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BEFORE THE CALIFORNIA HORSE RACING BOARD
OF THE STATE OF CALIFORNIA
ROGER H. LICHT, CHAIRMAN

In the Matter of:)
Regular Board Meeting of the)
California Horse Racing Board)
_____)

TRANSCRIPT OF PROCEEDINGS
Pomona, California
Wednesday, September 25, 2002

Reported by:
SUZANNE MOORE
CSR No. 12692
Job No. :
CHBN109

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BEFORE THE CALIFORNIA HORSE RACING BOARD
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In the Matter of:)
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California Horse Racing Board)
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TRANSCRIPT OF PROCEEDINGS, taken
at 601 McKinley Avenue, Pomona, California,
before ROGER H. LICHT, Chairman, commencing
at 10:00 a.m., on Wednesday, September 25, 2002,
reported by SUZANNE MOORE, CSR No. 12692,
a Certified Shorthand Reporter in and for
the State of California.

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01 APPEARANCES:

01

02 Vice-Chairman: Roger H. Licht

02

03 Executive Director: Roy C. Wood, Jr.

03

04 Commissioners: John C. Sperry

04 John C. Harris

05 Sheryl L. Granzella

05 Marie G. Moretti

06 William A. Bianco

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07 Deputy Attorney General: Thomas A. Blake

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01 Pomona, California, Wednesday, September 25, 2002
02 10:00 a.m.

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05 MR. WOOD: Thank you very much, and welcome. This
06 meeting will please come to order. This is a regular
07 meeting of the California Horse Racing Board. It's being
08 conducted on Thursday (sic), September the 25, 2002, and
09 we are at the Sheraton Suites in Pomona, California.

10 Present at today's meeting are Vice Chairman
11 Roger Licht, Commissioner William Bianco, Commissioner
12 Sheryl Granzella, Commissioner John Harris,
13 Commissioner Marie Moretti.

14 Before we go forward with the testimony of this
15 Board meeting, I would ask respectfully, if you give
16 testimony in front of the Board, that you please state
17 your name and your organization clearly for our court
18 reporter. If you have a business card to provide her,
19 that would be very much appreciated.

20 With that I would like to turn the meeting
21 over to our Vice Chairman, Roger Licht.

22 MR. LICHT: Good morning, everybody. First of all I
23 would like to say -- I'm proud to say that checking me out
24 today is Bob Tourtelot, our former chairman, a long-time
25 Board member. I think he felt it necessary to come over
26 here to make sure that I handled today's
27 affairs properly.

28 Has everybody had a chance to take a look at the

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01 minutes from the July meeting and the August meeting?

02 MR. HARRIS: I had a couple of issues with August.

03 MR. LICHT: Okay.

04 MR. HARRIS: (Inaudible) on page 7, we're talking
05 about track conditions, uniforming track conditions
06 between Santa Anita and Hollywood Park, and it admits that
07 Mr. Wyatt did not know if it was possible, that Santa
08 Anita got heavy rain in the summer.

09 I think what he meant was the winter, and
10 Hollywood Park does not. Hollywood Park has heavy rain in
11 the winter also; they're just not racing in the winter
12 but they're training in the winter. So we just need to
13 redo that to reflect those facts.

14 And over on page 14 it said, due to publicity
15 Ferndale asks the CHRB to deliver a wage reduction to win
16 a exotic -- to win an exotic, which is this a Black Ruby
17 issue. It wasn't due to publicity. It was due to a mere
18 (inaudible).

19 And also on page 15, it said Commissioner Harris
20 and DMTC could have worked with Ferndale to have only
21 exotic wagering with no -- with (inaudible). What I think
22 I said was half on exotic wagering and a leveling pool.
23 So I just wanted to clarify those things.

24 MR. LICHT: Any other comments to the August minutes?
25 Okay. I would like to entertain a motion to approve the
26 July minutes.

27 MR. BIANCO: So moved.

28 MS. MORETTI: Seconded.

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01 MR. LICHT: Moved by Bill Bianco; seconded by
02 Marie Moretti. All in favor?

03 MR. SPERRY: Aye.

04 MR. HARRIS: Aye.

05 MS. GRANZELLA: Aye.

06 MR. LICHT: All opposed? So approved.

07 Motion to approve the August minutes as amended
08 by Commissioner Harris?

09 MS. MORETTI: I'll move it.

10 MR. HARRIS: Seconded.

11 MR. LICHT: Moved by Commissioner Moretti;
12 seconded by Commissioner Harris. All in favor?

13 MR. SPERRY: Aye.

14 MS. GRANZELLA: Aye.

15 MR. BIANCO: Aye.

16 MR. LICHT: All opposed? The minutes are approved.
17 Number 2 on the agenda, Application for
18 License to conduct a fall meeting at Hollywood Park
19 (inaudible).

20 MS. WAGNER: Jackie Wagner, CHRB staff.
21 The application before you for the Churchill
22 Downs California Fall Operating Company proposes to race
23 from November 6 through December 22; 35 days, four more
24 days than they raced in 2001. They're proposing to race a
25 total of 301 races, for 8.6 races per day. They will be
26 racing five days per week, Wednesday through Sunday with
27 eight races per day on Wednesday, Thursday and Friday;
28 nine or ten races on selected Saturdays and Sundays.

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01 First post time is 12:30 p.m. daily. They're proposing a
02 7:05 post on Friday, November the 8th and the 15th, and
03 11:00 a.m. post time on Thursday, November the 28th.

04 Their wagering program will utilize CHRB rules.
05 We have received the horsemen's agreement that has been
06 signed, and I have also been informed that the (inaudible)
07 has been conducted and staff is just waiting for the
08 paperwork to be received. We would recommend that --
09 staff would recommend that the Board approve the
10 application as presented.

11 MR. HARRIS: On the stable housing, has that
12 inspection been completed?

13 MS. WAGNER: That inspection will be done before
14 the meeting starts.

15 MR. HARRIS: In the future, I would really like you
16 to have that done before we approve the application, if
17 it's possible, (inaudible).

18 THE REPORTER: I can't hear you guys.

19 MR. WOOD: The staff will ensure that those
20 inspections are made prior to the application being
21 submitted in the future.

22 Mr. Chairman.

23 MR. LICHT: First of all, welcome back to Roy Minami.
24 He's had an extended sick leave and is back, lean and
25 mean.

26 MR. MINAMI: Thank you, Mr. Chairman. In response to

27 Commissioner Harris' request on having the inspections
28 completed prior to the application being submitted or

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01 prior to action by the Board, one of reasons why I have
02 been doing it closer to the meet, and sometimes during the
03 meet, is because those tack rooms are being occupied, are
04 occupied during the meet. And it's -- for me to go two or
05 three months in advance and look at an empty tack room, I
06 don't see everything as if those individuals were living
07 in the quarters.

08 And so I found that it was more helpful for me
09 to go a few weeks before the meet or during the meet,
10 because those tack rooms are being occupied and I can see
11 the conditions as those individuals are living in them.

12 MR. HARRIS: Yeah, well, I agree in most swap
13 meets that is the case. I mean Hollywood Park has been
14 occupied since Del Mar started, and so they're training.
15 But my concern is just that we do have some closure on
16 those inspections and that it's not something that just
17 kind of hangs out there and it's clear to the track that
18 they have got to be in compliance with those requirements
19 before they (inaudible).

20 MR. JOHNSON: Mr. Chairman, Commissioners, Don
21 Johnson, TOC. I just want to comment on the Hollywood
22 Park fall application. We have assigned (inaudible), we
23 have the stake schedule attached. Everything is in order.
24 We do have just a slight difference on the overnight purse
25 schedule that will be resolved very promptly. I would
26 suggest the approval of the application. We certainly
27 want to open up that account.

28 MR. LICHT: I would like to just hear Hollywood Park

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01 comment on the racing surfaces and the recent press
02 release they put out regarding the change.

03 MR. WYATT: As I said at the August meeting, the
04 turf courses are 100 percent resodded. And to
05 reiterate, the growing medium has been changed, we
06 think for the better, and we are confident that the
07 turf course will be a much better turf course this fall
08 than it was last summer.

09 We are in the process now of a major
10 renovation on the main track. The purpose is technically
11 to reduce the sulthen clay, which we think was too high the
12 last time we had it tested right after the race meeting.
13 And our desire -- and we think we will accomplish it -- is
14 to get the track back to the way it was when we originally
15 put it in in 1998. And at that time, it was generally well
16 accepted by the horsemen.

17 MR. HARRIS: This kind of ties in to the discussion
18 we had at our previous meeting on the consistency of
19 tracks in Southern California between Santa Anita and
20 Hollywood Park. And I got the impression from you at that
21 point that you really didn't have any desire at all to
22 have consistency between the Hollywood Park track and the
23 Santa Anita track.

24 MR. WYATT: If I gave you that impression, it's
25 incorrect.

26 MR. HARRIS: Good. I was hoping.

27 MR. WYATT: I think this. I think that if all three
28 tracks had a track that was similar or more similar, it
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01 would certainly be better. And again, I say, I don't know
02 if that's possible or not, and I don't know which track it
03 is. I don't know if it's our track, Santa Anita's,
04 Del Mar's, or something entirely different. And I frankly
05 don't think we have enough data to make that
06 determination, and we should go forward and collect as
07 much data as we can. And perhaps, you know, have more
08 discussions amongst the associations if it's possible to
09 get there, but we ought to make the effort.

10 MR. HARRIS: Yeah, I applaud you for that attitude
11 because it is -- there's been a lot of discussion and, you
12 know, I agree we're not there yet, and we've got to get
13 the data to establish that. We just need an attitude that
14 at least we're trying to get that direction; maybe there
15 is a track that would enhance everyone's performance.

16 MR. LICHT: I think it's important for the
17 record -- and I'm certainly not singling out Hollywood
18 Park, because I talked to all the tracks and I'll ask them
19 all to reiterate this -- but there's a perception among
20 the horsemen and I think the betting public, or at least
21 some of the horsemen and some of the betting public, that
22 the tracks are tampered with in order to create Pick 6
23 carryovers or aberrant results.

24 I think even the mere notion of that is
25 ridiculous as far as I'm concerned. But if you were
26 inclined to do that, who knows what you would do and
27 who would -- you couldn't create winners if you wanted
28 to.

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01 But I think it's important that each of the
02 tracks state for the record that, of course, they would
03 never do something like that and that the tracks are
04 maintained to the best effort of their track staff.

05 MR. WYATT: I'll state that for the record for
06 Hollywood Park.

07 MR. LICHT: All right. Jack?

08 MR. LIEBAU: On behalf of Magna, I will confirm and
09 reaffirm that, and I would note that the gentlemen that
10 are the superintendents of these tracks have been in that
11 position for a considerably long period of time. And if
12 they could fix the track so that it could be predicted as
13 to who would win and who would lose, I don't think they
14 would be taking care of the tracks anymore.

15 And as far as management is concerned, if we
16 knew who they were, I am sure that there would be a
17 total lack of the present track executives here. I
18 think this thing is so absurd to think that you
19 could -- that first of all, that the track executives
20 would tell people that they aren't supposed to change
21 the tracks somehow so you have a Pick 6 carryover. I
22 don't even know how they would do that, but I mean I --
23 I really take affront that anybody would even think
24 that any track executives would do that. And if they

25 did, I don't think the people that are the track
26 superintendents would know what to do.

27 MR. LICHT: I agree with you. I think that, like I
28 said, the whole notion is absurd to even think that it
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01 would be possible to do if you wanted to do it.

02 But, Jack, I think it's also clear that there
03 is a large segment of the betting and racing public
04 that somehow thinks that goes on.

05 MR. FRAVEL: Craig Fravel, Del Mar Thoroughbred
06 Club. I can only reiterate what Mr. Liebau has said.
07 I think track management has historically been
08 criticized for not being very intelligent in the
09 marketing and other aspects of the sport. To think
10 that we're intelligent enough to figure out how to
11 create Pick 6 carryovers is well beyond me and, in
12 fact, if we were that intelligent, we would have a lot
13 more than we have.

14 So I would just like to say, you know, the
15 only conversations I ever had with my track
16 superintendent, Steve Woods -- and I think the same is
17 true with Tom Robbins and Joe Harper -- is that we want
18 it fair and safe. And, you know, sometimes it gets
19 away from them, and that mystifies us as much as it
20 does him and the horsemen. But under no circumstances
21 would we ever -- I mean, I just wouldn't even know how
22 to do it. So beyond that -- Tom, do you know how to do
23 that?

24 Tom is our director of races.

25 MR. LICHT: I'm glad everybody is so kind. I
26 think hopefully this will clear the air and end all
27 this ridiculous speculation.

28 MR. HARRIS: I think it is about -- the concern that
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01 I have to (inaudible) defense of track managements' lack
02 of intelligence is probably valid. But there is a
03 perception of the public out there (inaudible) the tracks
04 and try to -- you know, you can tell the public that
05 you're not doing it -- explain what you're doing to the
06 tracks where everyone feels that it's on a level playing
07 field, which I think you are. But I think it's one of
08 those -- if you took a survey of people coming into the
09 tracks, you probably would have 3 percent thinking that
10 the tracks have that ability. It should be dispelled.

11 MR. LICHT: Any more comments on Hollywood Park's
12 application? All right. I'd like to hear a motion. Oh,
13 I'm sorry.

14 MR. FRAVEL: I'd like to make one other point. I
15 think when you get a lot of single-ticket winners, Pick 6,
16 it creates a lot of suspicion on the part of the public.

17 I think it's also important just so that this
18 Board knows, about three or four years ago when the
19 alternate pick came into the Pick 6, it used to be that
20 track management would be able to identify which horses
21 were still alive in the Pick 6 going into the last leg
22 of it.

23 Three or four years ago, that ability

24 disappeared altogether. So at the last race in the
25 Pick 6 leg, I couldn't even tell you, you know, which
26 horse the house was going to have for a Pick 6
27 carryover. It's technically not even possible to know
28 what horses are alive in any particular race. So the

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01 suspicions that we're talking about, I think that's an
02 added, you know, security element that eliminates some
03 of that concern.

04 MR. LICHT: Good point. No more comments? I would
05 like to hear a motion to --

06 MR. HARRIS: Just one thing I have a question on. The
07 applications show (inaudible) amounts that are generated
08 from different types of wagering. Is there a line item --
09 there's a line item on advance deposit wagering; is that
10 in the off-track line, or is that not really part of the
11 report?

12 MR. WYATT: That's included in the off-track file.

13 MR. LICHT: Any more comments? Motion to approve
14 Hollywood Park's fall meet?

15 MS. GRANZELLA: I will.

16 MS. MORETTI: Second.

17 MR. LICHT: The motion was made by Commissioner
18 Granzella; seconded by Commissioner Moretti. All in
19 favor?

20 MR. SPERRY: Aye.

21 MR. HARRIS: Aye.

22 MR. BIANCO: Aye.

23 MR. LICHT: All opposed? Hollywood Park will be
24 racing in the fall.

25 Item 4, Discussion and action by the Board
26 to increase the percentage for stabling and vaning to
27 1.25 percent for funding --

28 MR. HARRIS: Excuse me. We've got three next.

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01 MR. LICHT: Oh, okay. Number three, Discussion
02 and action by the Board on the Application for License
03 to Conduct a Horse Racing Meeting of the Pacific Racing
04 Association at Golden Gate Fields starting November.

05 MS. WAGNER: Jackie Wagner, CHRB staff.

06 Pacific Racing Association filed this
07 application for a horse race meet. They're proposing
08 to race from November the 6th through March the 30th of
09 2003 for 105 days. It would be four more days than in
10 2002. They're proposing to race a total of 903 races
11 for 8.6 races per day. They will be racing five days a
12 week, Wednesday through Sunday with eight races per day
13 on weekdays and nine or ten on weekends, holidays and
14 specific dates of interest.

15 They are requesting the option to request
16 administrative approval to conduct more than the
17 average of 8.6 races if the horse population permits
18 it. Their first post time will be 12:45 p.m. daily.
19 They will have an 11:00 a.m. post time on Thanksgiving,
20 Thursday, November 28.

21 We have received the horsemen's agreement. We
22 have received the stake schedule, which is part of the

23 horsemen's agreement. The items specific on this
24 application are the (inaudible). The staff would
25 recommend that the Board adopt the application contingent
26 upon us receiving those documents.

27 MR. LICHT: Any comments on the application for
28 Golden Gate?

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01 MR. HARRIS: Yes. The same question on the stable
02 area housing, has that inspection been complete?

03 MS. WAGNER: It has not been completed. It will
04 be done prior.

05 MR. HARRIS: So why wouldn't that be listed under
06 the specific information that's still needed? Is that
07 not part of the application?

08 MS. WAGNER: We can start (inaudible).

09 MR. HARRIS: Golden Gate is open year-round, so I
10 suggest we get that done.

11 MR. LICHT: Any other comments on Golden Gate?

12 I'd like to hear a motion to approve Golden
13 Gate's application for their meet starting in November.

14 MR. BIANCO: So moved.

15 MS. MORETTI: Seconded.

16 MR. LICHT: Moved by Commissioner Bianco; seconded
17 by Commissioner Moretti. All in favor?

18 MR. SPERRY: Aye.

19 MR. HARRIS: Aye.

20 MS. GRANZELLA: Aye.

21 MR. LICHT: All opposed? Motion is passed for
22 Golden Gate to race from November to March.

23 Item 4, Discussion and action by the Board to
24 increase the percentage for stabling and vanning to 1.25
25 percent for funding Workers' Compensation.

26 MR. REAGAN: Commissioners, John Reagan, CHRB staff.
27 This is a bit of an unusual item. We have some pending
28 legislation that as far as I know this morning has not

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01 been signed by the Governor, but we anticipate it will be.

02 Right now we have a stabling and vanning
03 program throughout the state -- a southern program and
04 a northern program -- taking a percentage of the
05 handle. The organizations, SCOTWINC in the south and
06 NOTWINC in the north -- handle stabling and vanning
07 costs by taking approximately .70 in the north and .74
08 in the south to cover those costs.

09 The law allows them to take up to 1.25
10 percent, but they haven't ever used that maximum
11 allowable rate to keep the costs in line with the
12 percentages they deduct.

13 The proposed legislation on the Governor's desk
14 will allow the industry, with the Board's approval, to go
15 up -- to take the 1.25 percent maximum and use that
16 increased funds for approximately \$4 million to cover
17 costs and other related items to Workers' Compensation. We
18 all know the problems that has created in the last few
19 years.

20 So up to \$4 million could be used toward
21 defraying those problems with Workers' Comp and an

22 addition million for back-stretch workers, and totaling,
23 approximately \$5 million, not to exceed \$5 million.

24 Doing some quick calculations on the current
25 handle, the industry, using the current percentages for
26 stabling and vanning, is taking out just a little bit more
27 than \$10 million a year.

28 If they went to the maximum, 1.25 percent, they
0020 would take out approximately 16-and-a-half million. So
01 there certainly is an extra 5, 5 and a half million on the
02 table there. So I believe that could be covered by the
03 program if we went to the maximum.

04 At this point with the legislation still
05 pending, I thought about this and I would probably
06 recommend to the Board that given that the industry wants
07 to start collecting that money as soon as possible, as
08 soon as the legislation is signed by the Governor -- and
09 it is emergency legislation -- perhaps I would recommend
10 to you that you could delegate the authority to the
11 executive director if and when the legislation is signed,
12 that given a request for a specific increase from the
13 industry, or perhaps just going with the maximum, you can
14 delegate to him the ability to then indicate to the
15 auditors and the other track people that we will in fact
16 be taking the 1.25 percent and to deduct the money as soon
17 as practical.

18 Usually that means if we hear about it on one
19 day, we can get it done the next day. So that's what I
20 would recommend, that given the pending nature of this
21 issue, that we delegate to our executive director the
22 ability to take action when that occurs.

23 MS. MORETTI: John, I would also just add briefly for
24 the Commissioners that this pending legislation will be
25 decided by close of business on Monday. So we're only
26 talking about a few days. The Governor only has until
27 then to sign the bill.

0021 MR. REAGAN: Exactly.

02 MR. LICHT: Okay. I think it will be helpful if
03 Ed would testify and tell us where we are with Workers'
04 Comp, maybe give us some background for this proposal.

05 MR. HALPERN: Ed Halpern, California Thoroughbred
06 Trainers. We do have a written agreement for proposal
07 from an insurance company at this point that would
08 significantly lower premiums for the vast majority of
09 trainers whose policies were renewed July 1 of this
10 year. That agreement is contingent, and our signing an
11 agreement with that company is really contingent on our
12 ability to put up the funds required to pay for that
13 policy. And this 1.25 percent or that portion which
14 would be used for that would be necessary.

15 A delay in approving the use of those funds
16 would mean that we could not go ahead and sign an
17 agreement with the company; that it would therefore
18 mean that we couldn't start selling policies, or at
19 least having trainers sign up for policies with the
20 brokers who will be handling it.

21 And I can tell you that there are a lot of
22 trainers who have informed us over and over again that
23 they've just been hanging on to see what happens.
24 Slowly but surely we're seeing some attrition as they
25 decide they can't wait any longer. So I would hope
26 that you would go ahead and approve this so that the
27 minute the bill is signed, we can start signing up
28 trainers under these improved rates.

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01 MR. LICHT: And, John, just so I understand,
02 what's the downside? Where is this money going to be
03 taken from? I mean, in other words, will any other
04 segment of the industry be adversely affected?

05 MR. REAGAN: Good question. As with the prior
06 stabling and vanning, this is funded 50 percent from
07 the purses and 50 percent from the track commissions
08 for thoroughbreds, so that it's the industry funding
09 the program itself.

10 MR. LICHT: So the tracks will be willing to put up
11 their 50 percent, but the horsemen would essentially be
12 reducing their purses by this amount of money as well?

13 MR. REAGAN: Exactly.

14 MR. HARRIS: I'm not clear either by Ed's statement.
15 With the prospective agreement that you have with the
16 insurance company, that that is -- the moneys will be
17 generated going forward, not money just laying around
18 someplace to put it down, it's generated going forward.
19 Would the insurance company be willing to sort of issue
20 the policy based on future income, or do they want you to
21 build up the income and then they'll issue the policy?

22 MR. LIEBAU: Jack Liebau, representing Santa Anita.
23 I would say that the Trainers Association and the TOC, the
24 tracks have been working hand over hand in the last
25 I-don't-know-how-many months -- it seems to go on
26 forever -- trying to come up with a viable program.

27 But to answer Mr. Harris' question directly,
28 what is happening or is proposed to happen is that the

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01 tracks will issue certain letters of credit that will
02 secure a contingent liability. And those letters of
03 credit, over a period of time, will be replaced by this
04 cash.

05 I would caution that the devil is sort of in
06 the details as far as where we are right now. We do
07 have -- as Ed Halpern said, we do have a proposal.
08 We're optimistic that it will continue to be in place.
09 There is some question as to what participation we have
10 to have among the trainers to make the proposal viable.
11 And the insurance carrier in its discretion will deem
12 whether there is sufficient participation.

13 One thing I would like to say is that we have
14 gone over the numbers in detail -- the tracks and the
15 trainers and TOC -- and we do not feel that it's necessary
16 to raise the percentages up to the maximum. And we are
17 proposing, with consent of TOC and approval of TOC, that
18 in the north the percentage be raised from .7 to .87, and
19 in the south from .74 to .94, because any excess funds

20 that are not used would reduce purses and reduce
21 commissions for the track.

22 We think that, based upon the percentages that I
23 just stated, that there are adequate contingent funds
24 there to make the program viable. I would suggest that
25 the activation of those percentages be conditioned upon,
26 of course, the Governor signing the bill, and secondly,
27 that it would start on November 1. That is our date in
28 which we hope to get the program up and running.

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01 So those two conditions would be the Governor
02 signing the bill, that it would commence on November 1,
03 that the percentages in the north again would be raised
04 from .7 to .87, and in the south from .74 to .94.
05 Thank you.

06 MR. LICHT: Jack, before you leave, first off, let
07 me preface this comment by saying that I understand the
08 emergency nature of this and the importance of this to
09 the game, so I am going to be in favor of it.

10 But I think it's important that we also
11 understand, in my opinion, we don't want to reward
12 mediocrity, and in a sense what you're doing is taking
13 money from the winning participants in the game and
14 spreading it out among all of the participants in the
15 game. I would think as a general public policy, that's
16 a good thing. I would like to hear what you have to
17 say and what TOC has to say.

18 MR. LIEBAU: My point is that there are many
19 losers -- many more losers than there are winners. And
20 the winners can't win without the losers. So I think that
21 you have to support everybody; and to do otherwise, we
22 aren't going to have any races.

23 In Northern California, there is a -- we've
24 done much better over the last couple of weeks as far
25 as field size is concerned, but there are upwards of
26 200 horses in Washington that aren't going to come down
27 here unless there is some mitigation as far as the
28 Workers' Comp is concerned.

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01 I will give you an example. There's a
02 leading trainer in Northern California that went to the
03 Midwest, and his bill for Workers' Comp in the Midwest
04 was \$2600. His comparable bill in California was
05 \$29,000. That's a big difference, and the purses
06 aren't that much different.

07 So this is really something that has to be
08 done. We've got every hope that it's going work, but
09 there has been a lot of disappointments along the way.
10 We think that we're there. I was telling Commissioner
11 Harris that there was a meeting in San Francisco on
12 Monday. We thought we had a proposal, and I said we
13 have to run it through the actuary one more time.
14 Tuesday morning the price went up by \$1.4 million.

15 I just would urge, you know, that we move
16 ahead with this. I think to do otherwise would be
17 devastating to the industry.

18 MR. HARRIS: I agree with you. Actually I'm pleased

19 that some of the numbers are not as big as the 1.25. But
20 I think at some point we do need to get the details out
21 exactly how it is going to work and how -- you know, where
22 the money is going that it's sufficiently spent and all
23 that so that it's money that we have some oversight over.

24 MR. FRAVEL: Commissioner elect, Craig Fravel on behalf
25 of the Los Angeles County Fair Association. One thing I
26 think that everyone has to consider in connection with the
27 proposal with respect to Workers' Comp -- which, of
28 course, we do support -- is the fact that about a year ago
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01 Fairplex was trading supplements other than vanning and
02 stabling funds were cut by 600- or \$700,000. That
03 resulted in Fairplex being required to shut down its
04 training facilities for about 60 to 70 days between May
05 and July. That resulted, of course, in the displacement
06 of many trainers and their horses, lots of empty
07 (inaudible) to the public, the racing program at Fairplex,
08 and to those trainers in the racing stock there at
09 Fairplex and elsewhere.

10 We are going to be working very closely with
11 SCOTWINC in a hope to get SCOTWINC to agree to restore the
12 6- or \$700,000, because it's very important to Fairplex's
13 program and to those trainers that would (inaudible).

14 However, when people are thinking about
15 percentages, such as .94 percent -- and I'm only talking
16 about the south with respect to Fairplex -- the fact of
17 the matter is I hope that will put into that calculation
18 the additional 6- or \$700,000 that will be required to
19 restore Fairplex to the place it was a year ago before the
20 changes were made, and will restore that program to its
21 past efficacy and will, of course, allow these trainers
22 that have returned with Fairplex which has always had a
23 strong program of training horses that ultimately reach
24 the major tracks, particularly the two-year-olds.

25 Thank you.

26 MR. HALPERN: Commissioners, Mr. Liebau supplied some
27 information that I did not have, but I have had as of
28 yesterday. The numbers he gave us this morning are very
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01 antique and very conservative, at least with those
02 numbers, and if he's talking a November 1st start, perhaps
03 there isn't quite the urgency that I had thought there was
04 as of this morning.

05 MR. WOOD: I think he's asking for approval based
06 upon November 1st starting date and the approval based
07 upon the numbers other than actually the ones we signed.
08 I guess my question would be if the percentages you gave
09 today were, in everyone's minds, sufficient to generate
10 enough funds to start the program with the insurance
11 companies on November the 1st.

12 MR. LICHT: I think he's asking just to keep it up
13 to 1.25. He's saying we're not going to have to go
14 that high probably, but he wants the approval from us.

15 MR. LIEBAU: I'm asking for approval, I think it
16 would be .94 in the south, and --

17 MR. LICHT: .87?

18 MR. LIEBAU: .87 in the north. And, yes, we do
19 think that that will result in sufficient funds for the
20 program as we now contemplate it.

21 MR. WOOD: Can I ask, if you started the deduction
22 increments tomorrow, would that not accelerate the
23 private funds faster, or do you need to wait until
24 November 1st to begin? The Governor's signature on the
25 legislation is important for the plan to work, but the --
26 effective from the stabling and vanning, can be raised up
27 to 1.5 for a lot of different reasons.

28 I'm asking November 1st at the reduced rate at
0028 01 of .94?

02 MR. LIEBAU: I'm not known as an optimist, but in
03 any event, there is a chance that this program can fall
04 apart. One of them is if we got insufficient
05 participation from the trainers. So it's essential
06 that the amount in the stabling and vanning fund not be
07 raised until we know we've got a go on the program.
08 We're only -- we think -- we're very confident that
09 we're going to have a go but, as I said, the devil is
10 in the details.

11 And what happens is, yes, you could lower the
12 percentage, say, next month if it fell apart. But the
13 problem is that then some tracks, some horsemen have been
14 penalized in the meantime. Because in order to spread
15 this hurt, so to speak, evenly, it has to be a program
16 over a period of a year or years, so it impacts every meet
17 and every owner equally.

18 MR. LICHT: So you'd be asking for us to make a
19 motion and approve a motion that would raise to 1.94 (sic)
20 in the south and .87 in the north upon approval by the
21 Governor and by the horsemen?

22 MR. LIEBAU: Well, these numbers have been developed
23 by Mr. Van De Kamp and myself and have the support of the
24 other tracks that I've talked to about it. So we would
25 like to have it start on November 1.

26 Now, if our program falls apart, we would
27 come back probably at the October meeting. And, again,
28 I'm not saying the program is going to fall apart,

0029 01 because we've worked so hard on the damn thing that I,
02 you know, hope that -- it's more than a hope and a
03 prayer; more than a Hail Mary at this point in time.

04 MR. HARRIS: As I understand it, you've got the
05 letter of credit so that the immediate cash flow is not
06 critical?

07 (Voices overlapping)

08 MR. LIEBAU: That's correct. In order for this thing
09 to work, the tracks have to put up the letter of credit.
10 Now, the money comes along later out of the funds to
11 offset the letters of credit.

12 And the reason why that's necessary is because
13 if the program is a success and after the policies
14 terminate under their term and new policies have to be
15 written, the track may have to put up more letters of
16 credit. And it's an ongoing process, and we can't pyramid

17 letters of credit on top of letters of credit. We just
18 don't have the credit worthiness to do
19 that.

20 MR. LICHT: Craig?

21 MR. FRAVEL: Mr. Chairman, Craig Fravel, Del Mar
22 Thoroughbred Club. I just want the Board to know that
23 we're fully supportive of the request. We've been
24 participating in these discussions like Mr. Liebau said,
25 since early this year, and we're very encouraged that
26 we've got a proposal on the table that has some promise to
27 it of being not only implemented, but reducing Workers'
28 Compensation costs.

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01 I think one thing that's important to note in
02 structuring this program, the objective all along, even
03 though the tracks are putting up these letters of
04 credit, and even though we are hoping to get this
05 approval to allow that credit to be replaced by
06 stabling and vanning funds as well as CMC funds, but the
07 objective of this program is it's important to be
08 profitable in itself and that the insured portion of
09 this -- the tracks are essentially (inaudible) insurers
10 here by posting those letters of credit.

11 The objective all along, which we share with TOC
12 as well as the trainers' organizations, is to create a
13 profitable program so that the actual losses fall below
14 the insured loss in the program, and those profits would
15 then be available to go back into the program
16 ultimately to eliminate the letter of credit
17 requirement ultimately and then reduce rates over time
18 as well.

19 So what we're really trying to do is create a
20 self-sustaining program that has a strategic objective of
21 becoming not only self-sustaining but profitable, and that
22 ultimately rates will continue to be reduced below even
23 the levels that we're projecting right now.

24 And part of this program also is that the CTT
25 has committed that they will bring on professionals who
26 are adept at explaining to management and loss control the
27 various Workers' Comp procedures to establish new
28 processes on the back stretch to keep injuries from

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01 happening in the first place, and then to make sure that
02 they're administered properly, treated properly medically,
03 along the way to keep the costs under control.

04 MR. JOHNSON: Mr. Chairman, Don Johnson, TOC.
05 This does require the consent of TOC. And I think in
06 Northern California, John Van De Kamp has been involved
07 with all their associations as Jack indicated. And
08 Mr. Van De Kamp couldn't be here today. He's in Chicago,
09 but I was on the phone with him up quite a bit last night,
10 and we went over the details, et cetera. And TOC strongly
11 supports this program, and we are pleased that the
12 percentages are less than 1.25. We are very much in favor
13 of the program.

14 MR. LICHT: Okay. Any more comments?

15 MR. FRAVEL: Just one.

16 What I'm concerned about --

17 MR. LICHT: Please identify yourself.

18 MR. FRAVEL: Bob Fravel, LA County Fair Association.

19 What I'm concerned about is that the numbers that are
20 generated here, .94 percent for Southern California, is
21 predicated on the status quo; that is, the existing
22 supplements for training that each of the various tracks
23 receive. And that .94 percent does not include any
24 element that would allow Fairplex to be restored to the
25 2.2 million it once received and to restore those 60 or
26 70 days of training that it's had to eliminate.

27 So I'm concerned that if the .94 is
28 approved -- and we certainly have no problem with it being
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01 approved for the purposes of the Workers' Compensation --
02 what our concern is we'll run into the argument that
03 there's no funds available to restore that 600- or
04 \$700,000 that Fairplex had taken away from it last year.

05 And so I don't know the mechanism that we would
06 use to get that number raised in the future to accommodate
07 that desire of Fairplex; of course, the Board and SCOTWINC
08 agree, that sort of thing. So I'm just letting you know
09 that I'm concerned that the numbers will sort of close in
10 and we'll be in a catch-22 situation with that
11 (inaudible).

12 MR. LICHT: I don't think so. I think with the
13 result of this reduction, there should be more money
14 available for Fairplex very conceivably.

15 MR. FRAVEL: More power to the program if there is.

16 MR. HARRIS: It seems like that's an issue that
17 Fairplex has with SCOTWINC clearance, not really --

18 MR. FRAVEL: Well, that's the place where we have to
19 start, and if we're unsuccessful, perhaps we can call upon
20 the Board to do something, but we'll start with SCOTWINC.

21 MR. LICHT: Okay, thank you.

22 MR. KORBY: Chris Korby speaking for California
23 Authority of Racing Fairs. Fairs also ask for your
24 support in this measure. It's an issue that's critical
25 to the industry. All the parties in the industry have
26 come together and worked hard to put this together, so
27 I'm asking for your support.

28 MR. LICHT: Okay. Thanks.
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01 Ed?

02 MR. HALPERN: Ed Halpern. I'd just like to add
03 one comment, should anybody be thinking in terms of
04 putting this over or not taking the appropriate action.

05 These offers from insurance companies seem
06 to be fleeting, and we have been given a program until the
07 27th to respond and accept it. That's probably not cast
08 in cement, that date, but if we have to go back to this
09 company and say, "We don't have approval for the funds so
10 we don't know where we're headed and we won't know for
11 another month," I would think that it could severely hurt
12 our chances of getting the program in place at least with
13 this company, and there are no others out there that are
14 coming to our aid.

15 MR. LICHT: Thanks. All right. It's time to
16 consider a motion.

17 MR. HARRIS: Yeah. I'm just going to move it -- that
18 we move forward and increase the take-out to .87 in the
19 north and .94 in the south to be started on November 1st,
20 but that would be the policy with the insurance companies
21 to know that that policy was in place and could rely on
22 that.

23 MR. LICHT: I think we should have the motion very
24 clear. I think "increase the take-out" --

25 MR. HARRIS: Well, it's not really a take-out.
26 That's the wrong term, I guess. The allocation -- well,
27 it's really allocation out of purse accounts and
28 commission accounts, so it shows as take-out in the notes
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01 here. I don't know what the best term is.

02 MR. LIEBAU: It's a deduction. (Inaudible) motion
03 and the activation of these percentages of course will be
04 on the condition of the Governor's signature on the
05 legislation.

06 MS. MORETTI: I just have a question. So does this
07 mean if you find out that you actually need to get .88 and
08 .95, you're going to have to come back to the Board again,
09 whereas the original is to give you authority to go up to
10 1.25 contingent on all the parties agreeing (inaudible)
11 dealing with the Workers' Compensation and all of that
12 other stuff.

13 MR. LIEBAU: We're quite confident on the numbers,
14 not because I did them but because Burns and Yergman
15 (phonetic) did them.

16 MS. MORETTI: She knows what she's doing.

17 MR. LIEBAU: She knows what she's doing.

18 MR. HARRIS: But I think it may well be that at some
19 point the numbers are going to change, but I think as a
20 policy, we want to be conservative. And we have meetings
21 every month, and if there's a problem, to come back and
22 get industry consensus to go up. I hate to have just an
23 open-ended (inaudible).

24 MR. LICHT: I think it's important that we get the
25 motion absolutely clear exactly what we're talking
26 about so the record is clear before we ask for a
27 second.

28 MR. HARRIS: The deduction from purses and
0035
01 commissions would be increased in the north to .87
02 percent and the south .94 percent, and these deductions
03 would commence on November 1.

04 MR. LICHT: Subject to approval by --

05 MR. HARRIS: Subject to approval. Subject to
06 approval of AB2931 by the Governor.

07 MR. LICHT: Do I hear a second?

08 MS. GRANZELLA: Second.

09 MR. LICHT: Seconded by Commissioner Granzella.
10 Any more discussion? All in favor?

11 MR. SPERRY: Aye.

12 MR. HARRIS: Aye.

13 MS. MORETTI: Aye.

14 MR. BIANCO: Aye.

15 MR. LICHT: All opposed? The motion is passed.

16 The next item is a report by me on the
17 discussions that we've had over the course of the summer
18 with out-of-state simulcast sites.

19 As most of you know, this has been a point of
20 interest to me particularly over the last few months
21 that's becoming more and more so as I get further into
22 it. With help from all the tracks and TOC, we had two
23 meetings, one being with RGS, Racing Games Services; and
24 one being with Holiday Beach, which does business as IRG,
25 the Tonkawa Indian Tribe Racing Service of North Dakota
26 and the Coeur d'Alene Casino.

27 For those of you who aren't really familiar
28 with some of the numbers that some of these places

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01 wager, they're staggering. For instance, RGS did over
02 \$10 million in handle at Del Mar this year. Racing
03 Services did over \$4 million. To put it in perspective,
04 Racing Services are some small little offices in the state
05 of North Dakota. I'll start with that report.

06 A woman name Susan Baula (phonetic) came and
07 spoke with us. She is the head of this Racing Services in
08 North Dakota. She says that all of her betting is from
09 North Dakota residents and that she entices people to move
10 to North Dakota to wager on the horses and that these
11 people have uprooted themselves from wherever they lived
12 and actually live in North Dakota. And my reaction was
13 similar to yours, but -- and I said, what would it take
14 for any of us to move to North Dakota? (Inaudible) but
15 anyway, obviously, she's doing something right in that on
16 Del Mar alone, her people wagered \$4 million.

17 The tracks, I think, are increasing their
18 interest in seeing what's going on with these places. Most
19 of them, I believe -- I think all of them believe that
20 it's incremental handle, obviously, we want that handle.
21 If it's taking our California residents and having them
22 bet in these places, then maybe we don't want that handle,
23 because what we're receiving is maybe 5 percent from her
24 wagers as opposed to what we receive in-state.

25 And I'm not speaking just to her. I mean
26 there's a place called the -- a people called the Tonkawa
27 Indian Tribe that we met with out of Oklahoma. They also
28 say all their people are Oklahoma residents. Well, it's

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01 interesting that their handle, I believe, exceeds all of
02 Remington Park's, which is a Magna track, and all of
03 Remington's off-track sites throughout the whole state of
04 Oklahoma. And, Magna, correct me if I'm wrong on that.

05 Some of these statistics are staggering, that
06 these Indians are able to attract people to come out to
07 their reservation, which is many miles from any major
08 cities, and wager to an extent that it's unheard of even
09 at Remington Park's Oklahoma City site.

10 So I believe that the industry needs to make a
11 real major investigation of these sites and, specifically,
12 California needs to. The problem is there's limited money

13 to properly investigate from the racing boards'
14 standpoint. And I'd be hopeful that the tracks could come
15 together and put forward some kind of a proposal to see
16 whether, in fact, our money is being in a sense stolen by
17 these places instead of betting -- being bet through our
18 windows.

19 For instance, the Oklahoma people inferred, at
20 least, that you could have a friend who is at this Tonkawa
21 Indian site and you could call your friend and say to him
22 basically, would you like to make -- you know, "I'd like
23 to bet \$100 on the one horse in the first race at Del Mar"
24 and they're not really taking the bet from a California
25 resident. They're taking it from the friend who's in
26 Oklahoma. So these kind of things need to be looked into.

27 Coeur d'Alene which is in Idaho -- it's a
28 casino -- did \$1.6 million. Holiday Beach, which, as I
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01 said is IRG, did \$5.7 million at Del Mar. Like I say, the
02 numbers are absolutely staggering. The one that really
03 impacts me is the Tonkawa Indian in relation to Remington,
04 which is a major race track with a beautiful facility in
05 Oklahoma City.

06 Some of these things are quite -- well, I don't
07 know if anybody from the industry has any comments about
08 this, or if anybody from the industry
09 also believes that we need to investigate this further.

10 MR. HARRIS: Is the common thread in all of these,
11 that they all give rebates and that's the draw?

12 MR. LICHT: Yes, significant rebates. A lot of
13 them have what they call "point systems" where they
14 reward you with points and then the points can be
15 converted into things like money or other things.

16 Jack, do you have a comment on the Remington
17 piece of this?

18 MR. LIEBAU: I'm not an expert on Remington, and I
19 wouldn't want my people in Aurora, Canada, to say that I'm
20 not surprised. But, I mean, it boggles the mind that some
21 Indian reservation would be able to wager more when it's
22 many, many miles away from wherever it is than it's
23 actually wagered at Remington.

24 The reason is that the playing field is not
25 level. They are able to give rebates. And what's
26 happened here, it's obvious, that all these bettors
27 have to do is break even and they make a ton of money
28 because they're getting rebates.

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01 MR. LICHT: Yeah, and the stories like, for
02 instance, Susan Baula from North Dakota says that her
03 top player is a guy that she enticed to move from some
04 place in Wisconsin who had never bet a horse -- I
05 shouldn't say never -- was not a horse bettor at all,
06 and decided that with the rebates he would be able to
07 change his occupation to horse bettor and make enough
08 money to make a move to North Dakota worthy. That's true.

09 I think that the industry at least needs
10 consider some major changes with respect to this: (a)
11 do we need to give rebates to compete? And (b) -- the

12 other extreme -- should we cut off the signal to these
13 places, or do we need their business to survive?

14 And I think that -- Craig and I have had these
15 discussions before -- the industry definitely feels we
16 need this betting to survive and we're not willing to cut
17 off the signal -- and I'm not suggesting that we should.
18 I'm just saying that we need to investigate it; we
19 certainly need to investigate whether we should be
20 rebating to our players in order to compete and also as a
21 way to entice people into the game.

22 MR. FRAVEL: Craig Fravel, Del Mar Thoroughbred Club.
23 Now that our meet is over, I'm willing to volunteer
24 anybody who follows me to be first one to cut them all
25 off, because that's the only way you're really going to
26 find out the answer to this question.

27 We would certainly be willing to commit some
28 funding to, you know, advancing some kind of research
0040
01 into this and doing some studies on it. We have done a
02 lot on our own, and there are certain entities we're
03 comfortable with and certain that we're not as comfortable
04 with and, obviously, everybody's got a good story.

05 But I think, you know, in terms of this
06 Board's action, I think you have done a great service
07 to us all by highlighting the issue and forcing
08 everybody, you know, to come down and meet with us and
09 kind of discuss their business practices. And it has
10 enhanced our understanding of how some of them operate
11 and how some of them say they operate, which has been
12 positive for everybody.

13 But I would also suggest, you know, one of
14 the issues is dealing with the Racing Commissions
15 International looking into this question. You know,
16 it's hard for us to go to South Dakota and really find
17 out what's going on. But the South Dakota Racing
18 Commission is perhaps more, you know, adept at doing
19 that sort of thing and finding out if these stories are
20 really true.

21 But I would encourage you to, you know, work
22 with your fellow commissioners to make sure that
23 everybody's getting accurate information. Now, some of
24 that is hard, you know, with St. Kim's (phonetic) or
25 Curacao (phonetic) or some of those places, I suspect.
26 But there is a role for the Commissioners' International
27 in the issue. I know they've issued some proclamations on
28 the subject. But I think the best we can do probably

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01 right now is continue to work with each other and try to
02 find out, you know, the best approach to it.

03 Sort of an anecdotal story: Four or five years
04 ago, we cut off Las Vegas because there were rebate
05 activities going on in Las Vegas. Which, you know, it was
06 a high-and-mighty kind of thing to do, but that result was
07 that every other race track around the country continued
08 sending their signal into Las Vegas and Gulf Stream and
09 Churchill and New York and everybody else saw their
10 revenues from Las Vegas go up dramatically while

11 California was dark.

12 And, personally, I think we're still
13 recovering in that marketplace in terms of our
14 competitiveness of our signal. So, you know, while the
15 idea of cutting off a signal sounds appealing, it is a
16 high-risk maneuver, and maybe there's other ways we can
17 work to get comfortable with it.

18 MR. LICHT: I agree. I'm definitely not
19 advocating cutting off the signal. What I'm saying,
20 though, when you look at -- I'm just looking at the
21 numbers. Del Mar did about 98 million -- I'm sorry,
22 yeah, 98 million in handle during its recently-concluded
23 meet on track, and RGS with approximately less than a
24 hundred active players did over 10 million. So I mean the
25 numbers really are staggering.

26 MR. FRAVEL: Well, it is a big number.

27 MR. LICHT: So I think it's something that needs
28 much further investigation.

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01 MR. HARRIS: It seems too -- it's hard to
02 say -- it's probably not every bet is made through one of
03 these, certainly not every bet is made through one of
04 these bets. Some are incremental (inaudible) which are
05 just happenstance and work like that anyway. But it seems
06 like the industry, the horsemen and the tracks need to
07 come up with as good a study as they can and really answer
08 the question: Is this cannibalizing racing or not?

09 MR. LIEBAU: Jack Liebau, speaking on behalf of
10 Magna. Magna would join Del Mar in contributing to the
11 tracks. We'd also contribute towards funds to further
12 investigate this.

13 I think that one of the concerns that's out
14 there that hasn't happened yet is -- over and above the
15 rebate issue -- is whether some of these wagers might
16 be being made on credit and the credit worthiness and
17 what happens if wagers are made and something goes
18 wrong and the money doesn't eventually get in the pool.
19 That's a problem.

20 We've had situations where in the past where
21 small amounts were bet at some tracks on credit and
22 there was some wait before the money was actually
23 delivered. So that's also a concern that we have.

24 MR. LICHT: Euall, I hope that maybe Hollywood would
25 continue too, because Tim Barton was sort of a lead from
26 all the tracks with this in moving forward, and he's made
27 a lot of new contacts.

28 MR. WYATT: Euall Wyatt, Hollywood Park. Tim has
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01 been very involved in this as you just said and as you
02 well know. And Hollywood Park is certainly supportive
03 of whatever Tim says, and we'll get some more
04 information on this and get back to you soon.

05 MR. LICHT: Thank you.

06 Ron?

07 MR. LICCARDO: Ron Liccardo, Pari-Mutuel Employees.
08 Aren't we condoning the same thing that they're doing at
09 the Indian reservations in Oklahoma by making the

10 California better make his phone call to Oklahoma when he
11 should be making his phone call to Hollywood Park right
12 here in California? The money would go straight into our
13 pools here instead of the pools back in Oklahoma.

14 MR. LICHT: Well, one of things we're working on
15 is trying to ensure that all these places have cut off
16 any access from any California phone. And many of the
17 major ones all have verified to us that you cannot make
18 a phone call from any California area-coded phone into
19 their system.

20 MR. LICCARDO: But if all of our race tracks has a
21 live -- basically, what I'm looking for is (inaudible)
22 here -- if all of our race tracks here in California had
23 the live operators on site and the phone calls -- all the
24 phone calls from California would be going to the tracks
25 here in California, then all that handle would not leave
26 the state.

27 MR. LICHT: But you'd never -- the theory is that
28 it's not the track that's attracting the money; it's the

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01 rebate. It's that 10 percent rebate.

02 MR. LICCARDO: Well, we have a rebate system now
03 as it is, don't we?

04 MR. LICHT: Yeah, three-quarters of 1 percent at
05 the very top end.

06 MR. LICCARDO: As little as it is, it's still the
07 same thing they have. We just offer less than they do.
08 Thank you.

09 MR. LICHT: Any other comments?

10 I hope maybe Tim will -- and Hollywood Park will
11 continue to sort of take the lead and see that
12 they have support from the other tracks.

13 MR. HARRIS: Just to keep this alive, it would be
14 good if we could ask the group to come back at the next
15 meeting and report -- a little bit of a status report
16 on what they've done. Because sometimes this industry
17 can get pretty stuck.

18 MR. LICHT: I think that's a good idea. Okay.

19 Craig, you want to work on that?

20 All right. The next item is discussion of a
21 45-day public notice on the proposed regulatory
22 addition of Rule 1668, Scratched Horses in Claiming
23 Races.

24 MS. WAGNER: Jackie Wagner, CHRB staff.

25 Currently, horses that are scratched from a
26 claiming race may be entered back in a non-claiming
27 race or in a claiming race with a higher value as soon
28 the horse is deemed fit to run. With no restrictions

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01 on the race in which a scratched horse is able to run,
02 there have been allegations that -- a collusion that
03 has arisen occasionally when the horse is scratched for
04 being unsound.

05 A proposed provision of this new rule, Rule
06 1668, Scratched Horses in a Claiming Race, would
07 prohibit a horse that has been scratched from a
08 claiming race from being entered in a subsequent

09 claiming race for a period of 60 days from the date of
10 the scratch unless it is entered in a claiming race of
11 the same or lower price.

12 Staff recommends to the Board instruct staff to
13 (inaudible).

14 MR. LICHT: Before we get into the discussion,
15 there's a couple of things -- a little background on
16 this.

17 This, I guess, has been probably abused by
18 trainers and owners since the beginning of time when they
19 have a horse in a claiming race and they learn that their
20 horse is being claimed; they may elect to have the horse
21 scratched. It appears that it's been accelerated to a
22 degree that's just basically intolerable. With the advent
23 of more and more exotic wagering, when the bet goes to the
24 favorite as opposed to the horse he has selected, it's
25 causing people to have major bets on horses that they
26 don't want or didn't make the bet on.

27 And also the steward's minutes at the end of
28 Del Mar point out that one trainer apparently had six

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01 bet scratches of six horses that they were claimed in
02 for -- I don't know, they didn't say during that meet
03 or during some short period of time. I don't know
04 whether this rule or some version of it is the right
05 solution. I do know that we do need much stronger
06 rules and regulations in this area and much stronger
07 scrutiny to protect the public.

08 John, do you have any ideas?

09 MR. HARRIS: Yeah, I agree that this is a problem. I
10 think just this particular solution, I don't think is the
11 best solution. I think what we need to do is look at the
12 whole area of scratches and have a lot more oversight on
13 valid reasons to scratch and have our investigators and
14 stewards follow up more diligently than they have done in
15 the past with what the situation is.

16 But my concern with this rule is that there
17 would be a ripple effect on people that maybe weren't
18 trying to do anything devious. Their horse was a problem
19 the day before the race and they had to scratch and they
20 wanted to run it back in three weeks and they had to run
21 it for that price or lower, and they just, for whatever
22 reason, that was not the best race for them. And it would
23 have, you know, a negative effect on starters in general.

24 But I agree that we've got a problem, and I'd
25 just -- I'd like to think that if we could really
26 investigate all these allegations and really get to the
27 bottom of them, and if there is somebody -- there are
28 classic cases where a trainer tells a jockey in opening

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01 the paddock that what was claiming horse scratched from
02 the post break, that just simply cannot be tolerated. I
03 think we've got to really nail somebody and get the word
04 out that that's not acceptable and that you'd better be
05 racing in some other state if you want to do that. But I
06 just think this rule goes too far.

07 MR. LICHT: I think you also need -- we also need

08 to make sure or investigate how anybody even knows that
09 there's a claiming for their horse --

10 MR. HARRIS: That's true.

11 MR. LICHT: -- there's a problem with the
12 assistant steward or the clerk of the horse or whoever
13 it is that's passing along that information.

14 MR. HARRIS: Right. Exactly. I think we need to
15 really look at every step along the way and ensure
16 there's some integrity which, apparently, there hasn't
17 been.

18 MR. LICHT: Jack?

19 MR. LIEBAU: Jack Liebau. I think the rule is
20 overly broad. It covers horses that have been
21 scratched even before the pools are open. As far as
22 security, the claimings, as I recall, are put in
23 minutes before the horses actually step on the track.

24 I just think that this rule is overly broad.
25 It might be too severe. Maybe we should be talking --
26 and I'm the first one to say there's a problem, but I'm
27 not too sure that enough is being done to investigate
28 the basis upon which horses are being scratched.

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01 For instance, if there is a bet scratch, is
02 there anything being done to check whether the horse
03 actually had colic or whether it had a temperature or
04 things of that nature?

05 And I think that those are the things that we
06 should look at instead of making some rule that's going to
07 end up penalizing everyone as far as having less horses
08 available to run.

09 MR. LICHT: I agree. I think this rule as written
10 could be limited to say, "scratched from the paddock or on
11 the race track once they've reached the paddock," but --
12 okay. Go ahead.

13 MR. ROBBINS: Tom Robbins, Director of Racing,
14 Del Mar Thoroughbred Club. I agree with Jack. I think
15 the language is a little too broad, and maybe, Roger, you
16 recognize that as well.

17 I think it must noted that horses scratch.
18 And not only do trainers scratch horses for a variety
19 of reasons, most of them which are legitimate, some may
20 not be so. But the way this is written, I think we're
21 going to catch a few of those bad guys out there but a
22 whole bunch of good guys are going to be hurt in the
23 process.

24 And by that I mean -- and I can give you an
25 example. Taking a \$10,000 claiming race at Santa Anita is
26 16 horses. A horse may draw the outside and run a mile in
27 16, doesn't want to run there, and three days later,
28 there's a 12/5 claiming race for that particular horse.

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01 The way this is written that horse would -- by submitting
02 as scratched, that horse would be precluded from running
03 in the 12/5 race, which is a higher race.

04 We have other considerations; off-track --
05 horses scratch before they're off-track, are they going to
06 be penalized? Turf -- races off turf, are they going to

07 be penalized as well? So there's a lot of considerations
08 that take place.

09 I more than anybody want to certainly put the
10 fear into these people that are the abusers of this
11 system. And I personally believe that racing
12 secretaries and stewards -- of course, the stewards --
13 can monitor this a little more closely and take action
14 if necessary.

15 MS. MORETTI: Perhaps we could ask the directors
16 of racing from the tracks to work with the CHRB. It's
17 a short field and you have such firsthand knowledge
18 about what's going on with the tracks.

19 Are you interested in doing that, Tom?

20 MR. ROBBINS: Certainly.

21 MR. LICHT: I think that would be good. I think
22 what I'd like to see happen is have our investigative
23 staff make a thorough investigation of all the specific
24 issues -- take Del Mar as an example -- take a look at
25 every one of the horse scratched after they've reached
26 the paddock at Del Mar and follow them up and talk to
27 each and every trainer and so forth involved with that
28 or a jockey, and do a very thorough investigation. I
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01 mean, maybe we could kind of table this maybe until we
02 get more information.

03 MR. HARRIS: Yeah, I think we should do that, because
04 I think we should also follow up with vets, see what
05 medication the horse has been on and really make a pretty
06 thorough investigation, where, as I understand it thus
07 far, it's been pretty much rubber-stamped; whenever it
08 was, it was, which -- sometimes you've got to let the
09 horse out of the race, but I think we ought to follow up
10 and make sure there's not a problem involved.

11 MR. LICHT: For instance, if this trainer really
12 was -- if six of his horses that he sent over to the track
13 during one meet were bet-scratched, he needs to be talked
14 to even if it wasn't nefarious. What's he
15 doing sending six horses to the post that are not in a
16 condition to run?

17 MR. HARRIS: Yeah. Plus, how do some of those get
18 by the -- if every horse was looked at that morning, what
19 was -- is there something wrong with that process, or
20 what's going on?

21 MR. ROBBINS: I don't believe there was one
22 trainer that had six horses that were scratched on the
23 race track.

24 MR. WOOD: Mr. Chairman, I just think it's
25 appropriate that we put it on the table as an
26 investigatory process we go through. There are reports of
27 situations happening. Before we basically try the case in
28 front of the Board today, we really need to take the time
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01 to investigate the situation that involved the six horses
02 at Del Mar.

03 And I can tell you, as a matter of fact, that
04 investigation is currently ongoing. People are assigned
05 to that case and we are looking at that. We will look at

06 each and every individual scratch at Del Mar.

07 But I guess everyone who's spoken about this
08 issue over the last nine years -- I've been here for
09 nine years as Executive Director of California Horse
10 Racing Board -- and we've had various discussions about
11 proper ways to police scratching of horses; vet
12 scratches -- we've changed the vet scratch list several
13 times. We've asked the secretaries at the race tracks to
14 be more diligent in allowing people to scratch and
15 noticing who was doing that.

16 This past meet in Hollywood Park --
17 Euall Wyatt and Marvin Vance -- was important for me,
18 because the number of scratches of horses that took place
19 after the program was produced. It's amazing to see how
20 many of these horses were scratched, and three or four
21 days after the horses were scratched -- it's an amazing
22 issue. It's very complicated. Everyone has to be
23 involved.

24 I think several years ago, maybe this year at
25 Del Mar was the first time that we initiated where the
26 track allowed trainers not to scratch down below ten.
27 So there's a lot of people and their horses that we
28 don't scratch below ten. We've got a lot of people

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01 enter for different reasons, and probably in the past
02 they scratched because they could go down to eight.

03 But I'd be willing to offer assistance with the
04 racing secretaries and the management of the racetracks to
05 try and find out a way to at least address this issue in a
06 more thorough way than we've done before, and also let you
07 know that this investigation should be done properly
08 through the due process procedures, and we can report back
09 to you after we conclude that investigation.

10 MR. LICHT: All right. I think that would be good.
11 I think we have to set it for the next meeting. I think
12 this is a highly important -- something that needs
13 immediate attention at the next meeting. We should get a
14 report back from the Del Mar meet and all the scratched
15 horses off the program there from both the racing
16 secretary and from the investigative staff.

17 Don?

18 MR. JOHNSON: Don Johnson, TOC. Very briefly, just
19 put on the record that the owners are pretty much opposed
20 to this rule. We have a lot of owners who don't abuse the
21 rule and they have a serious problem not being able to run
22 the horse back (inaudible). For the record, TOC is
23 definitely opposed to this rule.

24 MR. HALPERN: Ed Halpern, California Trainers. We
25 also are strongly opposed to the rule as it is worded for
26 the same reasons that have been raised by those who have
27 spoken before me.

28 The intended consequences of the rule are

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01 admirable. It's the unintended consequences that are
02 serious and could be in many cases devastating, creating
03 more aggravation for owners, more aggravation for
04 trainers and driving horses out of the state, none of

05 which we need at this point when we're trying to
06 attract owners and trainers and horses.

07 We have talked about this problem, and the major
08 problem seems to be scratching after scratch time, not
09 necessarily scratching when there's a claiming, although
10 that happens occasionally. But usually just scratching
11 between scratch time and the race.

12 As I say, there are a number of less
13 guillotinuous-type solutions to this problem that we have
14 talked about over a period of time, and we would be glad
15 to work with you to suggest those solutions and possibly
16 get them in place, but I don't think this the solution.

17 MR. LICHT: You'll work with the investigative
18 staff and --

19 MR. HALPERN: Glad to.

20 MR. HARRIS: I guess the important part is that CPP
21 and the TOC buy into the fact that we've got to eliminate
22 fraud basically, that if somebody -- it's one thing if
23 somebody scratches (inaudible), but what I don't like is
24 someone that's basically lying to the Board, whether it be
25 about how much is bet in North Dakota or if their horse is
26 sick, that you got to -- if you come in and say that
27 you got a problem, to be straightforward about it, and
28 that's really not happening. (Inaudible) scratch. I

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01 would like that better than having people basically lying
02 to us.

03 MR. LICHT: Okay. I guess we're going to table
04 this and wait until the next meeting for a report.

05 MR. WOOD: (Inaudible) I think we should, however,
06 ask those people who have spoken today who had -- may not
07 necessarily agree with the rule as written -- do you have
08 any suggestions or comments (inaudible) let the staff have
09 those comments about the rule and what you may or may not
10 believe to be a regulatory process to help solve this
11 problem.

12 So if we could get your comments just to have
13 them, so in case we do bring this back at some time,
14 we'd have a more precise way to address it.

15 MR. LICHT: Good. Okay.

16 Item number 7, Del Mar's charity distributions.

17 MR. REAGAN: John Reagan, CHRB staff.

18 Commissioners, you have before you the request
19 from Del Mar to distribute \$170,707 to 22 beneficiaries.
20 We've reviewed the list; over 70 percent of the total
21 dollars distributed will go to charity related to the
22 industry. We find this request in order and recommend you
23 approve it.

24 MR. LICHT: Any comments? Motion to approve
25 Del Mar's distributions?

26 MS. GRANZELLA: Moved.

27 MR. HARRIS: Seconded.

28 MR. LICHT: Moved by Commissioner Granzella and

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01 seconded by Commissioner Harris. All in favor?

02 MR. SPERRY: Aye.

03 MS. MORETTI: Aye.

04 MR. BIANCO: Aye.

05 MR. LICHT: Any opposed? The distributions are
06 approved.

07 MR. WOOD: Mr. Chairman, I would just like to make
08 one comment. In our upcoming newsletter at the end of
09 October, there's going to be an article that Mike
10 Martin directed and helped put together through the
11 cooperation of the industry which gives an overview of
12 the charity distributions that were -- took place in
13 the whole racing industry in California for the prior
14 years.

15 We have added to that and we're currently going
16 back for at least a ten-year period in putting kind of a
17 (inaudible) report together from the Horse Racing Board to
18 send to the media and legislators about what the industry
19 really is doing in charity contributions.

20 And this came from discussions from
21 Commissioner Bianco and Commissioner Moretti, and with
22 their help, we've created with Mike's assistance -- filed
23 papers that will probably be out in 60 days to really give
24 an overview for Horse Racing of California on charity
25 races.

26 So I think it's going to be something we can
27 all be proud of, and I encourage each of you to help us
28 prepare this and help us distribute it once we get

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01 everything together. I just wanted to announce that
02 today.

03 MR. LICHT: And, Chilli, by the way, I talked to
04 about Oak Tree putting something together and sending
05 it out to all the members of the Senate Rules Committee,
06 and I believe is going to call each of their offices to
07 talk to them and tell them what Oak Tree has done for the
08 various charities in the area.

09 MR. CHILLINGWORTH: Sherwood Chillingworth, Oak Tree
10 Racing.

11 Commissioner Licht, we prepared about six months
12 ago a ten-year history of our giving that categorized as
13 to horses and to local charities. And we have already, as
14 of yesterday, sent copies to all the members of the Rules
15 Committee at your request. I'd be happy to provide it if
16 anybody else would like that information.

17 I think it's a very impressive record, and I
18 think not only our organizations but all the other
19 racetracks have done as well, and we just haven't made the
20 statement public.

21 If I can retrace, because I've been kind of
22 quiet here today. I didn't want to be saying "me too" to
23 everything that was said here today. But I know that TRA
24 has completed a study on rebaters and specific entities,
25 specific locations, that are rebating throughout the
26 country. And they've gone and had inquiries and
27 conversations of these people. Some of them have been
28 forthcoming saying, "yes, we do rebate"; some are -- clam

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01 up and say, "no, we're not going to give you that
02 information." But that report is supposedly available,

03 and I think it would be helpful in our studies here too.

04 MR. LICHT: Thanks, Chilli.

05 Okay. Number 8, the staff update on the ADW
06 handle.

07 MR. REAGAN: Commissioners, all the way through on
08 the reports we've been providing to you, we find that the
09 ADW handle continues to be around six-and-a-quarter
10 percent of the total California handle since January. Mike
11 Martin was discussing that with me the other day and also
12 had an interesting idea in terms of looking at a recent
13 week in terms of, instead of going back to the
14 start when we had a very minimal handle and then it built
15 up quite quickly there in the middle into the spring and
16 into the summer, if we look at it on an instant-week
17 situation, you might say as of perhaps a week ago, two
18 weeks ago, sometimes we find the ADW handle is approaching
19 10 percent of the current handle. So there certainly is a
20 continuing role with ADW, and I'm sure the hubs here today
21 will speak to what they're doing to keep that going and
22 then, in fact, see some more increases.

23 But at this point we are pleased, and I think
24 the graph accompanying the package shows that the --
25 especially the folks at TVG are continuing to grab some
26 more handle.

27 If you have any questions, we'll try to
28 answer them.

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01 MR. LICHT: No, thank you.

02 The next will be a report from each of the ADW
03 providers. I assume it will be very brief today because,
04 as you know -- or you may not know -- but our next
05 Pari-Mutuel committee meeting I think is going to be to go
06 exclusively to ADWs, so that there will be an in-depth
07 report probably at the next Board meeting regarding ADWs.

08 Okay. We'll start with XpressBet, Ron.

09 MR. Luniewski: Ron Luniewski, manager (inaudible)
10 XpressBet. Just following in the same order of statistics
11 that we usually give -- and from the last meeting, we
12 continue to see a nice, steady growth to the business,
13 albeit small, but we do anticipate that -- you know, we'll
14 see (inaudible) we'll see the track increase in gross
15 bets.

16 We currently have a little less than 12,000
17 accounts. Approximately 10,000 of those accounts are
18 California-based. When we get all of our marketing
19 programs, we hope to see a significant list in
20 out-of-state people -- you know, people coming through
21 XpressBet into this.

22 Year to date, they're wagering approximately
23 26 million through XpressBet. Just to note, we did add on
24 the (inaudible) doing about \$95 million to date. The
25 location, the acquisition (inaudible) seems to be holding
26 steady at roughly about 74 percent coming from a call
27 center with Santa Anita being -- 16 percent of the
28 acquisitions coming from Santa Anita. So we're getting

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01 lots of people out there.

02 The ADW's handle is holding pretty consistent
03 when you look at it on a per-track basis. Santa Anita is
04 roughly about 40 percent of our -- was 47 percent of our
05 business and (inaudible) slowly climbing up as we are
06 progressing through the year. That comes to about
07 36 percent of our business now.

08 The handle over the last two to three months has
09 remained relatively flat at doing about 200,000 a week.
10 Just to note, that's off from our peak from (inaudible)
11 1.8 million.

12 And I would offer to answer any questions if
13 the Commissioners have any.

14 MR. LICHT: Any questions?

15 MR. HARRIS: When is the Pari-Mutuel meeting going to
16 be held?

17 MR. LICHT: I think October 15.

18 MR. WOOD: I think it's October 16.

19 MR. HARRIS: Well, my concern is just that XpressBet
20 is really not performing nearly as well as the other two,
21 which I really attribute to the TV coverage. And I'm just
22 concerned that a lot of money is being lost on --
23 especially on Bay Meadows ADW, because you're not
24 available through the other services and people can't see
25 it on TV. And hopefully, is that September 8, it looks
26 like you didn't do really any better once you got
27 (inaudible) but you have any more strategies to get better
28 TV coverage?

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01 MR. LUNIEWSKI: Two comments to answer you question
02 directly. Second (sic) is that, you know, there's --
03 with the two-account situation, you know, it's hard for
04 people to move between accounts. So I attribute that to
05 more (inaudible) being that other people have accounts
06 with TVG and YouBet not handing their money over, you
07 know, frankly (inaudible).

08 Secondly, we are continuing to wail away at
09 television coverage. I can't comment any further other
10 than I can say that last week, we did take what I would
11 call some reasonably good steps forward on television
12 coverage both here and nationally. So we're working on
13 it.

14 MR. HARRIS: It looks to me, if I'm reading this
15 right, that YouBet and TVG combined are handling about
16 5 million a week, and you're handling about 300,000 a
17 week. So something's wrong with these numbers.

18 I mean, I wish you were doing better. I have
19 accounts (inaudible), but I'm trying to help you as much
20 as I can.

21 MR. LUNIEWSKI: Once again, the only comment I can make
22 to that is that we are very optimistic that when Santa
23 Anita opens, you'll see a swing occur, and I attribute
24 that more to those numbers that way (inaudible).

25 MR. HARRIS: Well, I think your task will be to show
26 that you can somewhat approximate what your market at
27 Del Mar (inaudible). You didn't do as well on Santa Anita
28 nearly as much as they've done once you were over, but I

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01 think that ought to be your challenge (inaudible).

02 MR. LUNIEWSKI: Yeah, and frankly to that point, we're
03 optimistic that (inaudible) television strategy in place,
04 we'll be able to make Santa Anita. Plus, quite frankly,
05 we've had some time under our belt to really plan and
06 effectively, you know, scale the product in which we
07 market the product. So you're going to see some strong
08 (inaudible) marketing efforts the first of the year.

09 MR. LICHT: Okay. Thank you.

10 TVG, Tony?

11 MR. ALLEVATO: Tony Allevato, Vice
12 President/Executive Producer, TVG. Good morning.

13 Basically, just to give you guys an update on
14 where we stand, currently we're at 17,000 -- we're
15 actually over 17,000 California subscribers. Approximately
16 \$60 million in handle has come from California subscribers
17 year-to-date. And on an average, 65 percent of the handle
18 from California subscribers is on California races.

19 Our goal in California is to continue to grow.
20 In fact, California subscribers' base on TVG grew nearly
21 25 percent during the Del Mar meet alone, which we felt
22 was pretty exciting. TVG also (inaudible) handle in
23 California live races increased 37 percent from July to
24 August. And we're averaging approximately, including
25 our licensees, \$1.4 million a week on Fairplex. We're
26 very pleased with those results.

27 Looking at the information in the CHRB
28 packet, the news is very good. Over the last few
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01 weeks, ADW has remained at 6.25 percent of total
02 wagering, as you pointed out -- as was pointed out --
03 while TVG's ADW is increasing. We feel this
04 intrinsically means that all wagering is up or keeping
05 pace with TVG's growth, which is a win/win for everybody.

06 From a programming standpoint, as we talked
07 about before, we did a FOX show from Del Mar every day
08 that Del Mar ran, which meant that there was two hours in
09 coverage on FOX every day that was never available before.
10 We are pleased with that. We showed a mule race on FOX
11 for the first time. We did both mule races, the first one
12 at Del Mar. We actually received an extra half-hour on
13 FOX for special coverage of the Black Ruby match race,
14 which I found kind of ironic because we're always begging
15 for an extra five minutes from FOX when they're running
16 late on post times. But they gave us an extra half-hour
17 for Black Ruby.

18 And what's interesting about that show was
19 that even though there was no wagering on the race,
20 that half-hour show had a higher rating than the Oakland
21 A's/Minnesota Twins game that day. Go figure.

22 But I thought we did a pretty good job of
23 pumping that up, and on the following week during Fairplex
24 where there was wagering available on the race, it felt
25 good recovering that. We are currently showing Fairplex
26 as well for the first time ever on FOX, seven days a week,
27 two hours a day, and we've been very pleased with the
28 ratings, and FOX is very pleased with the results.

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01 Once Oak Tree starts up, we will offer it on FOX
02 two hours a day. This is all in addition, obviously, to
03 the live coverage on TVG. And we'll have three to five
04 during Oak Tree with special coverage for Cal Cup. We'll
05 be live on-site during Oak Tree, and we thank the
06 cooperation from Santa Anita TV Department for helping us
07 to do that.

08 Other couple quick things: We're going to do
09 the work show again this year that we've done in the past
10 for the Breeders' Cup. That starts October 18. We even
11 had some of our graphics -- I don't know if you've seen
12 the show, but we've made our graphics a little bit bigger,
13 and these are green. And we're going to have some special
14 coverage for the Los Al Million and the Champion of
15 Champions, which will also be on FOX for the first time.

16 Other than that, we feel that, for our first
17 year, that we have done pretty well. It's probably the
18 most successful start-up for an ADW in the country. In
19 fact, so far, if you look at what we've done in
20 distribution and handle, it took New York OTB ten years to
21 achieve what we've achieved in the first eight months of
22 this year in California. So we're pretty excited.

23 MR. LICHT: Any comments or questions? Okay.
24 Thank you, Tony.

25 Joe, your timing is perfect. Are you ready?

26 MR. HASSAN: Good morning, Mr. Chairman and the
27 Board. Excuse my tardiness.

28 YouBet continues to show strong results in

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01 California and across the nation. Our member service
02 calls for the period between the last Board meeting and
03 this Board meeting, 15,600 calls with an average hold time
04 of 17 seconds. The average number of wagers placed was
05 1,442,000 and the number of viewer hours was 540,000
06 hours.

07 The percent of the California races offered was
08 100 percent, and the percent of California tracks offered
09 was also 100 percent.

10 MR. HARRIS: Are you offering Bay Meadows now?

11 MR. HASSAN: We offer Bay Meadows outside California.
12 We continue to add customers to our customer base.
13 Although, we note that it's starting to level off, but we
14 continue to add over -- in excess of 1,000 customers per
15 month.

16 We'd also like to give an update on the
17 California Fairs. Although we have one more fair to
18 go, we're very happy with the results. I think you'll
19 see that YouBet's handle on the fairs is probably the
20 highest of all the ADWs in California.

21 MR. HARRIS: What do these percentages mean?

22 MR. HASSAN: I think that's a printout error.
23 These are actually supposed to be numbers of handle.
24 To be quite honest with the Board, unfortunately, I
25 marked the calendar wrong for this meeting for tomorrow
26 instead of today, and I didn't get a chance to review
27 them, and I printed them and quickly came here. So I

28 can provide this page for the Board, but if you look at
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01 the graph, the bar on the right, you'll see the double
02 numbers --

03 MR. HARRIS: Disregard the percentages?

04 MR. HASSAN: Yeah, disregard the percentages, but
05 you'll notice for Pressington (phonetic) Fair, it was just
06 under \$250,000; and for the Bay Meadows Fair, it was just
07 in excess of \$300,000.

08 On the next page, we'd like to report to the
09 CHRB, since we were licensed, we've handled \$31.9 million
10 of handle on California tracks and from California
11 customers. So we're combining the handle that's on
12 California tracks from the residents outside of California
13 and from residents inside of California.

14 And what's interesting to note is that of the
15 handle that California residents are wagering on
16 California tracks, which is approximately \$9.95
17 million, an additional \$10.6 million is leaving the
18 state in that aspect.

19 But if you look on the next page, you'll
20 notice that for the imports of \$11.9 million, actually
21 YouBet generated \$20 million of handle on California
22 races from both California residents and from
23 out-of-state residents. So the net effect is YouBet is
24 bring in more wagering dollars to the California horse
25 racing industry than is leaving.

26 On the next page, we have a chart that shows
27 the amount of handle per meet showing California
28 residents' wagering and out-of-state residents'

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01 wagering. And, although, in most meets, the California
02 residents' handle represents a little bit more, about
03 20 percent more, on average than what we're importing.

04 We'd like to report that for the first time,
05 we're now bringing in more handle out of state on
06 Los Alamitos than California residents are wagering on
07 Los Alamitos through our system. So we think that's quite
08 an achievement.

09 We continue to deliver a significant portion of
10 handle back to the horsemen. On the next slide,
11 out-of-state residents on California tracks, we broke down
12 the purse money per market area by track, the percentage
13 of handle delivered to horsemen on a \$100 wager. And we
14 continue to show the same figures for most out-of-state
15 bets placed on California tracks; we continue to return
16 \$3.76 per \$100 wager. And where we have exclusive
17 contracts (inaudible) markets, the rate continues to be
18 about \$1.56 per \$100 wager.

19 But we would like to report that we've been
20 able to shift some of the wagering out to our customer
21 base, and now we have significantly more wager dollars
22 coming in at the higher figure of \$3.76 per \$100 wagered
23 versus the \$1.56 rate. And we've been doing this through
24 target marketing and through (inaudible).

25 MR. LICHT: Thank you. Like I said, I mean, you
26 weren't here -- we're going to look for a more in-depth

27 report at the Pari-Mutuel meeting coming up October 16.
28 Any questions?

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01 I just have one quick question maybe George
02 can answer, George Bradvica from Fairplex. On this --
03 Fairplex is an interesting test because all three ADW
04 providers are in Southern California. I believe that
05 is -- in that situation, do you have any results for that
06 that you could talk about?

07 MR. BRADVICA: We are with YouBet and TVG. And
08 we're averaging about just under \$200,000 a day on the
09 TVG bets. So just to put it in prospective, I believe
10 I got from Del Mar -- I believe they're doing in the
11 neighborhood of 470,000 a day through TVG. So we're at
12 about \$200,000 a day.

13 MR. LICHT: Thank you.

14 Next item is the staff report on the
15 concluded race meeting.

16 MR. REAGAN: John Reagan, CHRB staff.

17 Commissioners, in this package we have Capital
18 Racing as well as three fairs in the north.

19 First of all, let me say that some of the
20 numbers at Capital Racing were surprising to me when we
21 pulled the report, but in discussing it with the folks at
22 Capital, what they did was they tried a number of Sundays
23 in Sacramento, and the handle on Sundays was very poor.
24 So I have to reevaluate that in the future, but that's
25 what the large percentage losses or the down numbers are
26 indicated there, in a sense that when we had several
27 Sundays that were not good days, they obviously brought
28 down the averages.

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01 They think once they -- there's not going to be
02 too many Sundays in the future; if any, I think those
03 numbers will pop up, but that, basically, is what we're
04 seeing here.

05 Also, this will be the last set of reports that
06 you see here that have not integrated the ADW. Future
07 reports in the next Board meeting and other reports will
08 also -- will include, in the numbers here, the ADW. We
09 had some concern about some of the accuracy of the numbers
10 that we had about two weeks ago, and we have to prepare
11 these reports, and I did not want to cause any problems
12 with that at this point.

13 Last week, and I think this week, we're
14 pretty confident now with the numbers we're getting and
15 distributed by fairs and by (inaudible) and whatnot. I
16 think in the future we can have those reports where we
17 present these to you and they have integrated the ADW
18 numbers. I'm looking forward to that.

19 MR. LICHT: Any comments on this report?

20 Okay. Thanks, John.

21 The report from the Pari-Mutuel Operations
22 Committee, there's really nothing to report other than
23 what's already been said. Like I said, we're going to
24 be doing an extensive investigation of ADW at the next
25 meeting because several of the licenses are going to be

26 up for renewals.
27 General business. Anybody?
28 I just have one thing to remind everybody.

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01 The meeting for next month had been changed to
02 October 17, because it was set for the 24th, I believe,
03 and that's right before the Breeder's Cup and it
04 interfered with a lot of people's schedules.
05 Chris?
06 MR. KORBY: We're still in general business?
07 MR. LICHT: I'm sorry?
08 MR. KORBY: We're still in general business?
09 MR. LICHT: Yes.
10 MR. KORBY: Chris Korby, California Authority of
11 Racing Affairs. I'd just like to update the Board on
12 progress of the construction of the new satellite facility in
13 Lancaster. I went by there on Monday. The new facility
14 is about 60 percent complete. It will be approximately a
15 40,000-square-foot facility. It's about
16 \$4-and-a-half-million project.
17 We're looking at probably a spring opening for
18 that facility. That facility is going to anchor an entire
19 new fairgrounds in Lancaster. It will be 135-acres, in
20 one of the fastest-growing markets in California. There's
21 a local energetic management team there that is really
22 looking forward to the opportunities that this will bring
23 to their horseracing operations. So I just wanted to keep
24 you posted on that.
25 MR. LICHT: Great. Thank you.
26 And also with respect to that October 17
27 meeting, we're going to get into the scratch issue in
28 depth, and also another issue that we're looking into with

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01 the weights of the riders, all aspects of it.
02 Old business? Okay.
03 MR. WOOD: Mr. Chairman, I want to remind everyone
04 that on October the 10th, we're going to conduct our
05 race dates meeting. It's going to be at 10:00 o'clock
06 in the morning. It's going to be in Fresno. It will
07 be the last race dates meeting prior to the agenda item
08 for adopting of race dates in October (inaudible).
09 And secondly, I'd like (inaudible) mark it on
10 the calendar. It's an important meeting. And secondly,
11 I've been asked to invite you all in attendance to attend
12 at 12:00 o'clock today on the third floor of the
13 Grandstand, hosted by Fairplex, the California Breeders
14 Association, the California Thoroughbred Trainers
15 Association, the Thoroughbred Owners of California, and
16 the California Horse Racing Board; members of the
17 legislature and other interesting people will be there,
18 and you're all invited to attend that luncheon that begins
19 in seven minutes.
20 UNIDENTIFIED SPEAKER: What we didn't tell you is
21 that we're going to have a mule race to kick off our
22 program today at 12:30. So, John, especially you I think,
23 and all the other mule lovers, come and watch the mule
24 race.

25 MR. BRADVICA: I hope we have a lot of wins and
26 Fairplex wants to continue its association. And I just
27 want to thank everybody for your decision to race this
28 year and hope to see you next year.

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01 MR. LICHT: Thank you. All right, the meeting is
02 adjourned.

03 (Meeting adjourned at 12:05 p.m.)

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