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CHRB NEWS RELEASE

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BOARD SCRUTINIZES LICENSING REQUIREMENTS

POMONA, CA – The California Horse Racing Board opened for public discussion Thursday the possibility of requiring each racing association to provide its race signal to all approved ADW operators as a condition of the association's license to run a race meet.

The CHRB approved three ADW operators last year – Xpressbet and TVG in January, then Youbet.com in February – but no others in the last 20 months. Fans in California who opened accounts with Xpressbet, a subsidiary of Magna Entertainment, have access to the three racetracks owned and operated by Magna – Santa Anita Park, Bay Meadows, and Golden Gate Fields – as well as the harness meet at Cal Expo. But Xpressbet customers cannot bet on races at Hollywood Park, Los Alamitos, Del Mar, and the Oak Tree meet at Santa Anita, which have contracts with TVG. Those with TVG accounts have the reverse problem. Only Youbet.com accepts wagers on races at all California racetracks. And the California fairs provide their signals to all three operators.

Earlier this year, CHRB Chairman Roger Licht appointed Commissioners Alan Landsburg and John Harris to an ad hoc committee exploring the broad issue of what the Board should require from racetracks in the public interest in exchange for the granting of a license. The ADW proposal is the first matter the ad hoc committee has brought before the full Board for discussion.

“People who are utilizing ADW complain they have to restructure their betting accounts each time we change racing venues in this state,” said Landsburg. “We must ask ourselves whether the current practice of signal exclusivity interferes with the betting process.

“Furthermore, I think the very restrictive nature of exclusive agreements now in effect does not provide openings for other potential ADW operators around the country to come to California. If we were to get additional ADW operators, wouldn't we realize more betting revenue?”

John Van de Kamp, president of the Thoroughbred Owners of California (TOC), said that even if the Board were to require racing associations to sell their signals to all ADW operators, an association might still price some operators out of the market unless the Board involved itself in rate control.

Licht questioned whether the Board should get so deeply involved in the business affairs of racetracks, a position echoed by some racetrack executives.

Harris said ADW operators might require some degree of exclusivity in order to justify their continued investments.

Drew Couto, an attorney working with the TOC, said there are really two issues – the signal and access to the wagering pools – and they could be separated. Perhaps the Board could require racing associations to accept wagers from all ADW operators without necessarily providing them all with their signals.

But Landsburg and others, including horse owner Ed Friendly, said the signal is the paramount issue and that horse racing would benefit most from disseminating the signal through as many ADW outlets as possible.

“Obviously, there is a lot of contention here with strong feelings on both sides,” said Licht, who decided to schedule the matter for further discussion at the next meeting of the Pari-Mutuel Operations Committee, which probably will meet during the week preceding the Breeders’ Cup next month in Arcadia. “The Board will have to take a very close look and determine whether the license requirements need to be changed.”

In other business, CHRB Senior Auditor John Reagan reported on the four-second-cancel delay that permits the cancellation of wagers up to four seconds after the pools are closed. This cancellation feature is in place to protect pari-mutuel clerks as much as possible from being stuck with tickets that patrons reject at the last second before the start of a race. Clerks are responsible for balancing their books, so they must reach into their own pockets when they get stuck with tickets.

In response to ongoing concerns about odds that continue to change after the start of races, the Board has been reviewing allegations of past-posting and has determined in all cases that bets were placed legally before the start of the race. (A video that explains the reasons for these late odds changes can be viewed on the CHRB Website at chr.ca.gov under the “Publications” tab.)

Another concern is that some bettors might be improperly canceling wagers within the four-second cancel period, thus affecting the odds after the start of the race. But Reagan reported that the CHRB review of randomly selected races at Del Mar turned up no improprieties. Furthermore, Del Mar Executive Vice President Craig Fravel reported that his auditors performed an even more extensive review, and although the final report on that review is not complete, indications are the late cancellations were not significant.

“We are seeing cancellations of \$5 and \$6 tickets, not the type of cancellations that move mutuel pools around,” said Fravel.

Licht said his own review of cooperative major offshore wagering enterprises brought him to the same conclusion. He noted that account-wagering operations that accept bets over the telephone and/or Internet, including the three ADW providers in California, do not permit any cancellations at all, even before the start of the race.

Commissioner Marie Moretti provided an update on workers' compensation legislation, including AB 900, which would raise the takeout on exotic wagers by half-a-percent in order to offset workers' compensation costs in the horse-racing industry. AB 900 will go back before legislative committees when the Legislature reconvenes in January. She said the Legislature did pass other reform measures that, if signed by Governor Gray Davis as anticipated, should hold down the cost of workers' compensation through a variety of approaches, such as allowing the use of less-expensive generic drugs and cracking down on fraud.

Regarding AB 900, Harris said there are "a number of things that need to be looked at." Licht said the Board would work with the industry and the Legislature over the next few months to make AB 900 "workable for all parties."

The Board took no action on a request by the TOC for the Board to waive a rule that prohibits persons serving as officers of horsemen's organizations to also serve as officers or directors of licensed racing associations.

In a letter to the Board, Van de Kamp reported that "TOC Board Members Robert Lewis and Trudy McCaffery had accepted invitations to join the Oak Tree Racing Association Board (and that the TOC Board) voted unanimously to request of the CHRB a suspension of the Rule solely as it pertains to Bob and Trudy." The letter cited their extensive prior service and great contributions to the TOC and the horse-racing industry as "sufficient good cause to make this request and for the Board to grant it." And in oral testimony Thursday, Lewis said he would recuse himself from voting on any issues that could be perceived as a conflict of interest between the two Boards.

The commissioners all expressed gratitude to both Lewis and McCaffery for their service but they declined to waive the rule. "I feel very strongly that we have to abide by our rule," said Landsburg. "I see no rational reason to make an exemption."

The Board conditionally approved applications for licenses for race meets at Golden Gate Fields from November 5, 2003, through April 4, 2004, and at Hollywood Park from November 11 through December 21.

The Board approved the nominations of two current directors of the California Thoroughbred Horsemen's Foundation, Noble Threewitt and Mike Ames, for new two-year terms.

The Board waived the rule requiring the coupling of horses with common ownership for Breeders' Cup Day, October 25, at the request of the Oak Tree Racing Association, which will host the Breeders' Cup at Santa Anita. The Board had previously waived the rule for the eight Breeders' Cup races. Oak Tree came back with a request to extend the waiver to the four other stakes races on the Breeders' Cup card, citing problems that certain out-of-state sites would have accepting wagers on races with different coupling rules.

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