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CHRB NEWS RELEASE

JULY 23, 2010

REVIEW OF CHRB ACTIONS AND DISCUSSIONS 7-22-10

DEL MAR, CA – The California Horse Racing Board conducted its regular meeting Thursday, July 22, at Del Mar. Chairman Keith Brackpool presided. Vice Chairman David Israel and Commissioners Bo Derek, Jesse Choper, John Harris, Jerry Moss, and Richard Rosenberg were in attendance. During the meeting:

- The Board considered whether to grant MI Developments (MID) a waiver from the section of California law that prohibits an individual or entity from having a financial interest in more than one California racing facility and/or account wagering company (ADW) unless the Board determines that common ownership would be in the public interest. MID acquired direct ownership of Santa Anita Park, Golden Gate Fields, and XpressBet this year through bankruptcy proceedings for its subsidiary, MEC.

In anticipation of the waiver discussion at the July meeting, the Board made numerous requests for MID to provide a comprehensive business plan for its California operations. The requests included a direct appeal to MID Chairman Frank Stronach when he testified during the June 22 Board meeting at Hollywood Park. But instead of a comprehensive business plan, Stronach sent a letter dated July 1 that was not specific as to their plans. In subsequent discussions with MID executives, the Board was told that a comprehensive business plan exists but MID was reluctant to provide it to the CHRB because they did not want its contents made public. Chairman Brackpool encouraged MID to have its attorneys work with the CHRB counsel on a method to provide the business plan to the Board that would insure its confidentiality, but still the business plan was not provided to the Board.

One by one, the racing commissioners and various industry leaders attending the Del Mar meeting expressed their frustration bordering on anger over the lack of information being provided by MID. Setting the tone, Chairman Brackpool advised the MID representatives at the meeting, “It’s beyond frustrating at this stage.” He continued, “The idea that you won’t share this information with the rest of the industry and yet you want the rest of the industry to cooperate with you...is just fanciful.” He insisted, “This has to be resolved. I don’t know if I can make myself any clearer.” Commissioner Moss stated, “We need to know more. We just need to know more.” Vice Chairman Israel cautioned, “Your plan seems to be (saying to the Board),

'Go away! Let us do what we want.' Well, that's not going to happen." Commissioner Derek said, "This is the third meeting that we've been waiting for the same information. I don't have confidence that it's every going to happen." Commissioner Derek brought the discussion around to the promised lease of Santa Anita to the Oak Tree Racing Association for the fall meet that is scheduled to begin September 29. The MID representatives provided several reasons why that lease had not yet been signed, the principal reason being that with MID's conditional waiver from the CHRB scheduled to expire July 22, MID did not know if Santa Anita was going to be a licensed racing facility after July 22 and therefore MID's subsidiary, the Los Angeles Turf Club, was not in a position to sign a lease. Commissioner Choper said, "I think we're entitled to some sort of schedule here. I think we ought to get a calendar that we all can agree on. We've got to resolve the confidentiality issue. We've got to resolve the Oak Tree thing. And we've got to resolve these other (business plan issues)."

Chairman Brackpool then made a motion, which he said would "continue to hold (MID's) feet to fire and yet not hurt horsemen and the industry." The racing commissioners unanimously approved the motion: "The California hereby moves to extend the existing licenses of the Los Angeles Turf Club, Inc. (Santa Anita), the Pacific Racing Association (Golden Gate), and the XpressBet Advance Deposit Wagering entity until December 26, 2010, and the existing waiver of Business and Professions Code Sections 19483 and 19484, prohibiting common ownership, until September 16, 2010, in order for the parent company MI Developments, Inc, to prepare and submit to the Board a comprehensive plan setting forth its intended business practices and procedures for operation of Santa Anita Park and Golden Gate Fields as thoroughbred racing venues, with the utilization of XpressBet as an Advance Deposit Wagering platform, all under common ownership." The motion went on to say that in order to ensure that MID provides the plan in a "forthright manner" and in its entirety, "the document to be submitted will be deemed exempt from disclosure under the Public Records Act and the California Evidence Code. The document is to be presented to the staff of the Board on or before September 1, 2010." And at the suggestion of other commissioners, the motion stated the short-term waiver is "subject to the execution of the lease between the Oak Tree Racing Association and the Los Angeles Turf Club by 3 p.m. Friday, July 23." (Oak Tree Executive Vice President Sherwood Chillingworth advised the CHRB late Friday that the lease had been executed as requested by the CHRB. "We have a lease," said Chillingworth.)

During the MID discussion, representatives of the California Thoroughbred Trainers (CTT) expressed concern about whether problems with the main track at Santa Anita were going to be corrected prior to the start of the Oak Tree meet. The main track at Santa Anita is a synthetic surface with underground drainage, and several racing cards were canceled last winter when the track did not drain properly during heavy rains. In

response to the CTT concerns, Santa Anita President George Haines announced, “We start Monday morning with track renovations.” This prompted CTT President John Sadler to ask for more details, including “how much is going to be spent on the racetrack?” Haines answered that the scope of the work and final cost could not be estimated until an Australian laboratory completes its analysis of samples of the surface materials. This in turn prompted Commissioner Moss to say, “My concern as a horse owner is that we’re just continually investing in the (synthetic surface), which has been responsible for Santa Anita losing so many racing days.” Moss advised Santa Anita, “I just think it’s time to get off the pot. Something’s got to be done. It’s depressing that you’re here today without any statement about what you’re going to do.”

This discussion went on to include statements about capital improvements that MID authorized at Golden Gate, prompting Commissioner Rosenberg to say this was the first he had heard about the Golden Gate improvements and the first he had heard about renovations to the Santa Anita main track, and this information ran contrary to “scuttlebutt” among horsemen that MID had not authorized significant additional spending on its California operations. He asked Haines and the other MID representatives to keep the Board and the industry apprised of such activities, urging them to “communicate, communicate, communicate.”

- The Board granted YouBet.com a 60-day waiver allowing its new owner, Churchill Downs, to operate both Youbet and a second ADW company licensed by the CHRB, TwinSpires, until the Board can determine whether to grant Churchill Down a permanent waiver from B&P Code Sections 19483 and 19484 or until such time as Churchill Downs convinces the Board’s counsel and Board that those sections of the Business and Professions Code do not apply to this situation.
- The Board extended until December 31, 2010, the authorization it granted Los Alamitos Race Course in January to temporarily increase the takeout by two percent on wagers placed races at the quarter-horse meet. Handle figures provided by Los Alamitos suggested that the takeout increase had not adversely affected handle. Los Alamitos Chairman Rick English pointed to per-race handle and purse increases during the year, and he asked the Board to grant a permanent increase to the takeout. But critics of the takeout increase, principally Jeff Platt, president of the Horseplayers Association of North America, and Barry Meadow, a bettor and author of handicapping books, argued that the numbers could be viewed in different contexts. They called for a halt to the two-percent increase. The Board decided to extend the waiver from its original September sunset date to the end of the year to give both sides more time to analyze the handle and present their positions to the Board.

- The Board authorized for public comment a proposed regulatory amendment to allow horses to run as non-wagering interests and to run for purse money under certain conditions. If one part of an entry is scratched from a race, the remaining horse or horses in the entry also will be declared withdrawn from the wagering pools and allowed to run for purse money only. This would protect those bettors who wagered on the scratched part of the entry from having their wagers depend on the performance of the other part of the entry. Additionally, if a horse is removed from the wagering pool due to a totalizator error, or due to other error, and the trainer and owner are not at fault, the horse shall start in the race as non-wagering interest for the purse only. The Board will hold a public hearing on this proposal after the public comment period, most likely in November.
- The Board authorized for public notice a regulatory amendment proposed by Commissioner Derek to allow stewards to conduct hearings and adjudicate financial complaints from equine medical hospitals and on services provided by horse farms that are directly related to horse racing where the debt exceeds \$1,000, and financial complaints stemming from racehorse sales and auctions.
- The CHRB staff presented charts and other information concerning the revenue stream and providing details on the takeout dollar and the sources of handle. The commissioners asked for additional details on where the money goes and how it is used. Staff will work with the Thoroughbred Owners of California (TOC) and others to update the report for the September Board meeting, and then the report will be placed on the CHRB Website (www.chrb.ca.gov).
- Chairman Brackpool provided an update on legislative industry developments, He said, “As we approach the last several weeks of the legislative session (in Sacramento), there’s been a lot of meetings, a lot of action, a lot of discussion, I would hope to be able to make a much fuller report at the August Board meeting. The only comment that I would make at this stage is that having at the previous meetings banged the table a bit about the lack of cooperation, I just want to say that the cooperation over the last couple of weeks has been tremendous. I believe we’ve been making some good progress and coming up with some comments, proposals, and thoughts here, etcetera, and I am very encouraged with where we are heading at the moment. And I think, leave it at that and I’ll report back at the August Board meeting on details.”
- The Board approved the 2010/2011 agreement providing funding support for the Board whereby the industry pays a proportional amount of the \$11,734,000 CHRB budget for the current fiscal year.
- The Board instructed staff to work with the CTT and TOC on possible improvements and amendments to the claiming option rule, which allows horses returning from

layoffs of 180 days or more to race in certain claiming races without being subject to a claim. Commissioner Harris noted that the rule is designed to encourage owners to give horses necessary time off, so any additional changes to the rule to further ensure the health of the horses should be supported.

- The Board authorized for public notice a proposed rule to allow suspended trainers to enter horses, provided the date of the race comes after the last date of the suspension. Vice Chairman Israel noted that under the current rule, a trainer may not enter a horse while under suspension, so the effect of the rule is to lengthen the suspension beyond the dates of the penalty dictated by the stewards. “The licensee has paid his debt to society and shouldn’t be penalized beyond that date,” said the vice chairman.
- TOC Chief Operating Officer Guy Lamothe officially announced to the CHRB the results of the recent TOC election of directors. He welcomed Cal Fischer, Ed Moser, and Mike Pegram as newly elected directors and he congratulated returning directors Keith Pronske and Pablo Suarez. He said TOC officers would be elected at the TOC Board meeting on Friday (July 23).
- The Board authorized the Los Angeles Turf Club to distribute \$83,008 in race day charity proceeds to 16 beneficiaries.
- The Board approved four nominees to the California Thoroughbred Horsemen’s Foundation. Approved for two-year terms were Dr. Randall Browning, Mary Forney, Dr. Richard Guth, and Ed Halpern.

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