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MEETING

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BEFORE THE CALIFORNIA HORSE RACING BOARD

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CYPRESS GOLF CLUB

11

LOS ALAMITOS, CALIFORNIA

12

THURSDAY, DECEMBER 4, 2003

13

3:30 P.M.

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24 Reported by: CATHERINE SCOTT, C.S.R. No. 3375

25 Job No.: 03-25820

1 LOS ALAMITOS, CALIFORNIA; THURSDAY, DECEMBER 4, 2003

2 3:30 P.M.

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4 MR. WOOD: If you'll, please, take a  
5 seat, I'd like to welcome you to the regularly  
6 scheduled meeting of the California Horse Racing  
7 Board. This meeting is being conducted on Thursday,  
8 December, the 4th, and we're at the Cypress Golf Club  
9 in Los Alamitos, California, and I'd like to thank  
10 our host, Los Alamitos Race Horse, for providing us  
11 and hosting us with this wonderful room.

12 Present at today's meeting are Chairman  
13 Roger Licht, Vice-Chair John Harris, Commissioner  
14 Sheryl Granzella, Commissioner Alan Landsburg, and  
15 Commissioner John Sperry.

16 Before we go forward with the business of  
17 today's meeting, I would respectfully request that if  
18 you give testimony before the board that you, please,  
19 state your name and your organization for our court  
20 reporter. If you have a business card to give her,  
21 it would be most helpful.

22 I'd also like to point out that the  
23 podium with the microphone in the center of the  
24 meeting room only has a speaker that goes around the  
25 podium. So if you speak at that facility, you have

1 to get the microphone very close to you.

2                   If you speak to the board -- and these  
3 seats are available in the front -- we prefer that  
4 you use those. With that, I'd like to turn our  
5 meeting over to our chairman, Mr. Roger Licht.

6                   CHAIRMAN LICHT: Good afternoon. Item  
7 No. 1 on the agenda is approval of the minutes from  
8 the October meeting. I hope all commissioners have  
9 had a chance to review the minutes.

10                   COMMISSIONER SPERRY: (Inaudible).

11                   CHAIRMAN LICHT: We have a motion from  
12 Commissioner Sperry.

13                   COMMISSIONER GRANZELLA: Second.

14                   COMMISSIONER LICHT: Seconded by  
15 Commissioner Granzella. All in favor of approving  
16 those minutes?

17                   SPEAKER: Aye.

18                   CHAIRMAN LICHT: Opposed? Unanimously  
19 passed.

20                   We'll move to Item 4 on the agenda, take  
21 it out of order. Bay Meadows Foundation's request to  
22 distribute their charitable funds.

23                   Commissioners, John Regan, CHRB staff.  
24 Yes, as indicated, at the request of the Bay Meadows  
25 Foundation, to distribute \$70,000 to 28 different

1 beneficiaries. We've reviewed the request. It meets  
2 all the current requirements of law, and we recommend  
3 approval.

4           MR. LIEBAU: My name is Jack Liebau from  
5 Bay Meadows. Unfortunately, over the years there's  
6 been a number of disputes between Bay Meadows  
7 Foundation and Bay Meadows Operating Company. The  
8 last litigation was settled with the stipulation that  
9 the Bay Meadows Operating Company had the right to  
10 direct the money that would be allocated to equine  
11 charities.

12           What I would ask you to do is -- if you  
13 could, possibly, approve their proposed distributions  
14 but allow for the possibility that the amount that  
15 would be given to the Racetrack Chaplaincy of America  
16 in Northern California was directed by the Bay  
17 Meadows Operating Company to receive 20 percent of  
18 the amount which, although the distribution for the  
19 model gambling is a worthy cause, we would appreciate  
20 giving the foundation the leeway (inaudible,  
21 coughing) distribution. So increasing amounts are  
22 going to the chaplaincy. Thank you.

23           CHAIRMAN LICHT: So that you would like  
24 us to make a motion to approve the list as it is with  
25 that corollary?

1                   MR. LIEBAU: I'm not going to enter into  
2 any more litigation with these people, but I would  
3 like to point out to them what they have agreed to  
4 and what directed them to do with respect to these  
5 five charities.

6                   SPEAKER: (Inaudible).

7                   MR. REGAN: as I recall, the Bay Meadows  
8 Foundation is a little different than any of the  
9 other foundations in that, due to litigation, you  
10 don't -- Bay Meadows as an entity does not have as  
11 much clout, basically, as --

12                   SPEAKER: I think that, as you will  
13 recall, the chairman of the board of the Bay Meadows  
14 Operating Company did not have any clout, but after,  
15 at least, two litigation cases, we now have a right  
16 to direct the amounts given to the five charities.

17                   MR. REGAN: There's still a foundation  
18 that (inaudible) the director of.

19                   SPEAKER: No. Only as to the amount  
20 that's to be given under law to the five charities.

21                   MR. HARRIS: Is that 20 percent now?

22                   SPEAKER: I'm sure Mr. Regan can, but I  
23 mean, there are specific amounts that are directed to  
24 the disabled jockeys, as I recall, an amount to the  
25 Winner's Foundation, and an amount to the CTA Jaff,

1 and then, there is still this 20 percent after that  
2 that has to be allocated to equine-related charities,  
3 and that's the area that we're talking about.

4           CHAIRMAN LICHT: Can we have a motion to  
5 approve this distribution with the corollary that 20  
6 percent may go to the chaplaincy?

7           MR. BIANCO: (Inaudible).

8           COMMISSIONER LICHT: Moved by  
9 Commissioner Bianco.

10          COMMISSIONER SPERRY: Second the motion.

11          COMMISSIONER LICHT: Seconded by  
12 Commissioner Sperry.

13          All those in favor?

14          ALL COMMISSIONERS: Aye.

15          COMMISSIONER LICHT: Opposed?

16          For the record, Commissioner Bianco is  
17 part of our committee --

18          Item No. 2, the application by Xpressbet  
19 for their renewal of their license.

20          SPEAKER: Commissioners have indicated in  
21 the staff analysis this is an application for  
22 Xpressbet to extend their current -- to renew their  
23 license from January 24th through January 24th, 2006.

24          So their license has been approved  
25 through January 2004, and they're asking for a

1 two-year extension. In the staff analysis, where  
2 there are noted that there are still some items to be  
3 completed, I can tell you that today I was given the  
4 horsemen's approval agreement with the TOC, and we  
5 have an e-mail from Chris Korby, indicating that, on  
6 behalf of CARF, they will accept the same terms for  
7 the 2003 Xpressbet agreement that will apply in 2004.

8                   So they were given a one-year extension  
9 to their current agreement with Xpressbet, and the  
10 horsemen's agreement is effective through December  
11 25th of 2004.

12                   So both of those organizations have, in a  
13 sense, given a one-year extension to their current  
14 operating agreements with Xpressbet. So, for the  
15 time being, Xpressbet seems to be in a position where  
16 we can go ahead and approve their extension or  
17 renewal of their license. There are representatives  
18 here from Xpressbet. I see a couple of you. If you  
19 have questions or are interested in other aspects, if  
20 you'd like to ask questions of them, I'm sure they'd  
21 like to answer those for you.

22                   COMMISSIONER LICHT: And just as we had  
23 said at our earlier meeting, hopefully, everybody has  
24 a business card that they can give to the court  
25 reporter. If not, please, write your name on a piece

1 of paper so that she has that.

2                   I have some questions for Ron. There's  
3 been a general feeling of disappointment among the  
4 racing community in California about your television  
5 distribution. Can you enlighten us on what might  
6 happen in the future -- (inaudible)

7                   MR. LUNIEWSKI: I can tell you where we  
8 are right now. We're on a number of small cable  
9 systems throughout California. We're under digital  
10 systems. We are about to launch on three new small  
11 systems -- Cox Cable in Bakersfield, Cox Cable in  
12 Santa Barbara, and a small, digital-only system in  
13 the Sacramento area.

14                   Those launches are scheduled for December  
15 15th of this year. With those launches, we will  
16 have, approximately, 340,000 digital subscribers that  
17 actually get the service. That's not to be  
18 confused -- we could use a higher number which is a  
19 homes pass number that's often used in the industry  
20 which would put us substantially over a million, but  
21 when we use the 340,000 number, it is the actual  
22 homes that have that service within their home.

23                   We are continuing -- we have a full-time  
24 salesperson within the California marketplace here  
25 and are continuing to try to get additional carriage

1 on cable systems. We are still in discussions with  
2 one of the national satellite systems to get  
3 carriage, but that's where we're at right now.

4           The one thing I would like to say as part  
5 of our application -- we would like to amend the  
6 application so that the term of relicensing that  
7 we're seeking is for one year as opposed to two-year.  
8 So it would be amended to expire on January 24th,  
9 2005, as opposed to 2006.

10           There are many reasons for this, one of  
11 which is -- we think it would, probably, be best for  
12 the industry if all three licensees -- their licenses  
13 came up relatively contemporaneously. The U-Bet and  
14 the TVG licenses expire either in January or February  
15 of 2005, I believe, which would then have ours  
16 expiring at about the same time.

17           Also, it is more consistent with the  
18 nature of the agreement that we have with the TOC as  
19 well as with CARF.

20           COMMISSIONER LICHT: We'll just consider  
21 all these discussions lying within a one-year  
22 application.

23           MR. LUNIEWSKI: Yes.

24           MR. HARRIS: On the coverage, the people  
25 that have Cox Cable in Santa Barbara -- do you have

1 to pay any extras to get the horse racing TV, or is  
2 that part of the general package?

3                   MR. LUNIEWSKI: You would not pay  
4 anything extra, specifically, for the horse racing  
5 channels. My apologies. I don't exactly know which  
6 tier of service. I'm not sure if it's the basic  
7 digital tier or some type of sports digital tier.  
8 The numbers I gave you represent the numbers of  
9 subscribers on the tier that actually has HRTV  
10 subscribers.

11                   MR. HARRIS: How about someone who has a  
12 home dish or --

13                   MR. LUNIEWSKI: The one way you can get  
14 HRTV is by buying a subscription for RTN, Racetrack  
15 Television Network. RTN is a joint venture of which  
16 we own one third, along with Philadelphia Park and  
17 Roberts Communication. We have a service that  
18 provides eight channels. You need a specific dish  
19 for that service. The cost is, I believe, \$99 per  
20 month. One of the eight channels on that service is  
21 HRTV.

22                   MR. HARRIS: One of my concerns for home  
23 use is -- somebody at home has to be paying \$99 a  
24 month, conceivably, but someone, you know, through  
25 Cox, you would get it for free. Too bad a home user

1 out here can just get it for free but --

2                   MR. LUNIEWSKI: That's why we're seeking  
3 additional carriage. The ideal solution would be to  
4 have broader carriage. I think, as I explained,  
5 probably, about a year and a half ago HRTV  
6 (Inaudible). The RTN service is something that was a  
7 remnant out of the old TRN service, and it was  
8 launched by us not as our broad-based distributions  
9 for -- but just as a strategy that would fill a  
10 desire of a significant segment of the horse racing  
11 industry. No larger players, trainers, owners who  
12 will be prepared to pay a larger subscription fee to  
13 get that type of private delivery service. The  
14 costing of that service is such not to make a profit.  
15 It's to break even, and it's not even at the  
16 break-even point yet.

17                   MR. HARRIS: The California audience,  
18 basically, if they're paying the 99 (inaudible) if  
19 (inaudible) Golden Gate, Santa Anita, but that's sort  
20 of another issue.

21                   On the application, I notice there's a  
22 couple the areas you don't have, like Fresno and  
23 Humboldt. Is there some reason for that? They just  
24 haven't worked out a way to do it?

25                   MR. LUNIEWSKI: I believe the Humboldt

1 Fair is covered by the CARF agreement, is it not? I  
2 believe that all but the Del Mar -- covers the CARF  
3 agreement.

4 CHAIRMAN LICHT: And Fairplex.

5 MR. LUNIEWSKI: And Fairplex. Sorry.

6 That's right.

7 CHAIRMAN LICHT: I think the threshold  
8 question that comes up every time we talk about any  
9 ADW license is trying to create new, better fans as  
10 opposed to cannibalizing our existing fans.

11 Do you have any way of analyzing your  
12 data to indicate to us that you are creating new  
13 fans? I think I'll turn it over to Ron to address  
14 that question.

15 MR. LUNIEWSKI: I'm sorry. Ron  
16 Luniewski, Xpressbet. When we look, particularly, at  
17 the California marketplace, we can see trends that  
18 would indicate that we increase the frequency on the  
19 wager, meaning that someone -- take as an example out  
20 in California, if I wanted to place a bet on  
21 Thursday, I don't know if (inaudible) or to Hollywood  
22 Park which, frankly, I'm not going to do. I will  
23 wager now, and I'm more apt to play (inaudible) going  
24 to the track five or six times a year that I go. So  
25 we believe that we are increasing frequency, getting

1 the softer fan to wager more.

2                   We have not really studied the issue --  
3 California (inaudible) by bringing some important,  
4 good things to racing.

5                   COMMISSIONER LICHT: What about creating  
6 jobs in California?

7                   MR. LUNIEWSKI: The jobs that have been  
8 created in California have been, primarily, through  
9 our television production operation for HRTV. It's  
10 produced out of the Santa Anita studios. We  
11 currently have 27 employees/independent contractors  
12 as part of that.

13                   Twelve of those 27 jobs are union jobs  
14 with the IBEW. Within Xpressbet itself, we have  
15 seven employees in California that man the Xpressbet  
16 booths that we have in the NAC tracks and, also --  
17 pari-mutuel union.

18                   COMMISSIONER HARRIS: Actually, I do  
19 watch HRTV on occasion, and the job that your people  
20 do is good. I think it's a good presentation. It's  
21 pretty similar to TVG, but I don't see a problem with  
22 the presentation as much as the distribution.

23                   MR. LUNIEWSKI: I thank you for the  
24 compliment on the presentation. I will take it back  
25 to Amy Zimmerman and her entire staff. We're very

1 proud of them as well.

2                   COMMISSIONER LANDSBURG: The cry  
3 continues for how do we justify continuing licensing  
4 all of these ADWs. We're going to have strict and  
5 severe limits on their ability to get their signals  
6 out for one reason or another, financial or not.

7                   It seems to me that an effort has got to  
8 be mounted, and you've got to start thinking for us  
9 with this board, if we want to continue want to  
10 continue the recognition of it, for a way to reach  
11 new fans for your Xpressbet that will translate into  
12 people on the track, to your fans on the track.

13                   If we couldn't the cannibalization that,  
14 apparently, occurs, we've got to find some other way  
15 to return it. What I'd like to see or what would be  
16 ideal is: How do you get the word out so that people  
17 want to come to Xpressbet, but they also want to come  
18 to the track?

19                   You can solve that problem -- a long step  
20 toward what everybody in racing wants, which is more  
21 people in the stands -- it's an old cry. It hasn't  
22 been answered, which is why we're seeking other  
23 answers.

24                   MR. REGAN: We appreciate your comments,  
25 Chairman Landsburg. We share the same goal, and we

1 will, also, be the first to admit that we have not  
2 yet been successful at that goal.

3                   COMMISSIONER LANDSBURG: But I don't even  
4 see the effort. There's a reach outside the area of  
5 the roof, that better who is going to supply your  
6 Xpressbet with the most money. There is an outreach  
7 to other people coming to Xpressbet or coming to see  
8 us in the track.

9                   Some way in which you can cross over  
10 between a telephone bet and an Internet bet and  
11 arrive at people who also come to see you at the  
12 track. I don't say it's easy, but I don't see an  
13 effort in any way in that direction.

14                   CHAIRMAN LICHT: Any other comments from  
15 the commissioners or from the public?

16                   I'd like to hear a motion to move the  
17 application for one year for Xpressbet's renewal of  
18 their application.

19                   COMMISSIONER GRANZELLA: Moved.

20                   CHAIRMAN LICHT: Moved by Commissioner  
21 Granzella.

22                   COMMISSIONER HARRIS: Seconded.

23                   COMMISSIONER LICHT: Seconded by  
24 Commissioner Harris.

25                   All in favor?

1 ALL: Aye.

2 COMMISSIONER LICHT: Opposed?

3 Unanimously passed.

4 Item No. 3 is Hollywood Park's adamant  
5 request to approve their distribution of their  
6 \$230,000 charitable donation commissioners.

7 MR. REGAN: Commissioners, just a quick  
8 point of explanation here, as it turned out, this  
9 notice had to go out on November 21st. The  
10 charitable organization did not, actually, meet until  
11 November 22nd. I worked with their secretary to get  
12 a good estimate, and that's what you see in item No.  
13 3 on the notice.

14 The actual numbers are 235,500, an extra  
15 500, when they finally got through with the  
16 distributions, and they decided to up it to 33  
17 beneficiaries. So that is the final list, and we  
18 hope that you find the list there for all the names  
19 and amounts to be in order, and we'll approve their  
20 request.

21 Like I said, it was simply a matter of  
22 trying to get this on the notice and approved before  
23 the Christmas period and get these funds out to the  
24 people that need them, rather than waiting till close  
25 to the end of January. So there's a slight

1 difference in those amounts, but they are all in  
2 order.

3 COMMISSIONER LICHT: Is that okay?

4 MR. WOOD: I recommend (inaudible).

5 CHAIRMAN LICHT: Okay. Any comments from  
6 Hollywood Park or any comments from the  
7 commissioners?

8 COMMISSIONER LANDSBURG: I'm just always  
9 glad to see the higher percentage of money going to  
10 the track -- going to racing charities.

11 COMMISSIONER LICHT: Motion to approve  
12 this distribution?

13 COMMISSIONER BIANCO: I make a motion.

14 COMMISSIONER LICHT: Moved by  
15 Commissioner Bianco.

16 COMMISSIONER LANDSBURG: Second.

17 COMMISSIONER LICHT: Seconded by  
18 Commissioner Landsburg. All those in favor?

19 ALL: Aye.

20 COMMISSIONER LICHT: Unanimously passed.

21 Okay. Item No. 5, "Discussion on the use  
22 of security barns used during race meetings."

23 This item was put on the agenda after  
24 numerous people in the industry contacted me  
25 regarding alleged or suspicious violations of racing

1 rules, particularly, in Southern California.

2                   I'd like to open a discussion today with  
3 what people feel are those perceptions, whether  
4 there's reality, and also, to see whether or not --  
5 what we can do to create the perception that there is  
6 a problem on the backside.

7                   I think that it's clear that that's one  
8 thing that all of us agree -- may be the only thing  
9 that all of us agree on -- is that there is a  
10 perception problem. Whether or not there is a  
11 reality to these alleged drug violations is something  
12 that is up to all of us to make our own  
13 determinations, but I think that -- first of all, I  
14 want to go on record to say that I think that our  
15 investigative staff does an outstanding job with the  
16 very limited resources that they have and have done  
17 the utmost to protect the industry from violations  
18 that our laboratory, particularly, in Davis and with  
19 the assistance of Dr. Jensen has made sure that  
20 California is at the tip of the iceberg with respect  
21 to all medical review of all substances, but yet even  
22 saying all that, I do agree that there is a  
23 perception problem, and therefore, I'd like to see  
24 this be a constructive meeting and constructive  
25 discussion and not finger-pointing and that I think

1 that some of the finger-pointing that's been going on  
2 by people, at least, toward me, borders on slander  
3 and liable of different people, and I'm not going to  
4 tolerate that in this meeting, and I think it's a  
5 good thing for the people here that I'm not going to  
6 tolerate that because this meeting is on the record,  
7 and I think that people should testify as to what  
8 they know as facts and not what they think or what  
9 rumors they've heard.

10                   So with that, I'll open it up to  
11 discussion.

12                   MR. HALPERN: Ed Halpern, California  
13 Thoroughbred Trainers. Mr. Chairman and  
14 Commissioners, I'd like to thank you for bringing  
15 this up as a board issue. It's a hot issue on the  
16 back stretch at the moment, and it's fitting on a day  
17 when Barry Bonds is testifying to a federal grand  
18 jury about undetectable drugs and substances, the  
19 California Horse Racing Board is looking into the  
20 same issue.

21                   I cannot tell you if people are cheating  
22 on the back stretch. I can't tell you if it's going  
23 on or what's going on. I can say that the CTT, the  
24 TOC, the racing association, and the CHRB have been  
25 looking at improving security and dealing with these

1 issues for the three years that I've been involved in  
2 the CTT, and now what we are seeing is a movement by  
3 trainers on the backside -- by a number of trainers  
4 on the backside with a petition that you're going to  
5 hear about from Vladimir Cerin, I'm sure, who is  
6 here, indicating a desire for a security barn.

7                   What the petition is indicative of is the  
8 fact that those who are closest to the scene on the  
9 backside perceive that there's a problem and belief  
10 that it's time for the CHRB to commit to a more  
11 aggressive program to deal with the perception and  
12 with the possible reality.

13                   I understand that it comes down to money  
14 and always does, but nonetheless, we are in a  
15 situation where the public -- in the long run, the  
16 public needs to be protected, and their perception  
17 needs to be protected.

18                   It's to the benefit of our industry that  
19 people believe that they can trust it, obviously. If  
20 the stock market had the kind of perception issues  
21 that we have, they'd be in big trouble.

22                   So it's definitely something that,  
23 although we don't necessarily want to deal with, we  
24 have no choice, from that point of view alone.

25                   COMMISSIONER LICHT: Does the CTT have a

1 formal position on this?

2                   MR. HALPERN: The CTT does have a  
3 position. Our board believes that there are many  
4 things that have been recommended over the last three  
5 years that should be implemented to a greater degree  
6 than they have been implemented at this point,  
7 namely, increased surveillance on the backside,  
8 including unannounced visits during the hours that  
9 immediately precede a race when some activity,  
10 theoretically, is most likely to take place. More  
11 testing, more complete testing, so that you don't  
12 have testing for random drugs and the possibility  
13 that something that is being used that day is not  
14 being tested for on that day.

15                   We, also, believe that there should be  
16 more extensive use of cameras. We -- Commissioner  
17 Harris to a cameraman's manufacturer last year, and  
18 we've been looking at that, and that might be one  
19 step or one thing that we could do that could make a  
20 significant difference.

21                   We, also, believe the possibility of  
22 security bars in each barn, or security stalls in  
23 each barn would be a step forward, could be a step  
24 forward, and to have those individual barns be  
25 monitored by cameras, and I know Roy Wood is looking

1 into that possibility.

2                   And, finally, and maybe as important as  
3 anything else, is the idea of saving blood samples.  
4 It's my belief that, certainly, one area of possible  
5 abuse is the use of -- and I'm not saying that it's  
6 being done, but this is what happened with Barry  
7 Bonds and with major league baseball, and it can,  
8 certainly, happen to us in the -- situation, and  
9 that's the use of drugs that are not detectable at  
10 any given time, and with the modern state of  
11 chemistry, new drugs are popping up all the time  
12 which we don't have tests for.

13                   So we need to figure out a way to deal  
14 with that situation, if that is a goal. One way to  
15 deal with that would be to freeze blood samples, to  
16 make sure the racing community knew that blood  
17 samples were being frozen and kept for a couple of  
18 years and that when a test came up for a certain  
19 drug, when we discovered a test for a certain drug,  
20 if those blood samples turned out to be positive that  
21 the trainer would be punished for that violation for  
22 a substance that had not yet been approved.

23                   CHAIRMAN LICHT: Does the CTT have any  
24 evidence, not evidence from a legal standard, but any  
25 evidence whatsoever that there are illegal drugs

1 being administered on the backside?

2                   MR. HALPERN: The only thing I can give  
3 you is, as we all know now, if we just look back in  
4 time. Currently, I don't know. I don't have any  
5 evidence of that, but all we have to do is look back  
6 a couple years ago, and we know that the use of  
7 clenbuterol was widespread when it was illegal in the  
8 country. So we know that it happens, and I don't  
9 think it's fruitful to ignore the possibility.

10                   CHAIRMAN LICHT: I understand that, but  
11 what's the evidence today? What makes the CTT think  
12 that illegal things are going on?

13                   MR. HALPERN: As I started out by  
14 saying -- and I'll make it clear. We don't say  
15 illegal things are going on. Let me make that very  
16 clear. I have no evidence that any illegal activity  
17 has taken place, but it's certainly not beyond the  
18 realm of possibility that people find drugs that are  
19 not yet detectable.

20                   MR. HARRIS: Just to clarify, clenbuterol  
21 does have a threshold for what the last two or three  
22 years, but even before that, clenbuterol was  
23 retested, at least, the last six or seven years. We  
24 been having some tests for the clenbuterol.

25                   MR. HALPERN: That's correct, but there

1 was a point in time in which it was being used and  
2 brought into the country and we weren't testing for  
3 it. I know that, but I use that only as an example.

4           Certainly, if we're seeing, as I pointed  
5 out with the Barry Bonds' situation, we're seeing it  
6 in professional sports, and they do very extensive  
7 drug testing also, and suddenly, they're coming up  
8 with drugs that they weren't testing for. Why are we  
9 to believe we're so much better?

10           MR. HARRIS: We are testing. I think the  
11 issue is to clarify things with baseball or Barry  
12 Bonds' drug thing has something to do with steroids  
13 that -- we don't test for steroids.

14           MR. HALPERN: That's correct. But again,  
15 it's another example. There are a couple of other  
16 substances that they are raising now in articles that  
17 they believe that the professional athletes were  
18 using that aren't steroids.

19           CHAIRMAN LICHT: And, again, I agree with  
20 you. There's a major perception problem that we need  
21 to satisfy the fans and the owners and the trainers  
22 that there isn't a problem, but I think that when  
23 individuals and, certainly, groups -- and I'm happy  
24 to hear the CTT is not one of those groups -- say  
25 that there is rampant drug abuse problem on the

1 backside, all that does is exacerbate the perception  
2 problem. It doesn't help it.

3           MR. HALPERN: I don't want to make this  
4 as though it's an "us against you" situation. We're  
5 all, I believe, on the same side on these issues. I  
6 think what's important is not that we show whether  
7 the public and other trainers -- whether drugs are  
8 being used, but what's important is we show that we  
9 are doing everything possible to make sure that they  
10 are not used. That's really the issue, as much as  
11 whether they are actually being used.

12           CHAIRMAN LICHT: Everything reasonably  
13 possible.

14           MR. HALPERN: Everything reasonably  
15 possible. That's correct. And as I said earlier, it  
16 comes down to money. On this issue of the detention  
17 barn, our indication from the trainers we talked to  
18 is that even many of those who favor detention barns  
19 believe that all other measures should be tried first  
20 and, if it's not possible, to either institute these  
21 other measures or somehow find beneficial ways to use  
22 these other measures, then, a detention barn should  
23 be -- (inaudible)

24           MR. HARRIS: Actually, that's a concept  
25 that we heard before we have detention stalls in a

1 given barn that would be the detention barn.

2                   Is that an idea that kind of came up --

3                   MR. HALPERN: That is an idea -- as you  
4 know, Commissioner Harris, we've been to many of  
5 these meetings, where we talked about all these kinds  
6 of ideas, and that's, certainly, one that would be a  
7 middle ground that may overcome the many objections  
8 to even those that favor a receiving barn or security  
9 barn have to that concept.

10                   There are other ways of dealing with the  
11 problem without creating new problems.

12                   COMMISSIONER LANDSBURG: In the whole  
13 history of this, when we find that there are now  
14 trainers who would like to see greater security  
15 provided by others in order to protect their  
16 industry, I don't know of a case that's come to the  
17 board from any trainer who had any complaint about  
18 any other trainer who was doing something that they  
19 believed to be illegal or improper.

20                   I respect their need to make sure that  
21 their fellows are clean, but they have to help us,  
22 also. If there were an 800 line, it would help a  
23 lot, an anonymous 800 hundred line. We have tip  
24 lines for every part of crime, but we don't have a  
25 tip line from the back stretch to a machine which

1 would begin to tell us that there are 25 complaints  
2 against trainer X, Y, or Z, and there are complaints  
3 that are based on the following facts or what has  
4 been witnessed.

5                   Now, if the trainers really want to help,  
6 we can probably supply some work toward security  
7 barns, some kind of additional security, but of  
8 course, there is a money problem that we are all  
9 aware of.

10                   First, we got to pay their workmen's comp  
11 and, then, get some kind of security, or we won't  
12 have any racing. So the piles of problems that are  
13 there that can be solved by money would be nice if  
14 the money were there, but how about an organized  
15 attempt to get information about who might be so that  
16 we can concentrate any new testing on those  
17 individuals?

18                   If it proves to be a dead-end or a blind  
19 alley or somebody's savage dislike of another person,  
20 having nothing to do with what they are doing with  
21 their horses, we would still be on a track to begin  
22 to find if there is any -- but there's not been one,  
23 single, legitimate report to say you ought to look at  
24 Guy X because, because -- because they don't even  
25 have to sign their name. Just start that ball

1 rolling. It's a step.

2 MR. HALPERN: Thank you.

3 CHAIRMAN LICHT: Anybody else from the  
4 public want to testify on this?

5 MR. CERIN: Vladimir Cerin. I'm a  
6 trainer. This is my twenty-fourth year of training  
7 horses. I trained harness horses before this. I  
8 have been on the track for maybe 30 years. I love  
9 this business. I love the harness horses -- well,  
10 you can't go there any more. We don't have it.

11 What killed the harness business was the  
12 perception that every race was fixed. They used to  
13 handle over a million dollars a night at Hollywood  
14 Park, but all you hear is that they pulled this  
15 horse, they pulled that horse, and now it's happening  
16 to our business, and it's happening -- when you walk  
17 through the grandstand, there are two kinds of  
18 trainers. You are either using something, or you  
19 can't train, but this time those rumors are being  
20 fueled by the media.

21 You have articles in the racing form in  
22 the Blood Horse, accusing the super trainers of doing  
23 something they shouldn't be doing. I think that we  
24 need better surveillance, better testing, any method  
25 that we can, to show that these trainers are really

1 good trainers, that nothing is going on.

2           Leaving it out in the open, leaving it  
3 under a cloud of suspicion is a big mistake. The  
4 trainers read the newspaper articles. Then, they  
5 start to believe that someone is doing something they  
6 shouldn't be doing. They become demoralized. Not a  
7 single one of us wants a detention barn.

8           Yet I talk to -- trainers, and 68 of them  
9 signed a petition, requesting a detention barn at the  
10 racetrack. And if I asked each one of them, "Would  
11 you like a detention barn?"

12           "Absolutely not. I don't want to move my  
13 horse for anything. I don't want to move them out of  
14 my environment," although at times we have to. We  
15 ship from Hollywood Park to Santa Anita to -- we ship  
16 from Santa Anita to Bay Meadows two days before,  
17 spend nine hours in the van, and run the next day.

18           It happens. Sometimes you have to do it,  
19 but you don't want to do it as a matter of -- unless  
20 you are forced into it. So although all these people  
21 signed a petition at a four-to-one ratio, I know that  
22 none of us want a detention barn, but we do need some  
23 kind of surveillance.

24           We need to tell the fans, "Look, this is  
25 a sport where you handicap, you have a definite

1 advantage over someone who is flipping a coin on a  
2 football game, deciding whether he should take the  
3 overs or unders.

4                   In our game, if you think a horse would  
5 be four to one, you sample one on the board, you bet.  
6 Now they're starting to say, "All I need is a  
7 program."

8                   That filters down to the trainers.  
9 Trainers lose belief in their own ability to train  
10 horses, and the whole business is going down. We  
11 need you to help us believe in ourselves and believe  
12 in the fans, and let the fans believe that the game  
13 is on the level and prove that these trainers are  
14 really good. I hope I'm one of them.

15                   MR. HARRIS: I think I'd like to commend  
16 you on the roll you played in bringing this  
17 (inaudible). All we need is to get the work on some  
18 of these things. My only question: Is there very  
19 much going on at all? I think there is a reality  
20 back there. There is a perception back there that  
21 it's not on a level playing field, which is the whole  
22 basis for our game -- is to have a whole level  
23 playing field.

24                   I personally feel our testing is very  
25 good. I don't think very much is getting by our

1 testing, but is the concern more with our testing or  
2 with that period that a detention barn might address,  
3 as far as some four hours or so before the race, and  
4 horses are getting something that is improving their  
5 performance?

6                   SPEAKER: I agree that our testing is  
7 good, pretty good. I think our surveillance is good  
8 for the people that we have work there, and they can  
9 only do so much, but when you look at newspaper  
10 reporters and analyzing performance of a trainer  
11 under surveillance and without surveillance and when  
12 there's a drastic drop-off in the performance of  
13 horses, then, you have to be led to certain  
14 conclusions -- coincidence or he has some legal  
15 business practices that he does not wish to divulges  
16 while he's under surveillance or illegal business  
17 practices.

18                   So is it fair to have him show his legal  
19 business practices which make his horses win? Well,  
20 maybe not. So if we had surveillance, if we had  
21 horses, as was suggested by the board, if, let's say,  
22 a barn my size with 32 horses -- if I had to run up  
23 four stalls, which had cameras in them, next to the  
24 light bulb looking down and cameras in the shed room,  
25 if I had some legal business practices that were good

1 for me and made my horses win, only the CHRB would  
2 know about it.

3           I would suggest that you put those  
4 cameras in, review the tape of every winner on a  
5 given day, look at what goes on in the shed rooms  
6 with a separate camera, and I think that we would  
7 restore integrity in the sport and the belief in the  
8 fans that there's integrity in the sport.

9           I think testing is great. We can spend  
10 more money on testing, but you can only test for so  
11 many things. Morphine was used on horses 50 years  
12 ago, and they developed a test for it, and no one  
13 used it anymore, unless there was a contaminant, but  
14 no one used it any more. There are always new drugs  
15 being discovered.

16           The tests come, unfortunately, a couple  
17 years after the drugs, and my belief is no one is  
18 cheating, but I would like to have that confidence in  
19 the betting public. (Inaudible). So I would ask you  
20 to do this as quickly as possible. Set up some kind  
21 of detention surveillance system or probably not  
22 detention. I don't think anybody wants that, but if  
23 you can set up cameras in barns, try it in a few  
24 barns. Try it in a few races a day, one race a day,  
25 and see how it goes, see what the results are, and

1 maybe announce those races are surveilled on a given  
2 day. See what their handle is.

3 I don't know what the answers are. I'm  
4 not a surveillance expert, and I'm not a testing  
5 expert, but I'm sure we can find some, and I think  
6 the sooner we do it, the better.

7 CHAIRMAN LICHT: I think you've done a  
8 real good job of (inaudible) horse than the owners  
9 and the fans that there is a problem. That's what we  
10 have to deal with because, clearly, it's not helping  
11 the handle, and I think it's hurting them. So we  
12 need to deal with it.

13 What I'd like to do today -- if anybody  
14 else wants to testify, I'd be happy to hear you  
15 before I go ahead but, Drew --

16 MR. CERIN: Just one last comment with  
17 respect to what Mr. Landsburg said. No trainer is  
18 going to turn in another trainer. It's not like  
19 somebody is being murdered, and who is to know  
20 exactly what another trainer is doing?

21 If somebody looks suspicious, it doesn't  
22 make him guilty. Shadows look funny to different  
23 people. It's not up to us to turn each other in. We  
24 have the CHRB. They do a good job. Maybe they could  
25 be a little more visible, but if you don't have the

1 manpower, maybe surveillance will do. Thank you.

2                   MR. COUTO: Drew Couto of Thoroughbred  
3 Owners of California. As here, this subject has been  
4 a matter of much discussion at the TOC board level  
5 and among our board members for the past months,  
6 longer than that.

7                   We realize that when the perception moves  
8 from the front side to the backside that it's, at  
9 least, in our opinion, a more dangerous perception  
10 problem that erodes the confidence of the  
11 participants to such a level that, whether or not  
12 they have direct evidence of wrongdoing, they  
13 question the integrity of the process. Not the  
14 people who administer the process, not the tests that  
15 are applied, but just the fact that there are  
16 weaknesses in the process that may or may not allow  
17 some cheating to go on. It's very serious. As you  
18 all know, it's very serious.

19                   The TOC board wished to express to this  
20 board that it is unanimous in its support of the  
21 trainers who have brought this forward as an issue of  
22 great importance, and we would like to see something  
23 done within the next 60 days to implement some sort  
24 of surveillance detention program.

25                   We'd like to suggest that in order to do

1 this that an ad hoc committee be formed that would  
2 consist of representatives of the tracks, of the CTT,  
3 of TOC, and of the CHRB, and any of the trainers who  
4 so far have been through the motivating force behind  
5 this.

6                   We have a board member, Mace Segal, whom  
7 most of you know, and he is one of the most  
8 successful mall operators in the country and has  
9 personnel on staff who deal strictly with security,  
10 security cameras, and he has volunteered that staff  
11 to assist this committee in exploring feasible,  
12 practicable, affordable ways of dealing with these  
13 issues raised by the trainer.

14                   So it's TOC's unanimous decision that  
15 this board -- we're requesting that this board set up  
16 this ad hoc committee and give us a 60-day deadline  
17 to come up with something and implement something in  
18 that period of time.

19                   Cost is an issue, but we'll find the  
20 money, if it's reasonable to find a way to deal with  
21 it, but the perception -- I don't want to use a  
22 cliché. Perception is a reality. It's eroding --

23                   COMMISSIONER LICHT: Your proposal for an  
24 ad hoc committee is exactly what I was going to do.  
25 So I'm going to expand on it a little. If not a

1 60-day time frame, I think, is unreasonable, but I  
2 want to get a committee formed right away and have a  
3 meeting --

4                   MR. WYATT: Eual Wyatt from Hollywood  
5 Park. I agree with everything pretty much that's  
6 been said here, and I think it's extremely important  
7 that we do whatever we can do to erase this  
8 perception which, frankly, I believe, is just  
9 perception, and Hollywood Park will go forward to  
10 participate with this committee.

11                   COMMISSIONER LICHT: I hope you make Don  
12 Barney available to us because I think he has a real  
13 good grasp on what's going on.

14                   COMMISSIONER HARRIS: I think one issue,  
15 too, would be that -- how much do we have going into  
16 the statement with the annual fund now? Per day? I  
17 think it's like 30,000 a day. It seems to me that a  
18 little bit of that could go into security cameras and  
19 some videos. I think there's got to be some amount  
20 of capital expenditure to really make this thing  
21 work, but I think we need a number, and I hope TOC  
22 and the tracks will look at this as something that  
23 really ties into (inaudible).

24                   MR. COUTO: We concur, Mr. Harris.  
25 There's a number of sources of funding out there, and

1 we'll just have to get creative and figure out what  
2 we (inaudible).

3                   COMMISSIONER LANDSBURG: Is there any  
4 reason why the suggestion that's floated through --  
5 one of the immediate suggestions that's floated  
6 through this meeting is limited number of four-ply,  
7 four-stall videotaping operations just set at random  
8 in a number of barns.

9                   To start now instead of -- I appreciate  
10 your 60 days, and I think the ad hoc committee should  
11 go forward, but shouldn't we take an active step now  
12 and say to Hollywood Park install six systems.

13                   The systems cost about \$1,000 each to  
14 cover four stalls. That's all they cost with  
15 videotape with the probability you can set your timer  
16 to the right times for observing barn activity. At  
17 least, it's a start. At least, it's a foot forward.

18                   If this perception is so ragged, 60 days  
19 and, then, action following it, it may be bigger and  
20 better, and maybe we'll go right past the suggestion  
21 that we say five to 10 barns will be set aside, five  
22 to 10 trainers' areas will be set aside to have four  
23 stalls, and we will monitor cameras.

24                   Now, is there any reason why you couldn't  
25 to go the commerce and put it in?

1                   CHAIRMAN LICHT: We don't have the  
2 authority to do that.

3                   MR. HARRIS: I'm not sure we don't have  
4 the authority. I think I went back and read some  
5 rules. Sounds like we're pretty broad on our  
6 capabilities to investigate things which, really,  
7 this is an extension of investigations. (Inaudible).

8                   COMMISSIONER LANDSBURG: I don't know.  
9 The track is, basically, responsible for -- I think I  
10 understand your concern, and I think I -- and I  
11 understand the question. I think that to do  
12 something like that now, where those things go would  
13 be somewhat arbitrary, and I think the solution is a  
14 global coverage of the barn area in such a fashion as  
15 this committee can come up with, and I think that  
16 will be expensive, and it will be sophisticated, if  
17 it's going to do the job.

18                   And I would rather look at that before we  
19 commit capital to something in the short term that,  
20 frankly, I'm not sure it does anything --

21                   MR. COUTO: Commissioner Landsburg, I  
22 think your suggestion has merit. The promise --  
23 there's a number of suggestions that do have merit --  
24 perhaps, although it may look like quite a bit of  
25 time, haste here may be not the proper course either.

1                   Just a little bit of prudence in  
2 implementing something and doing it in a way that's  
3 effective and not simply a matter of show, and I  
4 think we can do this. Sixty days is an outside. If  
5 we can do it quicker than that, we'll do it quicker  
6 than that but rather see that we need something  
7 effective and prudent rather than hasteful.

8                   MR. HARRIS: I'd like to see it start  
9 with the providers of this equipment. There should,  
10 probably, be various people out there that have all  
11 different ideas but, at least, get started on some  
12 prototypes (inaudible) and, you know, spend a little  
13 bit of money up front to see what may or may not  
14 work, rather than try to do (inaudible) and try to do  
15 the whole barn area in one day.

16                   MR. COUTO: Again, my suggestion is not  
17 that we not do anything. It's that we give ourselves  
18 reasonable time, and there may be a component to  
19 this, and Commissioner Landsburg, we might be able to  
20 do it tomorrow, but I don't know anyone in the  
21 industry right now that has the expertise or the  
22 resources to go out and implement it tomorrow.

23                   CHAIRMAN LICHT: I think that you're  
24 right, Drew, and I think the two people that have  
25 shown tremendous knowledge in this area to me are Don

1 Barney from Hollywood and Tim Read from Del Mar.

2                   So I'm going to ask both of them to be on  
3 the committee, and I'd like TOC to have two people on  
4 the committee and CTT have two people, and I'm going  
5 to expand it to some at-large members. People in the  
6 industry have shown interest. So you will,  
7 hopefully, get to talk to Don and make sure that he's  
8 available first.

9                   MR. COUTO: Yes, I will.

10                   COMMISSIONER LICHT: Okay. And, Bill,  
11 would you work on that committee with me, that ad hoc  
12 committee?

13                   MR. HARRIS: It might be good to put a  
14 veterinarian on that committee, too.

15                   SPEAKER: Mike Kilpack has been spending  
16 a lot of time on this camera issue himself.

17                   MR. HALPERN: (Inaudible).

18                   MR. WOOD: Once we get the procedure --

19                   COMMISSIONER HARRIS: I think we've got  
20 the latitude in our current rules before we address  
21 anything further on this area. So I want to say that  
22 CHRB could --

23                   COMMISSIONER LANDSBURG: You're going to  
24 need some empirical evidence that you're going to put  
25 into the system. If you're going to start a system,

1 you're going to be looking forward for information on  
2 what system is going to operate how, but you won't  
3 have any visible effect.

4           It puzzles me -- I'm not trying to rush  
5 things, but I am trying to say we can make a step  
6 early on, an experimental step, so that you would  
7 have empirical evidence to deal with. Here is 20  
8 days of tapes of five different barns, and what we  
9 have observed is there's nothing to observe, or what  
10 we observed is everything.

11           MR. COUTO: I agree Commissioner  
12 Landsburg that not waiting is very important to  
13 moving ahead, but we need to know what the empirical  
14 evidence is going to be and how to interpret the  
15 evidence that you get.

16           Because if you just put together a group  
17 right now, again, we may lack the expertise to  
18 decipher what that evidence is, and I don't want to  
19 put cold water on here. I think we need to move  
20 ahead with great haste, not with haste, but move  
21 ahead rapidly but do it in a prudent fashion.

22           COMMISSIONER LICHT: I want to make sure  
23 this committee meets as soon as possible with TOC's  
24 assistant in setting up the meeting, and we'll be  
25 ready to act as soon as that prudent thing is

1 possible.

2                   MR. HARRIS: This is only one aspect of  
3 the total issue, really -- is there some way to  
4 observe the horses shortly before a race?

5                   MR. COUTO: Security and integrity of  
6 this industry is more than simply testing,  
7 surveillance, detention. It's the entire puzzle.  
8 We're just talking about one piece right now.

9                   CHAIRMAN LICHT: Anybody else from the  
10 public wish to testify on this?

11                   MR. COUTO: Thank you very much.

12                   MR. BIANCO: I'd like to say one thing,  
13 Roger. Analytically, I believe that when you test  
14 for substances that you have no known references,  
15 there is detection now -- at least, this is what I  
16 was led to believe up at the University of  
17 California -- that things can be researched.

18                   And I think that if there's some  
19 suspicion out there of somebody, if we could take the  
20 blood sample that we normally take, if it wins, and  
21 just expand the testing on it, I think that's a way  
22 that we can, probably, come up with what they call  
23 references or reference gases that detect different  
24 limits, and I'd like to make sure that we don't  
25 bypass the analytical side of this and put all of our

1 marbles into security.

2                   CHAIRMAN LICHT:  It's definitely a  
3 two-pronged situation on the investigation and the  
4 testing.  Mr. Chillingworth?

5                   MR. CHILLINGWORTH:  Yeah.  Oak Tree  
6 Racing.  We need this year to try to jump into the  
7 fray and forestall concerns -- we had surveillance on  
8 every stall on every horse and for every rated race  
9 in our meet, and Mrs. Headler, who has been in the  
10 paper (inaudible) for leveling the playing field, so  
11 to speak, has been very complimentary on the effect  
12 that that had at our meet.  She may wish to testify  
13 to this later on.

14                   One of the things that -- you either have  
15 the detention barn proposal, or you have additional  
16 security through personnel or cameras, and I have  
17 here -- I received yesterday from Paul Berube and the  
18 TRPB a description of the test barn that they set up  
19 at the red mile in Kentucky, and it proved  
20 exceedingly effective in his view.  I'll be happy to  
21 leave this with you, and I'll give it to you, and you  
22 can take a look at it.

23                   On the opening board, we had two former  
24 presidents of the AAEP, Dr. Jack Robinson and Rick  
25 Arthur.  Rick called me this morning, and it's his

1 feeling there are a lot of trainers out there. I  
2 know we have a petition signed by 78 trainers for a  
3 detention barn, but there are a lot of major trainers  
4 out there who are very much opposed to a detention  
5 barn and think that additional security in the back  
6 stretch is what the solution is.

7                   And I know that when we did this  
8 ourselves that the criticism that there's unfair  
9 advantage we give to certain trainers went way down.  
10 For example, we intended to have the same methodology  
11 applied to Cal Cup, but through some administrative  
12 error -- somebody missed a note or something -- we  
13 didn't do it, but Mrs. Headler reports that just the  
14 fact that it was rumored that we were going to do  
15 that satisfied her concerns about illegal activities.

16                   Dr. Rick Arthur is, also, in the national  
17 drug testing program, and I would suggest that he be  
18 added to this committee of yours because he's very  
19 knowledgeable about it.

20                   And addressing your issue, Mr. Bianco,  
21 about three years ago, a fellow who was with the  
22 NTNYRA came to me and said, you know,  
23 Mr. Chillingworth, we've got several different kinds  
24 of drugs that are undetectable now. There's a South  
25 Sea sea snail that secretes a little venom and

1 paralyzes prey, and now it's been synthesized by some  
2 Japanese laboratory, and it's being used on horses.

3           You need so minute an amount to kill  
4 pain. It was done for terminal cancer patients,  
5 particularly, but it's been used in horses, but you  
6 can't detect it. Well, we have a super test program  
7 going on now, and all the horses that ran in our  
8 graded states who would ordinarily be tested were  
9 given the super test.

10           Now, when you apply all these people to  
11 come out here and stand on the barns, it's very  
12 expensive, I think. It costs us like \$5600 a day to  
13 do that. Not all the tracks necessarily want us to  
14 do that all the time. So maybe there is a  
15 combination of surveillance on track, additional  
16 security people, and they have to be trained.

17           It's better to have the same people time  
18 and time, again, rather than train a new group of  
19 guys every time they show up on a contractual basis.  
20 Maybe there's a combination of surveillance and  
21 cameras that would be helpful. I know that we said  
22 many times before in the last few years that Oak Tree  
23 would be very supportive, providing financial help.

24           All we need are cameras and sell the  
25 tracks. Obviously, we can't do it all, but we would

1 do more than our share. So I would recommend that we  
2 put Rick Arthur on this committee, and I think that a  
3 longer-term solution is what we need to be permanent,  
4 and we can do it everywhere. Thanks.

5                   COMMISSIONER LICHT: Thank you,  
6 Mr. Chillingworth.

7                   Anybody who wants to be a part of this  
8 committee, I would suggest that they contact me, say,  
9 by Wednesday, and we'll form a committee on Wednesday  
10 of next week. Doctor?

11                   DR. JENSEN: Dr. Ron Jensen, Equine  
12 Medical Director for the California Horse Racing  
13 Board.

14                   I'd just like to make a quick comment  
15 that I have had experience with the detention barn or  
16 security barn. I was working as a commissioner at --  
17 they instituted the use of a security barn. First,  
18 it was for six horses, and it was a time when they  
19 weren't so many -- horses, horses racing -- by six --  
20 and they were racing at -- those who felt they were  
21 racing at -- felt they that were in unfair advantage  
22 having the security barn.

23                   It was at that point it became very  
24 apparent there's a lot more to a security barn. This  
25 tiny barn has a security barn. They felt they had

1 adequate personnel. They had some adequate  
2 procedures in place that you would actually get the  
3 job done that you needed to do.

4           The fact is horses have to be fed and  
5 watered. They have to be groomed, and stalls have to  
6 be cleaned. So you have a lot of personnel coming  
7 and going, and theoretically, any one of those people  
8 at any point in time can administer a prohibitive  
9 substance to the horse.

10           My sense is, from the conversation that's  
11 going on that, perhaps, they're moving away from that  
12 idea that all horses go into a security barn, but my  
13 point is that -- it's a big undertaking. There's  
14 some huge logistic problems involved with it, and I  
15 just offer that for whatever it's worth.

16           Now I'd like to make a quick comment  
17 about the drug testing. Is it perfect? Absolutely  
18 not. Can it be improved? It certainly can. I'd  
19 just like to point out that California utilizes the  
20 services of two very good drug testing laboratories.  
21 Truesdale Laboratories has been in business -- in the  
22 equine drug testing business for, at least, 50 years.

23           They currently service 11 different  
24 racing jurisdictions in this country. UC Davis, the  
25 Maddy Lab at UC Davis is new, state-of-the-art, very

1 well-staffed, very well-equipped laboratory, and they  
2 really do a good job, and I think that can be borne  
3 out by the fact that two years ago, the NTRA  
4 originated the super test, at which time it took 1272  
5 samples that had been declared negative by the  
6 respective racing laboratories and subjected them to  
7 the most rigorous equine drug testing that's  
8 available.

9                   98.7 percent of those samples were  
10 negative, and I think that's an indication that even  
11 though they can do better, there's always new drugs  
12 out there and everything, but I really sometimes a  
13 little disappointed that people feel that the drug  
14 testing isn't being done as well as it could be. So  
15 I think those are some of our facts. Those are our  
16 figures. 98.3 percent of those sample were negative.

17                   Of those 1.7 percent samples that did  
18 find a Class 1, 2, or 3 drug, 41 percent of those, I  
19 believe, were Trybuteral, where states actually  
20 had -- including California, had a decision level  
21 for.

22                   In any event, UC Davis, the Maddy Lab,  
23 was one of the two laboratories that was chosen to do  
24 this super test, and by the way, California samples  
25 didn't to go the Maddy Lab. They went to Cornell.

1 Thank you.

2                   MR. HOROWITZ: Alan Horowitz, Capitol  
3 Racing. I wasn't planning on speaking today with  
4 regard to this item, but there were some  
5 characterizations made about harness racing earlier  
6 in the presentation by one individual, and I didn't  
7 want to leave you with the impression that that  
8 individual's characterizations were correct.

9                   If you look back -- a view necessarily  
10 remember or been on the board since, but I know the  
11 staff is quite aware of the fact that breathalyzer  
12 testing in drivers which are the equivalent of our  
13 jockeys, thoroughbred jockeys, was initiated in  
14 California over 22 years ago in the harness industry,  
15 where blood alcohol levels were assessed for all  
16 drivers during the racing and harness racing.

17                   More recently, about six years ago, we  
18 began a blood gas testing program in the operation of  
19 our horsemen, where we test for buffers so that  
20 pre-race testing has been given to horses, and we do  
21 that independent of the board, and horses in every  
22 race participate, and the horsemen agreed and consent  
23 to doing it, and more recently, starting with the  
24 beginning of our meet in September this year, we,  
25 actually, have a 24-hour detention barn. We have 40

1 stalls at Calex, both that are independent. They  
2 would rest in the barn area. They are fenced in.  
3 They are patrolled by the state fair police, and the  
4 horses and the Sire, California Sire Stakes and the  
5 California Gold Series events, as well as the finals  
6 of late-closing series participate. They show up at  
7 that barn at 5:00 P.M. the day before the day in  
8 which they race.

9                   They are sequestered in that area,  
10 through the entire evening and the following day up  
11 until race time, and when they go out on the track to  
12 warm up, that's the first time they are out of the  
13 barn.

14                   So that's being done independent of or in  
15 cooperation with the board, but it's the horsemen and  
16 Capitol Racing that are doing these kinds of things.  
17 We are not looking to get any credit for it. We are  
18 just looking to control our own sport because we  
19 think that the integrity of racing is important.  
20 Thank you.

21                   MR. CAMERON: Christian Cameron, on  
22 behalf of San Diego Park. We, too, are very  
23 concerned about the problem that's been addressed  
24 today, and we plan to work in full cooperation with  
25 all the parties involved and, hopefully, come up with

1 a quick solution.

2                   CHAIRMAN LICHT: Thank you.

3                   MR. MALCOLM: Bill Malcom, III, I'm a  
4 thoroughbred owner. I'm a relatively new owner,  
5 almost two years. I don't think the CHRB  
6 investigates a trainer because some real estate agent  
7 who makes bets at the track gives you an anonymous  
8 tip.

9                   I think, in the future, that the people  
10 from within this industry are going to accuse other  
11 people of doing something wrong. They should have  
12 the decency and, maybe, first of all, courage to make  
13 sure that the people they are accusing know who they  
14 are so that it's all out in the open, instead of this  
15 anonymous tips so somebody's training life is ruined,  
16 and like Mr. Cerin said earlier -- he made those  
17 comments -- it isn't about he or she in their  
18 ability, but I don't think people should be able to  
19 make anonymous or an accusation to this board to  
20 reasonably start investigating a trainer without any  
21 proof to you, and I say that as an owner.

22                   CHAIRMAN LICHT: I think you're right.

23                   Any other testimony, or are we ready to  
24 form this committee? We'll try and get it started by  
25 Wednesday of next week.

1                   MR. HARRIS: One thing the committee can  
2 look at -- somewhat controversial is the possibility  
3 of pre-race testing of horses, based on their blood  
4 test when the horse enters a receiving mark because  
5 one of the allegations, obviously, is this whole  
6 notion -- (inaudible), at least, half of your options  
7 would be addressed, if you have an amount of time  
8 that the horse clearly watched, but assuming that  
9 somehow it was, it would be -- if we had a system  
10 similar to the harness horse system, where you had a  
11 prearranged blood test, and an amount of time  
12 (inaudible), where it's going to show up.  
13 Apparently, after the horse runs, it doesn't show up  
14 as well. So I think the horsemen -- some people in  
15 the community say we want to do it or not do it, or  
16 we can handle it other ways. It's an issue to look  
17 at.

18                   CHAIRMAN LICHT: We'll form that  
19 committee.

20                   Anything else?

21                   We'll move on, then, to Item No. 6, staff  
22 report on the concluded race meetings.

23                   MR. REGAN: Commissioners, John Regan,  
24 CHRB staff. Three meetings here we have summarized  
25 for your review. Obviously, Oak Tree (inaudible) --

1 turned into a terrific meet, some outstanding  
2 numbers. We'll have to see how those compare next  
3 year, but the other meets will be laid out for you.  
4 If you have any questions, we'll try and answer them.

5 MR. HARRIS: Oak Tree -- I was under the  
6 impression, basically, they (inaudible).

7 MR. REGAN: Almost hard to tell.

8 MR. HARRIS: Mitigating things.

9 MR. REGAN: Fires and whatnot.

10 CHAIRMAN LICHT: Item 7, election of  
11 board chairman and vice-chairman for 2004.

12 I'd like to nominate John Harris as  
13 chairman for 2004 of the CHRB.

14 MR. BIANCO: I second.

15 CHAIRMAN LICHT: Seconded by Commissioner  
16 Bianco. All in favor.

17 ALL: Aye.

18 COMMISSIONER LICHT: I'd like to nominate  
19 Sheryl Granzella as vice chairman of the CHRB.

20 COMMISSIONER SPERRY: I second.

21 COMMISSIONER LICHT: Seconded by  
22 Commissioner Sperry. Any other nominations?

23 All in favor?

24 ALL: Aye.

25 COMMISSIONER LICHT: Opposed? Unanimous.

1 Congratulations or condolences on that.

2                   Okay. The next item on the agenda is the  
3 Pari-Mutuel Operations Committee.

4                   COMMISSIONER LANDSBURG: Pari-mutuel  
5 committee met today, and we would like to recommend  
6 to the staff to begin preparation of a proposal for  
7 the board to require each racing association to  
8 provide their simul-cast statement, an ADW  
9 organization, licensed by the CHRB. So we can begin  
10 the process of arriving at a new regulation or, at  
11 least, put through the new regulation.

12                   We also discussed at the Pari-Mutuel  
13 Committee meeting the proposal to adjust scratch time  
14 for "also eligible" runners. A considerable amount  
15 of conversation came from the people who are  
16 concerned about whether or not leaving horses in  
17 until the last moment on "also eligible" lists would  
18 confuse and make difficult the plotting of racing for  
19 out-of-state simul-cast betters, and it was  
20 determined to put the idea aside for this time.

21                   CHAIRMAN LICHT: Alan, the second item  
22 obviously, we will let rest. The first item about  
23 compelling the distribution of the signal -- it was  
24 my perception or my understanding that the racing  
25 community was pretty much unanimously opposed to

1 that.

2                   Is that also your perception, or else we  
3 can start to take some testimony here now?

4                   COMMISSIONER LANDSBURG: It was my  
5 indication that there was still a question of whether  
6 or not -- TOC was not against it. Some of the  
7 racetracks were against it. However, I think it  
8 needs airing before the entire board. We've had it  
9 in the Pari-Mutuel Committee for two months.

10                   Part of the recommendation that was  
11 discussed in the Pari-Mutuel Committee was that we  
12 asked the staff to talk to Derry Knight with the  
13 process of preparing a possible regulation to the  
14 entire board to review to have open public discussion  
15 before the board and to make a decision by the board.

16                   CHAIRMAN LICHT: Drew, I don't know if  
17 you're prepared to respond to that. It was my  
18 understanding the TOC is opposed to that, but I may  
19 be wrong.

20                   MR. COUTO: Drew Couto, Thoroughbred  
21 Owners of California. I'm not certain that we take a  
22 position one way or the other, but what we said at  
23 the time is that we should explore recognizing that  
24 there is a distinction between the ADW signal and the  
25 right to wager, and we should consider whether or not

1 the right to wager is something that should be  
2 distributed among all ADWs with the proper economic  
3 model but protect -- because I understand the  
4 importance of exclusive television images -- protect  
5 that exclusive television image, as far as the  
6 distributors were concerned.

7                   One of the things -- I don't know if this  
8 will help or confuse things. One of the reasons why  
9 Xpressbet amended its application to coincide with  
10 that, the license of U-Bet and TVG, is that, as far  
11 as TOC is concerned with regard to exclusivity, all  
12 bets are off next year, and we're going to look at  
13 the performance of the three and decide what we do  
14 from an economic standpoint next year.

15                   CHAIRMAN LICHT: You mean, in other  
16 words, you might to, say, Xpressbet, if you don't  
17 have Hollywood Park and Del Mar signal, we're not  
18 going to make --

19                   MR. COUTO: There may be one. There may  
20 be two. There may be three. There may be four.  
21 There may be none. All bets are off for next year is  
22 the message we're sending to ADWs, as far as  
23 contracts with us, depending on how they deal with  
24 this issue.

25                   COMMISSIONER LICHT: So, then, I'm right

1 when I'm saying, in other words, if one of those  
2 entities comes to you and says we only have the  
3 signal for Santa Anita and Bay Meadows, you may say  
4 we don't have an agreement with you to --

5                   MR. COUTO: I'd prefer not to elaborate  
6 at this point to reduce our leverage in these  
7 discussions moving forward, but they are being told  
8 all bets are off next year.

9                   COMMISSIONER LANDSBURG: Roger, I believe  
10 that Wesley -- the committee's decision at the end of  
11 the meeting -- that we would cast a -- and move  
12 forward in preparation for regulation that could be  
13 brought before the board, and it was my assumption at  
14 that time -- it was my understanding at that moment  
15 that no one in the audience cared to object, and we  
16 were going to carry forward and ask the staff to  
17 prepare a regulation that would come before.

18                   I thought all discussion had finished.  
19 Discussions had been held before this committee, and  
20 it's up to the committee to recommend something to  
21 the board, which is what the committee had decided  
22 earlier today.

23                   MR. WYATT: Eual Wyatt, Hollywood Park.  
24 I apologize, Mr. Landsburg. I thought that the  
25 recommendation was to take it to the board for a much

1 broader discussion.

2                   COMMISSIONER LANDSBURG: Exactly what  
3 we're doing.

4                   MR. WYATT: Well, it seems to me that if  
5 we're going to go through the rule-making process,  
6 we're doing that before there is some broader  
7 discussion. That was my understanding, and I  
8 apologize.

9                   COMMISSIONER LICHT: That was, also,  
10 mine. That's why I was saying to you all that I  
11 thought that you were recommending that the board  
12 discuss this matter, whether it be today or at a  
13 future meeting, as opposed to start the rule-making  
14 process.

15                   COMMISSIONER LANDSBURG: No, it was not  
16 my impression or what was said at the meeting, that  
17 we would start the -- paid commissioner and chairman  
18 of the Pari-Mutuel Committee -- would ask us to move  
19 forward to present a regulation to the board so that  
20 the board could have an opportunity to hear all the  
21 argumentation that we've heard over the last two  
22 months here.

23                   MR. HARRIS: It seems like it would be  
24 better to hear the arguments and, then, make a rule,  
25 although I realize it's inconvenient.

1                   COMMISSIONER LANDSBURG: Unless you have  
2 a rule proposed, what are we going to be arguing  
3 about?

4                   MR. HARRIS: The real issue is we've got  
5 the TV signal and the rights to wager, which are sort  
6 of two different issues, and I don't know if we can  
7 really control, exclusively, the TV signal.

8                   MR. WOOD: Actually, if you just want to  
9 have a discussion of the issue in front of the board  
10 in January and use that as a basis for -- we could  
11 propose and promulgate the vast total rule -- is how  
12 to be mandatory because, actually, the mandatory  
13 requirement would be part of the license application,  
14 and if you're going to go forward either way or not,  
15 you'd probably have to decide whether you're going to  
16 make it a mandatory requirement.

17                   So if we discuss it in January as a  
18 discussion item -- whether it's a rule or not is kind  
19 of incidental in this case. Because if you're going  
20 to go forward with a rule, you have to make them a  
21 part of the license application, which would require  
22 a rule-making process, but I think the issue that  
23 Mr. Landsburg is trying to put up in front of the  
24 board is for general discussion whether or not  
25 exclusivity should be a requirement of the license

1 application.

2                   CHAIRMAN LICHT: I think that is what  
3 Mr. Landsburg (inaudible) --

4                   COMMISSIONER LANDSBURG: Yeah.

5                   MR. HARRIS: The issue that it would be  
6 better to discuss it with the rules in the hand, and  
7 that's all.

8                   COMMISSIONER LANDSBURG: That's all.

9                   MR. WOOD: You get your choice. I mean,  
10 either way you go, the rule-making process is going  
11 to take, approximately -- had to be noticed for 45  
12 days, and if the board and staff is not going to  
13 issue a rule in this matter, it might be best just to  
14 discuss it as a general item to determine whether or  
15 not there should be or a consensus that exclusivity  
16 is --

17                   CHAIRMAN LICHT: I think I'll informally  
18 poll the board here to see what people's opinions  
19 are, whether we should have this as a rule, a  
20 proposed rule at the next meeting, or just continue  
21 on with more discussion at this time in front of the  
22 board in general.

23                   Mr. Sperry, do you have any comments on  
24 this?

25                   MR. SPERRY: I think we ought to have a

1 proposal in front of us.

2 CHAIRMAN LICHT: A proposed rule?

3 COMMISSIONER LANDSBURG: Yes.

4 COMMISSIONER GRANZELLA: I do, too.

5 MR. HARRIS: I'm not clear about a  
6 rule -- what the cost and all to our staff would be.  
7 Is this just something your staff would just sit down  
8 and write up one day, or do they have to go through a  
9 lot of (inaudible) --

10 MR. WOOD: Not initially. Just to  
11 propose the rule is simple. The rules say there's a  
12 condition on the license. (Inaudible) must retake  
13 the signal of every (inaudible) -- that's a quite  
14 simple thing to write in proper words.

15 MR. HARRIS: Are we looking at just the  
16 ADW or --

17 CHAIRMAN LICHT: Looking at compelling  
18 the tracks.

19 MR. HARRIS: Compelling the tracks to  
20 allow wagering on other tracks, or would it also be  
21 compelling them to provide their --

22 COMMISSIONER LANDSBURG: What we have  
23 discussed, John, is whether the license -- part of  
24 the license that we issue as a CHRB can be  
25 conditioned on one of the conditions being that they

1 make their signal available to any licensed ADW  
2 carrier that the CHRB licenses.

3 MR. HARRIS: So, well, I guess TVG would  
4 be the simplest. TVG would have the signal of Santa  
5 Anita available to them, and they could either use it  
6 or not.

7 COMMISSIONER LANDSBURG: Just  
8 availability is all we talked about.

9 MR. HARRIS: Probably, mutually. I don't  
10 know if it really makes a lot of difference. I guess  
11 it's okay to have someplace to start but --

12 CHAIRMAN LICHT: I think it's clear that  
13 some of the board members would like to have this as  
14 a rule. I think that we will have the staff, then,  
15 propose a rule for us to discuss at the next meeting.

16 COMMISSIONER LICHT: Mr. Liebau?

17 MR. LIEBAU: I think that when this comes  
18 up as a discussion, there is an issue that we all  
19 think (inaudible) is discussed is whether these  
20 contracts, in fact, constitute a property right, and  
21 I think the attorney general at one point in time  
22 rendered somewhat of an opinion that the police power  
23 that the state has could do that.

24 I think the other issues, though, which I  
25 think need to be addressed that would make the

1 discussion more beneficial to all concerned is  
2 whether that would constitute a taking for which  
3 there would have to be compensation. Maybe the board  
4 might like to have an opinion on that prior to the  
5 next meeting, at which point this rule making would  
6 be discussed.

7                   CHAIRMAN LICHT: I think that's a very  
8 good suggestion. In fact, I had spoken with Derry  
9 Knight about that. I, also, think that there are a  
10 lot matters, such as what the price would be, what  
11 the set price would be, and we need it to be  
12 discussed, but we will take a look at the rule, and  
13 we will discuss it at our next meeting.

14                   Any new business? Old business?

15                   MR. HARRIS: One thing on general  
16 business, if you would allow me to discuss this --  
17 it's not on the agenda, but I think there's an issue  
18 that said circulation to the --

19                   COMMISSIONER LICHT: John, I don't think  
20 we want to discuss what's not on the agenda.

21                   MR. HARRIS: Could we put out the agenda  
22 for January. I didn't say we're going to discuss it  
23 now. Just that to be on the agenda just so we all  
24 understand the whole process.

25                   CHAIRMAN LICHT: I think maybe you can

1 discuss that with some of the other participants and  
2 so forth. It would be up to you whether it goes on  
3 the agenda or not.

4                   COMMISSIONER HARRIS: I think that was  
5 the purpose. Just to --

6                   COMMISSIONER LICHT: No. I don't  
7 necessarily want to discuss it --

8                   Any other old business? All right.  
9 Thanks everybody. The meeting is adjourned.

10                   (Proceedings adjourned at 4:53 P.M.)

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