

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
_____)

SANTA ANITA PARK RACE TRACK
285 WEST HUNTINGTON DRIVE
BALDWIN TERRACE ROOM
ARCADIA, CALIFORNIA

FRIDAY, JANUARY 15, 2010

10:08 A.M.

Reported by:
Martha L. Nelson, CERT

APPEARANCES

COMMISSIONERS

John C. Harris, Chairperson

David Israel, Vice Chairperson

Keith Brackpool

Jesse H. Choper

Richard A. Rosenberg

Jerry Moss

Bo Derek

STAFF

Kirk Breed, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Mike Marten

ALSO PRESENT

Ron Blonien

Greg Scoggins, MEC

Guy Lamothe, Executive Director, TOC

Richard Castro, Pari-Mutuel Employees Guild, Local 280

Tom Berrelli

Ken Alstott

Chris Korby, CARF

Steve Schwartz, TOC

Bob Miller

APPEARANCES CONTINUED

ALSO PRESENT

Barry Broad, Attorney, Broad & Gusman LLP

Doc Allred

Dan White

Jeff Platt

Rich Pickering, CEO, Alameda County Fairgrounds

Porter Golds

John Bucalo

Stephen Burn, TVG

Melanie Frank, TVG

Scott Daruty, TrackNet

Martin Pansa

Tom Robbins

Mike Carlos

Stuart Titus, General Manager, Humboldt County Fair

Charlie Dougherty, CTT

Robert Hartman, Golden Gate Fields

Darrell Haire, Jockeys' Guild

George Haines, Santa Anita

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Action Items:

16. Closed Session: For the purpose of receiving advice from counsel, considering pending litigation, reaching decisions on administrative licensing and disciplinary hearings, and personnel matters, as authorized by Section 11126 of the Government Code. 1
- A. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending litigation described in the attachment to this agenda captioned "Pending Litigation," as authorized by Government Code section 11126(e).
- B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 11126(e). Notice of CHRB Meeting January 5, 2010.

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PROCEEDINGS BEGIN AT 9:05 A.M.

(The meeting was called to order at 9:05 a.m.)

(The members recessed to a close session from 9:05 a.m., until
10:30 a.m.)

EXECUTIVE DIRECTOR BREED: Ladies and gentlemen, would you guys -- would everybody please take your seats. Let's get started here. This meeting of the California Horse Racing Board has been called to order earlier and we -- we broke for an executive session which -- where we discussed some legal issues, litigation. And now we are reconvening the California Horse Racing Board.

This is the regular noticed meeting of the California Horse Racing Board on Friday, January 15th, 2010, commencing at 9:30, or whatever time it is right now.

VICE CHAIRMAN ISRAEL: 10:30.

EXECUTIVE DIRECTOR BREED: -- 10:30 in the Baldwin Terrace Room at the Santa Anita Park Race Track, 285 West Huntington Drive, Arcadia, California.

Present at today's meeting are: John Harris, Chairman; David Israel, Vice Chairman; Keith Brockpool, Member; Jesse Choper, a Member; Bo Derek, Member; Jesse Moss (sic), Member -- Jerry Moss, excuse me; and Richard Rosenberg, Member.

Before we go on to the business of the meeting I need to make a few comments. The board invites public comment on the matters appearing on the meeting agenda. The board also

1 invites comments from those present today on matters not
2 appearing on the agenda during a public comment period.

3 The matter concerns horse racing in California. In
4 order to ensure all individuals have an opportunity to speak
5 and the meeting proceeds in a timely fashion I will strictly
6 enforce the three minute time limit rule for each speaker. The
7 three minute time limit rule will be enforced during discussion
8 of all matters on -- stated on the agenda, as well as during
9 the public comment period.

10 There is a public comment sign-in sheet for each
11 agenda matter on which the board invites comments. Also, there
12 is a sign-in sheet for those wishing to speak during the public
13 comment period for matters not on the board's agenda if it
14 concerns horse racing in California. Please print your name
15 legibly on the public comment sign-in sheet. When a matter is
16 open for public comment your name will be called. Please come
17 to the podium and introduce yourself by stating your name and
18 organization clearly. This is necessary for the court reporter
19 to have a clear record of all who speak.

20 When your three -- when your three minutes are up the
21 chairman will ask you to return to your seat so others can be
22 heard. When all the names have been called the chairman will
23 ask if there is anyone else who would like to speak on the
24 matter before the board. Also, the board may ask questions of
25 individuals who speak. If a speaker repeats himself or herself

1 the chairman will ask if the speaker has any new comments to
2 make. If there are none the speaker will be asked to let other
3 makes comments to the board. Thank you.

4 Mr. Chairman?

5 CHAIRMAN HARRIS: Okay. Thank you. Sorry we're a
6 little late getting started.

7 I'd just like to open with a statement I wanted to
8 make. I was first appointed to CHRB back in 2000 by Governor
9 Gray Davis, and reappointed in '03, and was last appointed by
10 Governor Schwarzenegger in '07. I recall every time I was
11 appointed, do I really want to do this, or what can I do to
12 make a difference, or is this something that -- that is really
13 worthwhile?

14 For every -- anything like this, I think at some
15 point there's an end to it. I'm not a big believer in term
16 limits but somewhat of a believer. And I plan to step down
17 from the board in the next few months and -- and this will be
18 my last meeting as chairman. I have a lot of other demands in
19 my life and business that I need to tend to. And even though I
20 much enjoy being on the board and all the people in racing and
21 have a lot of faith in -- in the whole horse industry and all
22 the people in it, I'm -- I wouldn't say I'm really burned out,
23 but I'm kind of tired. And I have a lot of other things I -- I
24 need to be doing that I've had to neglect to -- to devote to
25 this.

1 I mean, theoretically, when you get on these things
2 they always say, oh, this isn't going to be too big of a deal,
3 you've just got a meeting once in a while. But being on the
4 board is -- is a real demand. And you're very fortunate to
5 have a good board now and -- and devoted people that are very
6 capable. I feel now is a good time for me to stop -- step
7 down.

8 I'm very involved in a water battle up in our area,
9 really all of California, on Endangered Species Act. And I'm
10 now going to be the chairman of a state legal foundation which
11 is a public interest law firm that -- that is another voluntary
12 job. But -- but it's -- that's going to take up a lot of my
13 time, as well as representing a lot of the ag and water
14 interest in -- in all the different battles we're constantly
15 fighting.

16 But looking back on -- on CHRB it's -- it's been a
17 fun ride. And I just want to thank everyone for all their
18 help. And it's -- it's a tough deal with state government
19 and -- and a board because you can't just -- like I'm a big guy
20 on emails and -- and getting a lot of different people in the
21 loop, which I can still do with the -- within the horse
22 industry, but you can't really do that with a board. So
23 it's -- it's not a real working board where -- like I think you
24 would think of more of a corporate group or -- or a nonprofit.

25 But we've -- we've gotten a lot done. And anyone can

1 get burned out on -- on state government. There's a lot of --
2 I mean, some of it makes sense and some of it's pretty
3 frustrating. But despite all that we -- we -- we keep fighting
4 and trying -- fighting is really the wrong term, but trying,
5 striving to do better. And it is inherent, there's always a
6 lot of infighting within the industry, and I think we need
7 to -- to figure out how to pull people together and get away
8 from the what's in it for me attitude, which seems often
9 pervasive in any pursuit.

10 I've been proud to serve with this group of -- great
11 group of CHRB board members. There's probably literally 15 or
12 20 different ones I've served with over the last 10 years, and
13 I much appreciate all of their help. And, actually, I've
14 served with three different executive exes, Roy Wood, Ingrid
15 Fermin and now Kirk, and they -- they have all been, you know,
16 very dedicated. And, I mean, they've all been criticized for
17 one thing or another. But I think that -- that -- they -- they
18 -- they're heart is definitely in the right place. And -- and
19 Kirk's probably one of the most knowledgeable and helpful
20 people in -- in -- for the board in racing. And I wish he
21 and -- and the rest of the board well going forward.

22 I also want to thank Rick Arthur, our -- our equine
23 medical director, for all his efforts. When -- when we -- when
24 I first got on the board we had an equine medical director but
25 it was -- it wasn't near the -- the visibility or -- or

1 activity that -- that Rick has taken on. And it's really
2 brought CHRB to a whole new level.

3 It is an honor to be on CHRB, but it is -- sometimes
4 it's a downer as people think that somehow CHRB is -- has some
5 magical power to fix every last problem, which we don't. And I
6 think all of us are frustrated that we don't get more done and
7 where the racing hasn't done better. But it -- it's not an
8 easy journey. And it's -- it -- the economy in total isn't
9 doing too well right now. And, actually, racing is probably
10 doing better than -- than some segments of it.

11 But I think we just need to learn how to -- how to,
12 you know, better do things and bring in more fans. And racing
13 is the only sport in America, with a few exceptions of states,
14 that you can wager on. And I think -- and it's -- we've got
15 the only one that you can internet bet -- wager on, and with TV
16 coverage. And we have a lot of good things going forward.

17 It's just how do we -- how do we better capitalize on
18 them and show some growth and pull -- pull more people into the
19 fold that -- because so many people in the overall horse
20 industry are dependent on us, I mean, at the -- all --
21 obviously, the front side level with the -- all the people that
22 work at the tracks and the front side and back side, and all
23 the farms and all the different providers of services. It's --
24 it's -- it's a big industry and sometimes we get overlooked.

25 So I -- I would just say that it's -- it's -- success

1 is more of a journey than a destination. But I -- I think we
2 just keep trying, keep going the same way. And I'll try to
3 outline some of my thoughts in -- in writing as we go forward.
4 And I've got to work on the chairman's report for the annual
5 report.

6 But I just want to thank everyone that's on the
7 board. And I've done -- actually, David has been the vice
8 chair this year and he's been -- been a big help. You -- you
9 can email one person, so David's my person, kind of. But we
10 can email back and forth. And David is not shy to say what he
11 thinks, which is good. But it -- it's been -- been a fun ride,
12 and I wish everybody well going forward.

13 We have the -- the approval of minutes of the --

14 VICE CHAIRMAN ISRAEL: I just want to say, I'll --
15 I'll miss getting green emails.

16 CHAIRMAN HARRIS: Well, I'll still keep sending them.

17 VICE CHAIRMAN ISRAEL: Okay.

18 CHAIRMAN HARRIS: Well, I don't know if I can do
19 that. I think after a year you've got a stand back provision.

20 VICE CHAIRMAN ISRAEL: So --

21 CHAIRMAN HARRIS: But I can advise you on something,
22 I'm sure.

23 VICE CHAIRMAN ISRAEL: So the green block type.

24 CHAIRMAN HARRIS: Yeah. Oh, yeah?

25 VICE CHAIRMAN ISRAEL: Uh-huh.

1 CHAIRMAN HARRIS: How does that -- how does that
2 work?

3 EXECUTIVE DIRECTOR BREED: You're going to do the
4 minutes, and then do Scoggins, 11, number 11.

5 VICE CHAIRMAN ISRAEL: Yeah.

6 CHAIRMAN HARRIS: Yeah. Okay.

7 COMMISSIONER MOSS: And I'll -- I'll move that we
8 approve the minutes of the November meeting.

9 COMMISSIONER ROSENBERG: Second.

10 CHAIRMAN HARRIS: All in favor?

11 ALL BOARD MEMBERS: Aye.

12 CHAIRMAN HARRIS: Okay. Okay. We've got a request
13 from Greg Scoggins to move a couple of the Magna and Santa
14 Anita items up. I think it's --

15 EXECUTIVE DIRECTOR BREED: Number 11.

16 CHAIRMAN HARRIS: Is it?

17 EXECUTIVE DIRECTOR BREED: No. No. It's --

18 CHAIRMAN HARRIS: How about 8, I think it's 8 and 12,
19 is it?

20 VICE CHAIRMAN ISRAEL: SCOTWINC is eight.

21 EXECUTIVE DIRECTOR BREED: Nine.

22 CHAIRMAN HARRIS: No. SCOTWINC is eight.

23 EXECUTIVE DIRECTOR BREED: It's 9, number 9.

24 CHAIRMAN HARRIS: Yeah. I'm sorry. It's 9 -- 9,
25 which is the ADW issue, and 12 is the Magna issue. So we're

1 going to skip to that, and then we'll get back to the regular
2 agenda.

3 MR. SCOGGINS: Good morning, Mr. Chair, members of
4 the board. I -- if I might I'd like to begin my comments with
5 a thank you to you, Chairman Harris, for your leadership as
6 chairman and your service to the CHRB and the California
7 industry. It's -- your absence will be well noticed. We wish
8 you well as you move on to what may be, you find, greener
9 pastures.

10 VICE CHAIRMAN ISRAEL: He's got a lot of pastures.

11 MR. SCOGGINS: And they are pretty.

12 VICE CHAIRMAN ISRAEL: Yeah.

13 MR. SCOGGINS: My -- and I appreciate the board's
14 indulgence of my travel schedule so that I can present these
15 issues out of order. Being an east coaster, being able to get
16 home before Saturday morning is -- is always a pleasure.

17 The two subjects on which I'm going to speak are Item
18 12, which I'll begin with, which is an update on the bankruptcy
19 proceedings. And then also the agreement that's been proposed
20 among the TOC, LA Turf Club, and the relative -- or the
21 SCOTWINC as it relates to the allocation of ADW handle.

22 On the bankruptcy, as -- as I think I have stated in
23 previous meetings, stay tuned because things may likely change.
24 I think that's certainly the case today. As many of you may be
25 aware, on Monday there was a resolution agreed to in principal

1 among MID, which is MI Developments, the controlling
2 shareholder of Magna Entertainment -- Magna Entertainment, the
3 unsecured creditors committee and Magna's chapter 11 proceeding
4 and certain affiliates of MID. And it -- the settlement was
5 reached in connection with some claims that the creditor's
6 committee had made with respect to the debts owed to MID.

7 And the resolution of that dispute has been agreed to
8 in principle. There are a lot of contingencies and details
9 that are still being worked out. But the essence of that
10 agreement as it stands now, subject to any further changes, is
11 that the unsecured creditors' committee has agreed to dismiss
12 its action against MID and grant a release to MID and MEC and
13 the various affiliates in connection with its action against
14 MID, and any against MEC.

15 In exchange for granting that release MID has agreed
16 to pay \$75 million to the unsecured creditors committee in
17 cash, and then an additional \$1.5 million to cover certain
18 expenses that were incurred by the unsecured creditors
19 committee in connection with their -- their actions in this --
20 in that matter.

21 There is a mechanism that has been provided to
22 allocate the proceeds of certain sales that are either underway
23 or are contemplated in the near future, specifically the track
24 at Thistledown, which is in Cleveland, the Maryland Jockey Club
25 Tracks in Maryland, and Lone Star Park at Grand Prairie. The

1 proceeds from those various sales, there's been an agreement on
2 how to allocate the first 20 million and -- and amounts
3 exceeding that.

4 The MID as a part of this agreement also will be
5 allowed to either receive the proceeds of any sale of the
6 Portland Meadows Track in Portland -- in Portland, Oregon or,
7 if it so chooses, the assets themselves.

8 And then, finally, the -- the point that is probably
9 of greatest interest to this board and people in this room is
10 that MID is a part of a plan of reorganization that's mutually
11 agreed to by MID, the creditors committee, MEC, and the court,
12 will -- MID will receive Santa Anita, Golden Gate Fields, the
13 XpressBet Account Wagering business, AmTote and Gulf Stream
14 Park, and the related real estate developments associated with
15 Gulf Stream Park.

16 As I mentioned at the beginning, there are a lot of
17 details that are currently being pursued. The hope is that
18 there will be a plan of reorganization submitted to the court
19 on which there will be a hearing. And once we -- that hearing
20 occurs and we know the outcome from the judge as to whether she
21 approves it then the certainty of -- of the future will be
22 greater than it is today.

23 VICE CHAIRMAN ISRAEL: Is HRTV included in any of
24 these considerations?

25 MR. SCOGGINS: It's -- there are JV interests in HRTV

1 and TrackNet. And I believe they are addressed in some
2 capacity but the -- the specifics of it, I'm -- I'm not at
3 liberty at this point to share because, quite frankly, I'm not
4 sure exactly I know every element of those specifics.

5 VICE CHAIRMAN ISRAEL: All right. So -- but -- but
6 it's part of the proceeding?

7 MR. SCOGGINS: Yes. Yes. Yeah.

8 COMMISSIONER BRACKPOOL: Can I ask, you said the
9 unsecured creditors have agreed. Are there any other parties
10 of interest, still significant opposition?

11 MR. SCOGGINS: There -- there are various parties,
12 including certain third party simulcast partners that have
13 filed actions, RGS and Elite being among them, who are taking
14 positions that they're not unsecured creditors. Those matters
15 are still, so far as I know, outstanding. And so there will
16 need to be resolution of any of those collateral claims that
17 are ongoing.

18 COMMISSIONER BRACKPOOL: So how do you see the
19 timetable from here on in?

20 MR. SCOGGINS: Probably about the same as you.
21 It's -- it's too -- and by that I mean I'm not sure how it
22 looks, how -- the -- the goal is to get it resolved quickly.

23 As you may recall, at the last meeting I reported
24 that MID had extended its debtor in possession financing to
25 allow MEC to continue to continue operating through April. I'm

1 sure that MID would prefer not to have to extend that further,
2 and efforts will be made to try and resolve this -- the chapter
3 11 proceeding on or before that time.

4 VICE CHAIRMAN ISRAEL: Through the end of April?

5 MR. SCOGGINS: I believe that was what I --

6 VICE CHAIRMAN ISRAEL: So the Santa Anita/LA Turf
7 Club meet should be unaffected?

8 MR. SCOGGINS: That's -- that would be my -- my hope
9 and expectation. I --

10 VICE CHAIRMAN ISRAEL: All right.

11 MR. SCOGGINS: You know, it's subject to where things
12 stand today, which I'm not exactly sure.

13 VICE CHAIRMAN ISRAEL: Thank you.

14 CHAIRMAN HARRIS: Were there secured creditors
15 that -- that have signed onto this, too, or they just dealt
16 with the unsecured?

17 MR. SCOGGINS: The -- this is just the unsecured
18 creditors, because the secured creditors have a position in
19 front of the unsecured creditors. And they will be -- we will
20 be -- we or MID or whoever will be obligated to -- to satisfy
21 them as a part of that.

22 And as an example, PNC Bank holds a secured debt on
23 the Maryland Jockey Club entities. And whatever rights that
24 MID and the unsecured creditors have to the proceeds of the
25 sale of the MJC entities will be subject to PNC being paid

1 first.

2 CHAIRMAN HARRIS: I was just concerned that the
3 secured may have gotten into the settlement because it's
4 eroding some capital that could go to --

5 MR. SCOGGINS: Yeah. So long as they're not getting
6 thrown under the bus they'll be fine.

7 CHAIRMAN HARRIS: Okay. Good.

8 VICE CHAIRMAN ISRAEL: And?

9 MR. SCOGGINS: And they shouldn't be thrown under the
10 bus.

11 VICE CHAIRMAN ISRAEL: Okay.

12 COMMISSIONER CHOPER: Does the tentative settlement
13 have contingencies for the resolution of these other
14 outstanding claims?

15 MR. SCOGGINS: Like the claims I mentioned that
16 are --

17 COMMISSIONER CHOPER: Yeah.

18 MR. SCOGGINS: -- (inaudible)? I don't know. Since
19 there has to be an agreed to plan of reorganization, and since
20 the RGS claims will probably play a role in that, I would say
21 that practically speaking there's a role.

22 COMMISSIONER CHOPER: If you have a whole new bunch
23 of secured creditors than the -- it's going to -- will it not
24 significantly effect the amount that's available to the
25 others --

1 MR. SCOGGINS: Well, because the --

2 COMMISSIONER CHOPER: -- or not?

3 MR. SCOGGINS: It -- it -- it may effect what
4 additional amounts will need to be brought forward to address
5 those additional claims. To the extent that those -- there are
6 any additional amounts that have to be addressed, that may move
7 MID and the unsecured creditors committee back to the
8 bargaining table to talk about whether it's -- it remains the
9 amount that has been agreed to.

10 CHAIRMAN HARRIS: But the actual operator of Santa
11 Anita and Golden Gate will remain the same as far as the
12 licensing?

13 MR. SCOGGINS: That is one of the details that's a
14 function of further analysis. MID has to decide the best
15 approach to take with respect to assuming the operations of
16 Santa Anita, Golden Gate, Gulf Stream, etcetera. One of the
17 options is to just take ownership of the stock of LA Turf Club
18 and PRA, which would essentially be MID standing in the shoes
19 of MEC, which is not a whole lot different than what we have
20 now, or they could do something else. And depending on what
21 they choose to do will effect how much time I have to spend in
22 front of you.

23 CHAIRMAN HARRIS: Well, is anyone going to get San
24 Luis Rey or is that going to stay in the -- with MID?

25 MR. SCOGGINS: Well, MID currently owns the property

1 under San Luis Rey.

2 CHAIRMAN HARRIS: Okay. That's -- that's --

3 MR. SCOGGINS: And then MEC is leasing and providing
4 the -- the operations.

5 VICE CHAIRMAN ISRAEL: And Palm Meadows is the same
6 deal?

7 MR. SCOGGINS: Palm Meadows, I don't -- I'm not sure
8 how that fits into the whole bigger scheme.

9 VICE CHAIRMAN ISRAEL: Oh, really? Oh. Okay.

10 MR. SCOGGINS: I -- it -- it may and it may not. I
11 just -- I don't have the -- I'm -- doctor, I don't know.

12 VICE CHAIRMAN ISRAEL: That's fine. Okay.

13 CHAIRMAN HARRIS: Any other questions by the board?
14 Anything else?

15 Why don't we go ahead with the other item.

16 MR. SCOGGINS: Thank you. I -- just as a closing
17 remark, I look forward to hopefully coming back at the February
18 meeting with even more details and more certainty that will
19 help these people feel better about what they know as -- as it
20 relates to this.

21 On item, I guess it's nine, not eight, as it relates
22 to there's an agreement that LA Turf Club has reached with the
23 TOC in reference to the amount of --

24 EXECUTIVE DIRECTOR BREED: Eight. It's eight.

25 MR. SCOGGINS: I -- I was thinking it was eight.

1 Sorry.

2 EXECUTIVE DIRECTOR BREED: Isn't this --

3 CHAIRMAN HARRIS: Yeah. This is SCOTWINC. Yeah.

4 EXECUTIVE DIRECTOR BREED: Yeah. Sure. All right.

5 CHAIRMAN HARRIS: Go ahead.

6 MR. SCOGGINS: As everyone knows, SCOTWINC and
7 NOTWINC have been dealing with deficits. And earlier in 2009
8 an agreement was entered into among the other commercial tracks
9 in Southern California and the TOC to help relieve that deficit
10 by increasing the amount of money that SCOTWINC would receive
11 for its expenses by increasing the amount to, I believe, 4.12
12 percent from the 2.5 percent, I believe, that was currently
13 being paid to those sites for the payroll expenses.

14 The LA Turf Club at that time and the 2009/2010 Santa
15 Anita meet were not a part of that agreement. So this
16 agreement is basically a continuation of that concept in that
17 it's between LA Turf Club, the TOC, it calls for a 4.1 -- 4.12
18 percent of ADW handle that would otherwise have gone to the
19 tracks and the horseman going to reimburse SCOTWINC for its
20 growing deficit of -- in operations.

21 CHAIRMAN HARRIS: Just to clear, that's just a 4.12
22 percent slice of -- of how big of a -- well, there's varying
23 percentages, I guess, depending on the bet -- the bet, where
24 it's made and all that. But it's just four percent of -- of
25 whatever it is?

1 MR. SCOGGINS: Right. It's -- it's based on the same
2 handle that -- it's just a larger percent of the same handle
3 that existed before this.

4 CHAIRMAN HARRIS: Uh-huh.

5 MR. SCOGGINS: So, you know, if it's --

6 CHAIRMAN HARRIS: Uh-huh.

7 MR. SCOGGINS: -- \$100 million in handle and there
8 was a fee assessed of 2.5 percent, now it's 4.12 of the same
9 handle.

10 CHAIRMAN HARRIS: Oh, of handle, not -- not of the --

11 VICE CHAIRMAN ISRAEL: So it's 4.1 percent of 100
12 percent?

13 MR. SCOGGINS: Yes.

14 CHAIRMAN HARRIS: Oh. Okay. Well, that's more.

15 VICE CHAIRMAN ISRAEL: Not -- not of take-out? Not
16 of take-out?

17 MR. SCOGGINS: That's correct. It's -- it's of the
18 100 -- it's of the whole total amount of handles.

19 VICE CHAIRMAN ISRAEL: Every dollar bet?

20 MR. SCOGGINS: Yes.

21 CHAIRMAN HARRIS: Now that just goes to the satellite
22 facility?

23 MR. SCOGGINS: It goes to SCOTWINC.

24 CHAIRMAN HARRIS: SCOTWINC to fund the, basically,
25 the wagering systems at the satellite?

1 MR. SCOGGINS: Well, as you may recall, there's a
2 location fee that goes directly to --

3 CHAIRMAN HARRIS: Right.

4 MR. SCOGGINS: -- satellite facilities.

5 CHAIRMAN HARRIS: Yeah.

6 MR. SCOGGINS: And then there's an expense fund
7 that's used to -- to offset payroll costs. And experience has
8 been that the 2.5 percent that's set forth in -- in statute for
9 a brick and mortar operations has been insufficient to cover
10 those payroll costs. So they've accumulated a deficit in that
11 category. And so this agreement, as well as the agreement that
12 was approved by the board back in April are designed to help
13 offset that deficit, as well as to give SCOTWINC more cash flow
14 going forward.

15 CHAIRMAN HARRIS: It's not like -- well, it's a
16 little -- it goes from 2.5 to 4.12? It's not a new 4.12?

17 MR. SCOGGINS: That's right.

18 CHAIRMAN HARRIS: Yeah. So I'm not clear, really,
19 where the ADW money -- how that tie -- that's -- this isn't --
20 the ADW money is new money or it's just -- because I thought it
21 was coming out -- it's ADW money in addition to what was bet at
22 the satellite?

23 MR. SCOGGINS: It is. There are two places that
24 SCOTWINC receives its payments for -- to cover expenses. One
25 is from satellite wagering occurring at the various WINC sites

1 in the state, and that is defined as 2.5 percent.

2 CHAIRMAN HARRIS: Uh-huh.

3 MR. SCOGGINS: There is also a fee that they get,
4 that SCOTWINC and NOTWINC get from ADW handle that's been --
5 that is not set in stone as far as 2.5 percent. There's a
6 provision in the statute that allows the parties to adjust that
7 percentage. And it's pursuant to that authority under the
8 statute that TOC and LA Turf Club have entered into this
9 agreement.

10 CHAIRMAN HARRIS: Uh-huh.

11 COMMISSIONER BRACKPOOL: May -- the only change is on
12 the -- the ADW side?

13 MR. SCOGGINS: Yes. It only relates to the --

14 COMMISSIONER BRACKPOOL: Right. Yes.

15 MR. SCOGGINS: -- handle generated from ADW.

16 COMMISSIONER BRACKPOOL: Right.

17 CHAIRMAN HARRIS: Well, just -- the handle at the
18 satellite is also 4.12, is it not?

19 MR. SCOGGINS: No.

20 CHAIRMAN HARRIS: Oh. It -- it's still 2.5?

21 MR. SCOGGINS: Yes.

22 CHAIRMAN HARRIS: Okay.

23 EXECUTIVE DIRECTOR BREED: And this agreement does
24 not increase the take-out? What it does is take money from
25 someplace else?

1 MR. SCOGGINS: That's right.

2 EXECUTIVE DIRECTOR BREED: You don't explain where
3 that money's coming from.

4 MR. SCOGGINS: Well, that's -- that money would be
5 the money that would otherwise have gone to the track and to
6 horsemen's purses.

7 CHAIRMAN HARRIS: Yeah. How about does this impact
8 NOTWINC or just SCOTWINC?

9 MR. SCOGGINS: There are separate agreements that
10 have been entered into between LA Turf Club and SCOTWINC and
11 PRA and NOTWINC.

12 CHAIRMAN HARRIS: So it's -- they're basically --
13 it's going to be 4.12 of the northern and the south -- no, it's
14 statewide, really?

15 MR. SCOGGINS: Actually, in Northern California it's
16 only four point -- it's only four percent. It's a different
17 rate.

18 CHAIRMAN HARRIS: Yeah.

19 COMMISSIONER CHOPER: They operate more economically.

20 CHAIRMAN HARRIS: Oh, yeah. North is a conservative
21 group.

22 Well, I guess the concern is at some point we -- we
23 end up spending all the money running satellite facilities and
24 there's diminishing funds that can go into purses and
25 commissions and stuff. I mean, but I -- you know, it's just

1 where the lines cross.

2 MR. SCOGGINS: That's a very good point and that's
3 been considered. And I -- I guess I'll let Guy speak to that.
4 Because this is not something that's intended to go on ad
5 infinitum.

6 COMMISSIONER CHOPER: Well, how long is it intended
7 to go on?

8 MR. SCOGGINS: You want to speak to that?

9 COMMISSIONER CHOPER: The agreement is the duration
10 of the meet.

11 MR. SCOGGINS: Right.

12 MR. LAMOTHE: Yeah. That's correct. Guy Lamothe,
13 Thoroughbred Owners of California.

14 This is intended as a short-term solution to help
15 fund the SCOTWINC operations. It expires at the end of the
16 LATC meet.

17 TOC has -- its position has been that we need a long-
18 term fix when it comes to these funds, and -- and, frankly, a
19 lot of the other funds such as stabling and vanning. So we
20 have requested and industry stakeholders have responded, they
21 feel the same way, that we need to look and assess and come up
22 with fundamental changes to how our business model works. And
23 we're requesting that those plans be put forth by June 30th of
24 this year. We're not going to continue using this mechanism to
25 fund these -- you know, this hole in the system that's just

1 sucking money out.

2 So we've also recently put together a working group
3 of various CFOs and controllers to come up -- to assess some
4 data, come up with some recommendations on that in very quick
5 order.

6 CHAIRMAN HARRIS: So I understood there was a deficit
7 now, though, that you needed to basically get back to even. So
8 part of this is just getting back to even and then looking --
9 going forward?

10 MR. LAMOTHE: That -- that's correct.

11 CHAIRMAN HARRIS: Yeah.

12 MR. LAMOTHE: The -- the -- the problem is, is that
13 there's a cap at the 2.5 percent and we can not increase that
14 rate that comes out of the SCOTWINC handle. That is why we're
15 going over to the ADW handle, which -- which is allowed by
16 statute.

17 CHAIRMAN HARRIS: Yeah.

18 MR. SCOGGINS: So as was indicated before, we're
19 using from another source to pay over here. That does not
20 address the fundamental problem of the shifts in our handle in
21 our -- in our business, and that's what we hope to address with
22 our working group.

23 COMMISSIONER BRACKPOOL: Surely you must have both a
24 deficit that's accumulated, and you've got an ongoing deficit.

25 MR. LAMOTHE: That --

1 COMMISSIONER BRACKPOOL: So is this taking care just
2 of the ongoing deficit? And if so, who's carrying the
3 accumulated deficit?

4 MR. LAMOTHE: You are correct. This rate, similar to
5 the prior -- the agreement that was done last year, addresses
6 accumulated deficits in '09 and the ongoing, because the
7 problem is not fixed. And that's rolled into the -- this 4.12
8 figure.

9 COMMISSIONER BRACKPOOL: So it is fixed in the sense
10 that this is enough money during this time to clear up the
11 accumulated deficit?

12 MR. LAMOTHE: Based on what we're projecting, yeah, I
13 wouldn't say it's fixed. It's covering the cash flow deficit.
14 We're still working on the fixed though. Otherwise, you know,
15 you're right, it will continue to deteriorate purses and track
16 commissions.

17 COMMISSIONER BRACKPOOL: And who is carrying the
18 accumulated deficit?

19 MR. LAMOTHE: Right now the -- the SCOTWINC
20 organization is carrying that. It's on their books. But then
21 it gets impacted. It -- it really flows through to the track
22 commissions and the purses. Those get effected.

23 CHAIRMAN HARRIS: Isn't -- SCOTWINC basically has no
24 equity and it's just a cash flow thing that you've got enough
25 cash flow to -- to do things, but -- but -- but you're not

1 really a going concern and all that?

2 MR. LAMOTHE: It -- it -- well, it is a going concern
3 that, you know, you do carry a balance sheet. But it -- it is
4 representative of all -- of the tracks and the purses
5 themselves. So in that sense it's -- it's -- it's a flow
6 through.

7 CHAIRMAN HARRIS: Yeah. That's sort of an accounting
8 term, as I recall, that you -- you couldn't -- I mean, if you
9 had an audited statement the auditors would express the opinion
10 that absent some infusion of money from some place it may not
11 be a going concern. But that I'm assuming. But I'm not sure
12 how much money that is, and if the 4.1 will be enough to --
13 to -- to make you whole.

14 MR. LAMOTHE: Well, you're right, that's possible.

15 CHAIRMAN HARRIS: Yeah.

16 MR. LAMOTHE: It could -- it could lose the going
17 concern --

18 CHAIRMAN HARRIS: Yeah.

19 MR. LAMOTHE: -- if we don't do the 4.12.

20 CHAIRMAN HARRIS: Yeah.

21 MR. LAMOTHE: And that's entirely a possibility that
22 TOC has said that, you know, if it has to get to that, fine.
23 But we want to see fixes by June 30th.

24 CHAIRMAN HARRIS: Uh-huh.

25 EXECUTIVE DIRECTOR BREED: I recommend approving.

1 CHAIRMAN HARRIS: Okay. Well, I think we pretty well
2 have to approve it. Is there a motion?

3 VICE CHAIRMAN ISRAEL: I'll move it.

4 COMMISSIONER CHOPER: Second.

5 CHAIRMAN HARRIS: All in favor?

6 ALL BOARD MEMBERS: Aye.

7 MR. SCOGGINS: Mr. Chairman, I just have one
8 procedural question. Thank you, by the way.

9 CHAIRMAN HARRIS: Yeah.

10 MR. SCOGGINS: As I mentioned, we do have a NOTWINC
11 agreement and the SCOTWINC agreement. The agenda item only
12 dealt with the SCOTWINC agreement.

13 So I guess my question is: Can you address the
14 NOTWINC agreement at this meeting, or do we even have it tabled
15 for next meeting?

16 CHAIRMAN HARRIS: Yeah. Well, that's --

17 EXECUTIVE DIRECTOR BREED: We don't have your
18 agreement.

19 MR. SCOGGINS: Okay. We will -- we will see to it
20 that you are provided a copy and then we can deal with that in
21 the February meeting.

22 CHAIRPERSON COMMISSIONER DEREK: In February.

23 CHAIRMAN HARRIS: Well, they might need to get it
24 started. I mean, you need to get this thing started pretty
25 soon, though, and I don't know if you can do it -- could we

1 authorize the executive director to enter into it based on --
2 on something?

3 EXECUTIVE DIRECTOR BREED: No.

4 CHAIRMAN HARRIS: No? No.

5 COMMISSIONER DEREK: It's not an agenda item.

6 MR. LAMOTHE: I'll just remind the board that -- and
7 maybe it applies or it doesn't apply -- that back in April last
8 year that the board passed a motion approving a four percent of
9 the handle in the north, an agreement of the type that we have.

10 CHAIRMAN HARRIS: Uh-huh.

11 MR. LAMOTHE: It -- it had approved that.

12 CHAIRMAN HARRIS: So --

13 VICE CHAIRMAN ISRAEL: Yeah. But we don't have the
14 agreement.

15 MR. LAMOTHE: Okay.

16 CHAIRMAN HARRIS: Can the agreement be written
17 retroactively to whatever date you want?

18 EXECUTIVE DIRECTOR BREED: Yeah.

19 VICE CHAIRMAN ISRAEL: So we could approve it
20 retroactively, so it's not harm, no foul then?

21 STAFF COUNSEL MILLER: No.

22 CHAIRMAN HARRIS: No?

23 EXECUTIVE DIRECTOR BREED: It's not --

24 VICE CHAIRMAN ISRAEL: They don't have the -- I
25 mean --

1 VICE CHAIRMAN ISRAEL: But can it be written -- so in
2 February we'll just approve a retroactive agreement.

3 STAFF COUNSEL MILLER: In February you can approve a
4 retroactive --

5 VICE CHAIRMAN ISRAEL: You can effectively do
6 whatever you want to do now and we can approve it
7 retroactively.

8 MR. SCOGGINS: We would set the effective date to
9 proceed --

10 CHAIRMAN HARRIS: Right.

11 MR. SCOGGINS: -- the date of the meeting.

12 CHAIRMAN HARRIS: Yes.

13 MR. SCOGGINS: -- so that you could approve it --

14 STAFF COUNSEL MILLER: Right.

15 CHAIRMAN HARRIS: Right.

16 MR. SCOGGINS: -- basically.

17 VICE CHAIRMAN ISRAEL: You want this to start
18 occurring when, today?

19 MR. SCOGGINS: Yesterday.

20 VICE CHAIRMAN ISRAEL: Yesterday. Okay.

21 CHAIRMAN HARRIS: There's no -- I guess the -- the
22 danger would be if there's some parties that felt that they
23 didn't want that and they're losing purse money or commission
24 money or whatever by virtue of doing it that way.

25 VICE CHAIRMAN ISRAEL: But that's apparently not so.

1 CHAIRMAN HARRIS: And that's not the case.

2 MR. SCOGGINS: That's not so. We have --

3 CHAIRMAN HARRIS: Yeah.

4 VICE CHAIRMAN ISRAEL: Go ahead.

5 MR. SCOGGINS: -- consensus from all parties.

6 VICE CHAIRMAN ISRAEL: You're the only two parties to
7 this agreement; is that correct?

8 MR. SCOGGINS: That's right.

9 VICE CHAIRMAN ISRAEL: Okay.

10 MR. SCOGGINS: So we'll -- we'll go through the
11 formal process of getting the NOTWINC agreement approved next
12 month. Thank you. Thank you, again, and thank you for
13 accommodating my schedule. I appreciate that.

14 CHAIRMAN HARRIS: Okay. I have another -- yeah.
15 Okay. Anything else on -- on this? Does the audience have any
16 comments?

17 MR. CASTRO: John, I think I'd like to add something.

18 CHAIRMAN HARRIS: Yeah.

19 MR. CASTRO: I don't have a card I'm sure I have some
20 cards here. I have those cards right here.

21 EXECUTIVE DIRECTOR BREED: Huh?

22 CHAIRMAN HARRIS: I thought we had some cards up here
23 for some reason. Here.

24 MR. CASTRO: My question is: I'd like to know if
25 anything -- if anybody --

1 STAFF COUNSEL MILLER: State your name, sir.

2 MR. CASTRO: Excuse. I'm sorry. My name is Richard
3 Castro. I'm representing Pari-Mutuel Employees Guild of
4 California.

5 I'm -- I'm curious if anything can be shared with me
6 regarding union contracts, not just ours, after April of 2010?

7 MR. SCOGGINS: In respect of the settlement, the
8 bankruptcy? I'm not sure.

9 MR. CASTRO: I want a contract.

10 MR. SCOGGINS: I'm sure you do.

11 MR. CASTRO: I don't want to have to start over in
12 May. But if I am -- if I and the other labor organizations or
13 whatever contracts people have behind me, if you're going to
14 reorganization and if we have to start over I would like to
15 have a heads up and start working on it now.

16 CHAIRMAN HARRIS: Are you talking about contracts
17 with -- with -- with the tracks or -- or ADW's or --

18 MR. CASTRO: I'm specifically interested in LA Turf
19 Club and XpressBet.

20 CHAIRMAN HARRIS: Because did that get broken with
21 the bankruptcy, or isn't there an ongoing contract there, or
22 you just never got one?

23 MR. CASTRO: I'm concerned if they reorganize that
24 the contract we currently have may get lost.

25 COMMISSIONER CHOPER: Do you know anything about

1 whether that's part of the settlement agreement?

2 CHAIRMAN HARRIS: Yeah. Yeah. Yeah.

3 COMMISSIONER CHOPER: I mean, that's the question.

4 CHAIRMAN HARRIS: Right.

5 MR. SCOGGINS: Yeah. I agree with you. That is --

6 MR. CASTRO: And I appreciate the help.

7 MR. SCOGGINS: Sure. The -- in bankruptcy
8 proceedings successors to the -- the chapter 11 company has
9 decisions to make about how they want to proceed with the
10 successor business. Among those decisions is whether to accept
11 or reject contracts that are already in place. That --
12 assuming that the resolution of MEC's chapter 11 goes as is
13 described in the settlement that was reached on Monday MID will
14 have the ability to make that decision. To my knowledge they
15 have not rendered or shared whatever decisions that they've
16 made with respect to that, as well as many other items that the
17 buyer or a company coming out of chapter 11 has the ability
18 to -- to decide.

19 COMMISSIONER BRACKPOOL: But can I just ask, this is
20 an asset purchase out of 11?

21 MR. SCOGGINS: IT has not been fully determined, no.
22 That is one the other issues that MID is -- is trying to
23 decide. And, obviously, the nature of the purchase --

24 COMMISSIONER BRACKPOOL: Yeah.

25 MR. SCOGGINS: -- will effect some of the rights.

1 COMMISSIONER CHOPER: So the answer is you don't
2 know?

3 MR. SCOGGINS: Yes, unfortunately.

4 COMMISSIONER CHOPER: I think that's the bottom line.

5 MR. CASTRO: Okay. Well, you understand where I'm
6 coming from?

7 COMMISSIONER CHOPER: Of course.

8 CHAIRMAN HARRIS: Yeah.

9 MR. SCOGGINS: And we're -- we're --

10 MR. CASTRO: And I would -- I'll be even more blunt
11 about it. I would expect you not to license them if all of us
12 behind me were not taken care of, made whole.

13 CHAIRMAN HARRIS: Yeah. That's a valid point.
14 They're already licensed now. It's, I guess, going to be more
15 of a point the next time they come up for their licensing.

16 VICE CHAIRMAN ISRAEL: They're operating under a
17 license that assumes --

18 MR. CASTRO: I understand that.

19 CHAIRMAN HARRIS: Yeah.

20 VICE CHAIRMAN ISRAEL: -- all these contracts are
21 whole through the end of the meet.

22 MR. CASTRO: And I -- and I appreciate that and I
23 want to keep it that way. But come April if they're going to
24 change their business model in any way I don't want us to get
25 lost in the process. And if we do get lost in the process, not

1 only my organization but who knows what other organizations
2 behind me, I would hope that you wouldn't give them a
3 license --

4 COMMISSIONER BRACKPOOL: We can only deal with the
5 facts --

6 MR. CASTRO: -- until we were made whole.

7 COMMISSIONER BRACKPOOL: -- in front of us, and the
8 facts aren't in front of us at this time.

9 CHAIRMAN HARRIS: Okay.

10 MR. CASTRO: I understand that. I'm just letting you
11 know --

12 VICE CHAIRMAN ISRAEL: It's a hypothetical thing.

13 MR. CASTRO: -- how I feel.

14 MR. SCOGGINS: Yeah. And MID and MEC are aware of
15 this issue.

16 VICE CHAIRMAN ISRAEL: Okay.

17 CHAIRMAN HARRIS: Okay.

18 MR. CASTRO: Thank you.

19 CHAIRMAN HARRIS: Thank you.

20 COMMISSIONER ROSENBERG: John, excuse me, on the
21 SCOTWINC -- SCOTWINC, is there a joint venture between your two
22 organization -- between -- between a horsemen's organization
23 and the -- the TOC and whom? What -- what is the entity? I'm
24 not clear on that. Is there an actual entity and, if so, why
25 isn't someone here from that entity?

1 MR. SCOGGINS: If you're asking what comprises
2 SCOTWINC?

3 COMMISSIONER ROSENBERG: Yeah. What is it exactly?

4 MR. SCOGGINS: SCOTWINC is a corporation --

5 COMMISSIONER ROSENBERG: Right.

6 MR. SCOGGINS: -- the shareholders of which, and
7 I'll probably need some help, are Del Mar, Hollywood Park LA
8 Turf Club, Oaktree, and I believe the TOC. And --

9 COMMISSIONER ROSENBERG: Fairplex maybe?

10 CHAIRMAN HARRIS: I think the fairs were there
11 somewhere.

12 VICE CHAIRMAN ISRAEL: Fairplex is somehow in there.

13 MR. SCOGGINS: And I know CARF is a member of
14 NOTWINC, and they all collectively own SCOTWINC. They have
15 representatives on the board of directors for SCOTWINC.
16 SCOTWINC is essentially a nonprofit corporation for purposes of
17 dealing with its costs and then passing on any additional
18 items. You know, to the extent it's not in a deficit where it
19 finds itself now, it's designed to be a zero balance.

20 COMMISSIONER ROSENBERG: Does that board -- or do
21 they have an executive running SCOTWINC or just the board runs
22 it?

23 MR. SCOGGINS: No. There is an executive who runs
24 SCOTWINC. His name is Tom Varela.

25 COMMISSIONER ROSENBERG: Oh. Okay.

1 MR. VARELA: I'm Tom Varela, general manager of
2 SCOTWINC. And it's -- it's what Greg has --

3 COMMISSIONER ROSENBERG: My question really is --

4 MR. BLONIEN: -- has described.

5 COMMISSIONER ROSENBERG: -- is in determining these
6 deficits in operation are there discussions about any changes
7 to be made to reduce these deficits? --

8 MR. VARELA: Yes. Whereas --

9 COMMISSIONER ROSENBERG: -- other than raising more
10 money?

11 MR. VARELA: Yes. As Guy -- as Guy mentioned we're
12 in discussions with the various stakeholders in -- in reducing
13 these deficits --

14 COMMISSIONER ROSENBERG: Okay.

15 MR. VARELA: -- or looking for solutions.

16 COMMISSIONER ROSENBERG: Okay.

17 CHAIRMAN HARRIS: Yeah. It might be helpful for the
18 board if -- if some of these different groups could put
19 together a summary of what they do and who owns them and all
20 that. Because we -- we go through all these different WINCs
21 and funds, and it does get kind of convoluted for -- for
22 everybody.

23 COMMISSIONER ROSENBERG: Yeah. We see the handle
24 from these places but we don't see the expenses. It would be
25 nice to see the expenses and where they go.

1 CHAIRMAN HARRIS: Yeah.

2 MR. VARELA: We send auditor reports --

3 COMMISSIONER DEREK: Yeah.

4 MR. VARELA: -- every year.

5 CHAIRMAN HARRIS: Well, anyway, we're getting kind of

6 off the, well, the subject. We're on a subject of agenda on

7 the -- on the -- I think part of the problem with facilities,

8 some facilities do -- are more economical to operate than

9 others as far as revenues and expenses. So that's going to be

10 the challenge.

11 COMMISSIONER ROSENBERG: What time's your flight?

12 CHAIRMAN HARRIS: Yeah.

13 MR. SCOGGINS: Yeah. If I can make it, 2:20. It

14 looks like --

15 CHAIRMAN HARRIS: Okay.

16 MR. SCOGGINS: -- I'm in good shape.

17 COMMISSIONER ROSENBERG: You better go.

18 CHAIRMAN HARRIS: You better go. Okay.

19 MR. SCOGGINS: Thank you all.

20 CHAIRMAN HARRIS: I'm good with that.

21 MR. SCOGGINS: Happy new year.

22 COMMISSIONER ROSENBERG: Happy new year.

23 CHAIRMAN HARRIS: Okay. Now we're getting back to

24 the agenda. We've got -- on the resolution, I'm thinking

25 Richard Shapiro. There was also one for John Andrini

1 (phonetic), neither of which can be here. So we're going to
2 defer those until sometime in the future that we both are --
3 have -- the board's officially signed them.

4 Next is the -- and I want to thank both John and --
5 and Richard for all the great service they did to the -- the --
6 for the industry.

7 The third item is application to operate a satellite
8 wagering facility submitted by the San Bernardino County Fair
9 in Victorville.

10 MS. WAGNER: Jackie Wagner, CHRB staff. The
11 application before you is from the San Bernardino County Fair
12 at Victorville. They actually opened their racing -- excuse
13 me, their simulcast facility back in April of 2006. They've
14 submitted a letter to the board indicating that during the last
15 several years the facility has experienced significant decline
16 in revenue and attendance.

17 The board in response to that took a look at the
18 horse racing trend and they conducted attendance and revenue
19 studies and decided rather than to close the facility they
20 opted to relocate the facility to a smaller building on the
21 fairgrounds. Thus, we have the application from Victorville.

22 The current facility occupies approximately 8,000
23 square feet, and they are planning to downsize their facility
24 to approximately 3,000 square feet. The facility is scheduled
25 to move on January the 21st, 2010.

1 The application primarily is -- is just a procedural
2 thing since they are, indeed, operating. We have been working
3 with the facility. They have submitted the information that we
4 needed for the current operations of the facility. There are
5 some items that are missing in the analysis and we will
6 continue to work with the facility in capturing those
7 documents.

8 The staff would recommend that the board approve the
9 application, contingent upon us receiving the missing
10 documents. We do have a representative --

11 COMMISSIONER CHOPER: Do we have --

12 MS. WAGNER: -- if you have any questions.

13 COMMISSIONER CHOPER: Do we have the documents?

14 MS. WAGNER: We are in the process of getting the
15 horsemen's agreement, the resolution of the governing body,
16 and -- and a detailed scale plan of the facility. They will be
17 providing those to us.

18 COMMISSIONER CHOPER: Okay.

19 MS. WAGNER: It's more of a procedural things.

20 VICE CHAIRMAN ISRAEL: Has anybody raised any
21 objections?

22 MS. WAGNER: No.

23 VICE CHAIRMAN ISRAEL: Okay.

24 MS. WAGNER: I haven't heard any objections.

25 CHAIRMAN HARRIS: Well, I would include -- I thought

1 there was a new -- our we talking about there was a new
2 facility built but now you want to move into an older facility?

3 MR. ALSTOTT: Actually, we've been -- I'm sorry. Ken
4 Alstott. I'm the CEO of the 28th District AG Association, dba,
5 San Bernardino Fairgrounds.

6 The facility opened in the mid-'80s, actually, and
7 has been in operation for some 30-some years now. We have on
8 the same complex there a building that is smaller that we have
9 renovated. We have upgraded it to make it more efficient. And
10 just with our numbers and our handles we need to relocate to
11 keep the facilities open.

12 CHAIRMAN HARRIS: Yeah. What's your average daily
13 handle running?

14 MR. ALSTOTT: I couldn't give you an average. I know
15 last year, from 2009 year, approximately eight-and-a-half
16 million was generated between thoroughbred, quarter horse and
17 harness racing for the industry. I know we are small but we
18 are continuing to try to make it through the rough times here.
19 Obviously, the bankruptcy that occurred last year hurt us
20 tremendously. It was approximately 35 percent that was taken
21 from our net for the year.

22 I have here with me today and in cooperation CARF,
23 SCOTWINC, the Pari-Mutuels Guild, and Scientific Games and the
24 TOC are all here in support of this downsizing today.

25 CHAIRMAN HARRIS: I would include -- I thought in the

1 bankruptcy you didn't -- weren't you at some point made whole
2 in that, or was that just a flat write down?

3 MR. ALSTOTT: No. For a couple weeks they did help
4 us through SCOTWINC to keep our doors open. But we still have,
5 I believe it's somewhere between 21,000 to 27,000 outstanding.

6 CHAIRMAN HARRIS: And that was because of who not
7 paying you, that was the two percent fee?

8 MR. ALSTOTT: Yes. That's -- that's our two percent
9 handle and the ADW money.

10 COMMISSIONER BRACKPOOL: I thought the state
11 legislation mandated that that had to be paid?

12 CHAIRMAN HARRIS: Yeah. I thought -- thought they
13 were -- you were a priority or something, that you couldn't --
14 they couldn't just write that down.

15 EXECUTIVE DIRECTOR BREED: I assumed that they had
16 been paid, but I need to hear from CARF on this or something if
17 there are any other outstanding bills (inaudible).

18 COMMISSIONER BRACKPOOL: I thought that was resolved
19 already.

20 EXECUTIVE DIRECTOR BREED: Chris, can you --

21 MR. KORBY: Chris Korby, California Authority of
22 Racing Fairs. Can I hear the --

23 EXECUTIVE DIRECTOR BREED: What is the outstanding
24 loss of the -- on the -- on the Santa Anita bankruptcy? It's
25 still -- are there any outstanding --

1 MR. KORBY: Yes, there are.

2 EXECUTIVE DIRECTOR BREED: -- debts?

3 MR. KORBY: And we're -- we're pressing that claim.

4 EXECUTIVE DIRECTOR BREED: Could you --

5 MR. KORBY: I don't have all those figures.

6 EXECUTIVE DIRECTOR BREED: -- enlighten us, how much
7 it is?

8 MR. KORBY: I -- I can furnish them to you in --
9 in -- in exactitude, but I don't have that information here
10 with me today.

11 COMMISSIONER BRACKPOOL: Instead of the numbers --

12 MR. KORBY: As a matter of fact --

13 COMMISSIONER BRACKPOOL: -- can you -- can you just
14 tell us the categories that are outstanding?

15 MR. KORBY: They are the -- for -- for the satellite
16 facilities it's the --

17 CHAIRMAN HARRIS: Yeah.

18 MR. KORBY: -- it's the statutory location fees, it's
19 the two percent location fees. They were --

20 COMMISSIONER BRACKPOOL: And the state legislation
21 that was passed last year did not take care of that?

22 MR. KORBY: Not for the Magna bankruptcy.

23 VICE CHAIRMAN ISRAEL: It's for the -- that period of
24 time between their last payment March 5th, or whatever it
25 was --

1 MR. KORBY: Yes, sir, that's correct.

2 VICE CHAIRMAN ISRAEL: -- and that dead period where
3 they didn't --

4 MR. KORBY: Right.

5 VICE CHAIRMAN ISRAEL: -- pay anybody; right?

6 COMMISSIONER BRACKPOOL: So it would be --

7 COMMISSIONER CHOPER: So you have no idea?

8 COMMISSIONER BRACKPOOL: -- the unsecured creditors
9 pool at Magna?

10 CHAIRMAN HARRIS: Yeah.

11 COMMISSIONER CHOPER: Right.

12 MR. KORBY: We're -- that's -- we're being considered
13 that now.

14 VICE CHAIRMAN ISRAEL: By the judge.

15 MR. KORBY: But we're -- we're asking the court to
16 reconsider that. And perhaps the developments in the Magna
17 bankruptcy case will -- will --

18 COMMISSIONER CHOPER: You have no idea whether --

19 MR. KORBY: -- influence the outcome.

20 COMMISSIONER CHOPER: -- whether that's in the
21 creditors agreement?

22 MR. KORBY: We don't know that yet.

23 COMMISSIONER CHOPER: You don't know -- you don't
24 know yet?

25 CHAIRMAN HARRIS: But you consider yourself a secured

1 creditor versus an unsecured creditor?

2 MR. KORBY: Well, we -- we believe that the -- our --
3 our -- our category is actually a little different from a
4 creditor. I'm not an attorney so --

5 CHAIRMAN HARRIS: Yeah.

6 MR. KORBY: -- I'm not going to make this distinction
7 very well. But we believe that those are statutory --

8 CHAIRMAN HARRIS: Uh-huh.

9 MR. KORBY: -- obligations on the part of the racing
10 association, and they really don't fall under the same category
11 as a contractual creditor.

12 VICE CHAIRMAN ISRAEL: Yeah. This is part of this --
13 this conversation we've been having now for months --

14 MR. KORBY: Yes.

15 VICE CHAIRMAN ISRAEL: -- I would assume, where
16 there's a class of creditors who's a contender, secured
17 creditors, and the court so far has ruled that they're
18 unsecured creditors; isn't that the case?

19 MR. KORBY: So far.

20 VICE CHAIRMAN ISRAEL: But you've -- you've
21 petitioned the court to change that rule?

22 MR. KORBY: We are continuing to do that.

23 VICE CHAIRMAN ISRAEL: Okay.

24 MR. KORBY: That's correct.

25 CHAIRMAN HARRIS: So -- so some of those were the RGS

1 and some of those --

2 VICE CHAIRMAN ISRAEL: Yes. Those are -- those are
3 all short.

4 CHAIRMAN HARRIS: But -- but this deal would seem
5 like it would be more similar to state sales tax or --

6 VICE CHAIRMAN ISRAEL: Right.

7 CHAIRMAN HARRIS: -- things like that, that was due,
8 that -- that -- that I thought the AG's office had represented
9 you in and kind of prevailed.

10 COMMISSIONER BRACKPOOL: You know, as the Magna
11 bankruptcy winds its way towards hopefully a good close maybe,
12 Kirk, it would be a useful thing if we could get for the next
13 meeting a listing of which entities that are important here are
14 still owed money, and what their category is, and whether
15 they're still disputing their category.

16 MR. KORBY: Well, we'd -- we'd be glad --

17 COMMISSIONER BRACKPOOL: And --

18 MR. KORBY: -- to furnish that information to the
19 board --

20 COMMISSIONER CHOPER: Yeah.

21 MR. KORBY: -- for --

22 COMMISSIONER BRACKPOOL: Well, for review, certainly.

23 MR. KORBY: -- for our (inaudible).

24 COMMISSIONER BRACKPOOL: But others --

25 COMMISSIONER BRACKPOOL: -- just that we can see

1 before we come up with the re-licensing --

2 COMMISSIONER CHOPER: And what we can expect.

3 COMMISSIONER BRACKPOOL: -- who else is out --
4 exactly.

5 VICE CHAIRMAN ISRAEL: Well, I think there was --
6 when SCOTWINC and NOTWINC were --

7 MR. KORBY: Right.

8 VICE CHAIRMAN ISRAEL: -- shorted, is that not right?

9 MR. KORBY: That's correct.

10 COMMISSIONER CHOPER: He had that once.

11 MR. KORBY: And we're -- we're --

12 COMMISSIONER BRACKPOOL: But let's just get a
13 comprehensive listing --

14 MR. KORBY: We're working together --

15 COMMISSIONER BRACKPOOL: -- so that we can --

16 MR. KORBY: -- within the industry on --

17 CHAIRMAN HARRIS: Yeah.

18 VICE CHAIRMAN ISRAEL: So you've formed a consortium
19 of creditors to file this petition as a class, is that what --

20 MR. KORBY: Not as a class. But we've -- we, as a
21 group of California racing interests who are owed money --

22 VICE CHAIRMAN ISRAEL: Right.

23 MR. KORBY: -- in statute -- in statutory --

24 VICE CHAIRMAN ISRAEL: Yeah.

25 MR. KORBY: -- obligations we have gone back to the

1 court and asked that -- that they -- that that be reconsidered
2 in the -- in the -- in the bankruptcy findings.

3 CHAIRMAN HARRIS: Yeah.

4 VICE CHAIRMAN ISRAEL: Okay.

5 CHAIRMAN HARRIS: Because the -- the problems is when
6 somebody made a wager there's supposed to be two percent going
7 to these guys. It was never really the property of Magna.
8 They were just holding it to pay them --

9 COMMISSIONER BRACKPOOL: Right.

10 CHAIRMAN HARRIS: -- but then they didn't pay them.

11 VICE CHAIRMAN ISRAEL: Right. But there was --
12 there's like a three week hold on that dole out.

13 CHAIRMAN HARRIS: The dole out?

14 VICE CHAIRMAN ISRAEL: It was -- it was -- was it --
15 well, how -- how long?

16 MR. KORBY: I've just been informed that --

17 VICE CHAIRMAN ISRAEL: How many weeks were unpaid,
18 two or thee weeks?

19 CHAIRMAN HARRIS: No. It was more than that, I
20 think.

21 MR. KORBY: No. More than that.

22 VICE CHAIRMAN ISRAEL: Oh, it was more than that?

23 CHAIRMAN HARRIS: It wasn't like they -- they
24 didn't -- they were behind in paying them anyway. It wasn't
25 just -- it -- it -- they were in arrears all along.

1 VICE CHAIRMAN ISRAEL: I thought it was just part of
2 the --

3 MR. KORBY: I've just been informed that that motion
4 is to be heard at the bankruptcy court on the 25th.

5 VICE CHAIRMAN ISRAEL: Oh. Okay. So, all right.

6 MR. KORBY: So we may -- we have may have --

7 VICE CHAIRMAN ISRAEL: So you're moving forward.
8 Okay.

9 MR. KORBY: -- disposition of it at that time.

10 COMMISSIONER BRACKPOOL: But let's get that
11 comprehensive listing anyway.

12 MR. KORBY: But if I might I'd -- I'd like to speak
13 in support of -- of this relocation. I think the Victorville
14 Fair and -- and Ken Alstott should be applauded for what
15 they're doing. He's -- he's doing what he can to keep the
16 facility open. He was operating a facility that was -- that
17 was essentially too large for their operations. The costs were
18 a burden. And rather than closing his doors he's made an
19 investment in resizing the facility, which we support. We've
20 helped financially. The Department of Agriculture supports
21 this move. We -- we think the board should approve it --

22 VICE CHAIRMAN ISRAEL: Look, in any --

23 MR. KORBY: -- posthaste.

24 VICE CHAIRMAN ISRAEL: -- in any entertainment
25 business the smaller, more energetic, more lively room is

1 appealing. So -- and a big dead room is unappealing. This --
2 this actually will maybe make people want to come back more
3 frequently because it will increase the excitement at the
4 venue. So it's --

5 MR. KORBY: I would agree.

6 VICE CHAIRMAN ISRAEL: -- it's a good idea.

7 COMMISSIONER MOSS: Is this the only facility in San
8 Bernardino that does this?

9 MR. ALSTOTT: In the high desert. San Bernardino
10 County itself has the Orange Show that also has a license --

11 MR. KORBY: If -- if I might --

12 MR. ALSTOTT: -- approximately 45 miles away.

13 MR. KORBY: -- this facility is actually in
14 Victorville. The San Bernardino County Fair is located in
15 Victorville. There -- there's a facility in the City of San
16 Bernardino that's operated by the National Orange Show, which
17 is a different facility.

18 COMMISSIONER MOSS: But that's 45 miles away, as he
19 said; correct?

20 MR. KORBY: Yes.

21 COMMISSIONER MOSS: Yeah.

22 CHAIRMAN HARRIS: Okay. Well, I think we, you
23 know -- you know, applaud you trying to -- to fix it. It's
24 just it's sad that it came about that way. And I think we need
25 to do anything we can to collect any receivables you have that

1 need to be collected.

2 MR. KORBY: Thank you. I'll be glad to answer any
3 further questions if they come up.

4 CHAIRMAN HARRIS: Do we have a motion to approve
5 this?

6 MR. MARTEN: I have just one comment, chairman. Mike
7 Marten, CHRB staff.

8 CHAIRMAN HARRIS: Yeah.

9 MR. MARTEN: I didn't want the record to show that
10 there was no opposition. There -- there were two fans that
11 wrote. And in my capacity as public information officer I
12 responded to them. And I -- I don't believe I shared those
13 with Jackie. It would be my mistake. And their concern was
14 that -- they had absolutely no complaint against the new
15 facility. They thought that the downsizing expressed an
16 attitude by the fair district against racing. And I've spoken
17 with Ken here and -- and he seems to think that he's been
18 working with these two gentlemen and -- and -- and resolving
19 their concerns.

20 But I just wanted the record to show that there were
21 two communications.

22 CHAIRMAN HARRIS: Okay.

23 MR. SCHWARTZ: Steve Schwartz for the Thoroughbred
24 Owners of California.

25 We support this application also. We see this

1 attempt at installing newer equipment, better quality
2 television sets, and a smaller enclosure creating a more
3 comfortable environment, which may help improve numbers in
4 the -- in the future. Thank you.

5 CHAIRMAN HARRIS: Okay. Thank you.

6 COMMISSIONER MOSS: I move that we approve the
7 application.

8 CHAIRMAN HARRIS: We've got one more -- one more
9 comment here.

10 MR. KORBY: Very briefly. I -- I would like to what
11 Mike said. And, Mike, thanks for your report.

12 Ken may be too shy to -- to say this, but I don't
13 know of -- of any manager of a fair that has a satellite that's
14 gone more out of his way to solicit the opinions and goodwill
15 of his patrons. He's held focus groups, informed people well
16 in advance that -- that possibility of this change was coming,
17 kept them posted as -- as to what the changes might be. And
18 now that it's happening they've been fully informed along the
19 way.

20 So I think Ken has done everything he can to reach
21 out to the patrons there and -- and let them know that this
22 is -- this is in order to keep the facility open, and it's not
23 to inconvenience them. Thank you.

24 CHAIRMAN HARRIS: All right. Okay. It's a motion.
25 Is there a second?

1 COMMISSIONER BRACKPOOL: I'll second that.

2 VICE CHAIRMAN ISRAEL: Second.

3 CHAIRMAN HARRIS: All in favor?

4 ALL BOARD MEMBERS: Aye.

5 CHAIRMAN HARRIS: Okay.

6 EXECUTIVE DIRECTOR BREED: Mr. Chairman, if -- if
7 anybody wants to speak on any of the other items would you call
8 fill out a -- one of the cards so that we can move this along a
9 little bit better? Otherwise we're going to get into some --

10 CHAIRMAN HARRIS: Yeah.

11 EXECUTIVE DIRECTOR BREED: -- problems here.

12 CHAIRMAN HARRIS: Okay. Let's go on to --

13 EXECUTIVE DIRECTOR BREED: Thank you, Ken.

14 MR. ALSTOTT: Thank you.

15 CHAIRMAN HARRIS: -- the jockey riding fee, which --
16 go ahead, Jackie.

17 EXECUTIVE DIRECTOR BREED: Item number four.

18 MS. WAGNER: Item number four, the public hearing and
19 action by the board regarding the proposed amendment of Rule
20 1632, jockey riding fee.

21 As you are aware, AB649 added a new section to the
22 horse racing law that provided that effective January 1, 2010,
23 the scale of minimum jockey riding fees for losing mounts shall
24 be increased by \$10.00.

25 The amendment before you is the amendment to Rule

1 1632 that increases the amount of the jockeys' fees \$10.00 for
2 the second and third place -- second and third place mounts,
3 and it also increases -- it also increases the -- the -- excuse
4 me, also eliminates the purse categories of 599,000 to 1,499,
5 and it appears there's no more gross purses that fall below
6 \$1,499.

7 The amendment has been out for 45 days. Staff
8 received no comments on the proposal and would recommend that
9 the board adopt it as presented.

10 CHAIRMAN HARRIS: Okay. Discussion of this?

11 COMMISSIONER CHOPER: I'll make that motion.

12 CHAIRMAN HARRIS: Okay.

13 COMMISSIONER MOSS: Second.

14 CHAIRMAN HARRIS: All in favor?

15 ALL BOARD MEMBERS: Aye.

16 CHAIRMAN HARRIS: Okay. We'll go on to Item 5. This
17 is the alternative whips.

18 MS. WAGNER: Right.

19 EXECUTIVE DIRECTOR BREED: The new whips.

20 CHAIRMAN HARRIS: The new whips. Yeah.

21 MS. WAGNER: Item number five, public hearing and
22 action by the board regarding the proposed amendment of Rule
23 1685, equipment requirement. The proposed amendment to Rule
24 1685 adds the specifications for the use of a kind of
25 alternative whip. The whip was -- the language was of adopted

1 by the ARCI.

2 The notice has been out for 45 days. Staff received
3 no comments on the proposal and would recommend that the board
4 adopt it as presented.

5 VICE CHAIRMAN ISRAEL: So moved.

6 COMMISSIONER MOSS: Second.

7 CHAIRMAN HARRIS: All in favor?

8 ALL BOARD MEMBERS: Aye.

9 CHAIRMAN HARRIS: Okay. Okay. The next one is Item
10 6. I'm sure we have a few people commenting on. And
11 discussion and action by the board regarding random drug
12 testing of jockeys, which I was the one that originally brought
13 this up. What I envisioned was -- was more -- was that, plus
14 making some medication screening a part of the annual physical
15 examination. But I'm not sure what we have on the write-up on
16 this.

17 EXECUTIVE DIRECTOR BREED: Jackie, did you -- you
18 didn't have -- you just put in here the three or four -- three
19 of the other state's --

20 MS. WAGNER: Right. What you have in your -- in your
21 analysis in response to the -- the request for this item to be
22 placed on the agenda, as we, staff, conducted a survey of other
23 racing jurisdictions to determine what was going on in terms --
24 in the racing industry as it pertains to random drug testing
25 several jurisdictions now conduct random drug testing of

1 jockeys.

2 We surveyed Illinois, Louisiana and Delaware. These
3 jurisdictions now conduct random drug testing of jockeys and
4 other licensees. New York, our information is that they're in
5 the process of considering random drug testing procedures, but
6 they have not completed the regulatory process and were unable
7 to share any regulatory language with -- with us. In addition,
8 we found out the ARCI provides for drug testing that includes
9 random testing.

10 What you have in your package are the --

11 EXECUTIVE DIRECTOR BREED: Excuse me. Just a
12 question.

13 MS. WAGNER: Uh-huh.

14 EXECUTIVE DIRECTOR BREED: On the ARCI model --

15 MS. WAGNER: Uh-huh.

16 EXECUTIVE DIRECTOR BREED: -- model rule, we can
17 adopt that rule without going through the 45 day period or no?

18 MS. WAGNER: No, we can not. We would have to
19 develop our rule for California. The horse racing law only
20 allows us to use the ARCI Rules as it pertains to pari-mutuel
21 wagering. So what -- what we've included in the package is the
22 language that is out there currently for other jurisdictions.
23 And staff would actually recommend that board, if it wishes to
24 consider moving forward with this, instruct us to go back and
25 develop language for California.

1 CHAIRMAN HARRIS: Yeah. Well --

2 MS. WAGNER: Of course, it would take --

3 CHAIRMAN HARRIS: Yeah. That's the purpose of what I
4 was trying to do is this is not going to be, you know, really
5 decided in finality today. But my concern was it's for the
6 safety of all the participants, not -- not just, you know,
7 not -- not trying to do any unwarranted intrusion on
8 anyone's -- but what -- what I'm concerned about is like we're
9 in a trucking business. The -- the national, whatever, board
10 is that regulates transportation does have requirements for
11 physical exams of truck drivers every -- every so often.
12 And -- and also they've got a protocol set up for random exams.

13 And, I mean, I think there are, you know, relatively
14 few jockeys that are on any prohibited medications. But there
15 is always chatter on that. And really, if someone does have a
16 problem and it gets out of control it -- it -- it's to the
17 detriment of -- of the whole, all the competitors.

18 So I think we just need to have something. Right now
19 we have absolutely nothing. There's no -- you could be on
20 anything and -- and ride if you --

21 VICE CHAIRMAN ISRAEL: Can I -- can I first ask both
22 Bob Miller and Barry, since you're there, just what California
23 Law provides for in the way of employment related random drug
24 testing.

25 MR. BROAD: Well, Barry Broad on behalf of the

1 Jockeys Guild.

2 Fortunately for all of you, I happen to represent
3 basically the unions that represent everybody who's subject to
4 mandatory drug testing, including random drug testing, because
5 I represent truck drivers, bus drivers, train operators, ship
6 captains. I got them all.

7 And there, as the chairman pointed out, there's a
8 comprehensive set of guidelines -- well, regulations about that
9 thick of the US Department of Transportation dealing not only
10 with the circumstances and rules under which the testing --
11 when it occurs, but also, and this is the part that's kind of
12 missing from this ARCI model rule, and what I noticed in the
13 other state rules, there's a lot of issues related to the
14 actual making sure, for example, you're using accredited
15 laboratories.

16 CHAIRMAN HARRIS: Yeah.

17 MR. BROAD: There are bad labs. There are -- that
18 the sample is taken in an inappropriate way. It has to be a
19 split sample. You're familiar with this.

20 CHAIRMAN HARRIS: Yeah.

21 MR. BROAD: It -- it's really -- what I would
22 recommend, and -- and we don't opposed this, although the
23 jockeys kind of feel like they're getting picked on, you know,
24 why shouldn't they, you know, randomly test all the other
25 people that are out here, you know, just -- and -- and, you

1 know, that's a decision that you have to make.

2 But my thought about this is that since we don't
3 oppose this fundamentally, that you form one of these kind of
4 working groups that you've done in the past with the staff and
5 with us and whoever else shows some interest. Because my idea
6 would be not to reinvent the wheel here but to adopt by
7 reference the federal regulations and guidelines, because it's
8 been around since about 1990. All the kinks are out of it.
9 We're talking about millions of employees across the United
10 States that are routinely tested.

11 There are also just detail issues you have to think
12 about. There are limits, for example, if somebody comes up,
13 and if you have a little group like you have here, you have to
14 decide how often you're randomly testing people. And you
15 can't, even by chance -- it's not really fair that if you flip
16 a coin so many times and the same person gets tested three
17 times in a row and somebody else never gets tested. So there's
18 usually rules about how often you can be randomly tested, you
19 know, like move on to the next person.

20 It's very expensive. And what's happened in the
21 trucking industry, particularly in the unionized side where
22 you've got higher paid drivers, is that people with drug and
23 alcohol problems washed out in this thing in about 1991. And
24 the companies are now paying -- you know, it's about, you know,
25 around a hundred and something bucks a shot here for the

1 testing, and so it's a considerable cost. And so you have to
2 really think about if you're getting no positives, eventually
3 you might want to scale it back a little bit because it's just
4 throwing money -- I mean, unless you want to keep laboratories
5 in business, it's just throwing money away if you don't -- if
6 you really don't have a problem.

7 CHAIRMAN HARRIS: No. That may be --

8 VICE CHAIRMAN ISRAEL: Is -- is an accident
9 something -- constitute a probably cause, for instance?

10 MR. BROAD: Well, there's random testing and there's
11 probably suspicion testing. Now probably suspicion testing is,
12 you know, something happens, and then there's post-accident
13 testing. Those are the three things. So --

14 VICE CHAIRMAN ISRAEL: Okay.

15 MR. BROAD: -- let's assume these guys are the truck
16 drivers of prior century; right? They're operating --

17 VICE CHAIRMAN ISRAEL: They're Teamsters.

18 MR. BROAD: Right, they're Teamsters. So they're
19 driving this horse. If they're -- if this was an analogous to
20 the federal system any time there's an accident they would be
21 tested. Now I don't know if in the circumstance of horse
22 racing, I don't know if every time there's any accident
23 everybody gets tested makes sense. But that's -- would be the
24 rule if you were a truck driver or a bus driver or a train
25 operator.

1 VICE CHAIRMAN ISRAEL: Yes. That's right.

2 MR. BROAD: There's probably suspicion testing when
3 there's a reasonable belief that you might be intoxicated, and
4 there's random testing.

5 The answer to your question, David, is that there is
6 no statutory law here in California. This is all done by case
7 law in terms of what the rights are. But generally speaking
8 employers have the right to test --

9 VICE CHAIRMAN ISRAEL: Okay.

10 MR. BROAD: -- not generally random testing, but
11 government agencies that regulate licensing can impose that.

12 VICE CHAIRMAN ISRAEL: Uh-huh.

13 MR. BROAD: In this case it would be pretty easy to
14 say we're -- that the standards for what labs you use, how you
15 take the test, what types of testing, you know, the actual
16 testing, you know, there's different -- literally, you know,
17 you can test hair follicles, you can test blood, you can test
18 urine, that the actual process, which labs, how to control the
19 chain of custody and all that stuff, which you guys are
20 familiar with because of the horses, that has -- there has to
21 be integrity to that and you have to protect the rights of the
22 person, the licensee, more than you do the rights of an animal,
23 although you guys do pretty good protecting the rights of the
24 owners. This thing, they seem to -- or the trainers seem to
25 get away with quite a lot of drugging around here. But

1 anyway --

2 CHAIRMAN HARRIS: Well, I'm not sure if that's --

3 MR. BROAD: Well, that's because unlike this proposed
4 test, which is zero tolerance, with the animals you guys don't
5 do zero tolerance. It's like only so much opium and marijuana
6 and methamphetamines.

7 CHAIRMAN HARRIS: Well, look, I --

8 MR. BROAD: But anyway, well, it's different --

9 CHAIRMAN HARRIS: Oh, now --

10 MR. BROAD: -- because they're animals.

11 CHAIRMAN HARRIS: Well --

12 MR. BROAD: I recognize that. Anyways --

13 CHAIRMAN HARRIS: -- I think it can be set up any
14 way -- way -- way we want as the --

15 MR. BROAD: We're stricter on --

16 CHAIRMAN HARRIS: Look --

17 MR. BROAD: We're stricter on people.

18 VICE CHAIRMAN ISRAEL: Opium addiction among horses
19 is a disease, by the way. You need to understand that.

20 MR. BROAD: Yes. I will tell you -- or at least
21 methamphetamine --

22 CHAIRMAN HARRIS: I don't think there's too many
23 people going around --

24 MR. BROAD: -- addiction might be.

25 CHAIRMAN HARRIS: -- with just a little bit of

1 cocaine in them.

2 MR. BROAD: Anyway, different drugs, different
3 problems, different, you know, solutions in search of a
4 problem.

5 But anyway, the -- the -- I don't think you have
6 constitutional problems. You don't -- so there's no -- I'm not
7 going to raise those kind of issues. The issues are technical
8 issues and they're very serious technical issues.

9 So my suggestion is that we not reinvent the wheel,
10 that on a lot of that stuff we just operate by reference to
11 those rules which are really high end rules. And -- and then,
12 really, it's a discussion of what the regiment is and how often
13 it's done. You know, it doesn't -- if these guys are moving
14 from track to track you don't want to -- you want it to be sort
15 of over the course of a year so they're not randomly -- one
16 person is not randomly tested 52 times and another person not
17 at all, and so that we don't overdo it. But I -- I think it
18 can be done. But I would like it if you would agree to do this
19 kind of in a collaborative process rather than --

20 COMMISSIONER CHOPER: Well, I -- I agree with
21 everything you say.

22 VICE CHAIRMAN ISRAEL: Yeah. Right. Yeah.

23 COMMISSIONER CHOPER: One -- I'd just add one thing.
24 I think you ought to take a look at the three states that
25 have --

1 MR. BROAD: Right.

2 COMMISSIONER CHOPER: -- systems. Because while --
3 while everything you say is accurate, they're the best source
4 of problems that are peculiar to the people that we're talking
5 about here.

6 MR. BROAD: Well, I think probably what we ought to
7 do, the first thing is if we have a meeting like this set up
8 and have a conference call with the regulators from those
9 states and say is this thing working in your state? What are
10 the problems? If you had to do it all over again how would you
11 do it differently? And see if we can benefit from the wisdom
12 accumulated by the people that have been doing this.

13 COMMISSIONER CHOPER: You know, the other -- the
14 other thing is the fact that you find none, there may be a
15 causal relationship between the fact that there's random
16 testing --

17 MR. BROAD: Exactly.

18 COMMISSIONER CHOPER: -- and no one tests positive,
19 and once you stop it --

20 MR. BROAD: Exactly.

21 COMMISSIONER CHOPER: -- you know, and --

22 MR. BROAD: And that's why the question --

23 VICE CHAIRMAN ISRAEL: That's what's going on in all
24 sports.

25 MR. BROAD: The question is: At some point --

1 VICE CHAIRMAN ISRAEL: Yeah. At what point.

2 MR. BROAD: At what --

3 COMMISSIONER CHOPER: That point now.

4 MR. BROAD: Quickly you typically get the people that
5 are drug addicts, because they can't control their behavior.

6 VICE CHAIRMAN ISRAEL: Right.

7 MR. BROAD: But what happens after that is if
8 somebody knew comes in -- you know, people either have a
9 problem or don't. They rarely just start in the middle, it
10 happens, but they don't generally just start a new drug
11 addiction very often, especially in such a small group as this.
12 You know, these -- these guys know each other. They know who
13 the problems are. You know, Darrell has had the conversation.
14 They kind of know how to tip off their -- I mean, they know who
15 has the problem.

16 VICE CHAIRMAN ISRAEL: See, this is also a sports
17 endeavor.

18 MR. BROAD: Right.

19 VICE CHAIRMAN ISRAEL: You know, it's kind of counter
20 intuitive that there's a performance enhancing drug that a
21 jockey can take, but maybe there is.

22 MR. BROAD: Well, it's not so much performance
23 enhancing.

24 VICE CHAIRMAN ISRAEL: Well, the diuretic or --

25 MR. BROAD: The concern would be weight --

1 VICE CHAIRMAN ISRAEL: Right.

2 MR. BROAD: -- loss.

3 VICE CHAIRMAN ISRAEL: So --

4 MR. BROAD: And -- and -- and the --

5 VICE CHAIRMAN ISRAEL: So know we --

6 MR. BROAD: Right.

7 VICE CHAIRMAN ISRAEL: Do we -- we have -- as part of
8 this working group we're going to have to look -- this is a
9 whole new class that's probably not included and/or anticipated
10 in any of these other --

11 MR. BROAD: Right.

12 VICE CHAIRMAN ISRAEL: -- kind of considerations.

13 MR. BROAD: I mean, see, the other thing is there
14 some pharmacological issues. You can't, for example, test
15 present -- marijuana -- methamphetamines stay in your system
16 for a very short period of time. Marijuana stays in your
17 system, or it's alkaloids in your urine stay in there, or your
18 blood --

19 VICE CHAIRMAN ISRAEL: Right.

20 MR. BROAD: -- for a very long period of time. So
21 you're not -- when you say no -- no -- it's a sort of zero
22 tolerance. There's not even a level. There is with alcohol,
23 but it's suggesting no level with any other drug. Well, the
24 reality is you're talking about something that might have
25 happened 30 to 45 days before. It's not -- it doesn't

1 necessarily measure even close to present intoxication.

2 VICE CHAIRMAN ISRAEL: No. No.

3 MR. BROAD: So then you're making an -- and then
4 diuretics is not --

5 VICE CHAIRMAN ISRAEL: Right.

6 MR. BROAD: -- is not tested for.

7 VICE CHAIRMAN ISRAEL: Right. I'm saying, in -- in
8 your -- in -- in the trucking analogy, you know, the
9 transportation analogy just doesn't hold. We need -- we need
10 to consider new classes.

11 MR. BROAD: Right. However, I'm not sure there are
12 testing protocols for humans for some of those things.

13 VICE CHAIRMAN ISRAEL: Oh, is that right? Okay.

14 MR. BROAD: There may not be. You know, generally in
15 the population we don't test for diuretics. I mean, people
16 take diuretics because they've got urinary tract issues. And
17 it's --

18 VICE CHAIRMAN ISRAEL: Yeah. I'll --

19 MR. BROAD: -- you know, it's usually -- it's not --
20 it's not a drug of abuse --

21 VICE CHAIRMAN ISRAEL: Right.

22 MR. BROAD: -- in the normal --

23 CHAIRMAN HARRIS: Well, it could be that some --

24 MR. BROAD: -- population.

25 CHAIRMAN HARRIS: -- some drugs are prescription.

1 MR. BROAD: So --

2 CHAIRMAN HARRIS: And if somebody's got a
3 prescription for something, that's a little different
4 category --

5 MR. BROAD: Right.

6 CHAIRMAN HARRIS: -- versus something we don't want
7 them to have --

8 MR. BROAD: And then we have to deal with the
9 whole -- and then there's the whole question of privacy and
10 medical privacy and prescriptions, and who that gets revealed
11 to. In other words, in what circumstances -- who knows that
12 information? So --

13 COMMISSIONER BRACKPOOL: Well, these are one of the
14 issues we appealed and having --

15 CHAIRMAN HARRIS: Yeah. This thing, we've got a lot
16 of stuff --

17 COMMISSIONER BRACKPOOL: -- a meeting with --

18 CHAIRMAN HARRIS: -- to sort out.

19 MR. BROAD: Right.

20 CHAIRMAN HARRIS: But what I don't want to do is --
21 is take about ten years to sort it out. We got to get --

22 MR. BROAD: Right.

23 CHAIRMAN HARRIS: -- get on it and get --

24 VICE CHAIRMAN ISRAEL: We'll -- we'll form --

25 MR. BROAD: Well, that's why I'm --

1 VICE CHAIRMAN ISRAEL: -- a committee and we'll do
2 it.

3 MR. BROAD: -- suggesting --

4 CHAIRMAN HARRIS: Yeah. Yeah. Right.

5 MR. BROAD: -- as much as possible adopt by reference
6 federal regulations that deal comprehensively --

7 CHAIRMAN HARRIS: Yeah.

8 MR. BROAD: -- on this subject with whatever
9 exception, as your suggesting --

10 CHAIRMAN HARRIS: No.

11 MR. BROAD: -- that may be --

12 VICE CHAIRMAN ISRAEL: Well, no. There's significant
13 sports exceptions.

14 MR. BROAD: Right.

15 VICE CHAIRMAN ISRAEL: And --

16 COMMISSIONER BRACKPOOL: We need to form that
17 committee.

18 CHAIRMAN HARRIS: Yeah.

19 VICE CHAIRMAN ISRAEL: You know, prescription doesn't
20 matter in certain instances for --

21 CHAIRMAN HARRIS: Because right now I don't think we
22 can do testing at all. I mean, I think that's if there's, you
23 know, really a high level of probably cause, maybe. But I
24 don't -- I don't think there's any testing going on now. And
25 we're spending, you know, millions testing horses.

1 EXECUTIVE DIRECTOR BREED: We can test employees.

2 COMMISSIONER ROSENBERG: You know, in Delaware -- in
3 Delaware there's a clause written. Is that -- is that in
4 effect now? Do you know if Delaware is in effect? Are you
5 aware of that? Because, like I said, they -- they -- they test
6 everyone who's licensed, except owners.

7 EXECUTIVE DIRECTOR BREED: Yeah.

8 CHAIRMAN HARRIS: Yeah.

9 COMMISSIONER ROSENBERG: Which is a huge test.

10 EXECUTIVE DIRECTOR BREED: So does Louisiana.

11 COMMISSIONER ROSENBERG: -- all the backstretch
12 personnel, employees of owners, even if --

13 VICE CHAIRMAN ISRAEL: Well --

14 COMMISSIONER ROSENBERG: -- they're not licensed.

15 VICE CHAIRMAN ISRAEL: But randomly.

16 COMMISSIONER DEREK: Randomly.

17 CHAIRMAN HARRIS: Yeah. But randomly.

18 VICE CHAIRMAN ISRAEL: That's just a few.

19 CHAIRMAN HARRIS: We're talking about people walking
20 around the backstretch, you know, employees of --

21 VICE CHAIRMAN ISRAEL: Well, they're on horses,
22 actually.

23 CHAIRMAN HARRIS: Well, not all of them.

24 MR. BROAD: Well, that's going to be --

25 VICE CHAIRMAN ISRAEL: Exercise riders are

1 probably --

2 CHAIRMAN HARRIS: Not all of them. Yeah.

3 MR. BROAD: I mean, that's a point. That's a good
4 point. That's what --

5 VICE CHAIRMAN ISRAEL: Yeah.

6 MR. BROAD: -- the point the jockey's are making
7 here, you know, hey, let's all make it a whole big giant thing
8 for everything. But I have to point out that you're going to
9 get into some very major costs.

10 VICE CHAIRMAN ISRAEL: Look, we -- we need to form a
11 committee.

12 CHAIRMAN HARRIS: Yeah.

13 COMMISSIONER DEREK: Yeah.

14 VICE CHAIRMAN ISRAEL: There are a million questions.

15 MR. BROAD: I'll be on it if you want me to be.

16 VICE CHAIRMAN ISRAEL: You're on.

17 CHAIRMAN HARRIS: We'll consider that.

18 COMMISSIONER DEREK: That's a good idea.

19 CHAIRMAN HARRIS: Okay. Well, I'd like to direct
20 Kirk to --

21 EXECUTIVE DIRECTOR BREED: Yeah.

22 CHAIRMAN HARRIS: -- put together a committee, and
23 let's try to keep it moving, I'm going to be gone by then, but
24 keep something moving along where -- I mean, it's better to get
25 something than nothing and -- but it does have to be done

1 right. I mean, the testing has got to be defined and --

2 VICE CHAIRMAN ISRAEL: Well, before you leave we --

3 CHAIRMAN HARRIS: -- the random one.

4 VICE CHAIRMAN ISRAEL: We need a urine sample before
5 you go.

6 CHAIRMAN HARRIS: Yeah. Okay. Well, okay. What's
7 the next item here?

8 EXECUTIVE DIRECTOR BREED: Seven.

9 CHAIRMAN HARRIS: Seven.

10 VICE CHAIRMAN ISRAEL: Seven.

11 CHAIRMAN HARRIS: Increase the take-out on
12 conventional and exotic wagers on races conducted by --

13 VICE CHAIRMAN ISRAEL: Quarter horses.

14 CHAIRMAN HARRIS: -- by quarter horse racing
15 associations. This is permitted by Assembly Bill 246.

16 EXECUTIVE DIRECTOR BREED: Right.

17 CHAIRMAN HARRIS: But the concept is that the board
18 has to specifically approve it.

19 EXECUTIVE DIRECTOR BREED: That's correct. And we
20 have in the -- in your folder a letter from -- what's that --
21 from Rodney Blonien, who is here today, concerning -- and
22 the -- staff analysis has put together some of the rates of
23 take-out at other -- in other states as a comparison.

24 So Rodney -- doctor -- oh.

25 CHAIRMAN HARRIS: We have all the top dogs here.

1 EXECUTIVE DIRECTOR BREED: Right.

2 CHAIRMAN HARRIS: So can you give us the rationale
3 for -- for this?

4 VICE CHAIRMAN ISRAEL: This must be important.

5 MR. BLONIEN: Good morning, Mr. Chairman and members.
6 Rod Blonien on behalf of Los Alamitos.

7 About a year ago Dr. Allred called me to inform me
8 that he had just heard that Santa Barbara would no longer be
9 taking the signal at night, the quarter horse signal, and that
10 Santa Maria had also indicated they were not going to be taking
11 the signal. And they indicated that it would -- they were
12 losing money in staying open at night to take the quarter horse
13 signal.

14 At the same time we had some dialogue with CARF and
15 we learned that other satellites were contemplating closing.
16 And among those satellites were Anderson, Eureka, Lake Perris,
17 Santa -- oh, I mentioned Santa Maria -- Tulare and Victorville.
18 And Doc said we absolutely have to do something to get some
19 more money to these people so they will stay open.

20 At the same time we find ourselves competing with
21 other states for quality quarter horse horses to race. And we
22 find that in New Mexico, Louisiana, Oklahoma, we have states
23 that have racinos and the purses there are supplemented by the
24 winnings from the slot machines. And although the racing
25 season may be short those machines are running 365 days a year,

1 24 hours a day.

2 And Doc's thought was what we should do is increase
3 the take-out by two percent, one percent to go to the
4 satellites, and the other one percent to be split between
5 commissions and purses. And some of you may recall that last
6 year we had numerous conversations in this room about seeing
7 what we could do to get more money to the minisatellites, and
8 what we could do to get more money to the satellites. And this
9 provision would not only apply to the satellites, it would also
10 apply to the mini-satellites so that their commission would be
11 three percent of the wagers placed.

12 We put this in a bill authored by now Senator Curren
13 Price, and it cleared the legislature with a very strong vote.
14 The assembly vote on May 4th was 79 ayes, no no votes. In the
15 senate on August 27th, 38 aye votes, no no votes.

16 And so we are before you today asking that we be
17 allowed to, in fact, increase our take-out as I have explained
18 it and as it's provided for in the law.

19 We should tell you that the -- currently we have, at
20 least of the states surveyed in your handout, we have the
21 lowest take-out of any state that offers quarter horse racing.
22 And we have a slight difference from the take-out rate, which
23 is reflected in your handout. Yours includes the breakage, but
24 generally we don't include breakage. But if you look at taking
25 out the breakage our -- our take-out on win, place and show

1 wagers is 15.63 percent, and on exotics, 20.88 percent. And
2 that compares very favorable with what's occurring elsewhere in
3 the nation. And, again, this would increase both wagers, win,
4 place and show, and exotics, by two percent.

5 And keep in mind that we're racing at night and we're
6 racing against other jurisdictions. And most -- virtually
7 every other jurisdiction has a higher take-out than we do.

8 COMMISSIONER CHOPER: Does -- does that include New
9 Mexico and -- you didn't list those, New Mexico, Oklahoma,
10 Louisiana?

11 MR. ALLRED: Ed Allred, Los Alamitos, Chairman. I
12 own a part of a race track in New Mexico. The take-out is
13 higher.

14 COMMISSIONER CHOPER: Higher there?

15 MR. ALLRED: Yes, substantially higher. I'd like to
16 add that -- that I have been a persistent foe of increases in
17 take-out. This is totally alien to my thinking.

18 A few years ago at Los Al we went back to -- we
19 passed a legislation with a one or two year sunset clause, I
20 don't remember which, to reduce the worst thing that ever
21 happens to a better, I think, which is breakage. When a horse
22 is going to pay \$2.60 to show and -- and \$2.59-1/2 to show, and
23 you only pay \$2.40, that's a huge -- that's a huge bite out
24 of -- out of the -- the income or the revenue from -- that he's
25 going to get from the bet.

1 We did it for a year or two. Whenever it sunsetted
2 my horsemen were so upset about it that -- horsemen always
3 think you can increase the take-out, or at least mine do, just
4 increase everything and -- and everything will be all right.
5 Well, it's not all right. I know that.

6 This is a very scary thing for me to want to do, and
7 I don't do it -- I'm also -- I like to bet on horses. And I --
8 I also have experience in all areas. I've been a horse fan
9 since I was seven years old, so I know. And I know about the
10 studies in Kentucky and what can happen.

11 But the trouble is, why those studies are not pure,
12 the -- the -- the studies at the universities that some of the
13 professors have done, is that all this other product is coming
14 in, Australia product which we're bringing in now on behalf of
15 the thoroughbred industry, harness racing in California is
16 substantially higher, all the tracks we bring in at night from
17 Florida and everywhere else, their -- their take-outs are
18 substantially higher. So they're sucking the -- the -- the
19 money. And so it's not a pure situation. If we had a pure
20 situation I probably wouldn't do this.

21 Another thing I can pledge to, if this is a disaster
22 and -- and it's shown to be a statistical disaster, I'll be the
23 first one to want and change it. And I -- in fact, if you want
24 to put a six month period on it or something to take a look at
25 it -- and I think this is kind of a prototype because it would

1 not surprise me if the thoroughbred industry is going to come
2 to you at some point with the same so-called solution. Whether
3 it's a solution or not we don't know, and I -- I don't know for
4 sure.

5 But I know we have to do something to keep the
6 simulcast places open at night. They're -- they're hurting.
7 We're subsidizing several of them, the smaller ones. We give
8 them extra money anyway, which we just pay -- take out of our
9 operational funds.

10 It's tough out there. I would never, never do this
11 if -- if I didn't think we're desperate.

12 VICE CHAIRMAN ISRAEL: Is there -- is there any way
13 to explain how this benefits the consumer? I mean, is there
14 some --

15 MR. ALLRED: I think the only way it benefits the
16 consumer is that we stay open, if we do --

17 VICE CHAIRMAN ISRAEL: Right.

18 MR. ALLRED: -- if we can make it work. I don't
19 think it benefits the better at all.

20 COMMISSIONER BRACKPOOL: This does have the feel --

21 MR. ALLRED: I -- I don't know.

22 COMMISSIONER BRACKPOOL: -- of raising taxes in the
23 worst recession.

24 MR. ALLRED: That's absolutely right. It's not --
25 it's not -- it's -- I -- and I -- I'm a conservative

1 republican. I -- I -- I don't -- I don't go for that either.
2 I don't. But I know one thing, we can't keep those places
3 open.

4 CHAIRMAN HARRIS: Yeah. It's a tough decision. But
5 I agree that you -- we don't want -- I mean, it's kind of a
6 last resort where maybe we're down to the last resort.

7 VICE CHAIRMAN ISRAEL: Well --

8 CHAIRMAN HARRIS: But can you -- on the -- the sale
9 your signal to out of state facilities, can you add some of --
10 I mean, are you going to let them keep the extra two percent or
11 can you sell it for more?

12 MR. ALLRED: We've negotiated with TVG and our -- and
13 we're going to -- I was hoping they'd give me 75 percent of it.
14 They are going to give me half of it --

15 CHAIRMAN HARRIS: Oh.

16 MR. ALLRED: -- out of state.

17 CHAIRMAN HARRIS: That's good.

18 MR. ALLRED: Of course, we'll get all of it in
19 California --

20 CHAIRMAN HARRIS: Yeah.

21 MR. ALLRED: -- because we've got rules here.

22 CHAIRMAN HARRIS: Yeah.

23 MR. ALLRED: And -- and a number of our -- we've
24 written contracts with a number of our people that we deal with
25 in out of state facilities, and some of them have returned

1 them, we haven't -- we haven't decided, returned them unsigned
2 with that proviso that if we increase the handle during the
3 year they're -- they would -- we would retain the money. We're
4 not deciding -- we may eliminate some of them. I don't know.

5 CHAIRMAN HARRIS: Yeah.

6 MR. ALLRED: Because they're -- some of them are
7 pretty small.

8 CHAIRMAN HARRIS: Yeah.

9 MR. ALLRED: But, again --

10 VICE CHAIRMAN ISRAEL: Have -- have you done any
11 financial studies to see how much money you might lose if, in
12 fact, these facilities close versus how much you might lose if
13 your handle is reduced because you've raised the take-out?

14 MR. ALLRED: Mr. Israel, there -- there are some
15 studies out there that have been done a long time ago, done by
16 the University of Lexington in Kentucky, and I -- they're --
17 they're -- they're devastating.

18 However, remember, the bulk of the money that's bet
19 at night, at least half of it, is already coming in from
20 signals --

21 VICE CHAIRMAN ISRAEL: Well --

22 CHAIRMAN HARRIS: Uh-huh.

23 MR. ALLRED: -- that are -- that are higher than
24 ours.

25 VICE CHAIRMAN ISRAEL: Well --

1 MR. ALLRED: And so --

2 VICE CHAIRMAN ISRAEL: -- but those studies don't
3 obtain anyway because they're all pre-ADW --

4 MR. ALLRED: Yes.

5 VICE CHAIRMAN ISRAEL: -- for the most part.

6 MR. ALLRED: Yes. That's --

7 VICE CHAIRMAN ISRAEL: So the --

8 MR. ALLRED: That's true.

9 VICE CHAIRMAN ISRAEL: -- the world's changed.

10 MR. ALLRED: That's true.

11 VICE CHAIRMAN ISRAEL: I mean, that --

12 MR. ALLRED: It's not a pure --

13 VICE CHAIRMAN ISRAEL: No.

14 MR. ALLRED: -- situation --

15 VICE CHAIRMAN ISRAEL: Yeah.

16 MR. ALLRED: -- any longer. It's just -- it's so
17 complex you can't -- and the only way we can know whether this
18 even is a net revenue producer is to do it. And if it's not --
19 it's not good I'll come to you in 30 days or 60 days and say
20 let's quit this out. I -- we can't do it.

21 COMMISSIONER BRACKPOOL: And in the meantime the
22 message we've delivered is a terrible message.

23 MR. ALLRED: Perhaps.

24 CHAIRMAN HARRIS: I think --

25 MR. ALLRED: Well --

1 CHAIRMAN HARRIS: -- you know, I -- I have, you know,
2 trouble with the same thing. But the other competing signals
3 that the wagers throughout the country are wagering on are
4 already at these high levels. It's not like we're getting
5 higher than somebody else.

6 COMMISSIONER BRACKPOOL: Well, that's like --

7 CHAIRMAN HARRIS: But I know that's --

8 COMMISSIONER BRACKPOOL: -- penalizing your child --

9 CHAIRMAN HARRIS: So we --

10 COMMISSIONER BRACKPOOL: -- not penalizing your child
11 for taking a cookie from the jar because the other one took two
12 cookies from the jar.

13 CHAIRMAN HARRIS: Yeah. Yeah. That's true.

14 COMMISSIONER BRACKPOOL: I mean, it's --

15 CHAIRMAN HARRIS: Yeah.

16 COMMISSIONER BRACKPOOL: -- it's still wrong to take
17 the cookie from the jar.

18 MR. ALLRED: Did -- did we -- did we penalize our --
19 our patrons by bringing in the Australia signal, which we've
20 just done, which they seem --

21 CHAIRMAN HARRIS: Yeah.

22 MR. ALLRED: -- we're not doing a very good job of
23 providing them betting information. We're going to do better
24 on that in conjunction with the thoroughbred industry. But the
25 fans seem to like it. And the -- and the take-outs are up to

1 30 percent on some of that stuff, which I think is --

2 VICE CHAIRMAN ISRAEL: Well, what kind of deal --

3 MR. ALLRED: -- ghastly.

4 VICE CHAIRMAN ISRAEL: -- did you make for yourself
5 on those though?

6 MR. ALLRED: With them?

7 VICE CHAIRMAN ISRAEL: On the -- on the Australian
8 signal?

9 MR. ALLRED: Well, we -- we -- we -- we did the usual
10 percentage, three percent or whatever it is to -- for
11 Australia. I don't -- I don't know exactly if that's right.

12 VICE CHAIRMAN ISRAEL: Three percent of 100 percent
13 you -- you get to keep?

14 MR. ALLRED: Three percent that goes to --

15 CHAIRMAN HARRIS: You get the rest. Yeah.

16 MR. ALLRED: -- goes to Australia.

17 VICE CHAIRMAN ISRAEL: Right.

18 MR. ALLRED: And then the thoroughbred industry and
19 Los Alamitos divides the remainder after -- after simulcast
20 costs and everything --

21 VICE CHAIRMAN ISRAEL: Right.

22 MR. ALLRED: -- 50-50.

23 CHAIRMAN HARRIS: One of the issues is I'm not sure
24 if the average customer really knows what the take-out is. I
25 mean, they should. But they figure it out finally because they

1 run out of money. But -- but -- but they don't -- I don't know
2 when a wagerer goes and bets on a race they think, well, this
3 race is 20 percent and this race is 15 percent.

4 MR. ALLRED: Mr. Harris, the -- the sophisticated
5 ones do know.

6 CHAIRMAN HARRIS: Yeah, they do know.

7 MR. ALLRED: And I've had communication with -- we
8 have a caudry (phonetic) of quarter horse professional
9 gamblers --

10 CHAIRMAN HARRIS: Uh-huh.

11 MR. ALLRED: -- who I've known since I was 18 years
12 old. And they're not in California anymore. They're --
13 they're in Texas and other places. They bet on our -- they bet
14 somewhere else, you know, for -- because they get rebates and
15 everything. And they've corresponded with me on this and
16 called me and I've talked to some of them about it. They know
17 exactly, and they know this is going to cut into their margins
18 a little bit, but they're probably the only ones that are
19 really vocal. I know -- I know there's been some gentlemen
20 here that represent horseplayers, they'll be here today, and
21 I -- I probably won't disagree with anything they say --

22 CHAIRMAN HARRIS: Uh-huh.

23 MR. ALLRED: -- because I would probably be saying
24 the -- my -- the same thing. But I don't know what else to do.

25 And I ask that the board approve this on a -- and I

1 would, again, accept a limitation on it as far as how long
2 we're going to do it, and then come back to you again after --
3 after that.

4 VICE CHAIRMAN ISRAEL: Well, if -- if Santa Barbara,
5 Santa Maria, Tulare, who else --

6 MR. BLONIEN: Oh, Anderson and --

7 VICE CHAIRMAN ISRAEL: Okay. It would take --

8 MR. BLONIEN: -- Eureka.

9 VICE CHAIRMAN ISRAEL: What -- what are the --
10 what's -- what are they averaging on it per day collectively?

11 MR. ALLRED: Those are very small. Some tracks that
12 are running, some of them don't even take our signal and never
13 did, like Anderson, except when Hollywood Park is open.

14 VICE CHAIRMAN ISRAEL: Uh-huh.

15 MR. ALLRED: But even some of the significant
16 facilities, we have to subsidize them sometimes in order to --

17 VICE CHAIRMAN ISRAEL: But -- but how much?

18 MR. ALLRED: It -- it's --

19 VICE CHAIRMAN ISRAEL: I mean --

20 MR. ALLRED: It's in -- it's in the -- it's in the
21 law, it's in the regulations --

22 VICE CHAIRMAN ISRAEL: Right.

23 MR. ALLRED: -- that if they can show, and under
24 certain -- there's certain -- and the board staff --

25 VICE CHAIRMAN ISRAEL: Uh-huh.

1 MR. ALLRED: -- regulates this that they -- in fact,
2 they can't put administrative expenses and blah, blah, blah,
3 there are certain things they can do. And -- and if they
4 come -- if they make less money than that then we have to
5 subsidize it if we want to keep them open. We can say close if
6 we -- if we want to, or we pay them some extra money. Well,
7 it's getting to the point where we can't do that. We're not
8 making any money.

9 VICE CHAIRMAN ISRAEL: Yeah.

10 MR. ALLRED: We literally are not making any money.

11 MR. BLONIEN: Well, and on that point, since about
12 September of '08 Los Al has been losing money on its quarter
13 horse operation. And it's just a question, you know, how much
14 longer can you stand losing money. And money that should go
15 into commissions we're putting into purses to keep our
16 horsemen. And --

17 VICE CHAIRMAN ISRAEL: Wait. The -- your quarter
18 horse operation is losing money?

19 MR. BLONIEN: Yes.

20 MR. ALLRED: I love Los Alamitos. I love -- I love
21 racing. I'm not trying to be a hero. But I don't know owe a
22 dime. There's no debt. I -- I don't have any debt. I -- I
23 would be far better off to do what -- what I get chances to do
24 all the time, even in this climate, to take this Orange County
25 property. I -- I don't want to do that.

1 Everything, anything we make goes into the purse
2 structure. I don't make any more, a dime, at Los Alamitos. We
3 made a couple million this year. We're going to be a couple
4 million overpaid, a million, a million six overpaid. And
5 that's the way we operate.

6 MR. BLONIEN: I -- just one other thing for the --
7 for the record. Last year Gulfstream increased the take-out.
8 And the judgment was at the end of the day that it did not have
9 a negative impact on handle.

10 VICE CHAIRMAN ISRAEL: Across the board like this,
11 two percent or --

12 MR. BLONIEN: I'm uncertain how much it went up.
13 I'll -- I'll ask Mr. Charles and -- and get you that
14 information before this item is voted on.

15 CHAIRMAN HARRIS: Well, I think we've got some other
16 comments.

17 VICE CHAIRMAN ISRAEL: You -- you guys probably
18 should stay because --

19 CHAIRMAN HARRIS: Why don't you guys --

20 VICE CHAIRMAN ISRAEL: -- you guys need to answer.

21 CHAIRMAN HARRIS: -- stick around.

22 VICE CHAIRMAN ISRAEL: Dr. Allred --

23 CHAIRMAN HARRIS: We got --

24 VICE CHAIRMAN ISRAEL: -- you could probably just --

25 CHAIRMAN HARRIS: Why don't you just --

1 VICE CHAIRMAN ISRAEL: -- sit down.

2 CHAIRMAN HARRIS: Why don't you stay there because we
3 might -- we might want some --

4 VICE CHAIRMAN ISRAEL: Answers to the questions that
5 are raised.

6 CHAIRMAN HARRIS: But Dan White from Fresno Fair.

7 MR. WHITE: Hi. Dan White, director of racing, Big
8 Fresno Fair. We'd like to support this increase in take-out.
9 We have quarter horse racing year-round. And as a satellite
10 facility manager we stay open because Fresno, in the central
11 valley, is home to a lot of quarter horse owners, trainers. We
12 have a nice fan base, but over the past few years our
13 attendance and handle has been dropping.

14 And we do take advantage of billing. Los Alamitos
15 and Cal Expo for our losses last year was roughly around
16 \$32,000, and they made good on that payment. So it was
17 breakeven for us.

18 But we're able to provide a service, a customer
19 service for these people, where they have a place to come play
20 the horses, watch their owners -- horses, owners, trainers and
21 fans in the central valley area.

22 So we at the Big Fresno Fair do support the increase
23 in take-out on the satellites.

24 CHAIRMAN HARRIS: Thank you.

25 MR. WHITE: Thank you.

1 CHAIRMAN HARRIS: Okay. The next one is Jeff Platt,
2 Horseplayers Association.

3 MR. PLATT: My name is Jeff Platt. I am president of
4 the Horseplayers Association of North America, otherwise known
5 by an acronym called HANA. I am here today to hopefully open
6 up a dialogue between the horse racing customer, the horse
7 racer, the horse -- the horseplayer and the racing industry.

8 I have looked at the staff analysis for this proposed
9 take-out increase and it is flawed. The flaw is that the
10 analysis assumes handle will remain the same. I can tell you
11 that that is not the case. The economic studies that were
12 referred to earlier show that there is an inverse relationship
13 between take-out and handle. As you push take-out up handle
14 goes down. If you bring take-out down handle goes up. That's
15 just the way it works.

16 From that you can model what is called an optimal
17 pricing point. And what an optimal pricing point is, it's
18 setting take-out at a level that maximizes total revenue for
19 the shareholders of the track, and total revenue that's
20 available to be distributed to horsemen in the form of purses.

21 Other forms of gambling have figured this out. State
22 lotteries are doing it. Casinos are doing it. Racing in other
23 parts of the world has done it. Here in North America it's
24 been tried on a limited basis. NYRA did it successfully in
25 2001. Recently Tampa Bay Downs has done it. Over the last

1 four years they've generated new business and quite a following
2 among horseplayers by selectively reducing take-out on some of
3 their wages. Monmouth Park did is successfully with the
4 reduced take-out Pick 5.

5 HANA has over 1,500 members across North America and
6 collectively, by their own accounting, they wager more than \$65
7 million a year. I can tell you from our own survey, from
8 our -- we -- we put together a comprehensive survey and figured
9 out what the needs and wants of our membership is. They see
10 high take-out as the number one critical thing that prevents
11 them from betting more. They told us without question that if
12 take-out were lower they would bet more. There's something
13 called churn that these studies refer to.

14 I am here today to speak out against this measure. I
15 think before it goes before a vote you need to take a close
16 look at the economic studies and what has been done by the
17 other forms of gambling that you are competing with.

18 That's basically what I have to say. Thank you. Do
19 you have any questions?

20 CHAIRMAN HARRIS: Thank you, Jeff. Any questions of
21 Jeff?

22 VICE CHAIRMAN ISRAEL: Well, I'll ask a question
23 relative to what you said of Rod and Dr. Allred.

24 Did you look at, instead of doing an across the board
25 two percent increase, selectively picking some form -- some

1 wagers where the impact might not be as great and yet the
2 revenue generated might be significant?

3 MR. ALLRED: Well, we -- we didn't do anything very
4 scientific. We discussed it. We discussed, for instance, not
5 raising the WPSs, win, place and show --

6 VICE CHAIRMAN ISRAEL: Right.

7 MR. ALLRED: -- as we call it. And because,
8 actually, it's a little less impacted as far as payoffs are
9 concerned, certainly not -- not -- not financially, but as far
10 as the way it looks, the window dressing, on exotics because
11 the -- the payoffs --

12 VICE CHAIRMAN ISRAEL: Right.

13 MR. ALLRED: -- are larger.

14 VICE CHAIRMAN ISRAEL: Right.

15 MR. ALLRED: And a two -- a \$2.60 return, it can --
16 could -- can sway that.

17 Again, I'd rather do something for the -- our -- our
18 consumers, if -- if everybody else in California would do it
19 for sure, and that's by cutting breakage. I think that's the
20 worst thing, is breakage. It is far worse than this two
21 percent, as far as I'm concerned.

22 MR. PLATT: Well, that --

23 MR. ALLRED: Much higher than that.

24 MR. PLATT: That's actually a form of reduced take-
25 out. And you would get the support of your customers if you

1 did that.

2 I would also like to say that not all wagers are
3 equal in their sensitivity to take-out. Like you said, win,
4 place, show has a much higher sensitivity to it as opposed to a
5 high payoff exotic bet, such as a Pick 6 or a Pick 4.

6 MR. ALLRED: Absolutely.

7 VICE CHAIRMAN ISRAEL: Uh-huh. I'm -- I'm with you.

8 And that's --

9 CHAIRMAN HARRIS: Yeah. The breakage is bothersome,
10 especially with so many short fields. And you -- I mean, it
11 used to be win, place and show was a popular bet. But now, I
12 mean, the effect you take-out on a show bet with a four or five
13 horse field is pretty high.

14 MR. ALLRED: Oh, it's -- it's a killer. Absolutely a
15 killer.

16 MR. PLATT: The other thing, if I could add one more
17 thing, I would love the chance, Dr. Allred, to show you the
18 studies that we have read and gone through. And I would love
19 to put you in touch with the authors of those studies.

20 MR. ALLRED: I -- I think I know them very well.

21 MR. PLATT: Okay.

22 MR. ALLRED: I've read them. I know them. I've been
23 an advocate of that for a long time. Those old timers around
24 here can now that when this has ever been discussed at the
25 board I've been the voice in the wilderness saying, no, don't

1 do that. And so I -- and I did when harness raised their take-
2 out, which is so much higher than ours. I believe in it,
3 except I -- this is -- this is a desperate situation for --

4 MR. PLATT: Let -- let me ask you a question. You
5 said that outlets are not taking your signal, they're cutting
6 back. Those outlets, do they offer full card simulcasting, or
7 is it the same as it is during the day here where it's a
8 limited number of races?

9 MR. ALLRED: There's a limited number of races
10 just -- at night, just as there are in the daytime.

11 MR. PLATT: Yeah. I know it's not an agenda item,
12 but as a horseplayer representing other horseplayers I can tell
13 you that the players absolutely support full card simulcasting.

14 MR. ALLRED: That -- that muddies the waters even
15 more for this particular issue. Because in almost all cases
16 the imported signals have a substantially higher take-out.

17 MR. PLATT: They do. And they're being penalized
18 higher because of their high take-out. Their handle is lower
19 than it otherwise could be.

20 MR. ALLRED: But it muddies --

21 MR. PLATT: Well, would --

22 MR. ALLRED: It muddies the waters. I mean --

23 MR. PLATT: I realize the studies are dated.

24 However, the concepts in those studies are every bit as valid
25 now as they were when they were written.

1 COMMISSIONER ROSENBERG: I have a question of Jeff.

2 MR. PLATT: Sure.

3 COMMISSIONER ROSENBERG: Have you surveyed your
4 members to determine whether or not they choose to vet in a
5 jurisdiction --

6 MR. PLATT: Yes.

7 COMMISSIONER ROSENBERG: -- where the take-out is
8 lower? So --

9 MR. PLATT: Yes.

10 COMMISSIONER ROSENBERG: And -- and --

11 MR. PLATT: And they do. They do.

12 COMMISSIONER ROSENBERG: Let me finish.

13 MR. PLATT: And I would be very happy to share the
14 results --

15 COMMISSIONER ROSENBERG: Just -- just -- just --

16 MR. PLATT: -- of that study with you.

17 COMMISSIONER ROSENBERG: My question wasn't finished.
18 The statistics that Dr. Allred, the poll, stated about the
19 take-out in quarter horse, that California is the lowest, is
20 that true in the thoroughbred take-outs amongst the states?

21 MR. PLATT: In the states --

22 COMMISSIONER ROSENBERG: Do you know that?

23 MR. PLATT: Yes. You guys --

24 COMMISSIONER ROSENBERG: It is lowest?

25 MR. PLATT: -- are the lowest in regular wagers.

1 There are promotional wagers.

2 COMMISSIONER ROSENBERG: In regular, in a win, place
3 or show?

4 MR. PLATT: Win, place, show, you guys are the
5 lowest.

6 COMMISSIONER ROSENBERG: The lowest.

7 MR. PLATT: Raising it --

8 COMMISSIONER ROSENBERG: Do you think that's helped
9 us --

10 MR. PLATT: Yes.

11 COMMISSIONER ROSENBERG: -- in getting the --

12 MR. PLATT: I do.

13 COMMISSIONER ROSENBERG: You do?

14 MR. PLATT: I absolutely think that has helped you.

15 COMMISSIONER ROSENBERG: Well you -- did you survey
16 your -- another point. Do you -- do you survey your -- your
17 members in terms of the amount they gamble per year per member?
18 I mean, do they --

19 MR. PLATT: Yes. And it's an average of about
20 \$43,000 per member.

21 COMMISSIONER ROSENBERG: And did you sort out how the
22 vote went with the lower --

23 MR. PLATT: Yes. Yeah. And that would be --

24 COMMISSIONER ROSENBERG: And it was consistent
25 throughout?

1 MR. PLATT: No. It's tiered to where we have a
2 smaller number of members generating a very large amount of
3 handle. The 25 largest handle members probably generate two-
4 thirds of that \$65 million.

5 COMMISSIONER ROSENBERG: And how did they vote? Is
6 it across the board, all the lower volume gamblers voted the
7 same as the higher volume gamblers, pretty much?

8 MR. PLATT: They do. They're very much aware of the
9 take-out. We had 510 members complete the survey in full. And
10 I believe about two-thirds of them told us that, yes, we area
11 aware of take-out and it definitely effects our decisions as to
12 where to play and where not to play.

13 COMMISSIONER BRACKPOOL: And going to -- going to
14 Commissioner Israel's point, is there -- is there a model you
15 could run that you could show to us that would show the effect
16 of just doing it on exotics, as opposed to win, place, show,
17 rather than this blanket increase across the board?

18 MR. ALLRED: I don't think the revenue that would be
19 produced by that would be sufficient to accomplish what we're
20 trying to do primarily, which is to keep California simulcast
21 facilities open. There is -- and again, this thing is so
22 mucked up and muddied up by the -- the fact that all -- there's
23 these complex signals from all -- all kinds of -- if we had a
24 standard national take-out then I would -- I wouldn't even be
25 thinking about this.

1 VICE CHAIRMAN ISRAEL: To -- to your point, have you
2 done a study that it's cost effective to raise -- I think I may
3 have asked this before in a different way but now more
4 specifically. Is there a benefit in raising the take-out and
5 running the risk of losing handle in order to keep these places
6 alive? Are they generating enough revenue to -- to warrant
7 taking this chance?

8 MR. ALLRED: The answer is there our largest single
9 source of handle in the California simulcast facilities. And
10 by the way --

11 VICE CHAIRMAN ISRAEL: Well, but the endangered ones,
12 the ones that you're -- I mean, you're specifically trying to
13 keep --

14 MR. ALLRED: Well --

15 VICE CHAIRMAN ISRAEL: -- Santa Barbara, Santa
16 34Maria --

17 MR. ALLRED: Mr. Israel, they're -- those were -- are
18 examples of little small places that did close.

19 VICE CHAIRMAN ISRAEL: Right.

20 MR. ALLRED: We're talking about substantially larger
21 places that were -- that -- that are going to close on us if --
22 if we don't do something.

23 VICE CHAIRMAN ISRAEL: So the Pomona Fairplex place,
24 those places? Are you --

25 MR. ALLRED: Well, Fairplex -- Fairplex is -- is

1 stronger than most. And certainly with their great new
2 facility they're doing -- they're doing --

3 VICE CHAIRMAN ISRAEL: Right.

4 MR. ALLRED: -- quite well. But it's -- it's -- we
5 have capped this thing at \$50,000. Any place that handles over
6 \$50,000, under the law they stop getting it at that point. So
7 Santa Anita and -- and Hollywood are -- right now are the only
8 ones that consistently do over \$50,000.

9 VICE CHAIRMAN ISRAEL: Right.

10 MR. ALLRED: And in the old days, damn, that was
11 good.

12 VICE CHAIRMAN ISRAEL: So your fear -- fear is that
13 an increasing number of simulcast facilities will cease to
14 operate after the last race at Santa Anita on a regular basis.
15 Is that -- is that what's driving this?

16 MR. ALLRED: Well, they -- they can't do that if --
17 as long as we make them whole. You know, they --

18 VICE CHAIRMAN ISRAEL: Right.

19 MR. ALLRED: -- they can't just arbitrarily do that.

20 VICE CHAIRMAN ISRAEL: No.

21 MR. ALLRED: But the question is --

22 VICE CHAIRMAN ISRAEL: But if --

23 MR. ALLRED: -- we -- we can't --

24 VICE CHAIRMAN ISRAEL: -- if you don't do --

25 MR. ALLRED: -- make them whole much longer. We

1 can't expand the list of facilities that we're already making
2 whole. And this will help us on that, as well. We're taking
3 money out of purses and operating income to make some of these
4 places whole.

5 And, again, I -- I have extreme ambivalence, but I am
6 desperate.

7 VICE CHAIRMAN ISRAEL: And what's -- what's --

8 MR. ALLRED: And I think -- I think if you'll just
9 say let's try this for three months or six months or whatever
10 and look at it, maybe it doesn't work.

11 VICE CHAIRMAN ISRAEL: Okay.

12 MR. ALLRED: I can't say this is going to work.

13 VICE CHAIRMAN ISRAEL: Well -- well --

14 CHAIRMAN HARRIS: Yeah. I think some kind of a three
15 or four or five -- five month trial would be a good idea.

16 COMMISSIONER CHOPER: We have to -- it takes a 45 day
17 period first before we can --

18 VICE CHAIRMAN ISRAEL: No. No.

19 CHAIRMAN HARRIS: No.

20 VICE CHAIRMAN ISRAEL: This -- no.

21 CHAIRMAN HARRIS: No.

22 VICE CHAIRMAN ISRAEL: Because this is -- this was
23 legislatively approved. We can do this.

24 COMMISSIONER CHOPER: I see.

25 VICE CHAIRMAN ISRAEL: But -- but -- and have you

1 done a study or given much thought to what the atavistic nature
2 of the ADW betting is with -- with these facilities, how ADW is
3 eating into the survival factor of these facilities?

4 MR. ALLRED: Well, I'm -- I'm a huge fan of TVG and
5 ADW. We wouldn't be existing without them.

6 VICE CHAIRMAN ISRAEL: Right.

7 MR. ALLRED: There's no question that I and you and
8 probably everybody else when there are times that we don't go
9 out to the track because there's bad traffic or we don't feel
10 well, or there's -- there's a late race or something, and so we
11 stay home. And that detracts from on-track handle.

12 There's also no question that you pick up a lot of
13 handle from -- I -- well, again, from the same people. I -- I
14 many times will bet on a race at Santa Anita or Hollywood while
15 I'm sitting out in the desert playing golf, in the afternoon go
16 in and bet on three or four races. I do it all the time.

17 VICE CHAIRMAN ISRAEL: Right.

18 MR. ALLRED: So I think it goes both ways. Yes.
19 Sherwood Chillingworth was always saying that it -- it hurts
20 us, on-track attendance, and it does. But we can't fight that
21 any longer because people aren't going to drive. You know,
22 there's a long story, but it does -- it does hurt you and it
23 helps you, both. Who knows what the balance is.

24 VICE CHAIRMAN ISRAEL: But -- but somehow you need to
25 alter your relationship with them financially, as well as just

1 with the horseplayer here to -- to --

2 MR. ALLRED: Alter our relationship with the --
3 with --

4 VICE CHAIRMAN ISRAEL: With the ADW companies, you
5 know, the --

6 MR. ALLRED: Well, that's -- I -- I don't -- I think
7 that they're -- they're -- they are -- they are fairly
8 commissioned now, especially TVG.

9 VICE CHAIRMAN ISRAEL: Yeah.

10 MR. ALLRED: And, actually, both -- both are big
11 companies. They're -- they're spending money on TV time. It's
12 costly. I don't know what their business model is. They
13 haven't been as forthcoming perhaps in sharing information as
14 they -- as they said they would be a long time ago. But I
15 strongly support just about everything they'd done. I -- we
16 couldn't have survived without them.

17 VICE CHAIRMAN ISRAEL: Okay.

18 CHAIRMAN HARRIS: Okay. Jeff?

19 MR. PLATT: Just a comment about ADW. In California,
20 and I'm sure you're all aware of it, ADW retention is capped at
21 6.5 percent by state law. If that were removed ADWs would be
22 able to rebate money back to players and your handle would
23 grow, I guarantee that. There's a number of players that are
24 based in California that are betting, not as California
25 residents, they're betting offshore or they're going to other

1 states where they can get ADW accounts and get rebates. And
2 you're missing out by having that 6.5 percent.

3 There's -- there's three things that successful
4 companies do. And those three things are they identify a
5 target customer, they identify the needs and wants of that
6 target customer, and they make it their mission to satisfy the
7 needs and wants of the target customer. Racing hasn't tried
8 that. And I really think a lot of the problems in racing stem
9 from not doing that.

10 CHAIRMAN HARRIS: Well, we need to keep this moving
11 along. We -- we do have a couple comments from people at --

12 COMMISSIONER DEREK: Yeah. I have -- I have just one
13 question, also.

14 CHAIRMAN HARRIS: Yeah.

15 COMMISSIONER DEREK: Because coming from Santa
16 Barbara County, and I -- from what I understand those
17 facilities shut down because of competition of the casino
18 that's right smack in the middle of both of them. Is this
19 something that is geographic, where these facilities are
20 closing, because of the competition of casinos, do you think?

21 MR. ALLRED: Well, those particular two -- two ones
22 are close to one casino --

23 COMMISSIONER DEREK: Yeah.

24 MR. ALLRED: -- as you know. I don't -- I don't know
25 how -- I can't -- I can't comment. You have to ask them about

1 that. I --

2 COMMISSIONER DEREK: I'm -- I'm wondering if there's
3 some way, because the take-out, even if it's raised two percent
4 is still so much better odds-wise to a casino that might be in
5 the neighborhood. I understand it is.

6 MR. PLATT: If you sit at a slot machine and feed
7 tokens into it you're going to get back between 91 and 92 cents
8 on the dollar for every dollar wagered.

9 COMMISSIONER DEREK: I don't -- I don't -- I --
10 that -- I don't believe -- I don't know that to be true.

11 MR. PLATT: All right.

12 COMMISSIONER DEREK: But --

13 VICE CHAIRMAN ISRAEL: If -- if you stay there 24 --

14 COMMISSIONER DEREK: Okay. You're still --

15 VICE CHAIRMAN ISRAEL: -- 7, 365.

16 COMMISSIONER DEREK: But you're still --

17 MR. PLATT: Right.

18 COMMISSIONER DEREK: That's still not as good as --

19 VICE CHAIRMAN ISRAEL: That's a pretty good return.

20 CHAIRMAN HARRIS: Yeah.

21 COMMISSIONER DEREK: -- what you're going to get,
22 even with this increase. I'm wondering if there's some -- some
23 way as an industry you can get that word out so that you
24 could -- can compete with the casinos that -- to let the better
25 know that your odds are better at a satellite wagering

1 facility.

2 CHAIRMAN HARRIS: Well, they're -- really, they're
3 not.

4 MR. PATEL: They're not.

5 CHAIRMAN HARRIS: I mean, the idea that we've got --

6 MR. PLATT: That -- that's my point. Right.

7 CHAIRMAN HARRIS: -- is that you're -- it's an
8 intellectual pursuit --

9 COMMISSIONER DEREK: It's what?

10 CHAIRMAN HARRIS: -- to bet on horses. I don't
11 think -- I mean, it -- it's just kind of a random luck at -- at
12 a slot machine. Okay.

13 Well, let's -- anything else from the board on -- on
14 Jeff? Why don't we go ahead. We've got Rick Pickering and
15 Chris Korby, I think.

16 MR. PICKERING: Good afternoon, honorable chair and
17 distinguished commissioners. Rick Pickering, Alameda County
18 Fairgrounds, Pleasanton, California.

19 I'd like to start off by complementing Dr. Allred,
20 Rod Blonien for reaching out to the fair industry, because the
21 satellite network is very valuable in the state of California.
22 It helps keep the product alive. They came to us. They talked
23 to us. We all said there's never a good time to raise rates,
24 because as a fair we're in the business of parking, admissions,
25 food, beverage, entertainment every day of the year. I have

1 three million people come to my property each year. I'm
2 constantly balancing what the rates are.

3 I understand the concept of taxes. I pay them. I
4 don't necessarily see the benefit of all the taxes I pay, but
5 there are some benefits.

6 In the case of the satellite wagering facilities that
7 are already located on government owned property, or in my case
8 a nonprofit that's debt free -- it's always good to be debt
9 free -- any proceeds we receive off racing stay locally. They
10 don't go out of state. They don't go out of the country. They
11 go right back into the property, right back into the labor pool
12 that's there. We buy our gas locally. Everything we do
13 remains local. So there's a tremendous advantage. It's not a
14 tax that we're sending off to another state, another country,
15 or even to Washington DC for somebody else to divide it up and
16 put it out somewhere else across the United States. It stays
17 local.

18 For our -- our fair, we laid off ten percent of our
19 full-time employees in September of '08, getting ready for a
20 bad economy. So it's a constant balancing act of when do you
21 act? When do you raise rates? When do you lower rates? How
22 many of us have ever raised rates in the good times? No.
23 Because they're good times. How many of us want to raise rates
24 in the bad times? No. Because they're bad times.

25 So it's not a matter of a business person saying

1 let's just raise rates and stick it to somebody. It's a matter
2 of how do we balance. And if we keep doing what we've always
3 done I think we see what the balance is, and the balance is
4 going underwater pretty quickly.

5 So I would support the legislation. I believe the
6 senate and assembly did their due diligence in hearing and
7 referring it to this board and giving you authority over it. I
8 think we need to try something. I love the concept of studies,
9 if we can put a time limit on when a study can be done and who
10 we want the study done from that we can trust and believe and
11 then make our business decision on it. But sometimes we all
12 have to make a decision, go with it. If it's not the right
13 decision, then we adjust.

14 So it's the concept of do you -- for all of you that
15 make your business decisions every day, do you raise rates high
16 and get everybody mad at you once, or do you raise rates
17 gradually over a slow period of time to keep pace with the cost
18 of labor, the cost of fuel, the cost of utilities, the cost of
19 regulatory, the cost of waste management in California? Which
20 way do you go? And I think whichever way we go we'll be
21 criticized, if we raise rates slow or if we raise rates fast.
22 But if we don't look at keeping the doors open the network
23 won't be there.

24 So thank you for your deliberation. I don't think
25 I've said anything you don't already know and aren't wrestling

1 with in your own businesses.

2 CHAIRMAN HARRIS: Any questions? Chris?

3 MR. KORBY: Chris Korby, California Authority of
4 Racing Fairs. Thank you, commissioners. I'll -- I'll speak
5 briefly in support of Los Alamitos's request.

6 We worked with them on developing the legislation.
7 We -- we supported the legislation. And I really think this is
8 a matter of survival, particularly for some of the smaller
9 satellites.

10 I agree with much of what Dr. Allred said. This --
11 this is an approach, a solution, if you want to call it that,
12 that everyone enters into reluctantly, but there's no choice.
13 And -- and I would -- I was going to use the term that the
14 chairman used, it's a last resort. And we hope it will keep
15 some of the smaller satellites open. It's -- it's a place
16 where those patrons can come to wager and continue to support
17 Los Alamitos and -- and quarter horse racing.

18 So we speak in support of this request. Thank you.

19 CHAIRMAN HARRIS: Okay. Okay. Anybody else?

20 VICE CHAIRMAN ISRAEL: I'd just like --

21 CHAIRMAN HARRIS: Go ahead.

22 VICE CHAIRMAN ISRAEL: In an effort to improve
23 satellite racing and -- and the satellite facilities, where --
24 where are we on the radius question as it relates to San
25 Francisco? Does --

1 MR. BLONIEN: I -- I presume you're looking at me.

2 VICE CHAIRMAN ISRAEL: Yes, I am.

3 MR. BLONIEN: I get --

4 VICE CHAIRMAN ISRAEL: You are the author of the
5 radius.

6 COMMISSIONER DEREK: You're the 20 mile man.

7 CHAIRMAN HARRIS: Yeah.

8 VICE CHAIRMAN ISRAEL: Twenty -- twenty mile radius.
9 Not the 20 minute. It's the 20 mile radius.

10 CHAIRMAN HARRIS: Twenty mile man.

11 MR. BLONIEN: I had a meeting with the officials from
12 the San Mateo County Fair, the new chairman of the board and
13 their attorney, Mr. Golds, who's here, and Chris Carpenter and
14 others in December, December 12th. And I think we have an
15 agreement in -- I mean, we have agreed that we don't want to do
16 anything that causes them not to be able to make their debt
17 service payments. They agreed they would like to see us be
18 able to operate. And we're -- we've exchanged letters. We're
19 not -- we certainly don't have agreement. We're making
20 progress but, you know, we're -- we're not close.

21 VICE CHAIRMAN ISRAEL: Right. Well, because part of
22 the solution and -- is -- is to increase the number of
23 satellite facilities in card clubs. I know I've spoken with
24 some other members of the board. I mean, the Commerce Card
25 Club is a tremendous success. You -- you -- the club that I

1 think you represent --

2 MR. BLONIEN: I --

3 VICE CHAIRMAN ISRAEL: -- in Northern California
4 would probably be a tremendous success.

5 MR. BLONIEN: Right.

6 VICE CHAIRMAN ISRAEL: I mean, maybe that's the way
7 to improve the business. I mean, those are facilities that are
8 going to be open all night and are in the gambling business.

9 MR. BLONIEN: Mr. Israel, I have -- in addition to
10 Lucky Chances, which is in Northern Cal, the largest card club
11 in Northern California, I've also gone to a couple of other
12 card clubs and a couple of bowling alleys, because I think a
13 bowling alley is --

14 VICE CHAIRMAN ISRAEL: Yeah. Sure.

15 MR. BLONIEN: -- a natural for satellite wagering,
16 particularly for the thoroughbred product during the daytime.
17 I mean, people generally bowl at night, and so you've got the
18 infrastructure sitting there. Why can't you do satellite
19 wagering --

20 VICE CHAIRMAN ISRAEL: Right.

21 MR. BLONIEN: -- in the daytime. And people are
22 interested. And then you get to the point and they say two
23 percent? I mean, it's like they -- they like the idea but --

24 VICE CHAIRMAN ISRAEL: But --

25 MR. BLONIEN: -- you know, they're -- they're

1 looking --

2 VICE CHAIRMAN ISRAEL: I'm just saying, the sale --
3 the pitch I'd make is -- is if you have dead space, it's not --
4 it's not a very expensive build-out. It's some --

5 MR. BLONIEN: Right.

6 VICE CHAIRMAN ISRAEL: -- and -- and -- and it's
7 managed by either SCOTWINC or NOTWINC --

8 MR. BLONIEN: Uh-huh.

9 VICE CHAIRMAN ISRAEL: -- you know, the -- the cash.
10 I mean, for Commerce it's been found money, and an elaborate
11 amount of money. But it's also all part of this equation of
12 how do we reconfigure the business --

13 MR. BLONIEN: Yeah.

14 VICE CHAIRMAN ISRAEL: -- so that you stay whole and
15 we stay whole but the -- the -- the better doesn't really take
16 it in the shorts.

17 MR. ALLRED: We're strongly in support of all
18 expansion. I would not object if Hawaiian Gardens Casino,
19 which is three miles from Los Alamitos, did this. One of my
20 consultants, Brad McKenzie and -- and Rick Baedeker are looking
21 at putting in a sports bar situation in Orange County within
22 10, 12 miles of the track. I'm in total support of that.
23 Anything we can do.

24 We -- we can't go by the old model that people drive
25 40 miles to the race track of 20 miles. Our patrons come from

1 10 miles away, 80, 90 percent of them. They don't -- people
2 don't drive places, except for special -- you can drive to a
3 special event --

4 VICE CHAIRMAN ISRAEL: Right.

5 MR. ALLRED: -- Derby Day, that stuff, but routinely
6 they won't do it. You have to make it more convenient for
7 them. That's all there is to it. And that's just -- home
8 betting is one. But these sports bars and -- and card rooms,
9 totally, it's the answer.

10 VICE CHAIRMAN ISRAEL: This is all part of the same
11 equation.

12 MR. ALLRED: Right.

13 VICE CHAIRMAN ISRAEL: And this issue has to be
14 addressed in -- in -- in a sort of whole -- whole -- I don't
15 know if holistic is the right word, but in -- in -- in a way
16 that measures --

17 COMMISSIONER CHOPER: Comprehensive.

18 VICE CHAIRMAN ISRAEL: -- a comprehensive way that
19 measures --

20 MR. ALLRED: And that --

21 VICE CHAIRMAN ISRAEL: -- but uses all of these --

22 MR. ALLRED: But we do have to make it a little more
23 economically attractive. The two percent, you -- you -- even
24 if you don't have to do a lot of infrastructure it's -- and Mr.
25 Israel, it's a pretty minimal return for a lot of these places.

1 You have 10,000 a day, that's 200 bucks.

2 VICE CHAIRMAN ISRAEL: Right.

3 MR. ALLRED: There's not a lot of expense to it. But
4 a card room, if they can have another three tables or something
5 there, they'd probably do a lot better on the tables than they
6 would be dedicating it to the space that it takes for it, but
7 what are going to do?

8 VICE CHAIRMAN ISRAEL: But -- right. I mean,
9 Commerce is doing 80,000 a day; right?

10 MR. BLONIEN: They were -- they were doing 80,000 a
11 day, and there's been some decrease. But I don't know. I
12 think they're still in the \$60,000, \$70,000. But, I mean, they
13 had a day where they did over 120,000 --

14 VICE CHAIRMAN ISRAEL: Right.

15 MR. BLONIEN: -- in -- when Del Mar was running. And
16 they have since expanded now to a second room and they have
17 more capacity, and they're very charged about it.

18 MR. ALLRED: But that's -- that's not a net gain. I
19 mean, I'm all for it.

20 MR. BLONIEN: Yeah.

21 MR. ALLRED: But that's not a net gain. Because
22 those patrons, I can tell you by our own experience in going
23 there --

24 MR. BLONIEN: Right.

25 MR. ALLRED: -- and interviewing, oh, hi, Doc.

1 They're there.

2 VICE CHAIRMAN ISRAEL: Oh, is it? All right.

3 MR. ALLRED: That's right. Because it's closer.

4 They live -- they live in Pico Rivera.

5 VICE CHAIRMAN ISRAEL: Right.

6 MR. ALLRED: So they go there instead of coming to

7 Los Al or somewhere else. So it's not a net gain, but it's

8 still a concept that we have to do.

9 VICE CHAIRMAN ISRAEL: Okay.

10 CHAIRMAN HARRIS: Yeah. The -- the AD (sic) and

11 casinos have a lot of potential, too. That's a whole different

12 subject because we have to have contracts and all this stuff.

13 But one of these days we're going to get into those.

14 MR. ALLRED: But if we give them a little more money

15 they'll be more apt to do it --

16 CHAIRMAN HARRIS: Yeah.

17 MR. ALLRED: -- as well.

18 CHAIRMAN HARRIS: Yeah. Yeah. Okay. Well, let's

19 see, is there any -- I guess, you know, we need to move along

20 with this. Go -- go ahead, Jeff.

21 MR. PLATT: Jeff Platt, HANA. One more question.

22 Have you investigated the possibility of creating

23 your own call center for ADW? Is that a possibility?

24 MR. ALLRED: I have no interest in that. And, you

25 know, I don't want to do anything that detracts from the

1 ability of our established providers that pay for the
2 television time and the outreach. And I like -- their model
3 is -- is what I want, and I would not want to compromise it in
4 any way.

5 COMMISSIONER CHOPER: May I --

6 CHAIRMAN HARRIS: Okay. Go ahead.

7 MR. GOLDS: May I just have a moment --

8 CHAIRMAN HARRIS: Yes.

9 MR. GOLDS: -- to address the board? My name is
10 Porter Golds. I'm the deputy county counsel for San Mateo
11 County. I've spoken to you before.

12 With regard to the comments made by Mr. Blonien, I
13 wanted to echo his comments and let the board know that we are
14 diligently moving forward in negotiations. We are actively
15 negotiating. Mr. Blonien thinks that we're far apart.
16 Negotiations often start far apart. That's doesn't mean that
17 they can't come to an agreement. We hope to do that. We
18 believe that both sides are negotiating in very good faith.

19 The other comment I wanted to make about the 20 mile
20 radius, it does not mean that there can't be anything within 20
21 miles. It just means that the parties within 20 miles can
22 negotiate something. And that's exactly what's happening here.

23 The County of San Mateo is negotiating with -- Mr.
24 Blonien is also in conversations with Golden Gate Fields for
25 the mini-satellites in San Francisco. We wanted you to know

1 that the -- the county has heard the board loud and clear. We
2 understand what your desires are and we're working hard to make
3 that a reality. Thanks.

4 CHAIRMAN HARRIS: Thank you.

5 MR. BUCALO: I'll be real quick if you'd just give me
6 a minute to comment on the Commerce Card Club. I have been
7 there on three --

8 EXECUTIVE DIRECTOR BREED: Identify yourself.

9 MR. BUCALO: Oh. John Bucalo -- I'm sorry -- from
10 Barona Casino, off-track betting.

11 I've been to the Commerce Card Club and I took the
12 liberty of asking a few of the people there -- I worked at the
13 various race tracks in Southern California my entire life, and
14 I recognized quite a few of the guests. So I took the liberty
15 of asking them why they're -- they're there, and some of which
16 I -- I knew lived closer to Santa Anita or Hollywood Park. And
17 their response was because they don't have to pay the parking
18 or admission fees.

19 And I think that's a big part of it today. When the
20 tracks have parking and admission that the \$2.00 player, and I
21 have mentioned this before, by the time they pay for all this
22 and have their lunch and sit down they don't have a lot of
23 money to spend on -- on racing to bet on the horses. And
24 places like Barona Casino, the Commerce Card Club, and -- and
25 I -- Pomona Fairplex, since they've revamped theirs, that

1 exemplifies it, as well. They're up currently 14 percent
2 during Santa Anita's race meet, and they're up because a lot of
3 Santa Anita's players are going to Pomona where there are no
4 parking and no admission fees.

5 So if those high costs aren't lowered at the tracks I
6 think we're going to see more of that.

7 VICE CHAIRMAN ISRAEL: I bet you they'd trade their
8 parking fees for slot machines.

9 MR. BUCALO: For -- for slot machines? Well, you're
10 probably right.

11 VICE CHAIRMAN ISRAEL: I'll make that bet with you
12 right now.

13 MR. BUCALO: They -- you know --

14 VICE CHAIRMAN ISRAEL: So -- so they get --

15 MR. BUCALO: I wouldn't mind having racing hooked
16 into the slot machines. And I think if that was proposed it
17 may be considered by the casinos, as well, and it would be a
18 great way to develop people. And I'd -- I'd certainly back it
19 personally. But it would be a great way to -- to develop
20 horseplayers from those players. And it would add additional
21 revenues to the casino, as well.

22 But, you know, every time I -- I do get up and speak,
23 and I don't mean this to be derogatory, but it always comes up
24 that we have slot machines. We do. But we also back horse
25 racing and we're behind it 100 percent. We currently are up

1 two percent. We're one of only two facilities currently during
2 Santa Anita that are in the positive. We are up two percent.

3 And it is very costly for us. We -- we just spent
4 \$80,000 in revamping our facility. We put all new TVs. I -- I
5 would love to invite you, once again, the board or anybody
6 else, to come out to our facility and take a look at it. We --
7 the electricity, the seating, the food and beverage are very
8 affordable. No parking fees. No admission fees. We give away
9 a lot to get our guests there and develop them as horseplayers.
10 And if -- it sounds like you almost don't want us to have horse
11 racing at Barona Casino.

12 VICE CHAIRMAN ISRAEL: No. No. We do. But you --
13 you need to --

14 MR. BUCALO: Well, it doesn't sound like it.

15 VICE CHAIRMAN ISRAEL: You need to understand why
16 they have to --

17 MR. BUCALO: Because every time I get up you -- you
18 have a negative comment, sir. And I apologize for that but it
19 seems like that.

20 VICE CHAIRMAN ISRAEL: That's because you have an
21 unrealistic view of what it costs to operate a race track. And
22 that --

23 MR. BUCALO: Well, that is not true. I worked at
24 race tracks probably about the time you were born.

25 CHAIRMAN HARRIS: Well, I think we -- we appreciate

1 the -- the handle --

2 MR. BUCALO: Well, I apologize for --

3 CHAIRMAN HARRIS: -- and (inaudible) casinos.

4 MR. BUCALO: -- making the comments. But I -- I do
5 have some idea of how race tracks operated. I ran this
6 grandstand here at Santa Anita, as well. So --

7 VICE CHAIRMAN ISRAEL: Well, they got to pay their
8 bills.

9 MR. BUCALO: I -- I thank you very much for the time,
10 sir.

11 CHAIRMAN HARRIS: Okay. Thanks a lot. Okay. We
12 have the pleasure of the board on this?

13 COMMISSIONER CHOPER: Yeah.

14 CHAIRMAN HARRIS: Do you have a motion?

15 COMMISSIONER CHOPER: Well, do you have a suggestion?

16 CHAIRMAN HARRIS: Well, I suggest we -- we authorize
17 the increased take-out with a sunset of some point, maybe at
18 the conclusion of Del Mar. And -- and that way -- it's got to
19 be far enough out where they can do a study and come back us
20 and if it's successful, keep it going. We can't just stop it
21 and then -- I say we go to the end of Del Mar, but sometime
22 after three or four months they -- they -- they give us a
23 report.

24 COMMISSIONER CHOPER: You know, everyone here is on
25 the -- has got the same goal. There is really no conflict of

1 interest among those people who are, you know, wanting
2 different things. They have different roots to the same goal.
3 All right.

4 I agree that if -- if it's a desperate situation we
5 ought to do something in the interim. On the other hand, I
6 would just hope that you would consult with HANA and anybody
7 else who has some scientific information. And that's really
8 the problem, you know, we all guess about these things. And --
9 and science is old, you got to do something new. But it's
10 really important. I mean, if the answer were that we could all
11 do a lot more business by reducing the take-out, wouldn't that
12 be a happy situation? And that's all -- that's all we want to
13 do, everybody here. I mean, everyone who's talking -- talking
14 here, they simply want to have bigger handles; right?

15 VICE CHAIRMAN ISRAEL: Absolutely.

16 COMMISSIONER CHOPER: Okay. So I would vote with it.
17 I vote for it, but on that, you know, strong suggestion, that
18 you get what they've got and what everybody else has got.
19 Someone ought to really try to put together everything that's
20 available and come up with the best answer we can.

21 MR. BLONIEN: We take your comments to heart, Mr.
22 Choper. We'll -- we'll do that.

23 CHAIRMAN HARRIS: So my motion would be that we -- we
24 approve it, that -- let's keep in mind, too, this is only
25 quarter horse --

1 EXECUTIVE DIRECTOR BREED: Right.

2 CHAIRMAN HARRIS: -- racing. And it goes -- I mean,
3 I just said Del Mar, but it's not -- that's just a date and
4 time. But basically, until the Wednesday after Labor Day,
5 whenever that is. But in the interim you -- you do some
6 reports on -- on what the efficiency achieved by doing that as
7 far as a decrease in handle versus a bigger take-out. And I'm
8 not very happy with doing it, but I can see that -- that --
9 that it's needed.

10 COMMISSIONER BRACKPOOL: Mr. Chairman, when was the
11 last time you had a temporary tax reduced after the sunset
12 period?

13 CHAIRMAN HARRIS: Well, it will be up to the board.
14 I mean, that's the thing. It doesn't -- if it was just
15 going -- but once in a while they get rolled back.

16 VICE CHAIRMAN ISRAEL: I'd second the motion.

17 CHAIRMAN HARRIS: Yeah. Okay. And the motion and a
18 second. All in favor?

19 VICE CHAIRMAN ISRAEL: Aye.

20 COMMISSIONER CHOPER: Aye.

21 COMMISSIONER DEREK: Aye.

22 COMMISSIONER ROSENBERG: Aye.

23 COMMISSIONER MOSS: Aye.

24 CHAIRMAN HARRIS: Aye.

25 CHAIRMAN HARRIS: Opposed?

1 COMMISSIONER BRACKPOOL: I did not vote for it.

2 CHAIRMAN HARRIS: Okay. One opposed. Mr. Brackpool.

3 MR. BLONIEN: Thank you. Thank you, Mr. Chairman and
4 members.

5 VICE CHAIRMAN ISRAEL: Hey, Rod, could we ask that
6 you report on some regular basis, maybe every 30 or 60 days?

7 MR. BLONIEN: Absolutely.

8 VICE CHAIRMAN ISRAEL: Thank you.

9 COMMISSIONER CHOPER: And we do have a sunset
10 provision on this; is that right?

11 VICE CHAIRMAN ISRAEL: Yes.

12 CHAIRMAN HARRIS: Yes.

13 VICE CHAIRMAN ISRAEL: The Wednesday after Labor Day,
14 whatever day that would be.

15 COMMISSIONER CHOPER: Whatever it is. If it fails it
16 can take affirmative action quickly to cut the tax back.

17 CHAIRMAN HARRIS: We've got, actually, some lunch
18 back here for commissioners, but I don't know about the
19 audience. But --

20 VICE CHAIRMAN ISRAEL: That's very nice of them.

21 CHAIRMAN HARRIS: Who knew?

22 VICE CHAIRMAN ISRAEL: I didn't see that was going
23 on. How did that happen?

24 CHAIRMAN HARRIS: Should we continue? Who wants to
25 take a break or --

1 EXECUTIVE DIRECTOR BREED: Do you want to take a
2 break?

3 CHAIRMAN HARRIS: Well, let's take about a ten minute
4 break and --

5 VICE CHAIRMAN ISRAEL: It's 12:30. One o'clock?

6 CHAIRMAN HARRIS: Okay. That's all right. We'll
7 take about a ten minute break.

8 (The Board Recessed From 12:33 p.m., Until 12:56 p.m.)

9 CHAIRMAN HARRIS: I think I'll call the meeting back
10 to order here, because we're now --

11 EXECUTIVE DIRECTOR BREED: Item nine.

12 CHAIRMAN HARRIS: -- item nine, which is the --

13 EXECUTIVE DIRECTOR BREED: I guess that's one you --

14 CHAIRMAN HARRIS: Is that the one --

15 MR. DARUTY: It was TVG.

16 VICE CHAIRMAN ISRAEL: Oh, this is -- yeah. This is
17 basically the ADW.

18 VICE CHAIRMAN ISRAEL: This tells everything at the
19 bottom.

20 CHAIRMAN HARRIS: Yeah. Go -- go -- go ahead.

21 MR. DARUTY: Scott --

22 CHAIRMAN HARRIS: This is basically a report from
23 TrackNet and TVG.

24 MR. DARUTY: Scott Daruty with TrackNet Media Group.
25 And the update on the situation between us and TVG relating to

1 the Patton lawsuit (phonetic) is that the Patton lawsuit has
2 been settled. That was just prior to the opening of the Santa
3 Anita meet. We were able to meet out the details --

4 COMMISSIONER MOSS: All right.

5 MR. DARUTY: -- and it's behind us.

6 COMMISSIONER MOSS: Is that actually settled or it --
7 I wasn't really clear if it was really settled or -- or just
8 deferred.

9 MR. DARUTY: Well, we entered into an agreement in
10 principle for the lawsuit to be settled. The lawyers are
11 working on the actual settlement agreement, but we don't expect
12 any problems.

13 CHAIRMAN HARRIS: That's -- yeah.

14 VICE CHAIRMAN ISRAEL: So we will never hear about
15 this again?

16 MS. FRANK: Melanie Frank, TVG. We will never hear
17 about the Patton lawsuit again once we get the settlement
18 agreement signed.

19 VICE CHAIRMAN ISRAEL: Good. Okay. Good. Yeah.

20 MR. BURN: I --

21 MS. FRANK: Please.

22 MR. BURN: I'm Stephen Burn from Betfair and TVG.

23 Mr. Chairman and commissioners, thank you for the chance to
24 address you guys and answer any issues or questions you have.

25 This, just very briefly, to give you a heads up that

1 from here on in I'm going to be the -- the point guy as far as
2 racing issues are concerned for Betfair and/or TVG. I look
3 after global horse racing for Betfair, and I'm going to be
4 based in LA for the foreseeable future and hope to work and
5 have a more collaborative relationship with not just TrackNet,
6 but some of the other companies that we've been dealing with in
7 the past.

8 I think we've inherited lots of legacy issues when
9 Betfair acquired TVG. We'd like to try and park as many of
10 them as possible and try and find some new ways of working
11 together if we possibly can.

12 CHAIRMAN HARRIS: Sounds good. Anything -- anything
13 new on propositional wagering?

14 MR. BURN: Not that I'm aware of, no.

15 COMMISSIONER BRACKPOOL: Do you think working
16 together will ever result in some of us being able to watch
17 races from home?

18 MR. BURN: Well, now you can watch races from home.
19 But you mean --

20 COMMISSIONER BRACKPOOL: Well, I -- depending on --
21 depending on --

22 CHAIRMAN HARRIS: Santa Anita races.

23 COMMISSIONER BRACKPOOL: -- what satellite provider
24 you have.

25 MR. BURN: I mean, obviously, it's -- it's -- it's --

1 it's down to all parties to try and come together and agree to
2 something here. But to me it seems absolutely ludicrous that
3 we live in a world where this -- this degree of factionalism
4 and --

5 COMMISSIONER BRACKPOOL: It's beyond ludicrous.

6 MR. BURN: It is.

7 COMMISSIONER BRACKPOOL: And we're trying to promote
8 a sport, and we have a major meeting like this, and the vast
9 majority of satellite subscribers can not watch that, it just
10 defies logic.

11 MR. BURN: So, I mean, it's a problem, as you guys
12 will know better than me, that exists in racing jurisdictions
13 right across the world. And people are very protective about
14 exclusives. And I think TVG have behaved as badly, in some
15 instances, as lots of other organizations. But I would call it
16 badly. Other people would say that they behaved commercially
17 sensibly. But I think we have to find ways of putting the
18 customer and the consumer first.

19 I was very interested to here what the HANA guy had
20 to say earlier on. And I'd love the chance to talk to him.
21 But you have to respect where people are at. They've got
22 businesses to run, but -- but so have we. But there have to be
23 ways, I think, that we can look at making sure that the
24 customer can see what they want when they want to and we stop
25 being so bogged down about who shows what and which channel

1 shows what. Let's try and do it together. I mean, there's an
2 indication of that. That's only a very small thing.

3 We reached out to HRTV. And although TVG is down as
4 the exclusive broadcasting for the Eclipse Awards, it just
5 makes sense to me to be able to make that event available to as
6 many people as possible. So if HRTV want to show it or take
7 clips from it, they can. And I think this morning I've just
8 agreed to take the live broadcast, to take TVG's feed and just
9 put it directly onto HRTV. And hopefully that's a sign of the
10 kind of things that we can do in the future.

11 CHAIRMAN HARRIS: I've got, actually, like Dish
12 Network, which has both. I'm not clear if Direct, which is
13 what a lot of -- probably the majority of the people do have,
14 did their lack of -- of having HRTV -- let me direct this to
15 HRTV -- is that due to exclusive arrangements they -- they have
16 with TVG, or is it just due to not having it?

17 MR. DARUTY: Well, historically, prior to Betfair's
18 acquisition of TVG there was common ownership between Direct TV
19 and TVG. And it has always been our belief that that common
20 ownership led to the difficulties we had in getting launched on
21 Direct TV.

22 That common ownership no longer exists. We have had
23 numerous discussions with Direct and are optimistic that we
24 will be able to accomplish something in near term.

25 COMMISSIONER BRACKPOOL: What is the -- what is the

1 obstacle at this stage? I mean, there's some serious nonsense
2 on Direct TV. So this has got to be a better product than a
3 lot of the stuff.

4 MR. DARUTY: Well, that's a very good question that
5 is -- that is -- requires a pretty in depth answer. I think
6 I'll try to give a brief overview.

7 The -- the bottom line is television in our industry
8 has always been structured in a way that it's pay for
9 distribution. I think we could be on Direct TV tomorrow if we
10 were willing to write a check with lots and lots and lots of
11 zeros on it. We don't think that's a sustainable business
12 model. So we've been in discussions with Direct TV about
13 carriage of our network in a more traditional sense where we're
14 not just, you know, paying as -- as an infomercial, as it were,
15 but actually carried as a real network.

16 COMMISSIONER BRACKPOOL: Well, I guess that's one
17 road to go. The other road to -- to go is cutting a deal with
18 these guys to where the product can be interchangeable.

19 MR. DARUTY: That, you know, we -- let's -- let's put
20 it this way, with the -- with the Patton lawsuit now behind us
21 and a seemingly more cooperative relationship on the horizon,
22 and those are certainly things we're interested in talking
23 about.

24 CHAIRMAN HARRIS: Well, streaming video is available
25 now, I guess, on all of them or -- or just -- just HRTV?

1 MR. DARUTY: The -- the -- the wagering right
2 exchanges that we've been entering into for the last several
3 years have -- includes -- have included streaming video. So
4 when TVG takes wagers on its platform through -- on Santa Anita
5 they are allowed to stream the Santa Anita races --

6 CHAIRMAN HARRIS: You can watch them?

7 MR. DARUTY: -- through the internet.

8 CHAIRMAN HARRIS: Yeah. Racing has been struggling
9 with the TV deal for -- since TV was invented, I think. But --
10 but it is frustrating. Because I don't see how some of these
11 things get on. You get all these tractor pulls and all kinds
12 of stuff on TV, and they can't be paying to get on there. But
13 every time racing wants to get on it's got -- it's got to pay
14 the provider.

15 MR. DARUTY: Well, there's a perception among the --
16 both cable companies and the satellite companies that racing is
17 essentially like a shopping channel.

18 MR. BURN: Right.

19 MR. DARUTY: And that if you're watching QVC and you
20 write in or call in and buy a sweater or turquoise jewelry,
21 they're getting paid for that, they're getting a percentage for
22 that. And their theory is, hey, if somebody's selling a
23 product using my platform I want to get a percentage of it.

24 The television that was launched, you know, back
25 earlier, you know, in the 2000 timeframe was much the same

1 thing, we were selling wagers. It was in some ways, you know,
2 not a lot more than a simulcast feed. Now TVG has done a lot
3 of work over the years, and we think we have, as well, to make
4 television of horse racing a more rounded package, a real
5 entertainment with talent and analysis and --

6 CHAIRMAN HARRIS: Right. Right.

7 MR. DARUTY: -- and ancillary programming. But we're
8 still viewed by the distributors as a shopping network. We're
9 not selling sweaters and turquoise jewelry, we're selling
10 wagers. And they say if we're going to sell wagers using my
11 platform pay me a percentage of it.

12 CHAIRMAN HARRIS: So it's not so much they want a fee
13 just to get on, they really want a part of the action?

14 MR. DARUTY: Well, either part of the action or they
15 would certainly just take a set amount. But we -- we don't
16 think in the long term that's a sustainable model. I mean, we
17 sit here and we listen to all the economic challenges facing
18 this industry. Television, I think, has an ability to -- to
19 help promote the sport, to help drive wagering. But wouldn't
20 it be even better if it can be done in a way that economically
21 helped support the industry, as opposed to saying, well, we're
22 selling wagers, but the cost of selling wagers is millions and
23 millions and millions of dollars? The core issues.

24 COMMISSIONER BRACKPOOL: No. I don't disagree with
25 that. But, I mean, everything we're trying to do is to figure

1 out how we increase this pie, not fight over the declining
2 share. Certainly when the sport is showing on television it
3 must increase the handle, it just must. It's much more
4 attractive than watching streaming video.

5 MR. BURN: I mean, if you forgive me --

6 MS. FRANK: Please.

7 MR. BURN: -- for interrupting.

8 MS. FRANK: Go -- go ahead.

9 MR. BURN: I was only going to say that -- that if --
10 if we can find ways of working together you should be able to
11 also increase the coverage if you can find it so that it can be
12 completed, rather than -- you know, you can end up having maybe
13 more than one racing network, and one that shows the grade one
14 stuff, the tier one racing or whatever, and the -- perhaps a
15 second channel, whatever they end up being called, that can
16 show, you know, more of the --

17 CHAIRMAN HARRIS: More -- more of my horses.

18 MR. BURN: -- tier two and tier three. Pardon me?

19 CHAIRMAN HARRIS: More of my horses.

20 MR. BURN: Well, but in the end the, you know, the
21 customer should be able to choose. You can go to the internet,
22 or in Europe if you -- if you want to watch Wimbledon, I'm sure
23 I don't mean to be telling you guys something you already know,
24 but you can watch Wimbledon on the BBC and see the center court
25 coverage, which is what the broadcaster puts out. But if you

1 want to watch court two, three, four or five you just click a
2 button and you the --

3 VICE CHAIRMAN ISRAEL: Well, we -- we have that.

4 MR. BURN: -- you the customer chooses that.

5 VICE CHAIRMAN ISRAEL: We have that with Wimbledon,
6 actually.

7 MR. BURN: Yeah.

8 VICE CHAIRMAN ISRAEL: We have -- on Direct TV and on
9 some cable providers you have video -- you have demand, and you
10 can -- there's a variety of sports. You -- you could get
11 supplementary coverage.

12 Now, I mean, it -- it -- to -- at the risk of
13 engaging in some sort of commercial slash social engineering
14 you -- you really ought to consider merging. I'm sure that
15 it's not the first time this has occurred to you. But while
16 your competing internet wagering businesses, you know, probably
17 should never be merged, or that's up to you. It's -- the
18 redundancy in the TV coverage is insane -- insanely expensive
19 and counterproductive. And together you would reach some sort
20 of critical mass that would make you much more attractive as a
21 product on cable and -- and -- and -- and -- and on satellite
22 for, among things, real advertisers.

23 Because you're giving away your time what's mostly to
24 yourself, you know? And, you know, to have that second revenue
25 stream of advertising would make a big difference. And --

1 and -- and your programming would get better and the coverage
2 for the industry would get much better.

3 MR. DARUTY: I mean, when -- when you --

4 VICE CHAIRMAN ISRAEL: But -- but this cannibalistic
5 kind of behavior of eating your young by dividing, you get this
6 race track, we get that race track, it just isn't good for the
7 industry at whole. I mean, Southern California, you know, you
8 got to remember, okay, it's Santa Anita so I got to be on HRTV.
9 It's Hollywood, I got to be on TVG if I want to watch this
10 stuff. It's counterproductive from our point of view, and I
11 think in the long term from your point of view, because you're
12 not creating new customers.

13 And television will create new customers. People
14 accidentally come across TV shows. They don't accidentally
15 come across internet feeds. And -- and that's the reality.

16 So as long as your at war, you know, or as long as
17 your competing with each other on the -- in the television
18 business you're -- you're -- you're hurting all of us, not just
19 yourselves, it's not just more expensive for yourselves, it's
20 everybody out there gets hurt, everybody in this room.

21 MR. BURN: I mean, from -- from my perspective and as
22 represented with Betfair I think we hope that we can
23 collaborate and -- and -- and compete in a healthy way where
24 that's, you know, appropriate, but also work together as much
25 as we possibly can if, you know, we can -- we can, you know,

1 agree terms, and I see no reason why we can't.

2 VICE CHAIRMAN ISRAEL: Okay.

3 CHAIRMAN HARRIS: I think the (inaudible) are going
4 forward, too, as technology further evolves, and maybe it's
5 already there, is to have more streaming videos on big screens.
6 You know, like we've gotten a little screen now by watching a
7 race on my computer. But I think there's some way to get that
8 on to a regular bigger screen.

9 MR. DARUTY: HRTV launched HRTV.com live streaming
10 back in October. So our network, not just the simulcast feeds
11 of the race tracks, but our actual network is streamed 24 hours
12 a day live on the internet. Now as people have pointed out,
13 it's not that great to sit and watch television on your little
14 computer screen, but it's a fairly easy technical feed to get
15 that video on to your big screen television.

16 CHAIRMAN HARRIS: Yeah.

17 MR. DARUTY: And we have --

18 CHAIRMAN HARRIS: That's what I got to figure out.

19 MR. DARUTY: -- a number of consumers who do that.

20 And that, in essence, makes our programming available in every
21 home in the nation that has high speed internet.

22 CHAIRMAN HARRIS: Yeah. That's a big breakthrough.

23 VICE CHAIRMAN ISRAEL: Right. But that's -- your
24 challenging the audience. You're daring the audience to find
25 you if you do that. What you -- what you have to do is you

1 have to make the audience find you by accident.

2 And horse racing in particularly in this sort of ADD
3 generation, you know, where nobody has a very long attention
4 span, horse racing is perfect for capitalizing on that because
5 you get the beginning, the middle and the end of the story in
6 about two minutes. And everything in entertainment is going
7 towards shorter bits of -- of programming because people are
8 always watching things on the move, and -- and it's a much more
9 fragmented society.

10 And you have, you know, a perfectly designed product
11 that is, to say the least, imperfectly distributed. And -- and
12 one of the solutions to -- to the distribution problem would be
13 for there to be one, you know, consort one network dedicated to
14 horse racing, distributed widely in 80 million homes, and
15 somehow in the long run it's incumbent upon you, not -- not as
16 individuals but as corporations, to figure out how to get that
17 done so half the world doesn't get Churchill and -- and Magna
18 on one, you know, network that's only available in 30 -- 30
19 million homes, and half the world doesn't get the TVG tracks
20 that are available in 45 million homes, whatever the difference
21 is.

22 You know, it's -- it's just crazy. It's a 300 --
23 there's 300 million people, there are 100 million and some-odd
24 television homes, and you should be in at least 80 million of
25 them all -- you know, every day, all day with horse racing.

1 You know, your MTV for sports addicts and for betting junkies.
2 You know, the -- the song's here, the song's over. The race is
3 here, the race is over. It's perfect, and you're not
4 capitalizing on it.

5 MR. DARUTY: Well, we -- we believe it's perfect, as
6 well, and we believe that's part of the reason why the economic
7 model needs to shift before, and I'm talking about the economic
8 model of the distribution, shift before that growth can happen.
9 If you're in 80 million homes that's wonderful. But if you're
10 paying a lot of money to be in each of those homes you've just
11 magnified the -- the -- the problem, the expense on the
12 industry by two- or threefold when you go from 30 million to 80
13 million. If you're paying for each of those homes it becomes
14 unsustainable.

15 And we believe for all the reasons that you said, we
16 should be treated as a real network and are working hard to
17 work on the factors that are important to the -- the satellite
18 companies and the cable companies to make ourselves viewed as a
19 real network so that we get the same kind of distribution as
20 Major League Baseball Channel or the NBA Channel or the NFL
21 Network, all of which have three or four, in the case of
22 baseball, a longer season, but limited seasons. They don't
23 even have year-round product.

24 You turn on the Major League Baseball Network today
25 and you're going to see some old game that was played five

1 years ago. You're not going to see live sporting the -- the --
2 the whole -- whole year long. And that's another advantage
3 that we as horse racing have.

4 CHAIRMAN HARRIS: Okay. Anything else on this?

5 Thank you.

6 VICE CHAIRMAN ISRAEL: Thank you.

7 MR. DARUTY: Thank you.

8 MS. FRANK: Thank you so much.

9 EXECUTIVE DIRECTOR BREED: Continue.

10 CHAIRMAN HARRIS: We only have a couple more items.

11 We've got the --

12 EXECUTIVE DIRECTOR BREED: This is that one --

13 CHAIRMAN HARRIS: -- report from -- well, let's go
14 ahead and get rid of this report for this So Cal Racing
15 Secretaries, which they sent. I think most of the board has
16 got some work that -- that -- that Marty Panza did, which I
17 thought was -- was very in depth.

18 VICE CHAIRMAN ISRAEL: Really helpful.

19 CHAIRMAN HARRIS: -- and helpful. I mean, it asked a
20 few questions. But would some of the folks like to come up?

21 And -- the whole -- the real issue is how do we -- I
22 mean, how do we really quantify how big our inventory is, which
23 sounds like we -- we have done that. But how do we better use
24 it or encourage more participation from it and are we -- is it
25 the right size? Because we're spending a lot of money on

1 stabling, arguably for not that many incremental horses. Would
2 that money be better off going back into purses, or do we
3 really need it where it is because if we take it away from
4 where it is it's going to create too many ripple effects.

5 So I don't. Who would you like to start? Maybe the
6 noted --

7 VICE CHAIRMAN ISRAEL: You want to say anything or
8 you just want to answer questions?

9 MR. PANZA: Well, I think I'll start. Martin Panza,
10 vice president of racing from Hollywood Park.

11 We put this report together just to give everyone an
12 idea of what the inventory is. And -- and the inventory,
13 obviously, it changes every day. But you can see how we've
14 gone from basically 4,000 horses, and now we're at 2,800
15 horses. When we say we can't fill races, I think this helps
16 you understand that maybe here's why we can't fill them,
17 because our horse numbers are dropping.

18 Basically, what we did is we took every horse that
19 worked in December at -- at a Southern California facility and
20 ran past performance lines on them, and then quantified by
21 them, okay, what are they, a first time starter, a maiden, a
22 claiming horse, an allowance horse. And it just shows that our
23 inventory is getting smaller and there's less and less room for
24 error in our jobs in trying to put these races together for the
25 amount of race dates that the board is -- is awarding to the

1 race tracks.

2 VICE CHAIRMAN ISRAEL: Okay.

3 CHAIRMAN HARRIS: Actually, I think to your -- to
4 your credit, though, you're actually doing -- you're -- you're
5 using -- you're -- you're still getting about the same field
6 size with significantly fewer horses. So I'm not sure exactly
7 what that says but, you know, if you're doing a better job
8 or -- or you just had the luxury of having too many horses
9 before.

10 MR. PANZA: Right. Well, the first eight days of
11 Santa Anita, and -- and maybe the Santa Anita guys can talk
12 about that, but I think on a four year average they've gone
13 from 9.6 through the first eight days to 9.2, to I think 8.6 to
14 8.2. So the field size is dropping. And, realistically, we're
15 running different types of races, probably cheaper races, to
16 try and fill.

17 VICE CHAIRMAN ISRAEL: Can I -- I mean, have you
18 talked to the people in the back, to the owners and the
19 trainers, to try to -- try to get an answer as to why this has
20 occurred, other than the economy? Because it's -- it's --
21 it's -- I'm sure a certain amount of it is the economy has made
22 it impossible for people to -- to have the luxury of owning
23 horses who aren't in that business. But, I mean, in all
24 honesty, some of it -- does anything of it have to do with
25 there's a purse structure issue and is there some blowback

1 against the synthetic tracks? They'd rather run on dirt? Have
2 you experienced --

3 MR. PANZA: The race track issue, I think we could
4 spend days talking about that. I think that if we put a dirt
5 track in, I think three months later it would be the wrong
6 dirt.

7 VICE CHAIRMAN ISRAEL: Okay. So --

8 CHAIRMAN HARRIS: I think that in talking with
9 horsemen, I mean, everybody is struggling. They're trying to
10 stay in business. They're trying to attract owners. They're
11 trying to keep horses here. Obviously, there's racinos
12 throughout the country.

13 I thought an interesting number out of this report,
14 which I didn't really recognize, we're running -- about 33
15 percent of our races are claiming races, and yet our inventory
16 is only 17-1/2 percent. And why might that inventory be
17 dropping? Because you've got racinos back east that have made
18 their purses on the claiming races much higher than what we can
19 offer, and simple economics. An owner looks and says, well,
20 it's -- it's \$85.00, \$90.00 a day to keep a horse in training
21 in California and the purse is 60 percent of what it is in
22 Philadelphia Park or Sunland Park.

23 VICE CHAIRMAN ISRAEL: Right.

24 MR. PANZA: And the training costs are -- are, you
25 know, \$60.00 a day. So simple economics, I think has something

1 to do with it. And -- and, you know, the purse schedules at
2 other tracks effect us. And -- and the racing surface
3 certainly, you know, I -- I like my surface, but I don't have
4 to train on it. So, you know, it's a hard issue for a racing
5 secretary to comment on, I think.

6 CHAIRMAN HARRIS: Well --

7 MR. ROBBINS: I think -- I think Tom Robbins from Del
8 Mar.

9 I -- this might oversimplify it, but we rely on
10 horses to fill races in California. California bred, non-
11 California bred. Roughly 50 percent of our starters in
12 California are through the California bred program.

13 There's no secret that that program has been reeling
14 in the last several years. In fact, I stood here with the rest
15 of the folks from Del Mar about a year ago and -- and said we
16 have real concerns about filling races for Del Mar six days a
17 week. We saw the handwriting on the wall. We saw it. We
18 saw -- if you look at the Mares Bred Report in California you
19 can see that it was going to hit us on the race track. Well,
20 it hit us two years ago. It started hitting us two years ago
21 on the race track.

22 It's, well, it's hitting us now. We're seeing it.
23 We're seeing it in all of our numbers: 37 percent of
24 California bred starters and the horses that run, that make
25 starts, 37 percent of those starts in California are in

1 Southern California; 63 percent are in Northern California, and
2 that percentage is shrinking.

3 So if you -- if you combine that, knowing what the
4 Mayor Bred Report is and what it looks like, this thing is --
5 we are in -- in a crisis situation having to put together
6 programs, as we have in the past.

7 VICE CHAIRMAN ISRAEL: What can we do to fix that? I
8 mean, because we've got to look five years out if you're
9 dealing with, you know --

10 MR. ROBBINS: Well, I -- I -- I can tell you from my
11 own personal experience what we did at Del Mar last year, we
12 went from six days to five days.

13 And -- and let me say, having listened prior to the
14 break, that, you know, this is our perspective of putting the
15 wagering product out there for people all over the country
16 to -- to bet on. We feel it's important enough. But we know
17 that it doesn't always -- that just simply doesn't pay the
18 bills at the race track. So we know that's not, you know, a
19 simple answer. And we went from six days to five days. And
20 going from five days to four days is a little bit different
21 situation. We recognize that.

22 But -- and we also recognize is this is not just a
23 California problem. This exists all over the nation. There
24 are fewer non-California breds being foaled out there, as well.

25 But what's happening, and -- and I don't want to pick

1 on Santa Anita, but you can, you know, look at your program
2 today and look at the card today, and look at the races that
3 are being offered from other parts of the country today, and
4 these -- and some of these tracks have cut back. They've
5 adjusted.

6 Now -- so to me, very simple again, it just is a
7 matter of how -- how much do we consider the product that we
8 put out there to be important? I think --

9 VICE CHAIRMAN ISRAEL: How about as we resize the --
10 the -- the offerings, as you suggest, are we spending too much
11 on offsite stabling that could go into purses? I mean, do we
12 need -- back in the so-called old days there was just one track
13 operating at a time. It was either Hollywood Park or here or
14 Del Mar, and you're either -- you were either there or you
15 were, you know, at a farm or someplace.

16 But you -- but now we've got Hollywood Park is open
17 while Santa Anita is operating, and vice versa. And Del Mar,
18 there's somebody up here open. And I'm not sure how much we're
19 spending a year on that. But I -- I think it's pretty
20 substantial.

21 And what would -- what would your opinion be of,
22 basically, just going back to the model that only the track
23 that's operating provides stabling and people do a user pay or
24 something on all the rest?

25 MR. PANZA: I think --

1 MR. ROBBINS: Well, I -- go ahead, Martin.

2 MR. PANZA: I think roughly, if -- if Santa Anita or
3 Hollywood is the offsite place, call it \$18,000 a day --

4 VICE CHAIRMAN ISRAEL: Uh-huh.

5 MR. PANZA: -- times 7, you're looking at 126,000 a
6 week, throw in say 14,000 for vanning, which may be low, let's
7 call it 140,000 a week, half of that is purse money and half of
8 it is the race track's, 70,000 a week, if you're running five
9 days a week it's 14,000 a day, 250,000 in overnight purses a
10 day, you're looking at maybe a 6 percent purse increase.

11 By the number of horses we have right now I would not
12 recommend yet going to one barn area. When we did that 30
13 years ago Hollywood Park used to be able to stable 2,500
14 horses. Our barn area now is down to 1,950. So long ago when
15 they did do that the barn areas were much bigger. I can't make
16 that statement for Santa Anita because I'm not sure of that
17 number.

18 So there's no way to fix this, Commissioner Israel.
19 I think it's more we need to recognize the times we're in --

20 VICE CHAIRMAN ISRAEL: Uh-huh.

21 MR. PANZA: -- and how can we try to get through
22 these times --

23 VICE CHAIRMAN ISRAEL: Well, I --

24 MR. PANZA: -- to maybe the economy will get better.

25 VICE CHAIRMAN ISRAEL: So this is -- but I guess the

1 question wasn't how to fix the short term. It's the, among
2 other things, the breeding issue that Tom raised. Is there
3 some long-term way we can look at to try to increase breeding
4 within the state?

5 MR. ROBBINS: That -- that is a far more complicated
6 answer than -- that I can give. I mean, we met last week.
7 Commissioner Harris was present. We had a meeting at Santa
8 Anita last week --

9 VICE CHAIRMAN ISRAEL: Right.

10 MR. ROBBINS: -- to discuss that. And there's no
11 easy answer to that. There's no -- you know, whenever a
12 suggestion was made it was, you know, batted down by somebody
13 saying that's going to impact the breeding industry in
14 California to the point where we're -- we're all going to fail.

15 VICE CHAIRMAN ISRAEL: Well, give me an example.
16 What -- what do you mean by that?

17 MR. ROBBINS: Well, the -- the breeders awards are
18 paid without qualifying levels. So in other words, a breeder
19 is going to get a check for a horse that wins a very low level
20 race anywhere in California. There's not a qualifying level.
21 So the suggestion was made, maybe we need qualifying levels
22 to -- to try to get the support at the -- at the stallion level
23 and the mare level back to the point where it -- it -- that it
24 would support Southern California racing and Northern
25 California racing.

1 VICE CHAIRMAN ISRAEL: So -- so you -- so the
2 suggestion was made, for instance --

3 MR. ROBBINS: I don't think we got very far. No.

4 CHAIRMAN HARRIS: I think the -- the issue is,
5 though, that every horse that runs in California someone is
6 wagering on. And we need that horse. So we don't want to go
7 out and shoot the survivors. I mean, these horses, we need to
8 keep around. We need to keep people -- I mean, no one is
9 purposely trying to breed a bad horse but -- but -- but it
10 happens.

11 I mean, to Jerry and me and Keith and everybody
12 probably that have bred horses, I mean, you don't know. You
13 might think this is going to be a \$1 million horse but it ends
14 up running for, you know, 4,000 at Golden Gate, but that's just
15 happens. You can't say that you're -- you're -- and then the
16 money, there's only about 25 percent of the breeders awards are
17 really going to the lower level stuff anyway.

18 MR. ROBBINS: I -- and I don't want to point fingers.

19 CHAIRMAN HARRIS: Yeah.

20 MR. ROBBINS: You know, the -- it's -- these guys
21 have been doing this a long, long time. I'm just saying that
22 the facts are, as -- as Martin presented, as we would all
23 present, the numbers aren't there.

24 VICE CHAIRMAN ISRAEL: Well, I know. I mean --

25 MR. ROBBINS: And -- and the quality --

1 VICE CHAIRMAN ISRAEL: -- look, I --

2 MR. ROBBINS: -- of the numbers aren't there.

3 VICE CHAIRMAN ISRAEL: -- I put you guys through this
4 exercise. Martin -- Martin and I started having a conversation
5 about this, I don't know, what, six weeks ago, eight weeks ago.
6 And that's -- but, you know, so I'm just -- I'm trying to stay
7 a step ahead of the posse here. How do we prevent this from
8 causing, you know, a hole so big that, you know, someday
9 somebody's going to come and say I want to race three -- three
10 days a week? I mean, you know, the -- the crater keeps
11 expanding. It's not --

12 MR. PANZA: Well, I -- I think --

13 VICE CHAIRMAN ISRAEL: Yeah.

14 MR. PANZA: I think all of you pick up racing forms
15 and you look at cards, and you can look at a card from
16 Wednesday or Thursday or Friday of this week.

17 VICE CHAIRMAN ISRAEL: Yeah.

18 MR. PANZA: And not to pick on Santa Anita, you could
19 look at a card during the Hollywood Park fall meet --

20 VICE CHAIRMAN ISRAEL: Oh, yeah.

21 MR. PANZA: -- and even Del Mar, we have to put out a
22 better product. We're not doing it. And the more days you
23 want to race the more we're going to weaken our product. And
24 you look at the numbers, and those are for you to interpret.
25 You look at the form and that's for you to interpret as a

1 board. If -- if it's acceptable to you then I guess that's
2 what we'll keep doing. We have jobs to do. If we're told to
3 fill --

4 VICE CHAIRMAN ISRAEL: Well, here's the conundrum, I
5 mean, the -- we -- we -- more money is bet on races in
6 California and by players from California than any other state.
7 We are like -- the last time somebody shows us numbers of those
8 two factors combined we were 48 percent of the business. An
9 increasing amount of that money is bet on the internet, on --
10 through ADW accounts.

11 You know, at some point if we reduce our racing
12 day -- and one of the great appeals of California, look we're
13 the last chance to get out every day. We're -- we're the --
14 we're -- we have the benefit of being in the Pacific Time Zone.
15 People who work in the east are coming home. They can bet
16 then. People who have a bad day at the track in New York and
17 Kentucky and in Chicago can try to get out in -- in -- in Los
18 Angeles and San Francisco.

19 You know, so we don't want to have a bad product
20 because that will discourage them from playing our horses. But
21 we also have to -- there's a fine line. If -- if you start
22 racing three and four days a week instead of five and six days
23 a week then you're not going to be there half the time and
24 somebody will find a way to fill that gap and -- and take that
25 money, Australia being a prime example.

1 And -- and so you -- you know, it's -- it's a fine
2 balance here. And you -- we have to -- I think it's incumbent
3 upon us to try to figure out, and on the board and all of us --

4 MR. PANZA: Sure.

5 VICE CHAIRMAN ISRAEL: -- figure out a way to -- to
6 stop the bleeding.

7 COMMISSIONER BRACKPOOL: Can I ask one question for
8 clarification?

9 CHAIRMAN HARRIS: Yeah.

10 COMMISSIONER BRACKPOOL: This report that you sent
11 us, the number of horses at Santa Anita is -- appears to be the
12 same all four years, basically, I mean, 100 -- 100 changed
13 there. The number of horses at Hollywood Park is the -- is the
14 number that's seen the big decline, along, obviously, with
15 Fairplex on this statistic.

16 MR. PANZA: What usually happens in January, most
17 people want to be stabled at Santa Anita. And --

18 COMMISSIONER BRACKPOOL: But I assume this is an
19 apple to apple comparison.

20 MR. PANZA: It is. But what happens is the horse
21 inventory drops down. A trainer that couldn't get into Santa
22 Anita five years ago that was at Hollywood Park is now at Santa
23 Anita. So as the horse inventory drops it just shifts. When I
24 run this summer people will say, well, I -- I want to be at the
25 track that's running, and the trainers will shift to Hollywood

1 Park.

2 But we've got certain trainers that stay at Hollywood
3 year-round, whether it's John Sheriffs or Neil Drysdale. And
4 then there's other trainers that may live close to Arcadia that
5 couldn't get into Santa Anita three or four years ago because
6 there were 4,000 horses here. And as the numbers have dropped
7 they can now get in, so they've moved.

8 VICE CHAIRMAN ISRAEL: And is the Santa Anita cap
9 still at 40 horses per trainer?

10 CHAIRMAN HARRIS: Mike?

11 MR. CARLOS: Mike Carlos, Santa Anita. Typically
12 there's probably maybe a handful of trainers that exceed the 40
13 right now.

14 CHAIRMAN HARRIS: That's part of the horsemen's
15 contract?

16 MR. CARLOS: Correct. It -- it reads, the language,
17 I can't recite it for you perfectly, but it reads we have to
18 allocate everybody applying first, and then we can go over the
19 40 once we've allocated to everybody, which right now there's
20 empty stalls at Santa Anita, so --

21 CHAIRMAN HARRIS: There are? Okay.

22 MR. CARLOS: Yeah.

23 CHAIRMAN HARRIS: Okay. Anything from the
24 commissioners? Questions?

25 VICE CHAIRMAN ISRAEL: No. I just --

1 CHAIRMAN HARRIS: It's -- it's interesting as, you
2 know, it's a tough subject because you've got a bunch of
3 different players. I mean, CHRB I don't think can come in say,
4 okay, here's the way you ought to do it. I think it's got to
5 be the horsemen and the tracks. But I think we need to figure
6 out how to -- how -- how to best model it. Because the
7 problem, the -- the -- regardless of how you look at it, the
8 number of horses is going to be going down.

9 I mean, hopefully we've got a little bit of a luxury
10 that some of the horses we've had in the past weren't very
11 active anyway, and if the ones you have now are more active it
12 will work out. But I hate to see it get -- I mean, ultimately,
13 it could get to where all you had you raced one day a month or
14 something, and you've got a bunch of just gentlemen horsemen
15 that come out and -- and race. I mean, that's the way it is in
16 parts of Europe I think -- I think.

17 MR. PANZA: It's a catch --

18 COMMISSIONER BRACKPOOL: You could ride them, as
19 well.

20 CHAIRMAN HARRIS: You ride them. Yeah. That would
21 be good.

22 MR. PANZA: It's a Catch 22. Because if we run
23 unattractive fields and small fields, we don't handle the
24 money, we can't pay the purses. And if the purses go down then
25 more horses leave, or you as owners decide I'm not going to

1 invest in this because there's no way I can get my money back.

2 So it -- we're sort of stuck in -- in a difficult situation --

3 CHAIRMAN HARRIS: Yeah.

4 MR. PANZA: -- obviously.

5 CHAIRMAN HARRIS: Well, one of the --

6 MR. ROBBINS: And what we're faced with is the tracks
7 that are operating, you know, you've got Gulfstream the
8 fairgrounds, Oaklawn Park, Churchill, they're all adjusting.
9 They've all lopped off a day off their, you know, week's
10 racing.

11 CHAIRMAN HARRIS: Yeah.

12 MR. ROBBINS: So their product is actually quite
13 strong right now, and that's what we're facing. And -- and
14 that's where I'm afraid we -- we're going to lose even more
15 market share.

16 VICE CHAIRMAN ISRAEL: So -- so Southern California
17 and -- and New York are the last two holdouts for five and six
18 day racing?

19 MR. ROBBINS: Yeah, essentially, I mean, at that
20 level of racing. Yeah.

21 MR. PANZA: And even New York this year put in a
22 winter break, which the normally didn't have.

23 VICE CHAIRMAN ISRAEL: Right.

24 MR. PANZA: So they've even looked and -- and trimmed
25 back. But Churchill is only going to run four days this

1 summer. I believe New Jersey is --

2 CHAIRMAN HARRIS: Well, and Evans (phonetic) would
3 like to run no days if he could.

4 MR. PANZA: Oaklawn has cut back days. So several
5 tracks have cut back days. And -- and you can control purses
6 much better if you're running less. Fields are bigger. You
7 handle more money. You keep the purses up.

8 CHAIRMAN HARRIS: Well, one of the problems is that
9 theoretically if they cut back, let's say you go from five days
10 to four days but you're importing races on days five and maybe
11 six or seven, or you're importing more races on -- on days
12 dark, but as everyone cuts back that's tougher because there's
13 nobody to import from. So there -- there -- there -- I don't
14 know how much cooperation there is now but there needs to be a
15 real degree of cooperation to try to get possible imported
16 signals.

17 VICE CHAIRMAN ISRAEL: Right. Somebody has to agree
18 to run Monday, somebody has to agree to run Tuesday, and
19 somebody has to agree to run Wednesday. You know, you got to
20 do it on an alternating kind of basis and just take the bullet
21 for the industry, I guess.

22 COMMISSIONER CHOPER: We may have (inaudible) problem
23 up there too.

24 VICE CHAIRMAN ISRAEL: Well, maybe. Who's going to
25 complain though?

1 CHAIRMAN HARRIS: Okay. Anything else on this?

2 VICE CHAIRMAN ISRAEL: No.

3 CHAIRMAN HARRIS: Thank you.

4 VICE CHAIRMAN ISRAEL: Who's going to complain
5 though?

6 CHAIRMAN HARRIS: Okay. We'll to get something
7 easier, like the fair dates.

8 VICE CHAIRMAN ISRAEL: Thank you. I know I put
9 you --

10 CHAIRMAN HARRIS: Thank you.

11 VICE CHAIRMAN ISRAEL: -- through all this --

12 CHAIRMAN HARRIS: Yeah.

13 VICE CHAIRMAN ISRAEL: -- but thank you.

14 CHAIRMAN HARRIS: Okay. Item 11 is a discussion
15 action with the board regarding the allocation of 2010 Northern
16 California fair dates. This is -- we've got some different
17 scenarios on this. This has been held over because we -- we
18 were trying to get closure on -- on the best dates for all the
19 parties. Okay.

20 We're -- we're going to -- as I see it we -- we've
21 got about three different scenarios of -- you know, I mean,
22 this doesn't impact Southern California dates, or really not
23 much in the late fall or -- or spring or early summer. But
24 the -- the -- the differences are, essentially, as -- as Bay
25 Meadows has gone away how do we fill in? And we have a luxury

1 of having a more possible dates than -- than we did when we
2 were keeping Bay Meadows going.

3 But what I had proposed after looking it over was to
4 try to give Ferndale one week non-overlapped, which I realize
5 is controversial. But I think they need the revenue and a week
6 gap at that period may be beneficial to Northern California
7 racing in general due to the horse population.

8 But what -- what we need to do, I think, is hear from
9 the -- the parties between -- Stuart Titus, would you like to
10 start off with Humboldt? Or I don't know who should start

11 You guys, why don't you just go ahead and sit down.
12 Maybe we've got -- I guess the debate is between Humboldt and
13 CARF and maybe the horsemen. Go ahead.

14 EXECUTIVE DIRECTOR BREED: This is -- this is
15 basically their latest rides.

16 CHAIRMAN HARRIS: Yeah. Oh. So that's number two?

17 EXECUTIVE DIRECTOR BREED: Yeah. This is the number
18 two.

19 CHAIRMAN HARRIS: Yeah. Humboldt originally had a
20 two week proposal, and I took that down to -- to one week. The
21 week I was proposing that Humboldt have would be August 18th
22 through the 22nd. And, also, as part of -- of this calendar
23 Santa Rosa gets three weeks, and Pleasanton gets -- what do
24 they -- so they get three weeks?

25 EXECUTIVE DIRECTOR BREED: I think that's -- I think

1 it's three weeks.

2 CHAIRMAN HARRIS: Uh-huh. And then at the end we
3 come back to Golden Gate all the way to Fresno, which opens on
4 October 6th. Okay. Go ahead.

5 MR. TITUS: Thank -- thank you, Mr. Chairman. Stuart
6 Titus, general manager, Humboldt County Fair.

7 To a certain degree I, of course, regret that this --
8 this matter has been pushed on this long and -- and that the
9 board has been asked to take a look at it once again today. We
10 have tried, I can say in good conscience, to work collectively
11 over the last weeks, months, and even years. We have -- we at
12 Humboldt have no reason to believe and have never asserted that
13 those who are proposing a calendar other than the one that --
14 that the chairman has just described have any ill conceived
15 notions or that their -- their decision and their proposal is
16 at all directed at Humboldt in a negative sort of way. It's
17 simply a difference of opinion in terms of what we believe is
18 in the best interest of racing at the Humboldt County -- County
19 Fair.

20 I have a number -- I had a number of prepared remarks
21 here today. But it -- I'll instead refer to literally
22 everything that has been on the board's agenda here today and
23 discussed or had action taken on it. Literally everything
24 discussed here today, and particularly the last item, speaks to
25 our position on this matter. There are shortages of forces.

1 If the proposal supported by my fellow CARF members and a bunch
2 of other folks is approved it is our firm belief that problems
3 would arise with jockeys and riders, as well. We have serious
4 concerns about personnel matters and technical support,
5 particularly if -- if Humboldt is required to run
6 simultaneously with Santa Rose and Pleasanton.

7 I wish that it looked differently to us, but
8 everything, literally everything in the industry, the current
9 trends, points to a direction which suggests quite clearly that
10 Northern California horse racing can no longer support
11 simultaneous race signals. Everything seems to point in that
12 direction.

13 And so we're appealing to the board today to -- to --
14 for the first time in our history to have an opportunity to run
15 an overlap for -- for at least one week. We would be grateful
16 for that. We think -- we think that would give us a shot
17 anyway. And that's -- that's our basic request here today.

18 You have the -- the calendar proposal there in front
19 of you. You have heard via correspondence from the people of
20 Humboldt County who have supported horse racing all these years
21 speaking their voice in support of -- of our proposal. And we
22 would -- that's -- that's our basic request and -- and would
23 appreciate the board's consideration. I'd be happy to answer
24 any questions you may have.

25 CHAIRMAN HARRIS: How -- how old is -- is the

1 Humboldt County Fair?

2 MR. TITUS: This year will be our 114th.

3 CHAIRMAN HARRIS: So you were not overlapped back 114
4 years ago?

5 EXECUTIVE DIRECTOR BREED: Well, we -- Mr. Chairman,
6 we -- we went back to 1935. And they've been overlapped every
7 year except the war years during WWII when nobody raced, so --

8 CHAIRMAN HARRIS: They didn't race. So yeah, they
9 did go over -- yeah.

10 MR. TITUS: We have been overlapped by some other
11 entity every year of our existence, before simulcast wagering
12 and ADW and, of course, since. Most of those years, with the
13 exception of the proposal in front of you now, the overlap was
14 between Humboldt and a privately owned track, either Bay
15 Meadows and -- or Golden Gate Fields. That provided a
16 different -- entirely different set of dynamics in our minds in
17 terms of personnel and resources. The private tracks had their
18 own. The fairs utilize many of the necessary services through
19 CARF, not all, but many.

20 The overlap with Santa Rosa and Pleasanton, while
21 we've been given very general reassurances that at least some
22 of those -- some of those services could be sustained, we
23 haven't been given any sort of detailed -- the kind of detail
24 to those issues that -- that we would need in order to have any
25 degree of confidence at all.

1 CHAIRMAN HARRIS: Thank you.

2 Chris, would you like to --

3 MR. KORBY: I -- the board asked that stakeholders in
4 Northern California agree on a calendar that they could -- that
5 they could recommend to the board for 2010 dates. TOC, CTT,
6 CARF, including Humboldt County Fair, and Golden Gate Fields
7 met, agreed on a calendar, and recommended that to the board
8 as -- as requested. The board has that calendar.

9 Negotiations were long and at times difficult.
10 Unfortunately, as is often the case in difficult negotiations,
11 not everyone was satisfied with the outcome. Some people say
12 that's -- that's a measure of successful negotiations if
13 everyone comes away a little bit dissatisfied.

14 TOC, CTT, Golden Gate Fields and CARF stand by the
15 recommendation. This is not a CARF versus Humboldt County Fair
16 issue. This is all the stakeholders in Northern California
17 with the exception of Humboldt County Fair recommending a
18 calendar to the horse racing board. It's for the board to
19 decide. You're -- you're the -- you're the entity that
20 allocates dates and we respect that. But you asked for an
21 industry recommendation and we made it. And those entities
22 that were involved in those negotiations are -- are here to
23 stand in support of the calendar that they've recommended, as
24 is CARF.

25 COMMISSIONER CHOPER: Can I ask, would it help if you

1 overlapped with, instead of Pleasanton, Golden Gate Fields, as
2 you did last year? You had a good meet last year.

3 MR. BROAD: We had a good meet. And that was --

4 COMMISSIONER CHOPER: And -- and for the two weeks
5 you overlapped with the CARF at Golden Gate Fields; is that
6 correct?

7 MR. TITUS: CARF and the Golden Gate Fields.

8 Correct.

9 COMMISSIONER CHOPER: Okay. So why -- I'm just
10 asking, why -- why wouldn't, hypothetically, why wouldn't that
11 work again?

12 MR. TITUS: Well, I think it speaks to the issue of
13 horse population. The increasing need of racing secretaries,
14 even at the private tracks, as you've heard here today, to
15 write the so-called cheaper races, that's a phenomenon, as
16 well, in Northern California. Over the history of our meet,
17 the last 20 years we have been able to -- to just get by while
18 being -- while running simultaneously with Bay Meadows or CARF
19 One (phonetic) at Golden Gate Field, as was the case last year.

20 2009 was an exception because, only because, or this
21 is why it started is -- is because we got greater assistance
22 from the supplemental purse fund. For the first time ever we
23 were able to offer the same purses for the lower quality horses
24 as were offered at other fairs. We --

25 VICE CHAIRMAN ISRAEL: And -- and who -- who provided

1 that assistance?

2 MR. TITUS: That comes through -- that is governed by
3 the CARF Live -- Live Racing Committee.

4 COMMISSIONER CHOPER: Now are they proposing to do
5 that again for you this year?

6 MR. TITUS: They have committed to do that again this
7 year.

8 COMMISSIONER CHOPER: So I -- I'm not trying to be
9 contentious. I just -- I mean, I've read all of the literature
10 that -- that -- you know, all the emails that we come across.
11 But if -- I understand the horse population. I know the horse
12 population is a hell of a lot different this year than it was
13 last year. It was down pretty well last year. I -- I don't
14 know. And you have more of the emerging breeds races. Did --
15 I think Golden Gate Fields had none during the two weeks that
16 the races were there.

17 That -- just to -- if the things were just the same
18 as they were last year, right, would that be all right? I know
19 you're going to say no. But I'm asking you to -- really, I
20 guess what I want to ask you is why would it not be all
21 right --

22 CHAIRMAN HARRIS: Not -- I mean, I think --

23 COMMISSIONER CHOPER: -- to be more straightforward.

24 CHAIRMAN HARRIS: Not to interrupt but -- but --

25 VICE CHAIRMAN ISRAEL: Don't be in his class is going

1 to tell you what not --

2 CHAIRMAN HARRIS: Well, but part of the problem, I
3 understand, is the horse fees. I mean, the problem is the --
4 the entity operator, if you are the sole operator in the north
5 you get the host fees or the money bet in the south -- I mean,
6 the money bet on the south. If -- if -- if you're overlapped
7 the -- it's deemed that whoever the other one is going to get
8 it. So it's a revenue deal, is really all it gets down to.

9 MR. TITUS: It's -- it's really a revenue issue for
10 us.

11 COMMISSIONER CHOPER: No. I -- I understand why it
12 would be better not to be overlapped. That I do understand.

13 CHAIRMAN HARRIS: Well --

14 COMMISSIONER CHOPER: But you were overlapped last
15 year with Golden Gate.

16 MR. TITUS: Correct.

17 COMMISSIONER CHOPER: Why would it -- why do you
18 think it wouldn't be as good this year?

19 MR. TITUS: I -- because my belief, Commission
20 Choper, is this, based on the trend of horse racing over the
21 last several years and where it appears to be heading, although
22 we may be turning the corner, at some point in time it will
23 become evident that the industry can't support simultaneous
24 racing meets, even a little one in Humboldt County the same
25 time as -- as one a couple three hundred miles away.

1 Everything just sort of points in that direction.

2 At to that the -- the need for, I hesitate to say
3 equal rights, but equal privileges to earn the same level of
4 revenues as every other entity is -- is allowed to do would
5 be -- would be huge for us, would be huge for us.

6 VICE CHAIRMAN ISRAEL: But let -- let me ask it in a
7 different way, I think.

8 If CARF isn't working to what you deem to be your
9 best interests why are you still a member of CARF? It's --
10 it's a cartel that has benefited you for quite a long time, I
11 think. It provides you with supplementary purses and other --
12 I'm sure a tremendous number of savings. I mean, I'm sure when
13 you -- you go lobby in Sacramento there's a benefit to having a
14 larger entity, you know, helping steer that lobbying effort
15 because it doesn't cost you as much.

16 So now when what appears to be a majority decision by
17 the members of CARF isn't to you're liking all of a sudden you
18 stand alone and say we're the aggrieved party. I would think
19 that if that's the -- in that instance the right thing to do is
20 to quit CARF and try to go it alone. I mean -- you know, if --
21 if it were a different kind of cartel, the kind that we read
22 about in the newspapers, you wouldn't be sitting here right
23 now, you know?

24 MR. TITUS: Yeah. Commission Israel --

25 VICE CHAIRMAN ISRAEL: Your body parts would be

1 scattered around Tijuana.

2 MR. TITUS: Commissioner Israel, that's -- that's --
3 I -- I have read that in some of your correspondence. And your
4 question in that regard is not the only time it's -- it's been
5 asked of me. But let me -- let me try to answer it like this.

6 Number one, it's not a cartel, it's a government
7 entity. It's a joint powers authority. But more to the point,
8 if for example a supreme court judge were to vote in descent on
9 a particularly case, he didn't write the opinion of -- of the
10 descent, is he expected to -- to step down and no longer accept
11 the responsibilities that he has? No, of course not.

12 We have been a member of CARF for 20 -- over 20
13 years, since its inception. We, probably more than anybody,
14 depend upon the services, the core list of services that CARF
15 provides its members. We can't afford not to belong to CARF.

16 We disagree over this one core issues. But I would
17 like to think that a person has the right to vote on behalf and
18 in the interest of his association and still remain a part of
19 an entity that it can't afford not be.

20 I cite the example of Cal Expo which several years
21 ago discontinued it's membership for like a two year period
22 while harness racing became a feature at the fairgrounds, the
23 state fairgrounds. And in that case Cal Expo ended up
24 contracting out to CARF to provide many of the same services to
25 a nonmember. We would end up doing the same thing.

1 VICE CHAIRMAN ISRAEL: But -- well, to -- to take
2 your supreme court analogy, the supreme court justice is in
3 minority, right, to descending opinion, but accepts the opinion
4 that is voted on the majority as the law of the land and then
5 enforces that precedent. You know, if it's a six-three
6 decision and you're one of the three you lost. The law is what
7 the six voted for.

8 MR. TITUS: Well, no. The --

9 MR. KORBY: That's precisely the extension that I
10 would have made.

11 MR. TITUS: Excuse me. The -- the law is -- is
12 certainly a different matter than --

13 VICE CHAIRMAN ISRAEL: But it's -- it's --

14 MR. TITUS: -- a policy decision. But I guess --

15 VICE CHAIRMAN ISRAEL: It's the analogy you raised,
16 so --

17 MR. TITUS: Well, it's -- it's the one.

18 And the other one that's probably more appropriate
19 is -- is that of a somewhat troubled relationship where people
20 have decided that they can't afford to live with one another
21 but they can't afford to live without one another. We can't
22 afford to not be a member of CARF.

23 VICE CHAIRMAN ISRAEL: It's bad for the kids.

24 MR. TITUS: We're doing it for the kids.

25 VICE CHAIRMAN ISRAEL: It's really bad for the kids.

1 MR. TITUS: There's room for debate there, I guess.

2 COMMISSIONER MOSS: Can I ask if -- I don't know if
3 this is on -- but if you've discussed alternate years in this
4 situation? I know that you're used to racing for 100 years or
5 so, but these are the times and the horses are scarce. And you
6 want to make the most -- everybody wants to make the most out
7 of the meet they have.

8 And is it possible that maybe a couple of the fairs
9 do alternate dates? I know that's not a popular way to go and
10 people would be upset, but it might make, let's say, the
11 proprietors of the fairs more creative in finding other ways to
12 attract people to the fairgrounds than horse racing. You're
13 going to have simulcasting anyway. And perhaps you can do
14 more, you know, in -- in the county fair situation by
15 attracting people.

16 I know it's -- it's an alternative that you don't
17 want to look forward to. But with the horse populations down
18 in the first place and the situation in the horse racing
19 industry everybody seems to be reducing in some way. I think
20 it's -- it's -- it's, can we say, a plethora, so to speak, of
21 these fair dates that, unfortunately, have to be attached on to
22 one another. I think that may be a way to look at it.
23 That's -- that's the only --

24 MR. TITUS: That's an interesting concept,
25 Commissioner Moss. That -- that also is one that, to the best

1 of my recollection, we have -- we have not discussed, but may
2 be one that -- that has room for discussion.

3 But I will add, just taking off from part of your
4 comment that, you know, we -- we reduced by two days last year
5 the number of race -- race days that we had and made some other
6 pretty significant operational changes in terms of reducing
7 expenditures. So we're -- we're trying to -- trying to do the
8 best we can.

9 CHAIRMAN HARRIS: Are we talking about like have a
10 whole different -- like you'd race at some place in December or
11 February or --

12 COMMISSIONER MOSS: No. No. No.

13 CHAIRMAN HARRIS: -- something like that?

14 COMMISSIONER MOSS: But if -- if, you know, you look
15 at a certain amount of dates and whatever the neighboring
16 fair -- I mean, and I don't know the geography that well.

17 CHAIRMAN HARRIS: Uh-huh.

18 COMMISSIONER MOSS: But somebody has the stretch of
19 time for the ten days this year and -- in a couple of areas,
20 and somebody has the ten days next year, you know?

21 CHAIRMAN HARRIS: I think -- shouldn't it go for --

22 COMMISSIONER MOSS: And that way you consolidate and
23 it doesn't overlap and they have their own thing and they
24 can --

25 VICE CHAIRMAN ISRAEL: But Ferndale --

1 COMMISSIONER MOSS: -- perhaps, make enough money in
2 the two -- in the -- in the one year for the two years.

3 VICE CHAIRMAN ISRAEL: Ferndale's neighboring fair is
4 in Oregon, actually.

5 CHAIRMAN HARRIS: Yeah. Well, the problem is, I
6 think, that there is some tradition to these fair dates, I
7 mean, right or wrong, although Pleasanton --

8 COMMISSIONER MOSS: Well, I --

9 CHAIRMAN HARRIS: -- I mean, Sacramento, they
10 changed. But, I mean, I think there are other people going to
11 Ferndale at certain times and Pleasanton at certain times and
12 Fresno at certain times. And if you all of a sudden change
13 that historically that has created a problem. But Ferndale is
14 limited somewhat because, you know, they can't do it just any
15 old time because the whether gets bad sometimes.

16 MR. KORBY: I'd like to speak to Commissioner Moss's
17 scenario, if I could. We did not discuss that particular
18 scenario.

19 But there was an offer made several times to support
20 Humboldt running in September without overlap, an offer which I
21 think still would be supported by the same groups that are
22 supporting the present calendar. But that option was not
23 acceptable to Humboldt.

24 VICE CHAIRMAN ISRAEL: Is that because they -- you
25 wanted to be contiguous with your fair or --

1 MR. TITUS: Well, yeah, contiguous with the fair, the
2 tradition of it being an August event, a whole number of --

3 VICE CHAIRMAN ISRAEL: Right.

4 MR. TITUS: -- a whole number of local issues that,
5 certainly for 2010, and I think in any given year would just
6 make that probably no more successful than it was for Stockton
7 when -- when they tried the experiment.

8 CHAIRMAN HARRIS: Well, I -- just to get something
9 going I'll make a motion that we adopt the recommendation
10 that -- this is the --

11 EXECUTIVE DIRECTOR BREED: The one week.

12 CHAIRMAN HARRIS: Yeah. The one -- one -- one week
13 only. I really think a case can be made with the shortage of
14 horses in California and the country really, almost, but the
15 shortage of horses in California that -- that we've got to cut
16 some racing anyway. So part of my theory of -- of letting
17 Ferndale run overlap was not strictly just to help Ferndale but
18 to help the Northern California circuit and give -- give them,
19 you know, more horses to run at the previous meet and the next
20 meet and all that. It wasn't just you're going to have this
21 great windfall at Ferndale, which there might be some windfall
22 to them, but -- but the -- I'm just worried that we've got this
23 horse shortage. And Ferndale is kind of a good little
24 tourniquet to put on it because they're running these mixed
25 breeds and -- and it's, you know, different categories of

1 horses, you know, often than -- than the mainstream that's
2 going to be running in the Bay Area. So that was my theory.

3 VICE CHAIRMAN ISRAEL: Can ask how that would effect
4 employment, you know, using this?

5 EXECUTIVE DIRECTOR BREED: We need a second.

6 VICE CHAIRMAN ISRAEL: Well, before we can have a
7 conversation and discussion.

8 EXECUTIVE DIRECTOR BREED: Yeah.

9 CHAIRMAN HARRIS: Okay.

10 EXECUTIVE DIRECTOR BREED: The motion is on item
11 number two.

12 CHAIRMAN HARRIS: It's scenario number two.

13 EXECUTIVE DIRECTOR BREED: Scenario number two, which
14 is a week overlap. What -- what are the weeks?

15 VICE CHAIRMAN ISRAEL: On -- on that specific one --

16 EXECUTIVE DIRECTOR BREED: May I ask the dates of
17 that?

18 CHAIRMAN HARRIS: Well, the -- the week -- the --
19 Humboldt would - non-overlapped Humboldt would be August 18th
20 through the 22nd.

21 EXECUTIVE DIRECTOR BREED: Right.

22 CHAIRMAN HARRIS: And if they wish to be overlapped
23 they could go from the 12th through the --

24 VICE CHAIRMAN ISRAEL: 15th.

25 EXECUTIVE DIRECTOR BREED: To the 22nd.

1 CHAIRMAN HARRIS: 15th.

2 COMMISSIONER ROSENBERG: I believe there's an error
3 on this. If you look up in the top right, I may be missing
4 something, but the orange Santa Rosa dates refer to the --
5 through the -- through the 8th, whereas they show on -- in --
6 on the -- the August chart through the 15th.

7 MS. WAGNER: Yeah. It is the 15th.

8 EXECUTIVE DIRECTOR BREED: I don't think -- do we
9 have a copy of that calendar?

10 COMMISSIONER BRACKPOOL: It should be -- it should
11 be --

12 COMMISSIONER ROSENBERG: 7/28 through 815?

13 MS. WAGNER: Correct.

14 CHAIRMAN HARRIS: Yeah. See, the overlap is --

15 VICE CHAIRMAN ISRAEL: Santa Rosa is running three
16 weeks.

17 MS. WAGNER: That was -- that's a mistake.

18 CHAIRMAN HARRIS: Yeah. It's a mistake. Yeah. It's
19 okay. Yeah. Okay.

20 EXECUTIVE DIRECTOR BREED: Because Santa Rose --
21 under this scenario Santa Rosa is --

22 CHAIRMAN HARRIS: Santa Rosa is three weeks.

23 EXECUTIVE DIRECTOR BREED: It's 7/28 to the 15th.

24 CHAIRMAN HARRIS: Well, why don't we have Jackie read
25 them, because they didn't put this in the record anyway. Just

1 the ones from June on.

2 EXECUTIVE DIRECTOR BREED: Just the fair dates. Do
3 you have that?

4 MS. WAGNER: Jackie Wagner, CHRB staff. The motion
5 is to adopt the calendar for the following fair dates: June
6 16th to June 20th will be assigned to Stockton; June 23rd
7 through July 11th is Pleasanton; Cal Expo would run from July
8 the 14th through July the 25th; Santa Rosa would begin July the
9 28th and run through August the 15th; Humboldt, the proposed
10 dates for Humboldt are just -- begin August the 12th,
11 concluding on August the 22nd. Pertaining to Humboldt County
12 Fair, the dates of August 12th, 13th, 14th and 15th would be
13 overlapped with Santa Rosa. It would be running un-overlapped
14 August 18th, 29th, 20th, 21 and 22nd. Beginning August 25th
15 and running through September 30th would be the Golden Gate
16 Fields meet at -- it's the Golden Gate Fields summer meet.

17 CHAIRMAN HARRIS: Through October 2nd?

18 EXECUTIVE DIRECTOR BREED: October 3rd.

19 CHAIRMAN HARRIS: October 3rd.

20 MS. WAGNER: I'm sorry, October 3rd, yes.

21 CHAIRMAN HARRIS: And then Fresno.

22 MS. WAGNER: Oh, I'm sorry. I forgot Fresno.

23 VICE CHAIRMAN ISRAEL: Big Fresno.

24 CHAIRMAN HARRIS: Big Fresno.

25 MS. WAGNER: But, no, the big Fresno Fair would

1 open --

2 VICE CHAIRMAN ISRAEL: It's not just the regular
3 Fresno Fair --

4 MS. WAGNER: -- October the 6th --

5 VICE CHAIRMAN ISRAEL: -- the big Fresno Fair.

6 MS. WAGNER: -- and it would conclude on October the
7 17th.

8 CHAIRMAN HARRIS: Yeah.

9 MS. WAGNER: That's the motion on the floor.

10 CHAIRMAN HARRIS: Okay. Well, hold that. Okay.

11 Mr. Dougherty --

12 EXECUTIVE DIRECTOR BREED: We need a second.

13 CHAIRMAN HARRIS: Oh, we need a second. Is there a
14 second to my motion?

15 COMMISSIONER CHOPER: Well, I'll second it, at least
16 to have the discussion.

17 CHAIRMAN HARRIS: Yeah. We're going to have some
18 discussion on it, obviously.

19 MR. DOUGHERTY: Thank you, commissioners. Charlie
20 Dougherty, California Thoroughbred Trainers.

21 We still stand behind the calendar that we submitted
22 on -- along --

23 VICE CHAIRMAN ISRAEL: No. You guys better stick
24 around.

25 MR. DOUGHERTY: -- along with CARF, Golden Gate

1 Fields, and thoroughbred owners and trainers. And I also
2 understand you will be hearing from the Jockeys Guild in
3 support of our calendar, as well.

4 First of all, I just want to reiterate the point,
5 nobody within CTT or its trainers-member want to see Ferndale
6 go out of business. It is a unique racing venue with a lot of
7 character. However, it is a location that is very far away
8 from the hub of activity in the Bay Area, and it is also very
9 costly to van horses up to that location.

10 A very few select group of trainers do go up there
11 each year because they have the type of horse that fits the
12 type of program that Ferndale offers. And Ferndale is what it
13 is. It is run with mixed breed horses and a lot of the lower
14 end claimers. The track is very narrow and only a certain type
15 horse can make it around that without a lot of accidents
16 happening. Horses have learned to run over that -- that
17 course, so trainers continue to go up there because they enjoy
18 the location up there.

19 But to take away racing within the month of August
20 within the Bay Area we believe during these times is a recipe
21 for disaster for the rest of the industry. We all feel sorry
22 for Ferndale with their -- their overlap situation. But I can
23 assure you, unless a substantial amount of capital was invested
24 back into that facility in terms of expanding its race track,
25 widening it, adding stalls and the amenities that people --

1 having them run un-overlapped is not going to have horses go up
2 to Ferndale.

3 COMMISSIONER CHOPER: Well, Charlie, let me ask --
4 can I ask you, are you done?

5 MR. DOUGHERTY: I'll --

6 COMMISSIONER CHOPER: You got some more, go ahead.

7 MR. DOUGHERTY: No. I mean, I'll answer any
8 questions.

9 COMMISSIONER CHOPER: Let me ask you this. Let's
10 assume everything you say is right. The -- the -- John
11 Harris's point is that it wouldn't be a bad thing --
12 everyone -- the same horses that are going to Ferndale are
13 going to go to Ferndale. Other horses have a week off. Given
14 the difficulties of the horse population summer, winter and
15 fall, why is that really going to be a very bad thing? I guess
16 that -- that -- that's -- I mean, that's --

17 MR. DOUGHERTY: I can answer that --

18 COMMISSIONER CHOPER: -- question strikes me --

19 MR. DOUGHERTY: -- Commissioner Choper.

20 COMMISSIONER CHOPER: -- as it --

21 MR. DOUGHERTY: We believe --

22 COMMISSIONER CHOPER: -- needs an answer.

23 MR. DOUGHERTY: We believe that August is the prime
24 month of racing without -- within the whole satellite network
25 of the United States. The marquis tracks are running. There

1 is a tremendous amount of interest in racing throughout the
2 country. And for us to take a week off in the -- in the month
3 of August we believe is going to substantially hurt the purse
4 structure of Northern California. If Ferndale is running
5 people will be able to see those races, but we do not believe
6 it's in the best interest of racing in the Northern California
7 circuit to have Ferndale as the showcase satellite going out to
8 the rest of the country. We --

9 COMMISSIONER CHOPER: So it's not so much locally,
10 it's around the country?

11 MR. DOUGHERTY: Yes.

12 VICE CHAIRMAN ISRAEL: How much will --

13 COMMISSIONER CHOPER: Because Golden Gate didn't do
14 very much business last year around this period of time.

15 VICE CHAIRMAN ISRAEL: Well, they're going to --
16 let --

17 COMMISSIONER CHOPER: But you're saying even if -- I
18 mean, well, no, it was at -- I mean, when --

19 VICE CHAIRMAN ISRAEL: It was at Golden Gate last
20 year.

21 MR. DOUGHERTY: It was at Golden Gate last year.
22 This year it will be at Pleasanton.

23 COMMISSIONER CHOPER: No. No. I -- I -- I
24 understand.

25 CHAIRMAN HARRIS: Well --

1 COMMISSIONER CHOPER: But -- but nonetheless, you --
2 you -- you say it was still good. I'm -- again, I'm just
3 asking. No matter what happens, no matter what sort of horses
4 are run, even if they're going to be relatively small fields
5 and so forth and so on, because of the lack of horse
6 population, if we run them there and even if they're not well
7 attended, which they weren't -- is that right, they were not
8 well attended last year, then -- but the out of state --

9 VICE CHAIRMAN ISRAEL: It's -- it's -- Golden Gate
10 was not --

11 COMMISSIONER CHOPER: -- the out of -- the out of
12 state audience --

13 VICE CHAIRMAN ISRAEL: But Ferndale was more, I
14 think.

15 MR. DOUGHERTY: Right. Correct.

16 COMMISSIONER CHOPER: No. I -- so --

17 MR. DOUGHERTY: The override is --

18 COMMISSIONER CHOPER: -- the out of state audience is
19 going to make a difference?

20 MR. DOUGHERTY: Commissioner, the -- I believe the
21 override and sentiment on that --

22 COMMISSIONER CHOPER: Yeah.

23 MR. DOUGHERTY: -- particularly argument is --

24 COMMISSIONER CHOPER: I think it's in --

25 MR. DOUGHERTY: -- we just believe --

1 COMMISSIONER CHOPER: -- everyone's interest. I know
2 that.

3 MR. DOUGHERTY: -- that it's going to cause economic
4 harm and cause an already fragile industry in -- within the
5 Northern California network to take that month -- that week
6 off, and even a week, I know Commissioner Harris disagrees --

7 CHAIRMAN HARRIS: Five days, really.

8 MR. DOUGHERTY: -- that's five days of racing,
9 that -- that that's irreparable economic harm to the fragile
10 industry that we face right now.

11 COMMISSIONER CHOPER: And -- and would say -- I'm
12 sorry. Just one more.

13 VICE CHAIRMAN ISRAEL: I was just going to get Robert
14 to answer your question.

15 COMMISSIONER CHOPER: Yeah. Yeah. One more time.
16 But -- but how -- I understand the conclusion. I don't
17 understand the reasoning. Why would it cause --

18 MR. DOUGHERTY: The amount of purse monies that will
19 be lost in the difference between what may be bet on Ferndale
20 races and would be bet on races if we run in the Bay Area is
21 probably -- and I would have to defer to the TOC or probably
22 CARF people the actuals, but I'm going to guess at least a 50
23 percent reduction.

24 CHAIRMAN HARRIS: Well, you're not going to get any
25 reduction on the amount bet on Del Mar, I wouldn't think. So

1 it's -- all you're talking about is just the amount bet on
2 Ferndale versus Golden Gate.

3 VICE CHAIRMAN ISRAEL: Well, we -- we got an analysis
4 from Del Mar --

5 CHAIRMAN HARRIS: Yeah. Okay.

6 VICE CHAIRMAN ISRAEL: -- that showed a reduction.

7 MR. LAMOTHE: No. No.

8 CHAIRMAN HARRIS: Well --

9 MR. LAMOTHE: You guys are on target. Guy Lamothe,
10 Thoroughbred Owners of California.

11 And like it or not we have to look at the situation
12 holistically, not only the north but also the south. And from
13 Del Mar's perspective when they're wagering on the north, if
14 they're wagering on non-overlapped versus overlapped, there's a
15 50 percent difference on average daily on the wagering that's
16 generated, the purses that are generated from them wagering on
17 the north. Okay. So, I mean, it's -- we have statistics.
18 We --

19 CHAIRMAN HARRIS: The statistics you have, though,
20 were --

21 MR. LAMOTHE: We can show that.

22 CHAIRMAN HARRIS: -- were kind of an isolated model
23 as I was --

24 MR. LAMOTHE: No. There's more.

25 CHAIRMAN HARRIS: -- there's only one date --

1 MR. LAMOTHE: You're right. We can show indication.
2 We can show ranges. We can show -- there's probably not exact
3 data for Ferndale because there's not a population of data.

4 CHAIRMAN HARRIS: Yeah.

5 MR. LAMOTHE: But we can look at other situations
6 that have happened similar to that.

7 VICE CHAIRMAN ISRAEL: How much money are we talking
8 about, ballpark gate, on a daily basis, on a week -- for the
9 weekend.

10 MR. LAMOTHE: Daily non-overlap, \$22,000 purse
11 generation versus 30,000. And in a time when --

12 CHAIRMAN HARRIS: 30,000?

13 MR. LAMOTHE: -- every penny going to -- when we hear
14 everybody back here talking about what do we do to increase
15 purses, if we're going the other direction it's a double
16 whammy.

17 CHAIRMAN HARRIS: Well, aren't they -- you got to get
18 the supplemental purses. Those -- if -- if Ferndale is
19 sustainable during that week, which I think they would be due
20 to being non-overlap, wouldn't there be less supplemental
21 purses paid to them, so that money would free up to -- to pay
22 to everybody else?

23 VICE CHAIRMAN ISRAEL: It should. It should.

24 MR. KORBY: May I speak to Commissioner Israel's
25 question about -- I'd just like to offer comparative -- two

1 total meet comparative handle numbers for 2009, the Humboldt
2 meet compared to the Santa Rosa Meet. Humboldt ran eight days.
3 Santa Rosa ran ten. Humboldt's handle for Northern California
4 and out of state was \$3,200,000 for the meet. Santa Rosa's
5 comparable handle was \$31,900,000.

6 CHAIRMAN HARRIS: Uh-huh.

7 VICE CHAIRMAN ISRAEL: Ten times as much as --

8 CHAIRMAN HARRIS: I don't think we can ever see,
9 though. And all I want to do is give it a week. It should --
10 if -- if this doesn't work we'll never do it again in 100
11 years. But let's -- let's give them a chance for a week, is
12 my -- you know?

13 MR. HARTMAN: Robert Hartman, Golden Gate Fields.

14 The concern, Chairman, is that I don't believe that
15 Ferndale could even afford the purse program for that one week.
16 I don't know if Mr. Titus has come with any estimations of how
17 much they'll generate in purses for that week. But according
18 to our estimations done by the mutual manager of NOTWINC
19 they're going to generate 40 percent less purses than they
20 would if that comparable week was held at Golden Gate Fields.
21 So I think there will be a tremendous purse overpayment by
22 Ferndale for this one week. And given their tenuous financial
23 position to begin with, I don't know how they're going to dig
24 out of that.

25 CHAIRMAN HARRIS: Well, couldn't you stipulate that

1 any way you do it they're going to generate more purse money by
2 not being overlapped than by being overlapped? I don't see how
3 you -- how you figure they're going to generate more purse
4 money not being overlapped than -- I mean, they're going to
5 generate more purse money by not being overlapped than by being
6 overlapped.

7 MR. HARTMAN: Correct. But they'll have to pay out
8 more purse money, as well.

9 CHAIRMAN HARRIS: They don't have to pay out anything
10 if they don't -- it's -- it just depends on how they write
11 their program. I mean, they could -- they can -- they can
12 write their book any way they want.

13 MR. HARTMAN: I mean, the -- right. Don't --

14 CHAIRMAN HARRIS: Yeah.

15 MR. HARTMAN: I just think we want to give the horses
16 in Northern California a place to run for a week in August. I
17 mean, they could write races for claiming \$500 horses but
18 they're not going to get anybody to ship up there.

19 CHAIRMAN HARRIS: But -- but --

20 MR. HARTMAN: I mean, this is about preserving the
21 north, guys.

22 CHAIRMAN HARRIS: I think we want to preserve the
23 north.

24 MR. HARTMAN: I mean, we're in trouble in the north.

25 CHAIRMAN HARRIS: But -- but last year the meet that

1 you guys ran was overpaid by -- by 300,000 because you did put
2 some nice purses on it but -- but now we've got this big
3 deficit deal, where I'd sure urge like Ferndale or whoever is
4 running, they got to be realistic in -- in their purses. They
5 may pay a retro if they're underpaid

6 MR. KORBY: Well, I think it points out one of the --
7 one of the challenges here. There is no history to make -- on
8 which to make projections. So it's -- it's --

9 CHAIRMAN HARRIS: There never will be if we keep
10 going this way.

11 MR. KORBY: Well, it's --

12 VICE CHAIRMAN ISRAEL: Well, I -- I --

13 MR. KORBY: I -- I can tell you, it's -- it's -- it's
14 not a simple matter to project what the level of purses should
15 be and work that out with TOC.

16 CHAIRMAN HARRIS: We've noticed that --

17 MR. KORBY: And --

18 CHAIRMAN HARRIS: -- by CARF's actions.

19 MR. KORBY: Yeah. Well --

20 VICE CHAIRMAN ISRAEL: Well, part of -- part of what
21 baffles me is why it's in the best interest of California horse
22 racing to shut down the fourth largest market in the country,
23 which is the Bay Area, in the last -- the last week of August
24 or second to the last week of August.

25 CHAIRMAN HARRIS: We're not shutting it down.

1 VICE CHAIRMAN ISRAEL: Well, we are. We're --

2 CHAIRMAN HARRIS: No. I mean, it's still available
3 via simulcast and --

4 VICE CHAIRMAN ISRAEL: But -- but --

5 CHAIRMAN HARRIS: -- all this other stuff.

6 VICE CHAIRMAN ISRAEL: But people on vacation then,
7 people visit -- people who have -- you know, who stay home when
8 they're on vacation might go the race track. People who are
9 visiting the Bay Area who are horse racing fans might want to
10 see what -- one of the races.

11 CHAIRMAN HARRIS: They might. For five days last
12 year they got about 1,000 people a day there, I think. Maybe
13 they did better on a weekend.

14 VICE CHAIRMAN ISRAEL: What did you do?

15 MR. HARTMAN: During the week is about 1,000 people a
16 day.

17 VICE CHAIRMAN ISRAEL: Well, what --

18 MR. HARTMAN: You know, our dollar Sundays are --

19 VICE CHAIRMAN ISRAEL: What --

20 MR. HARTMAN: -- very popular, but they're better.

21 I mean, that's the thing, the -- the Humboldt crowd, while --
22 while Stuart may get more people there they just don't bet a
23 lot of money, and the handle is what suffers.

24 VICE CHAIRMAN ISRAEL: Well, I'm guessing if you
25 get -- if you're -- if you're in the fair you can go into the

1 race track; right?

2 MR. HARTMAN: Sure.

3 VICE CHAIRMAN ISRAEL: You don't have to pay?

4 MR. HARTMAN: Well, no.

5 VICE CHAIRMAN ISRAEL: It's not a separate admission?

6 MR. TITUS: For us it is, yeah.

7 VICE CHAIRMAN ISRAEL: Totally separate admission?

8 MR. TITUS: Yeah. They're there because they want to
9 be.

10 VICE CHAIRMAN ISRAEL: Yeah. I just -- I -- I think
11 it's counterproductive to shut down racing in the San
12 Francisco/Bay Area in -- in August for a week.

13 CHAIRMAN HARRIS: We're talking about five days.
14 It's just --

15 VICE CHAIRMAN ISRAEL: It's a week. Well, it's a
16 week of racing.

17 CHAIRMAN HARRIS: Well, I know. But you're still --
18 I mean, these people can still go to Golden Gate or wherever
19 to -- to wager. I mean, I -- what I'm trying to do is keep
20 Ferndale alive. I'm just worried that without adequate revenue
21 coming in it's going to go away. And you've got an historical
22 landmark up there and you've got -- I mean, it's a very quaint
23 town that the -- that's -- racing is trying to hold on to
24 tracks.

25 COMMISSIONER BRACKPOOL: And the flip side of what

1 you say, David, is that there are statistics from last year.
2 They didn't pull in 10,000 people a day into Golden Gate;
3 right?

4 VICE CHAIRMAN ISRAEL: But the handle was way higher
5 than what Ferndale was.

6 COMMISSIONER BRACKPOOL: Well, we don't know that
7 because it wasn't overlapped. So we -- that -- that -- that is
8 the problem that's going to be tough to tell.

9 I'd like to see a really successful meet somewhere
10 that we could all be incredibly proud of, and maybe this one
11 gives us a shot to do that.

12 CHAIRMAN HARRIS: Yeah. We thought the same thing
13 with Fresno. When I was pushed to not have Fresno overlap that
14 was the beginning of the end. And that's just, you know,
15 terrible. Fresno's non-overlap. They ran a great meet. They
16 were up. They had, you know, great publicity. It -- it
17 worked. So all I'd like to do is just give these guys a chance
18 for a week. If it doesn't work, it doesn't work.

19 COMMISSIONER CHOPER: How is this going to effect
20 Del Mar? That's what you're going to tell us.

21 MR. ROBBINS: Tom -- Tom Robbins from Del Mar, the
22 Del Mar dog in the fight.

23 And it may appear a little disingenuous that I'm
24 standing up here and promoting the overlap after I just talked
25 on Item 10 about --

1 CHAIRMAN HARRIS: Yeah. That does seem disingenuous.

2 MR. ROBBINS: Right. But I really think these are --
3 they're different animals. They're different horses. And I
4 know what I did in 2008. We had a day that went with Ferndale
5 un-overlapped and it cost us \$22,000 in that day for -- for
6 purses. So five times that would be the effect for Del Mar.

7 VICE CHAIRMAN ISRAEL: So \$110,000 in purses?

8 MR. ROBBINS: Yeah.

9 VICE CHAIRMAN ISRAEL: That was on a Monday. And
10 now -- now you're not even racing on Mondays, so you lost the
11 whole day on that.

12 MR. ROBBINS: Correct. It's -- it's -- it's on
13 Monday. It's on -- it was on a Monday. It was a non-overlap
14 day. And our purses in 2008, thus the field sizes, weren't
15 nearly what they were in 2009. It's not to say --

16 VICE CHAIRMAN ISRAEL: Yeah. Yeah.

17 MR. ROBBINS: -- that alone is going to make up for
18 the -- for the difference. But I think there's some room to
19 argue the numbers here.

20 CHAIRMAN HARRIS: I mean, Tom's arguing that you guys
21 should be racing six days a week because you're losing -- you
22 could generate more purse money racing six days a week than
23 five.

24 MR. HAIRE: Darrel Haire, Jockeys Guild.

25 The guild in this matter supports the TOC and CARF. Just

1 simply put, the jockeys up in Northern California this time of
2 the year, they need mounts. So we need our jockeys to have
3 mounts up there this time of the year.

4 CHAIRMAN HARRIS: Do you have many Jockey Guild
5 members that ride at Ferndale?

6 MR. HAIRE: We have some, absolutely.

7 VICE CHAIRMAN ISRAEL: How many mounts would be lost
8 in the course of those five days?

9 MR. HAIRE: Well, 5 days, 40 mounts.

10 VICE CHAIRMAN ISRAEL: Per day?

11 MR. HAIRE: Per day.

12 VICE CHAIRMAN ISRAEL: So 200 mounts?

13 CHAIRMAN HARRIS: Well, and some of them are going to
14 pick -- I mean, that's not -- some of them would be picked up
15 at Ferndale, I guess. I mean, it's just changing. And if
16 it's -- if one jockey versus another jockey.

17 MR. HAIRE: But a lot of riders just, you know, they
18 look forward to staying up there also.

19 CHAIRMAN HARRIS: Well, if they're riding both, yeah.
20 Okay.

21 VICE CHAIRMAN ISRAEL: They ride both where,
22 Ferndale?

23 CHAIRMAN HARRIS: Yeah. I guess if you -- if you got
24 both races both places, yeah. I was thinking --

25 VICE CHAIRMAN ISRAEL: A couple races.

1 CHAIRMAN HARRIS: Okay. Anybody else?

2 COMMISSIONER MOSS: Yeah. The only thing I want to
3 say is something. We left it to the Northern California people
4 to make this schedule and they came up with this schedule, I
5 gather. So how can we intercede with what we've asked --

6 CHAIRMAN HARRIS: Well, that -- that's --

7 COMMISSIONER MOSS: -- somebody to organize?

8 CHAIRMAN HARRIS: I mean, that's a key role of the
9 board is to authorize racing dates. I mean, we can get
10 requests on anything. We can essentially do anything we want.

11 COMMISSIONER MOSS: Oh, I -- I understand that.

12 CHAIRMAN HARRIS: Yeah.

13 COMMISSIONER MOSS: But we -- we've asked the
14 Northern California people to do this. That's the only
15 question.

16 MR. HARTMAN: And to Commissioner Moss's point, Mr.
17 Titus voted for it before he voted against it. I mean, this
18 was a unanimous vote by CARF, including Mr. Titus, for the
19 calendar we're proposing.

20 CHAIRMAN HARRIS: So --

21 MR. HARTMAN: And then there was some change of heart
22 that happened. I thought this was a done deal and -- and, you
23 know, up -- up to your approval that everybody in the industry
24 agreed, including Stuart. So it took me by surprise when there
25 was that flip-flop done.

1 VICE CHAIRMAN ISRAEL: If he voted for against it
2 before he voted for it he could be a presidential nominee. He
3 just did it backwards.

4 CHAIRMAN HARRIS: Well, it's not -- not unheard of.
5 Okay.

6 Anybody else have a --

7 COMMISSIONER CHOPER: Could you -- I'm just curious.
8 I didn't know that. Could you explain that

9 MR. TITUS: Sure. In -- at the November CARF board
10 meeting I did vote in support of that. I reported that back to
11 my board of directors --

12 COMMISSIONER CHOPER: They didn't like it?

13 MR. TITUS: -- and was directed to change our
14 position.

15 MR. DOUGHERTY: Charlie Dougherty, California
16 Thoroughbred Trainers.

17 One other point that I -- I really believe needs to
18 be addressed if -- if this board does move forward with -- with
19 giving the non-overlap, you know, we do have concerns. If you
20 believe there will be a tremendous influx of -- of horses
21 heading up to Ferndale and -- and all that, that, you know,
22 what parameters are they going to be held to in terms of -- of
23 track safety and -- and all that? Because, you know, at this
24 point in time we know they do not have the safety rail that's
25 mandated by the board and all that. And, you know, there's

1 some issues up there in terms of permanent stalls and -- and
2 all that of how are we going to handle that?

3 VICE CHAIRMAN ISRAEL: Wait. Wait. Wait. What do
4 you mean they don't have a safety rail mandated by the board?
5 How are they licensed to operate?

6 MR. TITUS: If I may, Commissioner Israel, we -- we
7 do have the safety rail recommended by the board in the safety
8 standards. We as a member of CARF have had the great fortune
9 of being a partner in the track preparation and maintenance
10 program through CARF. Our safety record over the years
11 probably is second to none. And we're very proud of the manner
12 in which we've been able to keep the track safe for both horses
13 and riders over the years.

14 But we -- we have to meet the same standards as
15 everybody else and have for quite some time.

16 VICE CHAIRMAN ISRAEL: Overlapped or not overlapped,
17 you got to be safe.

18 CHAIRMAN HARRIS: Yeah. We're not waving any safety
19 standards by --

20 VICE CHAIRMAN ISRAEL: Right. That's doesn't -- that
21 doesn't make sense.

22 MR. KORBY: CARF provides the track safety and
23 maintenance program for -- for Humboldt, as well as others.

24 VICE CHAIRMAN ISRAEL: And it's up to par; right?

25 CHAIRMAN HARRIS: Well, wait. That's a bad choice of

1 words with Pleasanton.

2 EXECUTIVE DIRECTOR BREED: It passes the inspection.

3 CHAIRMAN HARRIS: Yeah. It passes.

4 MR. KORBY: The -- the -- the Humboldt track is not
5 configured for quarter horses, though, so there won't be
6 quarter horse racing opportunities during that week.

7 CHAIRMAN HARRIS: Where, at Humboldt?

8 MR. KORBY: Uh-huh.

9 CHAIRMAN HARRIS: Oh. It's not long enough?

10 MR. KORBY: Correct. Right.

11 CHAIRMAN HARRIS: Okay.

12 MR. LAMOTHE: Yeah. Hi, again. Thank you.

13 CHAIRMAN HARRIS: You got a rewrite?

14 MR. LAMOTHE: Guy Lamothe for TOC again.

15 Just I have to ask, if -- if Ferndale is not running
16 on overlap and there's no supplemental purse funds available or
17 as much we'd like to know what the purse program would look
18 like up there. I -- I mean, if -- if we -- you know, we do
19 want to support -- what's going to attract the successful
20 program that everybody is shooting for?

21 And as -- I mean, you talk about there are certain
22 horses, a certain horse population that go up there. And maybe
23 you're not even going to get these other horses, so what's the
24 difference, to Mr. Choper's point?

25 Well, what's going to be the difference if there are

1 no supplemental purse funds for this that were keeping the
2 purses artificially high? The trainers who are trying to earn
3 money have even less incentive to go up there. So we'd like to
4 understand what the purse program would look like, types of
5 races.

6 The other thing I'll note is by doing this, when you
7 compare it to the calendar that the rest of us have proposed
8 that you're considering, there's two weeks there, CARF at
9 Pleasanton meet, August 18th to 29th. Okay. And we've talked
10 about stabilizing the north. These are funds, and Chris can
11 speak more to this, I hope, these are funds that are going to
12 be directed towards reinvesting back in Northern California.

13 So there are -- there are tradeoffs here. Okay. So
14 I just want to point that out, that that's a tradeoff you would
15 be making in the calendar that's under motion right now.

16 EXECUTIVE DIRECTOR BREED: No. Excuse me. The
17 calendar under motion is the 25th through the 29th. Those
18 dates you mentioned go to Golden Gate Fields.

19 CHAIRMAN HARRIS: They go to Golden Gate. Pleasanton
20 has three weeks but they're -- they're earlier.

21 MR. TITUS: That's right --

22 MR. LAMOTHE: So the -- the -- the August --

23 MR. TITUS: -- under yours. And in industry's there
24 are two weeks there.

25 MR. LAMOTHE: Right.

1 EXECUTIVE DIRECTOR BREED: Right, that went into
2 play. And so the one week that you mention, the 25th through
3 the 29th, goes to Golden Gate Fields instead of Pleasanton
4 under this proposal.

5 MR. KORBY: So that the --

6 CHAIRMAN HARRIS: And Golden Gate gets Labor Day too.

7 MR. KORBY: Right. The CARF meet again. Pleasanton
8 goes away.

9 MR. LAMOTHE: That's right. I'm -- I'm sorry, was
10 there any response or is that -- do we -- Stuart, can we -- any
11 ideas on the purse program?

12 MR. TITUS: If the chair would wish. I -- I have
13 assumed all along that in the due course -- due course of
14 carrying out our business that we will be sitting down as an
15 organization with CARF discussing the supplemental purse fund
16 and determining what the distribution of those funds would be.
17 And that as -- as we have done every year we'll take a look at
18 what the anticipated handle and, thus, purses and commissions,
19 purses mainly, will look like, and to what extent one or more
20 fairs will need assistance from the supplemental fund to --
21 to -- to bring about what we've tried to build as a consistent
22 purses program for us now.

23 CHAIRMAN HARRIS: Yeah. I guess the supplemental
24 fund will still be whatever it is, it is.

25 MR. TITUS: Yeah.

1 CHAIRMAN HARRIS: It's just how you split it up. And
2 that, as I understand it, is kind of a negotiated thing.
3 Sometimes somebody gets a little more --

4 MR. KORBY: Right.

5 CHAIRMAN HARRIS: -- somebody gets a little less.

6 MR. KORBY: There -- there --

7 MR. TITUS: Correct.

8 MR. KORBY: There is no commitment from CARF to
9 anyone --

10 CHAIRMAN HARRIS: Yeah.

11 MR. KORBY: -- about 2010 supplemental purse funds.

12 EXECUTIVE DIRECTOR BREED: What does the law say
13 to -- what -- what does the law say in terms of how the
14 supplemental purses be distributed? Does the law specify
15 that -- that CARF is the one that makes that distribution or --

16 MR. KORBY: The ultimate decision is left to the
17 secretary of Food and Agriculture.

18 EXECUTIVE DIRECTOR BREED: But --

19 MR. KORBY: We -- we work with Food and Ag and -- and
20 they --

21 EXECUTIVE DIRECTOR BREED: Right.

22 CHAIRMAN HARRIS: So it's not -- it's not at your
23 discretion to have a vote --

24 MR. KORBY: Correct.

25 CHAIRMAN HARRIS: -- to determine --

1 MR. KORBY: Right. But -- but our --

2 CHAIRMAN HARRIS: -- how the money is chopped up?

3 MR. KORBY: If -- if CARF reaches an agreement within
4 its own ranks, that's always been sufficient for the Department
5 of Food and Agriculture.

6 VICE CHAIRMAN ISRAEL: Well, apparently that's not
7 what happened here.

8 EXECUTIVE DIRECTOR BREED: And what does the Chesebro
9 Law (phonetic) say in terms of setting a floor in the purses at
10 Humboldt, the new -- the Chesebro Law that just got passed?

11 MR. TITUS: Oh, it did -- did not --

12 MR. KORBY: Did not speak to that.

13 MR. TITUS: It did not address that.

14 EXECUTIVE DIRECTOR BREED: It doesn't speak to the
15 floor?

16 MR. KORBY: No.

17 MR. TITUS: Correct.

18 MR. KORBY: Existing law calls for a 25 percent
19 threshold parity at Humboldt compared to Golden Gate Fields
20 and, in the past, Bay Meadows.

21 EXECUTIVE DIRECTOR BREED: Whether there are overlaps
22 or not; right? It doesn't say?

23 MR. KORBY: I don't think the envisioned they would
24 not be overlapped.

25 MR. TITUS: Well, the law, in regards to Humboldt

1 being overlapped, the originally language included San Juaquin,
2 Cal Expo and Fresno, as well. We're in the thresholds. We're
3 in the 80, 90, 100 percent range. The minimum threshold for
4 Humboldt is 25 percent. We have struggled for most of the last
5 19 years to finally get that up to 50 percent in 2008. And
6 then last year we were able to get it up to 100 percent for the
7 lower quality thoroughbreds.

8 CHAIRMAN HARRIS: Yeah. The -- the purses are one
9 issue. But one of the things I was concerned about with
10 Ferndale, maybe I'm wrong, I'm assuming that if you were non-
11 overlapped you could generate more revenue for Humboldt County
12 Fair --

13 MR. TITUS: Absolutely.

14 CHAIRMAN HARRIS: -- from racing and would also, due
15 to this increased revenue, be able to make improvements on your
16 track. I mean, would -- could we get some assurance that if
17 you make additional money that's going to go back into racing?

18 MR. TITUS: Oh, absolutely. Absolutely. We have a
19 long list of improvements we would love to make to that race
20 track.

21 CHAIRMAN HARRIS: So that -- that -- that's a lot of
22 the -- the -- see, the whole thing is really the -- being the
23 host you generate a lot more revenue than if you're not the
24 host, which Mr. Alstott could explain. Because if Fresno was
25 never the host and finally got to be the host and it really

1 helps your revenues and -- which wouldn't -- I guess maybe we
2 shouldn't care that much about revenues, but we should care if
3 we know it's going to end up with better facilities.

4 MR. TITUS: Absolutely.

5 EXECUTIVE DIRECTOR BREED: And another thing, Mr.
6 Chairman, I think in -- in terms of discussion on this that
7 needs to be mentioned is that in 2010 you -- the -- the -- all
8 of the stakeholders, so to speak, adopted a calendar that
9 excluded the Solano County Fair which is an existing race
10 track. So they are no longer running on that race track.

11 So, you know, the point being is that no -- nothing
12 has been said about what -- what's going to happen in terms of
13 compensating Solano for -- for not running while it's
14 overlap -- or say while someone else runs in their -- in their
15 dates. Is that -- was that ever determined in -- in the
16 calendar proposed by --

17 MR. KORBY: There -- there are discussions underway
18 with regards to that but they are not concluded.

19 VICE CHAIRMAN ISRAEL: Well, I actually remember that
20 it came up during our meeting at Davis --

21 CHAIRMAN HARRIS: Uh-huh.

22 EXECUTIVE DIRECTOR BREED: Right.

23 VICE CHAIRMAN ISRAEL: -- some 15 months ago,
24 whenever it was. And there was talk of \$300,000 in
25 compensation being paid. I don't know what ever happened with

1 that. But I -- that's, for some reason, stuck in the attic of
2 this overfilled head. That's not right?

3 MR. KORBY: Those discussions are still underway.

4 VICE CHAIRMAN ISRAEL: And was it 300,000? No?
5 Rick, what were they?

6 CHAIRMAN HARRIS: It was some --

7 MR. PICKERING: Rick Pickering, Alameda County
8 Fairgrounds. And I know you really didn't want me to come
9 forward.

10 VICE CHAIRMAN ISRAEL: No. But --

11 MR. PICKERING: Yeah.

12 VICE CHAIRMAN ISRAEL: -- brief.

13 MR. PICKERING: Rough --

14 VICE CHAIRMAN ISRAEL: Now downfalls.

15 MR. PICKERING: Roughly \$150,000 went to the
16 (inaudible) --

17 VICE CHAIRMAN ISRAEL: 150? Okay.

18 MR. PICKERING: -- from the one week of racing at the
19 Pleasanton Fair --

20 VICE CHAIRMAN ISRAEL: All right. So --

21 MR. PICKERING: -- this year.

22 VICE CHAIRMAN ISRAEL: All right. I think it was
23 300, but I don't want to get --

24 MR. KORBY: The industry has asked fairs to
25 consolidate dates. We've been working in that direction.

1 CHAIRMAN HARRIS: Okay. I don't know what the hell
2 that has to do with this anyway.

3 VICE CHAIRMAN ISRAEL: Yeah.

4 MR. KORBY: Well, I mean, if they go --

5 CHAIRMAN HARRIS: Well, that's part of it, because
6 what we're looking at is a total calendar for --

7 MR. KORBY: Yeah.

8 CHAIRMAN HARRIS: -- it's not just -- Ferndale is
9 maybe a spark point, but really we want to improve the whole --
10 the whole calendar. And the -- I mean, the other aspect of
11 that was San Mateo County. And as I understand it they're not
12 getting anything from anybody as far as their racing dates. Is
13 that true?

14 MR. KORBY: That's correct.

15 CHAIRMAN HARRIS: Yeah. So -- so there's no leverage
16 there that we could apply to them to --

17 MR. KORBY: Right.

18 CHAIRMAN HARRIS: -- forget about the (inaudible).

19 COMMISSIONER CHOPER: I take it Golden Gate Fields is
20 willing -- it has no interest in running the dates that are
21 given to Pleasanton, as you did last year, on this 2010
22 calendar.

23 VICE CHAIRMAN ISRAEL: That was part of the deal. So
24 they got Labor Day. Don't you remember that?

25 COMMISSIONER CHOPER: Oh. Is it -- okay.

1 VICE CHAIRMAN ISRAEL: That's all right.

2 CHAIRMAN HARRIS: But I'm not sure if Golden Gate in
3 this -- you -- does Golden Gate appreciate that you are picking
4 up more dates in this calendar?

5 MR. HARTMAN: Yes. We -- we understand that. I just
6 think we're trying to do right by our horsemen that are
7 struggling right now. And -- and we're trying to maximize
8 their purse generation opportunities. Back in the barn area I
9 see what's going on. Guys are losing horses. Owners are
10 dropping out of the business. And to take a 40 percent haircut
11 on purse generation for a week, while that not effect some of
12 the -- the bigger guys, the mom and pop folks that are just
13 trying to pay their feed bills and -- and -- and just trying to
14 get by, this is -- this is a 40 percent pay cut for that one
15 week. And -- and -- and that's --

16 CHAIRMAN HARRIS: Well --

17 MR. HARTMAN: -- tough for me to see.

18 CHAIRMAN HARRIS: -- it's a pay raise for the
19 people -- I mean, there's more mom and pops racing at Ferndale
20 than anywhere, probably, and it's going to be a pay raise for
21 them. So I think there are some tradeoffs.

22 MR. TITUS: One of my assumptions, and it's only an
23 assumption, is that with the one week break a stronger
24 subsequent two weeks could result from that to make up some of
25 the difference. And I think the one week break would -- would

1 likely provide for a more robust month of September --

2 CHAIRMAN HARRIS: Yeah.

3 MR. TITUS: -- as well. So I think over time much of
4 that could be offset.

5 CHAIRMAN HARRIS: Yeah. Because that's what happens.
6 The week break is right in front of Golden Gate which has a
7 turf course. And my theory was that they could bounce back
8 with a good week and catch that Labor Day weekend. And, you
9 know, arguably some other fair would probably like to have that
10 if they didn't have it. But -- but the theory was that that
11 was a way to -- to -- to get everybody back where they weren't
12 gone that long.

13 EXECUTIVE DIRECTOR BREED: I'm ready.

14 CHAIRMAN HARRIS: Okay. Anything else?

15 EXECUTIVE DIRECTOR BREED: We need a motion. You
16 state the motion?

17 CHAIRMAN HARRIS: Okay.

18 EXECUTIVE DIRECTOR BREED: The motion on the floor
19 and seconded is that the calendar that's under -- shows under
20 number two, proposal number two, which shows everything is the
21 same in terms of the other proposed calendars with the
22 exception, it shows the week of August 12 through 15 be an
23 overlapped with Santa Rosa, and August 18th to the 22nd
24 Humboldt is not overlapped, and the Golden Gate Fields summer
25 meet begins August 25th and runs through October 3rd. That's

1 the proposal on the table.

2 CHAIRMAN HARRIS: So compared to previous years what
3 we're doing, we're giving -- Pleasanton is getting three weeks,
4 Santa Rosa is getting three weeks, Vellejo is going away,
5 Humboldt is staying but they're getting five days of non-
6 overlap, and --

7 EXECUTIVE DIRECTOR BREED: And Golden Gate's
8 summer --

9 CHAIRMAN HARRIS: -- Golden Gate is -- is starting a
10 little bit earlier on -- on their own.

11 So anyway, everyone understand the motion? All in
12 favor?

13 COMMISSIONER MOSS: You're voting for number two;
14 right?

15 CHAIRMAN HARRIS: Yeah. Number two.

16 EXECUTIVE DIRECTOR BREED: Number two.

17 VICE CHAIRMAN ISRAEL: For or against it, one or the
18 other.

19 CHAIRMAN HARRIS: Yeah. For or against number two.

20 COMMISSIONER MOSS: I second the --

21 CHAIRMAN HARRIS: Okay. Who -- who's in -- what are
22 the -- okay. All in favor?

23 COMMISSIONER ROSENBERG: Aye.

24 COMMISSIONER BRACKPOOL: Aye.

25 COMMISSIONER MOSS: Aye.

1 CHAIRMAN HARRIS: Aye. One, two, three, four. We
2 got four votes, I guess.

3 VICE CHAIRMAN ISRAEL: Well, you want to call the
4 roll?

5 CHAIRMAN HARRIS: Okay. Nays?

6 EXECUTIVE DIRECTOR BREED: You want to call the roll?

7 CHAIRMAN HARRIS: Nays? Okay. Let's call -- okay.
8 Well, I'll just record it. The nays are Mr. Choper -- let's
9 see. You're a nay?

10 VICE CHAIRMAN ISRAEL: Israel, Choper and Derek.

11 CHAIRMAN HARRIS: We got Derek, Choper and Israel, a
12 nay. Harris, Moss, Brackpool and Rosenberg are aye. Pretty
13 close vote. We don't have many close votes.

14 VICE CHAIRMAN ISRAEL: I thought it was going to
15 pass, but --

16 CHAIRMAN HARRIS: But I think I'm -- I'm glad we
17 passed it. I realize there's a lot of hard feelings about --
18 that this is going to be the ruination of western empire and
19 everything. But -- but I think we just need to give it a
20 chance and see how it works. It is -- I mean, I'll tell you
21 what, I'll -- anybody -- I'm not going to be on the board next
22 year. So anybody that wants to go to Ferndale I'll fly them up
23 there. And once you're up there and you see the whole deal
24 you're going to tell me how smart I was to push this. But I
25 won't bring you home.

1 MR. TITUS: Thank you, Mr. Chairman and members.

2 CHAIRMAN HARRIS: Okay. Now we got the last item --
3 this is the happiest day of my life -- is the election of board
4 chairman and vice chairman.

5 EXECUTIVE DIRECTOR BREED: You still have public
6 comment.

7 CHAIRMAN HARRIS: Oh, we got -- we've got to do
8 public comment first? That's afterward. That was -- on the --
9 on the deal we got the elect, but we'll turn it over to
10 somebody.

11 EXECUTIVE DIRECTOR BREED: Chair, well, it's your
12 meeting.

13 CHAIRMAN HARRIS: Okay. Nominations are open for
14 board chairman.

15 EXECUTIVE DIRECTOR BREED: You want me to do this?

16 VICE CHAIRMAN ISRAEL: I'll do it. I -- I --
17 nominate --

18 CHAIRMAN HARRIS: Okay. Yeah. I'll -- I'll --

19 VICE CHAIRMAN ISRAEL: I'll nominate Keith Brackpool
20 for chairman.

21 COMMISSIONER ROSENBERG: Second that.

22 COMMISSIONER MOSS: And I'll move that in time.

23 VICE CHAIRMAN ISRAEL: I move the nomination be
24 accepted by acclamation.

25 ALL BOARD MEMBERS: Aye.

1 COMMISSIONER BRACKPOOL: Thank you.

2 COMMISSIONER MOSS: At the same time, Mr. Chairman,
3 I'd like to nominate David Israel for vice chairman.

4 CHAIRMAN HARRIS: Yeah.

5 COMMISSIONER CHOPER: Second.

6 CHAIRMAN HARRIS: I'll second that.

7 COMMISSIONER MOSS: And he'll continue the good work
8 he's been doing for us all along. We appreciate it. All
9 acclamation or --

10 ALL BOARD MEMBERS: Aye.

11 COMMISSIONER MOSS: Okay.

12 CHAIRMAN HARRIS: Okay. Congratulations to
13 everybody.

14 VICE CHAIRMAN ISRAEL: Thank you.

15 EXECUTIVE DIRECTOR BREED: Congratulations.

16 CHAIRMAN HARRIS: Yeah.

17 COMMISSIONER CHOPER: Congratulations.

18 COMMISSIONER DEREK: Congratulations.

19 COMMISSIONER CHOPER: Or condolences, either way.
20 So --

21 VICE CHAIRMAN ISRAEL: I knew what I was getting
22 into.

23 EXECUTIVE DIRECTOR BREED: So do you want to turn it
24 over to --

25 CHAIRMAN HARRIS: I'll turn it over to somebody. I

1 think we're just about done, but --

2 COMMISSIONER MOSS: We should adjourn.

3 EXECUTIVE DIRECTOR BREED: We have public comment.

4 CHAIRMAN HARRIS: -- we have public comment.

5 VICE CHAIRMAN ISRAEL: Oh.

6 CHAIRMAN HARRIS: Where -- where is Jammer (phonetic)
7 when we need him?

8 COMMISSIONER MOSS: This your last time to adjourn
9 the meeting.

10 CHAIRMAN HARRIS: Huh? No. Well, is there any
11 public comment?

12 MR. CASTRO: Yeah. Me.

13 VICE CHAIRMAN ISRAEL: Who?

14 CHAIRMAN HARRIS: Huh?

15 MR. CASTRO: Me.

16 EXECUTIVE DIRECTOR BREED: Richard, well, then get up
17 here.

18 MR. CASTRO: I have a card in.

19 EXECUTIVE DIRECTOR BREED: We're waiting for you.

20 CHAIRMAN HARRIS: Oh. Okay. Yeah. I'll turn it
21 over to Keith.

22 MR. CASTRO: Okay. For the benefit of the court
23 reporter, my name is Richard Castro, representing Pari-Mutuel
24 Employees Guild, Local 280.

25 I'd like to start with my four second delay problem.

1 I want to first make a comment. I want to thank you for
2 encouraging me to drop the four second delay because now I
3 can't be blamed for the bankruptcy in New York.

4 Number two, I do have a problem with misprinted
5 tickets, tickets that are happening that are punched in error
6 or tickets that are software problems. And I don't really know
7 how to do this because I'm trying to protect workers from
8 retaliation. But -- and I don't want to point anybody out as a
9 better on the board, but I'm going to give this to somebody.

10 And the ticket that's at Santa Anita was really
11 supposed to be 100 to win on the 6, a total of a \$100 bet. And
12 the ticket when I give you, you'll see it was -- turned out to
13 be a \$400 ticket. The other ticket happened on a Los Alamitos
14 race. It's 5 to win and place on the 5, a total of \$10.00, and
15 this turns out to be a \$50.00 ticket.

16 And when I read the report, of which I'm not going to
17 give a name of the person, they are saying that,

18 "I have -- I have seen this pattern many times. In the
19 past I have recorded them as keyboard malfunctions, but
20 these are not keyboard malfunctions, nor are they operator
21 errors. These are systematic malfunctions and they are
22 software problems."

23 Now being that they're software problems, if, in
24 fact, this is correct, someone I would hope on your staff would
25 make more of an effort to make sure that these things don't

1 happen again, keeping in mind that we don't have the four
2 second delay. And I'll illustrate the ticket.

3 CHAIRMAN HARRIS: Was the teller made to make up -- I
4 mean, were they held accountable for that or did they just work
5 it out?

6 MR. CASTRO: I can speak loud enough. The tickets
7 both got canceled. The clerks did not get stuck.

8 CHAIRMAN HARRIS: Yeah.

9 MR. CASTRO: This one shows canceled. And you -- a
10 better would see that this isn't the pattern --

11 CHAIRMAN HARRIS: Uh-huh.

12 MR. CASTRO: -- that a clerk would do.

13 CHAIRMAN HARRIS: Yeah.

14 MR. CASTRO: You can see how the tickets came out.

15 CHAIRMAN HARRIS: Yeah.

16 MR. CASTRO: But I got to protect the clerk.

17 CHAIRMAN HARRIS: And these are the same time, the
18 same -- same -- they're just -- yeah.

19 MR. CASTRO: They're different lines --

20 CHAIRMAN HARRIS: Yeah.

21 MR. CASTRO: -- the same day.

22 CHAIRMAN HARRIS: Yeah.

23 MR. CASTRO: Different machines. And I'm going to go
24 to another issue. I'm being quick here. I'm going back to
25 the --

1 EXECUTIVE DIRECTOR BREED: Richard, excuse me. If
2 you want this investigated you've got to give us something that
3 we can investigate. So --

4 MR. CASTRO: I understand that. But I've got to take
5 a few more things off of this ticket so that somebody behind me
6 can't figure out who's giving me these misprinted tickets,
7 because I don't want to deal with grievances.

8 EXECUTIVE DIRECTOR BREED: So --

9 MR. CASTRO: I can't protect -- you can't protect the
10 clerk. I can't protect the clerk. I don't have a contract
11 with the tote company. I can't protect the tote technician.
12 He's not even my member. And I don't want to see anybody get
13 fired.

14 CHAIRMAN HARRIS: Well, there's all kinds of whistle
15 blower laws in effect that -- that if somebody's fired --

16 MR. CASTRO: Well, I don't even want to go down that
17 road. I just want to get the problems fixed. If you want my
18 recommendation you'd fine them \$1,000 a ticket. I'll bet it
19 would get fixed then.

20 I'm going to bring you more tickets. I was hoping
21 the tote company would be here and -- because I would expect
22 them to say this doesn't happen. I'm going to be able to bring
23 you more tickets because I've got my people gathering these
24 tickets for me. They've guaranteed there will be more.

25 So let's go to -- back to the Del Mar meet. And I'm

1 not really picking on Del Mar and I'm not really picking on Oak
2 Tree, but I am concerned about this issue very much. There was
3 an entity called DelMarBets.com, and I think at Oak Tree it was
4 called OakTreeBets.com. In either case I don't remember seeing
5 them in the application that you approved. I don't remember
6 seeing anything in the application. I looked really good.

7 When you went on the website with the Del Mar site it
8 advertised that you -- a phone number and that you could make
9 phone bets, gave you a number to get a live operator. I'm
10 saying they're really acting as an ADW company.

11 EXECUTIVE DIRECTOR BREED: Right.

12 MR. CASTRO: And you failed to license them as an ADW
13 company.

14 EXECUTIVE DIRECTOR BREED: No. That -- that's not
15 exactly true, Richard.

16 MR. CASTRO: Well, the we are (inaudible) --

17 EXECUTIVE DIRECTOR BREED: We made -- we made an
18 amendment to both of those -- both of those contracts -- both
19 of those licenses to include these two bets.

20 MR. CASTRO: Well, then -- well, then explain this to
21 me. In your own rules,

22 "Applicants shall enter into a written contractual
23 agreement with a bonafide labor organization that has
24 historically represented the same or similar
25 classifications of employees at the nearest horse racing

1 meetings."

2 And in case you think I'm reading this in error I'll
3 hand it out to you, and I highlighted it.

4 VICE CHAIRMAN ISRAEL: Okay. I -- can I -- let me
5 take a shot at answering this question in really sort of
6 layman's terms.

7 To me what DelMarBets was and what OakTreeBets was,
8 was sort of like Ford makes a Taurus and it makes -- and it
9 makes the Mercury Mountaineer, and it makes -- and it makes the
10 Lincoln Continental. It was -- it was just a different label
11 stuck on a car manufactured by the same company. I think
12 that's the easiest way to describe it. I don't -- it -- it
13 was -- it was a marketing ploy more than --

14 MR. CASTRO: Okay.

15 VICE CHAIRMAN ISRAEL: -- a separate company.

16 MR. CASTRO: But -- but when you advertise that you
17 can go somewhere and get a phone operator to make a bet what
18 you're really telling TVG, ExpressBet, Twin Spires, which we --
19 Youbet, which we have contracts with, you're treating this
20 other group differently.

21 VICE CHAIRMAN ISRAEL: No. No. This was ExpressBet
22 if I -- is there somebody here from Magna?

23 MR. CASTRO: Well, then why didn't we get phone jobs?
24 Then what you're doing is subcontracting with somebody else --

25 VICE CHAIRMAN ISRAEL: It probably didn't create

1 most --

2 MR. CASTRO: -- which is against our -- our contract,
3 and you're letting these bets go to Oregon with a live phone
4 operator. Why don't I get jobs out of this in California?

5 VICE CHAIRMAN ISRAEL: George, do you know the answer
6 to this question?

7 MR. HAINES: George Haines, Santa Anita.

8 I think what Richard is referring to is the
9 ExpressBet white label, which was --

10 MR. CASTRO: Yeah.

11 MR. HAINES: -- DelMarBets, OakTreeBets.

12 MR. CASTRO: Right.

13 MR. HAINES: So you're exactly right.

14 VICE CHAIRMAN ISRAEL: So it was handled --
15 basically, if you went on one of those sites or called one of
16 those system operators you would -- you were basically dealing
17 with ExpressBet?

18 MR. HAINES: That's right. The money was held by
19 ExpressBet.

20 VICE CHAIRMAN ISRAEL: It's -- it was just -- it was
21 just -- it was a marketing ploy. That's all it was.

22 MR. CASTRO: No. It -- no. It's not a -- it's more
23 than that. They -- they are getting -- someone is -- there's a
24 job being created out of this and it's not a California job.
25 That's where I have my gripe with you people.

1 VICE CHAIRMAN ISRAEL: I don't know that there was --
2 were there any jobs created out of this?

3 MR. CASTRO: Well, you had to get a live phone
4 operator. Dah. I mean, come on. I'd like to be that live
5 phone operator taking your bets in California.

6 VICE CHAIRMAN ISRAEL: If you were the live phone
7 operator somebody would probably just hang up.

8 MR. CASTRO: No. I'd have my secretary here and
9 she'd be very nice. I would be very nice as long as I got my
10 secretaries here.

11 CHAIRMAN HARRIS: John, I'm not clear we can regulate
12 other states though. I mean, can we tell somebody that --
13 they're working in Pennsylvania --

14 MR. CASTRO: This was done --

15 CHAIRMAN HARRIS: -- that they got to --

16 MR. CASTRO: -- at the Del Mar site. This was done
17 at the Oak Tree site. I'm looking out for jobs in California,
18 just like I would hope that you would do. This is what my
19 gripe is with you guys and ladies. And I -- and I -- and I
20 don't want to go back to the legislature --

21 VICE CHAIRMAN ISRAEL: Bo is one of the guys. It's
22 okay.

23 COMMISSIONER DEREK: Right.

24 MR. CASTRO: I don't -- I don't want to go back to
25 the legislature and start world war three. I would rather

1 work with you people and see if I could get like a half a dozen
2 jobs out of it. I'm willing to work with people. But I'm not
3 willing to get slammed in the face with subcontracting issues
4 like what's been happening to me. And on that I'll wish you a
5 happy new year and quit.

6 CHAIRMAN HARRIS: Thanks.

7 MR. CASTRO: What, you want me to continue?

8 VICE CHAIRMAN ISRAEL: No, he meant -- she -- she
9 thought you were going to quit your job. Stop is good. Quit
10 is bad.

11 COMMISSIONER DEREK: No. Happy new year.

12 CHAIRMAN HARRIS: We have plus one for California or
13 something.

14 VICE CHAIRMAN ISRAEL: I move we adjourn.

15 CHAIRMAN HARRIS: Okay. We're adjourned.

16 (Thereupon the California Horse Racing Board
17 Regular Meeting was adjourned at 2:41 p.m.)

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TRANSCRIBER'S CERTIFICATE

I, Martha L. Nelson, attest that the foregoing proceedings were transcribed to the best of my ability.

I further certify that I am not a relative or employee of any attorney of the parties, nor financially interested in the action.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated this 29th day of January, 2010.

 /s/ Martha L. Nelson

Martha L. Nelson, CERT