIRO: Yes, we do.

9 MR. JAMGOTCHIAN: -- is that correct?

10 Additionally, do you think there's a conflict of
11 interest with Dr. Rick Arthur sitting on as a director and
12 as a part of the management team, while he's a equine
13 medical director? Any conflict there, in your mind?

14 CHAIRPERSON SHAPIRO: Mr. Jamgotchian, again, this
15 is for comment; this isn't for a --

16 MR. JAMGOTCHIAN: So you really don't care about
17 any conflicts, then. Is that what you are telling me?

18 CHAIRPERSON SHAPIRO: If you wish to make
19 comments, it doesn't mean that we're going to be -- we
20 need to respond to questions or if you have comments.

21 MR. JAMGOTCHIAN: My comment is that to you
22 believe, or does your counsel believe, that there is a
23 conflict with Mr. Arthur being a member of this management
24 staff at Oak Tree as well as equine medical director?

25 CHAIRPERSON SHAPIRO: Well, let me just tell you

1 that he is in a nonpaying director's role, and we have
2 sought opinions, and we do not view it as a conflict.

3 MR. JAMGOTCHIAN: He's got a management role --
4 under -- in 3-6(f), management and staff, Dr. Rick Arthur
5 vice president, assistant secretary, and director. It
6 says he's on the management and staff.

7 You don't believe that's a conflict, then. I'm a
8 little surprised, but once again, if you don't enforce the
9 rules, this is just another one.

10 With regards to their purse program, just so the
11 numbers come out, all races other than stakes, the purses
12 are down \$800,000, 11 percent. Overnight stakes are down
13 13 percent. Non-overnight stakes, interestingly enough,
14 are only down 4 percent.

15 So maybe you need to ask a question why the
16 non-overnight stakes are only down 4 percent, yet the
17 races other than stakes are down 11 percent.

18 Additionally, purse distributions for all stakes
19 races are down 5 percent. The numbers are adjusting in
20 interesting ways. Even if they have five days less, the
21 numbers don't correlate.

22 Additionally, the funds generated from all
23 Cal-bred incentive awards are down 16 percent. So now it
24 looks like the Cal-breds are going to be running for
25 significantly less money than they did last year.

1 The other declines, there's a 19 percent decline,
2 on-track handle and intrastate off-track handle.
3 19 percent, a million and a half dollars, less this year
4 than last year.

5 And more importantly and finally, the purse funds
6 to be generated from interstate handling, down 20 percent.

7 So once again, if anybody's looking at any of your
8 numbers, there are some pretty significant numbers to be
9 looking at.

10 On Page 3.8 of the application, there's an
11 estimated cost to provide off-site stalls for this
12 meeting. \$512,500.

13 Does anybody on the Board know what that \$512,500
14 is?

15 Nobody knows?

16 COMMISSIONER HARRIS: I know what this is.

17 MR. JAMGOTCHIAN: Could you tell us what it is?

18 COMMISSIONER HARRIS: Basically, there is a
19 agreement with one other track in Southern California, I
20 guess including Pomona and San Luis Rey, to help provide
21 stalls for the operating track. And it's so much a day,
22 so you can review the total agreement someplace, but it's
23 basically what it is.

24 MR. JAMGOTCHIAN: So you're saying that they are
25 being paid \$8 per day, per stall, at those facilities?

1 COMMISSIONER HARRIS: That could well be.

2 MR. JAMGOTCHIAN: I don't think that's right,
3 Mr. Harris. From what I've been told, this is a chart
4 that specifically goes to San Luis Rey Downs, so I think
5 you ought to check the numbers and confirm that.

6 COMMISSIONER HARRIS: I think it goes several
7 places.

8 But this is not the point of this discussion,
9 anyway.

10 MR. JAMGOTCHIAN: There's that number, \$512,500.

11 CHAIRPERSON SHAPIRO: Mr. Jamgotchian, your time
12 is up.

13 Do you have any more comments?

14 MR. JAMGOTCHIAN: Could I get a response to that
15 question?

16 CHAIRPERSON SHAPIRO: You've had a response.

17 MR. JAMGOTCHIAN: Oh, so you don't care about
18 that, Mr. Shapiro.

19 Okay. That's fine. No problem.

20 CHAIRPERSON SHAPIRO: Okay.

21 MR. JAMGOTCHIAN: Excuse me. I'm not done yet.

22 CHAIRPERSON SHAPIRO: Mr. Jamgotchian, your time
23 is up.

24 MR. JAMGOTCHIAN: You want me to stop; right?

25 Okay.

1 Would you like me to talk about the TOC issues
2 with regards to owners and how owners can be assessed for
3 TCO2 positive? Or do you want me to just ignore that too?

4 CHAIRPERSON SHAPIRO: Mr. Jamgotchian, if you have
5 comments related to this, we've given you five minutes.
6 There is a five-minute time limit.

7 MR. JAMGOTCHIAN: So are telling me that you've
8 enforced a five-minute time limit for all these people
9 also?

10 CHAIRPERSON SHAPIRO: Mr. Jamgotchian.

11 MR. JAMGOTCHIAN: Is that what you are telling me,
12 Mr. Shapiro?

13 CHAIRPERSON SHAPIRO: Mr. Jamgotchian --

14 MR. JAMGOTCHIAN: Yes.

15 CHAIRPERSON SHAPIRO: Your five minutes are up.

16 Will you please sit down.

17 MR. JAMGOTCHIAN: Sure.

18 Thank you.

19 CHAIRPERSON SHAPIRO: Thank you.

20 MR. COUTO: Good morning.

21 Again, Drew Couto on behalf of TOC.

22 With regard to the reduction in purses, we have to
23 recognize that this year's meet is a shorter meet in
24 comparison to prior years. It's least a week shorter
25 because of the fluctuation of the week between Hollywood

1 and Oak Tree, so that will explain the change in purses.

2 With regards to the stakes, it was a decision of
3 the Racing Affairs Committee, years past and this year,
4 that because of the importance that Oak Tree plays with
5 regard to being a Breeders Cup meet, the only Breeders Cup
6 meet -- prep meet on the West Coast, that for the sake of
7 the industry, we maintain the stakes races to give those
8 horses that are California-based or West Coast-based the
9 same opportunities to compete out here and be prepared for
10 the Breeders Cup, which is the most important day,
11 probably, racing, nationally.

12 So you will see a fluctuation on the overnights;
13 you won't see the same on the stakes. But that is
14 intentional; we made that decision years ago, and we
15 continue it today.

16 With regard to the \$512,000 that is allotted or
17 estimated cost of providing off-site stabling, that covers
18 stabling at San Luis Rey Downs, Fairplex and Pomona, and
19 Hollywood Park. So that is a decision made by the
20 SCOTWINC Board with percentage approved by the Horse
21 Racing Board, and this reflects Oak Tree's obligation as a
22 partner of SCOTWINC to pay for those fees.

23 Thank you.

24 CHAIRPERSON SHAPIRO: Thank you.

25 With that, I will entertain a motion, if there are

1 no other comments.

2 COMMISSIONER AMERMAN: So moved.

3 VICE CHAIRPERSON MORETTI: Second.

4 CHAIRPERSON SHAPIRO: All in favor?

5 (Ayes.)

6 CHAIRPERSON SHAPIRO: It is approved.

7 Item No. 4.

8 SENIOR PARIMUTUEL EXAMINER REAGAN: Commissioners,
9 this is an amendment to Rule 1486, Term of License, to
10 change the expiration date of one-year licenses from
11 December 31 to the last day of the birth month of the
12 licensee. That is the change we're looking at here,
13 today, to change the expiration dates to your month of
14 birth date instead of end of the year.

15 CHAIRPERSON SHAPIRO: Well, as we will recall,
16 this is a result of our trying to ease the crunch that
17 appears at the end of the year on the backside, primarily
18 for those workers on the backside, and it pertains to a
19 variety of classes of workers. That includes grooms,
20 stable help, and this is, I think, something that would be
21 a very good first step.

22 I would hope to say that, perhaps, we could come
23 back, if this proves not to eliminate the problem, that
24 the Board would consider, in fact, issuing a longer
25 license for those people that have worked for one year or

1 more and been steadily, you know, employed, so that we
2 can, again, lessen the crunch that goes on in the
3 licensing process.

4 So I would recommend that this Board consider
5 approval.

6 Does the Board have any comments on this matter?

7 COMMISSIONER HARRIS: I was the one that brought
8 this up, because it's been a hassle.

9 CHAIRPERSON SHAPIRO: We're going to give you a
10 gold star and a case of beef.

11 COMMISSIONER HARRIS: But I think, as you said,
12 the long-term goals should be a multiple-year license,
13 because we just hassle people that are -- they should get
14 a license, but this is at least a step, and this has been
15 out for comment.

16 So I move we proceed with this.

17 CHAIRPERSON SHAPIRO: Okay. Well, first --

18 VICE CHAIRPERSON MORETTI: I will second.

19 CHAIRPERSON SHAPIRO: First, I will take public
20 comment.

21 Mr. Jamgotchian.

22 MR. JAMGOTCHIAN: Mr. Chairman, just briefly,
23 these two Sections 19440 provides, "The Board shall
24 license all persons other than public at large who
25 participate in a horse racing meeting with pari-mutual

1 wagering."

2 I want to emphasize who participates in a horse
3 racing meeting, because the people that monitor the horses
4 with the cameras are participating in the meeting. So
5 just to make clear, the Board is violating Business and
6 Professions Code Section 19440 by not licensing those
7 people. Other than -- additionally, 19510 which states in
8 this application also that they cannot -- "No person can
9 participate unless they have a license."

10 So both of those sections you're normally
11 violating by allowing people in the backstretch without a
12 license, CHRB license.

13 Thank you.

14 CHAIRPERSON SHAPIRO: Thank you.

15 Any other comment from the Board?

16 If not, I will entertain a motion.

17 VICE CHAIRPERSON MORETTI: I think John just made
18 one.

19 CHAIRPERSON SHAPIRO: John's made one.

20 VICE CHAIRPERSON MORETTI: Second.

21 CHAIRPERSON SHAPIRO: All in favor?

22 (Ayes.)

23 CHAIRPERSON SHAPIRO: This matter is approved.

24 Item No. 5.

25 SENIOR PARIMUTUEL EXAMINER REAGAN: Commissioners,

1 this rule amendment was brought about by a -- because of a
2 claiming race that was cancelled and at that point the
3 status of a claim was unclear.

4 This amendment will make it perfectly clear that
5 the claim shall be void if the race is called off,
6 cancelled, or declared "no contest," and that is the
7 essence of what this amendment is about.

8 CHAIRPERSON SHAPIRO: I would like to remind
9 everybody that what we are doing here is we are
10 considering a change to a rule that would only be for
11 prospective or future events and will have no bearing on
12 any past events, whatsoever.

13 This rule is, in fact, to make it absolutely
14 clear, that if a race is cancelled that all claims that
15 are related to that race will also be voided.

16 This was put out for public comment, and there
17 were no comments received.

18 Does the Board have any comments on this matter?

19 EXECUTIVE DIRECTOR FERMIN: I think, don't we need
20 to change that language at this point? Is that your
21 suggestion?

22 COMMISSIONER KAUFMAN: Yes, Mr. Chairman.

23 I think it would behoove you to make it clear in
24 the language of the regulation itself that the regulation
25 is in effect -- affects only races which occur after the

1 effective date of the regulation.

2 CHAIRPERSON SHAPIRO: All right.

3 That will require us to put it back out for
4 another 45 day-comment period.

5 COMMISSIONER KAUFMAN: That's correct.

6 COMMISSIONER HARRIS: I thought it was shorter.

7 VICE CHAIRPERSON MORETTI: I thought it was 15.

8 SENIOR PARIMUTUEL EXAMINER REAGAN: Well, if
9 you're talking about a minor change, a clarification of a
10 word or something, but when you -- when you institute a
11 completely new concept, then --

12 CHAIRPERSON SHAPIRO: We're not instituting a new
13 concept. All we're doing is we are saying that
14 effective -- that this will -- shall be effective as of,
15 and we'll put in a date.

16 SENIOR PARIMUTUEL EXAMINER REAGAN: Well, what we
17 do there -- in the rule making process, you've approved it
18 today. We take it back to the office. We get the
19 transcript. We put together a package for the Office of
20 Administrative Law, and we then forward that to them.

21 They review it to make sure all the Ts are crossed
22 the Is are dotted, and if they find it is a complete file,
23 then they would approve it. And then we have 30 days
24 until it's effective. So that is the normal process that
25 any rule would go through. So we do know, you know, that

1 that process will take place for this rule, just like any
2 rule, and it will be effective sometime in the future,
3 after you have --

4 COMMISSIONER HARRIS: Well, I think what our
5 concern is, we need to make it clear, this is effective
6 going forward but not -- not law going backwards.

7 SENIOR PARIMUTUEL EXAMINER REAGAN: Right. Which
8 is the case with all of your rule changes; we don't have
9 retroactive rule changes.

10 CHAIRPERSON SHAPIRO: Well, what I would suggest
11 is that if the Board so chooses, that we approve this or
12 we go back out for comment in the shortest period
13 necessary so that we can effectuate this change.

14 SENIOR PARIMUTUEL EXAMINER REAGAN: Okay. All
15 right.

16 CHAIRPERSON SHAPIRO: If that's all right with the
17 rest of the Board members.

18 In terms of public comment, Peter Miller.

19 Congratulations yesterday.

20 MR. MILLER: Thank you very much.

21 My name is Peter Miller.

22 I was involved in that race, which has
23 precipitated this rule change. And I just don't think
24 this is a proper change. I have been going to the races
25 for 32 years, and the intent of the owner in a claiming

1 race is to put their horse up for sale. The intent of the
2 claimant is to claim the horse. I understand calling off
3 the race to protect the public and wagering, but when the
4 gates open and title changes hands, and I've risked my
5 horse injury, and the horse was intended to be purchased,
6 to now say, "This purchase did not go through," I just
7 believe it's bad law and --

8 CHAIRPERSON SHAPIRO: Well --

9 MR. MILLER: Not the intent -- not the intent of
10 the claimant or the owner of --

11 CHAIRPERSON SHAPIRO: Mr. Miller, first, I want to
12 remind you that A, we can't discuss anything pertinent to
13 your case, and I don't hear you trying to, so I just want
14 to let you know that.

15 MR. MILLER: Not at all.

16 CHAIRPERSON SHAPIRO: Second of all, the rule
17 change we're talking about is only going to affect the
18 future, not the past.

19 MR. MILLER: Understand.

20 CHAIRPERSON SHAPIRO: From our perspective, what
21 we're trying to do is make it absolutely clear which way
22 it can go, whether the horse -- the horse can be deemed
23 claimed when the gate opens or whether it shouldn't be.

24 The Board has proposed a rule making it one way,
25 which is that if the race is called off, the claim is also

1 voided. You know, it can go either way.

2 And so appreciate your comments. I will say that
3 we did not receive, to my knowledge, any public comment
4 with regard to this, so you know, it was kind of which way
5 did you -- the Board chose to do it, and the Board did
6 choose at least at this point, to say that the race is
7 called off, then the claims would be voided.

8 MR. MILLER: Okay.

9 Another question with regards to this.

10 If a claimed horse, a pending claim, is still
11 ongoing, and the money is removed from the accounts, is
12 that a violation of 1655, which states that the money
13 shall be on the deposit with the association of the
14 payment made -- or the payment.

15 CHAIRPERSON SHAPIRO: I don't understand the
16 question.

17 MR. MILLER: If a situation where a claim is
18 pending, perhaps -- I know you cannot comment on the
19 current -- my case or a current case -- and the money is
20 removed, what will happen? Does the Board have
21 jurisdiction -- let's say the claimant is no longer
22 licensed, who would the -- who would the --

23 CHAIRPERSON SHAPIRO: If the claim is voided, and
24 assuming someone puts in a claim, they are claiming a
25 \$10,000 horse, and they deposit the \$10,000 with the pay

1 master in advance of claiming the horse, and the race is
2 run, there is an accident, the claim is voided, the
3 \$10,000 would then revert back to the party that put the
4 money in, because the claim is voided.

5 COMMISSIONER HARRIS: Under the new rule.

6 CHAIRPERSON SHAPIRO: Under the new rule.

7 I'm under the new rule; I'm not talking at about
8 what happened in the past. We're only dealing with what
9 happens under this rule.

10 MR. MILLER: I understand that. I do understand.

11 COMMISSIONER HARRIS: But do any of the horsemen's
12 organizations discuss this -- TOC or CTT -- on how they
13 felt?

14 I mean, I agree it's a case that you could argue
15 different sides of. It's just, we're trying to react to
16 what the majority of people feel that's the right thing to
17 do.

18 MR. MILLER: Understood.

19 My concern would be more personal, and I don't
20 want to -- I know you cannot comment about pending stuff,
21 but the monies on this pending --

22 CHAIRPERSON SHAPIRO: I understand, and we really
23 can't get into that.

24 MR. MILLER: Thank you. No, I understand.

25 CHAIRPERSON SHAPIRO: I know where you're going,

1 and I'm sorry, I can't go into it.

2 All right.

3 Mr. Jamgotchian.

4 MR. JAMGOTCHIAN: With regard to this change of
5 the long established rule, there is no connection between
6 a race and a claim, and it looks like the CHRB wants to
7 intercede in trying to break the contract between the
8 person who wants to claim the horse and the owner who puts
9 the horse in a claim race.

10 This rule has been in horse racing, from what I've
11 been told, for many, many years, yet this Board comes in
12 and just changes it. This is kind of like a Polytrack.
13 Nobody knows what's going to happen with a Polytrack, but
14 let's just change it.

15 This is another example of just bad law. Nobody's
16 going to know what happens. It was one isolated case. It
17 was handled wrong by stewards who made mistakes, who, as
18 Mr. Shapiro said, are basically incompetent.

19 But more importantly, I read this, and this is
20 even going to bring more litigation to the CHRB's
21 doorstep.

22 Can anybody define for me what a mechanical
23 failure is? Does anybody know what a mechanical failure
24 is?

25 EXECUTIVE DIRECTOR FERMIN: That's -- that's if

1 the starting gate doesn't operate properly, and that can
2 happen where some gates open and some gates don't. It
3 doesn't happen frequently, but it does -- it has happened.

4 COMMISSIONER HARRIS: I think as far as this rule
5 goes, it's a no contest with regards to what the issue
6 was.

7 The thing that's frustrating in all this is, we
8 put these things out for comment, nobody says anything --

9 MR. JAMGOTCHIAN: Excuse me, Mr. Harris, I spoke
10 on this.

11 Mr. Shapiro cut me off.

12 COMMISSIONER HARRIS: Not speaking. You're
13 perfectly capable of writing -- you write e-mails
14 everyday. You could opine on this during that period.

15 MR. JAMGOTCHIAN: Well, I opine too at all the
16 meetings, but Mr. Shapiro cuts me off.

17 But we'll just talk about it now.

18 A mechanical failure, don't you think when you
19 write some kind of a ruling here, that it would be good to
20 define the terms? Because "mechanical failure" could
21 certainly be much more than a starting gate malfunction.
22 And I think my attorney could certainly find many other
23 examples of malfunctions which might invalidate this rule.

24 Additionally, the stewards "may" declare. Why do
25 you give the stewards discretion? Either they will or

1 they won't.

2 Haven't you guys learned from the board narrow
3 (sic) experience. I guess you really don't.

4 But the stewards, under the discretion they have,
5 are doing nothing more than getting you into court, Mr.
6 Shapiro and Ms. Fermin. You both know that.

7 So by giving the stewards discretion to determine
8 what a mechanical failure is, when there's no definition
9 of a mechanical failure, or more importantly, there's
10 no -- there's no explanation of the word "interference."
11 Is that an interference when somebody running on the
12 track? Is that interference on a starting gate that's not
13 pulled off the track? What's the definition of these
14 terms?

15 You guys, I'm -- I'm really shocked. Either you
16 don't have competent counsel or you don't care, but you
17 want to change the rules just to change the rules.

18 CHAIRPERSON SHAPIRO: All right.

19 Mr. Jamgotchian --

20 MR. JAMGOTCHIAN: Excuse me. I'm not done.

21 CHAIRPERSON SHAPIRO: Mr. Jamgotchian. Mr.
22 Jamgotchian.

23 MR. JAMGOTCHIAN: You know, my five minutes is not
24 up. We are talking about --

25 CHAIRPERSON SHAPIRO: Mr. Jamgotchian, I'm going

1 to tell you now what we are talking about is a specific
2 rule. That's what the agenda item says.

3 MR. JAMGOTCHIAN: Mechanical failure --

4 CHAIRPERSON SHAPIRO: Please address the specific
5 rule.

6 MR. JAMGOTCHIAN: I am.

7 "Mechanical failure" and "interference"; you need
8 to define those terms. Those terms are not defined.
9 You're going to get yourself sued again, and you're not
10 doing a good job when it comes to identifying these rules
11 and regulations. You've got to identify what you are
12 talking about. If you don't care, that's fine.

13 Thank you.

14 CHAIRPERSON SHAPIRO: Okay. Thank you.

15 All right.

16 I will then ask that this -- we'll send this back
17 to staff to make the appropriate change, and we'll bring
18 it back to the Board at the next Board meeting, if
19 possible.

20 COMMISSIONER KAUFMAN: My only suggestion, and to
21 implement your suggestion, that the shortest possible
22 comment period be implemented, I think that's something
23 that you can take up with on OAL and determine if they
24 have a problem with it being 15 as opposed to 45.

25 SENIOR PARIMUTUEL EXAMINER REAGAN: We will do

1 that, yes.

2 COMMISSIONER HARRIS: Also, I would like to have
3 the horsemen's organizations -- CTT and TOC -- to consider
4 what they feel is the best rule. I mean, we can do it
5 either way, but we need to get some input what the
6 horsemen want to do.

7 CHAIRPERSON SHAPIRO: I agree with that.

8 All right.

9 We're going to take one more matter, then we're
10 going to take the break.

11 The next item is Item No. 6.

12 SENIOR PARIMUTUEL EXAMINER REAGAN: Commissioners,
13 this is an amendment to Rule 1733, Whips.

14 The USTA, which covers the harness industry, made
15 an amendment that was effective in May of this year. And
16 we are simply amending our rule to conform to the USTA --
17 the new USTA rule itself.

18 So that's what this is about.

19 CHAIRPERSON SHAPIRO: Okay. This has been already
20 before us. There was no comments during the 45-day
21 comment period.

22 I will entertain a motion to accept the rule
23 unless there's any comment from the Board.

24 There being none, a motion?

25 COMMISSIONER BIANCO: I will make a motion.

1 VICE CHAIRPERSON MORETTI: Second.

2 CHAIRPERSON SHAPIRO: Commissioner Bianco,
3 seconded by Commissioner Moretti.

4 All those in favor?

5 (Ayes.)

6 CHAIRPERSON SHAPIRO: All right.

7 We'll take a ten-minute break and then return.

8 (Thereupon a break was taken in
9 proceedings.)

10 CHAIRPERSON SHAPIRO: If everyone will please take
11 their seat, we're going to continue this meeting.

12 Do we have a facilities person here from Surf
13 Side, if they could please come forward. But if there
14 isn't, would you please take your seat.

15 All right.

16 Item No. 7 on the agenda, our long-awaited,
17 long-anticipated ADW discussion.

18 I would like to approach this with some ideas and
19 some caution. This matter, as everyone will recall, was
20 originally on the January agenda; it's been deferred.

21 Senator Dean Florez participated in trying to look
22 at how to resolve this matter as well as all of the issues
23 that are coming forth with the sunseting of ADW wagering
24 at the end of 2007.

25 The subject matter has been an ongoing dispute

1 with respect to the setting of hub fee rates and in
2 particular, a dispute between TVG and TOC.

3 I must share that I've had a few discussions,
4 informal discussions, with both TOC and TVG. And I
5 believe that both of those parties are willing, rather
6 than hearing this matter completely, that they would agree
7 to sit down, face to face, the principals of TVG, the
8 principals of TOC, and meet over the next 30 days to see
9 if they can't resolve these matters amongst themselves.

10 That's not to say that there aren't other issues
11 related to ADW wagering that the Board should hear and
12 consider as we look towards the law sunseting, but with
13 respect to this specific dispute, I personally am
14 inclined, and would like to hear from both TOC and TVG, if
15 in fact, they are willing to commit to some process under
16 which they would sit over the next 30 days to see if they,
17 amongst themselves, can't solve this matter.

18 So I'm going to turn to -- Mr. Couto, I appreciate
19 your sitting there. Mr. Hindman, I appreciate you
20 standing there. You can sit down, if you wish.

21 And perhaps, you can both make statements on this
22 matter to start this discussion.

23 THE REPORTER: Chairman. Cell phones.

24 CHAIRPERSON SHAPIRO: I've been asked by the court
25 reporter, please turn your cell phones off. Please state

1 your name clearly so that she gets it.

2 Thank you.

3 Mr. Couto.

4 MR. COUTO: Good afternoon, Chairman Shapiro and
5 members of the Board.

6 My name is Drew Couto. I represent the
7 Thoroughbred Owners of California.

8 In addition to myself representing TOC today, I
9 have several board members I would like to identify and
10 introduce in the room.

11 And that includes our vice chairman, Tom Bachman;
12 Mr. Jess Jackson; Ms. Madeline Auerback; Mr. Billy Kock;
13 and Mr. Barry Abrams.

14 As you know, this is a very controversial, very
15 combative, very confrontational issue between TOC and TVG,
16 or at least that's the way it's been portrayed. It's been
17 portrayed at times as personal between TOC and perhaps
18 between TVG, and that simply is not the case. This is a
19 business issue that has lingered since last November. It
20 is not an issue unique to TOC. It is unique to TVG and
21 horsemen across the country.

22 In addition to my board members here today, I have
23 representatives from seven horsemen's groups, beginning
24 with Justin Cassidy, from the Illinois Thoroughbred
25 Horsemen's Association; Bob Reeves with the Ohio HPPA;

1 Marty Maline with the Kentucky HPPA; and Kent Sterling
2 with the Florida HPPA; Bill Walmsly, from the Arkansas
3 HPPA; and Frank Petramalo from the Virginia HPPA.

4 They are here in the event the Horse Racing Board
5 had any concerns about this simply being a TOC/TVG issue.

6 But I understand, and TVG fully understands, the
7 desire of the Board not to turn this into a
8 confrontational matter and we are very appreciative of
9 TVG's apparent willingness to sit down with us over the
10 next 30 days, on as many occasions as necessary, with the
11 help of a third party, independent observer, perhaps
12 mediator, to work this out.

13 And if we're not able to do so, unfortunately, we
14 would be back here next month.

15 Before we concede to that fact or agree to that
16 fact, one of my board members would like to very briefly
17 address the Board regarding these issues and the
18 importance to horsemen in general, and that is Mr. Jess
19 Jackson.

20 CHAIRPERSON SHAPIRO: That's fine, and
21 Mr. Jackson, we look forward to your comments.

22 I want to make it clear that my comments will
23 reflect only me. I've not spoken to any of the other
24 Board members about this, and therefore, whether or not
25 they -- the majority the of Board chooses to hear this

1 matter at this time or not, we'll have to determine --
2 we'll have to decide.

3 Mr. Jackson, welcome. Nice to see you.

4 MR. JACKSON: Thank you, Mr. Chairman and Board
5 Members. I'm Jess Jackson. I've been in six or seven
6 different industries, and now I'm in the horse industry,
7 recently arrived. But my heart's been there. I raced
8 back in the '50s and '60s.

9 The issue before the Board is critical to horse
10 racing and the survival of horse racing nationwide. Not
11 just a California issue, although it's particularly
12 critical here, because you know the condition of
13 California horse racing: reduced fields, reduced purses,
14 an economic plight, having people dividing or fighting
15 over a smaller share of a decreasing pie.

16 There's no racing without the horse. There's no
17 horse without the owner and the breeder.

18 Higher purses are essential to bring the horse to
19 California. Your horses are going east. I'm a native
20 Californian. But even I, after racing 20 or 30 times this
21 past year or so, look at the purses in the east with envy.
22 Without increasing the purse or having higher purses, you
23 won't solve the problem.

24 In fact, we have reduced purses instead. And
25 reduced purses lead to reduced handle, reduced stress,

1 more stress on the horse, greater stress on the industry.

2 That said, this TVG matter is not alone a
3 California issue; it's a nationwide issue. If California
4 can take the lead, you have the opportunity, as a Board,
5 with determination of the license coming up soon, to
6 require, what Mr. Couto said, and require with TVG to sit
7 down and negotiate with other tracks and with the owners,
8 the horsemen.

9 The owners own the signal. We don't want to
10 resort to the legal action, if necessary, to black out
11 horse racing. That would not be within the interest of
12 the industry. But we have a recalcitrant person who has
13 excluded us from sitting a seat at the table to negotiate
14 our rights.

15 Horsemen have hundreds of millions of dollars
16 invested in this industry. TVG has a lot south of
17 200 million. The media is not the solution, but it is a
18 part of the solution to increasing audience and the
19 handling. There's no question, we have a good medium to
20 advance the interest of thoroughbred racing, but the
21 tracks don't own the signal. TVG doesn't own the signal.
22 Owners own the signal.

23 And as I said, we have -- any ten horsemen here
24 probably have hundreds of millions of dollars invested in
25 this industry, and we want the industry to succeed. We

1 want to race in California. I'm speaking not just on
2 behalf of those ten, I'm speaking on behalf of the
3 hundreds of small people who don't have the wherewithal or
4 the elocution to get up before you and have the courage to
5 say what has to be said.

6 TVG has been arbitrary. They have excluded us
7 from the table. We haven't had a voice. The condition of
8 your permit was that we would be there, enforcing. I
9 agree we should sit down. I like the recommendation of
10 our chairman and the chairman of the CHRB. Thank you.

11 If you invite them to sit down and they don't,
12 however, we will have another reputation of a past pattern
13 of conduct that is arrogant and ignores the horse.

14 For the interest of horse racing, please give us a
15 seat at the table. We need, through the TOC and through
16 all of the other horse owners, operations and
17 organizations across the United States, we have to
18 recapture the signal, because the signal is a part of the
19 handle that should come back to the host track. We are
20 only getting 2 or 3 percent to the host track, and that's
21 a very small part of the purse.

22 The recipient of the handle, where the betting is
23 going, is getting 10, 12, 15 percent, and a lot of it's
24 being stolen offshore. Now, those are the economic facts,
25 and unless we work together, in a united way, as a total

1 industry to correct that redistribution of the advanced
2 deposit wagering issues and the signal, horsemen
3 themselves will be forced to take action under federal
4 law, which is out of the power of this Board. So please,
5 act in favor of trying to resolve it without our having to
6 resort to that.

7 I appreciate your time and attention, and I know
8 how sincere you are to try to solve the problem. But it
9 is a serious problem, and the window of opportunity is
10 very short.

11 Thank you, Mr. Chairman and the Board.

12 CHAIRPERSON SHAPIRO: Thank you, Mr. Jackson, for
13 your comments. They are very well -- very much
14 appreciated, and I think our entire Board will join me in
15 agreeing that we need to do everything as an industry,
16 together, to advance California horse racing. And this
17 dispute and other disputes which plagued us are not in the
18 best interest.

19 Having said that again, I think that is a step
20 forward if the parties will get in a room without having
21 the Racing Board have to intervene and in making a
22 decision. And if they can work it out to the betterment
23 of California horse racing, that would be my personal
24 preferred choice.

25 Mr. Hindman, I would appreciate your comments at

1 this time.

2 MR. HINEMAN: First of all, I would just like to
3 make some comments.

4 CHAIRPERSON SHAPIRO: Would you identify yourself.

5 MR. HINDMAN: John Hindman, H-I-N-D-M-A-N, TVG.

6 I hope that people don't get the wrong impression.
7 TVG cares very, very deeply about California racing. We
8 know it's been a big part of our past, and we know that
9 it's a big part of our future.

10 And so I just want to state that for the record,
11 and that we're committed to helping this industry move
12 forward and that we understand that industry has to work
13 together to move forward.

14 We have had a difference of opinion with -- about
15 the way to approach certain things with the TOC. I want
16 to assure Mr. Couto and his Board that it is as Mr. Couto
17 had described it. It is business, it is not personal.

18 With that said, we invite the opportunity to sit
19 down with the TOC Board to discuss these issues in detail,
20 and hopefully move forward on a better note.

21 CHAIRPERSON SHAPIRO: Only because I have been
22 very involved in the subject, assuming when you said that
23 you will sit down, I'm assuming the president of your
24 company Mr. Nathanson, will join in those discussions and
25 there will be sufficient discussions, as necessary, over

1 the next 30 days, to try and reach a fair and equitable
2 solution that will benefit California horse racing.

3 MR. HINDMAN: I can commit that -- first of all,
4 Mr. Nathanson is TVG's general manager.

5 CHAIRPERSON SHAPIRO: All right. I apologize for
6 that.

7 MR. HINDMAN: That's quite okay.

8 He will be available. As you know, he is not
9 available today, but I believe he will be available.

10 And we hope that these discussions are
11 constructive, and we will approach them in good faith.

12 MR. COUTO: Mr. Chairman, we would ask again, one
13 additional condition. I understand if he's available that
14 Mr. Nathanson attend, and that we do it in front of a
15 third party to make everybody act in good faith and
16 hopefully --

17 CHAIRPERSON SHAPIRO: I think that is a good idea,
18 and the parties can choose one. Obviously, it would not
19 be any board member from the Racing Board, because we need
20 to stand independent of that. But I would hope that if
21 the Board is going to entertain not hearing this matter at
22 this time, and especially given the number of people who
23 have come out to address it. This is a very serious
24 matter, one that's gone on way too long. And the lack of
25 communication has simply been unacceptable without blame

1 on either side.

2 It must get resolved for the benefit of California
3 racing. I would like to ask my fellow board members if
4 they would be willing to defer this matter, pending those
5 discussions, until the next Board meeting at which point
6 we will either expect a report back from the parties. In
7 advance of that, we would need to know at least 15 days
8 before our next scheduled Board meeting whether or not you
9 have reached an accord. If you haven't, then this will
10 come back on our Board meeting, and we would hear it fully
11 would be my suggestion.

12 So I would like to hear from the rest of the Board
13 members.

14 VICE CHAIRPERSON MORETTI: I have a question,
15 please.

16 Because this is scheduled to legislatively sunset
17 next year, are some of the issues that you would be
18 discussing over the next near future, and some of the same
19 issues that we are attempting to resolve, will they be
20 re-addressed in your legislative pursuit next year?

21 MR. COUTO: Well, it's sort of nebulous as to what
22 issues there are.

23 I think the immediate objective, at least with
24 regard to TOC, is to resolve the currently pending issues
25 relating to hub fees. And in the hopes that we have

1 productive discussions, it would be prudent of both TVG,
2 TOC, and hopefully our track partners to then move on to
3 the issues related to the extension of ADW. But I think
4 we have to crawl before we walk and walk before we run.

5 CHAIRPERSON SHAPIRO: I would like to just remind
6 you, I think the issue before us is the dispute of the
7 setting of hub fees, and that's a specific issue.

8 I think, though, that there should be discussion
9 at this Board and in advance of when the legislature is
10 going to consider how to modify or better how ADW works
11 and benefits California horse racing. And that is
12 something that I think will be a long, involved
13 discussion, because there are lots of issues that need to
14 be considered.

15 But it's my understanding that what you are going
16 to do is -- is try to resolve the dispute that has been
17 ongoing; correct?

18 MR. COUTO: That's our understanding, correct.

19 VICE CHAIRPERSON MORETTI: And hopefully you will
20 resolve that. And will part of that resolution be
21 codified? If it were to be codified, will it be in the
22 legislation next year, so that therefore, what I'm trying
23 to get at is, next year we will have a new piece of
24 legislation, presumably. So then after January, will it
25 come back to us again for a few interpretations, or are

1 we -- are we going to be -- I mean, I know we've been
2 putting this discussion off for a month, two months, three
3 months, whatever it is. But I would just like to
4 understand if you anticipate that this is something that
5 will -- step one will happen, you will learn how to crawl.
6 And step two, then you're walking. But next year, are you
7 going to turn around and tell us, well, we're back to
8 crawling again, or is there any way to know? Do you have
9 any plans for that, I guess?

10 MR. HINDMAN: We would hope that all stakeholders
11 would have discussions to the point that you've discussed,
12 with legislation coming up next year. That would provide
13 stability for everybody to move forward in that new
14 arrangement.

15 CHAIRPERSON SHAPIRO: Let's not make any secret of
16 this. I mean, we've all spoken with Senator Florez, and I
17 think everybody agrees that the model that we're currently
18 using does not work for California. And I think as we're
19 looking at new technology, and now that we've had, since
20 2001, the benefit of seeing what we're getting and what
21 we're driving is the benefit, we need to find a way that
22 keeps TVG in business and keeps you happy and allows you
23 to make a profit. But we're a horse racing business, and
24 we have to derive more benefit from wagering off-site and
25 off-track into the horse racing business for the reasons

1 that Mr. Jackson and many others have outlined. And that
2 discussion is going to be something that we're going to
3 need your creative help to find a solution towards.

4 And I believe the legislature is certainly going
5 to be active in helping us there.

6 COMMISSIONER HARRIS: There seems to be a part of
7 the problem is that there is non-clarity in the
8 legislation, which throws it back to the Board. And
9 there's a lot of discussion of basically, you know, all
10 these key issues.

11 I think it would be helpful if we could get, at
12 some point, a good schedule of how -- to what percentage
13 of fees go every different direction, on different types
14 of bets. It's a pretty complex issue, and what everyone
15 is looking for is some equitable way of cutting up the
16 pie, I guess.

17 CHAIRPERSON SHAPIRO: Well, perhaps if you get
18 past the crawling stage, the two of -- the TOC and TVG and
19 XpressBet and YouBet could all get together and outline,
20 for the Board and for the industry, just where each dollar
21 goes and how it's divided on each type of wager, whether
22 it's an in-state wager, an out-of-stage wager, an imported
23 race, an exported race, because it is a very complex and
24 confusing issue.

25 And I think that if all the parties could do that,

1 that would be a basis on which we could then look to how
2 are we going to craft ADW in the future to benefit
3 California racing.

4 COMMISSIONER HARRIS: I think the risk, we could
5 be heading into a suicide pact here, going forward, in the
6 legislature, because they've got a lot of things on their
7 plate, and they could come back and say, "Let's just
8 forget ADW; we won't extend it," and I think that would be
9 bad for -- for horse racing.

10 MR. COUTO: Drew Couto speaking on behalf of TOC.

11 We concur that the only way ADW works is for all
12 the stakeholders, and John said that includes the ADW
13 companies, horsemen, and our track partners, to sit down
14 and revise the current law. It was a good start. I mean,
15 there were plenty of positives to it, but time shows where
16 the weaknesses are. And if we ignore the weaknesses and
17 we insist on moving ahead under the same program, we know
18 it's not a good solution.

19 At least from TOC's standpoint, we've learned a
20 lot with these first four-plus years. And I think some of
21 our track partners and I would imagine the ADW companies
22 have. It's up to us to make changes to improve the
23 system. We're committed to doing that, and we will do it
24 with our partners.

25 CHAIRPERSON SHAPIRO: Thank you.

1 Do any other Board members --

2 COMMISSIONER AMERMAN: I have a comment.

3 When I was being interviewed for this position, as
4 commissioner of the CHRB, I was asked about my attitude
5 towards certain things. And I said I'm totally
6 independent, so I would like to say that I'm going to be
7 independent in my comments.

8 As I thought about these issues and thinking about
9 CHRB, you know, you look at rules, and rules may be right,
10 may be wrong, and maybe it's our job to correct what isn't
11 working. And frankly, this issue isn't working at all.

12 And it strikes me that when you step back from it
13 and, yes, it is a complex issue, but I always like to
14 think of things in the simplest terms.

15 When you think about it, the breakdown between the
16 host fee and where the bet is being placed are two very
17 different things, and I'm sure people thought about it
18 when they made this decision. But frankly, it wasn't
19 right.

20 Now, TVG, God bless you. You really invested in
21 this Board, and we appreciate it -- I do, anyway -- and
22 put a lot of money into it.

23 On the other hand, times have changed. You're
24 doing better. And it strikes me that this has to be
25 adjusted, because what really this is all about is horses

1 and the tracks that put on the show. Without the track,
2 without the horses, we have nothing. And for a breakdown
3 to be 3 percent versus 15 percent makes absolutely no
4 sense in the world. We have to straighten this out, and
5 until we do -- and not only in California. This has got
6 to be done across the country.

7 And I think both sides better be very flexible in
8 this whole thing, because we are -- particularly in
9 California -- we are not going in the right direction.
10 And we have to change the mix. And if we don't change the
11 mix, then none of us are going to be happy at all.

12 MR. HINDMAN: I appreciate your comments,
13 Commissioner.

14 And just to say, I think, Drew's point, there has
15 been a business model out there. The original business
16 model that was out there that you're discussing, I think,
17 in host fees and source market fees, and other sorts of
18 things, was what the original business model was for in an
19 industry that didn't exist at the time.

20 We've invested a lot of money and not to downplay
21 the tremendous investment of horsemen, we've invested a
22 lot of money in that model that allows us -- you know,
23 there is a correlation between that and being able to do
24 what we do on a daily basis, which we think is important
25 for horse racing and the quality of the distribution and

1 the programming.

2 So as we move forward and look forward, I would
3 hope and appreciate that everybody understands, if there
4 is a direct correlation between what we're able to do on
5 the screen every day and how the model operates.

6 And so I think that that's something that we're
7 certainly cognizant of, that look at from our perspective
8 and invite discussions with other stakeholders.

9 CHAIRPERSON SHAPIRO: All right.

10 COMMISSIONER HARRIS: One thing that I would like
11 to clarify that I think was brought up, somebody made the
12 comment that ADW has not worked -- perhaps it has not
13 worked as well as we would like and we're not seeing the
14 continual growth that we would like, and still, I think
15 it's been a major move for the whole racing industry to
16 have races available in, you know, millions and millions
17 of homes and, you know, literally thousands and thousands
18 of ADW accounts opened up. We've really done a lot in the
19 last few years. And maybe it's not as good as it can be.
20 I hate to see it categorized as, you know, not anything
21 less than a success.

22 CHAIRPERSON SHAPIRO: I certainly am independent.
23 If I said it, it's not that I don't think that it doesn't
24 work.

25 COMMISSIONER AMERMAN: Maybe I said it. I'm not

1 sure.

2 CHAIRPERSON SHAPIRO: But I don't think anybody
3 will dispute that, unfortunately, what we've seen is more
4 cannibalization of our fans and more money that's
5 streaming through ADW providers and less revenue flowing
6 to purses and the tracks.

7 And I think it was a good idea, but now that we
8 have some past performances under our belt, we have to
9 find a way to make ADW work to the benefit of those people
10 that are all the stakeholders in the industry and in
11 particularly the horsemen, the purses, and the tracks.
12 And again, not trying to take away from any of the ADW
13 providers, we have to find a way that works for everybody.
14 And I think that we're going to have to sit back and
15 basically start from scratch and say, "Here's what we
16 learned over the last four years. Now, if we were
17 starting up today, what would we do differently? How
18 would we do it, and how do we serve everybody's needs?"
19 And that's what it's going to take. But that's again, a
20 big discussion that we're going to have to get to.

21 MR. HINDMAN: I understand what -- what you are
22 saying, Chairman Shapiro.

23 But again, I would ask that in that conversation
24 it also has to be -- you know, has to work for everybody
25 which means it has to work for all the stakeholders

1 involved.

2 CHAIRPERSON SHAPIRO: I think I said that.

3 MR. HINDMAN: Yeah, I appreciate that.

4 CHAIRPERSON SHAPIRO: Therefore, is the Board
5 willing to, at this point, hold off from hearing matter
6 any further, and allow the parties to meet and report back
7 to us?

8 Again, we do need to hear back no later than 15
9 days, so you don't really have a lot of time before the
10 next Board meeting.

11 MR. COUTO: Perhaps what might be a bit more
12 efficient is for the Board to calendar this and hear back
13 from us at the next meeting, and hopefully one way or
14 another, we'll give you either a report of success, which,
15 fingers crossed, that's what we'll do, or we will resolve
16 these issues.

17 CHAIRPERSON SHAPIRO: The point's well taken.

18 We will re-calendar this matter again for our next
19 Board meeting. If you don't resolve it, it will be heard.

20 VICE CHAIRPERSON MORETTI: May I just ask a
21 practical question?

22 Amongst the two of you, between the two of you, is
23 a month enough time? Because we've done this before, so I
24 would like to know.

25 MR. COUTO: From TOC's perspective, a month is

1 enough time.

2 The situation before was between TVG and another
3 ADW provider. We were never invited in, never
4 participated in it.

5 From TOC's perspective, if we don't get this done
6 in a month after the exchange of correspondence and
7 information that's taken place, we're never going to do
8 this on our own. And it's going to be brought before the
9 Horse Racing Board, so more than 30 days is not necessary.

10 VICE CHAIRPERSON MORETTI: Do you agree,
11 Mr. Hindman?

12 MR. HINDMAN: I would at least hope that we could
13 show progress in 30 days.

14 (Laughter.)

15 CHAIRPERSON SHAPIRO: I think you want to say, "I
16 agree."

17 MR. HINDMAN: I agree.

18 CHAIRPERSON SHAPIRO: Okay.

19 Because it's coming back at the next meeting.

20 MR. HINDMAN: I understand that.

21 CHAIRPERSON SHAPIRO: If you guys need to meet
22 around the clock, then you know what, get some of that
23 NoDoz stuff; okay? Because you're going to get it done or
24 we're going to hear it and so forth.

25 MR. HINDMAN: Okay.

1 COMMISSIONER AMERMAN: A great deal of water
2 obviously has gone under the dam or over the bridge --

3 CHAIRPERSON SHAPIRO: Both.

4 COMMISSIONER AMERMAN: I just wonder, there is --
5 if you sit down together, again, probably history tells
6 you, you know, we'll get to where we are today.

7 Is there not some additional outside force --
8 that's the wrong word, but -- some outside help that could
9 move this along, because I suspect the positions are well
10 entrenched.

11 MR. COUTO: Mr. Amerman, actually in all prior
12 years, TOC has met with TVG, sat down, discussed these
13 issues, and resolved them.

14 This year we had a unique situation. For whatever
15 reason, that meeting did not take place. There has not be
16 been a face-to-face meeting between the TVG
17 representatives and TOC. And that dates back to October.

18 I am optimistic, when we do sit down in the room,
19 that everybody has a chance to talk. We are going to make
20 progress. And as we said at the outset, we are going to
21 do that in front of a third party, hopefully a mediator of
22 some type, to do exactly what you're saying, to force both
23 sides, if necessary, to come to a solution that works for
24 all. That's our commitment from TOC, and I believe
25 Mr. Hindman's prepared to sit with a third party as well,

1 TVG, Mr. Nathanson, etc., sit in front of a third party
2 and get this done.

3 COMMISSIONER HARRIS: May be helpful if you two
4 can agree on what you do agree on, which is hopefully
5 something. And on the different rates, which rates that
6 you will stipulate are the correct rate, and sort of get
7 it down to what specifically -- where the dispute is and
8 what the precedent from that side is.

9 MR. COUTO: That sounds about right, Mr. Harris.

10 CHAIRPERSON SHAPIRO: All right.

11 If there's no objection from any of the Board,
12 then we will postpone this -- defer this matter to next
13 month's meeting.

14 We wish you luck. Go get 'em. All that kind of
15 stuff, and please bring us back with good news.

16 MR. COUTO: Thank you very much.

17 CHAIRPERSON SHAPIRO: Thank you.

18 In light of this, I'm not going to take any public
19 comment on this issue.

20 MR. JAMGOTCHIAN: It's on the agenda,
21 Mr. Chairman.

22 I would like to make a comment on this, because
23 it's on the agenda. I filled out a card.

24 CHAIRPERSON SHAPIRO: We are deferring the matter
25 to next month, Mr. Jamgotchian. The purpose that was on

1 the agenda was to hear the matter. We're not going to
2 hear the matter, and therefore we are going to withhold
3 comment at this time.

4 Thank you.

5 MR. JAMGOTCHIAN: That doesn't defer my rights to
6 speak.

7 I filled out a card pursuant to your request.

8 CHAIRPERSON SHAPIRO: As did a lot of other
9 people. And I assure you, next month, when -- when this
10 matter comes back, if we need to hear it, we will then be
11 glad to hear from you.

12 MR. JAMGOTCHIAN: That's fine.

13 CHAIRPERSON SHAPIRO: Thank you.

14 Item No. 8 on the agenda.

15 Mr. Reagan?

16 SENIOR PARIMUTUEL EXAMINER REAGAN: Commissioners,
17 this is a program that is specific to the northern zone,
18 and specifically what happens is they administer a
19 stabling and vanning program. This costs a certain amount
20 of money. That money comes from the off-track handle.
21 What NOTWINC is requesting here is an increase from the
22 current .94 percent that they withhold to a new rate of
23 1.15 percent.

24 I was given some numbers this morning.

25 Essentially what they are looking at, estimating, for the

1 stabling requirements of that program, we're talking
2 4.1 million; for the vanning reimbursements for shipping
3 the horses around, we're talking a half a million; and
4 then for a separate program referred to as starter fees,
5 they are talking 270,000 for a total of around 4.8, 4.9
6 million. And they estimate based on the next 12 months'
7 handle, that the 1.15 percent will generate just around
8 that 4.8, 4.9 million in revenue for that stabling and
9 vanning operation. So this is what they are doing.

10 When -- given the current takeout structure that
11 we use in California, when you have a percentage that's
12 taken off from the top of the calculation, you might say,
13 what it does, it simply reduces the lower part, and that
14 lower part is a split between the horsemen and the tracks,
15 which is a 50/50 split.

16 So anything you remove from the top reduces that
17 split. So essentially, any increase to this program is
18 being paid half by the horsemen and half by the tracks.
19 That's what we have today, and so they are requesting your
20 approval to increase that percentage to 1.15 percent.

21 CHAIRPERSON SHAPIRO: Mr. Reagan, I have trouble
22 increasing -- approving this without having a budget.

23 Do we not have a budget or an income statement or
24 something that could show us the specifics so we actually
25 know what we are -- I mean, we're being asked to approve

1 an increase, and it may be statutorily permitted, but I
2 certainly would like to see what the full budget is.

3 SENIOR PARIMUTUEL EXAMINER REAGAN: Right. And,
4 in fact, this was what was handed to me just this morning,
5 so I've only had this time to look at it.

6 CHAIRPERSON SHAPIRO: Well, then, again, this goes
7 to the point that we spoke to earlier, which is that those
8 items that are handed to us, the day of the meeting, we
9 don't have -- or soon even before, we don't have time to
10 read them, absorb them, and ask any questions that we may
11 have. And it's not fair to us as the Board. And it's not
12 fair to the issues that we're dealing with, if we're not
13 given sufficient time to deliberate and understand what
14 the issue is.

15 So in regard to this, this item is for discussion.
16 I don't see that we should take any action until we have a
17 full understanding of what the costs are and where the
18 monies are coming from and where they are going and why
19 the increase.

20 I see, Mr. Tunney has approached the hot seat.

21 MR. TUNNEY: I'm Peter Tunney representing Golden
22 Gate Fields, in this case one-fourth of the participation
23 of the NOTWINC, Northern California Off-Track Wagering
24 Committee.

25 This has been discussed in this committee for

1 months, and the Committee came back with a recommendation
2 that the controllers within those four organizations
3 compare notes, audit each other's numbers. That has been
4 done, going on for several months. The Committee met at
5 your Davis meeting just before the Board meeting and
6 recommended the approval of this. The figure to be
7 determined by, again, by the controllers' recommendation
8 and the NOTWINC organization. This has been fully vetted
9 by individuals, and this is the first time, in my memory,
10 when these races have been changed that the Board has
11 wanted the information as it is determined by the
12 organization.

13 Certainly entitled to it, but to get you the
14 information at a faster rate, we were trying to keep it
15 and do it in a vacuum. The controllers' part of the
16 Committee made the recommendation. We had a
17 teleconference of the board, similar to the SCOTWINC
18 organization, as you know. We had a teleconference board
19 meeting on this two days ago and then made the
20 recommendation to the board.

21 COMMISSIONER HARRIS: Is there enough reserve to
22 fund -- if we didn't do it now and next meeting, would you
23 be damaged? Are you basically out of money, or do you
24 have enough money to keep everything going?

25 MR. TUNNEY: There's enough money to keep

1 everything going, but it's at a lower rate where the
2 tracks reach into their own pocket to make up the
3 difference caused by the increase in gasoline, for
4 example, in shipping. There is a strong manure removal
5 program, for example. In our case, it takes it down to
6 Gilroy to the mushroom farmers. So there's -- you know,
7 the gas crisis has caused just a general increase in
8 stabling and vanning costs as well.

9 CHAIRPERSON SHAPIRO: Well, again, and since I
10 think there's enough money and can't -- you're only asking
11 for an increase, so you're still going to get the same
12 amount of money that you've had, and it can be decided --
13 I simply am not comfortable, personally, that we're going
14 to approve an increase without seeing any breakdown of
15 expenses and income and how it works.

16 So I personally would recommend that this matter
17 be deferred to the next meeting, at which time hopefully
18 we will get the materials in advance so we can make an
19 informed decision.

20 MR. TUNNEY: We can have the materials sent
21 tomorrow. They are readily available.

22 So I guess what we're faced with, we will be
23 coming back to the Board and recommending to the Board
24 that the program start on an effective date. That might
25 be retroactive.

1 CHAIRPERSON SHAPIRO: I don't think we -- we don't
2 have a problem -- I don't have a problem with that. But
3 again, in our book, we get one piece of paper and it
4 just -- I don't think we should be making decisions in a
5 vacuum.

6 MR. TUNNEY: All I'm suggesting is that
7 historically that has not happened.

8 CHAIRPERSON SHAPIRO: I appreciate historically
9 it's been done that way, but that doesn't make it right.

10 So let's move in a better direction.

11 Is that okay with the rest of the Board?

12 COMMISSIONER AMERMAN: Absolutely.

13 CHAIRPERSON SHAPIRO: Thank you.

14 VICE CHAIRPERSON MORETTI: But Mr. Chairman,
15 apropos of this -- part of the discussion, there was once
16 upon a time, a year or two years, three years ago, we had
17 requested all material come to us ten days in advance.
18 And if you seriously want us to read something and give it
19 some intelligent thought, then we really do need to have
20 it in advance, not just this day.

21 But when I arrived today, having read all the
22 material that was sent to me, there was at least five new
23 pieces of material here with five separate issues on them,
24 and you can't possibly expect that we are going to be able
25 to give you any consideration in that regard.

1 CHAIRPERSON SHAPIRO: And that's a very good
2 point. I think we, as a Board, are becoming more
3 intolerant in terms of receiving materials at the last
4 minute.

5 I mean, it's just -- it's just unfair, and we're
6 not going to deal with issues and matters that come to us
7 at the last minute, where people are handing us envelopes,
8 leaving things in front of us, and we're going to have to
9 deal with them. And staff is going to have to do a better
10 job, that if you're going to -- that if staff's going to
11 present something on our agenda, it needs to have the
12 materials, or it shouldn't be in the agenda.

13 So thank you, and we'll move forward.

14 MR. TUNNEY: Thank you.

15 CHAIRPERSON SHAPIRO: Item No. 9.

16 MR. JAMGOTCHIAN: Excuse me.

17 I filled out a card on that issue, but I will make
18 my comments brief because --

19 CHAIRPERSON SHAPIRO: Okay. First of all, we are
20 deferring this matter. Second of all --

21 MR. JAMGOTCHIAN: You're deferring this matter?

22 CHAIRPERSON SHAPIRO: Yes, sir, we are deferring
23 the matter.

24 And second of all, you need to write -- if this is
25 your name, it is unintelligible for me to read it. So

1 please write it so I can read it.

2 MR. JAMGOTCHIAN: I will print it for you, Mr.
3 Shapiro.

4 CHAIRPERSON SHAPIRO: Thank you.

5 COMMISSIONER HARRIS: Also on comments, keep in
6 mind that people have got until the next meeting to make
7 the comments. Ideally, make them earlier. It's like
8 people have some mindset that you can't make a comment
9 until the final, final ruling.

10 CHAIRPERSON SHAPIRO: I think that's a great
11 point.

12 MR. JAMGOTCHIAN: I'd like to make a comment now.

13 COMMISSIONER HARRIS: Written comments.

14 CHAIRPERSON SHAPIRO: No. Mr. Jamgotchian, I
15 think you know how to use e-mail, and so perhaps you would
16 look at the agenda, you could e-mail your comments in.

17 MR. JAMGOTCHIAN: I think I like to do it up here,
18 Mr. Shapiro.

19 Thanks.

20 CHAIRPERSON SHAPIRO: Thank you.

21 UNIDENTIFIED MALE: Mr. Chairman, can I address
22 that issue for 30 seconds?

23 CHAIRPERSON SHAPIRO: No. We're not hearing that
24 matter at this time.

25 UNIDENTIFIED MALE: No, I mean, the issue of

1 comments whether in person or written.

2 CHAIRPERSON SHAPIRO: Okay. You may do that at
3 the end of the meeting, under a general business or other
4 business.

5 Thank you.

6 Okay. Item No. 9.

7 Mr. Reagan?

8 SENIOR PARIMUTUEL EXAMINER REAGAN: Mr. Commission
9 er, this is a report from the two tracks. Excuse me, let
10 me put my glasses on here.

11 This is reports from representatives of Hollywood
12 Park and Bay Meadows regarding the results of experimental
13 temporary suspension of CHRB Rule 1606, Coupling of
14 Horses, at their concluded 2006 Spring race meetings.

15 CHAIRPERSON SHAPIRO: All right.

16 This is our experimental -- our confusing
17 experimental uncoupling rule. I believe that in the
18 Commissioners' packets, we all did receive material from
19 Hollywood Park, and I want to compliment you on the
20 presentation of it. It was terrific, and thank you very
21 much for it.

22 I received, just yesterday, information from Los
23 Alamitos, and I don't know if all the other commissioners
24 received the information from Los Alamitos.

25 (No's.)

1 COMMISSIONER HARRIS: Just to clarify, we have
2 information on both Hollywood Park and Bay Meadows. They
3 look alike, but at the top it says --

4 CHAIRPERSON SHAPIRO: Okay. I stand corrected.
5 Thank you.

6 The presentation from Bay Meadows and Hollywood
7 Park were both excellent.

8 Thank you.

9 The information from Los Alamitos, I received
10 yesterday. Again, if we have not been able to get the
11 material disseminated to all the commissioners, I don't
12 know how well this conversation can be had.

13 Furthermore, the information from Los Alamitos was
14 incomplete in that it did not address, really, the issue
15 that I thought we were looking at, which was the financial
16 impact of splitting these entries and what the additional
17 revenue generation was for comparable races.

18 So the information from Los Alamitos, I found to
19 not be very useful to this endeavor. So if we want to
20 hear this, we can hear it based on the information only
21 from Bay Meadows and Hollywood Park. So moving forward, I
22 don't know if any of the Board members want any initial
23 comments or they would like to hear from Ms. Thurman and
24 Mr. Wyatt, who are seated here to address the issue?

25 All right. Then why don't I let you start.

1 MR. WYATT: The reason that --

2 THE REPORTER: Identify yourself, please.

3 MR. WYATT: Sorry.

4 Equal Wyatt, Hollywood Park.

5 The reason that both of these reports deserve
6 compliment is because they were both prepared by Mrs.
7 Thurman; I had nothing to do with it.

8 CHAIRPERSON SHAPIRO: We kind of knew that. Okay.

9 MR. WYATT: I just wanted to -- on behalf of
10 Hollywood Park, I just want to say that I think the
11 reports pretty much speaks for itself.

12 There were 17 instances out of 531 races where
13 same owner -- horses owned by the same owners were
14 uncoupled under the test process. I'm not sure that any
15 of this is conclusive. I think it's a very short sample,
16 a very small sample. But I think common sense would tell
17 us that an additional horse in races over some period of
18 time will result in larger handle and consequently more
19 purses and more commissions.

20 It is interesting to note that in 5 of the 17
21 races, the horse of longer odds beat the horse with
22 shorter odds, not necessarily either one of them on the
23 board. I know that there probably would be -- express
24 some concern about that.

25 I don't know the exact statistics of same trainer,

1 different owner instances that have been uncoupled for
2 some period of time, what those stats are and if they're
3 related to order-of-finishing odds.

4 CHAIRPERSON SHAPIRO: Okay.

5 I reviewed the material, and frankly, it appears,
6 based upon what I understood, that there was about a
7 20 percent -- 26 percent increase in revenue from --
8 unfortunately, I can't tell what track this is. Bay
9 Meadows, and a 13 percent increase from Hollywood Park.

10 I remain troubled by this. This is my personal
11 opinion. I understand I have not received many e-mails of
12 people that are complaining and all that. I just find
13 that personally that it borders too close on the integrity
14 of the game for me, personally.

15 And so if we didn't have a shortage of horses, I
16 don't think we would do this, but we do. I think it's
17 more troubling in the north where you have such
18 consolidation of trainers, and that I understand the
19 problem in the north. And while no problem seems to have
20 surfaced at this point, I'm concerned that we are playing
21 with the integrity of the game.

22 I also recognize people are going to say, "Well,
23 What does the owner have to do with it? Isn't it really
24 the trainer who really could be the one who can be in the
25 better place to manipulate the race?" So the answer is

1 probably "yes." And that goes back to well, should we be
2 requiring all trainers that run horses to be coupled. And
3 that cat is certainly out of the bag, and so I personally
4 am very troubled by this.

5 And I would like to hear from other Board members
6 as to what their desire is with respect to this.

7 COMMISSIONER HARRIS: I think it's a tough issue,
8 and I could argue either side of it. It seems like we are
9 in a situation where it is needed in the industry, both
10 for tracks and purses. And the data appears to clearly
11 show that when you get more entries, you get more total
12 wagering. And I think we're going to probably hear from
13 people concerned about the integrity issue and I think we
14 need to hear them out and see those issues. But I think
15 as far as integrity goes, I think that's what the Board,
16 you know, is concerned about. But if we see a breach of
17 that, I don't know if that breach is definitely from this
18 sort of thing -- there's a lot of other things we can
19 police -- and I think we need the revenue badly enough
20 that -- and apparently during these trials, there were no
21 incidents that arose that looked to disclose any
22 impropriety.

23 CHAIRPERSON SHAPIRO: Well, I appreciate the
24 comments, and my only retort to that would be one breach
25 may be one too many.

1 On the other hand, I think we should hear --

2 COMMISSIONER AMERMAN: It strikes me that we're
3 trying to address the problem of not enough horses in some
4 way, and I'm looking at this data that I have from
5 Hollywood and Bay Meadows. I don't think it's a
6 compelling reason to change. And if indeed you can argue
7 it, as John pointed out, 50 percent of one side,
8 50 percent on the other side, my inclination is just stay
9 where you are.

10 And until we see some compelling information, then
11 I say, let's keep things the way they are.

12 MS. THURMAN: I'm Bernie Thurman with Bay Meadows.
13 We had just a 20-day experiment, and I think
14 that's a pretty small sampling to look at. And I would
15 ask the Board to consider perhaps allowing this waiver for
16 a longer period of time to get more results to look at.

17 CHAIRPERSON SHAPIRO: Well, I don't think over
18 time we're going to really see much difference. I mean,
19 your results are pretty consistent both at Bay Meadows and
20 at Hollywood Park. And I'm not sure what more we're going
21 to see. I mean, you show an increase, so they are
22 compared against races that are theoretically, I guess,
23 comparable, and I think it really comes down to a -- an
24 issue of integrity versus monetary gain.

25 I wouldn't be in favor of just extending the

1 experiment. I think that, you know, we know what it is,
2 we know what the pitfalls are.

3 And so therefore, why don't we hear -- I would
4 like to hear from TOC if they have a position. I would
5 like to hear from CTT if they are in the room. And so I
6 see, we have a speaker.

7 COMMISSIONER HARRIS: I think too if we're going
8 to talk about integrity, we need to look at the trainer
9 portion so it's really a deeper issue.

10 CHAIRPERSON SHAPIRO: I agree with that too.

11 I think we should look at -- I looked at in the
12 information from Los Alamitos, there was one race where,
13 you know, there's multiple races where there's trainers
14 that have three horses. And it's just very concerning to
15 me and so -- Mr. Blonien, do you choose to speak?

16 MR. BLONIEN: Mr. Chairman, Ron Blonien on behalf
17 of Los Alamitos Race Course.

18 Dr. Allred is not here. But he told me that from
19 his vantage point, the uncoupling at Los Al was a great
20 success, and he would urge the Board to continue it. He
21 thinks it's been very helpful to him, at Los Al, and that
22 the wagering did increase by some significant amount.

23 Thank you.

24 CHAIRPERSON SHAPIRO: Mr. Blonien, do you have a
25 copy of what we received?

1 MR. BLONIEN: I do not.

2 CHAIRPERSON SHAPIRO: Okay.

3 I would be glad to give you my copy. If there are
4 no numbers on here that would give us any indication as to
5 what -- of how we could even gauge the success, it
6 basically lists the horses, the owner, the trainer, and
7 what the odds were, and where the horses finished.

8 So there was nothing in the Los Alamitos data that
9 would allow us to evaluate it.

10 MR. BLONIEN: I will see that you get more
11 complete information, Mr. Chairman.

12 CHAIRPERSON SHAPIRO: Thank you.

13 At this time, does TOC or CTT have a
14 representative in the room?

15 I would ask that they come forward and give us
16 their views.

17 You guys don't have to talk and agree what you
18 guys are going to say.

19 MR. COUTO: Drew Couto, Thoroughbred Owners
20 Association.

21 Actually, I was trying to save myself in asking
22 Ed, "What issue are they on right now?"

23 CHAIRPERSON SHAPIRO: We are on the uncoupling,
24 Mr. Couto.

25 MR. COUTO: Uncoupling.

1 CHAIRPERSON SHAPIRO: Or coupling.

2 MR. COUTO: Sure.

3 We're still the same place we've been since day
4 one on this issue, and that is that, you know, the whole
5 idea of principal and integrity is that you don't
6 compromise those in hard times. When the economics aren't
7 good in the industry, we look for solutions that are
8 shortsighted and put the issue of integrity second to the
9 issue of trying to generate a little more handle.

10 And I think as an industry, we owe much more to
11 the fans, much more to the public that supports this game
12 than to simply say, "Well, we're short on inventory.
13 Rather than reduce the number of race days or the number
14 of races, you know what, let's reduce the protection to
15 the public." And since day one, we've been saying that
16 this is -- this is not -- but for the fact that we have
17 short inventory, but for the fact that racetracks insist
18 on running the number of days that they do every year, we
19 would not be talking about uncoupling horses. We wouldn't
20 be doing that. And I think we're sacrificing our
21 integrity. And this last part is me personally, and you
22 don't have to hold that against TOC. I think we as an
23 industry have rationalized that it's okay to put the
24 interests of the public and the integrity of this sport in
25 a secondary position for the sake of some short-term

1 economic gain.

2 I know that my board has looked at it, and they
3 had the view pretty much that -- I think Mr. Amerman
4 expressed that -- if you're looking at a 50/50, what's the
5 sense of changing this because what are you gaining?
6 You're really not gaining anything. It's not broken;
7 don't fix it was the one message that my board sent me out
8 with, and so I guess that's the TOC position: I'm not sure
9 we'll really gaining that much by doing this.

10 COMMISSIONER HARRIS: So do you propose that we
11 change the trainer rule also? I mean, I can understand
12 the integrity -- I virtually don't think it's that big of
13 an integrity issue, but if someone makes that assumption,
14 and the same case is there, when you allow trainers to run
15 an uncoupled entry. So if that's the perception, then
16 clearly I think we need to -- to do that there.

17 MR. COUTO: The beauty of perception is everybody
18 needs a different perception on it.

19 Before we came to this conclusion I met with the
20 members of the Fans Committee with -- earlier this year,
21 we met with them, thanks to David. And that committee
22 said clearly to me, I'm sitting there, that they felt
23 keeping the coupling interests rules in place was the best
24 thing to do. That was what the Fans Committee that has
25 existed for 10, 12 years, that was their opinion. And I

1 saw their current chair testify at a hearing in front of
2 this Committee, in front of this Board, at Hollywood Park
3 earlier this year. Greg -- I'm going to get his name
4 wrong, Greg Badonovich, I think -- and he came forward and
5 said, "Don't change the coupling rule."

6 I saw an e-mail this morning from a regular horse
7 player -- a rather large and active horse player in
8 Southern California. He wrote an e-mail that was
9 forwarded to me, thanks to Mr. Jamgotchian, that said,
10 again, the same things. You know, there's no point in
11 doing this.

12 So whether it's the trainer issue or the owner
13 issue, they are all trying to protect against the same
14 thing. And I think we ought to be -- we ought to be
15 listening to the public and we ought to be concerned about
16 the integrity, and we need to find other ways to improve
17 the economics of this game. And that might be, in the
18 short term, cutting the number of racing days or racing --
19 or races just to try and get our field size up. And
20 that's -- that's probably a better way. It's more painful
21 for all of us. It is more painful, but again, principals
22 are always sacrificed at the wrong times, and I don't
23 think that's the time to sacrifice this system.

24 CHAIRPERSON SHAPIRO: Thank you.

25 Does CTT wish to make a statement on this?

1 MR. HALPERN: Thank you, Commissioners.

2 Ed Halpern, California Thoroughbred Trainers.

3 When this came before the Board the last time, I
4 made the comment it's most important to guard your
5 integrity when it's hardest to do so, and these times make
6 it hardest to do so.

7 Just some random comments:

8 It does appear that we are dangling temptation in
9 front of owners and trainers by making such a change, and
10 whether or not anybody cheats because of it, I seriously
11 doubt. But we do add some temptation to the mix.

12 But I think the important point is really that
13 we're all concerned about the perception. And that is the
14 main concern with this issue. I don't think we really
15 have realistic concerns about people cheating to any great
16 degree, although I think you do get some great influence
17 to some degree.

18 But that being the case, I do think it's the Fans
19 Committee that we should be -- and the fans that we should
20 be most concerned about. And they are really the ones
21 that should be telling us which way they want us to go on
22 this issue.

23 COMMISSIONER HARRIS: I think when you do that,
24 you also need to ask would they prefer a seven-horse
25 betting entries or six-horse betting entries. It's more

1 of a complex thing than integrity. It's also a game, and
2 the game is more interesting if you have more players.

3 MR. HALPERN: I would not disagree with that; it's
4 complex and it's difficult, but they are the ones who are
5 most affected.

6 CHAIRPERSON SHAPIRO: Thank you.

7 The next matter on our agenda is actually the
8 consideration.

9 MR. JAMGOTCHIAN: I had a card, Mr. Shapiro.

10 CHAIRPERSON SHAPIRO: Mr. Jamgotchian, would you
11 let me finish first.

12 MR. JAMGOTCHIAN: Sure.

13 CHAIRPERSON SHAPIRO: There were two cards filled
14 out for this item. However, this item was a report and
15 discussion by the representatives. They conducted the
16 experiment.

17 The next agenda item relates to what the Board
18 does with this. So therefore, I would -- I would suggest
19 that the two comment cards that are on the subject, I will
20 use for the next item which is really now what the Board
21 decides to do with this item, if I'm correct.

22 SENIOR PARIMUTUEL EXAMINER REAGAN: Yes, sir.

23 CHAIRPERSON SHAPIRO: In light of this, I will now
24 ask if that the Board is going to consider whether or
25 not -- I lost my papers here -- the Board is going to

1 consider whether or not to continue the experiment with
2 modification of the uncoupling rule.

3 I would like to call Roger Stein.

4 MR. STEIN: My name is Roger Stein.

5 Thank you, Mr. Chairman and the Board.

6 This is a fourth time I've come before the Board,
7 I think in 28 years of racing horses. And I'm doing this
8 because I'm trying to understand why you guys even have a
9 question about what to do, why there's a discussion. You
10 say that perception's important. You're here to protect
11 the racing fans, not to tell them, "What would you like to
12 have."

13 When I go in the hospital and get treated, the
14 doctor makes a decision on what medication to give me,
15 because that's what he's there to do. They don't say to
16 me, "How much morphine would you like," and we'll give you
17 a little more if you need it." They know what to do, and
18 you guys should also know what to do.

19 When I started racing horses, it was standard
20 breeds, and let me tell you why you can't even consider,
21 you know, splitting these entries. You would have eight
22 horses in a field, and for seven years I thought I was the
23 greatest trainer that ever lived, because a lot of the
24 races I got mine home first, because I was one of the few
25 guys trying to win every race. The thing was, people were

1 being paid not to win, and are you really going to sit
2 there and say it's worth it for one of those things to
3 happen in thoroughbred racing? Every scandal you've heard
4 about involved losing, not winning. And when you reward
5 people to lose, this is what will happen.

6 And if you don't -- if you allow this six-horse
7 field with two trainers that have two horses, well, let's
8 just say that they decide to get together at breakfast and
9 make a determination that their four horses aren't going
10 to be there that day, and you're looking at a cold exacta.
11 You're also looking at a huge scandal. And you're in a
12 position to stop that from ever happening.

13 You can say there's all kinds of ways to cheat,
14 and I agree. But this is one you're inviting them to
15 cheat. You're opening a bank, and you're letting the
16 teller stay till 6:00 while you go home at 4:00, and then
17 you're saying, "Do you really think someone's going to
18 steal?" You know, I can tell you that yeah, someone's
19 going to steal. And if you make it easier, it's going to
20 happen. Isn't perception more important than to allow
21 them to do this? Don't you really think about for a
22 minute, what will happen if you do it? Well, they'll bet
23 more money. Yeah, they'll bet more money. How many races
24 before something happens? And how many times you going to
25 explain to racing fans, which I've done for many years,

1 that sometimes I will run a ten to one and a two to one,
2 and I think there's a good chance that the ten to one will
3 win. Well, I feel I didn't do anything wrong. And
4 perception is important.

5 And you people are the only ones that have a
6 choice. You can make a vote right now and say, "Listen,
7 we got to do away with it." It's not an experiment.
8 Sure, it helps. The tracks would rather have it. But
9 it's a easy way out, and the bottom line is you need to
10 attract more horses. You need more inventory. I keep
11 hearing people talk about racing less days, but why would
12 you race less days? You're not going to fill a five-horse
13 field with racing 32s. If you've got five classified
14 allowance horses, you don't have enough inventory, so the
15 answer isn't about what can we do right now as an
16 emergency matter to get these, you know, horses to fill
17 races, but let's just split them up. Pretty soon you will
18 have two trainers running three per race. And what will
19 happen then? And what will your answer be when someone
20 says, "This race stunk to holy hell." What are you going
21 to do? So you don't do it in the first place. And you're
22 the ones who can decide that, so I listened to Drew. I
23 listened to Ed Halpern. All I can tell you is without
24 naming names, they said it all.

25 You really -- it's on your conscience if you let

1 these kind of things go on. 'Cause maybe it hasn't
2 happened yet, maybe it has and you don't know about it.
3 But I promise, if you do it, I promise you that's what's
4 around the corner.

5 Thanks for you time.

6 CHAIRPERSON SHAPIRO: Thank you very much.

7 All right.

8 Mr. Jamgotchian.

9 MR. JAMGOTCHIAN: Once again, I focus on the
10 leadership, the leadership by the Board and Ms. Fermin --

11 CHAIRPERSON SHAPIRO: All right. Focus on the
12 issue at hand.

13 MR. JAMGOTCHIAN: She's the leader. I will just
14 focus on the leadership.

15 CHAIRPERSON SHAPIRO: Mr. Jamgotchian, get to the
16 point.

17 MR. JAMGOTCHIAN: The point is leadership.

18 When the leadership of the CHRB looks at an issue
19 and makes a knee-jerk reaction. And in this particular
20 case, a knee-jerk reaction was do what the track says,
21 let's them kick their hand up a little bit by uncoupling
22 the horses. We didn't really think about what impact that
23 would have, but let's just give the tracks the ability to
24 do it, and let's do a study. So they do the study. It
25 proves to them that, gee, they for some reason, they make

1 more money. The people complained. Either you don't
2 recognize it, or you don't care to recognize it. The
3 people are complaining about this, because they are not
4 betting. They are pulling back their betting in those
5 kinds of races. I bet you, the tracks didn't analyze that
6 when they were looking at the handle on those races.

7 The problems have surfaced with regards to the
8 integrity of the game by just talking about uncoupling.
9 Whether you did it or not is not even an issue. The fact
10 that you're even talking about it strikes the integrity.

11 Mr. Harris, I don't know what planet he's coming
12 from, but the basis of the integrity issue is the owners
13 and the trainers. They both have the opportunity to
14 cheat. So if you're going to do something, you've got to
15 couple the owners and the trainers, and not just one.

16 I mean, if you go up north, how many horses does
17 my trainer Jerry Hollendorfer have in the same race?
18 Three horses? Two horses? If you don't couple those
19 horses -- I mean, Jerry's pretty respectable, but --
20 there's problems that can occur. The issue is, this is
21 the only issue. Does this Board care more about the
22 bettors and the integrity of the game, or what the tracks
23 want to do?

24 And that's the question that you need to address,
25 Mr. Shapiro.

1 CHAIRPERSON SHAPIRO: Thank you.

2 MR. JAMGOTCHIAN: The problem -- excuse me, I'm
3 not done.

4 The problems -- the two other problems with this,
5 unfortunately are going to be caused by the uncoupling if
6 this is the way you go. There will be a lot of races in
7 northern California that don't fill, so I'm not going to
8 be running any of my horses up there because the races I
9 want to put my horses in aren't going to fill. So there's
10 a negative to the uncoupling that I recognize, obviously.
11 And that is going to really impact and maybe put a further
12 death nail into the coffin of northern California racing,
13 because if the races don't fill for my horses, obviously I
14 have to send horses back to Minnesota or tracks in other
15 cities.

16 So there's negatives to it, but I think if you
17 guys are concerned about integrity, well, there you go.

18 CHAIRPERSON SHAPIRO: Thank you.

19 COMMISSIONER HARRIS: It is just bothersome that
20 we're accused -- I think everyone on this Board has high
21 integrity, and cares about integrity of the sport. And we
22 may disagree amongst ourselves and with the audience or
23 anything, but it's not something that we're not very
24 concerned about integrity. It's just how do we balance
25 all the different factors?

1 MR. JAMGOTCHIAN: Get more horses.

2 CHAIRPERSON SHAPIRO: All right.

3 Mr. Blonien, are you asking to speak on this
4 matter? I was just handed a comment card. I don't
5 know -- it says 10 -- this one?

6 MR. BLONIEN: Yes, I wanted to speak in support of
7 this, but seems that the tide is going against me.

8 Again, Dr. Allred indicated the quote, unquote,
9 experiment at Los Al has been official. He also indicates
10 he gets a lot of comment cards from fans and e-mails, and
11 he has not received one negative comment from any fan on
12 the experiment at Los Al. It has been beneficial to the
13 handle and we would be hopeful that this would be
14 continued, but perhaps it appears to be in doubt, judging
15 by the sentiment of the Board. But at Los Al, everything
16 has been positive.

17 CHAIRPERSON SHAPIRO: Thank you.

18 All right.

19 If there's no other further action -- comment by
20 the Board -- all right.

21 Look, let's get these in.

22 Robert Hartman.

23 That's it.

24 MR. HARTMAN: Robert Hartman, Golden Gate Fields.

25 In the past, we have been able to contact the

1 Board for especially stakes races when we needed to split
2 entries, and that specific point hasn't been addressed,
3 and I would like that to be addressed as part of --

4 CHAIRPERSON SHAPIRO: I think what we're talking
5 about is, the Board conducted an experiment that would
6 have repealed the Rule 1606, Coupling of Horses.

7 I believe that the -- the tracks still will have
8 the opportunity in this particular stakes races, for
9 extenuating circumstances, to make a special request. In
10 the past, what is my understanding is that we've seen past
11 performances. It's been a race that warranted it. For
12 some reason, if you are running, you know, your big
13 hundred-thousand-dollar race and you only got five horses
14 and one trainer has two, it's been at the discretion of
15 the executive director and the chairman of this Board. So
16 I would expect that would continue.

17 Although we are now going to consider whether the
18 repeal of Rule 1606.

19 I would make a motion that we not repeal the rule.

20 Is there a second for that?

21 COMMISSIONER AMERMAN: Second.

22 CHAIRPERSON SHAPIRO: Second.

23 Is there any further discussion?

24 There not being any, all in favor.

25 (Ayes.)

1 CHAIRPERSON SHAPIRO: All opposed?

2 None.

3 COMMISSIONER HARRIS: I think if we are going to
4 do that, I wouldn't want to vote against it because that
5 assumes the industry wants to go with it. If we do it --
6 if we think we got a major issue here, we need to look at
7 the trainer rule also.

8 CHAIRPERSON SHAPIRO: I agree with you totally.
9 And I think that what we should do is put that on the
10 agenda and have a discussion about that in our next
11 meeting.

12 Thank you.

13 Item No. 11. Staff on the statistical report.

14 SENIOR PARIMUTUEL EXAMINER REAGAN: Commissioners,
15 this is our monthly package of statistical reports.

16 The first one we're looking at is a comparison
17 between July 2005 and 2006, simply looking at the one
18 month versus the same month a year ago.

19 The next report is a cumulative for 2005 versus
20 2006, so that is a report of the various race meets,
21 listed on the left there, from December 26th of 2005
22 through July 31st of 2006, and we have the information as
23 well as the bar chart.

24 We've added, this month, a page that indicates the
25 changes in purses, the amount to the track, and the amount

1 to the state, by meet. We show the amounts for 2005,
2 2006, and the differences, etc.

3 And then finally, we have a cumulative report on
4 the daily attendance. That's 2005 versus 2006, and once
5 again, cumulative from December 26, the start of our
6 racing year, through the end of July.

7 And that's what we have for you today, if you have
8 any questions.

9 CHAIRPERSON SHAPIRO: I would like to see the
10 report similar to what it does for handle, break out by
11 track, the attendance numbers.

12 You went through and you did it for each track.

13 SENIOR PARIMUTUEL EXAMINER REAGAN: I understand.

14 CHAIRPERSON SHAPIRO: I think that we need a
15 similar report for attendance.

16 SENIOR PARIMUTUEL EXAMINER REAGAN: We'll expand
17 the attendance report to show it by track, then.

18 CHAIRPERSON SHAPIRO: And then I think we should
19 also try to look at starting expand it to include our
20 simulcast facilities.

21 We're trying to get as much information as we can
22 so that we can use it as a tool. One of the other things
23 that we'll do, as we're getting to the end of the meeting,
24 we're going to get to the end of meet reports, I would ask
25 that we also request that each race -- each racing

1 operator provide to us a summary of their race meeting and
2 have a representative here to address the Board at the end
3 of a race meet, when it's been concluded, so that we can
4 look at what worked, what didn't, and how it went. Again,
5 we have to look at how we're going to improve this
6 business. So I would like to do that.

7 SENIOR PARIMUTUEL EXAMINER REAGAN: All right.

8 COMMISSIONER HARRIS: I don't understand that, for
9 instance, Alameda County Fair, why their ADW handle
10 appeared to decline slightly but the ADW purses went up?

11 SENIOR PARIMUTUEL EXAMINER REAGAN: I'm sorry.
12 John, which reports are you looking at?

13 COMMISSIONER HARRIS: Alameda County Fair.

14 SENIOR PARIMUTUEL EXAMINER REAGAN: Okay. Alameda
15 County.

16 Is that the average daily live handle cumulative?

17 COMMISSIONER HARRIS: Well, it's a ADW handle. It
18 went from 4.38 million to 4.23 million, but the actual
19 purses, ADW purses, were from 202 to 219. It wasn't a big
20 increase, but are there different -- apparently, there
21 must be different mixes that arise.

22 SENIOR PARIMUTUEL EXAMINER REAGAN: You said
23 "ADW." I don't follow that, John.

24 COMMISSIONER HARRIS: TVG and YouBet and all
25 that --

1 SENIOR PARIMUTUEL EXAMINER REAGAN: Yeah.

2 COMMISSIONER HARRIS: But I think maybe
3 Mr. Drew Couto --

4 SENIOR PARIMUTUEL EXAMINER REAGAN: I'm sorry.
5 The reports I'm looking at, for Item No. 11, I don't see
6 an ADW.

7 COMMISSIONER HARRIS: We can get them later.

8 CHAIRPERSON SHAPIRO: Okay.

9 Is there any other comment from the Board?

10 MR. JAMGOTCHIAN: I have a card, Mr. Shapiro.

11 CHAIRPERSON SHAPIRO: I know. I haven't gotten to
12 you yet, Mr. Jamgotchian. Just hold your horses.

13 All right.

14 Mr. Jamgotchian, do you have a comment?

15 MR. JAMGOTCHIAN: Yeah, just briefly. With regard
16 to the average daily live handle July 2005 to July 2006, I
17 want to make sure that the Board recognizes a few
18 important numbers and the effect that they have on
19 industry.

20 Number one, the first number is the northern
21 California meet was down \$7 million. The southern
22 California meets were down \$5 million. And the fairs were
23 down \$3 million, which means that for the month of July --
24 and correct me if I'm wrong -- there's a \$15 million loss
25 of handling, which obviously reduces the amount of jobs in

1 the industry, which without question affects the horses.
2 And of course, none the worse, reflects the revenue that
3 the tracks, and the people that depend on the tracks, are
4 receiving.

5 So you know, when you look at these numbers,
6 rather than just look at the numbers, think of the effect
7 that these numbers are having on the industry and the
8 people that look to it for their livelihood.

9 Thank you.

10 CHAIRPERSON SHAPIRO: Mr. Jamgotchian, I agree
11 with you, and that's the purpose that we're trying to make
12 these numbers more apparent. So I appreciate your
13 comments.

14 COMMISSIONER HARRIS: Actually, what I was looking
15 at was the wrong report. I was looking at the end-of-meet
16 reports, but could you incorporate some ADW numbers into
17 these so we could have some sense of what they are doing
18 also?

19 MR. JAMGOTCHIAN: That's the reason why this issue
20 is important, because when you bring these numbers up,
21 it's critical that the Board looks at the numbers and the
22 basis behind the numbers. And I look at them and I say to
23 myself, "We have a leadership acting up." That's what
24 we're trying to correct.

25 CHAIRPERSON SHAPIRO: Thank you.

1 Okay.

2 Moving on to Item No. 12, this item deals with SB
3 746.

4 SENIOR PARIMUTUEL EXAMINER REAGAN: Commissioners,
5 I can only comment on this in a sense that what is in your
6 package, I have been advised now that's been pretty much
7 tossed and a complete new bill has been rewritten.

8 I don't know that for a fact, but I understand Mr.
9 Blonien is here. Perhaps he has the expertise --

10 CHAIRPERSON SHAPIRO: Let me try to -- I believe
11 Commissioner Andreini requested that this item be on the
12 agenda.

13 COMMISSIONER ANDREINI: That's correct.

14 CHAIRPERSON SHAPIRO: So Mr. Andreini, is there
15 some comments you want to start out?

16 COMMISSIONER ANDREINI: Yes, please.

17 SENIOR PARIMUTUEL EXAMINER REAGAN: Thank you.

18 COMMISSIONER ANDREINI: Before I was on this
19 Board, I was on Board of Pacific Quarter Horse Racing
20 Association, and at every meeting that took place for
21 months before I joined this Board, it had to do with the
22 harness racing in Sacramento and Los Alamitos problem, ad
23 nauseam; it never ended.

24 And so when I saw that this bill was coming past,
25 and I heard that it was being rejected by some members of

1 the Committee, on this Board, I was appalled really,
2 because at a time when harmony seemed to be coming to the
3 forefront with new harness people and the people at Los
4 Alamitos, to have this thing put on the shelf or not
5 having the support of the full Board, really -- I mean, it
6 really bothered me.

7 I've tried to get my arms around what's happening
8 in the thoroughbred side -- I know a little something
9 about the quarter horse side, and I've been -- I haven't
10 been very vocal here in the last few months, but this
11 thing really bothers me.

12 I think that this Board should embrace this bill
13 and support it, fully.

14 I got an e-mail from Mr. Shapiro that said that
15 the full Board should take a neutral position on this
16 legislation. I disagree wholeheartedly.

17 This is something that -- you know, this industry
18 is so segmented. They talk about a pie, a couple of
19 people did today. We have an 8-inch pie, and there's not
20 enough to go around. But if we just step back and
21 everybody gave a little bit and then joined hands and went
22 forward, maybe we could bake a 20-inch pie and there would
23 be more for everyone. But I mean, we can't keep fighting
24 one faction against the other, and this thing, as I say,
25 it bothers me, and I would ask that the full Board support

1 this. It's better than maintaining a neutral position.

2 COMMISSIONER HARRIS: As I understand it, the
3 bill, I think, there were concerns originally on the bill,
4 but it's been amended. The main issues are that -- that
5 both racing -- both the northern harness and the southern
6 quarter have to show the signals from the corresponding
7 meet and they can, in fact, charge an impact fee -- either
8 one can charge it on the other -- of up to 5 percent and
9 as I understand it, that's all the various parties feel
10 that's an appropriate resolution. I'm not sure who out
11 there, at this point, opposes the bill.

12 CHAIRPERSON SHAPIRO: Well, if I could just add my
13 understanding to this bill -- Mr. Blonien is certainly
14 welcome to step forward, and correct me if I say anything
15 wrong. When this bill was originally drafted, it allowed
16 that the two parties, Sacramento harness -- or northern
17 harness racing and Southern quarter horse racing would pay
18 each other a 5 percent impact fee or such that the
19 difference would go to that party that was basically
20 not -- not creating as much revenue.

21 I had no opinion and no complaint with respect to
22 that whatsoever. But as the bill was originally crafted
23 it was my understanding and at the time that this -- the
24 legislative committee of this Board took an oppose
25 position to this bill, the bill also contained a provision

1 that did -- that stated that if one of the parties chose
2 not to take the other party's signal, they would be able
3 to do that.

4 It is for that reason that I was opposed to the
5 legislation. I felt that my understanding of ADW was that
6 all -- or simulcasting -- that each of the parties in
7 California would take each other's signals, and it was
8 that reason that I personally was opposed to the piece of
9 legislation. Because I felt that what Senator Maddy, and
10 others that crafted the original legislation, intended was
11 that all California product would be shown taken at all
12 California venues, if they were open and operating. Never
13 did -- was there any opposition with respect to the impact
14 fee.

15 It's my understanding that the bill has now been
16 amended to reflect and correct that deficiency, and
17 therefore, I personally believe that the Board should take
18 a neutral position, which is the position that we are
19 encouraged to take, because rarely should the Board come
20 out in a support position, as I understand it. Our being
21 neutral would not interfere with the passage of this
22 legislation.

23 Mr. Blonien, if you choose to correct any of the
24 facts, if I have them wrong, I would like to -- I would
25 like you to please correct me.

1 But it's my understanding now that the legislation
2 will provide that the harness signal will be shown at Los
3 Alamitos similar to all other signals they receive and
4 vice versa, at Sacramento harness, and that there will be
5 a 5 percent impact fee, up to 5 percent impact fee.

6 Further, that the impact fee will be shared with
7 the horsemen as well as the track operator.

8 COMMISSIONER HARRIS: And also that the -- the
9 actual places that the signal will be shown will be
10 comparable to where --

11 CHAIRPERSON SHAPIRO: Other signals are shown
12 within the facility; that's correct.

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

14 Rod Blonien on behalf of Los Alamitos Race Course.

15 When we introduced this bill, I anticipated at
16 some date that I would come before this Board, and Mr.
17 Shapiro would have wood nymphs dancing in the aisle and
18 rose petals strewn on the floor, and there would be a
19 whole bank of trumpeters sounding the trumpet and thanking
20 me for putting this bill together and removing something
21 that has been super contentious and has occupied, in my
22 estimation, at least 25 hours of this Board's time,
23 probably over the last two or three years.

24 Was I wrong?

25 Instead, the Board took a position to oppose the

1 bill, as Mr. Richard Shapiro indicated.

2 COMMISSIONER HARRIS: I didn't necessarily buy
3 into the oppose position, but the oppose position was not
4 on the current bill.

5 MR. BLONIEN: That's correct.

6 CHAIRPERSON SHAPIRO: The oppose position was not
7 related to the impact fee, which, you're correct, I would
8 have helped hire the trumpeters.

9 MR. BLONIEN: What about the wood nymphs?

10 CHAIRPERSON SHAPIRO: No, I'm sorry. I can only
11 go so far.

12 MR. BLONIEN: Rose petals?

13 (Laughter.)

14 CHAIRPERSON SHAPIRO: However, you did slip into
15 legislation -- a provision that said that if Los Alamitos
16 quarter horse racing chose not to accept the signal from
17 Sacramento harness, they didn't have to.

18 Is that wrong?

19 MR. BLONIEN: I think that's a
20 mischaracterization.

21 CHAIRPERSON SHAPIRO: Okay.

22 MR. BLONIEN: What the bill said is the parties
23 shall negotiate, and if they reach agreement, both
24 parties, then they would take one another's signal.

25 CHAIRPERSON SHAPIRO: Fine.

1 MR. BLONIEN: But in the absence of an agreement,
2 you would not be taking another person's signal.

3 CHAIRPERSON SHAPIRO: Fine. I will stand
4 corrected on the language, Mr. Blonien. However, if there
5 was an impasse, then theoretically, the harness signal
6 could not -- could not have been shown at Los Alamitos.

7 MR. BLONIEN: Yes, that's correct.

8 CHAIRPERSON SHAPIRO: Okay.

9 In any estimation, in looking at the numbers, that
10 if the harness signal was not shown at Los Alamitos at
11 night, it would have proved devastating, if not fatal, to
12 the harness industry. And for that reason, that is the
13 only reason why I felt that it was A, not in keeping with
14 the original intent of the legislation that permitted ADW
15 wagering, but also it would be detrimental to a segment of
16 the industry.

17 And that is the only reason and only problem I had
18 with the legislation, because I did not want to see one
19 breed disadvantaged or put out of business.

20 And our job as the Board should be to protect all
21 breeds and to enhance all racing for all segments of the
22 industry. I'm thrilled that you have now modified the
23 bill, as I understand it, and that it will be, like all
24 other signals, will be shown -- that harness racing will
25 be shown at Los Alamitos, and quarter horse racing at

1 Sacramento, and everyone can go on their merry way and be
2 happy.

3 MR. BLONIEN: Thank you, Mr. Chairman.

4 CHAIRPERSON SHAPIRO: Thank you.

5 MR. BLONIEN: I, however, would like to make just
6 a couple of other comments.

7 With respect to the analysis that you have
8 included in your package, point number one, on the back
9 page, it says, "The bill was substantially amended into
10 its present form in the last committee of the second
11 house, thus precluding any meaningful discussion of the
12 bills's issues."

13 The bill was amended prior to the committee
14 hearing, Mr. Chairman, and the committee analysis which I
15 have reflects the bill that was presented that day, which
16 was the June 26th version of the bill, and the committee
17 hearing was on the 29th.

18 So I don't like the impression that's created that
19 somehow we did this in the dead of night and no one knew
20 about it. It was done. It was discussed. It was
21 debated, and it got a unanimous vote at the committee.

22 COMMISSIONER HARRIS: Has this bill passed,
23 whichever house it's in, yet?

24 MR. BLONIEN: The bill is in the second house.

25 COMMISSIONER HARRIS: It started in the senate and

1 went to the assembly?

2 MR. BLONIEN: Yeah.

3 This -- when the two year session -- I was going
4 to call you Senator -- but the two-year session, Senator,
5 the bill cleared the senate last year and had been
6 languishing in the assembly GO committee.

7 We amended it. The amendments went across the
8 desk on the 26th and it appeared in print on the 26th.
9 Committee hearing was on the 29th of June. And so the
10 bill didn't go to a probst (sic) because it was judged not
11 to have fiscal impact, and it has been on the floor. And
12 so we amended on August 14th to mandate the payment of the
13 5 percent and to mandate the taking of the signal.

14 Previously, we said it could not be more than
15 5 percent, and we thought the parties could get
16 together -- and Norm Towne had talked to me at Cal Expo
17 and thought maybe that would be done for less.

18 But, you know, before we knew of your opposition,
19 we had reached agreement with all parties, and I have
20 letters from the harness folks expressing their support.

21 CHAIRPERSON SHAPIRO: Mr. Blonien --

22 MR. BLONIEN: Yes?

23 CHAIRPERSON SHAPIRO: When did you amend the bill
24 to include -- did you say August 14th -- that it would
25 include the signal -- the signal would be sent?

1 MR. BLONIEN: Yes, mandating it.

2 CHAIRPERSON SHAPIRO: Okay.

3 Please understand that our package and the time
4 that we came out with a oppose position of this bill, we
5 were not looking at the bill in its current form.

6 We had been requested to take a position. This
7 was not something that we decided, oh, we'll take a
8 position." We were asked for a position, and that's the
9 reason that we actually took a position. One thing that I
10 think should be clarified for the Board and that we
11 have -- we need to do is, I think, that the full Board,
12 not just a committee of the Board, should try to weigh in
13 before the full Board takes a position.

14 However, in that circumstances, we were
15 specifically asked to give a position on, I think it was,
16 three pieces of legislation.

17 COMMISSIONER HARRIS: I think that was a flawed
18 advice, though. I think that was not appropriate to be
19 asked to -- to take a position absent Board action. It's
20 just bad procedure.

21 CHAIRPERSON SHAPIRO: And -- and that was a
22 problem perhaps with our staff advising us -- asking us
23 that. But that's why we weighed in on the legislation in
24 the first place.

25 COMMISSIONER HARRIS: But now that we have, it

1 looks like, a resolution, which is -- apparently all sides
2 seem to agree with. I think we can take a position to
3 support the bill. And in talking to some of the people in
4 Sacramento, it seems to me that that was an option, that
5 we could -- could take positions to support or oppose or
6 go neutral on bills. And I think some bills, you know,
7 probably a lot of bills, we'll probably just be neutral
8 on. But this bill, if it's got the support of the total
9 industry, I would think it would be appropriate to support
10 it.

11 MR. BLONIEN: I would like to advise the Committee
12 that we are having -- in fact, the language may be sitting
13 on my desk -- the bill amended again.

14 The bill you can see before you today indicates
15 that the money from the harness industry will be
16 distributed 50 percent to commissions, 50 percent to
17 purse, and 50 percent to purses (sic). We have a parallel
18 provision that's being added to the bill for the quarter
19 horse industry.

20 In addition to that, you all may recall we had the
21 so-called Kevin Murray bill from last year, SB 677, that
22 provided for us some additional satellite facilities.
23 That bill was hung up on the assembly floor, so what I've
24 done is taken out of that bill a piece that is
25 non-controversial for two additional satellite facilities

1 in Alameda County. We're putting it in this bill, and
2 we'll probably, a week from now, have the bill off the
3 assembly floor and into the senate.

4 So Mr. Harris, I appreciate very much your motion,
5 and I hope it's successful in --

6 COMMISSIONER HARRIS: I actually think though
7 that --

8 MR. BLONIEN: But I didn't want to have you --

9 COMMISSIONER HARRIS: If -- I think we really
10 can't take a position on a bill until it's the final
11 version, because these bills have a habit of changing. It
12 might be better to defer our position until the next
13 meeting, because I assume it wouldn't go to the governor
14 for a while, anyway.

15 CHAIRPERSON SHAPIRO: Well, this item is just a
16 discussion item. We're not going to take any action.

17 MR. BLONIEN: Okay.

18 The Legislature leaves the 31st of August, so it
19 will undoubtedly be on the governor's desk, and it will be
20 incapable of anyone amending it after that time. So if
21 you were to choose to take a position next meeting, do so.

22 So I mean, as much time as -- again, we've all
23 spent arguing and crying, and I remember so vividly that
24 time at the Arcadia City Hall when you all took, like, a
25 two-hour recess when you tried to settle this thing and

1 just got nowhere. That if there's an issue like this,
2 gosh, you know, pick up the phone, use your e-mail, and
3 let's get it straightened out, rather than get to the
4 point where we have and approve or oppose for the
5 governor.

6 Thank you.

7 CHAIRPERSON SHAPIRO: Okay.

8 We'll move on.

9 THE REPORTER: Could we take a break?

10 CHAIRPERSON SHAPIRO: You need a break? We're at
11 the end.

12 THE REPORTER: I need five minutes.

13 CHAIRPERSON SHAPIRO: Okay.

14 We'll take five.

15 Thank you.

16 (Thereupon a break was taken in
17 proceedings.)

18 CHAIRPERSON SHAPIRO: All right.

19 We're going to try to finish the meeting.

20 We're going to start with Item 14, which is the
21 report of the Medication Committee.

22 We're going to recognize Rick Arthur to give us a
23 report of the Committee.

24 DR. ARTHUR: Thank you, Mr. Chairman.

25 I'm Dr. Rick Arthur.

1 The Medication Committee --

2 CHAIRPERSON SHAPIRO: Closer.

3 DR. ARTHUR: Closer.

4 The Medication Committee met on the 10th of August
5 and discussed several items.

6 They include modifications of 1844(c)(2) to change
7 the permitted level of flunixin from 25 nanograms to 50
8 nanograms.

9 The recommendation is well supported by research
10 done by Dr. Stanley and I to indicate that that is an
11 adequate level to protect against race-day administration
12 of flunixin and reasonably protect horsemen against an --
13 that they treat horses properly.

14 We also recommend modifying 1844(f), clenbuterol
15 level, which was now regulated by 5 nanograms in the urine
16 to 25 picograms in the blood.

17 Again, this is a more efficient way to regulate
18 this particular medication. Our current recommendation is
19 four-days withdrawal time. That is frequently cut down to
20 two days by trainers which causes a lot of inadvertent
21 deposits that we really shouldn't have to deal with. And
22 the blood level, we can very confidently recommend a
23 72-hour withdrawal time and, again, identify
24 administration within the 72 hours.

25 The third recommendation, again, is a modification

1 of 1844 to allow procaine levels in the blood for horses
2 that have been administered procaine penicillin, an
3 antibiotic that is still very effective, and very cost
4 effective in racehorses, provided those horses are
5 sequestered in a detention barn at the expense of the
6 trainer, so we can protect against blocking of that horse
7 with procaine.

8 So all of these recommendations were presented to
9 the Medication Committee who, I understand, recommended
10 approval of those.

11 CHAIRPERSON SHAPIRO: I'm sorry that Commissioner
12 Bianco was unable to attend because of the flight
13 problems, but Commissioner Harris and I did attend that
14 meeting.

15 I thought it was really a great meeting, and I got
16 a lot of -- a lot of people came up to me and felt they
17 got a lot out of that meeting. They felt it was very
18 informative and helpful and useful.

19 So we appreciate the report.

20 Commissioner Harris, do you choose to add anything
21 to it?

22 COMMISSIONER HARRIS: I thought it was a good
23 meeting. We need to have more of these and get more input
24 from more of the track vets and trainers and try to, you
25 know, maximize communications, because there are a lot of

1 misconceptions about the whole area.

2 But I guess the concept now is to move on with
3 rules on those two -- two items that we --

4 CHAIRPERSON SHAPIRO: I think that's correct.

5 I also want to just add that yesterday, TOC
6 conducted their own medication committee meeting and it
7 was truly excellent. I mean, they had tremendous panels
8 of experts and did the complete review of a number of
9 things. It was open to the public. There were owners.
10 There were a lot of trainers. And I think that they also
11 did a great job, and Dr. Arthur was a very large
12 participant, which I'm sure they were grateful for, as we
13 take up more of his free time.

14 COMMISSIONER HARRIS: I think the question --
15 also, I might mention that the Center for Equine Health is
16 going to have a meeting down here on, I think it's August
17 31st, with Sue Stover to make some presentations and some
18 of the latest research that she's done on the different
19 bone injuries. And that might also be a good time for us
20 to review --

21 CHAIRPERSON SHAPIRO: Well, if it's good, we can
22 get another meeting. Because what would a day without
23 more meetings be? It's not a Del Mar day.

24 COMMISSIONER HARRIS: One of the issues we did
25 table at the last meeting, but I don't want it to die, is

1 that toe grab issue. We need to bring that back, but I
2 think we should --

3 CHAIRPERSON SHAPIRO: Perhaps I need to remind you
4 that post time is in a few minutes.

5 VICE CHAIRPERSON MORETTI: So toe grab is not --

6 COMMISSIONER HARRIS: Well, I think we should put
7 that on the next -- the next agenda. But also, let's let
8 all the different parties that review the research and get
9 a presentation from Sue Stover on her research when she
10 comes down.

11 CHAIRPERSON SHAPIRO: Okay.

12 COMMISSIONER AMERMAN: Did we -- excuse me, did we
13 skip over 13?

14 CHAIRPERSON SHAPIRO: Yes.

15 Dr. Arthur needs to go to a surgery, so we
16 accommodated him.

17 Dr. Arthur, thank you.

18 DR. ARTHUR: Thank you.

19 CHAIRPERSON SHAPIRO: We're now going to go back
20 to Item No. 13, which was the staff report on the
21 following concluded race meetings.

22 SENIOR PARIMUTUEL EXAMINER REAGAN: Yes,
23 Commissioners.

24 As indicated, in the package, we have end-of-meet
25 reports for the Hollywood Park meet; the Alameda County

1 Fair; and the Solano County Fair.

2 Commissioner Harris, you had an earlier question?

3 COMMISSIONER HARRIS: Oh, I just wasn't sure --
4 it's a little confusing on ADW, which is a big issue
5 overall as far as why their revenue -- it looked like the
6 ADW handle was down, but the revenue for ADW was up, so it
7 must be a mix of handlers or something.

8 SENIOR PARIMUTUEL EXAMINER REAGAN: Yes, I will
9 double check, although that is generally the case, yes.

10 CHAIRPERSON SHAPIRO: Just --

11 COMMISSIONER AMERMAN: Do we have anyone who could
12 comment on the race meets that were concluded, relative to
13 what they thought they were going to do at the beginning
14 of the meets and having seen these results, what could
15 they do better in the future?

16 CHAIRPERSON SHAPIRO: If there are any
17 representatives of Hollywood Park in the room? Are there
18 any?

19 COMMISSIONER AMERMAN: Hollywood Park is, you know,
20 one of the huge facilities in California racing, and my
21 comment is, they are off by 16.61 percent. And you look
22 at over the past five years, where the attendance has gone
23 on track and what's happened with handle, you say we're
24 just flirting with disaster. And it seems to me that we
25 should be asking the Hollywood Park management what they

1 are doing to turn the situation around.

2 CHAIRPERSON SHAPIRO: Mr. Wyatt, would you like to
3 respond to that and perhaps give us your views.

4 MR. WYATT: Whether I would like to or not, I
5 think I'm going to have to.

6 (Laughter.)

7 COMMISSIONER AMERMAN: No, you don't have to.

8 MR. WYATT: I think Mr. Amerman's concern about
9 it, the attendance decline is certainly justified.

10 I can only offer this and I have no -- well, let
11 me just offer it. We put a new admission system in prior
12 to this race meeting. I believe our on-track handle was
13 down 2 point-something percent which doesn't really jive
14 (sic) with being 16 percent in attendance.

15 It's our suspicion -- I have no conclusion -- or
16 conclusive evidence that the admission system was not --
17 the prior admission system was not accurate. I only offer
18 that, but that doesn't --

19 CHAIRPERSON SHAPIRO: How can the admission system
20 be different? I mean, they are turnstiles; people walk in
21 and walk out.

22 MR. WYATT: I understand that. But I'm only
23 offering that. I have no conclusion -- I have no
24 conclusive evidence.

25 But the way the admissions were handled in the

1 past, it was not the way they are being handled now, we
2 suspect, because of the new admission systems. There may
3 be some changes made in operations. I don't know. But
4 that doesn't beg the question of what can we do and what
5 can we do better. I wish I had a real simple answer for
6 that, but I don't. I think our field size was up this
7 year. I think the racing was good. Our groups were up.

8 So I don't -- we are trying -- we are trying some
9 new things, and we're going to continue to do that. We
10 are hopeful that the new racetrack will increase field
11 sizes over some period of time and that will be
12 beneficial.

13 I'm sure that when we come before you with our
14 license application for the fall, we will be asked these
15 questions, and we'll probably be more prepared to answer
16 them.

17 COMMISSIONER AMERMAN: I was really not asking you
18 to, you know, try to explain it. Really, it strikes me
19 that we've got to be able to turn this situation around.
20 I happen -- have gone to Hollywood Park for years and
21 years and years. Love the place. And it hurts me on Gold
22 Cup Day to see so few people in the stands. So the
23 conclusion I reach -- probably wrongly -- is that you
24 aren't advertising. Clearly, nobody's there, so nobody
25 knows what's going on.

1 And I would suggest, maybe, if you want to get
2 some people back in the stands, and we clearly need people
3 in the stands in every race meet, maybe we could use some
4 attempt to -- at getting more people in. I mean there is
5 one word in marketing that really works, and it starts
6 with four letters, and it's not a bad word: It's "free."

7 Why don't we just open the stands up to people to
8 come and get reintroduced to racing, and yet I look at --
9 I don't know what your prices were, but we almost force
10 people to stay away: They got to pay for parking; they
11 got to pay for the DRF; they got to pay for the program;
12 they got to pay to get in. And if we just let people in,
13 they would spend that same money and it would increase our
14 handle, or at least we ought to try it.

15 MR. WYATT: I don't argue with any of that.

16 We do have promotions where we have reduced --
17 reduced admission for the clubhouse. They have been
18 fairly successful. I don't think they've been home runs
19 by any means. We did have a promotion this year for the
20 cash call. Mr. Reddman was very responsive to that race.
21 He supplemented the purse. He was enthusiastic. He had a
22 major television promotion. We gave \$5 vouchers to
23 everybody that came to the races that day, and we, and he,
24 were disappointed with the attendance.

25 So I'm not sure that the answer is quite that

1 simple, not that it's not a good suggestion.

2 COMMISSIONER AMERMAN: I will be just interested
3 to hear what you have to say about your fall meet when we
4 get together the next time.

5 MR. WYATT: Yes, sir.

6 COMMISSIONER HARRIS: One issue, too, that ties
7 into this is, in attendance of all these tracks, I'm
8 concerned that a lot of times there are distortions, and
9 it usually comes back to haunt them if they inflate them,
10 and the next year they're doing it another way.

11 But we need to have somebody -- the tracks really
12 need to decide amongst themselves how they are going to
13 keep track of attendance and have some credible system,
14 because they are all over the map on how they do it.

15 CHAIRPERSON SHAPIRO: Well, I think --

16 COMMISSIONER HARRIS: I don't know if we threw
17 this -- before we conclude the whole item --

18 CHAIRPERSON SHAPIRO: We are now going to go to
19 Alameda County Fair.

20 Is Mr. Pickering in the audience?

21 Mr. Pickering, perhaps you could tell us a recap
22 of your race meeting.

23 MR. PICKERING: Yes.

24 Rick Pickering, Alameda County Fair.

25 Good afternoon, Commissioner Shapiro and Members

1 of the Board.

2 After three solid years of growth, the Alameda
3 County Fair race meet declined, went back to the level
4 that we were in 2003, so we were -- excuse me, 2004 -- so
5 we're disappointed in going backwards. However, we were
6 pleased that it was our third highest handle in history.
7 It was also our third highest on-track attendance in
8 history, for the meet.

9 Things that went pretty well for us this year:

10 We created a new track-side terrace, which was an
11 elevated dining experience, which was sold out most of the
12 days of our race meet;

13 We also had Professor Jones this year doing
14 commentary in our paddock;

15 And we created our first ever Jockey Photo Day
16 which was wildly successful;

17 We continued with our daily racing seminars as
18 well as our daily \$10,000 putting contest;

19 Horse Racing TV this year, for the first time
20 conducted a live broadcast from our facility. We were
21 pleased with that;

22 We almost doubled the square footage of our jockey
23 clubhouse improvements this year;

24 We extended our Seabiscuit coloring contest for
25 children for free opportunities to come into the fair and

1 the track;

2 This year, in addition to our normal outreach, we
3 almost ran an e-mail list tied specifically to sports and
4 gaming fans and targeted them;

5 Continued our giveaway programs, our win, place,
6 and show programs;

7 We continued bringing weather stations out to do
8 the weather from the fair, which was wonderful when the
9 weather was wonderful. But when I get to the not-so-good
10 things, we'll mention that July this year was the hottest
11 day -- hottest month in history in California, since 1939,
12 hottest July;

13 Oakland As, again, was very generous in putting us
14 on the Jumbotron, helping us advertising;

15 And we continued our year-round training facility,
16 and we continued our horse sales;

17 Those are things that went well.

18 Things that did not go so well:

19 Did I mention that July in California was the
20 hottest July since 1939? And that hindered Hollywood
21 Park; it hindered our race meet. And I think you will see
22 that in some of the other numbers as well;

23 Hollywood Park chose not to run, this year, on
24 Thursday, July 6th. They had hoped that they would have
25 enough horses to run with us on that day. They did not,

1 so we ran two days this year without Hollywood Park, our
2 opening Wednesdays;

3 And I forgot to mention that Wednesdays are senior
4 free days, so senior citizens can come to -- I see the
5 thumbs up over there. Senior free days, that's typically
6 our opening day of racing each week is on a Wednesday, so
7 we want the seniors to come in for free. They do enjoy
8 the track, and they are players.

9 COMMISSIONER HARRIS: How old do you have to be?

10 MR. PICKERING: You qualify.

11 COMMISSIONER HARRIS: Does this whole Board
12 qualify?

13 CHAIRPERSON SHAPIRO: No, you do.

14 COMMISSIONER AMERMAN: Many times over.

15 (Laughter.)

16 MR. TUNNEY: So Hollywood Park not running on
17 Thursday, July 6th, was definitely a gamble for us. We
18 knew that the players would be out there somewhere in the
19 universe, looking for a signal. We actually did well out
20 of state on that day, but that's certainly not as big a
21 commission on an on-track commission handle;

22 Hollywood Park also reduced the million-dollar
23 Gold Cup down to \$500,000. That certainly had an impact
24 on us as a track running in the north;

25 Things such as the State of New Jersey was not

1 able to adopt their budget on time, so their track shut
2 down, which impacts our out-of-state handle;

3 Belmont was down 9 percent on their race meet,
4 which is a good out-of-state signal for us as well;

5 The overlap was Stockton this year. It overlapped
6 with Bay Meadows. Prior year, it overlapped Golden Gate
7 Fields. When Bay Meadows overlaps with Stockton, they use
8 significantly more horses during that overlap than with
9 Golden Gate Fields overlaps with Stockton. So there are
10 fewer horses available to run.

11 The list goes on and on:

12 NASCAR was successful at Infineon Raceway, which
13 was also on top of our fair;

14 The As played the Giants this year, in town, which
15 impacts us significantly;

16 And the great Gay Pride Parade in San Francisco
17 had an outstanding attendance this year. We track all of
18 those;

19 We also track players. Like all the other tracks,
20 we have a \$20,000-a-day player who's left California, who
21 our satellite wagering facility and our track was his home
22 in northern California. So that accounts for almost
23 \$200,000 that wasn't wagered on track for us this year.

24 Again, those lists go on and on.

25 What can we do for next year?

1 Our goal is to continue to invest in our product
2 should race stakes become available in the north tied to
3 Bay Meadows no longer being available. We have made
4 ongoing offers to the fair to Stockton, to San Mateo, as
5 well as Vallejo. We considered running their dates at
6 Pleasanton so we could have extended meets, therefore
7 reinvest more money back into our race products.

8 Some of those discussions will be held tomorrow
9 with the Strategic Planning and Dates Committee.

10 CHAIRPERSON SHAPIRO: Mr. Pickering, I want to
11 thank you. I think that was a very good report, and I
12 appreciate very much that you took the time to analyse it
13 and really dissect what went right and what went wrong,
14 and I think that that's very informative for us.

15 I know you do a terrific job; you work your tail
16 on, and I think it shows. And unfortunately, it didn't
17 work out to your expectations this year, but I think you
18 will get them next year.

19 MR. PICKERING: Thank you.

20 CHAIRPERSON SHAPIRO: Thank you.

21 Is there anybody from Solano here?

22 I thought you were from Sacramento.

23 MR. TOWNE: Well, I didn't anticipate -- Norm
24 Towne representing the Solano County Fair.

25 I didn't anticipate getting up here today because

1 I figured Mr. Barkette would be here to take the heat. No
2 pun intended with heat, and I can't use the admissions
3 system as an excuse. Solano did not have a good meet, did
4 not buck the trend of the down meets that preceded it and
5 followed it.

6 But the heat in Solano was that was the week when
7 we had the hottest weather of all. And Solano is not a
8 place where that normally occurs; it's a moderate area in
9 northern California, probably the most moderate in terms
10 of temperature as a rule. And there's always a nice
11 breeze going through there, and it wasn't there this year.
12 We had a disastrous on-track as you can see by the
13 numbers.

14 CHAIRPERSON SHAPIRO: Only 9700 people came for
15 the whole week?

16 MR. TOWNE: Right.

17 Their entire fair only drew 56,000 people, the
18 entire fair. And that was actually up from the year
19 before, believe it or not, which is when they had a
20 horrible fair, compared even to the year before.

21 They are also coming off, as Mr. Pickering
22 indicated, it wasn't -- they were either coming off three
23 or four years of growth, Solano was, and had three or four
24 good meetings in a row. And this year with that on-track,
25 they couldn't recover from it, although the overall number

1 wasn't as bad, but the on-track number certainly was
2 abysmal, to say the least.

3 CHAIRPERSON SHAPIRO: Well, please express to Mr.
4 Barkette that we would like to get more understanding of
5 it. If this leads into discussions we'll have tomorrow
6 with the race dates and Strategic Planning Committee
7 meeting, these fairs which occupy prime dates of racing,
8 are not contributing to California, the welfare of the
9 industry in California and, you know, it's -- you just
10 can't accept these kind of numbers. We can't tolerate as
11 an industry, but --

12 COMMISSIONER HARRIS: Especially Vallejo is of
13 particular concern because just -- their attendance does
14 just doesn't seem to be doing anything. It was down this
15 year, but it hadn't been great before that. And that's
16 the one fair that just really seems to struggle every
17 year.

18 MR. TOWNE: And I apologize, again, to the Board,
19 that I don't know what their promotions were this year. I
20 guess they didn't work, whatever they were.

21 But Mr. Barkette can perhaps enlighten you
22 tomorrow, as a side bar, to the Committee meeting.

23 CHAIRPERSON SHAPIRO: Thank you.

24 MR. TOWNE: Thank you.

25 CHAIRPERSON SHAPIRO: All right.

1 I think that brings us on to other business, under
2 General Business.

3 Is there anybody that has anything under -- I've
4 got comment cards.

5 Did I miss anybody on that?

6 Okay. Mr. Wyatt?

7 MR. WYATT: Just two things. A point of
8 clarification and also for the Board's assurance.

9 We like Santa Anita to use outside security firm
10 to supplement our own staff for the purpose of surveilling
11 horses and stakes races. The firm we use, PacWest is
12 licensed by the State of California. The minority -- a
13 minority of their employees carry what they call a guard
14 card which is also issued by the State of California.

15 PacWest has assured us that they do background
16 checks on all of their employees. We took that assurance
17 at face value. I have no reason to doubt that assurance,
18 but we do take it at face value. And the assurance I want
19 to give the Board is that we will be glad to work with
20 Santa Anita and developing a better way of doing this,
21 hopefully, that will alleviate the concerns of the Board.

22 CHAIRPERSON SHAPIRO: Thank you. That's much
23 appreciated, and I think that's a great idea.

24 Is Mr. Goodrich in the audience?

25 MR. GOODRICH: Cliff Goodrich.

1 And I'm really speaking as member of the general
2 public. I don't represent any entity, and what I'm about
3 to say, I'm sorry Mr. Jamgotchian is not here. But what
4 I'm going to say is going to be constructive, a little bit
5 critical perhaps, but I guess I'm one of the few people in
6 this room who's probably in a position to say some things.
7 There are some things that I think need to be said. I
8 think along with Peter Tunney, I've probably been coming
9 to Board meetings for longer than anybody in this room now
10 or that was here four hours ago. And so I've seen a lot
11 of things, water come under the bridge in the course of
12 some 30 years, coming to those meetings.

13 I guess I'm bothered because I see so much time,
14 even though the Board has gone great lengths to try and,
15 you know, limit people to five minutes, which I think they
16 have to, spent on important matters, but I think trivial
17 matters in the scope of things.

18 As I'm sure Mr. Jamgotchian will read this
19 transcript -- and I wish he were here, because I had
20 planned on saying this front of him, I salute him for
21 caring about the industry. I wish -- I think a lot of
22 people care as much as he does. I know this Board cares;
23 I know that Ingrid Fermin cares; I know the chairman
24 cares; I know the other commissioners care.

25 But his comments continually go in the transcript

1 un-refuted and unchallenged, and I know that a majority of
2 people in the audience do not agree with him. So as he
3 reads this, I want at least, in my opinion, for him to
4 know that I believe that's the case.

5 Unfortunately, in his efforts to help this
6 industry, which I believe he wants to help, he has
7 antagonized so many people that very few people listen
8 anymore, and in fact roll their eyes every time he gets
9 up. So I wish they were sitting here next to me. I've
10 never met him, but I would look him in the eye and say
11 there's got to be better way of doing this. He preaches
12 working together. This Board preaches it, we all preach
13 it.

14 Unfortunately, the leadership must come from the
15 people that are in this room and were here earlier.

16 The Board can nudge, the Board can guide, you are
17 part-time volunteers and, in effect, get a per diem on a
18 day like this to come to these meetings. All of us are
19 employed full time.

20 As this meeting -- as this industry is slowly
21 sinking into the abyss -- I am certainly part of that
22 problem; I hope I can be part of the solution -- but his
23 comments are not well received, and he is hurting what he
24 is trying to help. And I would encourage him to work in a
25 different manner to try and propel this industry forward.

1 Because there's a better way than to take up probably one
2 hour of this four-hour meeting with his personal insults
3 and his vindictiveness. And I just hope we can get on a
4 more positive vein. And I'm going to ask him personally
5 to see if there's a way to work through that, rather than
6 take up this Board's time or this industry's time.

7 Thank you.

8 CHAIRPERSON SHAPIRO: Thank you.

9 (Applause.)

10 CHAIRPERSON SHAPIRO: I will just add that I do
11 agree that I think it's very helpful when people from the
12 audience come forward and try to help. And also I
13 appreciate the acknowledgment that all of us sitting up
14 here are doing this because we love the game and not
15 because we're making any money at the game.

16 And it is very distressing and very disturbing
17 when anybody wants to disrupt the meeting or not add to it
18 in a constructive manner. I personally have reached out
19 to Mr. Jamgotchian. I have tried to -- I have spoken with
20 him. I've tried e-mailing with him. And I have
21 encouraged him to come to us with helpful ideas, some of
22 which, you know, his views are helpful.

23 But without the personal animosity and attacks
24 that go with it, unfortunately, he doesn't seem inclined
25 to want to do that, and that's a detriment to him, most of

1 all. And unfortunately, we have to deal with it. We are
2 a public agency, and so we have to conduct the meetings in
3 a certain manner.

4 I apologize to everybody in the audience who has
5 to stay longer than we all like. We try to move it along.
6 It's not easy.

7 But I appreciate the comments, Mr. Goodrich.

8 That concludes the open meeting portion of this
9 meeting.

10 We are going to adjourn, once again, into
11 executive session. We don't expect anybody to stay. We
12 will be happy to come back out and say, "Meeting
13 adjourned," but you don't have to hear that.

14 So thank you very much.

15 (Thereupon the Board recessed into executive
16 session.)

17 (Thereupon the California Horse Racing
18 Board's full Board meeting adjourned at
19 2:30 p.m.)

20

21

22

23

24

25