

MEETING

STATE OF CALIFORNIA

HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
)

BALDWIN TERRACE

SANTA ANITA RACE TRACK

285 WEST HUNTINGTON DRIVE

ARCADIA, CALIFORNIA

FRIDAY, JUNE 5, 2009

9:05 A.M.

Reported by:
Troy A. Ray

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

John C. Harris, Chairperson

David Israel, Vice Chairperson

John Andreini

Jesse H. Choper

Bo Derek

Jerry Moss

STAFF

Kirk Breed, Executive Director

Richard Bon Smith, Assistant Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Mike Marten

ALSO PRESENT

Robert Hartman

Debbie Cook

Gregg Scoggins

Craig Fravel

Chris Korby

Jack Liebau

Ed Halpern

Tawny Tesconi

Martin Panza

Eual Wyatt

APPEARANCES CONTINUED

ALSO PRESENT

Lee Hall

Douglas Kempt

Richard Castro

Ken Walker

Cliff Goodrich

John Bucalo

Rod Blonien

Tom Robbins

Madeline Auerbach

Marsha Naify

Dr. Rick Arthur

Dave Haslett

Billy Koch

Gary Fenton

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

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1 PROCEEDINGS

2 CHAIRPERSON HARRIS: Do I need to call the meeting
3 to order because we're going to break for Executive Session,
4 so do we want to officially open the meeting.

5 EXECUTIVE DIRECTOR BREED: Yeah.

6 CHAIRPERSON HARRIS: Can we just do that and
7 break?

8 ASSISTANT EXECUTIVE DIRECTOR SMITH: Huh?

9 CHAIRPERSON HARRIS: Can we just open the meeting
10 like that and break?

11 ASSISTANT EXECUTIVE DIRECTOR SMITH: Yeah, just
12 open the meeting like that and let's go.

13 CHAIRPERSON HARRIS: Okay, the meeting is open.
14 Now, we're going to adjourn to an Executive Session for the
15 Board members, in the Board room.

16 (Thereupon the California Horse Racing
17 Board Regular Meeting resolved into
18 Closed Executive Session at 9:05 a.m.
19 and the Public Meeting was reopened at
20 9:52 a.m.)

21 EXECUTIVE DIRECTOR BREED: Ladies and gentlemen,
22 this meeting of the California Horse Racing Board will come
23 to order. Please take your seats, everyone.

24 This is the regular noticed meeting of the
25 California Horse Racing Board on Friday, June 5th, at Santa

1 Anita Park, 285 West Huntington Avenue -- Huntington Drive,
2 Arcadia, California.

3 Present at today's meeting are John Harris,
4 Chairman; David Israel, Vice Chairman; Jerry Moss, Jesse
5 Choper and Bo Derek.

6 Before we go onto the business of the meeting, I
7 need to make a few comments.

8 COMMISSIONER ANDREINI: And John Andreini.

9 CHAIRPERSON HARRIS: John Andreini.

10 ASSISTANT EXECUTIVE DIRECTOR SMITH: Excuse me.

11 CHAIRPERSON HARRIS: You need to do it
12 alphabetical by height, though.

13 ASSISTANT EXECUTIVE DIRECTOR SMITH: Before we go
14 onto the business of the meeting I need to make a few
15 comments.

16 The Board invites public comments on matters
17 appearing on the meeting agenda. The Board also invites
18 comments from those present today, on matters not appearing
19 on the agenda, during a public comment period if the matter
20 concerns horse racing in California.

21 In order to ensure all individuals have an
22 opportunity to speak and the meeting proceeds in a timely
23 fashion, I will strictly enforce the three-minute time limit
24 rule for each speaker.

25 The three-minute time limit rule will be enforced

1 during discussion of all matters stated on the agenda, as
2 well as during the public comment period.

3 This is a public comment -- there is a public
4 comment sign-in sheet for each agenda matter on which the
5 Board invites comments.

6 Also, there is a sign-in sheet for those wishing
7 to speak during the public comment period for matters not on
8 the Board's agenda, if it concerns horse racing in
9 California.

10 Please print your name legibly on the public
11 comment sign-in sheet, when a matter is open for public
12 comment your name will be called.

13 Please come to the podium and introduce yourself
14 by stating your name and organization clearly. This is
15 necessary for the court reporter to have a clear record of
16 all who speak.

17 And I would ask the Board members when you speak
18 also to state your name.

19 And for those out there in cyber space land.

20 When your three minutes are up, the Chairman will
21 ask you to return to your seat so others can be heard. When
22 all the names have been called, the Chairman will ask if
23 there is anyone else who would like to speak on the matter
24 before the Board.

25 Also, the Board may ask questions of individuals

1 who speak.

2 If the speaker repeats himself or herself, the
3 Chairman will ask if the speaker has any new comments to
4 make. If there are none, the speaker will be asked to let
5 others make comments to the board.

6 Mr. Chairman.

7 CHAIRPERSON HARRIS: Thank you. I'd like to
8 welcome everyone to the meeting. I'm going to ask Bob
9 Miller to report on our Executive Session and administrative
10 decisions we made.

11 STAFF COUNSEL MILLER: To report on it?

12 CHAIRPERSON HARRIS: Well, just to report on it,
13 as part of our protocol we should report on the decisions we
14 made.

15 STAFF COUNSEL MILLER: Very well. There were four
16 matters -- oh, excuse me. There were -- are we okay?

17 Robert Miller, Counsel to the Board.

18 There were four matters heard in the Executive
19 Session regarding licensure. The first matter involved
20 Trainer Jose Delima. The Board decided to accept the Board
21 of Stewards' ruling in the matter, which called for a 30-day
22 suspension, violation of Rule 1902.5.

23 The second matter, Alberto Arreola, hope I'm
24 pronouncing that right, the Board of Stewards decided -- I
25 mean, excuse me, the California Horse Racing Board decided

1 to accept the settlement agreement and mutual release, which
2 called for a 180-day suspension for Trainer Arreola.

3 And the third matter, involving Exercise Rider
4 Hector Romero, the Board decided that Mr. Romero could -- is
5 eligible to apply for a jockey license, with conditions.

6 And then the final matter, Antonio Cordero, an
7 exercise rider application, the Board accepted the
8 recommendation of the Hearing Officer and permitted Mr.
9 Cordero to apply for a license with conditions, a
10 provisional exercise license. A provisional exercise rider
11 license with conditions.

12 Those are the four matters.

13 CHAIRPERSON HARRIS: Okay, thank you. We'll move
14 on to our agenda. The first item is approval of the minutes
15 of the regular meeting of April 24th. Any corrections or
16 additions to those by the board or anyone in the audience?

17 If not, can we have a motion to approve?

18 COMMISSIONER MOSS: I make a motion.

19 COMMISSIONER ANDREINI: Second.

20 CHAIRPERSON HARRIS: Moved and seconded. All in
21 favor say aye?

22 (Ayes.)

23 CHAIRPERSON HARRIS: Any opposed? Okay.

24 Okay, now we're going to move onto Item 2, which
25 is a discussion and action by the Board on an application to

1 conduct a combined horse racing meeting of the following
2 California fairs; San Joaquin County at Stockton, Alameda
3 County at Pleasanton and Solano County at Vallejo.

4 Jackie, are you going to make the presentation on
5 that?

6 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
7 Wagner, CHRB staff.

8 The first application is from the San Joaquin
9 County Fair, they had filed --

10 EXECUTIVE DIRECTOR BREED: Excuse me, Jackie, is
11 Humboldt County a part of that combined?

12 REGULATIONS/LEGISLATION MANAGER WAGNER: Humboldt
13 County Fair, my understanding, is a part of the 2009
14 combined fair race meeting.

15 The first application is from the San Joaquin
16 County Fair. They have filed their application to race from
17 June 18th through June 24th. They will be racing nine days,
18 which is the same number of days that they raced in 2008.

19 They are proposing to race a total of 98 races,
20 which is also the same number that they raced in 2008.

21 The proposed dates are the dates that were
22 allocated to the San Joaquin County Fair.

23 They will be racing Thursday, Friday, Saturday and
24 Sunday the first week and Wednesday through Sunday the
25 second week.

1 They're proposing to race ten races per day on
2 Wednesdays, Thursdays and Fridays, and will be racing 12
3 races per day on the Saturday and Sunday.

4 They will be racing concurrently with Hollywood
5 Park during the time frame from June 18th through the 28th.

6 The first post time is 12:45 p.m.

7 Their ADW providers are XpressBet, TVG, Twinpires
8 and Youbet.

9 The distribution of their carryover pool should be
10 noted as that distribution will take place on the closing
11 day of the Solano County Fair, which is July the 26th.

12 The analysis in your package indicates that we
13 have missing documents, that include the TOC agreement, and
14 I'm happy to report that we have received that agreement
15 this morning, so we do have that in hand.

16 In addition, the analysis for these fairs also
17 indicate that the written confirmation that the fair is a
18 participant in the 2009 combined fair race meeting is
19 missing. I'm also happy to report that that written
20 confirmation has been submitted to the CHRB headquarters.

21 The applicant is here for any questions that the
22 Board may have and staff would recommend that you hear from
23 them.

24 CHAIRPERSON HARRIS: Anything from the applicant
25 on this?

1 There is a request for Robert Hartman, at Golden
2 Gate Fields, to comment.

3 MR. HARTMAN: Robert Hartman, Golden Gate Fields.
4 Originally, when we had worked through the racing calendar,
5 we thought that San Joaquin County Fair was going to run a
6 two-week fair along with their two-week race meet.

7 But as we learned later on, the fair is only
8 racing a one-week fair to go along with the two-week race
9 meet.

10 And we've had a number of experiments of this
11 type, with fairs not running racing along with their fairs
12 and they have been unequivocal disasters.

13 So in the future it would be great for the fairs
14 and the race meet to overlap to benefit the business as much
15 as possible. There is the Father's Day holiday on the first
16 weekend of the fair -- I'm sorry, of the first weekend of
17 the race meet, which there is no fair.

18 So that date, raced at another venue, probably
19 would have done much, much better than it will this year.

20 So I don't think there's anything you can do for
21 this year, it's just more for future applications.

22 CHAIRPERSON HARRIS: Yeah, I think that's a good
23 point. I had assumed that that was the plan to run, because
24 I think one of the beauties of the fairs is that the fair is
25 going on, it attracts new customers into the races, and it's

1 not just a stagnant situation.

2 But I don't know, do we want to hear from Stockton
3 to explain why they can only run one week of fair? I'm not
4 sure if they -- is that the total fair or are you going to
5 do another week some other time or -- is there someone here?

6 MS. COOK: Good morning, my name is Debbie Cook,
7 I'm the new CEO at the San Joaquin County Fair in Stockton.

8 And you're right, the fair is not with the race
9 meet the first week. With the late assignment of dates, a
10 change in manager, it just didn't happen this year.

11 And I do expect in the future that the fair and
12 the race meet will coincide. It is certainly much better
13 for us, as well as the industry.

14 Whatever our racing looks like next year, I do
15 expect that the two of them will overlap.

16 We do have several promotions that we are doing
17 during our fair this year, during our race meet. We are
18 working on some special Father's Day promotions for that
19 specific day.

20 And during the fair, itself, we've added -- or
21 we've changed the name of one of our stakes races to Pink
22 Ribbon Stakes. It's a breast cancer awareness promotion.
23 We have been working closely with the California Authority
24 of Racing Fairs.

25 We are hoping to have pony riders dressed in pink;

1 jockeys dressed with a pink stripe on their pants; special
2 saddle cloths for both pony riders and jockeys.

3 We will have as many staff as we possibly can get,
4 clerks, grooms, gate folks, all dressed in pink to promote
5 breast cancer awareness.

6 And we will also have some special betting
7 opportunities for our customers to participate, so that
8 funds can be raised for breast cancer awareness, a special
9 \$2.00 bet on a cure promotion.

10 We also have the wiener dogs scheduled for
11 Saturday, the 27th. And we have several other promotions
12 that are outlined in our application, with reduced prices
13 the first week.

14 It's basically what we're charging at our
15 satellite wagering facility, but you can go to the live
16 track, \$3.00 admission, no charge for parking, unless you
17 prefer the upgraded parking. We'll have dollar hot dogs and
18 dollar sodas on opening day, and various other items, as
19 well as the traditional advertising that we're doing.

20 And we're doing some additional marketing with the
21 social networking sites, MySpace, Facebook, and Twitter, and
22 we're finding some great results with that.

23 CHAIRPERSON HARRIS: Thank you. Do you run the
24 another week of the actual fair some other time during the
25 year or is the fair only going to run one week.

1 MS. COOK: No, it's a five-day fair.

2 CHAIRPERSON HARRIS: That's all it is. Oh, all
3 right.

4 MS. COOK: Correct. We moved to a five-day fair
5 last year, when our race dates were separate from the fair.

6 CHAIRPERSON HARRIS: Uh-hum.

7 MS. COOK: And again, with all of the changes that
8 took place at the end of the year, we did not increase the
9 fair back to 10 or 12 days, like we had had before.

10 Again, I do expect that next year, and our board
11 is already discussing this and looking at how we're going
12 to -- how that will play out, but I do expect that the fair
13 and the race meet will be completely overlapping and at the
14 same dates next year.

15 CHAIRPERSON HARRIS: Good. I commend you on the
16 race concept you have, to tie it into the breast cancer
17 awareness, and it sounds like something that could pull a
18 lot of people out. Because that is an important area of
19 California, the whole San Joaquin County, Stockton, and it
20 all ties into the delta, and I think it's been a really
21 under-recognized as a vital area, and hope that you have a
22 successful meet.

23 MS. COOK: I agree. And we're doing everything we
24 can to get some new people to the fair and the track both
25 weeks.

1 COMMISSIONER MOSS: Is there a -- do you have an
2 anticipated -- I'm sorry -- anticipated attendance, you
3 know, average that you could point to?

4 MS. COOK: Our attendance for just the fair last
5 year was not quite 79,000 people. When you add in the 13 or
6 so that attended the fair, we had an attendance of around
7 90,000.

8 I'm hoping -- you know, we're all looking at this
9 saying, what's the economy going to do, or how is that going
10 to affect us?

11 I anticipate that we will at least meet that
12 90,000 this year and, hopefully, more.

13 VICE CHAIRPERSON ISRAEL: What's your average
14 daily attendance for racing?

15 MS. COOK: You know, I'm sorry, I don't know off
16 the top of my head. Thirteen days -- I mean, about 13,000
17 people last year over nine days, so -- but, again, there was
18 no fair with it.

19 CHAIRPERSON HARRIS: There was no fair. I
20 think -- I think --

21 MS. COOK: That was just racing.

22 VICE CHAIRPERSON ISRAEL: Oh, so you think
23 it's --

24 MS. COOK: And as Mr. Hartman said, it was not
25 successful. And I apologize, I don't have the attendance

1 number for prior years.

2 VICE CHAIRPERSON ISRAEL: Oh, thanks.

3 CHAIRPERSON HARRIS: Mr. Choper?

4 COMMISSIONER CHOPER: I don't know who determines
5 the kind of betting you're going to authorize, I don't know
6 if that's you or not.

7 But I notice all three fairs are having the dollar
8 place pick, right? And if you want the perspective of a
9 bettor, I would say that when you have the fair with a
10 number of non-thoroughbred breeds included, and you put them
11 in the place pick -- the place pick bet --

12 VICE CHAIRPERSON ISRAEL: There's a pick all. The
13 place nine?

14 COMMISSIONER CHOPER: It's either that I see some
15 of them saying -- one of them says all, one of them says the
16 last ten races.

17 And I can't talk for all the bettors around, but I
18 just asked that and I think, because there are a lot of
19 people who go out and only understand the -- they have
20 enough trouble understanding the thoroughbreds.

21 So I would strongly suggest that you take another
22 look at that. You know, if there's one in, that's not too
23 bad. But I think if you're going to have them on all races,
24 you're going to have more than two, that would -- that's
25 going to put some people out of that bet and I don't -- the

1 more you can confine it to the thoroughbred races, the
2 better it is.

3 CHAIRPERSON HARRIS: I think I respect Mr.
4 Choper's astute handicapping abilities. However, actually,
5 I think most people can pick a mule easier to run one/two
6 than a thoroughbred, because mules are actually more
7 consistent.

8 COMMISSIONER CHOPER: Your mule.

9 CHAIRPERSON HARRIS: Yeah, so just give me a call
10 if you're having a problem.

11 (Laughter.)

12 CHAIRPERSON HARRIS: Okay, thank you, Mrs. Cook.

13 MS. COOK: You're welcome.

14 CHAIRPERSON HARRIS: Okay. The next one is
15 Alameda, and we'll approve all these together, I guess,
16 because they're really a combined race meeting.

17 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
18 Wagner, CHRB staff.

19 The Alameda County Fair has filed its application
20 to conduct a race meeting at Pleasanton. They will be
21 racing July 1st through July 19th, or 15 days. This is four
22 more days than they raced in 2008.

23 They are proposing to race a total of 162 races,
24 which is 32 more races than they ran in 2008.

25 The proposed race dates on this application differ

1 slightly from the approved dates that were allocated to the
2 fair.

3 Alameda is requesting that they not race on
4 Monday, July the 6th and Tuesday, July the 7th, in order to
5 race concurrently with Hollywood Park on those days.

6 They will be racing Wednesday through Sunday all
7 three weeks, with ten races per day on Wednesdays, Thursdays
8 and Fridays, and they will race 12 races on Saturdays and
9 Sundays.

10 Their post time is scheduled for 12:45 p.m. and
11 they will work to align their post times to compliment
12 Hollywood Park as well, during this time.

13 Their ADW providers are XpressBet, TVG, Twinspires
14 and Youbet.

15 And the distribution for this carryover pool will
16 be July 26th, which is the closing date for the Solano
17 County Fair.

18 Again, the analysis in your packets indicates the
19 TOC agreements as missing and the written confirmation and,
20 as reported earlier, these have been received by staff.

21 The representatives are here for questions.

22 CHAIRPERSON HARRIS: Any comments on the Alameda
23 application?

24 If not, let's move on to the Solano.

25 REGULATIONS/LEGISLATION MANAGER WAGNER: The

1 application from -- Jackie Wagner, CHRB staff.

2 This application is from the Solano County Fair
3 and they are proposing to race July 22nd through July 26th.
4 This is five days and it's six days less than they raced in
5 2008.

6 They are proposing to race a total of 54 races,
7 which is 66 races less than they ran in 2008.

8 Their proposed dates are the dates that were
9 allocated to the Solano County Fair.

10 They will be racing Wednesday through Sunday, ten
11 races per day on Wednesday, Thursday and Friday, and they
12 will race 12 races on Saturday and Sunday.

13 They are racing concurrently with Del Mar on July
14 22nd through July 26th.

15 The first post time is 12:35 p.m.

16 Their ADW providers are XpressBet, TVG, Twinpires
17 and Youbet.

18 And again, the analysis are indicating items are
19 missing, those items have been received.

20 The representatives are here.

21 CHAIRPERSON HARRIS: Any comments on Solano?

22 As I recall, Solano is going to a one-week meet,
23 which the concept is to see how they can deal with a one
24 week because there had been some talk that perhaps that meet
25 should be consolidated with some other fair.

1 But this is an opportunity for them to really show
2 what they can do, because I know the Solano County
3 supervisors are concerned that they maintain racing in
4 Solano County. But I think it's important that the fans in
5 that area will support it.

6 Anyone have any comments on the overall agenda
7 item?

8 If not, anything from the Board?

9 We need a motion to approve.

10 COMMISSIONER CHOPER: So moved.

11 COMMISSIONER ANDREINI: Second.

12 CHAIRPERSON HARRIS: All in favor?

13 (Ayes.)

14 CHAIRPERSON HARRIS: I think it is understood,
15 also, that when we're talking about these races per day, if
16 a track feels they're having difficulty in working out that
17 number of races, filling that many races that they
18 have -- they can check in with the Executive Director and
19 waive that race-per-day requirement if it better suits the
20 meet, with the concurrence of the horsemen.

21 So on the -- I had a request from L.A. Turf Club
22 and Santa Anita to move Item 18 up because they have some
23 scheduling problems.

24 And so I think we'll go to Item 18, which is a
25 discussion and action by the Board regarding the update from

1 the L.A. Turf Club, operating Santa Anita Park, and the
2 significance of the bankruptcy filing of Magna Entertainment
3 Corp on the racing operations and the status of the
4 statutory funds that may be still owed money from the pre
5 and post bankruptcy accounts.

6 Go ahead.

7 MR. SCOGGINS: Good morning, Mr. Chairman, Members
8 of the Board, Gregg Scoggins on behalf of MEC, L.A. Turf
9 Club, Golden Gate Fields and XpressBet.

10 Should be a very brief report. Most of you have
11 probably been following the press on it. There's not a
12 whole lot to discuss.

13 Just to follow up on some of the comments I made
14 at the last meeting, as many of you probably already know,
15 the court did approve the motion to allow Santa Anita to
16 delay its decision whether to affirm or reject the lease
17 with Oak Tree, which will allow us, obviously, to host the
18 Oak Tree meet and the Breeders' Cup here.

19 The Scotwinc hearing that was scheduled to be
20 heard in May has been postponed. I believe it's probably
21 going to be heard sometime next week on the Scotwinc motion
22 on the funds, the pre-petitioned funds.

23 And they have clarified the assets that are going
24 to be held for sale and I'll briefly go through the process
25 that's being defined for them. But they are, as you all

1 probably know, Los Angeles Turf Club, Thistledown, which is
2 our Cleveland track, Portland Meadows, Remington Park in
3 Oklahoma, the Lone Star Park assets and then various other
4 non-racing assets.

5 If you'd like, I can go through the procedures
6 that were approved by the court or we can just leave it for
7 questions for you all to ask of me?

8 CHAIRPERSON HARRIS: Originally, there was the
9 concept of the stalking horse bid. As I understand it, that
10 has been set aside now and it's going to be just normal
11 bidding.

12 And will there be a auction process at some point
13 or will it just be bids are accepted by the court?

14 MR. SCOGGINS: Well, let me go ahead then and go
15 through the details.

16 CHAIRPERSON HARRIS: Yeah.

17 MR. SCOGGINS: Yes, MID agreed to withdraw the
18 stalking horse bid that it had assigned to certain assets.
19 And so the assets that have been identified for sale, the
20 ones I just mentioned, are going to go through a process
21 whereby people who had an interest in purchasing those
22 assets were required to file an express of interest back
23 last month, or last week, on the 27th I believe was the date
24 for doing that.

25 And the definitive bids for those properties are

1 to be filed on July 31st, and they can be filed either at
2 MEC, or at Miller Buckfire, our advisor, Weil Gottshalk,
3 which is our counsel, or Richards Layton, which is our local
4 counsel in Delaware.

5 There was a contract that was provided in the
6 order, that's a model contract for purposes of purchasing
7 any or multiple assets that are up for sale and their to
8 be -- a bid is supposed to include a signed agreement that
9 would be marked for changes to reflect any changes or
10 modifications that they would like to see in the agreement
11 relative to that one or more assets.

12 August 7th is the date by which any -- between
13 July 31 and August 7th they'll be evaluating the bids and
14 determining who the highest and best offer is as of August
15 7th, and that person will be designated as the stalking
16 horse bidder for that asset or group of assets.

17 And then on September 8th there will be a bidding
18 auction whereby people will be asked to -- they'll say
19 here's the stalking horse bid, does anyone want to offer
20 something more than that, or offer better terms than what is
21 in the stalking horse bid.

22 The action is subject to certain conditions but
23 basically at the end of the day, if it follows the
24 procedures that are outlined, they'll come up with the final
25 successful bidder, whether it's the original stalking horse

1 bid or some other bid that is an improvement on the stalking
2 horse bid, that will be decided on the 8th.

3 And then they'll go to the court, with the consent
4 of the creditors committee, with a proposed winning bidder
5 and then the court will ultimately decide whether they --
6 whether it approves the winning bidder.

7 CHAIRPERSON HARRIS: In that final bid process,
8 would that be limited to people that were part of the
9 initial proposals or could, conceivably, a whole 'nother
10 party coming in, or would part of the deal be that you had
11 to be part of the deal originally when you made a proposal?

12 MR. SCOGGINS: It's my understanding that what
13 will happen is they'll have to submit their bids as of July
14 31 and then each bid will be evaluated to see whether it is
15 a definitive bid, and only definitive bid holders will be
16 allowed to participate in the auction.

17 So the general concept is that if you're not a
18 definitive bidder, you won't be able to participate.

19 VICE CHAIRPERSON ISRAEL: What's the definition of
20 definitive?

21 MR. SCOGGINS: Well, you have to be able to meet
22 the criteria of -- the original criteria of the bid, which
23 is you have to have a ten percent deposit, you have to
24 demonstrate your financial ability to pay on closing, you
25 have to provide a contract that reflects marks for changes

1 that are relevant to your issue.

2 And then, with consultation of the creditors
3 committee, MEC will evaluate those bids and say -- and
4 determine whether and to what extent they constitute
5 appropriate bids.

6 VICE CHAIRPERSON ISRAEL: Is there any
7 prerequisite as it relates to Santa Anita, that the bidders
8 maintain the facility for use as a horse racing track?

9 MR. SCOGGINS: I'm not aware of such a condition.
10 I'm not saying there is, I'm not saying there isn't. There
11 isn't anything in the draft agreement that provides for that
12 obligation.

13 COMMISSIONER CHOPER: Could you discuss the status
14 of Golden Gate Fields in this entire process? I didn't --
15 maybe I misheard or didn't hear, but I didn't hear the name
16 mentioned.

17 MR. SCOGGINS: Right, they are not among the
18 assets that are being offered pursuant to this sale.

19 COMMISSIONER CHOPER: So what is the -- what
20 happens there, that's being retained by MEC?

21 MR. SCOGGINS: The current plan is that MEC will
22 retain all the remaining assets.

23 There is the ability for MEC to decide, based on
24 the success and the outcome of the sales of those assets it
25 has identified, it may change its mind and say, okay, we

1 want to put additional assets up for sale. And obviously,
2 that could be any of the remaining assets, whether it be
3 Golden Gate Fields, or the Maryland assets, or Gulfstream
4 Park, or what have you.

5 COMMISSIONER CHOPER: The notion is that the
6 assets that have been put up are going to bring a return to
7 pay off the -- at least to satisfy the creditors committee?

8 MR. SCOGGINS: Yes. And then a new MEC will come
9 out of the bankruptcy with a plan that will include the
10 assets that were not put up for sale.

11 COMMISSIONER CHOPER: A plan that carries the
12 possibility of continuing?

13 MR. SCOGGINS: Correct.

14 VICE CHAIRPERSON ISRAEL: Greg, just change the
15 question slightly, MEC was in arrears on some payments into
16 different funds pre-bankruptcy?

17 MR. SCOGGINS: Right.

18 VICE CHAIRPERSON ISRAEL: Has -- have there been
19 any effort to get that resolved and to release the money to
20 the various funds that they're in debt to?

21 MR. SCOGGINS: If you're referring to the
22 California related obligations --

23 VICE CHAIRPERSON ISRAEL: Yes.

24 MR. SCOGGINS: -- there is a -- there are
25 bankruptcy issues that we have to contend with and the

1 bankruptcy issue we have to deal with is the fact that as of
2 March 5th any obligations that were owed and not paid prior
3 to that time frame, unless they are expressly exempted by
4 the court, they may not be paid. They have to be included
5 within the bankruptcy estate until such time as a plan is
6 put in place and then those people who are owed the funds
7 will get paid some amount. It might be a hundred cents on
8 the dollar, it may be some fractional amount on the dollar,
9 depending on what assets or what sums of money are available
10 coming out of the plan.

11 VICE CHAIRPERSON ISRAEL: And the fact that
12 they're owed by statute is irrelevant to the bankruptcy
13 court?

14 MR. SCOGGINS: That would be my understanding.

15 VICE CHAIRPERSON ISRAEL: Okay, thank you.

16 CHAIRPERSON HARRIS: So I thought normally there
17 would be some priority of creditors, that they would be in a
18 different priority than general creditors. But you're
19 stating maybe not?

20 MR. SCOGGINS: There are -- there are issues
21 relative -- as I understand it, there are issues related to
22 certain types of creditors might be allowed to be put in a
23 position that's in advance of others. Most of those are
24 like ongoing vendor relationships, because they are making a
25 commitment back to the bankruptcy estate or the entity

1 coming out of bankruptcy that those entities might be given
2 a higher priority to receiving payment than other entities
3 that are owed money, or other creditors that are owed money.

4 Exactly how that shakes out with respect to the
5 California obligations, I don't know at this point in time.

6 CHAIRPERSON HARRIS: Yeah, I would think that
7 taxes and things like that owed, which I think there are
8 some, owed to the State of California by the bankrupt estate
9 would have some priority over other types of creditors.

10 MR. SCOGGINS: Sure. And certainly we have been
11 permitted to pay certain types of taxes that were pre-
12 petitioned-related taxes, that was part of the first day
13 motions and the first day order.

14 CHAIRPERSON HARRIS: Thank you. Do you think
15 there's a pretty good chance that this will reach some
16 finality in September or -- I mean, I think there's so much
17 uncertainty in racing right now as far as, you know, who's
18 going to operate the track which -- and my theory is that
19 the track is worth much more alive than dead, and whoever
20 buys it would be well served to continue the operation.
21 It's just a question of how long.

22 MR. SCOGGINS: Sure.

23 CHAIRPERSON HARRIS: But is there thought that
24 there will be some closure on this by fall?

25 MR. SCOGGINS: I think that for a lot of different

1 reasons there is an expectation and a need for the matter to
2 be addressed sooner, rather than later, and so that it's in
3 everybody's best interest and in everybody's greatest desire
4 to have the thing resolved as of September.

5 Obviously, we have to go through the court
6 process. Obviously, as it relates to L.A. Turf Club we have
7 to, you know, appear before you and with the winning bidder,
8 and make sure that that winning bidder is satisfactory to
9 the Board, as we will have to do in every jurisdiction where
10 we have an asset that's an operating race track that's for
11 sale.

12 VICE CHAIRPERSON ISRAEL: Is there some point at
13 which you will disclose the names of the bidders?

14 MR. SCOGGINS: That is a -- that's an issue for
15 the bidder to decide whether and to what extent they want to
16 disclose it.

17 Typically, the answer is no, we won't be
18 disclosing the bidders until the process has been completed.

19 CHAIRPERSON HARRIS: I would assume, too, that the
20 bidders may well be bidder groups that would expand and
21 contract, so it might not be that defined who all these
22 different groups are.

23 MR. SCOGGINS: I would -- I mean, I'm speculating,
24 but I would think that from a businessman's perspective, you
25 want to maximize your ability to get a piece of a particular

1 asset, whether it be Santa Anita or whatnot, and you may put
2 yourself in -- you may make yourself involved in a number of
3 different bids in an effort to be a part of the winning bid,
4 and you may be in multiple bids in order to ensure your
5 success.

6 CHAIRPERSON HARRIS: Okay, any questions of Gregg?
7 We have a comment from Mr. Fravel.

8 MR. FRAVEL: Mr. Chairman, Craig Gravel, Del Mar
9 and Scotwinc.

10 Just wanted to bring to the Board's attention
11 something that Mr. Scoggins, I'm not sure if I heard him
12 mention it or not, but we filed a motion with the bankruptcy
13 court on behalf of Scotwinc, I believe Notwinc, and a
14 variety of satellite wagering facilities, trying to get the
15 court to approve the distribution of pre-petition amounts,
16 knowing -- such as ADW fees, satellite wagering fees, which
17 are a significant amount, which have created an enormous
18 strain on the system.

19 And our concern was, my recollection is there was
20 no objection by the creditors committee to that filing, but
21 there was an objection filed by the debtor in possession
22 which candidly took many of us by surprise because we had
23 been -- I don't want to say assured, but we were told by our
24 friends here in California that they were working very hard
25 to get the debtor not to oppose those distributions.

1 And so I just think as a matter of record, I'm not
2 one for speaking for the record, but in this case when the
3 time comes up later, when this bankruptcy process is over, I
4 think the Board needs to be aware of the fact that the
5 debtor, itself, was the one that opposed the payment of
6 those amounts to the racing industry in California.

7 And if Mr. Scoggins wants to address that, I'm
8 happy to hear a good reason for it. But it is continuing to
9 create an enormous strain on satellite facilities, on other
10 segments of the racing industry who are, candidly, having to
11 make up the difference. And I believe the Board is one of
12 those people who's owed significant sums of money. Thank
13 you.

14 MR. SCOGGINS: One of the things that I have
15 learned in respect to the bankruptcy process is that there's
16 a difference between one's sympathy and desire to do
17 something and one's ability to do something.

18 There was an opposition to the Scotwinc motion
19 that was filed by MEC. It has to do with the legal,
20 technical requirements. The types of payments that were
21 owed or are owed by Golden Gate Fields and Santa Anita are
22 payments that are not totally dissimilar to other payments
23 that we owe on a pre-petition basis to other creditors. And
24 it becomes necessary to make sure -- it's our obligation to
25 the creditors to make sure that all payments are -- all

1 similar payments are treated in a similar fashion.

2 And so there was an objection filed primarily on
3 that basis. That does not remove the fact that there are
4 people, including myself, who are sympathetic to the needs
5 of Scotwinc and to the needs of people in California, but
6 the reality is that the legal obligations we have, and the
7 precedent that we are trying to avoid making obligates us to
8 make that, make the filing that we did.

9 COMMISSIONER CHOPER: Even though none of the
10 other creditors filed an objection?

11 MR. SCOGGINS: I was not familiar with the fact
12 that there were no other objections filed.

13 COMMISSIONER CHOPER: Because the suggestion was
14 that MEC was the only objector --

15 MR. SCOGGINS: Right, I --

16 COMMISSIONER CHOPER: -- and that all of the other
17 creditors were okay with it. Wouldn't that protect you
18 in --

19 MR. SCOGGINS: I don't know the extent to which
20 the absence of filing a motion objecting to it is tantamount
21 to a consent.

22 They may or may not have chosen not to file an
23 objection on the basis that MEC filed the objection and they
24 saw no need to file any further.

25 I don't know the reasoning or the rationale behind

1 the decision on the motions.

2 COMMISSIONER CHOPER: I would say that if it's
3 possible to reconsider this in some way and determine
4 whether there's any real objection, unless -- I mean, it
5 doesn't seem to be any reason why MEC should have an
6 objection, they're going to have to pay sooner or later, in
7 any event.

8 MR. SCOGGINS: Right.

9 COMMISSIONER CHOPER: And it's the other creditors
10 that have, you know, could be prejudiced by it; right?

11 MR. SCOGGINS: Right.

12 COMMISSIONER CHOPER: So if -- I mean, the faster
13 you get the money out to these people, if no other people
14 object, I think you ought to -- if you would, please, you
15 know, tell them that's right.

16 MR. SCOGGINS: Right.

17 CHAIRPERSON HARRIS: Yeah, because --

18 COMMISSIONER CHOPER: Because Mr. Fravel suggested
19 we should remember this in some way.

20 MR. SCOGGINS: I understand.

21 COMMISSIONER CHOPER: So maybe you can make us
22 forget it.

23 CHAIRPERSON HARRIS: Yeah, I don't think we'll
24 forget, but we'll remember.

25 But I think that it would be in the debtor of

1 possession's best interest to get -- make these funds whole
2 because your operating tracks are impacted by their lack of
3 capital to operate. So if there's any way it can be made a
4 priority, rather than more of a rejected debt, we need to do
5 it.

6 I'm not sure if there's anything the Board can do
7 about it, but I think we'd certainly urge you to revisit
8 that decision.

9 MR. SCOGGINS: Right. One of the things I will
10 say is that by not being able to pay a particular amount,
11 whether it be Scotwinc or any other creditor of MEC, that
12 relates to a pre-petition amount, that does not mean that
13 their debt has been rejected.

14 These people will receive payment.

15 COMMISSIONER CHOPER: The question is when?

16 MR. SCOGGINS: It may not be today, it may not be
17 tomorrow, it will be probably at the time that the plan has
18 been approved, which I understand the goal is to have it
19 come out of -- with the plan approved around November.

20 The other question is the extent to which it will
21 be a hundred cents on the dollar or some lesser amount.

22 CHAIRPERSON HARRIS: Well, it's a bothersome
23 situation.

24 Any other comments? Oh, we've got some more here,
25 yeah. We got Chris Korby.

1 MR. KORBY: Thank you, Mr. Chairman, Chris Korby,
2 California Authority of Racing Fairs.

3 I would like to echo Mr. Fravel's comments about
4 the shock and surprise on the move of the debtor in
5 possession posing the motion we put forward, we thought it
6 was reasonable. And that's all I want to say on that
7 subject.

8 But I do want to reinforce the fact that this has
9 caused significant financial hardship to many of the
10 satellites. Some of them were marginal already and this is
11 taking them to the point where they have to consider
12 actually closing, that's an ongoing problem.

13 And we look forward to a speedy resolution of this
14 matter.

15 And one peripheral issue to that, we've asked for
16 an accounting from Santa Anita of the ADW location fees that
17 are due to satellites and that has not been forthcoming.
18 That's another class of monies that are owed to the
19 satellites separate from the monies that are generated in
20 the two percent location fees through traditional tote
21 wagers.

22 So we here publicly ask Santa Anita if they would
23 furnish us that information? Thank you.

24 CHAIRPERSON HARRIS: Is that both pre and post
25 bankruptcy?

1 MR. KORBY: Yes, pre and post.

2 CHAIRPERSON HARRIS: And have you gotten either?

3 MR. KORBY: No.

4 CHAIRPERSON HARRIS: I mean, so there's no --

5 MR. KORBY: To my knowledge, we have received
6 neither.

7 CHAIRPERSON HARRIS: It seems to me there should
8 be a normal flow of funds, I mean, that's pretty fast
9 between and it's not really -- it's really your money from
10 the ADW companies.

11 MR. KORBY: Well, I will say that Santa Anita was
12 very cooperative with expediting post filing payments for
13 location fees, and we appreciate that. And we would
14 appreciate the same thing with the ADW monies as well.

15 It's our understanding that they can pay that.

16 CHAIRPERSON HARRIS: Yeah, I think that our
17 examiner should look at that.

18 MR. KORBY: Thank you.

19 CHAIRPERSON HARRIS: Go ahead.

20 COMMISSIONER CHOPER: Go ahead, you're going to
21 put everybody at ease.

22 MR. SCOGGINS: Well, that's always the goal, but
23 it's not always the result.

24 On the ADW front, what is Santa Anita's practice
25 in this situation is that they will make, and have been

1 making payments, as the money has been received by the ADW
2 in respect to the amounts that the ADW owes.

3 So we have some ADWs that have not yet or until
4 very recently made the payment to Santa Anita in respect to
5 the amounts that it owes for the post petition funds.

6 As those post petition funds become available to
7 Santa Anita, then they are making those distributions
8 accordingly.

9 COMMISSIONER CHOPER: You know, we know you're
10 only the messenger here, I mean, on this thing. But there
11 are ways, really, to satisfy all of the possible objections
12 that you raised. I mean, you don't have to pay them all the
13 money, this is the pre-filing.

14 And I really -- and, you know, a goal of November,
15 goals are often set and rarely reached in proceedings like
16 this, and this is really vital to the continued operation of
17 some of these places.

18 So I just wish you'd go back and do what you can
19 to expedite this at what, I must say, see as no prejudice to
20 MEC, and there ought to be a way to do that.

21 MR. SCOGGINS: I'll do my best to deliver the
22 message.

23 COMMISSIONER CHOPER: Thank you.

24 COMMISSIONER MOSS: Is there an actual date in
25 September that this will be known to everyone?

1 MR. SCOGGINS: The auction is set for September
2 8th, and it has the ability to be adjourned and postponed
3 depending on the activities and whatnot. There are
4 actually -- you know, as you would typically expect, there
5 are flexibilities built into the process in case there are
6 complications that are not currently foreseen.

7 But the auction would take place on September 8th
8 and shortly thereafter a motion will be filed with the court
9 saying here's the winning bidder, please approve them as the
10 winning bidder and then let us proceed.

11 CHAIRPERSON HARRIS: Now, I always understood
12 those ADW funds really to flow different places from the ADW
13 companies, where the money actually is, and some of it would
14 flow to Santa Anita.

15 But the other funds, like purse funds, and
16 satellite commissions and all that should really flow right
17 to the recipients. It seems like it should be where you
18 were assigned to them or something. But it's bothersome
19 that if all that flows to you, it's not a very good system
20 if it's not really your money anyway, other than if you're
21 more of a trustee for it.

22 But it seems like you would be better off not to
23 be a trustee, just to get out of the way and have them send
24 the money to whoever is owed the money.

25 MR. SCOGGINS: And in fact that was something that

1 was pursued shortly after the bankruptcy filing, which is
2 the past practice is that it's easier for the ADWs to just
3 pay a lump sum to Santa Anita, or Hollywood, or whatever
4 the -- whoever the -- whatever the operating track is and
5 then for that track to take responsibility to distribute
6 those funds according to the law.

7 The filing of Santa Anita's bankruptcy and Golden
8 Gate's bankruptcy kind of revealed some of the problems
9 associated with that practice and on a short-term basis, in
10 order to expedite things, we did have certain ADWs who paid
11 their funds directly to the entities that were entitled. I
12 believe that that practice has been discontinued and they're
13 going back to the practice that was in place pre bankruptcy
14 on the basis that, you know, now that we're in bankruptcy
15 it's status quo, and it's hoped to remain that way.

16 And I know from an ADW perspective, speaking on
17 behalf of XpressBet, it's far easier for them to pay the
18 money to Santa Anita and have them act as paymaster, than to
19 write separate checks to each and every satellite site, and
20 purse fund, and the various other funds to which the ADW
21 funds are owed.

22 CHAIRPERSON HARRIS: Yeah, it seems like it may be
23 easier, but it seems like it's a naive approach to getting
24 bills paid if it's not working.

25 MR. SCOGGINS: Right.

1 CHAIRPERSON HARRIS: I mean it seems like it's
2 clearly -- I think the expectation was that if ADW made
3 money, they had all these recipients that were going to get
4 the money, but it sounds like we've got a kind of a
5 roadblock that's been created. And maybe it was a bad
6 roadblock even in good times, but it's particularly bad in
7 these times.

8 MR. SCOGGINS: Well, certainly, the bankruptcy
9 filing has demonstrated the faults in the system.

10 CHAIRPERSON HARRIS: Mr. Fravel?

11 MR. FRAVEL: Just one more shot for Mr. Scoggins.
12 Had I known -- candidly, when I was in law school and
13 graduated if I had known how much power bankruptcy counsel
14 has, which seems to be to have the ability to ignore your
15 client, ignore creditors and ignore third parties, ignore
16 everybody except the judge, I probably would have become a
17 bankruptcy lawyer instead of a racetrack executive.

18 But the petition that we filed with the court, the
19 motion to have those items paid was -- we postponed the
20 hearing on the matter when we received the objection from
21 the debtor's counsel.

22 On behalf of Scotwinc, I would encourage Mr.
23 Scoggins to go back and revisit that question and we would
24 be happy to ask the court to reschedule the hearing if, as
25 Mr. Choper suggests, we can find some middle ground at least

1 or some interim solutions.

2 Because I don't think people take things like Mr.
3 Korby said seriously. But, you know, a lot of these
4 satellites are eking along on no money and we're being asked
5 to -- they're being asked to carry them.

6 And it's nice for the debtor in possession at the
7 moment that Santa Anita is not running because then it's not
8 their problem but --

9 CHAIRPERSON HARRIS: Well, Golden Gate Fields is,
10 though.

11 MR. FRAVEL: Okay, then that's a problem for
12 another couple weeks. But I do think that it would be an
13 element of goodwill if Mr. Scoggins would request that
14 counsel reconsider that position or at least suggest a means
15 that we can approach the creditors committee and have some
16 cooperation in that regard, instead of just a surprise
17 objection to the motion.

18 CHAIRPERSON HARRIS: Well, so you -- the motion
19 was never heard? I mean, it seems like it would have been
20 better if the motion was heard.

21 MR. FRAVEL: No, we -- when we filed the motion
22 and, candidly we were about, I don't know how far away,
23 maybe a week or two weeks. Tom? Two weeks. And we were
24 kind of feeling pretty confident because we had seen no
25 objection from the creditors committee and then, lo and

1 behold, we get an objection from the debtor which,
2 obviously, holds some sway with the court.

3 And we elected, rather than spending a huge amount
4 of money, because it would have required us to take
5 depositions and do a lot of discovery -- and I'll let Mr.
6 Liebau finish up here. But we decided that it wasn't worth
7 at the time pursuing it and so we elected at least to
8 postpone the hearing.

9 But again, we're more than willing to reschedule
10 that if there's a means by which we can work together on it.

11 CHAIRPERSON HARRIS: Yeah, because I'm not that
12 familiar with bankruptcies, fortunately. But I always
13 perceived that the bankruptcy courts were arguably more
14 concerned about the creditors than they were about the
15 debtor in possession, so it doesn't seem logical that the
16 debtor in possession would have the trump card on motions.

17 Mr. Liebau?

18 MR. LIEBAU: I just would like to confirm
19 everything that Mr. Fravel has said. And, you know, I think
20 that one of the things that we have to realize is that Santa
21 Anita is not operating, so there's not a lot of pressure as
22 far as keeping these satellites going.

23 That pressure is now being applied to Hollywood
24 Park and Del Mar. Next week Hollywood Park will put up
25 about a million and a half dollars to keep the satellites

1 going, Del Mar will put up about a million two. That's the
2 problems that we've been left with.

3 You hear here that, oh, the debtor in possession
4 can't pay anything. You know, I don't accept that. And if
5 you read the papers and listen to the General Motors
6 bankruptcy, and you hear about them paying their suppliers
7 and everything else, it's a different tune, and it's because
8 General Motors needs their suppliers to keep going.

9 What we have here is Santa Anita doesn't need the
10 satellites to keep going because they aren't operating, it's
11 real simple.

12 And, you know, we would hope that Mr. Scoggins
13 would go back and tell them how important this is to the
14 California racing industry. And I don't think Mr. Scoggins
15 is here saying that they can't pay anything or that the
16 debtor in possession can't make any decisions.

17 I mean, the fact that these bankruptcy attorneys
18 seem to -- are being portrayed as having more power than the
19 debtor in possession just seems to me to be, you know, just
20 not the way the world works and the way attorneys usually
21 work. So thank you.

22 VICE CHAIRPERSON ISRAEL: Jack, how much money is
23 actually owed?

24 MR. LIEBAU: I think that -- I don't really know.

25 VICE CHAIRPERSON ISRAEL: Order of magnitude

1 of --

2 MR. LIEBAU: Several million dollars. Money to
3 the satellite for location fees, money to the Stabling and
4 Vanning Fund, money to the State of California that you
5 probably haven't gotten your license fees. I mean, it's a
6 huge mess.

7 And, you know, we hear that every time Mr.
8 Scoggins comes and, you know, he's a great guy and I used to
9 work with him and everything else, so I know that, but I
10 mean he's just the -- the problem is, as Mr. Choper said,
11 these things always take longer than you think. Nothing's
12 going to happen, this thing's not going to be done in
13 November.

14 And, you know, when we talk about getting paid, I
15 think you're talking about getting paid pennies on the
16 dollar unless we get some priorities.

17 And I guess that's why, you know, long ago I
18 appeared before this Board and talked about the integrity of
19 our pari-mutuel pools and I think, you know, it's coming
20 home to roost right now that they aren't -- there isn't much
21 integrity in those pari-mutuel pools because the money
22 that's supposed to be distributed according to the statutory
23 law of the State of California hasn't been distributed.

24 And it's not right.

25 COMMISSIONER MOSS: Is there a dispute about the

1 amount at all, that are owed to the different parties?

2 MR. LIEBAU: No, I don't think there is. I mean,
3 that's just a matter of calculation.

4 COMMISSIONER MOSS: Okay.

5 COMMISSIONER CHOPER: You know, in the end, even
6 if it's determined that they're going to get less than a
7 hundred cents on a dollar, I mean there are several ways in
8 which you can accommodate that contingency. One is to pay
9 out a portion of it now, better than nothing.

10 The other is to be able to -- you know, the
11 bankruptcy court certainly has the power to recover those
12 funds.

13 MR. LIEBAU: If you'd pardon me, I made a huge
14 error. Besides Hollywood coming up owed money and Del Mar
15 coming up with money, the Thoroughbred Owners of California
16 is coming up with \$450,000.

17 So, you know, we're all trying to pull together to
18 hold this thing together, whether it be tracks or horsemen,
19 but I hope we've got enough money, but I think, you know,
20 the cupboard's running bare.

21 VICE CHAIRPERSON ISRAEL: Well, maybe we can act
22 as sort of middlemen and get you a stake in opal.

23 (Laughter.)

24 CHAIRPERSON HARRIS: Just to point out how
25 everybody's involved, just the State of California has, this

1 pre-petition, 510,000 coming from L.A. Turf Club and 352
2 from Pacific Horse Racing, which is Golden Gate, so that's
3 800,000. I mean, California, I mean 800,000 in a multi-
4 billion budget's not a lot, but I would guarantee that
5 they're so tight on money up there that Governor
6 Schwarzenegger will fly back to bankruptcy court to try to
7 get 800,000, probably, if that will help.

8 MR. SCOGGINS: If I might, I'd like to respond to
9 a couple of comments that were made.

10 First off, let it be very clear that we recognize
11 that this whole situation and the bankruptcy has created a
12 great deal of frustration and adverse implications or
13 adverse impact on not just the folks in California, but in
14 other states, because there's a reliance on the funds that
15 were being generated and being expected to be paid on a pre-
16 petition basis.

17 That being said, I take a bit of offense on behalf
18 of MEC by the comments being made that I think are
19 misleading, in the sense that I think Mr. Liebau made the
20 comment to the effect that it raises all kinds of concerns
21 about the integrity of the pools.

22 I don't think there's any basis for arguing or
23 concluding that issues about obligations owed to people,
24 other than bettors, and I'm talking about the bettor who
25 cashes the ticket, not the third-party simulcast operator

1 who is paid the ticket and has an issue with the host track
2 about the settlement. There is a different legal construct
3 there that -- if you want to go into it, we can, or we can
4 discuss it another time.

5 But there has been no, in my understanding,
6 breach, or concern or problems with respect to the betting
7 public and the betting pools available to the betting public
8 certainly within the State of California.

9 All bets that have been -- reflect winning tickets
10 have been paid. And to the extent that there's a concern
11 raised about those pools as a basis -- or that the Scotwinc
12 payments or the other State payments are being used to
13 suggest that there's some problem there, to me is
14 unjustified and is inappropriate.

15 And in that respect I take offense to that
16 inference.

17 You know, I will make, for the benefit of this
18 Commission and I've made it in the past, it sounds like it
19 may be necessary for me to bring a representative of our
20 bankruptcy counsel to this Board to explain the -- you know,
21 form a person who is knowledgeable with the matter,
22 knowledgeable with the bankruptcy law. Not suggesting that
23 there are people here who aren't knowledgeable about the
24 bankruptcy law, but certainly from the perspective of MEC,
25 to explain why it is that MEC has taken the positions that

1 it's taken with respect to this issue and other issues. And
2 I'll be more than happy to make that request and I'm sure
3 they will be more than happy to attend.

4 CHAIRPERSON HARRIS: Yeah, it's of concern. I
5 agree that there are no wagers that have been shorted, which
6 is very important that we best keep the faith of our fan
7 base, that if they make a bet and they win, they're going to
8 collect.

9 But as we know about the hold, you know, it's 15
10 to 20 percent of the bet, so the rest is paid to the
11 winners, who have been made whole. But the 15 to 20 percent
12 is what's in dispute and I always felt that was just being
13 held in trust to pay to someone, you know, basically
14 immediately. And that has not happened, so that's really
15 the problem.

16 MR. FRAVEL: Mr. Harris, Craig Fravel again. I
17 think that, first of all, not to cause offense to Mr.
18 Scoggins, but one of the areas of potential disagreement
19 here or misunderstanding, and I do think there are times
20 when those of us who are wanting money feel like bankruptcy
21 counsel is not well-attuned to the nuances of the racing
22 industry because it's so bizarre in comparison to other
23 interests.

24 But the fact of the matter is that the customers
25 are 80 percent of the pari-mutuel pool. The rest of us are

1 equal participants in the pari-mutuel pool. So maybe
2 there's room within that argument that we could find common
3 ground with their bankruptcy counsel and the court that we
4 all are basically in the same position as customers and
5 should be treated accordingly.

6 And I just -- I'm not confident that those
7 positions are heard, at least at the decision-making level,
8 and whether a motion like this is -- and so I would ask that
9 the Board take Mr. Scoggins up on that offer and that the
10 Board appoint a subcommittee to meet with them and their
11 counsel, and that we be permitted to attend and bring
12 counsel of our own so that maybe we can all find common
13 ground on this subject, and find a way to get everybody up
14 and running.

15 Because I guarantee if, you know, it's in their
16 interest as a debtor to have the Southern California and
17 Northern California satellite wagering networks and ADW
18 networks operating efficiently and healthily.

19 VICE CHAIRPERSON ISRAEL: In your agreements with
20 them, or amongst yourselves, is there an interest charge
21 that's affixed when someone's in arrears?

22 MR. FRAVEL: You know, we never actually know, and
23 we've never -- the method of paying distributions has been -
24 - none of us have ever been through -- I guess we've been
25 through this once with the harness folks, which I don't need

1 to go back into.

2 CHAIRPERSON HARRIS: Right.

3 MR. FRAVEL: But we've never -- you know,
4 basically everybody typically pays weekly the distributions
5 that are required and there's never been an issue, to my
6 knowledge. I'm not aware of any interest requirements
7 anywhere.

8 VICE CHAIRPERSON ISRAEL: So if we are to move
9 forward can you supply us with amount of monies owed --

10 MR. FRAVEL: Sure.

11 VICE CHAIRPERSON ISRAEL: -- and to whom and how
12 much?

13 MR. FRAVEL: Yeah, we'll get a schedule, a copy of
14 our motion to you.

15 VICE CHAIRPERSON ISRAEL: Okay.

16 MR. LIEBAU: Jack Liebau. I have one other point
17 of clarification and I have to say that my phone hasn't rung
18 to remind me of this and, evidently, Mr. Chillingworth is
19 not listening to your broadcast here, but Oak Tree is also
20 contributing 300 and some odd thousand dollars to this
21 rescue mission that we've got going.

22 So I want to make that clear that there are
23 Hollywood, Del Mar, the Horsemen and, of course, Oak Tree.
24 And I'm sorry that I didn't mention it.

25 CHAIRPERSON HARRIS: Yeah. We have operators

1 standing by for further contributions.

2 (Laughter.)

3 MR. LIEBAU: Well, if we can find them and they
4 got a pulse, let me know where they are, okay?

5 MR. KORBY: Chris Korby, California Authority of
6 Racing Fairs.

7 I won't take much of the Board's time, but I do
8 feel obliged to respond to what Magna's counsel said. It's
9 been our position and continues to be that statute protects
10 all recipients of distributions of pari-mutuel pools,
11 wagering people, those who hold a winning ticket, the
12 racetrack, purses, all are covered by statute.

13 So I respectfully disagree with the conclusion
14 that he pointed out. Thank you.

15 CHAIRPERSON HARRIS: Anything else on this issue?

16 I think it would be good if Magna Entertainment
17 could send us their rationale for why an objection was
18 appropriate and then, also, if some of the parties could
19 come up with a legal opinion on why these monies should have
20 a priority position, that they are different monies than
21 general creditor monies, and something to solidify our
22 thoughts on that.

23 MR. HALPERN: Ed Halpern, California Thoroughbred
24 Trainers.

25 I would just like to point out, for what it's

1 worth, we also have a pension issue here, we have 3,200
2 pensioners that get money out of these pools, by statute,
3 and we don't know how much is owed and that money's
4 stuck -- will be stuck in the bankruptcy somewhere too, I
5 assume.

6 VICE CHAIRPERSON ISRAEL: Well, what do you mean
7 you don't know how much is owed, Ed?

8 MR. HALPERN: Well, they -- the general method of
9 being paid is there are statutory amounts that are paid from
10 ADW funds. Generally, we don't see the accounting of how
11 that money -- how that's figured. All we see is a check,
12 occasionally, saying ADW on it. So it's always been sort of
13 an issue of knowing whether we're really getting everything
14 we're supposed to be getting.

15 And for that period which these payments haven't
16 been made some of that money, I assume, is sitting in that
17 pool.

18 CHAIRPERSON HARRIS: Yeah, I'd urge you to -- on
19 behalf of the trustees of that fund, need to know -- I mean,
20 that's part of their fiduciary responsibilities to know what
21 the receivables are, because they're for the beneficiary of
22 a whole lot of people who are liable to sue you.

23 Okay, anything else on this issue?

24 Okay, we'll move onto --

25 VICE CHAIRPERSON ISRAEL: Number three.

1 CHAIRPERSON HARRIS: Oh, okay. Conduct a horse
2 racing meeting of the Sonoma County Fair at Santa Rosa,
3 which this was not part of the combined race meeting.

4 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
5 Wagner, CHRB staff.

6 The application is from the Sonoma County Fair at
7 Santa Rosa. They are proposing to race July 29th through
8 August the 9th, which is ten days. This is two days less
9 than they raced in 2008.

10 And as stated by Chairman Harris, the Sonoma
11 County Fair is not a participant in the combined fair race
12 meeting.

13 The proposed dates are the approved dates
14 allocated by the Board. They are racing Wednesday through
15 Sunday, with ten races per day on Wednesdays, Thursdays and
16 Fridays, 12 races per day on Saturdays and Sundays.

17 They are racing concurrently with Del Mar July
18 29th through August the 9th.

19 Their first post time is 12:45 p.m.

20 Their ADW providers are XpressBet, TVG, Twinspires
21 and Youbet.

22 Let's see, the distribution for their carryover is
23 the closing date of the fair, which is August 9th.

24 The analysis in your packet indicates that the TOC
25 agreement is outstanding. I believe I do have that

1 agreement.

2 And the fire clearance will be forwarded upon the
3 completion of the inspection.

4 We do have representatives from the fair.

5 CHAIRPERSON HARRIS: Is someone from Santa Rosa
6 here?

7 MS. TESCONI: Tawny Tesconi, Fair Manager, Sonoma
8 County Fair.

9 CHAIRPERSON HARRIS: Anything new on the fair
10 or -- there was some dispute up there in Santa Rosa, from
11 some of the friends I've had there, that on -- if Santa Rosa
12 did in fact want more than two weeks of racing?

13 I mean, there's one school seemed to think they
14 did, but the CHRB denied that. And my recollection was that
15 Santa Rosa only asked for two weeks, so we gave you what you
16 asked for.

17 Can you clarify that?

18 MS. TESCONI: I think more of the discussion has
19 been around us moving from a six-day to a five-day meet, at
20 least the people I've recently talked to, I think who you
21 may have talked to. That was one discussion is, you know,
22 why are we having a five-day meet instead of six.

23 CHAIRPERSON HARRIS: Yeah, I think we agree with
24 that.

25 MS. TESCONI: You agree with that. We would be

1 interested in additional race dates. But, of course, with
2 us being part of the California Association of Racing Fairs
3 and all working together, it was the availability of dates
4 that whether they book-ended our fair right now.

5 And also, as has been expressed, you know, there
6 is an interest I think from the horsemen to have a fair
7 running the same time as your fair dates.

8 So we would have to look at restructuring our fair
9 somewhat if we're looking at adding an additional week of
10 racing, whether it be during our regular fair or during our
11 Harvest Fair. We would be very interested in additional
12 race dates and getting some more horses on the turf,
13 definitely.

14 CHAIRPERSON HARRIS: Yeah, you have a lovely area
15 up there and a turf track, and I think we --

16 MS. TESCONI: And some great betting. I mean, if
17 you look at our live meet last year, it was very strong.

18 CHAIRPERSON HARRIS: No, it's an interesting area.

19 MS. TESCONI: Right.

20 CHAIRPERSON HARRIS: And I just wanted to clarify
21 to the Santa Rosa community and, you know, Sonoma County
22 that it's not the Racing Board that's standing in the way.

23 MR. TESCONI: Right, and I've never expressed that
24 so --

25 CHAIRPERSON HARRIS: Basically, it's you've got

1 to -- you know, you've got to ask for what you want. And
2 somebody has, up there, insinuated that the reason that you
3 don't have three weeks is because the Racing Board wouldn't
4 give you three weeks.

5 Well, that may or may not have happened, but it
6 was never requested.

7 MS. TESCONI: Right.

8 CHAIRPERSON HARRIS: So I think you have to sort
9 of go into it with an open book. And I realize there's a
10 lot of variables, a lot of different reasons you'd like to
11 do it one way or another way, but I think keep in mind going
12 forward that anything is possible.

13 MS. TESCONI: Right, exactly. And I've never
14 expressed that, it was more about the six-day situation.

15 CHAIRPERSON HARRIS: Yeah, some sports writer up
16 there I think.

17 Okay, anything else? Thank you very much.

18 MS. TESCONI: Thank you.

19 CHAIRPERSON HARRIS: Good luck to you.

20 ASSISTANT EXECUTIVE DIRECTOR SMITH: Are you going
21 to vote?

22 CHAIRPERSON HARRIS: Yes, can we have a motion on
23 this to approve their --

24 VICE CHAIRPERSON ISRAEL: So moved.

25 COMMISSIONER MOSS: I second.

1 CHAIRPERSON HARRIS: All in favor?

2 (Ayes.)

3 CHAIRPERSON HARRIS: Okay, next is discussion and
4 action by the Board on the application to conduct a horse
5 racing meeting of the Del Mar Thoroughbred Club.

6 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
7 Wagner, CHRB staff.

8 The application is from the Del Mar Thoroughbred
9 Club and they are proposing to race July 22nd through
10 September 9th. This is 37 days, represents six days less
11 than they raced in 2008.

12 They are proposing to race a total of 344 races,
13 or 8.65 races per day. This represents the 28 races less
14 than they raced in 2008.

15 The race dates proposed are the dates that were
16 allocated by the Board at the April 24th Board meeting.
17 This represents a change in the original dates that were
18 originally allocated to Del Mar.

19 They are racing five days per week, Wednesday
20 through Sunday the first six weeks. Six days per week
21 Wednesdays through Monday during the seventh week, with
22 eight races per day on Thursdays, nine races per day on
23 Wednesdays and Fridays, ten races per day on Saturdays,
24 Sundays, opening day, the Labor Day, and closing day. On
25 Pacific Classic Day, which is September the 6th, they will

1 be racing 11 races that day.

2 They are racing concurrently with Solano, Santa
3 Rosa, CARF at Golden Gate Fields, Ferndale, Cal-Expo and
4 Pacific Racing Association.

5 They have a 2:00 p.m. post proposed.

6 Their ADW providers are -- I believe they're in
7 negotiations with them. They include TVG, Youbet,
8 XpressBet, and Twinspires.

9 The analysis in your package indicates missing
10 documents. I am pleased to report that we have received the
11 horsemen's agreement, we've received the CTT agreement. We
12 understand that the current stabling agreement is in the
13 process of being signed and I expect to have that today.
14 And the fire clearance will be forwarded to staff upon the
15 completion of the inspection.

16 We do have representatives from the Association.

17 CHAIRPERSON HARRIS: Okay, any comments, Craig?

18 MR. FRAVEL: No, Mr. Chairman, I just want to tell
19 you that, you know, we're very enthusiastic about this meet,
20 assuming that we can get the horses on the racetrack our
21 enthusiasm is high. And we think we've got some neat
22 promotions and neat value propositions for the patrons, and
23 we're looking forward to starting this year, so all systems
24 are go.

25 VICE CHAIRPERSON ISRAEL: Craig, do you anticipate

1 all the -- all four ADW companies?

2 MR. FRAVEL: That's certainly our objective.
3 We've met with every one of them and I think that, you know,
4 the terms that we'll be requesting from them are not a great
5 deviation from the terms that have been offered to other
6 racing associations, so we certainly believe that we'll be
7 able to close those deals between -- our objective is to
8 have those in place by around the 1st of July, so that we
9 don't have the last-minute gymnastics that we always go
10 through.

11 VICE CHAIRPERSON ISRAEL: If there's any problem,
12 can you inform the Board so perhaps we can act as an
13 intermediary to try to facilitate closure?

14 MR. FRAVEL: I would welcome that, sure.

15 COMMISSIONER MOSS: Craig, how many days will you
16 have to prepare the track this year?

17 MR. FRAVEL: Oh, actually, we have an extra week
18 this year. The fair ends around the 5th or 6th and we don't
19 open until the 22nd, so we'll have one extra week this year.
20 So we'll have a lot of time to get horses there and have the
21 track cleared off.

22 We've been very successful working with our
23 friends at the Del Mar Fair to get any obstructions that
24 relate to the racetrack cleared quickly, so that we can have
25 access to it again.

1 And we do not have extensive maintenance to do on
2 the racetrack, unlike in past years where we've had to do
3 little additions of waxes or fibers. We've done some -- a
4 lot of testing in the off season, with Mick Peterson, at the
5 University of Maine, who's come up with some good methods of
6 analyzing wax content, fiber content, and particle size, and
7 we believe that the track has held up very well over the
8 winter and that we will modify our maintenance procedures a
9 little bit, so it will be a little bit more forgiving in the
10 morning. And we're, you know, very enthusiastic about the
11 track.

12 COMMISSIONER MOSS: Do you take seriously the
13 Governor's attempt to sell the whole fairgrounds situation?

14 MR. FRAVEL: You put me in a bad spot. As a
15 tenant of the Governor's, it's hard for me to cast
16 aspersions on his -- on his plans.

17 But I do think there's going to be a meeting of
18 the Del Mar Fair Board next Tuesday, at which I think there
19 will be pretty extensive discussion of that proposal.

20 As I understand it, and I don't understand it
21 well, I think there's some serious obstacles to the
22 valuation issues, among them that the -- they've printed
23 evaluations, I believe recently in the paper, of between 400
24 and 600 million dollars, which I think assumes a certain
25 level of development.

1 It is in a hundred-year flood plain. Whenever we
2 have tried to do work with respect to the racetrack or the
3 barn area, we've run into significant environmental issues
4 that relate to that floodplain status, which is not easily
5 overcome and certainly makes it rather undesirable for
6 extensive residential or commercial development.

7 And I believe there are also some deed
8 restrictions, and I'm not familiar with precisely what those
9 are, but I believe it's kind of dedicated to agricultural
10 and public events purposes.

11 So it's not -- certainly not a simple thing to get
12 it done. And whatever happens, it's not going to happen
13 before the meet this year. So we're at least confident of
14 getting through this year.

15 VICE CHAIRPERSON ISRAEL: Then your lease is up
16 anyway.

17 MR. FRAVEL: That's right. Yeah, nothing to do
18 after this year.

19 CHAIRPERSON HARRIS: Any other comments by the
20 Board or the audience?

21 We discussed the five-day week concept last
22 meeting and concurred with that. Kind of wish you'd maybe
23 ratcheted down the seasonal ticket sales to more reflect the
24 five-day week but --

25 MR. FRAVEL: You mean you don't want us to sell as

1 much or --

2 CHAIRPERSON HARRIS: Well, I'd like you to sell
3 them for a little bit less.

4 MR. FRAVEL: I know what you mean.

5 CHAIRPERSON HARRIS: But I'm sure you'll give away
6 something to make up for that.

7 VICE CHAIRPERSON ISRAEL: You can be a judge of
8 the hat contest.

9 CHAIRPERSON HARRIS: Hats would not -- well, the
10 hats are okay, I guess.

11 Okay, any -- is there a motion to approve?

12 VICE CHAIRPERSON ISRAEL: So moved.

13 COMMISSIONER MOSS: Second.

14 COMMISSIONER CHOPER: Second.

15 CHAIRPERSON HARRIS: Okay, all in favor?

16 (Ayes.)

17 MR. FRAVEL: Mr. Harris, you won't be under last
18 year's prohibition that you can't send me e-mails
19 complaining about stuff.

20 CHAIRPERSON HARRIS: I never --

21 MR. FRAVEL: You have fair game this year.

22 CHAIRPERSON HARRIS: I never abided by that
23 anyway.

24 (Laughter.)

25 VICE CHAIRPERSON ISRAEL: Can I just ask you, in

1 the hat contest it's not a hat if you have to support it
2 with your hands?

3 CHAIRPERSON HARRIS: Are you talking about hats
4 or --

5 VICE CHAIRPERSON ISRAEL: Yeah, hats.

6 MR. FRAVEL: Do you think I know the rules for
7 that?

8 VICE CHAIRPERSON ISRAEL: Yeah.

9 MR. FRAVEL: I think we have to refer that to
10 Magna's bankruptcy counsel to figure out what the rules are.

11 (Laughter.)

12 CHAIRPERSON HARRIS: Okay, the next item is a
13 discussion and action by the Board regarding the request
14 from Hollywood Park Racing Association to eliminate live
15 racing on the following designated Wednesdays, June 17, 24,
16 July 1, 8, 15 during the current meeting; discussion and
17 action include Golden Gate and the night industry.

18 We've got some reports from different people.
19 Okay, go ahead.

20 MR. LIEBAU: Based on my performance to date, I
21 hope I don't leave a lot of things out. So I haven't really
22 started so far.

23 Hollywood requested and went to four days a week
24 because they thought it was in the best interest of the
25 racing product that they were putting out there for the

1 wagering public, and we hope that you will see fit to agree
2 with us.

3 From the beginning of this meet we had troubling
4 filling. We were unable to fill on Thursday, April 30th,
5 and the situation did not improve in the aftermath.

6 After we had experienced a difficulty in filling
7 for the weekend of May 16th and May 17th, Hollywood Park
8 petitioned the Board to have the race week reduced to four
9 days.

10 Hollywood is really not alone in this situation.
11 The problem encountered by Hollywood in filling race was not
12 unique but, instead, was encountered earlier at the Santa
13 Anita meet and is being encountered nationally, as
14 demonstrated by Churchill Downs being forced to reduce to
15 four days a week at its current meet.

16 Also, in looking at the NTRA schedule of race
17 meets, that's done on a national basis, it's somewhat
18 surprising as to the tracks that have gone to four days a
19 weeks where in yesteryear, or last year, or the year before
20 five days was customary for almost every track.

21 The tracks that have gone to four days, as I
22 mentioned, are Churchill Downs, Arlington Park, Calder,
23 Lonestar, Canterbury, Emerald Downs, Prairie Meadows,
24 Suffolk, Penn National, which might be influenced by the
25 fact that they're lucky enough to have slot machines,

1 Thistle, and Hastings is at three, in Canada. The tracks
2 that remain at five days a week are Belmont and Woodbine.

3 And if some of you happened to look at the entries
4 at Belmont you'd see that they, too, have been impact by
5 smaller fields and having to run cheaper races.

6 As far as the problems that were incurred in the
7 last, closing weeks of Santa Anita, maybe later on Mike
8 Harlow can verify that, if you want it to be verified.

9 I think that Del Mar was a little bit ahead of the
10 curve in that they saw what was happening in Santa Anita and
11 anticipated that Hollywood was going to have problems, and I
12 think that that was one of the reasons why they've decided
13 to go to five days a week, which is a 16 plus percent
14 decrease in their racing days.

15 And it should also be noted that Golden Gate
16 encountered problems as far as filling for five days a week.

17 The request that we made at the time, to go to
18 four days a week, was supported by TOC and CTT. I am not
19 here to tell you that everyone favors that. I'm sure that
20 the Northern California fairs have already voiced their
21 concern about us doing that, and I'm sure that Mr. Castro,
22 representing Local 280, will also voice a contrary opinion.

23 And I must say that I respect their opinions and
24 if I was representing those groups, I would be making the
25 same arguments that they will be making and that you will be

1 hearing.

2 The obvious question is whether Southern
3 California should be forced to help Northern California if
4 such would be detrimental to Southern California racing
5 product.

6 As to the Northern California fairs, I would point
7 out that they do have a \$1.1 million supplemental purse fund
8 that is legislatively granted to them and that 1.1 million
9 dates back to when there were overlaps in fair racing in
10 Northern California, and this year there are no overlaps.

11 So that should certainly help the fairs. And
12 also, this year they are running a three-week meet at Golden
13 Gate Fields, that should help them financially in that they
14 will have the use of a major facility and a grass track.

15 As far as Local 280 is concerned, I have to say
16 that over the years the industry, and particularly Hollywood
17 Park and Bay Meadows, have had a very good working
18 relationship with 280 and we will continue to have such no
19 matter how this decision comes down today.

20 We will point out that, as Mr. Castro will, going
21 to four days a week will eliminate one day of racing for
22 them, and one day of employment, there's no getting around
23 that.

24 Unfortunately, that is happening in a lot of
25 business today. State employees are being put on furloughs

1 and asked to take pay cuts. I think that also impacts the
2 California Horse Racing Board.

3 It should also be noted that through collective
4 bargaining Local 280 has a manning clause and this manning
5 clause does result in over-staffing at the other days, each
6 and every day that Hollywood Park runs.

7 So, you know, we are providing employment to Local
8 280 and we are pleased to do so.

9 I want to make it clear that the manning clause
10 that Local 280 has is a result of collective bargaining and,
11 you know, it just is an undeniable fact that we do provide a
12 lot of employment for members of 280, and that's the only
13 point that I'm trying to make.

14 The Board acquiesced to our request, as you know,
15 that was originally made, but only through Wednesday, June
16 10th, so that it could be taken up at this meeting.

17 We're here today to ask the Board to grant our
18 request as was originally made. In our original request we
19 expressed the opinion, based on our experience up to that
20 point in time that operating a five-day race week would
21 cause us to continue to offer short fields, poor wagering
22 opportunities and, ultimately, an unattractive product for
23 the wagering public.

24 It would also lead to a negative effect on purse
25 values. And I should explain that, and that has been

1 discussed from the very beginning with the thoroughbred
2 owners of California, is that Wednesday, first of all, is a
3 day that we customarily do not make sufficient -- generate
4 sufficient purse funds to cover the purses on that day, so
5 Wednesday in and of itself.

6 The other thing is that by racing four days a week
7 our field size goes up and, correspondently, our handle goes
8 up.

9 Prior to the adoption of the four-day week, only
10 59 percent of the races that we carded qualified for
11 superfecta wagering. Since then we've gone from 59 percent
12 to 80 percent, and that is really extremely important as far
13 as the wagering handle and, as you know, handle drives
14 purses.

15 In regards to the importance of field size, which
16 I know you're all familiar with, but I mean with respect to
17 a six-horse race it will handle, generally, 32 percent more
18 than a five-horse race will. A seven-horse goes up another
19 third, 36 percent, over a six-horse field, and go on. And
20 when you reach eight, it's only 21 percent more than seven,
21 but you can see that as field size goes up, handle goes up
22 dramatically, and as does purse generation.

23 Our average field size, through 5/17, when we went
24 to the four-day week, in other words up to then we were
25 racing five days a week, was 7.5. Our average field size

1 since going to the shorter week has been 8.4.

2 Yesterday, we were at 8.75 and tonight we're at
3 8.37.

4 What we really did not expect and has given us a
5 great deal of concern is that even going to the four-day
6 week we are encountering difficulties in filling races. And
7 someone has proposed that if we go to four days a week, that
8 we would run some extra races during those four days.

9 I will tell you that we are certainly willing to
10 do that if we can run them.

11 And I think that some of you are new here, but
12 John's been putting up with me for about 18 years, and I
13 think John will attest that I, fortunately or unfortunately,
14 have gained a reputation of always wanting to run an extra
15 race or run an extra day. And so I sort of find myself in a
16 unique position and someone even suggested that maybe there
17 was an imposter out there, pretending to be me under these
18 circumstances --

19 CHAIRPERSON HARRIS: I haven't ruled that out at
20 all.

21 COMMISSIONER CHOPER: Could you -- I'm sorry.

22 MR. LIEBAU: Go ahead, I'm sorry.

23 COMMISSIONER CHOPER: Why is it that you have less
24 horses on the grounds, why is it that the races aren't
25 filling? Is that a stupid question?

1 MR. LIEBAU: No.

2 COMMISSIONER CHOPER: Maybe it is. I thought
3 about it, I don't understand why.

4 MR. LIEBAU: Maybe our racing secretary --

5 COMMISSIONER CHOPER: And it's all over the
6 country, so they're not leaving here and going someplace
7 else.

8 CHAIRPERSON HARRIS: Well, the average field size
9 is better than some of the other locations, I think.

10 MR. PANZA: Martin Panza, Vice President of Racing
11 for Hollywood Park.

12 I think probably this started some time at the
13 beginning of the year and if you look at the last month of
14 Santa Anita, I mean, I've been here for 22 years, in the
15 last month of Santa Anita they were literally until two or
16 three o'clock every day trying to fill cards.

17 So we started to see the attrition. I think
18 that's where Del Mar said, hey, we've got a problem here,
19 you know, we're running low on horses.

20 COMMISSIONER CHOPER: Uh-hum, I understand.

21 MR. PANZA: What's happened is there aren't vans
22 leaving California, with tons of horses leaving the State,
23 we're not replacing the horses that we lose through natural
24 attrition.

25 For instance our claims, to up-to-date we've had

1 26 claims at our meet for \$600,000. Last year at this time
2 we had 78 claims for \$2 million. Lost 66 percent. So it's
3 telling me people -- it's not a high priority in this
4 economy to go out and buy horses.

5 And so as a horse gets hurt or needs time off,
6 there's not a new horse to come in there and replace it, and
7 I think that's driven primarily by the state of our economy.

8 And so this didn't start with Hollywood Park, this
9 probably started last October or last September, where
10 owners got into financial problems and said, hey, I need to
11 save my resources for something else, don't replace that
12 horse. Or when he gets claimed or he needs to go to the
13 farm, or break down, I'm not going to buy a new one.

14 And since this has come up, the last couple of
15 days, we took 12 trainers' stall applications, and we went
16 through their papers on file. We said, listen these are 12
17 trainers that don't normally run too much for Hollywood and
18 save for Del Mar, and we just looked at all the papers and
19 we ran PPs on all the horses, they're not saving for Del
20 Mar.

21 I mean, the inventories that our horsemen have
22 right now, they're struggling to stay in business as well,
23 and the horses just aren't there.

24 And it's not just a California problem, it's a
25 national problem. I mean, for Churchill Downs to go to four

1 days of racing is pretty significant.

2 We ran reports for -- we took a two-week period in
3 May on workouts. Our trainers love to work their horses.
4 And we ran that report and we're off 367 workouts over a
5 two-week period, which is about 14 percent.

6 Our numbers in the barn areas, at Hollywood Park
7 and Santa Anita we're off 400 horse right now between the
8 two barn areas from last year.

9 And it's a different condition. When you say,
10 well, it's only 400 horses, understand that horsemen,
11 whatever horses they can get, they bring to the barn. So
12 you've got a lot more horses at the tracks right now that
13 are inactive. The numbers may be off only 400, but I bet
14 you there's 400 more horses that are inactive this year as
15 opposed to last year.

16 Because a trainer wants to say I don't train 12
17 horses, I have 20. It makes it sound like he's got a bigger
18 operation.

19 COMMISSIONER CHOPER: But you mean that they're
20 inactive because they're hurt in some way?

21 MR. PANZA: Well, they may not be hurt, they may
22 be getting ready to start training, or they may have had
23 three works and they got sick, and they've got to back off.

24 COMMISSIONER CHOPER: So they're not ready to
25 race, in other words.

1 MR. PANZA: And we can see the numbers. And if I
2 go over the inventories with you, you know, just over a
3 three-month period, maiden Cal Breds, three-year-olds and
4 up, Mr. Harris, the last month of Santa Anita there was not
5 a race, and we sent e-mails back and forth talking about it.

6 We ran at April 28th at Hollywood Park, we had 14
7 horses in it. I ran it back two weeks later, got nine. I
8 offered it yesterday, it was off of four.

9 CHAIRPERSON HARRIS: That was seven-eighths,
10 though, I think that might have been the problem.

11 MR. PANZA: No, that's true. And we'll offer it
12 in two more weeks and, hopefully, we get eight or nine
13 again.

14 Three-year-olds up on the grass, we offered it the
15 first week of the meet, we got 11. We brought it back on
16 May 25th, we got eight. We hustled it yesterday, Mr.
17 Harris, and your Cal bred, I think, is in there running open
18 on the grass.

19 CHAIRPERSON HARRIS: Yeah, I try to help.

20 MR. PANZA: We hustled it, there was five in
21 there, and Mr. Harris gave us a horse and we hustled one
22 more, we got seven in there.

23 Fillies and mares, other-thans going long, which
24 is the first condition allowance race going long. Didn't go
25 the last month of the meet at Santa Anita. We made it with

1 five. We made it the other days with six. Fillies and
2 mares twice other-than didn't go the last three weeks at
3 Santa Anita.

4 We made it, it was off with two, we made it Sunday
5 with six. Fillies and mares other-thans don't really exist.

6 Twenty-five claimers long, off with two. Anything
7 above 25 on the dirt, we struggle to fill.

8 Fillies and mares on the grass, we made a 32 with
9 9, anything above 50 they don't exist.

10 And what happens when these categories, when you
11 can't fill them you have to replace that race with
12 something, the something is usually the maiden 25s. The
13 last --

14 MR. LIEBAU: The last race, you got ten in it and
15 I'd rather have five to get it going.

16 MR. PANZA: The last ten days of racing at Santa
17 Anita, they ran like 16 maiden 32s. So they're in the same
18 problem we're in.

19 And as you continue to pound the maiden 32s and
20 25s they don't exist any longer, because you're asking
21 horses to run back in a week's time or two weeks' time.

22 You know, my job is to fill races and I don't want
23 to lose a day of racing, but if you force us to go to a
24 five-day week what's going to happen is we're going to have
25 races with four horses in it and we're going to go hustle

1 them to make them a six, so we can use them.

2 Those two horses we hustled probably ran nine days
3 ago.

4 VICE CHAIRPERSON ISRAEL: Uh-hum, no.

5 MR. PANZA: Now, we can do that a few times, but
6 when that horse does that two or three times he's probably
7 going to the farm. And if we can -- what we're doing right
8 now is probably helping the horse population in California
9 because we're not putting that stress on it.

10 And if you ask us to add these days back, we're
11 going to stress it and Del Mar, and the meets down the road
12 are going to feel that.

13 Hopefully, the economy gets better and people can
14 start to purchase horses again, but we're just not getting
15 that natural replacement of the horses.

16 And the inventories, you know, we struggle right
17 now. And the important thing is you have to offer those
18 races. Even though I know you write a condition book and my
19 colleagues write condition books, we know that race probably
20 won't go. But you have to offer it because that owner has a
21 horse in California and if you don't even offer to race, the
22 horse is going to leave.

23 So we try to offer races and make them go, and we
24 try to make our books go. I mean, we're down on ourselves
25 in California and this is not positive news but, you know,

1 most of my colleagues in California, we all try to make our
2 condition books go.

3 You look at New York, they have 30 extras every
4 day. They had a day of racing a month ago, not one race in
5 the book went. All nine races in the condition book were
6 off that day.

7 So, you know, I think we do a better job or as
8 good a job as anyone else in the country. We're struggling
9 through this, I think we can make it, but we have to be
10 intelligent in how we go about it.

11 And with the four-day week, it also allows us to
12 control our purse situation. In simple terms, we lose
13 \$150,000 on a Wednesday, \$150,000 on a Thursday, \$50,000 on
14 a Friday, make up \$200,000 on Saturday and maybe a hundred
15 thousand on Sunday.

16 When you knock out that \$150,000 loss on the
17 Wednesday and your field sizes are bigger Thursday through
18 Sunday, so your handle's up, you can now control the purse
19 situation.

20 If we go to five days a week, we probably have to
21 cut purses, because we're going to run smaller fields.

22 CHAIRPERSON HARRIS: You'd have to cut purses
23 possibly per race, but wouldn't you generate more purse
24 money in five days than four days?

25 MR. LIEBAU: No, we have more races to spread it

1 around.

2 MR. PANZA: We'd spend more purse money.

3 CHAIRPERSON HARRIS: Well, but more purse money at
4 the end of the week.

5 MR. PANZA: Revenue would go up, but so would
6 costs, and the problem is the revenue would not cover the
7 cost, so it's a bad business decision.

8 VICE CHAIRPERSON ISRAEL: Can I ask, how is the
9 customer reacting? Is gross weekly handle down 20 percent,
10 which would be the commensurate number, or is it increasing
11 enough on the good race days that you're making up for some
12 of that loss?

13 MR. LIEBAU: Our all-source wagering, when we were
14 going five days a week, is down a startling number, but it
15 was down 24 percent from all sources.

16 Now, that sounds terrible, but compared to other
17 tracks, it's not that bad. I mean, it's bad, but it's not
18 bad. It's sort of like the job report today wasn't as bad
19 as everybody thought it was going to be.

20 After we went to four days a week, we were down
21 14.32 percent. So, you know --

22 VICE CHAIRPERSON ISRAEL: You're handling --

23 MR. LIEBAU: Handles going up. But the handle's
24 going up for two reasons.

25 VICE CHAIRPERSON ISRAEL: Yeah.

1 MR. LIEBAU: Our field size is a lot higher --

2 VICE CHAIRPERSON ISRAEL: Right, better betting.

3 MR. LIEBAU: -- so we have better betting
4 opportunities, higher handle, and we're generating more
5 purse money.

6 I mean, I thought that I could skate through by
7 going to four days a week and not have a purse cut because
8 I'd have higher -- higher field size and, also, I would drop
9 Wednesday, which is a bad day as far as the purse account is
10 concerned.

11 VICE CHAIRPERSON ISRAEL: So if you're handling,
12 say, \$50 million a week previously, you're handling what
13 now? You know, when you were on the five-day week you were
14 handling X, on a four-day week you're handling Y, what are
15 the gross numbers?

16 MR. WYATT: I'm not sure you can look at it that
17 way, Commissioner Israel. What Mr. Liebau, the numbers he
18 has given you are handle, comparative handles to the same
19 time period last year.

20 VICE CHAIRPERSON ISRAEL: Yeah, I understand that.

21 CHAIRPERSON HARRIS: But I think what we need to
22 look at --

23 VICE CHAIRPERSON ISRAEL: But the five days --

24 MR. WYATT: Well, you know, we had the Kentucky
25 Derby was in the period when we were running five days, so

1 it's not really apples to apples.

2 VICE CHAIRPERSON ISRAEL: Okay.

3 CHAIRPERSON HARRIS: But I think we're all agreed
4 that Hollywood Park would like to go to four days. I think
5 we just need to hear all the different parties' inputs.

6 One my concerns in racing, in general, is our
7 ability to manage our inventory. Do we have tools -- I
8 mean, it seems to me that we're spending a lot of money on
9 stabling in California in total, both ontrack, in auxiliary
10 facilities, and it just doesn't make sense.

11 MR. LIEBAU: Well, this is probably a discussion
12 for another day, but it doesn't make any sense.

13 CHAIRPERSON HARRIS: Yeah.

14 MR. LIEBAU: I mean, what should be happening is
15 that we should have -- under the status quo, we should
16 probably have horses at Hollywood and horses at Santa Anita
17 and that's it, and we would get along fine because we would
18 be able to control our backside and allocate stalls based on
19 how people ran.

20 Now, we aren't because there's so many stalls out
21 there you don't have any leverage on a trainer at all.

22 CHAIRPERSON HARRIS: That's -- yeah.

23 MR. LIEBAU: And that's a huge problem and needs
24 to be addressed, no question.

25 CHAIRPERSON HARRIS: Yeah, that's a separate

1 issue. But I'm not clear if -- if Marty could tell, look,
2 here's how many Harris's we have, and maybe you've got 400
3 horses that are just not doing anything, or just walking
4 every day, but I think -- I don't know if that number's gone
5 up. Hopefully, owners are more attuned to controlling their
6 expenses unless trainers are just, you know, giving them a
7 break on a day rates for lay-ups or something.

8 But it would be nice if we could come up with some
9 data of how many horses you have that are somewhat likely to
10 run in the next three months even, now versus historically.

11 MR. PANZA: Over any one-month period we have
12 about 16 to 17 hundred -- at least during Hollywood, 16 to
13 17 hundred individual horses working, and that can go up to
14 probably as high as 2000, so that's our inventory of --

15 CHAIRPERSON HARRIS: And that's -- I mean, in the
16 whole Southern California system.

17 MR. PANZA: In Southern California.

18 CHAIRPERSON HARRIS: And we're paying stalls for
19 over 4000.

20 MR. PANZA: We may stable 4000 horses, but active
21 horses, and you could clarify an active horse as had two
22 works in that 30-day period, and I think that's fair to use
23 that.

24 CHAIRPERSON HARRIS: Yeah. I think we're running
25 a giant livery stable.

1 MR. PANZA: I think an important thing to
2 understand, too, and I agree with you on that part, but say
3 the 2008 summer meeting we average 8.23 starters, the last
4 two or three weeks of our meet, because Del Mar's coming up,
5 it dropped down to seven. So we lose 1.25 horses or
6 starters per race because people are ready for Del Mar and
7 they're saving their horses.

8 So to make us add days at the end of our meet is
9 the time when we historically struggle anyhow. If we're
10 averaging 7.5 at the start of the meet, if I take the
11 previous year's and what's happened, we're going to average
12 6.25 starters the last two or three weeks of our meet. That
13 does nobody any good.

14 VICE CHAIRPERSON ISRAEL: Well, I know there's
15 been some discussion of adding a race on Saturday and a race
16 on Sunday, is that something you think you can manage?

17 MR. PANZA: Sure.

18 MR. LIEBAU: We think that we can manage that.
19 The trainers, as I understand scuttlebutt, is that they have
20 requested that if possible we would run a couple extra races
21 a week. And certainly I can -- my reputation being such, I
22 am in favor of that. And, you know, if Martin can fill
23 them, we'll run them, there's just no question about it.

24 But what scares me is first of all we've got Del
25 Mar coming up, where our field size drops just because

1 people naturally lay up because of Del Mar. So things are
2 going to get tougher instead of better.

3 And the other thing is if we go to five days a
4 week it becomes random as to when a day that we can't fill.
5 You know, I have high confidence that Martin can fill four
6 days a week. I do not have that confidence with respect to
7 five. And God help me if he can't fill on a Saturday or a
8 Sunday, you know, that's really going to be a catastrophe
9 for all of us.

10 And so I really think that, you know, we're in a
11 terrible situation, but I think that we've got to make the
12 best of it and get through it, and I really think that we
13 have to protect our product and that is of importance
14 because our out -- we are so dependent upon out-of-state
15 wagering, 50 percent of our handle comes from out of state.

16 As that field size goes down, those people start
17 playing other tracks. And, you know, maybe they get used to
18 that and they don't come back. And that's why I feel very
19 strongly that at this point in time, like a number of other
20 tracks we, unfortunately, need to go to four days and
21 protect our product at all costs.

22 VICE CHAIRPERSON ISRAEL: You know, if you do add
23 those couple of races it does extend the workday, will there
24 be any overtime for the hourly employees who would then at
25 least make back some of the money they might be losing?

1 MR. LIEBAU: Oh, I think that at this point in
2 time, and I'd let Mr. Castro address that, but we probably
3 do not -- our employees now do not work a full day.

4 VICE CHAIRPERSON ISRAEL: Oh, they don't, okay.

5 CHAIRPERSON HARRIS: It's a shift deal, I think.

6 MR. LIEBAU: Yeah, but I mean there is room within
7 that, yes. But I mean --

8 MR. PANZA: Even if we ran additional races, it
9 would be no more races than Del Mar is running and I don't
10 think Del Mar is --

11 CHAIRPERSON HARRIS: Would an option be to run
12 less --

13 VICE CHAIRPERSON ISRAEL: So you'd still be within
14 the workday?

15 MR. PANZA: Exactly.

16 CHAIRPERSON HARRIS: What happens if you decided
17 just to run six days -- six races in a given day, is that an
18 option?

19 MR. LIEBAU: It becomes totally uneconomical for
20 the track.

21 CHAIRPERSON HARRIS: Because you've got so many
22 fixed costs and --

23 MR. LIEBAU: I've got so many fixed costs and I've
24 got manning clauses, you know, and things of that nature.

25 I think, you know, when we got cut back to eight,

1 that's probably the point of no return.

2 CHAIRPERSON HARRIS: I think we need to hear from
3 the other parties --

4 MR. LIEBAU: Oh, certainly.

5 CHAIRPERSON HARRIS: I mean, I think we'll
6 stipulate that you'd like four days -- or you'd probably
7 like two days.

8 MR. LIEBAU: No. No, John.

9 CHAIRPERSON HARRIS: How about one day? My fear
10 is that we're going to get to a point that we just race
11 about one day a week and it all -- the Duke of Dubais is the
12 only one running horses here.

13 MR. LIEBAU: Well, the Duke of Dubais will have to
14 own the tracks if we only race one day a week. So I mean,
15 that's real simple.

16 VICE CHAIRPERSON ISRAEL: Don't test him.

17 MR. LIEBAU: Okay. But that's where we are. If
18 the tracks are going to survive, whether they're for-profit
19 or not-for-profit, they're going to have to run five days a
20 week or it just doesn't make any sense.

21 CHAIRPERSON HARRIS: Well, that's my concern is
22 that you --

23 MR. LIEBAU: But I mean, so I wouldn't have that
24 concern because it can't happen.

25 CHAIRPERSON HARRIS: Well, but my concern is that

1 if you don't race five days a week, the profitability of the
2 track might not really sustain -- I mean, it's sort of a
3 self-fulfilling prophecy, we can't make it on four days so
4 we're going to have to close down, but we can't race five
5 days, and it's just there's no outcome.

6 MR. PANZA: I think that moving down the road, I
7 mean, unless the economy gets even worse, at some point
8 we're going to be able to run five days a week.

9 But it has to be come collectively, with all the
10 tracks getting together and putting some thought process
11 behind Del Mar giving up six days, maybe Oak Tree's giving
12 up a few days, maybe the Santa Anita winter meet is giving
13 up a few days, and Hollywood is giving up a few days.

14 We got caught off guard with this.

15 CHAIRPERSON HARRIS: I'd say you got caught off
16 guard with one thing, where Santa Anita closes on a Sunday
17 and you open back on a Wednesday, where you could have
18 opened back on a Friday, I mean, wouldn't that have been
19 well-advised?

20 MR. PANZA: Two days -- in hindsight, yes. I
21 mean, if we'd given up a couple of Wednesdays to start our
22 meet, it probably would have helped the situation.

23 If Santa Anita had given up a couple of Wednesdays
24 at the end of their meet, it probably would have helped the
25 situation.

1 We're into whole new territory now and it needs to
2 be discussed.

3 CHAIRPERSON HARRIS: Yeah.

4 MR. LIEBAU: Hindsight's 20/20. I mean, there are
5 a lot of things that we would have done had we known what
6 was going to happen, not just in the racing world, but in
7 other situations.

8 VICE CHAIRPERSON ISRAEL: Not for Dick Cheney.

9 (Laughter.)

10 MR. LIEBAU: No.

11 COMMISSIONER CHOPER: I want to take another shot
12 at the question that Commissioner Israel asked. How many
13 times -- how many weeks have you been, now, on a four-day
14 schedule; four, five?

15 MR. PANZA: Four. This is the -- I think this is
16 the third week.

17 MR. LIEBAU: Third week.

18 MR. PANZA: We're going into our third week.

19 VICE CHAIRPERSON ISRAEL: Yeah, we authorized four
20 weeks and next week's the fourth week.

21 COMMISSIONER CHOPER: I see. So one week had
22 the -- one week was the Derby and one week was the Preakness
23 that you --

24 VICE CHAIRPERSON ISRAEL: No, the Derby was a
25 five-day week, right?

1 MR. LIEBAU: Five-day.

2 VICE CHAIRPERSON ISRAEL: Yeah, the Derby was a
3 five-day.

4 COMMISSIONER CHOPER: All right. So if you throw
5 out the Preakness --

6 MR. LIEBAU: Preakness was a five-day week.

7 MR. PANZA: We started this after May 17th, so the
8 week after the Preakness.

9 COMMISSIONER CHOPER: Okay. So what I don't
10 understand is why can't you give us the total handle for the
11 last week you ran five, without the Derby or the Preakness,
12 the week in between, right, and the couple of weekly handles
13 for the weeks you ran four days?

14 MR. LIEBAU: We'll have that. We'll get you that
15 by the end of the meeting, because I'm sure Bernie Thurman,
16 in the back, is getting that for you instantaneously.

17 COMMISSIONER CHOPER: Because that is -- I mean,
18 of course you didn't drop off 20 percent, you're dropping
19 off your worst day, your slowest day.

20 MR. LIEBAU: Right.

21 COMMISSIONER CHOPER: But if it's true that your
22 handle is about the same, right, for four days as it is for
23 five days --

24 MR. LIEBAU: I don't think that's true.

25 MR. PANZA: No, it's about eight percent better.

1 Anytime that --

2 CHAIRPERSON HARRIS: No, you're talking about per
3 day, but the handle per week is clearly off.

4 VICE CHAIRPERSON ISRAEL: The total number of
5 dollars handled.

6 COMMISSIONER CHOPER: The total of four as
7 compared to five, times the daily handle.

8 MR. PANZA: Any time you can add pools, you start
9 to handle more money.

10 VICE CHAIRPERSON ISRAEL: I mean, if you're
11 handling 50 million a week, on an ordinary week at five
12 days, and you're handling 48 million a week on four days,
13 obviously, you're better off running four days.

14 MR. LIEBAU: We will certainly get those numbers.

15 COMMISSIONER CHOPER: I mean, you want to know
16 these numbers, too.

17 MR. LIEBAU: I do when I look at them.

18 But handle is not really a good measure of what
19 goes on.

20 COMMISSIONER CHOPER: Uh-huh, I see.

21 MR. LIEBAU: Okay. In handle, for instance, if
22 Hollywood sends a signal to the New York OTB, we're probably
23 getting a one and a half percent at the most, and probably
24 less than that to go --

25 CHAIRPERSON HARRIS: Yeah, it seems like it's

1 really net to purse --

2 COMMISSIONER CHOPER: Uh-huh, I see.

3 CHAIRPERSON HARRIS: A minute ago you were arguing
4 that was a good idea, though, because you needed the big
5 field sizes because the OTB liked them.

6 MR. LIEBAU: Well, everybody likes them, John,
7 whether they're in California or not. I mean, I just tell
8 you, you look at the numbers --

9 CHAIRPERSON HARRIS: Yeah, they like big fields.

10 MR. LIEBAU: -- and with field size, things go up.
11 As an owner, you and I would rather be in five-horse fields,
12 let's be honest, okay, without question.

13 CHAIRPERSON HARRIS: Yeah, with a couple
14 scratches.

15 VICE CHAIRPERSON ISRAEL: Well, let me just say,
16 I'm not an owner and looking at a tote board where your
17 long-shot's six to one isn't very inviting.

18 MR. LIEBAU: Yeah.

19 VICE CHAIRPERSON ISRAEL: And that's what has
20 happened to them.

21 MR. LIEBAU: That's what has happened. Or I was
22 at Arlington on Sunday and they had, I think, eight horses
23 with -- eight races with less than seven horses in them, and
24 the favorite was on the lead and winning every race at three
25 to five or four to five.

1 CHAIRPERSON HARRIS: Yeah.

2 COMMISSIONER CHOPER: Well, I think you've
3 explained to my -- I mean, I understand it now, that you're
4 just saying there aren't enough owners replenishing their
5 stock.

6 CHAIRPERSON HARRIS: Well, somebody's got a bunch
7 of horses back here. I mean, the parking lot was full this
8 morning when I came in. That I don't know --

9 MR. PANZA: Well, understand, we --

10 CHAIRPERSON HARRIS: We need to have some
11 systematic way to really know what our inventory is. Some
12 mom and pop grocery store in Fresno has got a better
13 inventory than racing does.

14 MR. LIEBAU: No. I think, John, I know you've
15 always been critical of that. And, you know, I, over my 19
16 years in this business have worked with several different
17 racing secretaries, and I have to give the racing
18 secretaries more credit than I think you would. I do think
19 that they know what horses they got and what horses will
20 fill races.

21 And I mean, Martin just went over and, you know,
22 non-winners at one, non-winners of two, non-winners of three
23 and, yeah, we can build 25,000 maiden claimings going long,
24 or short, or whatever. I mean, the racing secretaries know
25 what they're doing, they may -- they've got InCompass,

1 they've got -- you know, they're on the phones every day
2 trying to get this.

3 When I call at two o'clock and Martin hasn't yet
4 filled and we aren't drawing until, you know, hopefully at
5 four o'clock we'll draw, you know, it's not a pretty
6 picture.

7 CHAIRPERSON HARRIS: Okay, let's hear from some
8 more of the troops.

9 MR. HALL: Lee Hall, Vice President of 1877. I
10 represent the members of the valets in the north, the
11 receiving barns in the north. I represent the security
12 guards in the north.

13 I represent the valets in the south.

14 CHAIRPERSON HARRIS: These are valet parkers?

15 MR. HALL: No, the valets that wait on -- that
16 represent --

17 CHAIRPERSON HARRIS: Oh, the jockey valets.

18 MR. HALL: The jockey valets. That's right,
19 that's right, the jockey valets. Okay, you threw me off.
20 The valets that represent the jockeys in the south, I
21 represent them, also.

22 I also represent all the janitors in the south. I
23 also represent all the ushers in the south.

24 We've anticipated on a four-day racing meet is go,
25 when we negotiated our contract. In doing so, if they was

1 going to go to a four-day racing, we haven't been able to
2 get anyone from the racetracks to sit down with us to say
3 we're going into a four -- we would like to go into a four-
4 day racing, but we're not going to give you -- they haven't
5 said that they wasn't going to give us anything, but the
6 contract said that we're supposed to go into a ten-hour day.

7 With this ten-hour day, this would protect our
8 members as far as their health and welfare, their pension,
9 and we need these things. We are suffering, just like
10 they're suffering. But at the same time, we have been
11 unable -- we have made proposals, but we have been unable to
12 come to any kind of agreement.

13 So what we're asking you, as a Board, to put this
14 off until we can sit down and be able to protect our
15 members. Thank you.

16 VICE CHAIRPERSON ISRAEL: So just so I understand,
17 your contract specified that if racing were reduced from
18 five days to four days, the four days had to be ten-hour
19 days so that your members got a 40-hour workweek and
20 therefore qualified for their pension and welfare
21 contributions?

22 MR. HALL: Yes. The only racetrack that had
23 adopted the four-hour day when this here -- this came into
24 our contract, was Los Alamitos. It seemed to work real fine
25 for them. So I don't see any reason why if they -- if the

1 thoroughbred tracks are having a difficult time, I don't see
2 why there's no reason why they can't adopt the same
3 agreement.

4 VICE CHAIRPERSON ISRAEL: Oh, so it's not written
5 into the contract that's currently in enforced?

6 MR. HALL: It's been enforced only at Los
7 Alamitos, it's in the contract.

8 CHAIRPERSON HARRIS: But wouldn't you file -- I
9 mean, it seems like you need to file a grievance with them
10 or something, or is there -- I'm not sure, is it a thing
11 that's supposed to happen automatically or you renegotiate,
12 or how does it actually work?

13 MR. HALL: Well, it's not supposed to happen
14 automatically, because based on the fact we did have a
15 meeting with Mr. Walker, and we did discuss it, and he said
16 to give him a proposal and he would present it to his
17 people.

18 But if you grant these here four-day weeks, well,
19 I don't feel like we're going to have any kind of
20 conversation with them at all. And if we don't have this
21 conversation with them before you grant these weeks, well
22 then my members are going to suffer deeply, as they have
23 suffered before.

24 COMMISSIONER CHOPER: I don't understand, you have
25 a contract with the track that says that they -- your

1 contract provides that if you go -- if they go to a four-day
2 week, the members that you represent still get 40 hours,
3 they get 10-hour days over the four days and they get 40
4 hours worth of pay?

5 MR. HALL: Yes.

6 COMMISSIONER CHOPER: So I don't understand --

7 MR. HALL: Well, wait, let me finish and I'll
8 explain it to you why, it's not coming out like I'm putting
9 it out at you.

10 The reason why, they did not adopt the 40-hour-day
11 week, the thoroughbred people.

12 COMMISSIONER CHOPER: You mean they didn't sign
13 the contract?

14 MR. HALL: Yes, they all signed the contract, they
15 all signed the contract.

16 COMMISSIONER CHOPER: And the contract provided
17 for 40 hours a week, five days or four days?

18 MR. HALL: No.

19 COMMISSIONER CHOPER: No.

20 MR. HALL: No.

21 COMMISSIONER CHOPER: That's why they don't want
22 to pay you for 40 hours then.

23 MR. HALL: No, they have never said they don't
24 want to pay us, because we haven't been able to get them to
25 sit down with us to introduce it to them.

1 VICE CHAIRPERSON ISRAEL: Well, what's happened in
2 the three weeks that they've run four days, what --

3 MR. HALL: Well, this right here was put out to us
4 like this is just an experimental type of thing and we
5 didn't have enough horses to run, so we have to close down
6 that day.

7 VICE CHAIRPERSON ISRAEL: Well, what have the
8 paychecks reflected, the 40-hour workweek or the 32-hour
9 workweek?

10 MR. HALL: In the thoroughbred racing field -- I
11 mean, the thoroughbred racetracks, they only work a 35-hour-
12 a-week day.

13 The quarter horses are the only one who adopted
14 the 10-hour workday.

15 VICE CHAIRPERSON ISRAEL: Okay, so but have your
16 paychecks, even on the four-day week, reflected a 35-hour
17 week, or have they reflected a week that would be 28 hours
18 of work?

19 MR. HALL: They only reflect the 20 hour -- the
20 28.

21 VICE CHAIRPERSON ISRAEL: The 28 hours.

22 CHAIRPERSON HARRIS: Yeah, I'm not clear on
23 basically the computation of the wages. Are these people
24 you represent on a shift basis, where they get so much a day
25 and that implies they're going to work so many hours, or are

1 they just on an hourly rate and have an expectation of
2 getting so many hours?

3 MR. HALL: They're paid -- they're paid by the
4 day.

5 CHAIRPERSON HARRIS: It's a day and then there's
6 so many hours they're supposed to work.

7 MR. HALL: Right.

8 CHAIRPERSON HARRIS: But it might not be even
9 eight or ten, it's just that's negotiated, also? I mean,
10 how do they know how many hours they're going to be working
11 in a day?

12 MR. HALL: Well, what specifies a workday is seven
13 hours, with a paid lunch. Okay, at Del Mar -- let me just
14 explain this to you. At Del Mar, Los Alamitos, Los Alamitos
15 County Fair they always worked -- they always ran six days a
16 week. So even though our contract has a lot of things in it
17 that give them a lot of leeway, they didn't have to pay time
18 and a half for those days due to the contract.

19 Now that there are so many lawsuits have been made
20 by the State saying that you've got to pay this money, you
21 got to pay overtime if you want it or not, okay. So now all
22 of a sudden it's appeared that five days is more better -- I
23 mean, much better to present to the people, now, because the
24 horses are -- all these horses have disappeared all of a
25 sudden.

1 So I'm saying like this here, they were here last
2 year and we ran just like we're running it now. They was
3 here the year before then and we ran just like we here now.
4 All of a sudden all of the horses done disappeared and a
5 whole lot of things has changed.

6 Tracks have been forced to put special tracks in
7 and I know they lost a lot of money at it but yet, and
8 still, it was not due to labor. Labor went along with what
9 the managers put before us.

10 All I'm asking you is to give us an even playing
11 field so that we can sit down with labor and get a decent
12 agreement that will protect our members, far as their health
13 and welfare, and make a decent living wage for their people.

14 CHAIRPERSON HARRIS: All right, thank you.

15 We've got some other people to comment and we can
16 maybe finish up with some of the others.

17 MR. HALL: Okay.

18 CHAIRPERSON HARRIS: I know the Pari-Mutuel
19 Employees Guild has some strong feelings on this. Mr.
20 Castro, would you like to comment?

21 MR. CASTRO: I don't have a card in, but I believe
22 Doug Kempt does.

23 CHAIRPERSON HARRIS: Somebody has one in, Doug
24 or --

25 MR. HALL: Thank you.

1 CHAIRPERSON HARRIS: Yeah, here's Doug.

2 MR. CASTRO: While he's coming to the microphone,
3 five-day-a-week, five-day-a-week. Come on Lee, what's wrong
4 with you.

5 CHAIRPERSON HARRIS: I think you've been on a
6 vitamin plan or something.

7 (Laughter.)

8 MR. KEMPT: Good morning, I think it's still
9 morning. My name is Doug Kempt, I'm with the Pari-Mutuel
10 Employees Guild, Local 280. Thank you, Mr. Harris, for
11 letting me speak today.

12 As Mr. Liebau presented to you, obviously there's
13 concerns from organizations, such as the one I represent. I
14 don't represent every worker in this State or every
15 periphery job category in this State, but I will say
16 everybody's hurting.

17 And we understand that this industry is in peril,
18 we understand that. We would always, when we meet with
19 management, we always want to be part of the solution and
20 not the problem.

21 But I will like to read into the record a letter
22 that I sent to Mr. Breed, and he invited me to read it
23 today, to you. This is regards -- this is directed to Mr.
24 Breed and is in regard to the financial loss due to four-day
25 racing at Hollywood Park. And this is not just at Hollywood

1 Park, itself, but all the satellites. And now that Golden
2 Gate Fields has aligned their racing days and the fairs have
3 aligned their racing days with Hollywood Park, this is
4 actually an effect that will take place for the entire
5 State, as I see it.

6 "Dear Kirk, I have a very simple
7 estimate of the financial effect of the
8 four-day race week during the current
9 Hollywood Park meet. These numbers are
10 difficult to gauge exactly because of so
11 many payrolls and job classifications
12 that are involved; however, we believe
13 these numbers are a very close estimate.
14 Local 280 members hold a variety of full
15 time jobs in this industry, throughout
16 the entire State, including, but not
17 limited to mutuel clerks, special
18 terminal operators, money room
19 personnel, managers, assistant managers,
20 self-service attendants, information
21 windows, office staff, et cetera.
22 Approximately 400 members of our Guild
23 fill the above positions on a regular
24 basis. The rough average lost wage" --
25 And this is a rough number, but I think it's

1 pretty accurate --

2 "-- of lost wages and benefits are around \$200 a
3 day. By simple math, that equates to about
4 \$80,000 of lost wages and benefits per workday
5 lost. For the nine lost racing days that would
6 total about \$720,000 in lost wages and benefits to
7 Local 280 members for the current Hollywood Park
8 meet, if this four-day-a-week racing is approved."

9 I'll be happy to answer questions that anybody may
10 have.

11 COMMISSIONER CHOPER: Could you tell me what your
12 contract provides under circumstances of this kind, where
13 they reduce from a five-day week to a four-day week?

14 MR. KEMPT: I would like to say that, you know,
15 the contract does address this issue, but it leaves certain
16 things to the decision of a manpower arbitrator, that it's
17 not exactly clear how this effect would be spelled out.
18 Basically, the agreement says that we are to meet and
19 discuss the effect of the lost wages, and we've started
20 those discussions.

21 COMMISSIONER CHOPER: You have.

22 MR. KEMPT: But we have reached an impasse,
23 Commissioner, and we have asked for a manpower arbitrator to
24 step in.

25 COMMISSIONER CHOPER: Yes.

1 MR. KEMPT: I don't know when or if that's going
2 to happen. Hopefully, we can resolve it with the people at
3 Hollywood Park and the Federation of California before we
4 have to go to arbitration, but we're willing to do that.

5 And so we're going to play by the contract. We
6 always have. And on their side, on management's side, we
7 believe that they have tried to do that as well.

8 So we are at an impasse. How it's going to be
9 resolved, I don't know.

10 COMMISSIONER CHOPER: You're asking for the same
11 number of hours that you had before? That's what I
12 understood, the gentleman who spoke first --

13 MR. HALL: No, we're -- we're asking for a ten-
14 hour workday.

15 COMMISSIONER CHOPER: Yes, a ten-hour workday.

16 MR. HALL: Yes.

17 COMMISSIONER CHOPER: I understand. Well, that
18 would be the same for four days as it was for five days,
19 total number of hours; is that right?

20 VICE CHAIRPERSON ISRAEL: More.

21 MR. HALL: Actually, it would be more.

22 COMMISSIONER CHOPER: Forty to 35?

23 MR. HALL: Yes.

24 CHAIRPERSON HARRIS: You have overtime, is that
25 considered overtime or how does that work?

1 MR. HALL: No, there's no overtime involved in
2 that.

3 COMMISSIONER CHOPER: No overtime, okay.

4 So I guess, Mr. Kempt, can I just ask one more
5 question, I'm sorry.

6 MR. KEMPT: Yes, sir. Let me -- can I just
7 answer --

8 COMMISSIONER CHOPER: So you're just reporting to
9 us?

10 MR. KEMPT: Well, no, I'd like to answer your
11 question.

12 COMMISSIONER CHOPER: Go ahead.

13 MR. KEMPT: We're not asking for more hours per
14 day or anything like that. We're basically asking that the
15 jobs that were utilized last year on corresponding days that
16 are going to be remaining fall within the contract and the
17 manning clause that we have originally agreed upon. And
18 there is a difference of opinion on how that number should
19 be met.

20 COMMISSIONER CHOPER: And there's a provision for
21 arbitration that --

22 MR. KEMPT: Yes, sir. Yes, sir.

23 COMMISSIONER CHOPER: So I guess what I'm
24 wondering is --

25 MR. KEMPT: Go ahead.

1 COMMISSIONER CHOPER: You're telling us what's
2 going on.

3 MR. KEMPT: I'm telling you what's going on, but I
4 am asking the Board to --

5 COMMISSIONER CHOPER: Yes, what is that?

6 MR. KEMPT: I am asking the Board to please have
7 Hollywood Park race five days a week as much as they can.

8 COMMISSIONER CHOPER: I see.

9 MR. KEMPT: This arbitration goes away, everything
10 else would go away as far as the problems throughout the
11 entire State.

12 There's still going to be lost wages for the days
13 we've already lost and maybe we can work something out with
14 that.

15 But, no, let me make it clear, our members want
16 five-day-a-week racing and there is no question about that.
17 I've got many people that have been calling me, what's going
18 on, I'm going to lose my house and I'm not going to be able
19 to make my car payment, you know, I can't feed my family.

20 We entered into this race meet as a 65-day meet,
21 13 weeks, five days a week, and we assumed that people who
22 worked full time were going to get that wage and benefit as
23 our contract provides.

24 And in the middle of the meet we lost three days
25 overnight. I don't know why we weren't included in those

1 talks, but we weren't. We were informed about it after it
2 was over and were left to deal with that.

3 And now you're asking -- or Hollywood Park is
4 asking to continue that and we're asking that you go back to
5 the five days and let's see if we can do the best we can.

6 We understand that there's a horse problem. We
7 understand that there's issue out there but, you know, this
8 is just kind of being forced on it and it's a definite
9 hardship. We're going to lose members faster than you're
10 losing horses, if we can't find full time work for our
11 members.

12 COMMISSIONER ANDREINI: Let me ask you this
13 question, the pension plan and actually the health plan that
14 you have in place are yours; aren't they?

15 MR. KEMPT: The pension plan is ours, what do you
16 mean by that?

17 COMMISSIONER ANDREINI: Well, it's your union --
18 it's your union pension plan.

19 MR. KEMPT: We're part of a national pension fund.

20 COMMISSIONER ANDREINI: Yeah, I understand, it's
21 your plan. So why couldn't, if we were going to go to four
22 days, why couldn't you adjust your plan to accommodate your
23 own members and make the number of hours they had to work
24 coincide with -- well, why couldn't you do that?

25 MR. KEMPT: I really don't know what you're

1 asking, sir. Maybe Mr. Castro can answer that question
2 better than me.

3 VICE CHAIRPERSON ISRAEL: I think I understand.
4 What he's asking is there's a minimum number of hours per
5 week to qualify for pension and health benefit donations --
6 or contributions, I would imagine, and you're going to fall
7 below that minimum if you don't work the five days, isn't
8 that what you're asking?

9 MR. CASTRO: No, he's asking -- I'll answer. My
10 name is Richard Castro, I represent Local 280 members.

11 In regards to your question regarding the pension
12 plan, the employer pays X number of dollars into the pension
13 plan, that's by contract.

14 We're not the trustees of that plan. There's
15 another group of trustees and we've already asked if we
16 could reduce some of that, and they're not going to let us
17 out of it because of the length of the contract.

18 Once the contract is renegotiated, those things
19 can be changed then.

20 The money goes from the employer, they make very
21 generous contributions, I appreciate those contributions,
22 they go to the national industry pension plan, SEIU, and we
23 don't have access to that money.

24 COMMISSIONER ANDREINI: Well, I didn't intimate
25 that you had access to the money but --

1 MR. CASTRO: Well, we can't reduce it. We can't
2 tell them this week we're going to only contribute \$10
3 instead of 20, we can't reduce it and give the money to our
4 members.

5 COMMISSIONER ANDREINI: Okay.

6 MR. CASTRO: We can't make that change, that's
7 already been asked.

8 CHAIRPERSON HARRIS: Go ahead, Jack wanted to
9 comment.

10 MR. LIEBAU: I just wanted to say that we met last
11 week with the representatives of Local 280. I thought it
12 was a very good meeting. We have a meeting scheduled for
13 Thursday of this week, and I assume that there will be --
14 some decisions will be made at that meeting.

15 At the meeting last week, the Local 280
16 representatives raised the issue about eligibility for
17 medical benefits and that because of the racing less days
18 that they would be put as a disadvantage as far as
19 qualifying is concerned. Realizing that in negotiations
20 there's a package, but I think the tracks, and this was a
21 meeting at which all the tracks were present, it was
22 indicated that there would probably be an accommodation made
23 that in fact was what the union had suggested with respect
24 to the medical benefits.

25 So, you know, we've done that. And just so it's

1 clear, that's a process going on. I think that --

2 COMMISSIONER CHOPER: The process is to reach
3 some -- some ground -- some ground between --

4 MR. LIEBAU: Yeah, we've always -- we've always
5 done that. And I think with respect to the qualification of
6 the medical benefits, that's not going to be a problem.
7 And, you know, I just want the Board to know that there are
8 discussions going on and the Board, in the past, has never
9 gotten involved in labor/management disputes.

10 CHAIRPERSON HARRIS: No, I don't think we want to
11 do that. But we, you know, are concerned about them.

12 But we need to go on, though, because we've got a
13 lot of -- basically, both unions are opposed to four-day
14 weeks because you feel that -- yeah, four-day weeks versus
15 five-day weeks, because of the impact on your employment
16 base, which you don't think is well enough mitigated by the
17 contract.

18 MR. WYATT: If I could, Equal Wyatt, Hollywood
19 Park. I'd like to point out that, first of all, Mr. Liebau,
20 myself, and anybody at Hollywood Park that had anything to
21 do with this request before the Board feels very badly about
22 the people who are going to take a pay cut.

23 This is not something that we take lightly, it's
24 not something that we didn't consider, it made this decision
25 very difficult.

1 We'd like to point out, for the last four
2 Wednesdays we will be open for simulcasting for the fairs
3 for Northern California and there will be employees working
4 on those Wednesdays. Not as many as there would be on a
5 live race date, but there will be employees working.

6 COMMISSIONER CHOPER: And I understood Mr. Liebau
7 to say that you're also engaged in discussions with both
8 unions; am I right about that?

9 MR. WYATT: We are engaged in discussions with --

10 COMMISSIONER CHOPER: The gentleman there is
11 shaking his head. Are you trying to participate in these
12 discussions?

13 MR. HALL: I made every effort that I could.

14 MR. WYATT: I don't want to refute what he says,
15 but we are in discussions with the 280, we have a meeting
16 scheduled for the 11th. We have not been approached by
17 1877.

18 COMMISSIONER CHOPER: Okay.

19 CHAIRPERSON HARRIS: And how many total unions do
20 you currently have contracts with?

21 MR. WYATT: Oh, large unions probably three, the
22 Teamsters 1877, 280, and then there's trade unions and
23 others, but those are our three largest.

24 CHAIRPERSON HARRIS: And the Teamsters represent -
25 - who all do they represent?

1 MR. WYATT: The Teamsters represent the racing
2 officials, they represent the parking lot, they represent
3 security, they obviously represent truck drivers.

4 CHAIRPERSON HARRIS: Yeah, is it --

5 MR. WALKER: Ken Walker, Director of Labor
6 Relations for the racing industry and the Federation of
7 California Racing Associations.

8 The Teamsters in the south have contracts covering
9 the parking lot, the security guards, racing officials,
10 assistant starters, the clockers and outriders. I think
11 that's the list.

12 In the north they have a contract that covers
13 clockers, outriders, and parking, and public events.

14 CHAIRPERSON HARRIS: Well, I'm not -- is there
15 someone from the Teamsters here, have they taken a position
16 on this issue?

17 MR. WALKER: I've had some preliminary
18 conversations with the Teamsters and they've asked that we
19 take a look at the health and welfare qualifier, reducing
20 that. I have indicated that we're willing to do that. As I
21 have with Local 280.

22 And as recently as this past Monday I met with
23 Mike Nava, the business rep from Local 1877 and Mr. Hall, in
24 my office in Pomona, over open grievances, and the
25 discussion did come up regarding the reduction in days, and

1 I asked Mr. Nava to send me a letter requesting that we
2 discuss it.

3 Both the Teamster contracts in the south and the
4 1877 contracts throughout the State are expiring in July,
5 and we certainly have the opportunity to discuss those items
6 during the negotiations.

7 COMMISSIONER CHOPER: But in the meantime you're
8 meeting with the idea of seeking in some way to share the
9 burden of the loss here, and so that it doesn't all fall on
10 the workers. Is that a -- I don't want to put words in your
11 mouth, but I'd like to know if what I said to both of you is
12 basically accurate.

13 MR. WALKER: I think that the industry is willing
14 to entertain anything that the unions have to say and take a
15 hard look at their request.

16 Now, whether we ultimately agree on all items, I
17 don't know.

18 COMMISSIONER CHOPER: No, no, I understand that.

19 MR. WALKER: One thing I would like to clear up,
20 Mr. Kempt made a comment about being at an impasse on
21 staffing. We're not at impasse, that I'm aware of. Mr.
22 Kempt submitted a grievance, I believe it was yesterday,
23 there's been no meeting on that grievance as of yet. And
24 again, we're certainly willing to discuss those issues. So
25 we are not at impasse.

1 MR. CASTRO: I take exception to what Mr. Walker
2 is saying. Maybe he didn't hear it at the table, but when
3 we were discussing this issue we said that we would file a
4 grievance and we would seek an immediate arbitration on this
5 issue.

6 And I'm Richard Castro for the record, I'm sorry.

7 MR. WALKER: Well, this is not the forum to debate
8 that issue.

9 CHAIRPERSON HARRIS: My only concern is that all
10 of the parties were aware of the debate and have ample
11 access to present their viewpoints.

12 Barry Broad, I think, represents the Teamsters and
13 he is not really a shrinking violet, but I'm not sure why
14 he's not here.

15 MR. WALKER: Well, nor are the Teamster reps. And
16 again, I have a very good -- I worked for the Teamsters
17 Union for 18 years before I took this job, so I have a very
18 good relationship with the Teamsters, both north and south,
19 and we will work through issues.

20 CHAIRPERSON HARRIS: Yeah.

21 MR. WALKER: One point -- other point of
22 clarification, Mr. Hall, in his comments, was talking about
23 a ten-hour day, four days a week, and I just want to make
24 sure everybody understands currently the staff works five
25 sevens, equaling 35 hours of pay per week. And I don't know

1 where the extra five is to come from so --

2 MR. HALL: To comment on what he just said, I
3 stated that the ten-hour day was at Los Alamitos. It's not
4 on the thoroughbred tracks. The thoroughbred tracks did not
5 adopt this at all. They were satisfied at running five days
6 a week, 35 hours a week, and we had no problems with it.
7 But as of now, I've met with Mr. Walker and have asked him
8 several times can we sit down and talk on the ten-hour day
9 to be able to adjust the problem that we're going to have
10 with our health and welfare.

11 CHAIRPERSON HARRIS: Okay, thank you, Mr. Hall.

12 Chris Korby has a card in and we need to hear from
13 the fairs on this.

14 MR. KORBY: Thank you, Mr. Chairman, Chris Korby,
15 California Authority of Racing Fairs.

16 Having been an observer of the racing industry and
17 a participant in it for some time, I can believe the genuine
18 truthfulness of what Mr. Wyatt and Mr. Liebau have said.
19 They wouldn't have come to this point if they weren't
20 obliged to by circumstances outside their control.

21 That said, however, the timing could not be worse
22 for the fairs in Northern California. And this is a good
23 demonstration of the matrix of interlocking interests and
24 reliance that all the parties in California have on the
25 calendar.

1 And I don't know that it's fair or that any of us
2 could even expect that the Horse Racing Board, or anyone
3 else, could just create sufficient runners to fill five days
4 a week at Hollywood Park, that's not realistic.

5 I think those of us, who are operators, know what
6 Hollywood Park is facing. That doesn't make it any easier
7 for us in the north. And if we lose those Wednesdays, it
8 would affect four Wednesdays during that time that the fairs
9 are running, I know we're going to be hurt.

10 I asked some of our people to prepare some
11 projections based on experience we've had in the past with
12 running solo on specific racing days, where we in the north
13 are running and they're not running in the south, and the
14 information is all over the map, because it just hasn't
15 happened that many times.

16 I don't have an answer for this, but I think given
17 the circumstances and the economy at large, and the
18 direction that racing is going, maybe we need to come up
19 with some different ways of looking at this.

20 We need to look at different ways of structuring
21 the calendar. Perhaps we need to expect that the calendar
22 in the future might look a little bit more like a
23 checkerboard, with alternating racing in the north and in
24 the south, and that maybe we revise statute so that there's
25 some way to have money flow across the north/south boundary

1 in a way that has not happened before.

2 I'd like to propose that that might be part of a
3 solution for our concerns in this case, but I'm not sure
4 that we could work that out in the time that we've got
5 between when the fairs begin their Wednesday racing and this
6 day, today.

7 So it's a sad circumstance and we're going to be
8 hurt by it. We can't do anything to force Hollywood Park to
9 run, we wouldn't presume to do so.

10 But we think that our industry and the Board,
11 collectively, need to look at these kinds of situations and
12 see what we can do to prevent them in the future.

13 I do want to mention one other thing that's
14 related to this, but not that -- I'm going to put on a
15 different hat, now, representing those fairs that conduct
16 simulcast wagering in Southern California.

17 I just heard that the Southern California track
18 will expect that the offtrack network will be open on
19 Wednesdays, even if they're not running.

20 We talked earlier, during the Magna bankruptcy
21 issue, about the hardships that some of those satellites are
22 facing. When the host track in the region is not open for
23 racing, the satellites don't do nearly the same level of
24 business.

25 Those satellites are going to be badly impacted by

1 this as well.

2 I think there is financial arrangements that can
3 be worked out there. I don't know what it is at this point,
4 but I'd like to leave that as an open possibility. Thank
5 you.

6 CHAIRPERSON HARRIS: Okay, Cliff?

7 MR. GOODRICH: Mr. Chairman, Cliff Goodrich,
8 representing Fairplex.

9 I'm up here because probably next month or the
10 month thereafter Fairplex will have its license application
11 before the Board. As has been testified, we're going
12 through the same pains. Fairplex only has 16 days, we had
13 19 at one time. We'll be coming to this Board with a
14 reduction in days and a reduction in races.

15 Do we want to do that? No.

16 I think Richard, wherever Richard is, and Lee, you
17 guys have known me for a long time, there's not a doubt in
18 my mind and shouldn't be in anybody else's mind that
19 Hollywood would love to race five days a week and make lots
20 of money. And that would be good for the unions, it would
21 be good for the horsemen. I'm sure the horsemen would
22 rather have them race five days a week.

23 But we are in desperate straits right now, and to
24 me, with deference to the union, because I think we've had a
25 good relationship with them and they're feeling the pain,

1 just like all of us are.

2 But Jim and I were having breakfast this morning
3 and this just isn't indigestion. This isn't an industry
4 that's having indigestion, we're on the brink of a massive
5 coronary. And we're going to either save this industry
6 together or we're going to go down together, but we have got
7 to put a product on the racetrack that we're proud of and
8 that people will bet on.

9 And, unfortunately, that calls for a four-day week
10 at this time.

11 Fairplex is looking at CARF meet at Golden Gate
12 Fields that will run four days a week. That doesn't make us
13 happy, it will impact the Fairplex meet, but there's not
14 much we can do about it.

15 This is a difficult decision, but it's one in the
16 interest that the best product we can put on the racetrack
17 has to come first and we need to continue to work with the
18 unions, and work with the horsemen to better this industry.

19 But we are on a collision course with disaster if
20 we don't all work together.

21 I'm not saying we aren't working together. I
22 certainly don't have all the answers. But we need to dig in
23 and keep pursuing them. But diluting the product we put on
24 the track is not it.

25 I totally endorse Hollywood's efforts, as does

1 Fairplex. I feel badly about the unions. I hope Hollywood
2 did take them into consideration. And, hopefully, as things
3 get better, it will get better for all of us. Not just the
4 tracks, but the horsemen, the unions, and everyone else in
5 this industry.

6 So I urge this Board to reluctantly adopt this in
7 the best interests of the game. Thank you.

8 CHAIRPERSON HARRIS: Okay.

9 MR. FRAVEL: Mr. Chairman, Craig Fravel, Del Mar.
10 I want to also state our support for Hollywood Park's
11 position. I think as a business proposition we all have to
12 recognize that it's far better to plan for negative things
13 than it is to just be presented with them and not have any
14 options.

15 And I commend Hollywood Park for taking what is a
16 difficult decision. We went through the same analysis,
17 which we've all be through before and, you know, we saw it
18 coming thanks in large part, candidly, to warnings by Martin
19 Panza that this was what was happening. And we thought it
20 better to give everyone plenty of notice to make sure that
21 people knew what days we would be running.

22 Because when you do end up canceling a day the
23 disruptions are dramatic. You end up having races in your
24 condition book put over into other days, horsemen pointing
25 for a particular day are compromised in their preparations,

1 there are a lot of issues that are created.

2 And I think it's a lot better to plan for this
3 than it is to just let it happen to you. Whenever you
4 happen to miss a day, you happen to miss one is not an
5 appropriate way of going. I think an orderly retreat is
6 certainly superior to a disorderly one and that's kind of
7 what we're dealing with here.

8 So we support Hollywood Park in its entirety on
9 this subject.

10 CHAIRPERSON HARRIS: I think one issue though is
11 we approved Hollywood Park's license application in March
12 and that was for the five-day week. I just don't understand
13 what has happened since March that has created this whole
14 horrendous different situation.

15 I mean, the economy has probably, if anything,
16 maybe gotten better since March. So I just don't quite
17 understand the dynamics of what's different now than March
18 and why, if this was a problem and they've got all this
19 vision that Craig's talking about, why wasn't that brought
20 up in March.

21 Is John --

22 MR. BUCALO: John Bucalo, from Barona Casino, off-
23 track betting.

24 I just wanted to put this up for thought, why not
25 have cheaper claiming races. Keep the quality of horse

1 races that we do currently carry and have four, five
2 thousand dollar claiming races.

3 I galloped horses in Southern California in the
4 sixties, seventies and eighties, and I can't tell you how
5 many owners who raised their horses in their backyard, had
6 one or two horses, or a one-acre or two-acre farms, and bred
7 their own horses and brought them to the track. And
8 practically every trainer on the backside has had some of
9 these owners.

10 They can no longer afford to go to the sales and
11 buy these horses for 60,000, 80,000, millions of dollars
12 that they're selling for. It's practically taken these type
13 of horsemen out of the business.

14 And if we lower the claiming price to 4,000 or
15 5,000, I think there will be more horses on the grounds.
16 And in addition to that, you'll be giving our racing guests
17 what they're looking for, which is action. They want to bet
18 on horses, they want to play horses.

19 And they're not the only ones, I mean the horsemen
20 and the racetracks aren't the only ones involved in this,
21 our racing guests are looking for horses to play on. And
22 that's exemplified in when we carry simulcast racing,
23 they'll get races from Penn National, with horses running
24 for cheap claiming races, I mean, they're running up to the
25 windows to play them.

1 CHAIRPERSON HARRIS: That's true. I think the
2 problem is in California, though, we have a Northern
3 California circuit that does have that category. And if we
4 run four or five thousand dollar claiming races in the
5 south, it's going to cannibalize their inventory, and
6 they're struggling anyway. And I just don't think that's
7 the solution.

8 MR. BUCALO: Just an idea.

9 MR. PANZA: Yeah, Martin Panza. I agree with you,
10 the Northern California tracks are running the cheaper
11 claiming races. And a bigger problem is where tracks have
12 slot machines, to 5,000 claimers running for a \$30,000
13 purse, and the day money at those tracks is about \$35.

14 In California we don't have slot machines,
15 obviously, our five claimer might be running for an eight or
16 nine thousand dollar purse and the day money is \$85. The
17 economics of running those type of races in this State do
18 not work.

19 CHAIRPERSON HARRIS: Yeah, I don't exactly agree.
20 I mean, the problem is somewhat like that, but the day rates
21 in Northern California are not \$85, and the purses in some
22 of these other tracks for \$5,000 claimers aren't 30,000, I
23 think you're kind of exaggerating the situation.

24 MR. HALPERN: Ed Halpern, California Thoroughbred
25 Trainers.

1 You know, even amongst our trainer population this
2 is somewhat of a contentious situation, but I can tell you
3 that our Board voted wholeheartedly to support Hollywood
4 Park's request here.

5 Our trainers recognize the problem with the horse
6 shortage and the problem with the economy. We only put one
7 condition on that, we asked that Hollywood Park try to run
8 37 races a week, instead of the 35 that they had planned on
9 running, and they have agreed that they will make every
10 attempt to do that. It may mean on occasion that they have
11 to add a five- or six-horse field, but they will attempt to
12 do that.

13 And that is an attempt to help those horsemen at
14 the lower end be presented with enough races to help them
15 make it through this problem.

16 CHAIRPERSON HARRIS: Were the trainers in the
17 north, the CTT trainers in the north also in concurrence?

18 MR. HALPERN: Yeah, we have three trainers on our
19 Board that are from Northern California, so they are
20 represented in this discussion.

21 CHAIRPERSON HARRIS: But did --

22 MR. HALPERN: They were concerned -- the concern
23 that they voiced, Mr. Harris, is that Hollywood Park
24 continue to offer off-site wagering on days that the fairs
25 are running, and I understand Hollywood Park plans on doing

1 that.

2 CHAIRPERSON HARRIS: Well, that won't help the
3 northern purses. I mean, that's good for the south
4 probably, but I don't see how that impacts them. I'm not
5 sure if they're aware of the way it works.

6 I mean, the danger is that the handle in the
7 north, by being the sole signal, could well go down when the
8 fairs are running five and Hollywood's running four, and
9 maybe it's a trade that has to be made, but I just want to
10 make sure that all the parties understand where they're
11 going.

12 VICE CHAIRPERSON ISRAEL: But their off-track
13 handle might go up because it's the last-place racing. And
14 if you're back east and you want to play and get out for the
15 end of the day, you actually may have no choice but to play
16 the fairs.

17 CHAIRPERSON HARRIS: Well, that's for back east.
18 But we're getting such a small percent coming back to
19 California for the east relative to what if the money's bet
20 here. And, unfortunately, people just don't like to go to
21 California satellites if it's only one signal.

22 I mean, for a while it was somewhat debatable
23 because we didn't have that many examples. But right now
24 it's pretty dead at a Northern California or even Southern
25 California satellite with only one signal.

1 MR. HALPERN: You know, Mr. Harris, this probably
2 goes without saying, but we probably all ought to remember
3 that we are in an unbelievably terrible economy, that this
4 is a short-term fix, hopefully, because if it's a long-term
5 fix we're in big problems.

6 But we're talking about the next four or five
7 weeks, we're not talking about the next five years, and we
8 ought to keep it in perspective for just what it is.

9 CHAIRPERSON HARRIS: Yeah, I don't even know if
10 the horse economy's going to turn around.

11 MR. BLONIEN: Mr. Chairman and Members, Rod
12 Blonien on behalf of Los Alamitos.

13 We have struggled in terms of being able to put
14 together our racing cards. I'm here to support the
15 Hollywood Park application for four days. And it is very,
16 very difficult to fill our card and we sympathize and
17 support them. Thank you.

18 CHAIRPERSON HARRIS: Let's see, we've got Mr.
19 Robbins.

20 MR. ROBBINS: Tom Robbins, Racing Secretary at Del
21 Mar.

22 I'm also here to speak in support of Hollywood's
23 request. Just one more racing perspective, over 30 years of
24 being involved in the transitioning from Hollywood Park to
25 Del Mar in the month of July is the worst possible time, as

1 Martin Panza noted earlier, and Mr. Liebau.

2 My fear, of course, is that there were to be a day
3 lost if forced to go to five days, there's no question in my
4 mind, knowing what they've had to go through in good times.

5 And I didn't want to bring this up, but one of the
6 things that -- obviously, we've been talking about the
7 economy and, yes, the stock market's going up. But the
8 evidence that horse owners aren't there replenishing their
9 stock, it's there in the claiming numbers, and the anecdotal
10 evidence from talking to trainers, and there are owners
11 present today, the great expense of keeping these animals
12 going and keeping them on the racetrack, it is very
13 difficult for people right now.

14 And it's not going to get any better in the very
15 near future, so we need to be keenly aware of that.

16 It's well-documented what the California breeding
17 program has done in terms of a reduction in horses that make
18 it onto the racetrack, and we are now finally feeling the
19 impact of that on the racetrack.

20 We started to see this trend last September,
21 October, when the economy was beginning to go south, but we
22 also saw it with the California breds, and so it's a double
23 hit that we're experiencing right now.

24 So my fear is, as I think what Craig was saying
25 earlier, is we're planning, we're accepting this is

1 happening all over the country, if forced to go to five days
2 I'm pretty certain that there's great risk of losing one
3 day. And as Jack said, God forbid that it's a Saturday or
4 Sunday. Thank you.

5 CHAIRPERSON HARRIS: Okay.

6 MR. HALL: I'd like to make a further
7 statement --

8 CHAIRPERSON HARRIS: Before we go back to -- I'd
9 like to hear from all the people here and then we'll come
10 back for retreads on some of the people that have further
11 things to say, because we've got a lot of people here who
12 want to comment on this.

13 MR. HALL: Oh, thank you.

14 CHAIRPERSON HARRIS: If you didn't mind. Mr.
15 Hartman.

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

17 As you've heard, this is not a Hollywood Park
18 issue, per se, it's an issue that affects the entire
19 industry. Northern California is affected, to a large part,
20 obviously, labor, the night industry, and it goes on from
21 there.

22 We have half the number of stalls in the north
23 that they do in the south, and we've raced 175 days in a row
24 with just one cancellation.

25 So I understand they have their unique problems

1 down here, but in the north somehow we find a way to get it
2 done. It's not pretty sometimes. Sometimes it's seven race
3 cards, sometimes it's five-horse fields, but we've figured
4 out a way with half the horse population to get it done.

5 And we want us to race five-day weeks, we want
6 Hollywood Park to race five-day weeks, I think Hollywood
7 Park wants to race five-day weeks.

8 The key thing from our stand point, though, is we
9 need to go in synergy with Hollywood Park. For their own
10 reasons, which I believe and I hear their pain, if they go
11 four days a week, in the north, at least from Golden Gate
12 Field's perspective, we have to go four days a week. We
13 cannot race uncovered, it hurts us financially.

14 To use an analogy Commissioner Moss may be
15 familiar with, it's like an opening act and a headliner.
16 Southern California signal's the headliner. If the
17 headliner cancels, the show doesn't go on.

18 But if the opening act cancels, you can continue
19 the concert. People will come see it, the lighting people
20 still work, everybody still works.

21 So the south can race uncovered without the north,
22 but the north can't afford to race uncovered without the
23 south.

24 And I ask you to please make sure that there's
25 communication on these decisions moving forward.

1 For example, this fall we're only supposed to race
2 four-day weeks during November and December and Hollywood
3 Park is supposed to race five-day weeks. That may not make
4 sense anymore. Whatever happens moving forward we should
5 try to be in synergy as much as possible, and we ask your
6 help to make sure that happens before any of these future
7 cancellations are approved.

8 CHAIRPERSON HARRIS: Yeah, I think that's a good
9 point. Clearly, going forward for next year's racing dates,
10 which we need to start on right away, we need all the
11 coordination, and the realism, and the whole thing together.

12 But what we're talking about right now is the
13 meeting going on at Hollywood Park.

14 Okay, we've got some more comments that haven't
15 commented. Suzanne Marcus Fletcher. Oh, that's a different
16 one, okay.

17 What else do we have here. Is there anybody from
18 TOC?

19 MS. AUERBACH: Yes, on behalf of TOC, Madeline
20 Auerbach, Vice Chair, TOC.

21 I spoke briefly with Commissioner Israel and
22 Commissioner Harris this morning and told them that we were
23 going to take no position as of this morning, until we heard
24 testimony.

25 And I just want to do say in lieu of the testimony

1 and in lieu of the enlightenment from Hollywood Park, TOC
2 goes on record as supporting their request for four days a
3 week. Thank you.

4 CHAIRPERSON HARRIS: Was that a -- I don't
5 understand how you -- you have a vote in the last few
6 minutes?

7 MS. AUERBACH: Well, we haven't had a vote. We've
8 had a consensus where we have -- Marsha Naify is here, who
9 is Chair, we have Drew Couto, who's President, and we have
10 taken the liberty of having discussed it over and over
11 again, and knew what the concerns were from our Committee
12 and from our Board, and having heard some of the discussion
13 is why we have taken this position.

14 And I'll let Ms. Naify speak for herself.

15 MS. NAIFY: Thank you.

16 MS. AUERBACH: You're welcome.

17 MS. NAIFY: Thank you, Madeline.

18 Just to clarify, the TOC Board previously had
19 voted to support Hollywood Park's four-day work week. In
20 light of some conversations in the last few weeks we thought
21 we might re-examine that. So I wanted to make clear and go
22 on record with that.

23 CHAIRPERSON HARRIS: Okay, yeah, I just wanted to
24 make sure I knew where everybody was, if that was --

25 MS. NAIFY: Clear, John.

1 CHAIRPERSON HARRIS: Yeah, it would be good to
2 communicate that with your members, as well.

3 VICE CHAIRPERSON ISRAEL: Well, she did, she got
4 three today.

5 MS. NAIFY: Thank you.

6 COMMISSIONER MOSS: John, are we ready for a
7 motion?

8 CHAIRPERSON HARRIS: Has everyone commented?
9 Yeah, we've probably beaten this dog up pretty well so far.
10 Is there any more comments?

11 Yeah, Richard has another comment and then Mr.
12 Hall as well, I think. Go ahead, but keep it relatively
13 short.

14 MR. HALL: Oh, very short. We're not -- we don't
15 have a problem with the four days, we only have the problem
16 with the ten-hour days.

17 CHAIRPERSON HARRIS: Yeah, but that's a
18 labor/management issue.

19 MR. HALL: And that's a labor/management issue,
20 but what I'm saying is this, once you give them the four-
21 hour day --

22 CHAIRPERSON HARRIS: Four-day week.

23 MR. HALL: -- there's no guarantee we're going to
24 sit down about the ten-hour days, and our members will
25 suffer for it. Thank you.

1 CHAIRPERSON HARRIS: Richard.

2 MR. CASTRO: Richard Castro, with Local 280. And
3 I'm going to stay away from labor issues, I'm going to talk
4 about other things.

5 You talked about communications with the industry
6 and in the case of our union, we probably met with Del Mar,
7 I think it was up at Golden Gate, in February, when they
8 first told us there might be a problem with horses.

9 So I guess I'm a little bit more fortunate than
10 many, in that I think the industry has open communication
11 with me and I seem to get information like that sooner than
12 some of the others.

13 And this bothers me. I believe the Hollywood Park
14 presentation, they said there's something like 14 to 16
15 hundred horses available here in Southern California to
16 race, and the we heard Mr. Hartman speak, saying that he had
17 half the horses. And I don't want to put words in Mr.
18 Hartman's mouth, but it's my understanding that they would
19 like to go five days a week with half the horse population
20 available, that raises a lot of questions with me on how
21 they write the races down here, in Southern California, when
22 he's, I'm assuming, has twice the horse population.

23 Commissioner Israel raised how about two races a
24 day, five days a week, that's a total, two times four,
25 eight. As far as I'm concerned that's a Wednesday, eight

1 day of races.

2 VICE CHAIRPERSON ISRAEL: What did I say?

3 MR. CASTRO: You talked about adding a couple of
4 races a day, so if you add two races to each of the four
5 days --

6 VICE CHAIRPERSON ISRAEL: On Saturday and Sunday.

7 CHAIRPERSON HARRIS: On Saturday and Sunday.

8 MR. CASTRO: Okay, well I --

9 VICE CHAIRPERSON ISRAEL: It wouldn't work on
10 Thursday and Friday.

11 MR. CASTRO: Okay, then I misspoke and I'm sorry
12 about that.

13 VICE CHAIRPERSON ISRAEL: It's two races, it's
14 what the trainers are proposing.

15 MR. CASTRO: Okay, I misspoke and I'm sorry, I'm
16 wrong.

17 And then some of my members come -- and this
18 bothers us and I don't know how to deal with this issue,
19 when you come out with your schedule, we have members that
20 make plans to come down, some come from Northern California
21 down here, some go from Southern California and go up there
22 and follow the fair circuit.

23 So we really depend on accurate information from
24 you. And when you change the racing schedule in mid-stream,
25 I've got people, like myself, a home in Berkeley, come down

1 here, rent a room down here, and then when I can't race
2 those four days or five days that have been lost, that's an
3 additional expense out of my pocket. That's totally unfair
4 and that's a credibility issue with you Board Members, when
5 you allow things like that to happen.

6 And I guess I'm through.

7 CHAIRPERSON HARRIS: Thank you. Okay, we need to
8 wrap this up, unless --

9 COMMISSIONER MOSS: Can I make a motion?

10 CHAIRPERSON HARRIS: Mr. Moss.

11 COMMISSIONER MOSS: Yeah, I'd like to make a
12 motion, in the face of reality, to carry this and allow
13 Hollywood Park, if that's the word, to race four days a
14 week, as they're suggesting.

15 VICE CHAIRPERSON ISRAEL: I'll second that motion
16 and just add an amendment that Hollywood will make its best
17 effort to add those two races, one Saturday and one Sunday.

18 CHAIRPERSON HARRIS: Okay, there's been a motion
19 and a second. Is there discussion by the Board on this?

20 EXECUTIVE DIRECTOR BREED: I just want to make a
21 clarifying statement.

22 Mr. Chairman, Kirk Breed.

23 In the -- in our analysis and in the presentation
24 I just wanted to make sure that the motion is with the
25 understanding that if Hollywood Park goes to four days a

1 week on those designated days, that also Golden Gate Fields
2 would be going to a four-day week, and the satellites would
3 be closed, by and large, those days also.

4 The night industry also is affected by that four-
5 day week.

6 CHAIRPERSON HARRIS: Yeah. Perhaps it should
7 also -- in the north, you mean, or the south?

8 EXECUTIVE DIRECTOR BREED: Yeah, my understanding
9 is in the north and the south that the night industry was
10 not going to run on those nights when Golden Gate Fields was
11 closed, was dark.

12 CHAIRPERSON HARRIS: Well, yeah, for the next two
13 weeks but then --

14 EXECUTIVE DIRECTOR BREED: For the next two weeks,
15 correct.

16 COMMISSIONER MOSS: Yeah, and I think it was
17 mentioned that the last four Wednesdays at Hollywood Park
18 they will be broadcasting satellite wagering.

19 CHAIRPERSON HARRIS: Well, I think it may well be
20 that the fairs decide not to run five days, either. I don't
21 if that, and maybe you're saying no --

22 EXECUTIVE DIRECTOR BREED: Well, just the
23 satellite, the fair satellite.

24 COMMISSIONER MOSS: Excuse me. If Hollywood Park
25 is going to be open and broadcasting satellite wagering on

1 those last four Wednesdays, then I gather the fairs could
2 run on those Wednesdays.

3 CHAIRPERSON HARRIS: Yeah, the fairs could
4 definitely run if they want to run.

5 COMMISSIONER MOSS: As could Golden Gate.

6 CHAIRPERSON HARRIS: It's just a question of
7 whether the satellite facilities in the south -- it's sort
8 of immaterial to the fairs because they're not -- they're
9 basically, the way the system's set up, the north and the
10 south exchange signals. So money bet in the south stays in
11 the south.

12 So it doesn't really matter to the north if the
13 satellites are open or not open, it's really up to the
14 south, and Scotwinc, and all that. Except I think there
15 might have been something in the law that addressed that,
16 but I'm not sure.

17 MR. LIEBAU: I think that the issue is that --
18 Jack Liebau -- that since Golden Gate is dark on Wednesdays,
19 the satellite network in both the north and the south is
20 being closed.

21 CHAIRPERSON HARRIS: Yes.

22 MR. LIEBAU: If the fairs run, I'm not sure that
23 it's clear that the south is closing.

24 EXECUTIVE DIRECTOR BREED: No, it's not.

25 MR. LIEBAU: It's not, okay.

1 EXECUTIVE DIRECTOR BREED: That's not part of the
2 motion.

3 MR. LIEBAU: Okay, I thought -- I misunderstood
4 what you were saying, I'm sorry.

5 CHAIRPERSON HARRIS: Well, I mean, the issue would
6 be how much flexibility we'd have? Are we going to say the
7 south has to be open or the south can or cannot be open at
8 their discretion, or how --

9 MR. LIEBAU: Well, I think it's going to depend,
10 John, frankly, individual satellites. I will say that
11 Hollywood will be open. But I mean, I can't speak for San
12 Bernardino or Los Alamitos.

13 CHAIRPERSON HARRIS: Yeah. So any satellite would
14 have the option to do what they want to do.

15 MR. LIEBAU: Option. And I think that Fairplex
16 has indicated. Mr. Henwood, that they also will be open.

17 CHAIRPERSON HARRIS: Because it would be -- I
18 mean, the idea would be they're bringing in signals from out
19 of state and all that.

20 MR. LIEBAU: Yeah, our problem on Wednesdays has
21 been that there's no signal available, you know, that's our
22 problem. I mean, Churchill Downs and Belmont have been
23 our -- Churchill's not available. Belmont's available, but
24 it's over at two o'clock.

25 CHAIRPERSON HARRIS: Yeah.

1 MR. LIEBAU: So I mean, that's what we're dealing
2 with on Wednesdays.

3 CHAIRPERSON HARRIS: Okay, Mr. Kirby.

4 MR. KORBY: Chris Korby.

5 CHAIRPERSON HARRIS: Korby, I'm sorry.

6 MR. KORBY: Just a point of information, it's the
7 intent of the fairs to run those four Wednesdays, beginning
8 with the Wednesday -- thank you -- June 24th and the next
9 three following. Thank you.

10 CHAIRPERSON HARRIS: Okay, we got more discussion
11 by the Board? Bo, Ms. Derek, do you have any thoughts? No.

12 Jesse?

13 MR. KEMPT: Commissioner Harris, I'm sorry to
14 interrupt. In light of this information about Southern
15 California satellites either somehow allowing them to either
16 open or not open on these dark days in the south, when the
17 fairs are running in the north, to be quite honest, from
18 Local 280's point of view, we would like them all to be open
19 on those dark days, simulcasting. We understand that
20 there's reduced crew levels at that time.

21 But it would be much better if they're all open or
22 none of them are open, probably.

23 So I would encourage the Board to suggest that the
24 satellites in the south, on the dark days, would be open and
25 available to our customers who are in these outlying areas,

1 who want to bet on these races and contribute to the pools
2 and contribute to the amount of money that goes to the State
3 for these -- for these days. I think we need all the
4 exposure we can get.

5 CHAIRPERSON HARRIS: Yeah, I'd like to see that.
6 The problem is I don't know if we can force them to open if
7 it puts them in an economic situation that's, you know, not
8 working at all.

9 MR. KEMPT: My name's Doug Kempt, again, I'm sorry
10 I didn't say my name.

11 CHAIRPERSON HARRIS: Okay, what's -- Mr. Andreini,
12 have you got any thoughts on this?

13 COMMISSIONER ANDREINI: No, I sympathize with the
14 situation and I have to vote for their racing for four days.

15 CHAIRPERSON HARRIS: Yeah, I may be the one
16 dissenting on this, in that I'm just concerned that if we go
17 to four days there's damage that's going to occur to the
18 north and to the workers, both union and non-union,
19 throughout the State.

20 And even though I can sympathize with Hollywood
21 Park's challenges in filling races, somehow the north has
22 been able to do it and will be able to do it at the fairs,
23 and I think that they -- we need to stick to deals that we
24 made. When we took the license application in March, that
25 was what they wanted to do.

1 And I think that, you know, the total economic
2 damage -- I was hoping to see someone here today that would
3 sort of say it isn't so, that we would see something that
4 would say these four-day weeks will really be a win/win
5 situation, that's going to generate more money for
6 California, and everybody, by going four days and five days.

7 I just didn't see that. Now, maybe it's out there
8 that somehow those four days are going to be so terrific
9 that the purse money is going to go up.

10 But I just didn't see it in evidence and for that
11 reason I'll oppose it, but I respect all the various
12 viewpoints.

13 But I'll call for the vote. All in favor?

14 (Ayes.)

15 CHAIRPERSON HARRIS: I'm nay, so voice in the
16 wilderness here.

17 UNIDENTIFIED SPEAKER: I'll work with you.

18 CHAIRPERSON HARRIS: Yeah.

19 UNIDENTIFIED SPEAKER: Let some of us vote out
20 here.

21 CHAIRPERSON HARRIS: We'll take a break here for
22 lunch at some point, because I can't take you guys on an
23 empty stomach for too long. But Scott Stanley's got to make
24 a flight and Item 17, which I think we want to keep very
25 short -- or no. Oh, 17 is the approval.

1 (Off the record.)

2 CHAIRPERSON HARRIS: Okay, let's go on with the
3 next item is 6, which is allowing unshod horses, which we
4 put out to comment. Apparently there were no comments.

5 Were there any comments, Jackie?

6 REGULATIONS/LEGISLATION MANAGER WAGNER: No.

7 CHAIRPERSON HARRIS: Okay, no comments. And
8 basically it says you can run unshod, or shod, or any way
9 you want to do it, but you just got to let people know.

10 REGULATIONS/LEGISLATION MANAGER WAGNER: That's
11 correct.

12 CHAIRPERSON HARRIS: Okay, is there any discussion
13 on this? Anybody like -- well, it's Imelda Marcus.

14 VICE CHAIRPERSON ISRAEL: At the risk of offending
15 all the blacksmiths in the world --

16 CHAIRPERSON HARRIS: Yeah.

17 VICE CHAIRPERSON ISRAEL: -- I'll move that we
18 accept this change to the regulation.

19 CHAIRPERSON HARRIS: Okay. You still got to trim
20 them.

21 COMMISSIONER CHOPER: Second.

22 CHAIRPERSON HARRIS: Okay, it's been moved and
23 seconded.

24 All in favor?

25 (Ayes.)

1 COMMISSIONER CHOPER: Boy, it took us a long time
2 to do this.

3 CHAIRPERSON HARRIS: Yeah, it's been a long-term
4 deal.

5 Okay, Item 7 is rebates, which has also been out
6 to comment and I think we have gotten some comments on that,
7 pro and con.

8 VICE CHAIRPERSON ISRAEL: Yeah, I got a bunch of
9 e-mails last night, actually.

10 CHAIRPERSON HARRIS: So has everyone seen the -- I
11 think we've got -- do you want to just basically present
12 this, Jackie?

13 REGULATIONS/LEGISLATION MANAGER WAGNER: The item
14 is the discussion and the proposed repeal of CHRB Rule
15 1950.1, rebates.

16 And the proposed repeal would end the current
17 prohibition on rebates and would allow California racing
18 associations and racing fairs to enter into an agreement
19 with any entity that would allow rebates on the face of any
20 wagers.

21 It has been out for 45 days. We did receive two
22 comments during the 45-day comment period and these comments
23 were in opposition to the proposed repeal of the rule. One
24 of the comments stated that the satellite facilities could
25 not compete with ADW providers who offered rebates because

1 of the small satellite commissions.

2 And the other comment, they wrote an opposition to
3 the appeal stating that fans who wagered, especially through
4 ADW, would benefit in the short term; however, in the long-
5 term the tracks and horsemen might be hurt.

6 VICE CHAIRPERSON ISRAEL: I don't understand
7 why --

8 REGULATIONS/LEGISLATION MANAGER WAGNER: I --

9 CHAIRPERSON HARRIS: I thought there was some
10 comment from somebody.

11 VICE CHAIRPERSON ISRAEL: We received one last
12 night from --

13 REGULATIONS/LEGISLATION MANAGER WAGNER: Oh, last
14 night.

15 VICE CHAIRPERSON ISRAEL: -- that organization, an
16 e-mail from Hana -- how do you -- H-a-n-a, in support of
17 allowing rebates.

18 REGULATIONS/LEGISLATION MANAGER WAGNER: In
19 support. And we also, according to our Commissioner, we
20 have one other comment in support of the proposal.

21 It is up for adoption.

22 CHAIRPERSON HARRIS: Any comments?

23 COMMISSIONER CHOPER: It occurred to me, the
24 fellow who runs this casino, you know, the satellite --

25 CHAIRPERSON HARRIS: Yeah, he's -- one of them's

1 here and does want to comment.

2 COMMISSIONER CHOPER: Is he here, right here?

3 CHAIRPERSON HARRIS: Yeah.

4 COMMISSIONER CHOPER: Oh, yes. Is that you?

5 CHAIRPERSON HARRIS: Yeah.

6 COMMISSIONER CHOPER: So I mean I understand the
7 point that you get small commissions, right, but it's
8 hard -- but if I'm going to make a big bet, right, and
9 that's the only person you'd give a rebate to, and you let
10 the -- some people can do it, why wouldn't you -- he's going
11 to go to some place where he can make the bet and get a
12 rebate. If it's a big amount, then you don't want to pass
13 him up by giving him a rebate.

14 CHAIRPERSON HARRIS: But I mean the satellite
15 doesn't have that latitude is their problem.

16 MR. BUCALO: Right. We make a total of maybe four
17 percent.

18 COMMISSIONER CHOPER: No, I understand that, but
19 four percent of -- let's say three percent of whatever the
20 amount is, a thousand dollars, is a lot better than four
21 percent of nothing.

22 MR. BUCALO: Well, I agree with that. But if you
23 allow the rebates only for the big players, but if you're
24 allowing them for everybody, I mean --

25 COMMISSIONER CHOPER: Well, I don't think the --

1 whose going to give rebates -- do they give rebates to small
2 players?

3 CHAIRPERSON HARRIS: I think there's all kinds. I
4 think --

5 COMMISSIONER CHOPER: Well, we heard about the
6 tracks being --

7 CHAIRPERSON HARRIS: It's a free market now.

8 COMMISSIONER MOSS: Well, I think what you got to
9 think about is the fact that we're inhibiting some actual
10 people that could perhaps give rebates to increase their
11 business and we're stopping them from doing that.

12 The fact is rebates are a fact of life, we all
13 agree to that, and by having us stop people from actually
14 running their businesses as they see fit, it doesn't make
15 sense to me, that's all.

16 MR. BUCALO: Well, we had one player, as an
17 example, come in and he wanted a minimum of three percent
18 rebates. He says he's a huge player. He said, you know,
19 I'll bet more than anybody in this entire room bets today,
20 he says if you -- and I get eight percent from his online
21 account, overseas account, he said, as a rebate. And he
22 said if you give me less than three percent back, I won't
23 play.

24 And I said if we give you three percent every time
25 you come in, I mean, we're going to have to comp his meals,

1 we're going to have to be doing other comps for him, I said
2 we won't make any money.

3 CHAIRPERSON HARRIS: Yeah, keep in mind, too, on
4 the travel -- see, there's no State license fee anymore, so
5 originally you weren't paying that, but now there isn't one.
6 So actually, now, the only margin you've got is the two, I
7 don't even think you have four anymore.

8 MR. BUCALO: Well, I wasn't aware of that.

9 CHAIRPERSON HARRIS: I hate to spread the news,
10 it's a bad day overall.

11 MR. BUCALO: When did that come out, yeah.

12 VICE CHAIRPERSON ISRAEL: We'll make a deal with
13 you.

14 MR. BUCALO: Yes.

15 VICE CHAIRPERSON ISRAEL: You let the racetracks
16 have machines and we'll take a second look at the rebate
17 deal.

18 MR. BUCALO: Well, I don't think that that's the
19 only solution for the tracks, though. Do you know, I'll use
20 this track here as an example, if I may. You know, I worked
21 here for 33 --

22 VICE CHAIRPERSON ISRAEL: I was kidding, you don't
23 need to do a --

24 MR. BUCALO: -- for 33 years. But the two-dollar
25 player, which used to be the backbone of the industry can no

1 longer afford to be in the equation of coming to the track
2 anymore. By the time he pays he's eight- or nine-dollar
3 parking, his general admission, his seating -- although
4 there's plenty of seats, if he wants the same seat to sit
5 in, a beer that comes in a coffee cup is 4.50.

6 VICE CHAIRPERSON ISRAEL: Well, you're getting
7 into a philosophical conversation and I'll just disagree
8 with you quickly. This is a form of entertainment, it isn't
9 a casino, this is like going to an athletic event. And it's
10 still a lot less expensive to attend that any basketball
11 game that the NBA puts on, or baseball game that the
12 Dodger's put on, so that equation doesn't really hold any
13 longer.

14 So it's a gambling event, but it is also an
15 athletic event. And people only see us from the viewpoint
16 of it being the casino completely miss the point of that.

17 MR. BUCALO: That's right. But the 60 to 80
18 dollar player can't come here and play.

19 VICE CHAIRPERSON ISRAEL: Sure he can.

20 MR. BUCALO: Do you agree with that?

21 VICE CHAIRPERSON ISRAEL: No.

22 MR. BUCALO: Well, by the time he finishes playing
23 for all his --

24 VICE CHAIRPERSON ISRAEL: No, I absolutely
25 disagree with you.

1 MR. BUCALO: Well, by the time he pays for all the
2 things I just mentioned, he's got to keep his fingers
3 crossed that he hits his first bet or he's out.

4 VICE CHAIRPERSON ISRAEL: Well, maybe he doesn't
5 buy a beer.

6 MR. BUCALO: Well, I mean --

7 CHAIRPERSON HARRIS: It's a total part of the -- I
8 agree --

9 MR. BUCALO: Yeah, maybe not.

10 CHAIRPERSON HARRIS: -- it's tough for -- the
11 problem is it's tough for racing to compete with other forms
12 of gambling because they've got higher margins, where racing
13 doesn't have the big margin to do what would be nice to do.

14 MR. BUCALO: And by the way, we have no other
15 revenues such as admission, by our choice, is admission,
16 parking fees, our beverages are complimentary. We do that,
17 give up that revenue to help --

18 VICE CHAIRPERSON ISRAEL: Your tables don't eat
19 and your dealers aren't stars, like jockeys here.

20 MR. BUCALO: Well, I'm not in charge of that --

21 VICE CHAIRPERSON ISRAEL: Well, that's fine, but
22 that's your company.

23 MR. BUCALO: I mean, that's a separate entity than
24 the horse racing part that we do here.

25 CHAIRPERSON HARRIS: No, I think we're --

1 MR. BUCALO: I mean, I'm a horse racing fan and
2 backer of horse racing. You never see me on the opposite
3 side opposing horse racing, I'll tell you that for sure.

4 CHAIRPERSON HARRIS: No, clearly, I think we're
5 thankful for any of the sites that are out there, it's just
6 a tough equation.

7 MR. BUCALO: Yeah. Well, I don't think that
8 our -- I know our tribe is not against horse racing. I
9 mean, I'd like to get them to buy this track. If you would,
10 I'll tell you, you'd see -- they'd see a profit and I told
11 them so, I've already proposed it to them to buy it.

12 CHAIRPERSON HARRIS: Part of the problem, though,
13 on the rebate is that we're proposing to make rebates legal
14 by people that are licensed by CHRB. Where your guy that
15 wanted the rebate is really wagering with the unlicensed
16 person, so they're getting eight percent. Any rebate by a
17 licensed person is probably not going to be that much,
18 anyway, so that problem doesn't really get impacted one or
19 the other that much by this rule, as I see it.

20 VICE CHAIRPERSON ISRAEL: And to be honest with
21 you, if he's asking you for three percent, he was lying
22 about getting eight percent.

23 MR. BUCALO: Was he?

24 VICE CHAIRPERSON ISRAEL: Sure, why would he --

25 MR. BUCALO: Yeah, I have no way to know that.

1 VICE CHAIRPERSON ISRAEL: Why give up the five
2 percent, that's the difference between winning and losing.

3 MR. BUCALO: Sure.

4 CHAIRPERSON HARRIS: Yeah, there are -- there
5 probably are, conceivably, it's illegal, but there could be
6 eight percent rebates out there.

7 MR. BUCALO: Right. Well, we're opposed to them
8 because of that. I mean, if we had a bigger percentage and
9 a bigger part of that money, we certainly would be in favor
10 of the rebates.

11 CHAIRPERSON HARRIS: Okay, thank you, John.

12 MR. BUCALO: Okay.

13 CHAIRPERSON HARRIS: Robert Hartman.

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

15 This is a pretty important issue for the industry
16 and I'm just looking around and there are very few
17 principals in the room. Can this item be deferred to the
18 next meeting so we can have a full conversation on it,
19 rather than making the decision with limited input from --

20 CHAIRPERSON HARRIS: Well, we've had this open.
21 That's the thing that gets me, we put these things out there
22 and I don't know, maybe you can't be able to read or write
23 to be in this industry, but that's supposed to be the
24 concept.

25 VICE CHAIRPERSON ISRAEL: It's been out for

1 comment for a long time.

2 MR. HARTMAN: I understand. It's just the way
3 that the morning went, and the lunch, and just looking
4 around there's, you know, an eighth of the people that were
5 in the room earlier, I would just hesitate for you guys to
6 make a decision without full input from the industry.

7 CHAIRPERSON HARRIS: We've asked for it though.

8 VICE CHAIRPERSON ISRAEL: Well, what's your input,
9 provide it. Here's your chance.

10 MR. HARTMAN: Honestly, I do not know enough about
11 the issue to provide that right now.

12 VICE CHAIRPERSON ISRAEL: Yeah.

13 CHAIRPERSON HARRIS: Because I was under the
14 impression that XpressBet, which is your affiliated company,
15 supports the rebates, but I could be wrong on that.

16 MR. BLONIEN: Mr. Chairman and Members, Rod
17 Blonien on behalf of Los Alamitos.

18 We do not object to repealing the prohibition, but
19 we just wonder if there shouldn't be a regulation that
20 indicates where rebates may and may not be offered.

21 So if we're talking about ADWs that are outside
22 the State, that's one thing. But what if we have
23 satellites, what if we have racetracks that begin to offer
24 rebates, is that something we're comfortable with?

25 CHAIRPERSON HARRIS: Well, that would be

1 dangerously close to a competitive environment. I mean, I
2 think that's good. I mean, the whole idea of capitalism is
3 competitiveness. I don't think we want to have all these
4 carve-outs because of -- for some reason or another.

5 It's a capitalist society, if it doesn't work for
6 them, they're going to stop doing it, so it's self-
7 correcting.

8 VICE CHAIRPERSON ISRAEL: But racetracks already
9 do offer rebates, Rod.

10 MR. BLONIEN: In terms of California Rewards
11 Program?

12 VICE CHAIRPERSON ISRAEL: Yeah, it's a rebate.
13 Call it whatever you want. If you bet enough, you get a
14 check or a voucher.

15 MR. BLONIEN: Yeah, uh-hum.

16 CHAIRPERSON HARRIS: I concur, you could create a
17 monster, but we can always -- if it doesn't work we can
18 always repeal it or get a new rule, or something.

19 MR. BLONIEN: That's fine, thank you.

20 COMMISSIONER MOSS: Make a motion?

21 CHAIRPERSON HARRIS: Yeah.

22 COMMISSIONER CHOPER: You're clear that -- I mean,
23 I understand it's their fault that they're not here, on the
24 one hand. On the other hand, I think if it's a significant
25 issue for some people and --

1 CHAIRPERSON HARRIS: Well, I take it if it's a
2 significant issue they would be here, or have a -- they've
3 got -- I mean, these people that are not here are not sole
4 proprietors with a one-employee company. They have probably
5 more attorneys than Bull Hall or someplace.

6 COMMISSIONER CHOPER: Okay. I mean, I'm in favor
7 of it generally, just for the reasons that you stated. But
8 if we could put it off for a little bit maybe --

9 CHAIRPERSON HARRIS: Well, I think we should pass
10 it and we can bring it up. I mean, anything we pass, I mean
11 we can bring up anything. We can put it back on the agenda
12 to repeal it next meeting or something.

13 COMMISSIONER CHOPER: Okay.

14 CHAIRPERSON HARRIS: But I think we need to keep
15 moving along, these things get out there, there's all this
16 time for comments and stuff --

17 COMMISSIONER DEREK: Are you talking about five
18 again?

19 VICE CHAIRPERSON ISRAEL: No, we're up to seven.

20 CHAIRPERSON HARRIS: We're going to give rebates
21 only four days a week, though.

22 (Laughter.)

23 MR. WYATT: Eual Wyatt, Hollywood Park. The
24 people that aren't here, the principals, are at another
25 meeting which I think is about to break up. They will be

1 here, if you want to just delay this until they get here.

2 CHAIRPERSON HARRIS: Okay, if they -- that's okay,
3 I just wish they had told us that first.

4 MR. WYATT: Well, I think they planned on getting
5 back.

6 CHAIRPERSON HARRIS: We have a very user-friendly
7 agenda. Okay, we'll suspend this or table this until the
8 end of the meeting where the more enlightened parties can
9 show up and further enlighten us.

10 VICE CHAIRPERSON ISRAEL: Your horses are going to
11 be running barefoot, just to --

12 CHAIRPERSON HARRIS: Yeah, are any of them going
13 to be concerned about that?

14 Okay, let's move on to trifectas. Maybe they want
15 to talk about superfectas and trifectas, and all that stuff,
16 too.

17 MR. WYATT: You can go on.

18 CHAIRPERSON HARRIS: Are you okay on that?

19 MR. WYATT: I have no comment on that.

20 CHAIRPERSON HARRIS: Well, the same people that
21 are rebates might also have opinions on that, whoever they
22 are.

23 Okay. Well, let's take up the trifecta issue,
24 which basically says that -- well, go ahead and explain it,
25 Jackie, it goes to four, I think.

1 REGULATIONS/LEGISLATION MANAGER WAGNER: The
2 proposal is to amend Rule 1979, which is the trifecta. The
3 proposal would lower the required number of wagering
4 interests scheduled to start for a racing association to
5 open its wager pool from six to four.

6 The proposal has been out for the 45-day comment
7 period. We received one comment in opposition to the
8 proposal, and that is attached in the analysis..

9 In short, the opposition was they stated lowering
10 the number of the required wagering interests would only
11 exacerbate -- how do you say this -- exacerbate the problem.

12 COMMISSIONER CHOPER: Exacerbate.

13 REGULATIONS/LEGISLATION MANAGER WAGNER: Yes, the
14 change might increase the take-out and the reduced payouts
15 would cause fans not to wager due to shrinking odds. That
16 was the comment that we received, that was the only comment.

17 COMMISSIONER CHOPER: I didn't understand that. I
18 mean, I looked at it.

19 CHAIRPERSON HARRIS: I think it's sort of a
20 brother's keeper type comment that it's not maybe -- I don't
21 know, if take-out's a problem, it's a bigger take-out on
22 show wagers or whatever.

23 But traditionally, the opposition to this has been
24 is if that encouraged race fixing, but I think we kind of
25 moved beyond that.

1 COMMISSIONER CHOPER: I think so.

2 CHAIRPERSON HARRIS: Okay, is there a motion on
3 this?

4 COMMISSIONER CHOPER: I move that we adopt.

5 CHAIRPERSON HARRIS: Okay. Somebody second?

6 COMMISSIONER ANDREINI: Second.

7 CHAIRPERSON HARRIS: Okay. So moved. Any other
8 thing, discussion?

9 All in favor?

10 (Ayes.)

11 CHAIRPERSON HARRIS: Okay, the next one is
12 similar, only it's for superfectas, which go from eight to
13 six.

14 REGULATIONS/LEGISLATION MANAGER WAGNER: Correct.
15 The proposal would amend the superfecta to lower the number
16 from eight to six.

17 And again we received one comment, the same
18 comment that was received on the trifecta.

19 The proposal has been out for 45 days and it's
20 ready for adoption.

21 VICE CHAIRPERSON ISRAEL: And he's got the same
22 misspelling, too.

23 CHAIRPERSON HARRIS: All right.

24 COMMISSIONER MOSS: The only thing I have to say,
25 if I can say something, Mr. Chairman, would this tend to

1 lower the odds on the individual win bets as well?

2 CHAIRPERSON HARRIS: No, I think it should
3 have -- be neutral on win bets. I mean, every pool's a
4 separate pool. It's just, I mean, any pool could
5 potentially cannibalize other pools, but I don't think it
6 would have anything to do with odds. It might lower handle
7 on a --

8 COMMISSIONER MOSS: No, but if you can bet a
9 trifecta in a race that has four horses --

10 CHAIRPERSON HARRIS: Uh-hum.

11 COMMISSIONER MOSS: -- wouldn't the chances are
12 that the odds on those horses are going to drop?

13 CHAIRPERSON HARRIS: Not really because the
14 trifecta pool doesn't have anything to do with the win pool.

15 VICE CHAIRPERSON ISRAEL: It's a segregated pool.

16 CHAIRPERSON HARRIS: I mean, the reason you might
17 not, it's a higher take-out if you somehow were betting the
18 trifecta as a version of betting to win, you've got a higher
19 take-out.

20 But as far as impacting the win payoff, it would
21 be -- it wouldn't --

22 COMMISSIONER CHOPER: Well, you have a different
23 mix of people who are simply betting win, so that could
24 affect the odds.

25 CHAIRPERSON HARRIS: Well, that's true with

1 anything.

2 COMMISSIONER CHOPER: Any bet, any alternative
3 bet.

4 CHAIRPERSON HARRIS: So I don't think that's
5 necessarily an issue.

6 COMMISSIONER MOSS: I think it has to influence
7 the win bet, you know, the odds on a horse, on a particular
8 horse because if there's four -- and you bet a box, a
9 trifecta box, and you use all the horses in a race, that
10 means you have to win. You know, you must win; right?

11 CHAIRPERSON HARRIS: Well, that's true, it's going
12 to affect -- I mean, it might make it not as great of a bet
13 as far as a four-horse box because --

14 COMMISSIONER MOSS: Because the odds go --

15 CHAIRPERSON HARRIS: -- you're more likely, I mean
16 it's sort of a risk-reward ratio.

17 COMMISSIONER CHOPER: It's an expensive box.

18 CHAIRPERSON HARRIS: It's a 20 percent take-out
19 bet that might not pay all that much, but that's -- I mean,
20 the idea would be at least it would be offered. If somebody
21 wants to do it, it's more of a laissez faire type of --

22 COMMISSIONER MOSS: Well, whatever happened they
23 would win something, that's the point, they would win
24 something.

25 CHAIRPERSON HARRIS: Well, I guess your issue

1 would be like a minus pool.

2 COMMISSIONER MOSS: Yeah.

3 CHAIRPERSON HARRIS: But the track may, you know,
4 in some situation be advised to no offer it if they thought
5 it was going to create a minus pool. But that's the same
6 problem for show wagering or anything.

7 COMMISSIONER MOSS: Yeah, I know.

8 CHAIRPERSON HARRIS: But the track does have the
9 latitude not to offer a wager that's going to create a minus
10 pool.

11 COMMISSIONER MOSS: Well, anyway, that's my only
12 complaint about something like this so --

13 CHAIRPERSON HARRIS: Okay.

14 COMMISSIONER CHOPER: Well, this was sponsored by,
15 I think it was Golden Gate Fields; right? So I take it
16 you've made the calculation that this is not going to
17 produce a lot of negative fields for you?

18 MR. HARTMAN: Right. Robert Hartman, Golden Gate
19 Fields.

20 I think the best example is if a horse, like
21 Zenaida runs, and we're only able to get three horses to
22 compete against her because they're all afraid of her,
23 rather than people sitting and watching the race that don't
24 want to bet a horse at one to nine, it allows them to play
25 some more exotics, where in the past that wager wasn't

1 offered.

2 So it's not going to -- Zenaida's always going to
3 be one to nine but, you know, now people can bet other --
4 other exotics to have some more interest in the race.

5 COMMISSIONER MOSS: I see.

6 COMMISSIONER CHOPER: And with the increasing
7 number -- look, I tried this a couple of -- when I first got
8 here on the Board, to try to have them reduce the numbers.
9 Because given we hear about small fields, and it's just
10 uninteresting. And particularly if you -- you know, it
11 gives you an opportunity to do something more creative.

12 CHAIRPERSON HARRIS: Yeah, particularly in the
13 north where you've got -- or any place where you have a
14 small pool, it just offers a wager there -- I mean, if
15 people like that type of wager.

16 So I don't think we want to impose ourself and say
17 that even though you like that wager, we're not going to
18 allow you to bet it, I mean, unless we felt there was
19 something just real unseemly about that wager.

20 COMMISSIONER MOSS: All right, so I make a motion
21 we approve the amendment.

22 COMMISSIONER CHOPER: Second.

23 CHAIRPERSON HARRIS: All in favor?

24 (Ayes.)

25 CHAIRPERSON HARRIS: Okay, now the next one

1 actually somewhat ties into this, is coupling of horses.
2 And I was one that suggested this. It was originally horses
3 with any part of similar ownership had to be coupled, and
4 then we changed that where if they were not mirror images of
5 ownership, and you had different trainers, they didn't have
6 to be coupled.

7 But now the proposal is as long as ownership isn't
8 a mirror image, they don't have to be coupled. Because the
9 thought here is we need as many betting interests as we can
10 in a race and oftentimes, with the proliferation of
11 partnerships you have partners in one horse that overlaps
12 ownership interest in another horse, but under the current
13 rules they've got to be coupled. And thus, you might end up
14 with a six-horse field versus a seven-horse field. And as
15 long as there's different partners in each horse, it's not a
16 mirror image.

17 Some of the concern was that there would be --
18 that somehow the one horse in a partnership would try to
19 influence the outcome of the race to help the other one.

20 But this, basically, the way I look at it, it
21 gives you a chance to have more -- more betting interests
22 and, hopefully, keep Hollywood Park at three days a week
23 versus two. Not that bad.

24 COMMISSIONER MOSS: So this is something we
25 brought out of the pari-mutuel thing like two, three years

1 ago, so we're going back to what we had, basically. So
2 we're removing the coupling of horses to eliminate the
3 requirement.

4 So I approve.

5 CHAIRPERSON HARRIS: Yeah.

6 COMMISSIONER MOSS: I make a motion.

7 CHAIRPERSON HARRIS: Yeah, it's clear if it's
8 exactly where the horse is -- the ownership's exactly the
9 same, but if they're different --

10 COMMISSIONER MOSS: Right.

11 CHAIRPERSON HARRIS: -- they can be uncoupled.

12 REGULATIONS/LEGISLATION MANAGER WAGNER: The
13 difference is in this particular proposal that you wanted,
14 Chairman Harris, is we wanted to eliminate the requirement
15 that each horse is trained by a different trainer, that is
16 coming out.

17 CHAIRPERSON HARRIS: Yeah.

18 REGULATIONS/LEGISLATION MANAGER WAGNER: So that
19 would be the significant different.

20 CHAIRPERSON HARRIS: Yeah.

21 COMMISSIONER ANDREINI: Mr. Chairman, this will
22 apply to thoroughbreds, not quarter horses, as I understand
23 i?

24 REGULATIONS/LEGISLATION MANAGER WAGNER: That's
25 correct.

1 CHAIRPERSON HARRIS: Quarter horses, as I
2 understand it, don't even have the rule.

3 REGULATIONS/LEGISLATION MANAGER WAGNER: Right.

4 CHAIRPERSON HARRIS: And they could have all the
5 horses in a race owned by the same guy, which oftentimes --

6 REGULATIONS/LEGISLATION MANAGER WAGNER: Quarter
7 horses are exempt from this, yes.

8 So if you wanted us -- if the Board wishes staff
9 to proceed with this, we would need direction to go ahead
10 and initiate the 45-day comment period.

11 CHAIRPERSON HARRIS: Mr. Hartman?

12 MR. HARTMAN: Well, I wish that you would go ahead
13 with this rule. I feel even stronger that it should go to
14 complete uncoupling, as I've stated in meetings past.

15 In Northern California, the issue that we have is
16 most trainers own a percentage of their horse, so this rule
17 actually won't uncouple any horses in Northern California.

18 CHAIRPERSON HARRIS: No, it would, as long as the
19 ownership wasn't a mirror image.

20 COMMISSIONER CHOPER: Yes.

21 MR. HARTMAN: But it would have to be two
22 different trainers.

23 COMMISSIONER CHOPER: No, no.

24 CHAIRPERSON HARRIS: No, say Hollendorfer could
25 have -- Hollendorfer and Jones could have one horse, and

1 Hollendorfer and Smith have the other horse, it would be
2 uncoupled.

3 MR. HARTMAN: Even though Hollendorfer trains them
4 both?

5 CHAIRPERSON HARRIS: Yeah.

6 VICE CHAIRPERSON ISRAEL: Yeah, because it's
7 two --

8 COMMISSIONER CHOPER: That's the purpose of this
9 rule.

10 VICE CHAIRPERSON ISRAEL: Each of them has two
11 owners.

12 MR. HARTMAN: But why wouldn't you go the next
13 step? I mean, it's so -- I mean, you're right at that fine
14 line, why wouldn't you go the next step, if it's Todaro with
15 Hollendorfer training, Todaro with Hollendorfer training,
16 what's -- I don't see why you won't take that next leap.

17 VICE CHAIRPERSON ISRAEL: Because then Todaro and
18 Hollendorfer can -- you know, I mean it's almost like
19 putting a rabbit in the race, but everybody knows about
20 that. You know, they can make it work out for them.

21 CHAIRPERSON HARRIS: I wonder if we could put it
22 out both ways. I mean, I would be for just completely doing
23 it like they are in the quarter horses, but every time we
24 brought that up we were getting push-back from some, so this
25 is kind of a step.

1 MR. HARTMAN: Well, maybe you could put it out
2 both ways and see what comment you receive. I mean, that's
3 what the comment period is for, to see what the public says.
4 Thanks.

5 CHAIRPERSON HARRIS: Yeah, I think that would be
6 good, that way you've got a --

7 VICE CHAIRPERSON ISRAEL: I think the public would
8 be really suspicious.

9 CHAIRPERSON HARRIS: Well, they'd probably get
10 the --

11 (Off-the-record conversation.)

12 COMMISSIONER MOSS: Do you want to put this out
13 for discussion again or --

14 CHAIRPERSON HARRIS: Yeah, why don't we put it
15 out. I guess we can put it out this way and as part of the
16 comments, we can always modify it.

17 REGULATIONS/LEGISLATION MANAGER WAGNER: Correct.

18 CHAIRPERSON HARRIS: Because whatever we get back,
19 we've still got to put out, we've still got to approve.

20 REGULATIONS/LEGISLATION MANAGER WAGNER: Correct.

21 What we will do is go ahead and put out the proposal for
22 comment, the proposal that you have in your package that
23 deletes the requirement that each horse is trained by a
24 different trainer, that will go out for 45 days.

25 It will come back before the Board, for the Board

1 to consider for adoption.

2 VICE CHAIRPERSON ISRAEL: Are we going to consider
3 Mr. Hartman's amendment or not, or just limit it to
4 trainer --

5 COMMISSIONER CHOPER: Eliminate coupling
6 altogether.

7 CHAIRPERSON HARRIS: That's the way it is in
8 quarter, is there any issues that have come up in quarter
9 horses with the way they have it, which is basically wide
10 open.

11 COMMISSIONER ANDREINI: None.

12 REGULATIONS/LEGISLATION MANAGER WAGNER: I'm not
13 aware of any.

14 COMMISSIONER ANDREINI: It hasn't caused any
15 problems.

16 CHAIRPERSON HARRIS: You quarter horse guys got a
17 lot of rabbits, though. Okay.

18 COMMISSIONER MOSS: Why don't you say it's
19 uncoupled with the exception of if the horse is trained and
20 owned by the same trainer and the same owner, in that sense
21 you can have coupling, in every other sense you can have
22 uncoupling.

23 CHAIRPERSON HARRIS: Well, that's sort of what
24 we're doing.

25 VICE CHAIRPERSON ISRAEL: Are you saying, though,

1 the trainer is the owner, Jerry?

2 COMMISSIONER MOSS: No, it doesn't matter. If
3 they're completely mirrored, in other words if it's the same
4 owner, the same trainer on both horses, then they should be
5 coupled. Barring that, they should be uncoupled.

6 VICE CHAIRPERSON ISRAEL: That's what this says.

7 COMMISSIONER CHOPER: That's what this does.

8 CHAIRPERSON HARRIS: Yeah.

9 REGULATIONS/LEGISLATION MANAGER WAGNER: That's
10 what this proposal does.

11 CHAIRPERSON HARRIS: Well, what we could do is put
12 out this -- I don't know if this is precedent to put a rule
13 out two ways --

14 REGULATIONS/LEGISLATION MANAGER WAGNER: We
15 typically don't do that. We would put it out one way and
16 then wait for the comments to come back, and if we get a
17 significant amount of comments that want us to consider
18 another proposal, we can go ahead and modify it at that
19 time.

20 CHAIRPERSON HARRIS: Yeah, I think this proposal,
21 while not going as far as some would like, at least would
22 make some progress. Because the problem is there's so many
23 partnerships out there now that it does create problems
24 sometimes.

25 Can we get a motion and a second to move ahead

1 with the comment period?

2 EXECUTIVE DIRECTOR BREED: You've got the motion.

3 CHAIRPERSON HARRIS: Okay, all in favor?

4 (Ayes.)

5 CHAIRPERSON HARRIS: Okay.

6 EXECUTIVE DIRECTOR BREED: These guys wanted to
7 move up.

8 CHAIRPERSON HARRIS: Okay, the three -- did the
9 three wise men show back up?

10 COMMISSIONER MOSS: This is my last, unfortunately
11 I have to leave after this subject so, okay.

12 VICE CHAIRPERSON ISRAEL: Who, actually, are you
13 talking about?

14 CHAIRPERSON HARRIS: Well, the people that left,
15 that were going to give us insight.

16 VICE CHAIRPERSON ISRAEL: No, I'm talking about
17 the wise men thing, who is actually qualified?

18 CHAIRPERSON HARRIS: Well, they were lost in the
19 desert, anyway.

20 Okay, where are we at here, do we want to go with
21 18?

22 EXECUTIVE DIRECTOR BREED: You need to go with 13.

23 COMMISSIONER MOSS: Well, what about 11?

24 EXECUTIVE DIRECTOR BREED: But we can do 11
25 because Jerry's got to leave, so why don't we go ahead and

1 do 11.

2 CHAIRPERSON HARRIS: Okay, so let's go ahead and
3 do -- 11, I suggested we put on there, not for any action,
4 but because it's a topical issue in racing and veterinary
5 medicine, and I suggested that Rick give us just a brief
6 synopsis of where the industry is on it, so that we're aware
7 of it.

8 EQUINE MEDICAL DIRECTOR ARTHUR: Good morning. Or
9 good afternoon, I should say.

10 I'm Dr. Arthur, Equine Medical Director.

11 I'll just introduce the issue and this is a very
12 complicated issue that's going to take a lot of work. But
13 gluco corticosteroids are very complex drugs and they
14 present very complex regulatory issues.

15 These are cortisone type drugs, they can be very
16 beneficial to horse health, but they're very potent drugs
17 and they can be abused and are abused in horse racing.

18 There are a number of groups, nationally, that are
19 looking at the corticosteroid issue, the RMTC, ARCI, AAEP.
20 In fact, the RMTC has budgeted \$300,000 to do additional
21 research that's going to be necessary to begin regulation of
22 these products.

23 There's five grants that have been submitted and
24 Dr. Stanley and Dr. Kinich, the veterinary pharmacologist at
25 the Maddy Laboratory, has a submission in and those grants

1 are going to be reviewed shortly.

2 Pennsylvania has instituted an inarticular
3 cortisone injection, joint injection regulation. Dr.
4 Stanley and I have both looked at the data that is the basis
5 of that regulation, and we frankly think it's premature.

6 The research that the RMTTC is funding I think is
7 necessary to develop a fair rule that allows the trainers an
8 opportunity to avoid any violations, and that is moving
9 forward.

10 I would expect there to be some cortisone
11 regulation, corticosteroid regulations nationally, within
12 the next 12 to 18 months, and I think that would be the
13 appropriate time to move forward with it.

14 There are several states that already regulate
15 intraarticular injections within certain amount of days of
16 racing, which is a very reasonable thing to do in terms of
17 what's best for the horse. The problem is there's very
18 little ways -- there are few ways to really enforce that,
19 except by security, because we don't think the drug testing
20 is capable of doing that at this time, and that's what this
21 research is intending to do.

22 So in other words, this is an issue that is going
23 to be moving forward on a national basis. Dr. Stanley and I
24 are involved in the research and the policy decisions that
25 go along with recommendations of the RCI and I think it

1 would be appropriate at that time to discuss those. And we
2 should be discussing it with our horsemen as we move along
3 in this process.

4 VICE CHAIRPERSON ISRAEL: But don't these drugs
5 play an important role in keeping older horses on the track
6 and functioning pain-free, without really risking their
7 health?

8 EQUINE MEDICAL DIRECTOR ARTHUR: Yes, they can be
9 very -- they can be very beneficial to horse health and
10 maintaining joint inflammation.

11 But as a lot of drugs, they can be over-used and
12 abused, and therein lies the problem in trying to balance
13 those interests.

14 They are very, very good drugs, and it's not just
15 inarticular joint use, it's for reactive airway disease, or
16 horses have a lot of small airway disease and are used for
17 those purposes as well.

18 So there's a -- what we need to do, and therein
19 lies the problem, is a way, if we are going to regulate
20 them, to ensure that good healthcare for the horse can be
21 maintained, at the same trying to prevent abuse.

22 So that's what the real issue is for us.

23 VICE CHAIRPERSON ISRAEL: Are there some age
24 issues that would, you know, maybe play a role in whatever
25 restrictions you impose?

1 EQUINE MEDICAL DIRECTOR ARTHUR: Probably not,
2 between the ages we're talking about. There are problems
3 with using too much cortisone too early in a horse's career,
4 those sorts of things.

5 So in other words, if anybody has any questions,
6 you know, there will be some more information coming out on
7 this. It's a very complex issue and if you have any
8 questions, I'd be happy to address those.

9 COMMISSIONER DEREK: I'm just curious, how is
10 Pennsylvania testing and enforcing right now?

11 EQUINE MEDICAL DIRECTOR ARTHUR: They are
12 enforcing with a urine regulation that they have developed
13 in Pennsylvania, at the University of Pennsylvania, Dr.
14 Larry Soma has done, and Dr. Cornelius Uboh has done some
15 very good work on some cortisone regulations, primarily in
16 blood and it's very promising.

17 But as I said, Dr. Stanley and I have looked at
18 that and we just think it's premature, and so does the other
19 chemists and pharmacologists at the RMTC, and that's why
20 they're funding additional research.

21 But Pennsylvania has been very forward in several
22 policies and they're moving ahead with it and, hopefully,
23 they'll be successful.

24 One way or the other we'll learn from their
25 success or mistakes.

1 COMMISSIONER CHOPER: I take it you'll be back to
2 us when it's ready to come back to us?

3 EQUINE MEDICAL DIRECTOR ARTHUR: Yes. I would
4 expect you to be hearing more and more about this within the
5 next few months.

6 COMMISSIONER CHOPER: Good.

7 CHAIRPERSON HARRIS: Yeah, I think -- I think I
8 just put it on the agenda to get it on everyone's radar
9 screen, it's something that we want to get maximum
10 discussion on before we take any action, and everyone should
11 be aware of it, and talk to your veterinarians, and try to
12 learn about the total thing.

13 COMMISSIONER MOSS: Yeah, I'm just going to take a
14 break. I want to apologize to my fellow Commissioners, and
15 Executive Director, and those interested people, but I'm
16 leaving town and I got to get some things done. Thank you.

17 CHAIRPERSON HARRIS: Okay, the next item is a
18 report from Scientific Games on the "stop betting" failure
19 which occurred on the ninth race May 16th, at Hollywood
20 Park.

21 EXECUTIVE DIRECTOR BREED: Bon is conducting the
22 investigation and has a presentation.

23 ASSISTANT EXECUTIVE DIRECTOR SMITH: I'll
24 introduce it.

25 EXECUTIVE DIRECTOR BREED: And then the Scientific

1 Games people are here.

2 ASSISTANT EXECUTIVE DIRECTOR SMITH:

3 Commissioners, as you probably read, wagering on Hollywood
4 Park's ninth race, on May 16th, 2009 was not properly closed
5 for 33 import locations.

6 That is the stop betting prompt failed to go
7 through timely on those locations and wagering continued
8 after the race had started.

9 The problem was identified timely at the site.
10 The pools were shut down, the track people went through the
11 drills necessary to try and include them, to try and close
12 properly, but couldn't do that as a result of some technical
13 failures.

14 This incident was reported as past-posting in a
15 number of blogs and throughout the media. We don't think it
16 fits the definition of past posting because no one profited
17 from this. There were no tickets cashed on any wagers
18 placed after the race went off.

19 COMMISSIONER CHOPER: Are the tickets time dated,
20 I've never really noticed that? So if I buy a ticket, it
21 tells what time I bought it?

22 ASSISTANT EXECUTIVE DIRECTOR SMITH: Yes.

23 COMMISSIONER CHOPER: So the people who bet before
24 the race went off and won were able to collect?

25 ASSISTANT EXECUTIVE DIRECTOR SMITH: No.

1 CHAIRPERSON HARRIS: No.

2 ASSISTANT EXECUTIVE DIRECTOR SMITH: I believe
3 Scientific Games will answer that question for us.

4 COMMISSIONER CHOPER: I see.

5 CHAIRPERSON HARRIS: In California, no one's -- I
6 mean, in California everything was fine, the issues were in
7 other states.

8 ASSISTANT EXECUTIVE DIRECTOR SMITH: The Board
9 immediately sent out a series of questions to Scientific
10 Games, who came back with an answer to those, a kind of a
11 soft answer that answered them on surface and asked for
12 additional time for them to conduct their continuing
13 investigation. We have not heard back from them again,
14 subsequent to that. We're interested in hearing more, as
15 well.

16 COMMISSIONER CHOPER: Okay, so they're going to
17 talk to us now?

18 ASSISTANT EXECUTIVE DIRECTOR SMITH: I hope so,
19 somebody's here.

20 MR. HASLETT: I'm going to be sitting here for a
21 while.

22 CHAIRPERSON HARRIS: No.

23 MR. HASLETT: Talk fast. My name's David Haslett,
24 from Scientific Games Racing.

25 Yeah, just a couple of comments and then I'll be

1 happy to take questions as they may arise. I think it was
2 important to note, as the comments were, that the procedure
3 was in place and the procedure was implemented
4 appropriately.

5 It is worth noting that in the simulcast wagering
6 there's a vast distributed network, which runs not only
7 across multiple states in the U.S., multiple systems, it
8 runs internationally, it runs across continents as well,
9 because we very often have people participating from
10 international jurisdictions.

11 And within that distributed network it is not
12 uncommon for us to have a situation where one sat or another
13 does not either receive a message or send a message back in
14 response. And, hence, we have these procedures in place
15 that if we don't receive a response or a response does not
16 come from a particular sat that we follow these procedures,
17 particularly when we are working on the host pools or
18 responsible for managing those host pools.

19 And in this instance that's the procedure that was
20 followed, it was identified, it was reported, a decision was
21 made by Hollywood Park, because they were aware that one or
22 more potentially did not close betting at the designated
23 time, and they took the decision to exclude those pools from
24 the host pool.

25 And as far as what happened to those particular

1 jurisdictions, I think it was mentioned that a total number
2 of 33 out of 61 imports, on that particular day, they each
3 dealt with their wagers in accordance to their state laws,
4 or their particular countries' laws, depending on where they
5 were coming from.

6 For example, Canada dealt with it as per the rules
7 of the CPMA and the various states deal with their tickets
8 appropriately.

9 Some of them refund, some of them pay on-track
10 prices. Those are all state --

11 COMMISSIONER CHOPER: I'm sorry, I missed that.

12 MR. HASLETT: I'm sorry. Some of them require
13 refunds and some of them would book the pool and pay on-
14 track price, whatever that on-track price may be. But
15 that's a state regulation and each state varies, each state
16 is different.

17 And so that's how all of those jurisdictions
18 actually dealt with their respective pools, respective
19 tickets. As I say, when there's a situation like this,
20 those are the procedures that are in place.

21 As to the question of exactly why it happened, we
22 know what happened, we don't know exactly why at this point
23 in time.

24 As I mentioned, in this distributed sum across
25 wagering network, you're relying on telco carriers, we're

1 relying on equipment at both the remote end, at the host
2 end, and then obviously you're relying on systems at both
3 the remote end and the host end. We're continuing to
4 investigate. We've been running tests in our lab.

5 In fact this week we're running testing on the
6 production system, during the dark days that we had an
7 opportunity to do so.

8 So that is still continuing so that we can
9 identify why that message did not get to some locations or
10 why some locations did not respond to that message in a
11 timely fashion, whereas a number of them did.

12 VICE CHAIRPERSON ISRAEL: How old is your
13 equipment?

14 MR. HASLETT: The system itself is actually -- the
15 system running in California is actually very new, it was
16 upgraded in the - certainly, in the last two years, it's a
17 brand-new system.

18 VICE CHAIRPERSON ISRAEL: So there's been some
19 chatter that the system's antiquated or that this might
20 be -- or insufficiently maintained.

21 MR. HASLETT: That, I would say is incorrect. In
22 fact, our system in California, we recently undertook a
23 significant development, to the tune of millions of dollars,
24 to build a state-of-the-art data center, which is located in
25 Sacramento. All new equipment has gone in there and, in

1 fact, we migrated onto a totally new system certainly within
2 the -- within the last two years.

3 COMMISSIONER CHOPER: Could you describe what the
4 California law or rule is in respect to this situation?

5 MR. HASLETT: California was not affected with
6 this situation because all of the wagers placed in
7 California were not affected. They all were incorporated
8 into the pool. And it was only some remote or guest
9 locations in other states that were impacted.

10 COMMISSIONER CHOPER: I see. So in California,
11 people who won got paid?

12 MR. HASLETT: That's correct.

13 COMMISSIONER CHOPER: And people who lost didn't
14 get paid, they didn't get their money back?

15 MR. HASLETT: That's correct.

16 COMMISSIONER CHOPER: Uh-huh. Do you know what
17 the rule is in California, if it was otherwise?

18 MR. HASLETT: I don't know --

19 COMMISSIONER CHOPER: That is to say if they
20 were -- you know, if the --

21 MR. HASLETT: Yeah, in other words, if California
22 got excluded from betting on a race in New York, for
23 example.

24 COMMISSIONER CHOPER: Or in California. I mean
25 suppose they just didn't shut the machines down.

1 EXECUTIVE DIRECTOR BREED: I don't think there is
2 a rule.

3 COMMISSIONER CHOPER: There isn't a rule.

4 MR. HASLETT: Yeah, I, personally, don't know the
5 rule in California.

6 COMMISSIONER CHOPER: I mean, I think we would
7 know about that.

8 MR. MARTEN: Mike Marten, of the California Horse
9 Racing Board. Well, in California, it would mean that the
10 race was canceled or something like that, and it would be
11 refunded.

12 COMMISSIONER CHOPER: Everybody's ticket would be
13 refunded.

14 MR. MARTEN: Yes.

15 COMMISSIONER CHOPER: Win or lose?

16 MR. MARTEN: Yes.

17 COMMISSIONER CHOPER: Even if I made my bet
18 before --

19 MR. MARTEN: Yeah, if they rejected the pool. But
20 I think what Mr. Haslett is saying is that in some outlying
21 areas, maybe as part of good customer relations, some
22 offshore book, or some track may have paid off the winners
23 and gone beyond the simple refund. And I guess we have no
24 way of knowing at this time what those particular
25 jurisdiction's rules are.

1 VICE CHAIRPERSON ISRAEL: One of the other
2 questions that arose in this investigation, was raised by
3 Executive Director Breed, which was there were some named
4 sites included that are not licensed -- that were not
5 named -- what is it, Corpus Christi, Texas, that don't
6 operate any longer.

7 So have you done any sort of forensic examination
8 as to why they were included in your list?

9 MR. HASLETT: Yes, we have, and we forwarded that
10 information onto the simulcast director from Hollywood Park.

11 And what that really is, is those names go back
12 some period of time when there was a hub system at that
13 location, and that is just an internal name that is used
14 within the system to identify what hub system was handling
15 or dealing with certain remote locations.

16 And so in some cases --

17 VICE CHAIRPERSON ISRAEL: You've completely lost
18 me. So these places don't exist, but they're included in
19 places that handle bets?

20 MR. HASLETT: They don't exist and there was no
21 wagering coming from there, so it's a name which has existed
22 historically. Because of all the particular vendors who
23 deal -- you know, we've got a bet, ourselves, be it United
24 Tote, be it AmTote, everyone uses the same naming
25 convention. I guess it would be no different to naming them

1 as hub A, hub B, hub C, they just happen to have names from
2 when there was a system at that location, so everyone knew
3 what system it was and then what tracks that system dealt
4 with.

5 So hence, when you look at an internal report, it
6 just refers to a location that may have been processing the
7 wagers, but it doesn't mean that that track, itself, was
8 actually wagering.

9 VICE CHAIRPERSON ISRAEL: We were told 33 sites
10 were affected.

11 MR. HASLETT: That's correct.

12 VICE CHAIRPERSON ISRAEL: How many sites were
13 affected?

14 MR. HASLETT: Thirty-three.

15 VICE CHAIRPERSON ISRAEL: But that included sites
16 that don't exist, though, according to what you just said.

17 MR. HASLETT: No, what -- I'm sorry, apologies if
18 I mislead you.

19 The reference to what Mr. Breed was asking was
20 when we produce a report it shows these are the hubs which
21 are handling these 33 associations. And so 33 associations
22 may actually be handled by 10, or 15, or 17 hubs, some
23 smaller number of hubs, and it's those hub names that I'm
24 referring to.

25 But 33 associations doesn't change, it's which hub

1 name that they come through.

2 Just as one of our -- for example, you know, we
3 have a hub name known as QDC West, for example, in
4 Sacramento.

5 VICE CHAIRPERSON ISRAEL: QDC what?

6 MR. HASLETT: QDC West.

7 VICE CHAIRPERSON ISRAEL: Yeah.

8 MR. HASLETT: And that is the hub name, but that
9 QDC West may be dealing with 30 different associations.

10 EXECUTIVE DIRECTOR BREED: So Corpus Christi is
11 the hub name?

12 MR. HASLETT: That was the original hub name when
13 there used to be a system there, that is correct.

14 VICE CHAIRPERSON ISRAEL: And how many satellite
15 facilities is it servicing?

16 MR. HASLETT: I don't have that information in
17 front of me, it's not one of my locations, but I'll be happy
18 to get that for you.

19 EXECUTIVE DIRECTOR BREED: It's like 270.

20 VICE CHAIRPERSON ISRAEL: What?

21 EXECUTIVE DIRECTOR BREED: It's 275, 250.

22 MR. HASLETT: I think the question was how many
23 locations does it --

24 VICE CHAIRPERSON ISRAEL: I mean, okay, so if
25 that's a hub, are there three or four different, for lack of

1 a better phrase, OBT storefront locations that are included
2 in it, so the 33 might actually be 99, or 112 or --

3 MR. HASLETT: In this case, if I recall correctly,
4 Corpus Christi just deals with Wonderland, so that is the
5 association that comes through on the Corpus Christi.

6 VICE CHAIRPERSON ISRAEL: Well, I feel like I'm
7 Alice, so that's okay.

8 (Laughter.)

9 MR. HASLETT: Just as there's one of the hub names
10 is known as United Tote Portland, and United Tote Portland
11 deals with a number of associations. Namely, it takes -- it
12 deals with Wyoming, it deals with Wheeling Downs, and it
13 deals with Youbet, but the hub name is called United Tote
14 Portland.

15 CHAIRPERSON HARRIS: Well, I'm not sure there's
16 much we can really do about this right now because, I mean,
17 basically no one in California was damaged. It was all
18 other areas and there's all kinds of -- I mean, the whole
19 tote system is so complex that I don't know if we can
20 single-handedly manage it. But I mean, hopefully,
21 somebody's managing it.

22 VICE CHAIRPERSON ISRAEL: Just my concern is this
23 really does cut to the heart of the integrity of the betting
24 pools, and if our customers believe something is amiss,
25 we're going to lose their confidence and ultimately lose

1 their business, and that's the worst case scenario, to be
2 honest with you.

3 So there can't be any question about the efficacy
4 of this system, it has to be able to operate properly, and
5 we have to be able to assure our citizens, who we represent,
6 and our customers that they're getting an honest shake. And
7 so we -- and we need to know how and why these things
8 happen.

9 So your forensic testing has to come up with a
10 conclusion.

11 MR. HASLETT: Right.

12 VICE CHAIRPERSON ISRAEL: You know, this isn't an
13 airliner crashing mysteriously in the middle of the
14 Atlantic, I mean, this is fairly straight forward computer
15 stuff.

16 CHAIRPERSON HARRIS: I think one of the problems
17 though is that some of the transmission of data is not
18 instantaneous and that is the reason that you see some of
19 these odd changes that -- the data you're seeing on a tote
20 board or a TV screen is not the latest data.

21 VICE CHAIRPERSON ISRAEL: No, I understand there's
22 a delay between the time a bet is placed in Iowa and when it
23 shows up on the tote board at Hollywood Park. I mean,
24 naturally, you know, it's got to go up and down a satellite,
25 a couple, it's going to be a few seconds, if not 15 seconds.

1 You know, however often a tote board refreshes itself.

2 CHAIRPERSON HARRIS: Well, some of it though is
3 that these things, as I understand it, are sending batches,
4 it's more than just a few seconds, it might be more.

5 MR. HASLETT: That's correct, because individual
6 transactions are not send by the end-of-tote system
7 protocol. They're actually, as you point out, batches or
8 it's an accumulation of total dollars on a particular run
9 and not individual transactions.

10 VICE CHAIRPERSON ISRAEL: Right. Well, I believe
11 the system is safe and honest, but we need to be able to
12 reassure our customers that the system is safe and honest,
13 because they do have questions.

14 CHAIRPERSON HARRIS: Okay, anything else on this?

15 EXECUTIVE DIRECTOR BREED: So we're going to
16 continue to pursue this.

17 CHAIRPERSON HARRIS: I think we want to continue
18 to pursue it, I don't know if we really have enough
19 information to make a definitive action now.

20 Okay, the next thing is the Turf Wars issue.

21 MR. KOCH: Billy Koch, Turf Wars, I guess. Do I
22 have to say that, Jackie?

23 REGULATIONS/LEGISLATION MANAGER WAGNER: Yes.

24 MR. FENTON: Gary Fenton, Turf Wars.

25 MR. COUTO: Drew Couto, Turf Wars.

1 MR. KOCH: Hi, guys, thank you. Thank you for
2 having us today.

3 Jackie, is there anything that you need to talk
4 about first? No?

5 I know it's been a long day, we're going to --
6 this is the fun part, this is positive. There's been too
7 much negativity in this room.

8 We were here last year to kind of brief you on an
9 idea that we had, that we were working with the World Poker
10 Tour on, and that was a new wager. It is now called Turf
11 Wars.

12 And I wanted to give you guys just a brief update
13 on where we're at in the process. Since we last you, we've
14 been approved by the ARCI, unanimously. The World Poker
15 Tour is still involved with us, but on a minority scale.

16 We have now gone to Craig Piligen and Pilgrim
17 Films will be our television branch.

18 For those of you who weren't on the Board at our
19 last presentation, the marketing took behind this wager is a
20 television show. We hope to make a compelling, interesting,
21 fun, exciting television show about horse racing
22 handicapping, which will actually be this wager.

23 Craig Piligen is the producer of the -- what is it
24 called, Ultimate Fighter?

25 MR. FENTON: Ultimate Fighter.

1 MR. KOCH: Ultimate Fighter. He's basically the
2 gentleman that put UFC on the map. What's that, John?

3 CHAIRPERSON HARRIS: That's a big, very -- that's
4 a real growth --

5 MR. KOCH: Yes, huge. And that's what attracted
6 him to horse racing, and what attracted him to this project,
7 to do the similar thing for UFC, similar thing for what
8 happened with poker.

9 The poker phenomenon was helped by these
10 television shows that came up, whether it be the celebrity
11 poker that was on Bravo, or now you guys see it all the time
12 on ESPN, the World Series of Poker.

13 So we are going to do a similar thing with this
14 wager. We're in the process of pitching to networks, we
15 will do that this summer. We hope to have a deal very soon
16 and, hopefully, in a perfect world, we might even be
17 shooting this thing this fall here at Santa Anita and Oak
18 Tree.

19 We understand that at this point, according to
20 Jackie and Executive Director Breed, I hope, that we do not
21 need the CHRB to necessarily adopt this wager.

22 As an ARCI approved rule, basically what happens
23 is we are free to negotiate with the tracks and that the
24 tracks will then put our wager on their program when
25 they -- on their contract, when they submit it to you guys.

1 So basically what we're here to do today is just
2 to let you know that we are coming, we are working hard on
3 this, we want to make this happen for the entire industry
4 and we are going to participate with the entire industry.

5 We have already met with tracks, Santa Anita, Del
6 Bar. We've started meeting with the tote companies, we have
7 met with the ADW companies. We are going to try to do this
8 the right way, get everybody behind it and, hopefully, we'll
9 have a successful venture.

10 COMMISSIONER CHOPER: Did you do any -- I want to
11 use the phrase "test marketing," I mean, do you have any
12 idea if this is going to be sold or not?

13 MR. KOCH: You stole David's thunder.

14 COMMISSIONER CHOPER: Pardon me? Oh, I'm sorry.

15 MR. KOCH: No, it's okay.

16 VICE CHAIRPERSON ISRAEL: I've asked him that
17 question.

18 MR. KOCH: Testing as far as the actual wager?

19 COMMISSIONER CHOPER: Well, testing the potential
20 audience, see if they react to it.

21 MR. KOCH: Well, one of the things about the --

22 COMMISSIONER CHOPER: I mean, I don't -- I mean, I
23 don't --

24 MR. KOCH: Yeah, truthfully, no. I mean, we
25 can --

1 COMMISSIONER CHOPER: No, that's all right. I
2 mean, you'll find out soon enough.

3 MR. KOCH: Right, exactly. I mean, we're going to
4 put a lot of money into the television project and to ensure
5 that that television project, I hate to keep reusing the
6 same word, is compelling. And we're actually going to cast
7 the first season of the television show, so it's not going
8 to be just random guys sitting around, that we picked off
9 the street.

10 VICE CHAIRPERSON ISRAEL: Reality television, is
11 it real.

12 MR. KOCH: Thank you, David.

13 VICE CHAIRPERSON ISRAEL: Every reality television
14 has a casting director.

15 MR. KOCH: Right.

16 VICE CHAIRPERSON ISRAEL: And a script. Okay, so
17 don't --

18 MR. KOCH: And just so you know, Commissioner
19 Choper, once the -- once we have the totes on board there
20 will be, you know, numerous testing that occurs to make sure
21 that the thing can go through.

22 COMMISSIONER CHOPER: No, no, that's not what I
23 meant.

24 MR. KOCH: Yeah, I understand that.

25 COMMISSIONER CHOPER: I just wonder if you -- you

1 know, if you have any idea whether people are going to be
2 interested in this besides your own enthusiasm for it, which
3 is fine.

4 MR. COUTO: Well, one thing we do know is the
5 success of the National Handicapping Tournament, and the
6 growth of that over the past few years.

7 And now there's a number of sites online that are
8 doing tournaments, they're buying tournaments and the prize
9 is an entry into the National Handicapping Contest. And
10 they're occurring regularly, on a two-week basis.

11 And so we know that what we're using is a formula
12 that's already succeeded. The tracks do it on a regular
13 basis, have their own small tournaments for large players.
14 So we're taking a proven model in the industry, a proven
15 model both at each track and nationally, through the
16 National Handicapping Tour, and we're turning that into a
17 broader model that, hopefully, will appeal, just as Texas
18 Hold'em did to a much broader audience.

19 COMMISSIONER CHOPER: Yes.

20 MR. KOCH: And I think even the success of
21 jockeys, to people who have found that on Animal Planet, I
22 know that have -- I mean, there are people out there that I
23 think will watch this and I think will enjoy it.

24 COMMISSIONER CHOPER: No, I just wondered. I
25 commend you for your enthusiasm and for, you know, nothing

1 ventured, nothing gained. I just wondered if there was any
2 real promise, yet.

3 MR. KOCH: Well, we hope so, we're going to spend
4 a lot of time on it.

5 VICE CHAIRPERSON ISRAEL: On the gambling --

6 MR. KOCH: Yes, sir.

7 VICE CHAIRPERSON ISRAEL: -- I read the rules.

8 MR. KOCH: Yes, sir.

9 VICE CHAIRPERSON ISRAEL: It seems like you need a
10 24-second clock because you can basically win by doing
11 nothing.

12 MR. KOCH: Correct. Well, you could. It's
13 strategy.

14 VICE CHAIRPERSON ISRAEL: Yeah, because most
15 people lose. So you're going to wind up with nothing
16 happening the last four or five races, if it gets close
17 enough.

18 MR. KOCH: Right. One of the reasons we put in,
19 for those of you who did read the rules, we put in what's
20 called a cut, and what we're hoping is that you have to
21 be -- in order to participate in the final leg of the wager,
22 you have to be in the top five percent.

23 So we were hoping that if -- you know, there are
24 going to be times when someone who sits on their original
25 hundred dollars may just sit on there. You're absolutely

1 right, and if that strategy --

2 VICE CHAIRPERSON ISRAEL: Well, you win big in the
3 first race, you don't move.

4 MR. KOCH: Absolutely, that's a certain strategy.
5 That's one of the intriguing things.

6 VICE CHAIRPERSON ISRAEL: I was thinking about a
7 thousand hours of television, there goes your television
8 show.

9 MR. KOCH: Well, I hope the TV show, that doesn't
10 happen.

11 MR. COUTO: Well, you know the 25-second clock is
12 the 25 to 1 path limit. It's you can't hit that runaway
13 horse and then sit through the rest of it because you're
14 going to be --

15 VICE CHAIRPERSON ISRAEL: But if you're a grinder,
16 you're going to get a four percent playoff and --

17 MR. KOCH: We played this, David, just so you
18 know, a number of times and we always played it with one
19 person who sits, and that person never one.

20 VICE CHAIRPERSON ISRAEL: But did they finish in
21 the top five?

22 MR. KOCH: Rarely. I think they got maybe top
23 three -- I mean, top five percent a couple times, but they
24 never one.

25 MR. FENTON: You're sitting in the lead. Even if

1 it's a small tournament, you're sitting in the lead with
2 three or four people behind you that are going to bet
3 different horses, and if you're in a 500- or a thousand-
4 person tournament, you've got numerous --

5 MR. COUTO: We'll go back and check it. I mean,
6 I'm trying to --

7 MR. KOCH: But it's a good point.

8 MR. COUTO: I'm trying to recall every year that
9 I've been to the Arizona Symposium, they do a handicapping
10 tournament, one of the tote companies typically does that
11 free.

12 VICE CHAIRPERSON ISRAEL: Right.

13 MR. COUTO: And I've never seen any of those
14 tournaments won by anybody who started with the Fantasy
15 bankroll.

16 VICE CHAIRPERSON ISRAEL: But the reason why
17 there's a shot clock in basketball is because they may be
18 holding the ball and four corners is boring to watch.

19 MR. KOCH: Right.

20 MR. COUTO: Right.

21 VICE CHAIRPERSON ISRAEL: And the reason NASCAR
22 had to change its rules a couple of years ago, because if
23 you got a big enough lead in the middle of the season you
24 could just not try to win, just try to finish in the top 15,
25 which almost anybody can do if they're not racing, and you

1 can just hold your lead for months.

2 MR. KOCH: It's a good point and something we
3 absolutely look at, absolutely.

4 CHAIRPERSON HARRIS: Good, thank you.

5 MR. KEMPT: Excuse me for interrupting, I just
6 have a question, Doug Kempt from Local 280.

7 Is this wager going to be just on self-serve
8 machines or are we going to be using live operators to
9 assist you, because we'd love to assist in the enthusiasm of
10 this wager. It sounds exciting to all of us.

11 VICE CHAIRPERSON ISRAEL: Can I ask you a
12 question?

13 MR. KEMPT: Yes, sir.

14 VICE CHAIRPERSON ISRAEL: If you have guys that
15 are good in the casting session, then they're in the show.

16 MR. KEMPT: Yeah.

17 VICE CHAIRPERSON ISRAEL: And they're going to
18 make a lot more than they make just for punching the
19 numbers.

20 MR. KEMPT: Yeah, absolutely. Great, it sounds
21 like fun.

22 MR. KOCH: Absolutely, we will be talking to you.

23 CHAIRPERSON HARRIS: Yeah, it could be part of the
24 show.

25 MR. KOCH: Exactly.

1 CHAIRPERSON HARRIS: You know, it's an exciting
2 concept.

3 VICE CHAIRPERSON ISRAEL: Now, John, should I ask
4 you -- I'll ask the question you would ask if you kept
5 reading on the thing, 25 percent takeout.

6 MR. COUTO: Okay, so less than the New York Pick-
7 Six.

8 VICE CHAIRPERSON ISRAEL: Less than the New York
9 Pick-Six.

10 MR. COUTO: Yeah.

11 MR. KOCH: Correct.

12 VICE CHAIRPERSON ISRAEL: This is California.

13 MR. COUTO: Well, this is going national,
14 hopefully.

15 CHAIRPERSON HARRIS: Well, part of this, as I
16 understand it, is not so much that you're going to get every
17 last gambler playing in it, it's to get the TV, the game,
18 it's sort of like --

19 MR. KOCH: Well, we want to attract new people.
20 Our goal is to get new people out to the track and to be
21 able to come out and -- we want -- if someone starts playing
22 this game, this is a one-time, small fee at the beginning of
23 their day, we firmly believe if someone's out there playing
24 the game, that we bring a new client to the track or new
25 customer, they're going to be betting on other races

1 throughout the day.

2 And that's the goal of this, the goal is to drive
3 people back to the track. Okay, that's been my goal since
4 day one, since I started in this business, is to get people
5 back out here.

6 And we think that this is a way, with a marketing
7 and television show, to finally have something exciting for
8 people, something different, something new to have people
9 come out to the track and actually play, and play head to
10 head, which is interesting.

11 VICE CHAIRPERSON ISRAEL: What's the ante?

12 MR. KOCH: Twenty-five dollars.

13 VICE CHAIRPERSON ISRAEL: Twenty-five dollars is
14 the buy-in?

15 MR. COUTO: Uh-hum.

16 VICE CHAIRPERSON ISRAEL: And you get a fictional
17 hundred dollars to play?

18 MR. KOCH: Correct.

19 MR. COUTO: Correct.

20 VICE CHAIRPERSON ISRAEL: So when you -- how do
21 you play it, I mean, how do you physically --

22 MR. KOCH: Ultimately, we can have this
23 conversation here, ultimately we just -- we want you to be
24 able to walk up to a window and be able to say I want to
25 play Turf Wars, Hollywood Park, race two, and go. You'll

1 either get a card -- we're in talks, David, with the tote
2 companies and how it's all going to actually work.

3 But we want it to be as simple as possible.

4 Basically, we want the on-track wager to mimic the
5 television show. So we want someone to come out and say,
6 hey, I watched that show, Turf Wars, how do I play that?
7 And you walk up to any window and you either get a card, you
8 get a voucher, you get a ticket and a voucher, we haven't
9 quite figured out the exact how it's going to work with the
10 tote company.

11 VICE CHAIRPERSON ISRAEL: Oh, okay. Since these
12 meetings are cohesive all, there's an answer to the question
13 of who can come out, the two-dollar bettor can't come out to
14 the track anymore? Well, you pay three bucks to park, and
15 six bucks to get in, and \$25 and you're in this event and
16 you're paying. So it's a lot less than 60 bucks.

17 MR. KOCH: Yeah.

18 CHAIRPERSON HARRIS: But you got to do this at the
19 track, you can't do this on --

20 MR. COUTO: No, you'll be able to do it online,
21 as well.

22 CHAIRPERSON HARRIS: Oh, can you?

23 MR. COUTO: Yeah.

24 MR. KOCH: What we want to do is have special
25 tournaments that are on the track and eventually, year two,

1 year three, people who actually participate in this will be
2 on the television show, so there's a chance to be a star.

3 And that's what we think happened with poker is
4 that all of a sudden these good poker players start becoming
5 celebrities. We want to have that same attraction.

6 VICE CHAIRPERSON ISRAEL: Now, with all -- now, is
7 there an agency fee involved in this?

8 MR. KOCH: Is there a licensing fee?

9 VICE CHAIRPERSON ISRAEL: Agency fee.

10 MR. KOCH: What's an agency -- what do you mean?

11 VICE CHAIRPERSON ISRAEL: For Ari, are you paying
12 Ari?

13 MR. KOCH: Oh, we're going to pay Ari to sell the
14 television show, yes.

15 VICE CHAIRPERSON ISRAEL: Oh, you are, okay.

16 MR. KOCH: Oh, absolutely. He's part of our
17 company.

18 VICE CHAIRPERSON ISRAEL: Oh, he is?

19 MR. KOCH: Yeah, he will be part of our company.
20 Which is, we think, a great thing. I mean, we want someone
21 like that.

22 MR. FENTON: Would you like to build on the take-
23 out just a special Ari?

24 VICE CHAIRPERSON ISRAEL: I'd like for Ari to do
25 it for free, as a public service.

1 MR. KOCH: That's not going to happen. That's not
2 going to happen.

3 CHAIRPERSON HARRIS: Do you have a patent on it or
4 something?

5 MR. KOCH: Yes, we have a patent pending.

6 CHAIRPERSON HARRIS: So somebody else can't just
7 do this kind of thing?

8 MR. KOCH: Yes, it's a proprietary wager and it's
9 patent-pending.

10 VICE CHAIRPERSON ISRAEL: But you say it already
11 exists, how is it proprietary?

12 MR. COUTO: No, tournaments already exists.

13 VICE CHAIRPERSON ISRAEL: Tournaments, how is this
14 different?

15 MR. COUTO: The wager doesn't exist right now.
16 What this is, is a pari-mutuel wager. Right now they play
17 tournaments separate and apart, there's no pari-mutuel
18 component to it.

19 We were able to build the wager that is pari-
20 mutuel, and then they can play that way.

21 VICE CHAIRPERSON ISRAEL: Wait, wait, so the guy -
22 - somebody who's playing this tournament buys a \$10 win
23 ticket on --

24 MR. COUTO: No, they buy a \$25 Turf War ticket.

25 MR. KOCH: Anything that happens within the

1 tournament does not go into the pool.

2 VICE CHAIRPERSON ISRAEL: Well, how is the \$25
3 mingled into the pari-mutuel pool?

4 MR. KOCH: It's not.

5 MR. COUTO: It's its own pool. It's like the
6 Magna Pick 5 is its own pool, the Turf Wars will be its own
7 pool, and people will be playing using that money in its own
8 pool.

9 VICE CHAIRPERSON ISRAEL: But the totality of the
10 pool is just 25 times however many people play?

11 MR. COUTO: Correct.

12 MR. KOCH: Correct.

13 VICE CHAIRPERSON ISRAEL: Okay.

14 CHAIRPERSON HARRIS: Okay, I think this is an
15 exciting program. And when do you say --

16 MR. KOCH: We're going to keep you posted.

17 CHAIRPERSON HARRIS: When do you say you would
18 have a chance of doing a rollout?

19 MR. KOCH: I mean, ultimately, we want to make
20 sure that the television show's up and running before we
21 actually -- we want people to, you know, see the TV show
22 before we actually have it out, offered at a racetrack.

23 CHAIRPERSON HARRIS: Well, I thought you'd have to
24 have it going before you did the show.

25 MR. KOCH: It's going to be kind of a -- it's

1 going to be right around the same time. So we're still in
2 talks. I mean, ultimately, I think next year for sure. If
3 I told you when, I don't know.

4 You know, I'd love it to be Santa Anita 2010, if
5 possible, but there's a lot of things that we need to do on
6 our end, as far as tote, and building it.

7 MR. COUTO: I was going to say that the biggest
8 hurdle right now that we've come across, from a practical
9 stand point, is the totes. In that one tote has one view of
10 how quickly it can be rolled out, another tote has a
11 different view.

12 End of the day, they have to be able to
13 communicate with each other, the different tote systems,
14 through an ITSP, and that's not there yet.

15 So we've been meeting with them, getting different
16 input from different tote companies, and we're going to work
17 on getting that resolve, hopefully, by the end of the
18 summer. That's the key thing.

19 CHAIRPERSON HARRIS: Okay, thank you.

20 Craig?

21 MR. FRAVEL: Craig Fravel, Del Mar. I only stuck
22 around here this long because I told Billy I would stand up
23 in support of this, so I don't want to leave him hanging and
24 say we are not supporting of this going forward.

25 MR. KOCH: Thanks, Craig.

1 VICE CHAIRPERSON ISRAEL: That's it?

2 MR. FRAVEL: Now I'm going home.

3 VICE CHAIRPERSON ISRAEL: Wait a minute, we've
4 been waiting for you to -- what was it we tabled?

5 MR. FRAVEL: Item Number 7.

6 VICE CHAIRPERSON ISRAEL: Yeah, rebates.

7 MR. FRAVEL: Thank you, guys. Thank you.

8 CHAIRPERSON HARRIS: Okay, any key comments on
9 rebates?

10 COMMISSIONER CHOPER: He's the one of the wise
11 men.

12 CHAIRPERSON HARRIS: Where are the wise men, I
13 think they're lost in the desert somewhere.

14 Okay, Mr. Liebau. Go ahead. We're back on Item
15 7, proposed repeal of the rule on rebates.

16 MR. LIEBAU: I think the rule should be repealed.
17 Everybody has what I would call frequent flier programs,
18 it's not just the rebaters in the Caribbean, it's Churchill
19 Downs. Find me a track that doesn't have a rebate program,
20 including California and the California Marketing Committee.

21 And so I mean, I think this rule maybe was well-
22 intended, but the rule really says all the track has to do
23 is put it in its simulcast agreement, which is kind of an
24 absurdity.

25 And somebody once, many years ago, pushed me and

1 said, well, does that mean that's all you have to do? Well,
2 that's all, frankly, we're doing, because we know tracks are
3 rebating that we're sending our signal to, there's just no
4 question about it. So I think you --

5 CHAIRPERSON HARRIS: Well, that's where we were.
6 We were under the impression that some people wanted to come
7 in and speak against it.

8 VICE CHAIRPERSON ISRAEL: Against it. We were
9 ready to go.

10 MR. LIEBAU: Well, I think you should then --

11 CHAIRPERSON HARRIS: Stop talking, you got it
12 sold.

13 MR. LIEBAU: Yeah, stop talking.

14 CHAIRPERSON HARRIS: Yeah, when you're selling
15 something and you got it sold --

16 MR. LIEBAU: I think you should repeat it.

17 MR. FRAVEL: So I can go home now?

18 VICE CHAIRPERSON ISRAEL: Well, unless you want to
19 talk for it or against it.

20 CHAIRPERSON HARRIS: Well, who came up with the
21 idea that we had all these people that were against it and
22 they were in a special, secret meeting or something?

23 COMMISSIONER CHOPER: He left, he's gone, don't
24 worry about it.

25 MR. FRAVEL: Robert Hartman, he's --

1 COMMISSIONER CHOPER: That's all right, that's all
2 right, didn't take him very long.

3 MR. HARTMAN: It was just a question that people
4 weren't here to -- there were principals to the tracks that
5 weren't here.

6 COMMISSIONER CHOPER: Absolutely, you're right.

7 VICE CHAIRPERSON ISRAEL: Okay, is everybody
8 represented?

9 CHAIRPERSON HARRIS: Sometimes people are more
10 insightful when they're not here, actually. But let's -- I
11 was just kidding.

12 VICE CHAIRPERSON ISRAEL: Present company
13 excluded.

14 VICE CHAIRPERSON ISRAEL: All right, I'll move
15 that we adopt the proposal to repeal CHRB Rule 1950.1,
16 rebates on wagers.

17 COMMISSIONER CHOPER: Second.

18 CHAIRPERSON HARRIS: Okay. All in favor?

19 (Ayes.)

20 CHAIRPERSON HARRIS: Okay, now we'll go on down to
21 Item 14, on the -- actually, maybe we --

22 VICE CHAIRPERSON ISRAEL: Notwinc.

23 CHAIRPERSON HARRIS: Mr. Barr's been here all day
24 for Oak Tree.

25 Okay, on off-track wagering in the north to change

1 it from -- it's now 1.20, to 1.25, which is, statutorily,
2 the highest it can be at this point.

3 Any comments on this one?

4 COMMISSIONER CHOPER: You know, it says here that
5 it would generate approximately \$175,000, which would begin
6 to cover the project losses through 2009 of \$800,000. So I
7 just wondered who's going to pick up the other \$625,000.

8 MR. HARTMAN: Good question. Robert Hartman, on
9 behalf of Notwinc and Stabling and Vanning Fund.

10 We are going to be taking steps to change out
11 stabling and vanning is handled in Northern California over
12 the next year, and probably beyond that, to address that
13 situation.

14 Through some things, we're trying to maybe cut
15 back a little bit to save money for this fund.

16 COMMISSIONER CHOPER: So there -- we won't be here
17 a year from now trying to figure out how to make -- you
18 hope, at least?

19 MR. HARTMAN: I hope on the stabling and vanning
20 side. The Notwinc side is a whole 'nother story and we have
21 major deficits there, but I believe that the Stabling and
22 Vanning Fund will be okay moving forward, given the changes
23 that we're going to put before the Board at the end of the
24 month.

25 COMMISSIONER CHOPER: So this is a big shortfall

1 for all of Notwinc, the 800 --

2 MR. HARTMAN: There's two separate --

3 COMMISSIONER CHOPER: I'm sorry, I don't
4 understand.

5 MR. HARTMAN: -- issues, there's the Stabling and
6 Vanning Fund.

7 COMMISSIONER CHOPER: Yes.

8 MR. HARTMAN: And then there's Notwinc, and each
9 of them have deficits that -- the deficit you're looking at
10 is specifically the Stabling and Vanning Fund.

11 COMMISSIONER CHOPER: And you're going to take
12 care of that.

13 MR. HARTMAN: We, hopefully, are going to have a
14 Board meeting and take care of that.

15 COMMISSIONER CHOPER: I understand, you got a
16 plan.

17 MR. HARTMAN: The Notwinc side, we have bigger
18 problems to take care of and we're working on those, as
19 well.

20 CHAIRPERSON HARRIS: Yeah, I think there's concern
21 about all of those funds, if they're financially viable, and
22 it may well take a redesign of everything, both on the cost
23 side and expense side.

24 But for now I think we need to go ahead and
25 approve this. Can I get a motion to take it to 1.25?

1 COMMISSIONER ANDREINI: Yes.

2 CHAIRPERSON HARRIS: John Andreini moves it.

3 Somebody --

4 VICE CHAIRPERSON ISRAEL: I'll second it.

5 CHAIRPERSON HARRIS: Okay, all in favor?

6 (Ayes.)

7 CHAIRPERSON HARRIS: Okay, now we have race day
8 charity of Pacific Racing in the amount of 103,000.

9 COMMISSIONER CHOPER: And Oak Tree.

10 CHAIRPERSON HARRIS: Okay. There isn't a packet,
11 they're pretty straight forward.

12 COMMISSIONER DEREK: Very nice.

13 So is there a motion on that?

14 VICE CHAIRPERSON ISRAEL: I move that we thank
15 you.

16 COMMISSIONER DEREK: Second.

17 CHAIRPERSON HARRIS: Okay, the charities thank
18 them.

19 It's been moved and seconded that we approve
20 Pacific's.

21 All in favor?

22 (Ayes.)

23 CHAIRPERSON HARRIS: Okay, now, I know that John
24 Barr would like to give about a ten- or 15-minute
25 dissertation on Oak Tree's charity.

1 MR. BARR: If you have any questions, otherwise
2 I'm not here.

3 CHAIRPERSON HARRIS: We were hoping that Chilly
4 would come back from the Belmont to do this.

5 But they're in here. I think it's good that Oak
6 Tree has devoted their total charitable contributions to all
7 equine-related charities.

8 VICE CHAIRPERSON ISRAEL: Did the Breeders' Cup
9 give you any money, John?

10 MR. BARR: For this?

11 VICE CHAIRPERSON ISRAEL: Yeah, did they make a
12 charitable donation, the Breeders' Cup when they -- no? Too
13 bad. Next year why don't you remind them it would be a nice
14 to do.

15 CHAIRPERSON HARRIS: They've got a lot to do about
16 it --

17 VICE CHAIRPERSON ISRAEL: Or this year.

18 CHAIRPERSON HARRIS: You can invite David over
19 next time you have a seance with them.

20 MR. BARR: Yeah.

21 COMMISSIONER CHOPER: Move to approve.

22 CHAIRPERSON HARRIS: Is there a second?

23 COMMISSIONER ANDREINI: Second.

24 CHAIRPERSON HARRIS: All in favor?

25 (Ayes.)

1 CHAIRPERSON HARRIS: Okay, now we'll move on to
2 public comment, which is --

3 EXECUTIVE DIRECTOR BREED: No, you got a --

4 VICE CHAIRPERSON ISRAEL: Stewards and vets.

5 CHAIRPERSON HARRIS: Oh, we got contracts, we
6 skipped over something there, yeah.

7 Okay, let's go back to approval of these contracts
8 on services, stewards and vets, and they're in the packet as
9 well. Pretty big dollars, but is there anything
10 significantly different?

11 EXECUTIVE DIRECTOR BREED: No, the only thing on
12 the steward services and also the veterinarian services is
13 we are going into a very tight fiscal year and so as the
14 tracks are trying to reduce expenses, we also have
15 to -- which is kind of commensurate with the handle that
16 we're working with, we have to also look at our expenses.

17 And so all these contracts, we reserve the right
18 to either pay or not pay, as it depends, prior to the
19 service, withdrawing the contracts.

20 CHAIRPERSON HARRIS: Yeah, it's supposed to be?

21 EXECUTIVE DIRECTOR BREED: What?

22 CHAIRPERSON HARRIS: Fermin is not on here, I
23 thought it was supposed to be on here.

24 VICE CHAIRPERSON ISRAEL: Fermin's name is not
25 there.

1 CHAIRPERSON HARRIS: It was supposed to be. Oh, I
2 don't know what happened.

3 VICE CHAIRPERSON ISRAEL: Jesse and I had the same
4 reaction, I thought she just decided discretion was the
5 better part of valor and didn't want to get sued.

6 CHAIRPERSON HARRIS: No, Fermin is assigned.

7 VICE CHAIRPERSON ISRAEL: Her name -- she doesn't
8 have a contract.

9 EXECUTIVE DIRECTOR BREED: So, she's got a
10 contract but it --

11 CHAIRPERSON HARRIS: I think it just got --

12 EXECUTIVE DIRECTOR BREED: Why don't we all write
13 it in at the same time.

14 CHAIRPERSON HARRIS: Write it in, Ingrid Fermin.
15 We just add Fermin, it was on -- I mean, I think she does
16 have a contract, so it just didn't show up on the list.

17 ASSISTANT EXECUTIVE DIRECTOR SMITH:
18 Commissioners, Bon Smith, CHRB staff. That was an oversight
19 on staff part.

20 CHAIRPERSON HARRIS: Okay.

21 VICE CHAIRPERSON ISRAEL: No, but was this out for
22 the public to see for some period of time?

23 ASSISTANT EXECUTIVE DIRECTOR SMITH: Just a part
24 of this package.

25 VICE CHAIRPERSON ISRAEL: And so adding it in

1 without -- we've got to be realistic here, she's the hot
2 button item. So by doing this we're not having it --

3 CHAIRPERSON HARRIS: We have made the announcement
4 previously and we've gotten numerous e-mails from Mr.
5 Jamgotchian about it, he's well aware of it.

6 VICE CHAIRPERSON ISRAEL: Right. He may have
7 thought, because her name was not on the list that, as I
8 did --

9 EXECUTIVE DIRECTOR BREED: No, he knows.

10 CHAIRPERSON HARRIS: He knows.

11 EXECUTIVE DIRECTOR BREED: He knows her name's on
12 the list, I already told him.

13 CHAIRPERSON HARRIS: Okay.

14 VICE CHAIRPERSON ISRAEL: That's a weird
15 oversight.

16 EXECUTIVE DIRECTOR BREED: It is.

17 CHAIRPERSON HARRIS: It is, but it happened.

18 COMMISSIONER CHOPER: We might put an amended list
19 on our website or however that works.

20 EXECUTIVE DIRECTOR BREED: Let the record show --
21 we say let the record show that the stewards list in the
22 packet should have -- it was -- Ingrid Fermin was omitted by
23 accident --

24 VICE CHAIRPERSON ISRAEL: Inadvertently, yes.

25 EXECUTIVE DIRECTOR BREED: Inadvertently omitted

1 by accident, and that the total amount here, total cost
2 includes her contract.

3 VICE CHAIRPERSON ISRAEL: Oh, so the 1.6 million
4 does --

5 EXECUTIVE DIRECTOR BREED: Does include her
6 contract, yes.

7 VICE CHAIRPERSON ISRAEL: Okay.

8 CHAIRPERSON HARRIS: And as Kirk mentioned, too,
9 we have changed how many stewards may be. There really is
10 not any significant changes on the thoroughbred meets.

11 EXECUTIVE DIRECTOR BREED: No.

12 CHAIRPERSON HARRIS: But at the quarter horse and
13 harness meets, there will be some with only one steward.

14 EXECUTIVE DIRECTOR BREED: At the night, the
15 quarter horse and the harness meet are going to be working
16 with two stewards, one of the roof and one on the ground,
17 and they will alternate back and forth.

18 The Ferndale meet will have just one steward. So
19 the rest, all the rest, the fairs and the thoroughbreds all
20 remain with three stewards.

21 The veterinarians, the veterinarian contingent
22 stays the same.

23 CHAIRPERSON HARRIS: Okay, so we need -- any
24 discussion on this? We need a motion to approve these
25 signatures. The bit one is obviously the UC Davis drug

1 testing is almost 2 million.

2 VICE CHAIRPERSON ISRAEL: Do I need to do it each,
3 individually?

4 EXECUTIVE DIRECTOR BREED: No, you just need to --
5 you just need to approve the total, the total package.

6 COMMISSIONER CHOPER: You want to move it? No.
7 I'll move it then.

8 CHAIRPERSON HARRIS: Okay, is there a second?

9 COMMISSIONER ANDREINI: Second.

10 CHAIRPERSON HARRIS: Okay, all in favor?

11 (Ayes.)

12 CHAIRPERSON HARRIS: Okay, now we're down to
13 public comment. And I think there are some public comments
14 here, I can't remember.

15 Suzanne Marcus Fletcher, is she still here?

16 Okay, we've got another one. I think Richard
17 Castro was down, I think. Here he is. He has public
18 comment, yeah.

19 MR. CASTRO: Richard Castro, representing Pari-
20 Mutuel Employees Guild.

21 I thought I had a conversation with your staff,
22 one of your staff people, and that you were going to put
23 Surfside on the agenda, and I expected it to be on the
24 agenda today.

25 COMMISSIONER CHOPER: What is that?

1 MR. CASTRO: The Surfside issue.

2 COMMISSIONER CHOPER: Oh, I got it.

3 MR. CASTRO: It's not on the agenda. So what I
4 think I'm going to do, if you do put it on the agenda in the
5 future, you're going to do it because you want it on there,
6 not because I asked that it be on there. And I probably
7 will not participate if you do put it on the agenda.

8 I am now working with a Deputy Attorney General,
9 Deborah Fletcher, is that one of your people?

10 STAFF COUNSEL MILLER: I'm with the Board, I'm not
11 with the Attorney General.

12 MR. CASTRO: Okay. Well, I think she's a State
13 Deputy Attorney General's Office. And we've got kind of an
14 agreement on how we're going to approach this, and I've been
15 working quite well with her, and I'm just going to keep the
16 working relationship between her.

17 Because it just appears to me, once again, and I
18 saw an example of it today, when it comes to workers, you
19 guys just seem to be a little bit too insensitive when it
20 comes to our issues so --

21 CHAIRPERSON HARRIS: Yeah, I think the issue at
22 Del Mar was the next meeting's going to be at Del Mar and
23 that would be a good place to really figure it out. We've
24 been talking about this for a couple of years.

25 My theory that -- obviously, we're concerned about

1 the welfare of workers, but it's really an OSHA thing. You
2 know, this Board doesn't really have any expertise on
3 environmental health issues. There are State agencies that
4 do, we're just not one of them. And I think this needs to
5 be handed off to whoever the -- that agency is that's
6 familiar with mold, or whatever the issues are down there.

7 But I don't know what we can really do about it.

8 MR. CASTRO: Okay. Well, I'm not trying to shut
9 anybody down, that's -- you know, I'm trying to get problems
10 resolved, I'm trying to get issues resolved, and I think you
11 have the responsibility to -- if there is a health issue,
12 that you should be aware of it.

13 They, I do not believe, were giving you the
14 testing information, they definitely weren't giving it to
15 us, like what they agreed to do. They are now.

16 The air conditioning system down there is suspect
17 for us. When they do their testing, I don't believe they
18 are testing the air conditioner. What they're doing is
19 testing that little corner of the wall where the mold was
20 before. And there's been some other issues that we are
21 starting to address as well, and I'm going to do it with
22 Deborah Fletcher, and I'm just going to be defiant with you
23 people.

24 If you want to get the information, you're going
25 to have to go to Deborah Fletcher because I've just given up

1 with you people on this issue. And I'm sorry, but that's
2 just the facts.

3 CHAIRPERSON HARRIS: I'm not clear, has someone
4 made a formal request of Cal-OSHA to review the issues?

5 MR. CASTRO: John, come on. You were here when a
6 Cal-OSHA came what, two years ago, and they talked about why
7 they couldn't do it.

8 CHAIRPERSON HARRIS: I can't remember that.

9 MR. CASTRO: We actually had a Cal-OSHA person
10 from San Diego in one of the meetings talk about it.

11 VICE CHAIRPERSON ISRAEL: Well, Richard, I wasn't
12 here and Bo wasn't here, so maybe you can explain it to us.

13 MR. CASTRO: Okay. For you folks, we raised some
14 issues regarding Surfside. There were people down there
15 that got sick. And we could not definitively say that it
16 was because of black mold. There are a couple of people who
17 died.

18 We can't definitively say it was the black mold
19 that caused the death, because on the death certificate I
20 think it read pneumonia that they died from.

21 But they did have water leakage and they
22 acknowledged it. And we took them into places, when we did
23 the inspection, and there was a CHRB investigator there by
24 the way, as well.

25 When we did the inspection with the investigator,

1 we found areas where there had been water that was standing
2 four to six inches because the metal supports were all
3 rusting out. In fairness --

4 VICE CHAIRPERSON ISRAEL: And then why couldn't
5 Cal-OSHA investigate, I don't understand. I understand the
6 nature of the problem.

7 MR. CASTRO: Well, there's two or three things why
8 Cal-OSHA didn't. They follow -- I don't think they follow
9 water. They made a -- I can go back in the transcript and
10 I'll respond to you, if I have to do that. But I think it's
11 because they don't follow water. The law is -- it's a void
12 in the law, for some reason.

13 The second reason, and we all know the State
14 financial crisis, they have -- they primarily concentrate
15 when someone dies. You know, if it's a -- they consider
16 this a minor issue and they don't really have the manpower
17 to really get in and investigate it.

18 We were going to file a lawsuit, but when our
19 lawyer told us what it would cost for us to do the
20 biological testing, it just got astronomical, it would have
21 wiped out our treasury. It was over \$2 million for what we
22 would have had to spend to put a case together.

23 So but working with Deborah Fletcher, this is a
24 positive. She represents Surfside, she's been very open to
25 doing inspections with me, we've been sharing information.

1 I'm going to do interviews with clerks, because the clerks
2 are telling me one thing and the facility something else, so
3 we're working with them.

4 COMMISSIONER CHOPER: So are you saying that it's
5 sort of under control now? I mean, not solved, but the
6 process is one that you're satisfied with?

7 MR. CASTRO: Well, you know, I got to -- after I
8 asked that it be on the agenda, I got a nasty letter,
9 threatened with a lawsuit for my comments. All I did was
10 ask you to put it on the agenda.

11 VICE CHAIRPERSON ISRAEL: From who?

12 MR. CASTRO: From the Surfside people.

13 VICE CHAIRPERSON ISRAEL: Well, what does that
14 have to do with us?

15 MR. CASTRO: Well, so that got things kind of
16 really rolling and going along, and it would have been nice
17 if you would have assigned an investigator to go and walk
18 through, so you'd have an independent person. You're
19 supposed to --

20 CHAIRPERSON HARRIS: But how would our
21 investigator have any expertise.

22 VICE CHAIRPERSON ISRAEL: Our investigator knows
23 about horse races, he doesn't know about that.

24 MR. CASTRO: Well, why did you do it before and
25 you can't do it now?

1 VICE CHAIRPERSON ISRAEL: Well, I don't know, I
2 wasn't here.

3 MR. CASTRO: Well, when Chairman Shapiro was here,
4 he assigned a person.

5 CHAIRPERSON HARRIS: But the solution, what we
6 need to do is try to solve it.

7 MR. CASTRO: Unfortunately, when we went around
8 with that -- unfortunately, when I went around with the
9 investigator, I would tell him, make sure you put that on
10 your notes, make sure you put that on your notes, because he
11 felt that it wasn't his job, that's the attitude that he
12 took.

13 VICE CHAIRPERSON ISRAEL: Well, he has no -- and I
14 assume, in that sort of occupational -- look, I don't know,
15 maybe he doesn't have any expertise in that issue; does he?

16 CHAIRPERSON HARRIS: No, our guy wouldn't.

17 COMMISSIONER CHOPER: I guess if you're satisfied
18 with the Deputy AG who's doing it, she knows what to do;
19 right?

20 MR. CASTRO: Yeah, correct, I have a good working
21 relationship with her.

22 VICE CHAIRPERSON ISRAEL: All right, so you're
23 making progress then.

24 MR. CASTRO: I'm getting a fair shake.

25 VICE CHAIRPERSON ISRAEL: Okay.

1 COMMISSIONER CHOPER: That's good.

2 MR. CASTRO: And I'm just letting you know that if
3 the --

4 COMMISSIONER CHOPER: That's what's important.

5 VICE CHAIRPERSON ISRAEL: We're all in the State
6 of California, we're just different agencies, with different
7 levels of expertise in different subjects.

8 So she's probably shaking the right tree and
9 finding the right experts. I mean, I imagine.

10 MR. CASTRO: I'm just letting you know that if you
11 put it on the agenda, I probably won't speak and that's why.

12 VICE CHAIRPERSON ISRAEL: Okay.

13 COMMISSIONER CHOPER: Okay.

14 VICE CHAIRPERSON ISRAEL: Well, we won't put it on
15 the agenda.

16 CHAIRPERSON HARRIS: Okay, any other public
17 comments?

18 I was requested by Mike -- I think she left,
19 Suzanne Marcus Fletcher is not here?

20 EXECUTIVE DIRECTOR BREED: No.

21 CHAIRPERSON HARRIS: I was requested by a group,
22 that had signed a petition, to read a letter that they had
23 prepared, and this group includes a lot of major owners in
24 racing, which I've got the list of here, but they're fairly
25 familiar names.

1 But anyway, I think they are questioning -- I'm
2 not necessarily going to take one side or the other on this
3 deal, but they're questioning the transparency of TOC. And
4 I told them that this is not necessarily the forum to sort
5 that out, but that I would make the announcement of that
6 they are concerned for their issues to TOC.

7 And if there's some way that -- is anyone from TOC
8 here?

9 VICE CHAIRPERSON ISRAEL: Yeah, Drew.

10 CHAIRPERSON HARRIS: Drew, yeah. And, Drew, this
11 is a petition that we got, questioning basically the TOC
12 mission, and transparency, and all this stuff, that I'll
13 give you, that apparently they had sent to Marsha Naify and
14 are awaiting a response on.

15 And I'm not sure that at this point that the CHRB
16 wants to inject itself into this because it's really a
17 dispute between you and some of your members. But I hope
18 that you would follow up with them, and if CHRB can do
19 anything to help facilitate things, we would.

20 But I think it's important that, you know, with
21 all the other problems that we've got in racing that we keep
22 everybody working on the same page.

23 MR. COUTO: Okay. Well, I don't know anything
24 about the letter, so I'll try and find out from Marsha.

25 CHAIRPERSON HARRIS: Okay, I'll give it to you

1 here.

2 MR. COUTO: Okay.

3 CHAIRPERSON HARRIS: She apparently said they got
4 it in April and then Mike Marten was contacted about it.

5 MR. COUTO: Okay.

6 VICE CHAIRPERSON ISRAEL: Why don't we adjourn.

7 COMMISSIONER CHOPER: That's not a bad idea.

8 CHAIRPERSON HARRIS: No, you have to move. I
9 thought we'd stay around and collect money.

10 VICE CHAIRPERSON ISRAEL: Well, you've probably
11 got something running tonight.

12 CHAIRPERSON HARRIS: Yeah, I'm waiting for the
13 thunderstorms to get over. Maybe.

14 Okay. Well, thanks for everyone's patience. Too
15 bad Jammer wasn't here, we could keep going awhile.

16 (Laughter.)

17 (Thereupon the California Horse Racing
18 Board Regular Meeting was adjourned at
19 3:08 p.m.)

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CERTIFICATE OF REPORTER

I, TROY A. RAY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing Meeting of the California Horse Racing Board; that thereafter the recording was transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, or in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of June, 2009.

Troy A. Ray

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