

CALIFORNIA HORSE RACING BOARD

Regular Board Meeting

THURSDAY, JUNE 6, 2002

BAY MEADOWS RACE TRACK

SAN MATEO, CALIFORNIA

MR. WOOD: Ladies and gentlemen, would everyone please take a seat so we could start this morning's meeting? Please find a seat.

(Pause on the record.)

MR. WOOD: Good morning, everyone, and I want to welcome you to the regularly scheduled meeting of the California Horse Racing Board. This meeting is being conducted on Thursday, June the 6th, 2002. And we're in the Long Chance Room of the Turf Club at Bay Meadows Race Track in San Mateo, California.

Before we begin with the meeting this morning, I'd like to introduce the Commissioners who are in attendance. Mr. Chairman, Al Landsburg, Vice Chairman, Roger Licht, Commissioner Sheryl Granzella, Commissioner John Harris, Commissioner Marie Moretti, and Commissioner John Sperry.

We're going to have a little new technology introduced in this morning in our court reporting regimentation. It's going to be audio recorded. I would respectfully request that you speak clearly into the microphone and you get close to the microphone when you speak.

Also, it would be acceptable for the court reporter and for us and helpful if you would not talk over each other. Cross talking would be difficult for us to interpret. So if you could wait 'til someone finishes

before you make a statement, it'd be most helpful in transcribing.

With that I'd like to turn our meeting over to our Chairman, Mr. Al Landsburg.

CHAIRMAN LANDSBURG: Just one more note on that, Roy. A great thanks to Bay Meadows for correcting the air conditioning in here and making this meeting far more pleasant than yesterday. Although I did lose three pounds, so I thank Bay Meadows for that.

Secondly, just a reminder, I noted yesterday that once you've appeared at the microphone and spoke, the second time you tend not to repeat your name. Please be sure today, because of the way we're doing this meeting, to repeat your name each time you're called upon to present argument to this Board.

With that, we will go to item agenda one, approval of the Minutes of the regular meeting of March 28th. I will entertain comment on that -- on those Minutes.

(No audible response.)

CHAIRMAN LANDSBURG: There is no comment. May I have a motion to approve the minutes of March 28th?

MS. MORETTI: I would make a motion.

MR. SPERRY: Second.

CHAIRMAN LANDSBURG: Moved by Commission Moretti. Second by Commissioner Sperry. All in favor?

(Voices saying aye.)

CHAIRMAN LANDSBURG: Opposed? Oppo -- oppo -- oppo -- I'm in a opposed -- opposed? It is carried unanimously, whether that's heard or not. Does it now work? No. Testing, testing, testing. Thank you. The motion is carried unanimously.

Item two on the agenda, approval of the Minutes of the regular meeting of April 25th. Is there any corrections suggested?

(No audible response.)

CHAIRMAN LANDSBURG: Any discussion suggested?

(No audible response.)

CHAIRMAN LANDSBURG: I will then entertain a motion to approve the Minutes.

MS. GRANZELLA: So moved.

CHAIRMAN LANDSBURG: So moved by Commissioner Granzella.

MS. GRANZELLA: Got my name right.

CHAIRMAN LANDSBURG: Second? I'm sorry, I didn't hear the second.

MR. SPERRY: Second.

CHAIRMAN LANDSBURG: Second by Commissioner Sperry. All in favor?

(Several ayes.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

CHAIRMAN LANDSBURG: The approval of the Minutes of the regular meeting of April 25th is unanimously approved.

Moving on to the real agenda items of action and discussion, discussion and action by the Board on the application for license to conduct a horse race meeting of the Solano County Fair at Vallejo commencing July 10th through July 21st, 2002, inclusive. Jackie Wagner?

MS. WAGNER: Jackie Wagner, CHRB staff. The application before you is from the Solano County Fair. They are proposing to race from July 10th through July 21, or 11 days, just one day less than they raced in the year 2001.

They are proposing to race a total of 118 races, which is 10 less than they raced last year.

They will be racing Wednesday through Sunday, with five days of racing the first week, and six days of racing the second week.

Their first post time will be 12:15 p.m., and they will be coordinating their post times or adjusting them for the -- for the coordination of the California post times.

Their wagering program will use CHRB rules. We have a number of items that are missing and they include from the Fair the fire clearance, the name of the paddock judge, the placing judge, and the starter.

We have received the Horsemen's agreement of the TOC sign-off for all the fairs. We have received that. And we are still missing the Horsemen's agreement for the Appaloosas.

Staff would recommend that the Board approve the application contingent upon us receiving the missing information.

CHAIRMAN LANDSBURG: Discussion of this approval request?

MR. HARRIS: On the general admission prices, I know that this fair is not --

CHAIRMAN LANDSBURG: John, please, we have to identify.

MR. HARRIS: Oh, I'm sorry.

THE REPORTER: I got everybody here.

CHAIRMAN LANDSBURG: Thank you. Thank you. Sorry, John.

MR. HARRIS: John Harris. On the general admission prices, I notice it's going up. This fair really hasn't done too well with attendance. How -- does this include getting into the fair itself or just -- or just this is a separate charge just to go to the races?

MS. WAGNER: There will be a representative from Solano that can answer that.

MS. MERRIMAN: Good morning. Kim Merriman, General Manager of the Solano County Fair. The admission

price, Mr. Harris, is for general admission to the fair and to the horse racing meet. We are running an early bird special, however, each day of the race meet, which will be publicized in the Alameda program and also advertised in the daily racing form which will provide half price parking from 11:00 to 1:30 daily, and we will also be offering half price food and beverage early bed specials from 11:00 to 1:30 daily as well.

MR. HARRIS: Okay. I think that's good because -- actually it's particularly good if that price gets -- if you get into the fair, you come to the races free, basically.

CHAIRMAN LANDSBURG: Further questions?

MR. LICHT: Just a comment, and I guess we'll get into this more in the pari-mutuel committee report. The committee decided yesterday that it's going to make it a high priority in the future on all license applications that we receive an affirmation from people who are receiving our audio-video signal that they are not in fact taking wagers from California residents. And that's a very high priority.

And I think all the Association should know that so that in the near future we are going to request and/or require an affirmation that bets from California residents are not being taken.

CHAIRMAN LANDSBURG: Further question or

discussion?

(No audible response.)

CHAIRMAN LANDSBURG: And we have a motion to approve the application subject to the conditions set by Ms. Wagner?

MR. LICHT: So moved.

MR. HARRIS: Second.

CHAIRMAN LANDSBURG: All in favor?

(Several voices say aye.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

MS. MERRIMAN: Thank you very much.

CHAIRMAN LANDSBURG: Motion is carried to approve the application for license to conduct the horse race meeting at the Solano County Fair unanimously.

Next item on the agenda is discussion and action by the Board on the application for license to conduct a horse race meeting of the Sonoma County Fair at Santa Rosa commencing July 24th through August 5th, 2002, inclusive. Jackie?

MS. WAGNER: Jackie Wagner, CHRB staff. This application is from the Sonoma County Fair. They are proposing to race from July 24th through August the 5th, or 12 days, which is the same that they raced in 2001.

They are proposing to race a total of 134 races, which is 2 more than they ran last year.

They will be racing Wednesday through Monday with 10 races per day Mondays, Wednesdays and Thursdays, and 12 races on Saturdays, Sundays, and 13 races on Fridays.

Their first post time is 12:45 p.m. And again, this fair will be adjusting their post times coordinate with the California post times.

Their wagering program will utilize the CHRB rules for wagering.

We are missing from this application a fire clearance and the name of the second placing judge. Again, we have received the Horsemen's agreement from the TOC. And we are missing the Horsemen's agreement for the Appaloosas.

Staff had recommended the Board approve the application contingent upon us receiving this information.

CHAIRMAN LANDSBURG: Just I have a question. Who is going to represent the fair? This is a general question. You happen to be the one on the firing line, but it isn't specifically directed at you.

The CHRB has undertaken the inspection of back stretch facilities. And I didn't note it in the -- in the license as having been checked and approved. Is it in -- is it in the license to --

MS. WAGNER: We're in the process of doing

that. We have inspected most of the fairs. And the ones that have not been completed will be completed prior to the -- to the fair commencing.

CHAIRMAN LANDSBURG: Then my question is specific to Sonoma. Has it been approved for this license application?

MS. WAGNER: Yes, it has.

CHAIRMAN LANDSBURG: It has. I just -- we have to know that now because it's part of our charter.

Chris, did you want to say something?

MR. KORBY: Chris Korby, Executive Director, California Authority of Racing Fairs. With respect to the -- to all the fairs that conduct live racing, we've worked closely with the Board probably for the last year and a half.

Invited Roy Minami to each of the race meets. We've gone through the stable areas, identified areas that need improvement. And we've undertaken a pretty extensive program of improvement to our back stretch facilities, which is still going on. And we anticipate will continue to go on for a couple more years.

So we're very aware of that situation and moving to address it.

CHAIRMAN LANDSBURG: I'm pleased to hear it, and I'm pleased on behalf of the Board to say thank you for that kind of effort. And I hope it will continue.

Are there any further questions about this application?

MR. HARRIS: This wouldn't be --

CHAIRMAN LANDSBURG: Do you have a comment?

MR. HARRIS: I'm sorry. This wouldn't be just for this, but a lot of the applications -- I'm not really clear on the out-of-state wagering systems. There's a whole lot of them. Are they individually contracted with, or how do the fairs actually contract with all these people?

MR. KORBY: We -- generally there are individual contracts with them. In some cases we contract with an intermediary. As in the case of Stevenson and Associates, they were here yesterday speaking to the Board, I think you're aware of how that works. So there are -- there are several different structures for -- or several different mechanisms for how those contracts are carried out.

MR. HARRIS: Like one of our concerns is that some of these -- if in fact they are advance deposit wagering-type companies, that they need to be licensed in California. They're taking bets from California. There needs to be some oversight. That if they're known to do business in California, that they be licensed here.

MR. KORBY: We would defer to the Board's decision on that matter.

MR. LICHT: Well, Chris has been very -- he and I have had some interaction with respect to making sure that there's full compliance, and I think we're working toward that end.

MR. KORBY: I'd just like to make one note on the Appaloosa Horsemen's agreement, which as Jackie has noted, is not present yet. There is no outstanding disagreement with that organization. It's just a matter of exchanging executed signature pages.

CHAIRMAN LANDSBURG: Right. And I take it fire regulations are part of for the local processing and that's what's -- that's what's holding that up?

MR. KORBY: Yes. They will be in place before the meet starts.

CHAIRMAN LANDSBURG: I certainly hope so. Is there further discussion or questions?

(No audible response.)

CHAIRMAN LANDSBURG: In which case I will call for a motion to approve the license.

MR. LICHT: So moved.

MS. MORETTI: Second.

CHAIRMAN LANDSBURG: It has been moved and seconded. All in favor?

(Several voices say aye.)

CHAIRMAN LANDSBURG: All opposed?

(No audible response.)

CHAIRMAN LANDSBURG: So we now have Sonoma County Fair's application and license to conduct a horse race meeting at the Sonoma County Fair unanimously approved.

Moving on to discussion and action by the Board on the application for license to conduct a horse race meeting of the San Mateo County Fair at Bay Meadows commencing August 7th through August 19th, 2002, inclusive. Jackie?

MS. WAGNER: Jackie Wagner, CHRB staff. The San Mateo County Fair has filed its application. They are proposing to race from August 7th through August the 19th, or 12 days, which is the same number of days that they raced in 2001.

They are proposing to race a total of 143 races, which is 28 races more than they ran in 2001.

They will be racing Wednesday through Monday with 11 races per day on Mondays, Wednesdays, August 14th, and Thursdays, 12 races on Wednesday, August the 7th, and Fridays, and 13 races on Saturdays and Sundays.

They are proposing a first post time of 1:15 p.m. daily, and a 3:15 p.m. post on Fridays.

They will be utilizing -- the wagering program will be utilizing the CHRB rules.

We are missing from this application a fire clearance and the name of the association that -- as with

the other fairs, we have received the TOC sign-off. And as indicated by Mr. Korby, the Appaloosa Horsemen's agreement we have not received.

Staff had recommended the Board approve the application contingent upon its receiving this information.

CHAIRMAN LANDSBURG: Discussions or questions concerning San Mateo Fair? Good morning. We should recognize the arrival of Commissioner Bill Bianco. We understand that getting here can sometimes be a problem.

MR. BIANCO: I had a long drive.

CHAIRMAN LANDSBURG: And a hard one. Have we voted? No, we haven't, have we. Did we vote on San Mateo?

MR. LICHT: No, we have not.

CHAIRMAN LANDSBURG: I open for a motion on approving the application of the San Mateo County Fair.

MR. SPERRY: So moved.

MS. MORETTI: Second.

CHAIRMAN LANDSBURG: So moved by Commissioner Sperry. Seconded by Commissioner Moretti. Any -- all in favor?

(Several voices say aye.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

CHAIRMAN LANDSBURG: The Board is unanimous in

approving the application for license to conduct a horse race meeting at the Santa -- of the San Mateo County Fair at Bay Meadows unanimously.

Discussion by the Board on the application for license to conduct the horse race meeting of the Humboldt County Fair at Ferndale commencing August 8th through August 18th, 2002, inclusive. Jackie.

MS. WAGNER: Jackie Wagner, CHRB staff. The Humboldt County Fair is proposing to race August 8th through August 18th, which is 10 days, the same number of days that they raced in 2001.

They are proposing to race 78 races, which is 2 more than they ran last year.

They will be racing Thursday through Monday the first week, and Wednesday through Sunday the second week.

Their first post time is 1:55 p.m. Saturdays and Sundays. A 2:25 p.m. post on Mondays, Wednesdays and Thursdays. And a 2:55 p.m. post on Friday.

Their wagering program will utilize CHRB rules.

We are missing from this application the fire clearance, and again the Horsemen's agreement from the Appaloosas.

Staff had recommended the Board approve the application contingent upon us receiving this information.

CHAIRMAN LANDSBURG: I have a question that is somewhat off the license about the Humboldt Fair, but just a personal curiosity. I was told that there was some -- a great deal of interest in the filming of Sea Biscuit, the American legend, that might take place at the Humboldt County Fair. I'm just curious to know whether, Chris, there's been any movement on that.

MR. KORBY: There have been some discussion. Stuart? I thought maybe Stuart Titus was here.

There have been some discussion with a location scout from Universal, who visited the fair and took some photographs.

And there have been some further locations -- or some further discussions I believe with the Humboldt County Film Commission or Commissioner and some people from Universal. There are discussions ongoing on that.

CHAIRMAN LANDSBURG: Just a curiosity, and as you know I'm a supporter of the idea that movies on horse racing helps horse racing, so -- particularly movies about Sea Biscuit.

MR. KORBY: Well, we think that Humboldt County Fair would be a wonderful location for that story.

CHAIRMAN LANDSBURG: Let it -- let it so be stated.

Is there questions or discussions of the application for Humboldt County Fair?

(No audible response.)

CHAIRMAN LANDSBURG: In which case may I have a motion to approve the application?

MR. BIANCO: So moved.

MR. HARRIS: Second.

CHAIRMAN LANDSBURG: So moved by Commissioner Bianco. Seconded by Commissioner Harris. All in favor?

(Voices say aye.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

CHAIRMAN LANDSBURG: The motion to approve the application for license to conduct the horse race meeting of the Humboldt County Fair is unanimous and approved.

Moving on, discussion and action by the Board on the application and license to conduct the horse race meeting of the California Exposition State Fair at Sacramento commencing August 21st through September 2nd, 2002, inclusive.

MS. WAGNER: Jackie Wagner, CHRB staff. Cal Expo has filed its application for racing August the 21st through September the 2nd, or 12 days, which is the same number of days that they raced in 2001.

They are proposing to race a total of 132 races, which is one more than they raced last year. They will be racing Wednesdays through Monday with 11 races each day.

First post time is 1:15 p.m. daily, and a 2:45 p.m. post on Fridays. They are proposing a 12:45 p.m. post on Sunday, August 25th, which is the Del Mar Pacific Classic day.

Items missing from this application include the fire plans, the name of the fitness vet, a timer, and the entity that will be providing the timings service.

We have received the TOC sign-off on this application. And we are missing the Appaloosa Horsemen's agreement.

Staff would recommend the Board approve the application contingent upon us receiving the missing information.

CHAIRMAN LANDSBURG: Discussion and questions?
(No audible response.)

CHAIRMAN LANDSBURG: In which case I will entertain a motion to approve the application for Cal Expo.

MS. GRANZELLA: So moved.

MS. MORETTI: Second it.

CHAIRMAN LANDSBURG: Moved by Commissioner Granzella and seconded by Commissioner Moretti. All in favor?

(Voices say aye.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

CHAIRMAN LANDSBURG: It's unanimous approval of the application for license to conduct a horse race meeting at the California Exposition and State Fair.

MR. KORBY: Mr. Chairman, if I might, I'd just like to extend a cordial invitation to all of you to come visit the fairs. We think fair racing is something special and would like to have you as guests.

CHAIRMAN LANDSBURG: I'd like to recommend that Mr. Wood put together a bus tour for all of us.

MR. WOOD: Okay.

MR. KORBY: Thank you.

CHAIRMAN LANDSBURG: But I get to name the bus. I think it's a good invitation. It comes in the midst of a couple of Board meetings and we can certainly try to get there personally.

Discussion and action by the Board on the application for license to conduct a horse race meeting of the Del Mar Thoroughbred Club at Del Mar commencing July 24th through September 11th, inclusive.

MS. WAGNER: Jackie Wagner, CHRB staff. The Del Mar Thoroughbred Club has filed its application to race from July 24th through September the 11th for 43 days, which is the same number of days that they raced in 2001.

They are proposing to race a total of 327 races, or 8.6 races per day.

They meet the 10 percent requirement of the stakes purses paid for CALBREDS.

They will be racing six days per week, Wednesday through Monday, with eight races per day on weekdays, nine races on opening day and on certain weekend days, and ten races on certain weekend days, Labor Day, and closing.

Their first post time will be 2:00 p.m. daily.

They are proposing a 12:30 p.m. post on Sunday, August the 25th, which is their Del Mar Pacific Classic.

We are missing from this application just the fire clearance. And staff would recommend that the Board approve the application contingent upon us receiving that.

CHAIRMAN LANDSBURG: For the record, we have received one copy of a revised Horsemen's agreement. And that Horsemen's agreement we have not, of course, having received it this morning, been able to review it, and will be subject to review in the normal course of events.

I've asked Mr. Reagan to give us a breakdown of the actual dollars as opposed to percentages. And we will review that and report on it at our next Board meeting.

Any questions about the Del Mar application?

MR. LICHT: Well, you're talking about the agreement with TVG, that Horsemen's agreement or what --

CHAIRMAN LANDSBURG: This is -- this is -- according to the -- may I have the paper, John? It's the ADW agreement.

MR. LICHT: Okay. Well, our next meeting is after the meet has already started, so that could be a problem to deal with it then.

CHAIRMAN LANDSBURG: I don't have an answer to what Commissioner Licht has suggested. What we have now is an approved Horsemen's ADW agreement. I don't know whether or not the Board has any further discussion of that. I'd say we have to review it and in some way make our -- if there is a revision, hear it. This is a three-page document.

MR. FRAVEL: Mr. Chairman, Craig Fravel, Del Mar Race Track. I certainly appreciate your concerns about the lateness of your receipt of that. And obviously I think with every simulcast agreement, whether it's ADW or more traditional simulcasting, the staff and Board reserve the right to review those as part of the approval process. So I'm not obviously going to debate that subject.

I would point out that this is the same transaction as Hollywood Park is currently operating under, and the distributions will be in accordance with those that CHRIMS is developing reports on and all that.

So just for informational purposes, that I think is the gist of the agreement. And all the parties have agreed to comply with that agreement.

So I do think the next Board meeting is after we open. And I leave it to the Board and staff as to how they want to proceed on that.

MR. LICHT: So you're representing that it's in general the same agreement as we have with Hollywood Park?

MR. FRAVEL: Yes, sir.

MR. LICHT: As far as the amount of the fee?

MR. FRAVEL: All the distributions are under the exact same deal that's currently going on. And if it's not, we will make sure that it's changed to comport with that.

CHAIRMAN LANDSBURG: Well, it's just -- it is, of course, somewhat beyond my understanding at a quick glance, which is why --

MR. FRAVEL: Yeah, I understand the Chairman's concerns on that.

CHAIRMAN LANDSBURG: And whether or not it fulfills the obligations under the ADW regulations I can't simply judge in 10 seconds reading. So I'm trying to put that --

MR. FRAVEL: Yeah. I apologize for that. I was on vacation after the last meeting and then

distracted by other issues later on the agenda when I got back. So it was not --

CHAIRMAN LANDSBURG: It's becoming -- it's become -- I'm sorry. I didn't mean to over-speak you. It's becoming almost traditional that we get this on the day that we have to rule, and I don't think it's quite proper for this organization and this Board to have to do that on a last-minute notice, particularly when there is some question as to whether or not this does in fact conform to the Board's regulations as opposed to the Interstate Wire Act.

There is controversy over that. We have been over that controversy and over it. And it still hasn't been resolved. And until it -- and it will get even stickier as we go forward in trying to resolve this problem.

I don't know how to rule on this except to say that we had an old Horsemen's agreement. We now have a revised Horsemen's agreement based on the changes in what is called the founder's agreement. That means I've got to go back to founder's agreement to find out where the changes have occurred and whether they're approvable.

Under this pressure, if you will, I'm trying to hold it in abeyance. And there may be a telephone meeting of the Board in order to square away our feelings about it.

MR. LICHT: I don't see why we can't just go ahead and approve it based upon Mr. Fravel's representations that it's the same as Hollywood and that he would amend it to make it in the same form and same substance as Hollywood's agreement. And reserving the right at our next meeting to, I guess, revoke our approval if we're -- if that is not in fact true.

CHAIRMAN LANDSBURG: Well, I don't doubt that it's true. Once again, there's controversy as to whether it fits our regulations. That's the only thing that's controversial here.

MR. HARRIS: It clearly has the Horsemen's approval. I mean if Del Mar wants to do it and horsemen want to do it and the fee is under the cap, that's about all there is.

CHAIRMAN LANDSBURG: And John, we've been discussing this until we're all blue in the face. And I agree with you that there is still the problem in process of having the proper agreements for ADW.

And I'm sorry to be a stickler about this, but I think it's important. I think it's important for future TOC Boards. I think it's important for future CHRB Boards.

Any further discussion?

MR. WOOD: The only thing I'd point out, Mr. Chairman, is part of the application for Del Mar does

include the simulcast of the ADW with the TVG. Is that correct, Mr. Fravel?

MR. FRAVEL: That's correct.

MR. WOOD: If we are going to approve the application with the TVG agreement or TVG as a simulcast provider, we need to discuss them and approve today because their people want it before our next Board meeting.

CHAIRMAN LANDSBURG: In view of the lateness of the hour for receiving this, in view of the possibility that the position of the -- concerning the regulations may or may not be adjusted, I will go along with approval, from my point of view, of the Del Mar meet and the agreement for TVG.

But if we get a last-minute agreement from any group, I promise you that this Board cannot take a last-minute agreement. So be warned that if in the next -- in the next presentation of these agreements, we have to have the agreements at least seven days in advance or they will be rejected. Quite clear, Mr. Fravel?

MR. FRAVEL: Yeah, Mr. Chairman. And again, I apologize. I take full responsibility for the delay and don't wish to cause this Board undue inconvenience by late submissions.

CHAIRMAN LANDSBURG: I wasn't attacking you.

MR. FRAVEL: Oh, I understand. But I do want

to make that clear.

CHAIRMAN LANDSBURG: I simply --

MR. FRAVEL: I do take responsibility for that.

CHAIRMAN LANDSBURG: I simply --

MR. LICHT: On page four --

CHAIRMAN LANDSBURG: Go ahead.

MR. LICHT: On page four you left off the name of one of the directors. You left off the name of one of the directors.

MR. FRAVEL: You know what? My President pointed that out to me as well. And it seems that our copying got mixed up. And if you flipped past the two pages that got interposed incorrectly in the application, that particular director's name is prominently at the top of the page. So if he happens to mention it to you back in New York, would you tell him --

MR. WOOD: You want to add that name to the page?

MR. FRAVEL: No. It's in there. Isn't it? One thing I learned as a lawyer is the one thing you don't want to do is misspell directors' names or leave them out of documents.

CHAIRMAN LANDSBURG: The one thing I've learned in show business is spell my name right.

MR. HARRIS: I would like to agree with Alan on the concept of getting these things. And it's not just

this issue, but almost every application we get in there's still stuff we're waiting for that it's frustrating to us to look at something if it's not complete. Where if all the associations and fairs can get everything done so it's a done deal when it's sent in.

MR. FRAVEL: I would add that I think this -- we've done better than usual this year. And the only missing is the fire clearance, which historically is filed after the Del Mar Fair is over. They won't even do the inspection 'til the fair is completed. So I will never be in a position to offer you a complete application within the advance time frame.

But we do have every other agreement, and we also have -- although I don't believe it's necessarily required, but Ed Helpert and I could debate that, but we have an agreement in concept with the California Thoroughbred Trainers, and I don't see any issues with them either.

CHAIRMAN LANDSBURG: Any further question or discussion?

(No audible response.)

MR. LICHT: I move that we accept the Del Mar application subject to Craig Fravel's representations that this agreement is in full comport with the Hollywood Park agreement with TOC.

MR. HARRIS: Second it.

CHAIRMAN LANDSBURG: The approval has been moved and seconded. All in favor?

(Voices say aye.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

MR. FRAVEL: Thank you very much. I probably don't have to do it, but I would like to invite you all to Del Mar, too.

CHAIRMAN LANDSBURG: The Board -- no bus trip. Planes. The Board has unanimously approved the application for license to conduct the horse race meeting of the Del Mar Thoroughbred Club subject to Commissioner Licht's reservation.

Moving on, discussion by the Board on the request to change the site for the allocated race dates for the Los Angeles County Fair from Fairplex Park to Santa Anita Race Track. Mr. Reagan?

MR. REAGAN: John Reagan, and it's R-e-a-g-a-n, CHRB staff. Commissioners, as you know, this year after running at Pomona for many years, the L.A. County Fair has brought forth a proposal to the Board, a request to change the venue of that meet.

They have reached an agreement with the L.A. Turf Club at Santa Anita. And given that next month we will receive their license application, they are asking

today to resolve the issue of whether or not that venue change will be approved or allowed, and therefore having much impact on their proposed license next month.

So it's an issue we need to address today. And I know since there are many people that want to speak to you about that, I will conclude my remarks.

CHAIRMAN LANDSBURG: Discussion, please.

MR. HENWOOD: Yes. My name's Jim Henwood. I am President and CEO of the Los Angeles County Fair.

Good morning, Chairman Landsburg and Commissioners. I appear in front of you this morning on behalf of the Los Angeles County Fair Association regarding the subject of our agreement with the Los Angeles Turf Club, Incorporated, to conduct the L.A. County Fair race meet at Santa Anita Park.

By the attention of the subject has received in the industry and the press, and looking at the number of people in this room today, the Los Angeles County Fair meet may be headed for the best racing season we've ever had.

Yes, the Los Angeles County Fair intends to remain in the racing business. Contrary to public perception, commentary in the newspapers, the Los Angeles County Fair remains committed to the business of horse racing.

We are not looking to build a shopping center

on the site of the racetrack. We are not looking to sell our dates. We are not interested in dividing up our dates or abandoning our dates.

We are requesting in front of you today is only to consider whether to run the Los Angeles County Fair meet in Pomona or in Santa Anita.

I feel it's important for this Board to fully understand why we are here today discussing this issue. Many of you may not be familiar with the history that has led us up to this point.

Since 1995, the Fairplex Park has been in the crosshairs of the racing industry as a target of change.

Various industry groups, including the Thoroughbred Owners of California, TOC, the California Thoroughbred Trainers, the CTT, have defined reasons why Fairplex Park is not an adequate facility and therefore not worthy of conducting racing in Southern California in September.

One frequently mentioned reason is that it's five-eighths mile track, the bullring. It eliminates Breeder's Cup horses from racing in Southern California during the 17 days of the fair.

The second frequent mentioned issue is the lack of a turf course at Fairplex Park, which eliminates the ability of turf racing in Southern California during the 17 days of the fair.

Let me take you through a chronological listing

of the industry criticisms of Fairplex Park for a moment, if I might. In September of 1995, the TOC, represented by Ed Friendly, which I believe was then Chairman, and May Siegel, suggested that we change -- a change be made in racing in calendar in Southern California. They felt that racing should be held at a mile track in September, and that simply Pomona was an inadequate track facility.

In January and February of 1996, Mr. Friendly arranged a meeting with myself and Dee Hubbard at Hollywood Park to discuss ideas of weekend racing at Hollywood Park during the fair, and to run -- and to run the fair running its meet at Hollywood Park were discussed.

At the June 1996 meeting of the Dates Committee from CHRB, a proposal for the 1997 racing dates suggested that an overlap should be allowed on three weekend dates at Hollywood Park during the 19 days of our Los Angeles County Fair.

In 1966 -- in 1996, the TCC -- the CTT, I'm sorry, the trainers organization, announced publicly that they felt that California needed a first class racing in September.

Fairplex then hired Deloitte and Touche in 1996, in August, to conduct a study of the impact of the overlap situation. And the result of the study indicated that such overlap would have been extremely detrimental

to our meeting at the Los Angeles County Fair.

In 1996, September, Hollywood Park approached Fairplex with a proposal to run all 18 days of it's 1997 meet at Hollywood Park. They projected a net profit of \$2 million, and suggested that the Los Angeles County Fair split the funds 50-50. That idea was just simply rejected.

In 1997, January, it was agreed by all the parties that the weekend racing at Hollywood Park overlapping the fair just simply would not work.

Early in 1997, Fairplex proposed expanding our racetrack and developed legislation that would enable the project to happen through SB-281. This Senate legislation -- this legislation failed due to the direct opposition of Hollywood Park and the lack of support of this industry.

At a hearing in Sacramento in December 1997, a select Assembly Committee on Racing and the CTT suggested that racing in Pomona be changed to twilight program of quarters, harness and other breeds. Many members of the CTT have since been very vocal in opposition to this idea.

In the summer of 1999, the TOC suggested that the Los Angeles County Fair and its race meet move its date to July of 2000. Fairplex argued that the racing program could not adapt to operate in July due to the

issue concerning the running of two-year-old horses.

In 1999 and 2000, the Los Angeles County Fair Association began a strategic planning process that would examine every aspect of its business. As a result of this process, with the goal of providing the highest quality facility for today's customer, Fairplex in turn met with representatives of Fairplex -- of Hollywood Park, Santa Anita, Oak Tree, Del Mar, and visited with the TOC.

Discussions focused on the future of the racing industry and where the Los Angeles County Fair race meet would fit in that future. These discussions led to signs of interest from others in our industry to host the Los Angeles County Fair meet at their facility.

For the purposes of accomplishing what the industry has desired, an agreement was made between the Los Angeles Turf Club, Incorporated, and the Los Angeles County Fair Association and is now completed.

We have been in several recent articles and trades discussing our proposal to move the race meet from Fairplex to Santa Anita Park. These articles contain comments attributed to members of the industry.

It is interesting to note that the enthusiasm exhibited by the industry for the Los Angeles County Fair race on a mile track with a turf course has now somewhat disappeared. Those who have supported have moved as in

the best interest of racing now feel that their own self interest might be compromised.

Quite frankly, we are confused about the positions now being taken in light of the seven-year history of negative comments towards Fairplex Park and racing.

When we were close to an agreement to race at Hollywood Park, other associations, including the TOC and Oak Tree, went on record supporting the idea. But since the agreement has been reached with Santa Anita, opinions have changed. Why?

Surely it's not the issue of its facility. Santa Anita is clearly an outstanding facility with amenities that today's race fans demand: close parking, affordable pricing, easy access to the track. Excuse me.

An overall first class facility. And all the benefits are there for the move.

We are also expecting -- we also expect on track attendance as well to increase and overall handle to increase as a result of this move.

Similar items were reviewed positively when discussed in the center around the move to Hollywood Park. It should be noted -- also noted that the idea of leasing the facility is not precedent setting. Our request to conduct our meet at Santa Anita is similar to the agreement of Oak Tree Racing Association has with

Santa Anita, and in the north the San Mateo County Fair has with Bay Meadows Racecourse.

Why does the industry -- what -- excuse me. What does the industry want to do? I invite those in opposition to our move to Santa Anita to speak openly in public and explain their position.

Again, I will restate our position. The Los Angeles County Fair Association desires to remain in horse racing business. We believe conducting a race meet at Santa Anita will better serve the industry. We intend to continue in the stabling, training of horses at Fairplex. Excuse me. And the sale of our -- and our sale of our horses through Barrett's.

I ask the Commissioners today to give Fairplex direction. Our license application to race in 2002 is due in your administrative offices by June 15th for approval at the July 25th CHRB meeting in Del Mar.

We only have one week to comply with the deadline of the submission. We need to know whether we may submit a license to race at Santa Anita, or we must submit a license to race at Fairplex Park in the best interest of racing.

Thank you, Commissioners, for your patience and time in listening to our issues and receiving a brief history that has led this agreement to move our race meet to Santa Anita.

The Los Angeles County Fair Association wants to take the most responsible position on the issue of conducting a quality racing in California. We have been in the racing business since 1933. And, in fact, we're the first Southern California racetrack with pari-mutuel wagering. We intend to be in the business for a long time to come.

I would welcome your questions in order to better respond to the concerns that you might have and the industry has at large. We would look forward to working with you and the industry in making California racing the best it can be. Thank you.

CHAIRMAN LANDSBURG: Thank you. Is there further -- I think we should -- any of the Board members care to comment or have the associations who have raised questions comment first?

MR. LICHT: I have a couple of questions. You said the TOC and the CTT have been on record that they would be in favor of a move to Hollywood Park. When you say on record and so forth, I've never seen anything like that.

MR. HENWOOD: Yes, Commissioner Licht, it has been in the press and it has been in trade journal articles and newspaper articles.

MR. LICHT: Okay. Well, I guess they can comment on that later. And the other thing is, what are

the financial terms of this with respect to the Fair and Santa Anita?

MR. HENWOOD: Thank you. The terms -- I think ultimately you can have a chance to look at the agreement. We are not certain that the best way to bring forward those terms is in a public setting.

We have certain requirements that we abide as a 501(c)5. Santa Anita has issues concerning the way in which their corporate policies are.

I can tell you that it is of an economic term that satisfies the existing revenue streams that we have looked to drive in the operation of our race meet at Fairplex as we move it towards Santa Anita.

And likewise, I would -- I would suspect that Santa Anita has sufficient revenues there that they're satisfied in making this transaction.

MR. LICHT: And one last thing. I understand from discussions with some of your people that you would be having fair exhibits at Santa Anita. Is that correct?

MR. HENWOOD: Yes, that's absolutely correct. Our intent is to work to both cross promote the fair activities at Santa Anita, and also at Santa Anita promote horse racing, vice versa.

MR. LICHT: Thank you.

CHAIRMAN LANDSBURG: Questions from the Board?
John?

MR. HARRIS: Well, I mean I've got a lot of concerns about this move. But one of them procedurally is that in our racing rules we've got a rule that when we allocate dates, this 1430 says, (Reading)

"Dates allocated shall be subject to reconsideration or amendment only for conditions unforeseen at the time of the allocation."

And last year we spent a lot of time on our dates because any meetings dates tie into everyone else's dates, and you can't really take any one out of context.

And I'm just not really clear what has changed that you know about now that you didn't know about when you originally applied for the dates.

MR. FORGNONE: Well, let me respond. Bob Forgnone, attorney on behalf of the Fair. Mr. Harris -- Commissioner Harris, I should say, back when -- when you look at rule 1431 and it uses the term "unforeseen circumstances," the question is unforeseen by whom. It isn't the associations that establish the racing calendar. It is in fact this Commission.

Back in September or August of 19 -- or 2001 when we were discussing the racing calendar and there was so much controversy and so many meetings yourself and Commissioner Tourtelot and the full Board in August concluding or adopting the calendar, the fact of the

matter was no one knew at that time that there was going to be such an arrangement at this time. For all practical purposes, it was unknown and it was also unforeseen.

As a practical matter, if you broaden the construction of unforeseen to say anything can change over time, that you would never be able to change these dates or make changes that were for the public benefit simply because, well, you should have thought about that a year ago when you came before us that you might be doing this.

The answer is you didn't know. The rule relates to your knowledge. You didn't foresee it. Quite frankly, the Fair didn't foresee it.

MR. HARRIS: Yeah. I think that --

MR. FORGNONE: Quite frankly, until May 2nd, I didn't foresee it as an attorney that there would be a deal because these things are fraught with many, many problems of trying to get two people together.

MR. HARRIS: Yeah. I think the way I interpreted it was more unforeseen would be a catastrophic event like a fire or something where you physically just couldn't do it. Where I don't consider unforeseen to mean if you got a slightly better financial deal and that wasn't foreseen, so now you want to change it.

MR. FORGNONE: No. I would say that unforeseen, as I construe it, is far broader than just the, you know, we had an earthquake or a flood.

MR. BLAKE: Mr. Harris, may I add that --

MR. FORGNONE: And by the way, may I add one other thing? Excuse me, Mr. Blake. I'll defer. I'm sorry.

MR. BLAKE: No. I was -- I didn't necessarily disagree with that. I just wanted to point out that the Board allocates race dates under section 19530, and the allocation is to applicants, not to -- an entity that applies, not to a location.

MR. FORGNONE: Correct.

MR. BLAKE: So I'm not sure that the unforeseen discussion is necessarily relevant.

MR. FORGNONE: That's true. And 19530 also states that the right to change the allocation is reserved to the Board and places no restrictions on that reallocation except that it be in the public interest.

MR. BIANCO: I had one question, and it's of paramount importance to me is, are you going to be laying off any of the people that are working the season at Fairplex? Or I don't know the union contract --

MR. HENWOOD: Right.

MR. BIANCO: -- and how you merge --

MR. HENWOOD: Right.

MR. BIANCO: -- you know, two different groups.

MR. HENWOOD: Right.

MR. BIANCO: But is there going to be any layoffs of personnel?

MR. HENWOOD: Yeah. That's a good question, Commissioner. And the answer is simply no. The workforce that would be at the fair for the race meet in Pomona would be over at Santa Anita. And then our workforce at the fair would continue on as they have done traditionally.

MR. BIANCO: Uh-hmm. It would seem like you would be adding jobs maybe?

MR. HENWOOD: It may be that way when we're done.

MS. MORETTI: I have some questions and concerns. It seems to me I've never been in a meeting where the issue of racing at the fairs was discussed, and the fairs didn't represent that the fair is many times the first door that a fan -- a potential future racing fan walks through.

So the idea to me of taking the fair away from the fairgrounds is, I understand, not without precedent.

However, I'm concerned about that because it seems to me that that negates that argument that I have heard over and over and over again.

I also just in general have said that I was

concerned way back when I started reading that you were going to sell your dates to Hollywood Park. Because I personally don't view those as dates to be sold by anyone. We allocate those dates and they're not yours to be sold.

I am concerned about the horsemen who take advantage of the Pomona Fair meet because they are not the typical -- necessarily the typical horsemen that run at the larger meets.

I personally don't have anything against whether you want to sell it to Magna or Hollywood. But I'm just concerned about the way this process is done.

And more importantly, I think last year, and I've been on the Board about three years now, I think, the Commissioners on the Race Dates Committee went through a very, very thorough and arduous process to allocate dates fairly. And I don't think, from my perspective, that we should step out of that process for this year.

I really think that the fairs, as so many other businesses in today's economy, need to kind of step back, and horse racing as a whole also, and come up with the bigger plan, the broader strategy.

I understand, I've heard talk that other racing fairs are thinking of the same kind of thing, moving dates here and there, moving venues. Before we start

going at this piecemeal, I'd like to know that there was an overall strategic big picture looked at.

And I also had the same question that Commissioner Licht did in terms of the financials and what we might be able to see. Because we do -- and my concern also in terms of the labor, I've talked to some of the rest of you about that.

I want to make sure no jobs are lost in this and that there are benefits to the horsemen and to the fan base before we would proceed on this.

MR. FORGNONE: Commissioner Moretti, I want to respond to one of your statements and only one. Because I want you to understand, I want all of the Commissioners to understand quite clearly, there has been no sale of dates.

What has happened here is there has been negotiated and concluded a lease transaction between Santa Anita and the Los Angeles County Fair. That's the Los Angeles Turf Club and the Los Angeles County Fair. Not Magna, first of all.

It's a long-term lease. It has the typical lease provisions, conditions that are necessary to be fulfilled for the lease to continue. Conditions as to termination. The dates are clearly those of the Los Angeles County Fair. They have not been sold. And Santa Anita would have no particular property interest in those

dates. And, in fact, dates cannot be sold by virtue of the regulations of your Board and also of the horse racing law.

MR. HENWOOD: Jim Henwood further responding, Commissioner, to a number of your questions.

I think first of all the matter dealing with using fairs as customer base development. At the Los Angeles County Fair, I wish I could tell you that we were tremendously successful. We worked very hard at that. But in candor, almost 90 percent of our business is not done on the track. It's down out there in the signal. About 10 percent of our business is done on the track.

The business that we have is largely the traditional fan of racing that's coming out to the track, and that customer has issues concerning coming through fairs. And we build natural roadblocks in the conducting of our fairs to these customers.

The idea of our customer that's coming to the fair having a high interest or propensity to go to horse racing, we do not find that as fact in our statistical information that we're gathering and what we value as our customer development profiling for the Los Angeles County Fair. They're much more interested in the farm animals, the exhibitory that we put together, and the entertainment packaging over horse racing.

Let me further comment about the horsemen that

are on our back side. We share the same concerns that you have. But organizations in this room today this year reduced the training and stabling fees at Fairplex Park.

Cut it in half. And if that's not a clear message that we don't care about your business, I don't know what we can say.

We, quite candidly, have a tremendous level of misunderstanding of what the industry wants us to do. I hear arguments out in this room by people to say, hey, we're a very fine minor league business. But this is a major league market and we need major league business.

Well, if the industry so sees that a minor league business and they want to classify Fairplex Park as a minor league, they ought to support it. And they should put money on the back side and help these horsemen work through this issue.

But no, they're not doing that. They're taking very valuable funds away from them that they need for training and asking us just to simply work it out.

I'd love to tell this audience that we're a benevolent organization, but we're a fair. We are having a very tough time, and for the same reason that you suggested the strategic planning process, we need to reinvent ourselves. And that's what we're trying to do. And we're trying to exist in this market.

Change is a tough thing. And I hate to be the

brunt of it all here this morning, but that's what we're talking about.

MR. FORGNONE: I want to make one --

CHAIRMAN LANDSBURG: Please identify, Bob.

MR. HARRIS: Yes.

MR. FORGNONE: Bob Forgnone on behalf of Los Angeles County Fair. I want to draw some parallels here. You just approved an application for the San Mateo Fair to run at Bay Meadows.

Now, no one has suggested that the San Mateo County Fair sold their dates to Bay Meadows. No one has suggested that it is improper for that fair to run at a location or a racetrack owned by a private racing association. The situation with the Los Angeles County Fair and the Los Angeles Turf Club is just virtually identical.

There's no issue here of the thoroughbred racing industry getting more days than they would otherwise be statutorily entitled to any more than it is true of the San Mateo County Fair racing at Bay Meadows.

So we have a lease with Santa Anita now, as does the San Mateo County Fair with Bay Meadows. It's just an analogous situation entirely. And it's been approved and done before and there is no sale of dates.

MS. MORETTI: Well, I can appreciate that. But, you know, sometimes -- and there's other thoughts in

my mind that if Fairplex doesn't want the dates, then maybe we should take the dates and spread them out around through the other fairs, or through all the racing tracks in California, a north-south split, or a -- you can go on and on. But --

MR. FORGNONE: Well, first of all, I don't think you could do it statutorily. But I think the premise of your questions that the L.A. County Fair doesn't want its dates. Nothing could be further from the truth.

The L.A. County Fair has been racing longer than any association in Southern California.

MS. MORETTI: I understand that.

MR. FORGNONE: And conducting pari-mutuel wagering. Like Commissioner Licht, my first day at the races in Southern California was at the county fair. We all love the fair. We all love the concept of fair racing. And it's -- and the fair loves it, too, and wants to continue in that business, and will fight to the bitter end to remain in the business.

It is not interested in giving up its dates. It's not interested in sharing them with anybody else. It is interested in staying in this business. The only issue is where is the business to be conducted, on the fairground or on -- at this point in time at the Santa Anita venue. That's all the issue is.

MR. HENWOOD: We also -- this is Jim Henwood again. We share the same concerns that you have about labor. We've had discussions about that subject. It's not our intent to cause any reduction in labor. By any viewpoint that we've been able to determine, there probably is going to be an increase.

MR. LICHT: I have a question for Mr. Forgnone. 19440(c) says we need to support the network of California fairs, and (d) says provide for maximum expansion of horse racing opportunities in the public interest. Could you comment on those two sections?

MR. FORGNONE: Well, first of all, the Los Angeles --

CHAIRMAN LANDSBURG: Identify yourself.

MR. FORGNONE: Yes. Bob Forgnone. Every time, huh?

CHAIRMAN LANDSBURG: Yes, every time, please.

MR. FORGNONE: Okay. I'm too used to the courtrooms where we do it once.

First of all, the Los Angeles County Fair is one fair that is a member of the network of California fairs. That's designated, if you're interested, in section 19418.2.

By the way, it isn't only the racing fairs that are part of the network of California fairs. It is all of the fairs in California, whether they race or not.

And we are part of that network.

Supporting this move, if the Board would support this move, it would do several things for us in support of the network and that is supporting this one fair, for instance, by allowing it to enjoy greater returns from its racing product than it does at its fairgrounds.

In addition, the state of California will also enjoy a greater return, we believe, from this racing product, as will the horsemen in the form of higher purses, we believe, and as will the public in greater satisfaction. So this fair will improve and with its improvement so will the network of California fairs.

Also, providing for the maximum expansion of horse racing opportunities in the public interest really means putting horse racing in a position where the public is going to want to buy the product.

You know, just as an aside, I've owned 100 race horses which I've raced in Southern California, but I've never raced one at the L.A. County Fair. I think I've raced tons of horses at Santa Anita and at this track and others.

But the point is that the horse racing opportunity for the fair will increase because the population of horses that will take interest in racing will increase. The number of bettors who will bet will

increase.

And, quite frankly, the public will be served by that because they'll be seeing fair racing at a venue that they are comfortable with and that is, quite frankly, better than the grandstand at Fairplex Park.

CHAIRMAN LANDSBURG: All right. No other --

MR. HARRIS: Can we return for more comments after hearing the rest of the --

CHAIRMAN LANDSBURG: That's what I -- obviously the Board will be commenting along with all of the comments. For the -- just for the Chairman's knowledge, may I see a show of hands of those people who feel that they would like to speak up at this particular meeting on this particular subject? A show of hands, please. Then we don't have many people who want a public platform, which now can make us move at a brisk rate.

MR. LICHT: Does --

CHAIRMAN LANDSBURG: I now --

MR. LICHT: I'm sorry. Does that not include CTT and TOC is not speak -- are not speaking?

UNIDENTIFIED MALE: Possibly.

MR. LICHT: Okay.

CHAIRMAN LANDSBURG: I was counting numbers, not faces or roles. Thank you.

Further now comments, please, from those who have raised their hands who are interested in commenting

and stating positions on the questions raised in this application or in this allocation.

Please, each time you speak, identify first. The only ones who don't have to do it are the Commissioners.

MR. CHILLINGWORTH: I'm Sherwood Chillingworth, Executive Vice President of Oak Tree Racing Association.

And to my right is John Collins, who is a senior part of the firm that represents us.

I will discuss some of the practical issues of operating a racetrack when you have a 17-day meet in front of you. And John will talk on some of the other legal issues that are -- arise because of this situation.

One of the first things I wanted to make absolutely clear and clear the air on is I have been accused of having a personal attack on Jack Liebau. And I just want everybody to know that Jack and I have been friends for a lot of years, personal friends, and I admire his intellect. One of the smartest guys I know. He's an outstanding racetrack operator. Probably one of the best in the country.

But there are times when he proposes certain things that are in conflict with the people that I represent, and I have to oppose him as best I can.

Let's talk about some of the issues here. Oak Tree has raced at Santa Anita for over 30 years and we've

always had a great relationship with our landlord.

Now they are proposing to bring in, without any discussion with us at all, and Jack has characterized Oak Tree as a valued tenant, we were never brought into the discussion at all as to what do you think about this, how could we handle this to make you feel better about it. We were just apprised that it was done.

One of the problems you have is that people say, well, why will this affect your race meet. Well, I think a judge takes judicial notice that on Thanksgiving Day the traffic at an airport is overwhelming.

And I think it's almost a given fact that if you run 17 straight days in front of another horse race meet at the same track with a two-day break, then it's bound to hurt us.

And I think one of the things you have to distinguish is that if the races were run -- and I've been quoted as saying if in the -- if the racing industry thought it was in its best interest to race the Pomona dates at Hollywood Park, we would not oppose it. It would hurt us. The quotation is it would hurt us, but we have to be big boys, and other race meets have the same problem we do.

Well, when you take a 17-day straight meet, run it at the track at which we're going to run, that is a wholly different problem. There are major bettors who

bet at both tracks. And on the other hand, there are the general fan base at Santa Anita and at Oak Tree is different from the general fan base at Hollywood. The same people, generally speaking, don't attend both.

If you run the Pomona dates at Santa Anita, you're draining the pocketbooks of the very people who are going to come to our meet. It destroys the freshness of the meet.

And I got a call this morning from Herman Smith, who was my predecessor maybe 20 years ago, saying that at one time some years ago the San Bernardino County Fair wanted to come and run right in front of opening day, December 26, at Santa Anita. And at that time Bob Strube was in charge and he went up and he went ballistic.

Well, I think Jack would have a big problem if someone came in and said, we're going to run 11 days at Santa Anita in front of your meet. That it would -- that it would -- it's bound to impair the opening of the meet.

It's bound to impair the betting public's ability to bet because they will have bet on 17 days straight before our meet.

The other issue is the turf course. As you know, the turf course is now being renovated. It'll be back in service when we open. There is a memo from the Director of the fellow who installs the turf course,

maintains it, saying that in September -- the first week of September the roots of the Bermuda go into the ground.

And it's a very special time in the growing cycle. And he can accommodate racing at that period by moving the railings around about five or six times.

And Jack has told me, after we were advised of this agreement, that we'll put the inner rail eight feet from the present permanent inner rail. Well, eight feet, preserving an eight-foot lane is, you know -- I don't want to characterize it as -- it's illogical.

As you know, when horses, when grass horses come around into the stretch, they bunch up at the head of the stretch and then they spread out 30 or 40 feet across the track. And so you've got 30, 40, 50 feet of track that will be trampled just at a time when the roots of that system are growing.

Three times in a row we've had Breeder's Cup awarded to us, 2000, 2002, and each time Magna's come up with some reason why we can't have it. Because they're going to construct something, they're going to do something. It's never occurred. Now Breeder's Cup is being very concerned that this turf course is going to be torn up by this racing that precedes their event.

And I submit that we've been through this twice already. California wants Breeder's Cup. Needs Breeder's Cup. And we would like to have it. I think

everybody in this room would like to have it. And we don't want that jeopardized. I mean it's totally unfair, in my view.

I have these notes here so I don't leave anything out.

One of the things Jack has said is that this fair type racing. Therefore, it is not competitive with Oak Tree's racing. Well, Jack has said this on so many occasions. I'm sure he's said this to many of you. He would rather race a 10- or 12-horse \$10,000 claiming field as opposed to a 6-horse allowance field because it brings in more handle. And I agree with him. That's true.

So fair type racing is competitive with what we're doing because it's taking money away from the bettors that otherwise would be spent at Oak Tree.

What my next two comments are with regard to -- with regard to Pomona. For years there's been criticism that they are a bullring that's hot out there and that something should be done about it. And they've always defended their position by saying they need racing to support the fairs. Without racing, their fair operation will be jeopardized.

Secondly, as you pointed out, Ms. Moretti, that they have claimed that they introduced the neophyte better to racing because they're there and they happen to

walk into the track and they get interested. When you move the venue of their racing to another location, both those arguments go out the window. They're gone.

And they say they're interested in racing. They're moving their racing to Santa Anita. They went first to Hollywood Park, got a bid. Then took that bid and took it to Santa Anita and got an overbid. I mean is that in the interest of racing or is that selling the dates for the high -- to the highest bidder? I can't distinguish this from the sale of dates as opposed to try and to help racing out.

As we've said before, we wouldn't in any way oppose moving to Hollywood. Not because we're in love with Hollywood. Our closest attachment has been to the Magna group. But I think it makes more sense. It's cooler. It's cooler for the horses, cooler for the fans, and it doesn't put one meet right on top of the other.

You have for years been trying to get -- you and your predecessor Boards have been trying to get gaps in racing. And here we're going just the contrary way. We're not only going -- narrowing the gap from one racetrack to another, but at the same racetrack there's only a two-day hiatus. I mean I don't understand that at all.

One of the things that -- another thing was said, that this -- their agreement, and I think it should

be a public record to see whether or not we're really racing Pomona dates or we're selling our dates. The statement was made that it's a lessor/lessee arrangement.

This year in our fiscal year we will pay Santa Anita in excess of five and a half million dollars through the fiscal year May 31st.

In this arrangement, my understanding of this arrangement, and they can contradict me if they can or will, the landlord pays the tenant. Now, I've never heard that arrangement in my life where the landlord pays the tenant. That's not like our -- that's not like the Oak Tree lease. If that's the deal, I want the same deal.

MS. MORETTI: Chillli, could I just ask you a question?

MR. CHILLINGWORTH: Sure.

MS. MORETTI: If Fairplex had come to Oak Tree and if you could have worked out a deal, would this notion of an extra 17 days have bothered you as much as it does now?

MR. CHILLINGWORTH: I'm sorry, I didn't quite understand.

MS. MORETTI: If Fairplex had come to you --

MR. CHILLINGWORTH: Yeah.

MS. MORETTI: -- to see if they could race as part of the Oak Tree meet as opposed to the Santa Anita

meet, your concerns over the extra 17 days of racing, would they still be -- still carry the same weight that you just attributed to those?

MR. CHILLINGWORTH: If I understand your question correctly, I would. I would object to it.

MS. MORETTI: You would object to it?

MR. CHILLINGWORTH: I mean we don't -- we don't want -- you know, we race our dates and to confuse our meet with Pomona I don't think makes any sense. But, you know, we want to -- sorry.

UNIDENTIFIED MALE: Go ahead, finish.

MR. CHILLINGWORTH: One of the -- you know, when people come to me and are critical and say, I hate this, don't like that, you guys ought to do something about changing this and changing that, and they have no solution, it upsets me.

And my suggestion was, and it parallels Commissioner Moretti's suggestion, is that if indeed it's not beneficial to Pomona race dates at their track and all they're interested in is money, then why don't we take the 17 dates that are allocated to Pomona, maybe take -- I'm just -- this is just a number I'm throwing out, take 10 of them and reallocate those to the existing racetracks, and take the remaining 7 dates and create what you've always wanted, greater gaps between meets. I mean to me that makes sense.

I mean to me what they're saying is, we don't want -- we can't make any money racing at Pomona anymore.

We're not attracting any new fans, so our reason for being is gone. Then why don't we as an industry improve the game by doing -- by reallocating the dates and using the rest of the dates for a break?

CHAIRMAN LANDSBURG: Well, I would just like to remind the audience that the only reason we have pari-mutuel racing in California historically is that the fairs needed it. The fairs apparently still need the money. Taking dates away from a fair simply because you're upset at your turf course to me seems hurting the very genesis of this kind of racing.

Now, whether or not -- I'm not convinced on either argument as we sit here. But I don't want it to be cast in the wrong way. If you're saying it doesn't matter that we don't give the fair the money, I think you're wrong. I think you're dead wrong.

If it matters that the fair has racing as part of it and the fair doesn't want it and can't realize a profit, then anybody who's in this business for profit has got to disagree with you because there's a chance for additional profit for a fair. I'd just like the record clear.

I was interested to learn that 90 percent of the handle comes from the regular racing crowd, because

obviously it comes from off track. It comes from somewhere else. So the argument that we are breeding new race fans seems somewhat specious, and I would call you on it.

I would also wonder as a retailer and someone who deals with the public, once you achieve a stream of traffic, no one wants to see that traffic turned away. I just don't -- I don't understand that reasoning.

That your -- your assertion is what I don't understand. That they won't keep coming. That they'll run out of money. If they haven't run out of money in 320 days of racing in this state, then how are they going to run out of money in 17 days? I mean we're fortunate that the churn of our money keeps coming back to us and that we give 78 to 82 percent or 81 percent of our money back to our bettors so that they do have a continuing purse.

I'm trying to find a real reason, Chilli. I'm trying to find something I can grab onto and say, Fairplex, you cannot do this because. And so far I'm afraid I haven't heard an argument. So please go on. Show me why we should not do this, or show me why we should do it. That's all I'm trying to hear because that's what our function is.

MR. CHILLINGWORTH: Yeah, right. I understand that, Commissioner. And what I'm trying to demonstrate

to you is the reasons why I think this is not a correct solution.

I would just as soon have L.A. County Fair back running in L.A. County. I mean preserve the whole fair system. The whole idea of the county fair was to bring horse racing the outlying areas. And, you know, you get the all the fairs up here in Northern California and they're very well attended. And I just don't -- I mean why are they --

CHAIRMAN LANDSBURG: Trying to keep the fairs in business, Chilli.

MR. CHILLINGWORTH: Yeah. Well, I mean if it's just money they need, maybe one of my other solutions would be that the tracks that, if this is correct, assume part of their dates make a -- create a fund and give it to the -- to Pomona to operate the fair, make it profitable.

CHAIRMAN LANDSBURG: I don't know whether they've ever entertained that proposal. If someone was willing to come up with it and bring it to the Board as a proposal and the Fairplex wanted it, I would say --

MR. CHILLINGWORTH: I mean if that's the issue, you know, I think that's --

CHAIRMAN LANDSBURG: I think the issue is down to money.

MR. CHILLINGWORTH: That's soluble, you know.

I'm just saying that the way they're going about it now I don't think is correct. And when they characterize their relationship with Magna as the same as Oak Tree, that's obviously not so.

MR. LICHT: Chilli?

MR. CHILLINGWORTH: Yes.

MR. LICHT: I have a question. I do take as a given what you said, that moving the dates to Santa Anita would have a negative impact on your meet. But I want to know why that's important to this Board as opposed to just a contractual issue between you and Santa Anita.

MR. CHILLINGWORTH: Well, because I think that the whole idea in the -- I've seen kind of the philosophy of this Board is that you don't want to hurt another meet. We're trying to create gaps. We created a bigger gap this year between the end of Hollywood and the opening of Santa Anita. And the bigger the gap, the better the opening is for the next person.

And the idea that you're going to improve racing by bringing a fair type meet to Santa Anita, which adversely impacts a tenant that's been there for 30 years and generates a lot of revenue and is -- and uses that revenue in the last -- since our inception we've given away over \$18 million, mostly to horse-related entities, so what we've tried to do is -- I don't think you want to impact a meet that's contributing to the betterment of

the horse industry is my point.

CHAIRMAN LANDSBURG: Chilli, I'd just like to ask one fair question. Sixty or more percent of your handle comes from off track. It does not come from your on track bettors. Possibly more than that. I'm not sure of my figure, but I know it's 60 percent or more coming from outside your betting influence, your in track, on track attendees.

The extent to which we blank out days in California, we blank out days for national attention to our simulcast signal which represents 60 percent of your income, I'm trying to adjust the two things.

With racing at Santa Anita, that 60 percent will still come flowing in to you and to Santa Anita and to the benefit of California racing. So we're not affecting California racing in that way.

Every day we are off with only a possible fair whose class of racing is somewhat lower than you expect, and does not have the imperator of Santa Anita, those are days in which California racing loses money. How do you adjust that for me so that I can again find a reason to say it hurts?

MR. CHILLINGWORTH: Well, I think we're dedicated, and I'm talking about Oak Tree, and I think many of the other tracks are as well to try and get more people back on the track. Because I think the worst

thing --

CHAIRMAN LANDSBURG: Hallelujah.

MR. CHILLINGWORTH: The worst thing could happen to this business is if you watch the Cleveland Browns playing and there are 5,000 people sitting in the stadium. People who see it on television say, what in the world am I watching this for. If there are not enough people here in person to appreciate this sport, why am I sitting in front of this bloody television set watching it.

We're trying to get those people back. And so to say that, you know, 60 percent of the wagering comes from off track, that's a fact today. But we're trying to change that ratio.

CHAIRMAN LANDSBURG: I could not more approve, as you know --

MR. CHILLINGWORTH: Right.

CHAIRMAN LANDSBURG: -- personally of getting more people to the racetrack.

MR. CHILLINGWORTH: Right.

CHAIRMAN LANDSBURG: But getting more people to the racetrack is not the question here. The question here is the likelihood that more people will come to the racetrack because it's at Santa Anita and at Fairplex. How do I adjust that thinking?

MR. CHILLINGWORTH: Well, I wish I were smart

enough to give you an off-the-cuff answer.

CHAIRMAN LANDSBURG: Me, too. I don't -- I'm not -- I don't have the answer.

MR. CHILLINGWORTH: I mean that's a very -- that's a profound question, and that is why I think it's so significant to the racing industry in California that we should at least spend some time trying to puzzle out what is the best solution to this whole issue. How the dates should be allocated, how best we can get money for California, where it should be operated.

You know, in our view, we would like to see it not happen at all. But in the interest of trying to be reasonable, I think we ought to get some time back. We've got a Racing Dates Committee coming up here this summer. Discuss the whole issue. And maybe we can find a better solution.

Unfortunately, I'm not Methuselah so I'm -- you know, I don't have the quick answer.

CHAIRMAN LANDSBURG: I'm not Nostradamus either, and I don't give any credence to predictions in those terms. We are faced with either a yes or no at this moment, and I'd like to hear more testimony. That's all.

MR. CHILLINGWORTH: Well, let --

CHAIRMAN LANDSBURG: I have not made up my mind. I'm not ready to say --

MR. CHILLINGWORTH: Right.

CHAIRMAN LANDSBURG: -- you're wrong or you're right.

MR. CHILLINGWORTH: Right.

CHAIRMAN LANDSBURG: But you can't say that some of the facts brought up here are wrong or right. And I'm trying to stay in a factual base --

MR. CHILLINGWORTH: Right.

CHAIRMAN LANDSBURG: -- so that we have a real rationale for any decision this Board makes.

MR. CHILLINGWORTH: Right. I think one of our other concerns is the concentration of power in California and in the whole racing world. I mean if you look at the -- I have to read the list here. The tracks that either have been acquired or are in the process of being acquired, or Mr. Stronach says he's going to acquire --

CHAIRMAN LANDSBURG: Weren't you acquired? You as Oak Tree.

MR. CHILLINGWORTH: Acquired?

CHAIRMAN LANDSBURG: Well, yeah, acquired. If that's what we're talking about. This isn't an acquisition. This is a rental, right?

MR. CHILLINGWORTH: No, no. I'm talking about their acquisition of other racing establishments around the country. They have Santa Anita, Golden Gate Fields,

Bay Meadows, a site in Dixon which they talk about putting a track on, San Luis Rey Training Facility, Remington Park, Thistle Downs, Lone Star Park, I think it's called Great Lakes Racing in Michigan, Gulf Stream.

They've announced the purchase of Pemlico, Laurel. They're talking about building a track in Alachua, Florida. They have a training facility in Florida.

And my concern is you're creating an enormous concentration of power here which is further exacerbated by running Pomona's dates at Santa Anita. And you may not have an opinion on it, but --

CHAIRMAN LANDSBURG: I don't have an opinion.

MR. CHILLINGWORTH: -- I think it's --

CHAIRMAN LANDSBURG: I don't have an --

MR. CHILLINGWORTH: It's --

CHAIRMAN LANDSBURG: Excuse me. You asked me my opinion, Chilli. I look around and I'm scared to death of consolidation of power in this industry.

MR. CHILLINGWORTH: Right.

CHAIRMAN LANDSBURG: It's happened at Hollywood Park. It's happened at Santa Anita. Where does it happen next?

MR. CHILLINGWORTH: Right.

CHAIRMAN LANDSBURG: I don't know. But it's

not within the Board's control or purview to be able to say don't do business. Business is business, and we have only regulations that concern the operation of a racetrack and its fans in light of what the state does.

MR. CHILLINGWORTH: Yeah. No, I understand that. But the Board is here to protect the interest of the horse racing industry.

CHAIRMAN LANDSBURG: Exactly.

MR. CHILLINGWORTH: And if it's deemed that a conglomeration of power is not in the best interests of the industry, we're -- in this case we're proposing to add to it.

CHAIRMAN LANDSBURG: I won't quarrel with your definition.

MR. CHILLINGWORTH: Right.

CHAIRMAN LANDSBURG: I just don't agree with your realization of it.

MR. CHILLINGWORTH: Okay. Well, my last comment before I turn it over to John here, who wants to discuss some of the legalities of our contract, is that Mr. Stronach has been a strong proponent of deregulation. In other words, getting rid of a Board like this.

And I think Boards like this and other jurisdictions serve a very useful purpose for the horse industry. It regulates betting. It gives the bettor a reassurance that everything's on the up and up, which

helps horse racing.

We've seen the deregulation of the airlines and the electrical energy business and, you know, that was disastrous.

I'm just saying that when you have somebody acquiring all these racing dates and having that attitude, it could be a difficult situation in the future.

CHAIRMAN LANDSBURG: I respect the opinion.

MR. CHILLINGWORTH: Thank you.

CHAIRMAN LANDSBURG: I respect your right to the opinion. Since we are losing audience to men's room and drinks of water, may I call a 10-minute recess and ask you to be patient before you go on to your declaration concerning the law. Thank you.

(Off the record.)

MR. WOOD: Everyone please return to your seats so we can go back on the record, please. And we need Commissioner Harris and Commissioner Licht.

(Pause on the record.)

CHAIRMAN LANDSBURG: Ladies and gentlemen, we're trying to resume the meeting. Please take your seats. I do not want this to become a marathon. We want to hear every possible opinion so that we can as a Board render a judgment.

I would ask that you keep your remarks to the

point and to the record of why or why not this Board should approve or not approve the request. Thank you very much.

I will not censor anybody, but I just ask you to be as concise and brief as you possibly can so that we are not here at the end of the eighth race.

We are formally back in session. Please identify yourself and we will continue.

MR. COLLINS: Thank you, Mr. Chairman. My name is John J. Collins. I'm an attorney for the Oak Tree Racing Association. I will heed your admonition.

CHAIRMAN LANDSBURG: Thank you.

MR. COLLINS: And I also have a 2:20 airplane.

Oak Tree has for the past 34 years conducted a racing meet at Santa Anita in the fall. We have a contractual relationship and a lease with the Los Angeles Turf Club, Incorporated. That lease right now, it bears date of June 1, 1998, and it runs through May 31 of 2010. It has eight years remaining.

It's our position that the proposed reallocation of Fairplex dates to Santa Anita will have a very serious detrimental impact upon our operation. And I'm not going to go into the chapter and verse. I thought that Mr. Chillingworth covered those points quite well, and I adopt his remarks.

Also, I'm not going to address the legal issues

involved with this Board. I have read the letter of May 31 from Craig Fravel from the Del Mar Thoroughbred Club, and I think -- I don't know that everyone knows it, but he is an attorney and, quite frankly, he did a splendid job and I applaud his effort. He set it out well.

He articulated all the legalities, and I think that his position establishes that without any dispute this Board would be in violation of the law to make the allocation at this time. So we join in his express position and adopt his arguments.

We do talk to you in the process of exhausting our administrative remedies should there be something down the road that we have to accomplish with the court. So we do have a dual purpose.

As Chilli said, it's long been the desire of many to establish a degree of separation between meets. And this reallocation would violate that goal.

If these dates are to be reallocated sometime in the future, use them to accomplish separation, or use them to give to other fair operators. Don't use them to do harm to our operation.

Lastly, I want to focus on the agreement that we have with Los Angeles Turf Club, Incorporated. As I noted, it runs through the middle of year 2010. It is a very detailed conventional lease. It's a lease where the tenant pays rent.

MR. DEMARCO: Mr. Chairman, I have a point of order. The lease between --

CHAIRMAN LANDSBURG: Please give your name.

MR. DEMARCO: I'm Frank DeMarco. I'm General Counsel for Los Angeles Turf Club, Incorporated.

The lease is a private matter between Oak Tree and Santa Anita. It has a arbitration clause. If there are any problems between ourselves and our tenant, they are to be resolved by arbitration under the terms of that lease.

I think it's irrelevant what the terms of that lease are to this Board at this moment. It has no bearing whatsoever on the issue before this Board. And I object to him going into what is a private document. And I'd ask the Chairman to so rule.

CHAIRMAN LANDSBURG: I would have to turn to my Attorney General as advisor and ask him to give me an opinion.

MR. BLAKE: I believe the Board can hear the argument in the course of making its decision.

CHAIRMAN LANDSBURG: I'm sorry, Tom. I'm not quite sure I understood that.

MR. BLAKE: Basically, I would overrule the objection. There's no reason the Board can't entertain the argument.

CHAIRMAN LANDSBURG: Thank you.

MR. BLAKE: They may have other remedies, but they're not asking the Board for a remedy. It's merely advanced as an argument to the Board.

CHAIRMAN LANDSBURG: So that you can go on.

MR. COLLINS: Thank you very much, sir. And thank you for the ruling, Mr. Deputy Attorney General.

In every contract there is an implied covenant of good faith and fair dealing. We believe that what is being done here by our landlord violates that covenant. We believe that there is a direct interference by our landlord with the exercise of our contractual rights.

One provision that jumps out at me when I look at the agreement, and I'm not going to go into chapter and verse, but there is a provision that holds that if there's a reallocation or an allocation of additional dates, 25 percent of them come to us. So if there is a reallocation to our landlord, we are prepared to and will take legal action. Please don't force us to that point.

We ask that you deny the application today, or if you are not so inclined, defer action and allow for the development of a strategic plan. Let there be expert analysis, let there be studies, and let there be negotiation so that all sides can resolve this thing peacefully.

We're not here to rattle swords. We're here to show you the resolve that we have relative to our

position. If there's any questions you'd like to present, I will abide by the brevity and hope to answer if I can.

MS. MORETTI: I just have one for Chilli. I'm sorry. I forget. How long is your meet actually? How long is the Oak Tree meet? How many days?

MR. CHILLINGWORTH: Sherwood Chillingworth, Oak Tree Racing. It varies from year to year. In even-numbered years we have a short meet. I think this year was 25 days. And this coming year in the odd -- in odd-numbered years it's 30 days. It used to be 31 but we lost one day in the racing calendar last year.

MS. MORETTI: And are your revenues pretty steady throughout the entire meet would you say?

MR. CHILLINGWORTH: Well --

MS. MORETTI: I mean obviously not the big stakes.

MR. CHILLINGWORTH: You know, Cal Cup is a big revenue day. When we take Breeder's Cup as a simulcasting location it's a big day. Opening day is a big day. So it isn't -- you know, it's a curve that goes like this. So we don't have the same pattern throughout the -- throughout our meet.

MS. MORETTI: Thanks.

CHAIRMAN LANDSBURG: I have one question. You called it an allocation. And what is before the Board at

this moment, just so I am clear about your declaration, this is a request for change of site, not reallocation of dates? At least as far as my notes on what's before the Board.

MR. COLLINS: I am John Collins, and I note that, sir. But I think it's perhaps something more of substance over form. We would call it a reallocation of dates. I note your concern.

CHAIRMAN LANDSBURG: It is my concern because I'm -- change of site does not say allocation. But I will leave that to others to argue.

MR. CHILLINGWORTH: Sherwood Chillingworth with Oak Tree. There's a provision in our lease that says should lessor acquire additional racing dates between May 1st and December 1st of any year, the lessee, Oak Tree, shall be awarded 25 percent of those dates. Now, there's a fine line between --

CHAIRMAN LANDSBURG: I'm not -- I am not -- I have no training at law. I always refer those questions to those who know more about it. However, I'm just reading from the paper that I have in front of me.

Is there further questions or comments from the Board or from those in attendance?

MS. MORETTI: Chilli, just one more little comment. I have to tell you, for some -- through an odd set of circumstances, three times last year I was at a

Cleveland Browns home game and the stadium was filled.
So --

MR. COLLINS: John Collins. That's the new Browns.

CHAIRMAN LANDSBURG: Mr. Fravel?

MR. FRAVEL: Mr. Chairman, Craig Fravel --

MR. COLLINS: Thank you very much.

MR. FRAVEL: -- Del Mar Thoroughbred Club. I hate to do things for the record, but for the record, since Mr. Collins referred to me as an attorney, I have to tell you I am a recovering lawyer and therefore an inactive member of the Bar.

I consider this, however, a major setback in my recovery. And I would ask the Board to treat that with great deference at this point.

I want to start out this presentation by noting that Mr. Henwood made mention of enormous pressure on Fairplex. Del Mar as a racing association has never taken the position in any of these discussions that the dates at Fairplex should be moved to Hollywood Park or Santa Anita or Bay Meadows or anywhere in the state of California other than Fairplex.

And we continue to support Fairplex as a racing venue, and would urge this Board to do as Mr. Henwood says and elicit an unequivocal statement of support for racing at Fairplex.

I do want to raise certain objections, and I think it's best understood, and I don't blame Mr. Henwood, Fairplex, or Santa Anita for suggesting this move. I think it is a healthy debate.

We do believe that there are a number of serious legal questions that deserve far greater exploration than are permitted in the time frame presented by a request which was submitted as lay as May 22nd.

First of all, I would point out to you that any other petitioner in front of this Board is at a great disadvantage not knowing the terms of this transaction. We are unable to judge or even comment upon the assertion this is a straightforward lease because we don't know what those terms are.

We don't know what direction payments go. We don't know who has a financial interest in the outcome of the meet. We don't know what kind of non-financial covenants there are that relate to who is controlling the racing operation, who's managing it, who's paying the personnel. Any of those issues that are clearly relevant to whether this is a true lease, a sale of racing dates, or however else you want to characterize this transaction, are clearly not on the table.

And I would request as a formal matter that this Board defer this action to the dates allocation

process with those matters fully disclosed so that we are capable of responding to this fully.

And it may well be that we look at those documents and say, this is the greatest thing that ever happened to racing in California and we will therefore support it. I'm not committing to that, but I think that we're all at a great disadvantage, including this Board, without the input provided by those documents.

Secondly, I submitted a legal brief to Mr. Wood. I think I sent it up on Monday, and I'm sure most of you have not had a chance to read it.

We firmly believe that this reallocation assignment lease violates the terms of California horse racing law. I know specifically that the racing law allocates -- the Legislature mandates that 42 weeks of racing be allocated in the central zone of California for thoroughbred racing.

The current 2002 race dates allocation allocate 42 racing days -- thoroughbred racing weeks to thoroughbred associations. It specifically exempts racing at fairs. And I would submit to this Board that racing at Santa Anita is not racing at a fair.

And I don't know how you cut that any other way, that what is very traditionally and probably one of the finest thoroughbred racing facilities in the country is now being called a fair. And I, for one, just have a

tremendous intellectual gap on that particular question.

And I think the law is very clear that at a fair means at a fair.

And there are three weeks within the racing calendar left after the allocation of thoroughbred racing. And anyone who tells you that the bulk of these races aren't going to be thoroughbred races is misleading us, I think.

Secondarily, I have to disagree respectfully with the Attorney General on the issue of race date allocations being specific to associa -- or to associations and not venues. If you go back to the Board's discussions of allocations, I think you'll see references in those motions as well as the documentation backing up to only places. For example -- or a combination of places and associations.

And I refer to Santa Anita-Oak Tree, Hollywood Park. Pomona is specifically referenced several times. So to separate out the allocation process pursuant to rule 1430 and say it's to associations only is at least contrary to the language used in the allocation process.

And I suspect if any of us thought during the allocation process that you were thinking of moving it somewhere other than the historic venue, we would have had issues at that time.

Another issue, and this relates to the timing

question, and I -- again, I respect the parties' rights to request this at this time, but I have yet to hear the exigent circumstances that require us to decide this in a hasty fashion.

As far as I understand it, I'm willing to be corrected on the subject, Fairplex is prepared to run at Fairplex. Their race meet is intact. Their barn area is intact. It's in compliance with housing regulations.

And so I don't think this Board is presented with some Hobson's choice that says we either have to run at Santa Anita or there is going to be no Los Angeles County Fair racing this year.

So I do think that at the very least deferring this question to the race dates allocation process is the wise course of action. And in that situation, no one suffers any prejudice.

Finally, on the legal matter, I do believe, and it's fairly well described in our document, I believe there is a serious question as to whether Fairplex can conduct its racing at one venue and continue to operate a satellite wagering facility.

The law is very clear that you have to either operate a live racetrack, in which case you can operate a satellite wagering facility there, or you can operate a satellite facility as a non-racing fair.

This transaction, to the extent I can

understand it since I don't have the documents in front of me, would say you can have your satellite in one place, your racing in another. You get the best of both worlds. And you can call yourself a fair wherever you decide to locate.

I think that particular question is one that's left to the Legislature of this state, and I would respectfully request on that basis that you defer this for further discussion and analysis of the lease documentation and the supporting data on the effect on other race meets.

CHAIRMAN LANDSBURG: May I ask a question?

MR. FRAVEL: Yes, sir.

CHAIRMAN LANDSBURG: If you go back to agenda item number five on today's agenda, this Board approved the application for a license in San Mateo to conduct a meeting at Bay Meadows. To what extent is what you are complaining to us about and holding up as not a matter of -- of a matter of law in fact, how does that square?

MR. FRAVEL: Well, let me address that in several ways. One is the San Mateo County Fair is immediately next door to Bay Meadows. Two, San Mateo County Fair does not have a racetrack. Pomona has a racetrack. So on those factual distinctions alone, I think we could go a long way towards deciding that there is a huge difference between these two venues.

I would also point out to you section 19549.14 of the Code that specifically acknowledges on behalf of the Legislature that the San Mateo County Fair can conduct its racing elsewhere other than Bay Meadows if in fact this venue goes away. So there is a specific statutory authorization for that.

I would also point out the pending bill in the Assembly 2338 which contemplates that if this racing venue closes, it authorizes San Mateo County Fair to operate a satellite facility and to move its racing around Northern California.

Apparently someone in the Legislature thinks that this issue is not so clear as the parties to it are stating.

CHAIRMAN LANDSBURG: Thank you. Are there further comments, questions?

MR. LICHT: I'd like Tom to comment on that, that 19549.14, I think is what you're talking about. About why would the law provide specifically for San Mateo to be allowed to race at Bay Meadows and in conjunction with your prior comment.

MR. BLAKE: If I understand the question, the fact that there's a specific provision for San Mateo doesn't necessarily govern the situation at Fairplex.

I think it's up to -- it's important for the Board to recognize that what will come before it is an

application to conduct racing by the Los Angeles County Fair either at the next meeting or -- presumably at the next regular meeting. And at that time the Board will be called upon to either approve or not approve that application.

So there really is no legal decision pending today that I understand -- as I understand it will be final as to the interpretation of these laws. At the time that the Board is presented with a choice to approve or not approve a racing application at the next meeting, then you will decide whether that application fits those requirements of the law.

CHAIRMAN LANDSBURG: I'm sufficiently confused, but it's me.

MR. HARRIS: Me, too. I'm afraid I didn't follow that.

CHAIRMAN LANDSBURG: No. I don't -- I'm sorry, John.

MR. HARRIS: Well, it seems that if the Legislature specifically mentioned the San Mateo County Fair, that would imply that they felt that there should be specific legislative exemptions rather than -- otherwise there would be no purpose of that law.

MR. FRAVEL: Well, Mr. Chairman, if I -- I might point out another -- I think it's important to consider what the long-term ramifications of this

decision, and I -- you know, I agree that there is a limitation on what you have to decide today.

I mean you can say, please submit an application to us to run at Fairplex and we will then consider all these issue in a larger context. And I would encourage you to do that.

But the long-term implications of this are that fairs who are at the very foundation, as you mentioned, of horse racing in California have historically been, as a creature of the Legislature, allocated certain privileges within the racing community.

They have a higher takeout. They have the ability to do things that the rest of us don't. And those privileges come along with certain restrictions as all of us live by.

One of those is that you have your meets at a fair. And if the Legislature intended us to move these dates around, whether, you know, you characterize it as a lease or a sale or whatever you want to call it, if the Legislature had that in mind, I think they would have said, you can conduct a fair meet, or you can move it around wherever you feel like it as long as there's a racing venue there.

I just don't see the authority for that. And I think you have to -- as Ms. Moretti said, there needs to be a strategic vision here. If you set this precedent

now, there is nothing, it would seem to me, to stop any fair anywhere in this state from entering into transactions without disclosing the terms of them to whatever racing venue it feels like.

And I realize that this Board has power to stop that. But, you know, we all come up to you and say, well, how come you did it for them and you're not going to do it for us. So I do think you have to take very seriously the long-term implications of that and as well as the legal questions that are raised here.

CHAIRMAN LANDSBURG: Further comment from the Board?

(No audible response.)

CHAIRMAN LANDSBURG: From presenters of argument and fact?

MR. VAN DE KAMP: John Van de Kamp, TOC. I'd like to pick up on Jim Henwood's recitation when he presented his position before the Board today.

TOC has supported Fairplex in a number of ways over recent years as they have tried to improve the quality of their racing facility. We were there in Sacramento when they tried to raise bond money to build a mile track, and that was killed primarily by Hollywood Park.

We have supported at racing dates meetings an earlier schedule for Fairplex in the summer that would

predate Del Mar's meeting, figuring that that was vacation time for kids and a better time weather-wise and better for racing in California. That failed because other fairs were scheduled and could not adjust to that schedule.

And we have had discussions with them off and on over the years about moves to Hollywood Park. I remember Martin Luther King's birthday when I talked to Mr. Henwood and Mr. Baedeker about that potential. In a sense, moving an adjunct part of the fair over there.

Our Board reviewed this whole situation earlier this week and had a chance to review all the information that has been provided. And it's obviously -- we all know that this is a volatile one, and you've heard some of it today.

There are economic issues. None of us have seen projections. And we all operate on the basis of projects. Before every meet we try to project the revenues for the tracks and the horsemen and try to figure out how to handle the racing schedule.

In this situation you have impacts on Del Mar. We're not sure what those would be. You have impacts -- we have no idea what the handle will be at this new facility. It might be better. Probably would be. But what's going to be the impact at Oak Tree following that? I think we need to have a better handle on that.

We're now hearing some of the legal issues that have been raised. We're breaking with a long-term tradition. And above all, here we are in June.

We set the racing dates back in the fall after what I know Mr. Harris will remember was a long and tortuous process for everyone concerned. And here we are with a couple of months before the meeting is to begin and people are making their plans. And they've come in at the last minute with this request.

What our Board says is, look it, process-wise let us be very careful to do the right thing. And I would simply suggest to the Board, given the time constraints today on everyone, that you schedule -- it could be a committee hearing. You could have a committee as a whole, depending on how you wanted to address this.

Schedule it a full day. Break it down so that we get legal questions that are posed in advance, answers that are provided. Setting aside a second portion for the economic projections so we have at least an idea. Some of it's speculation, I know. But at least we'll have a sense of where this might take us at the end of the day.

And I know that others will have different views. There's some who believe that we should have major league racing in California in the south on a year-

round basis. Others who say, you know, it's a wonderful break for trainers as well as some owners who bring their horses in from out of state particularly to have this period of time between Del Mar and Oak Tree. There are different points of view on that.

I think you need to hear from everybody about that before you make a final decision. Which then, after this hearing would take place, if you make a decision one way or the other, it would flow right into the racing dates allocation process that we have coming up very shortly.

That's our view and that's the view of our Board. We have pointed out in the letter we filed dated June 3rd that there may be some real advantages of making this kind of a move. But there are a lot of unanswered questions that I don't think we're going to be able to answer today. Thank you.

CHAIRMAN LANDSBURG: Thank you.

MR. HALPERN: Mr. Chairman, Commissioners, Ed Halpern, California Thoroughbred Trainers.

It's apparent that if Mr. Fravel is truly going to recover, he's going to need a lot more therapy. He convinced me. And I'd like to say he shortened my comments considerably, that I had thought of all those things. But unfortunately, I didn't think of all those things.

It strikes me that we're looking at three areas here. We're looking at the political issues involved, keeping the fairs happy and an income to the state, an income to the fairs. We're looking at the economic issues, more or less income for each of the parties in the industry.

And we're looking at the issue of the overall welfare of the industry, the welfare issues to the parties and to the back stretch and the back stretch workers. And I think all of those areas are proper fodder for the Board.

There are no clear answers, obviously. So I'm here merely to let the Board know how the training community feels. We presented the Board yesterday with letters -- with a letter, excuse me, outlining some of the comments that we receive typically from the trainers. We did a poll of as many trainers as we could get a hold of.

I was surprised by the fact that the trainers were overwhelmingly, probably by more than a three-to-one margin, against this move for lots and lots of reasons. And some of those reasons, as I said, are outlined in our letter.

In addition to what's mentioned therein, I would say that we are concerned about the effects on Oak Tree and Del Mar for additional and more personal

reasons. Oak Tree and Del Mar are extremely generous to the back stretch causes that we run and we support. And without their help, we would come up short in many areas.

So if they are threatened or their income is threatened, then the back stretch workers will suffer from that loss. Unfortunately, we don't get that kind of support from the fairs, at least the additional charitable support that goes directly to the back stretch workers.

Therefore, I would just ask that, as the others have before me, that taking all this into the consideration, that the Board just take a long look at this and not jump to a conclusion at this time or even at the next meeting.

CHAIRMAN LANDSBURG: thank you.

MR. LICHT: Has your Board formally voted on it or --

MR. HALPERN: Our Board's vote was to poll our members and give you those results.

MR. BAEDECKER: Rick Baedecker, Hollywood Park. I'm joined by my counsel, Richard Crane.

I fully anticipated for more than a year sitting before this Board and talking about moving Fairplex dates, as a proponent I would have said that the turf racing would be a positive thing. That racing on

the larger oval would have been positive things. And 17 days on the west side of town would have been a nice -- would have been a nice meet and a productive one.

I will not sit here now and contradict any of those points. The basis for our opposition is 17 more dates and one more license moving under the effective control of Magna. Now, that probably sounds like sour grapes. Probably sounds like a Churchill versus Magna whining.

That's not the case. I would point out to you that when the Board approved the -- or considered the move of the second license to Magna at Golden Gate, we did not oppose that. When it considered the third exception to the law and allocation of the license to Bay Meadows, we did not oppose that, and we thought at the time that the Board may not have had a viable alternative.

We believe here, however, that further exception to the prohibition against multiple licenses and/or financial and operational interests in other tracks is not warranted. We believe the Board may not be justified in awarding more dates and another license to Magna.

Now, I know that the rebuttal to what I've just said is that the license as a matter of fact will remain under the name of Fairplex, as well the dates. But

practically speaking, Magna will control them.

If you consider the -- that Oak Tree is a tentative Magna, Magna will -- and if they gain the Fairplex dates to be run at Santa Anita, Magna will own or operate five of the seven daytime licenses in the state outside of CARF.

We believe that might be in violation of the law, or at the least, we believe it contradicts the intent of the law. I'm getting into an area where I should call on some expertise, so I will do that. And my counsel, Richard Crane, will talk about the California law.

MR. CRANE: My name is Richard Crane. And thank you, Mr. Chairman and fellow Commissioners for allowing us to appear. I will be very brief because much of what I would have to say has already been said.

As a position, we would adopt the letter of June 3 from Del Mar's Craig Fravel, if I pronounced that correctly.

MR. FRAVEL: Fravel.

MR. CRANE: Fravel. And certainly the content of that letter is in the same language and in the same thinking that we feel.

I would also point out to the Commission, and especially to Mr. -- Commissioner Licht, I think that the details of the agreement between Fairplex and Santa Anita

are vital because the devil's in the details. And if the details are one way, then there's no violation of California law.

And I realize that the granting of these licenses with this Commission can be discretionary. But if, for instance, there is an interest in the lease for Santa Anita in these racing days, a financial interest, a piece of the commission, if you will, that is a violation of California Business and Professional Codes sections 19483 and 19484.

I'm not suggesting that that is the agreement. But I think it's incumbent upon this Commission to look at the details because that's where the possible violation of the law will or will not reside.

I also want to say that in addition to having a financial interest in those details, you could run up against and violate section 19532, subparagraph (b), in that it would give to Santa Anita -- again, I realize this is discretionary -- additional days, which that law specifically says they can't have.

And with those comments, I open it up to any questions.

MR. LICHT: What was that last section that you said?

MR. CRANE: 19532, subparagraph (b).

MR. BAEDECKER: And I would just finish my

comments by saying that if the Board was to approve the move of the Fairplex dates to Magna, that would leave the calendar annually with the exception of CARF. And Fairplex, of course, is not a part of CARF.

Of the 479 dates allocated north and south during the daytime, 95 would be run at Hollywood Park, 43 at Del Mar, and the other 341 at a Magna facility.

So we simply are pointing out that there appears to be a rather extreme disproportion here in the allocation of licenses. And we just suggest a thorough and extensive review of this legal issue.

CHAIRMAN LANDSBURG: Since you've opened the battlefield, I guess it will be joined. It has always been a kind of whisper and now it's a loud cannon. It's Churchill versus Magna in California, and we are the arbiters in some respect.

I hate to see that, frankly. I find it discouraging. I find it -- we've let this happen, and it's not a good state of affairs because it does not allow the business of racing to flourish when people are at swords' points. It's a comment of my own. I say it to you in humility but in fear of what's happening.

MR. BAEDECKER: Yeah. Thank you, Commissioner. I would respond that I don't think we have ever been at swords' points in California. We have worked I think exceptionally well with Magna, and Magna with Hollywood

Park/Churchill. It's been a very productive relationship that will continue.

CHAIRMAN LANDSBURG: It sure sounded like a battle cry, but let's -- thank you, Rick. I don't mean -- we have to bring some levity here or I'll fall down.

MR. BAEDECKER: Well, as long as it's said in the context of levity, great. I did purposely measure my remarks acknowledging the broad authority of the Board here. I'm simply pointing out the -- what's happening.

CHAIRMAN LANDSBURG: Thank you.

MR. LIEBAU: My name is Jack Liebau. I'm President of Magna's California operations. And I think that at the tail end of Mr. Chillingworth's comments and some other comments that have come out that it is indeed unfortunate that it is now Churchill versus Magna, or the world versus Magna.

I will say that I think among the tracks here in California that we do have very good relationships. Sometimes Mr. Fravel and I disagree on things. But I do think that we have been able to work together, and I hope that we will continue to be able to work together.

But we have now this specter of Churchill versus Magna, and I'm a little surprised because I happened to be watching CNBC on Kentucky Derby day and they interviewed none other than Tom Meeker, who I think

speaks for Churchill, and Mr. Meeker claimed to be the largest consolidator of racetracks in the United States.

I had opportunity to review their annual report, and I think the same claim was made. So I'm not too sure that we are the monster, and I'm somewhat in fear of Churchill maybe.

But in any event, I would just like to touch on a couple things that have been said. And first of all, with respect to section 1430, that has to do with the allocation of racing weeks and racing dates, I would say that the change as far as racing dates is concerned is very clear that it has only to do with racing dates and not the change of location. The first sentence says,
(Reading)

"The Board shall allocate racing weeks and dates for the conduct of horse racing in this state for such time periods and at such racing facilities as it shall determine."

Later on when it talks about changing the dates for the unforeseen circumstances, it says you can't change the dates unless there's unforeseen circumstances.

There's no request before you to change the dates of the Los Angeles County Fair.

There also has been some mention made about the possible violation of dates in that too many dates would be allocated to Santa Anita because of the fair. I don't

really think that that has been the historic interpretation of that section because there is precedent.

And as you might remember, the Orange County Fair was allocated dates many years ago and raced at Los Alamitos. And certainly Los Alamitos is not a fair. Bay Meadows hosts the San Mateo County Fair and Bay Meadows isn't a fair.

The section that was referred to that was just enacted was 19549.14. It really becomes operative only when Bay Meadows closes. And that was the purpose for the enactment of that law which was enacted, as I recall, in 2001. It says, (Reading)

"Live racing at another site within or outside San Mateo County if its present site, Bay Meadows, closes."

That's -- that was the purpose of this.

With respect to some of the comments made by Mr. Chillingworth, I would say without question, as I have been quoted in the past as saying, that Oak Tree is a valued tenant and we look forward to our continued relationship, which has been a very good one, in the future.

I know that in fact Mr. Chillingworth has indicated that some of my people in my management team might not be too bright because they can't understand how

this meet is going to affect Oak Tree. I'd like to speak to that.

First of all, whether you approve the change of location or not, I would assume that the Fairplex application will designate Santa Anita as an off-track facility. There is going to be wagering at Santa Anita whether or not there is a race meet there.

For your information, the Santa Anita wagers on an average daily basis are about a million dollars a day over the year. So there's a million dollars of wagering going on at Santa Anita whether or not the Fairplex meet is moved.

The information that Mr. Landsburg pointed out, his 60 percent number, I would suggest that that number is 75 percent. That there is only 25 percent of Oak Tree's handle that is on track. Of that on-track handle, last year it was \$2,280,461. That was their average.

So we're going to have a million dollars that -- at Santa Anita before the Fairplex meet no matter what happens. That's just pretty much a given.

I, for one, don't accept the fact that Oak Tree will be hurt by having 17 days in front of it. In fact, Mr. Chillingworth said, how would Mr. Liebau like it if somebody wanted to operate a meet at Santa Anita 11 days before December 26?

Let me tell you that I'm willing to enter into

discussions today with Rick Baedecker about Hollywood Park running their meet at Santa Anita. Because I have a facility. I want to use that facility as much as I can.

The more I can use that facility, the more money I can put in it to make it a nicer facility, make it more user friendly, and attract more fans for live racing.

So, yes, I stand before you. I would like to use my facility 365 days out of the year. And I don't apologize for that. And so, as I said, if Rick wants to come on over, he's more than welcome.

This idea that we are draining the pockets, I think, of the people. Well, you know, they seem to always show up. They seem always to enjoy wagering. And I would submit to you that Santa Anita has an 80 plus day meet. Our last 40 days on average are actually stronger than our first 40 days.

I have looked at Hollywood Park summer meet. They have 60 plus days. And, yes, if I adjust for Kentucky Derby day, which I think is somewhat out of the normal day, their last 30 days or their last half of the meet is just as strong as their first half of the meet.

So I don't think running 17 days in front of Oak Tree is going to impact that meet, especially when the racing is going to be markedly different.

One thing that we have done, and Fairplex did this, they have submitted a condition book which

parallels the races that they have offered, or have historically offered, and have told Del Mar and Oak Tree that if there are any races in that book that they have concern about, that they will make every effort to eliminate their concerns.

I mean some of you own horses. Probably most of you own horses. I don't think any of you are going to pass a race at Del Mar where the average daily purse is somewhere around \$55,000, which happens to be the fourth highest in the country, behind, I think, Belmont, Saratoga, and Kneeland if I -- to go and race at a fair meet where the average purse is in the neighborhood of \$23,000. I just don't see that happening.

As I don't see, you know, somebody saying, I'm going to run at Oak -- I'm going to run at Fairplex and I'm going to run to that \$23,000 purse because I just don't want to go against -- for the \$46,000 purse that's the average purse at Oak Tree. So I mean I just don't see that happening.

And as far as the turf course is concerned, I think that, you know, there's no question that that turf course is not going to be in any way injured or impair the racing at Oak Tree. And if it does, Oak Tree, as I'm sure Mr. Collins would say, would have some contractual right against Santa Anita. It's just not going to happen. And Fairplex is very sensitive to that.

As far as -- you know, we have 25 percent of the handle at Oak Tree on track. Whether -- no matter where the Fairplex meet is run, that other 75 percent's hard to argue is going to be impacted one way or the other.

I mean people that are going to New York or people that are going to Arlington or San Bernardino or wherever on any particular day are going to bet on what's available to them and what the menu is at that point in time.

And certainly Magna and Santa Anita is dedicated to doing everything that it possibly can do to increase on-track attendance.

And one thing that I will do is lay down a challenge. I don't think that anybody else in California has invested as much in California as has been invested at the Magna tracks. And for us to be criticized for making an investment in this industry frankly just doesn't wash.

And also, you know, I have to kind of point out that maybe that's what makes America great, because I'm sure Mr. Stronach would say that, and that's competition.

And we think that by coming out and competing in the industry, that the industry is going to benefit. And that's why we welcome the competition from Churchill and we welcome Del Mar.

And, you know, without doubt, a rising tide raises all boats. So whatever we can do to improve racing is going to go to everybody's benefit. And what they do to improve racing is going to benefit us.

I too have to admit that I'm an inactive member of the Bar, but I do have to say that even inactive members of the Bar take liberties at times and are not always consistent in their positions they take. And that's because we were lawyers and probably once a lawyer, always a lawyer.

But I sort of had to chuckle when I had -- saw Mr. Fravel up here talking about having all the documents be open and free and everybody being able to examine them. Because later on in the day there will be a discussion about the disclosure of the TVG agreements and those agreements in which Bay Meadows, Golden Gate Fields, and Santa Anita have a direct economic interest in.

Oh, no, they cannot be disclosed because they've been filed under the confidentiality provisions.

And, you know, you can't have it both ways. And I know that that's sometimes problems that lawyers and inactive lawyers have is that you have to take inconsistent positions. But, you know, in the past that's what we got paid for. And maybe we still get paid for that.

I could go on. I would be glad to answer any

questions that you might have. I would just say that I think it's very difficult to argue that the transfer of the racing at Fairplex to Santa Anita, I think in the long run I don't see how anybody can argue that it will result in better racing for the fans, particularly for the jockeys and the horses.

I think we will -- I know that Mr. Chillingworth mentioned about judicial notice. I think most judges would agree that there will be more people that will be coming to Santa Anita to watch the races than would be at Fairplex. They will be accommodated in better facilities, and that should be better for racing in general.

Just one other real technicality that I'd just like to speak to and that is in the horse racing law, when it talks about the intent of the chapter and mentions the network of California fairs, that provision, and I'm sure that some of my colleagues in the back will correct me if I'm wrong, used to read that it was in there for the general fund.

And when SB-27 was passed, it was clear that there was not going to be anymore money to go into the general fund. That all the fund -- all the money was going to go to the fairs. And the people in racing wanted to make it clear that it was not for the benefit of the general fund, so that section was amended to refer

to the network of California fairs.

The network of California fairs are not the racing fairs. They're defined in the first couple pages of the Code section. It lists about 85 fairs. And the money that we generate from license fees goes to support all of those fairs whether they have racing activities or not.

Thank you very much. I'm sorry I've taken up your time. I'm sort of going to hurry because I have a horse in the first race and I wouldn't --

CHAIRMAN LANDSBURG: You'll be here 'til the eighth race at this point.

MR. LIEBAU: Well, I've got one in the eighth, too.

CHAIRMAN LANDSBURG: Mr. Harris, do you have questions as well?

MR. HARRIS: No. Maybe in the eighth, but I've got a lot of time. Just as a question, when this whole idea was explored between Santa Anita and Fairplex, did you look at different ways to do it? I mean the proposal is basically take the whole 17 days to Santa Anita. Was there any discussion of, you know, some overlap or certain weekends or things like that or --

MR. LIEBAU: No, there wasn't. Maybe there should have been. One thing that I would like to clear up is that -- and Mr. Chillingworth said that Hollywood

made a bid and then we made an overbid. I can tell you here today that there is -- I have no idea what the arrangement was between Hollywood Park and -- or proposed arrangement between Hollywood Park and Fairplex. Just never inquired. They never told me. So I don't know, you know.

CHAIRMAN LANDSBURG: One of the comments made that the effect on the turf course might be severe. Are there a lot of turf races proposed by Fairplex, or do we know at this point?

MR. LIEBAU: At this point in time in the book there were 10 thoroughbred races on the turf. If the turf was in any way, you know, thought not to be able to handle those, they would not be run.

The turf course, we now have three placings of the inside rail. We're now putting out to five placings this year so that, you know, we can move the horses even further out.

I mean I think that, you know, Mr. Chillingworth referred to a memo that he had. But, again, the lawyers are selective in what they say. The memo had concluded that there wouldn't be any problems, and that's where we are.

CHAIRMAN LANDSBURG: thank you, Mr. Liebau.

MR. HARRIS: There would be your Appaloosa and quarters would also be running in the (inaudible)?

MR. LIEBAU: Yes. And, you know, I think that we --in the book, the proposed condition book, there is as many races for sixty-two fifty as there were before. And there -- I think the only change, Commissioner Harris, that has been made is that instead of having Maiden claiming \$20,000, it's Maiden claiming \$25,000 so those horses wouldn't be ineligible.

MR. HARRIS: And when you did -- I did take a look at that book. When you projected those purses, what assumptions did you make?

MR. LIEBAU: We made no assumptions. We put down the same purses that they had before. Except for, I think, a couple stakes races were raised. And the idea was during the first year we'd run it. Whatever purse money we had, we assume the purses are going to be much higher. We would just retro it.

CHAIRMAN LANDSBURG: Further questions from the Board?

(No audible response.)

CHAIRMAN LANDSBURG: Thank you, Mr. Liebau. We may call on you again. Mr. Henwood, are you --

MR. HENWOOD: Jim Henwood, the President of Los Angeles County Fair Association. Well, you've heard a lot of testimony here today from both sides, I would suspect. And we're here today to ask this Board to do what they need to do and that's to -- a judgment based on

the best interest of racing.

We feel still convinced, notwithstanding the arguments, that this move to Santa Anita is the right decision for all parties. And most particularly and with most emphasis on the good of racing in California.

We -- time is of need. We need to get an answer from you. We would ask you at this time to deliberate on the subject. And if you need to have us respond to any further questions you might have, I'd be happy to do that. Our request still stands.

CHAIRMAN LANDSBURG: Well, I'm not sure that -- has anyone else a comment before --

MS. MORETTI: I'd like to ask if labor -- does labor have a comment on this? We haven't heard from anyone representing labor today.

MR. LICCARDO: Ron Liccardo representing Pari-Mutuel clerks. We're neutral in this issue because we're protected under ADW from not losing any jobs for the length of our agreement which last to 2005. So this has no impact on us. Thank you.

MR. MORET: Viren Moret with SEIU Local 1877. We take the same position as remaining neutral. But we just want the assurances that we're not going to be losing any jobs by the racing being over at Santa Anita. Because if more people are going to be coming to the racetrack in terms of that being at the fair, we

anticipate people still coming in and trying to bet satellite wagering. There's going to be jobs that are going to be there, too.

So we -- you know, if the jobs increase, that's fine. But we want to make sure they belong to Local 1877 and the positions that they're going to be working in. And as long as we have that I mean we're just going to remain neutral. Thank you.

CHAIRMAN LANDSBURG: Thank you. Any further comment from -- I'm sorry. Mr. Henwood, have you finished? I didn't mean --

MR. HENWOOD: Yes, I -- yes, I have.

CHAIRMAN LANDSBURG: Thank you.
Mr. Chillingworth?

MR. CHILLINGWORTH: Sherwood Chillingworth, Oak Tree Racing. I think that you've heard a lot of testimony today. And one thing I would like to point out is that every entity, even those who are not directly involved, the trainers, the owners, all of the -- of all of the tracks have come out against this proposal. And the only two people who are in favor are the beneficiaries of the proposed change.

I'm suggesting to you that in light of all the opposition from all different sectors of the business, that this whole issue deserves more study than just trying to get something done in the few days that we've

had to look at it.

And I think it would be within the purview of the Board to say we're not against this thing completely, but we would like to have more time to study and determine whether over a period of time that this makes sense or it doesn't make sense.

We obviously don't think it does. But we don't claim to be omnipotent. Thank you.

CHAIRMAN LANDSBURG: Mr. Liebau?

MR. LIEBAU: I would just suggest that we --

CHAIRMAN LANDSBURG: Identify, Jack.

MR. LIEBAU: My name is Jack Liebau. I would just suggest that the -- approving this on a one-year trial basis is not going to do irreparable damage to the industry. It's the only way that we're going to find out whether it is in the best interest of racing.

Myself, I think racing has to change. I am not satisfied with the status quo. I would never stand up here and tell you that I think everything's great in racing.

Racing has to take risks. Some of them will work, some of them won't. We cannot continue to live with the status quo the way it is. We have to improve our lot. And I think the only way we're going to improve our lot is by making some moves such as this and trying some different things. Thank you.

CHAIRMAN LANDSBURG: Do we have anyone else who cares to speak on the subject? I know we're all -- we're only half way through our agenda. We are at somewhat a crossroads.

I would like to chide many of you for getting information to us in the last four days that we have had to digest as a Board. It isn't fair. And from now on, this is a declaration of this Chair, it will not be acceptable for licenses and for arguments in favor or against any of the proposals or any of the items that we have discussed will not be acceptable unless they are in the staff's hands seven days before the meeting. It's now a rule. It's now an order of the Chair.

We can't have last minute, last instant papers thrust at us with legalese, with figures that have no discernable processing, and then have to make a judgment.

There is a sense here of rush to judgment.

But we've all known about this because there have been public declarations of positions for the last two and a half to three weeks. It's imply the presentation here before the Board of your specific arguments that we -- that we have or have not heard.

There's been a request to allow a one-year trial. That's the first I heard of one-year trial. Is there anyone who cares to comment about a one-year trial as opposed to a free for all, give all?

MR. HENWOOD: Jim Henwood with the Los Angeles County Fair Association. If in the decision-making effort of this Board it would view the way in which we could perhaps advance this and provide a legitimate trial on something that, while many people around here today for other reasons, I believe, have indicated this isn't a good idea, I think you have ourselves and you have Jack Liebau saying such. And we would support that. And we would like the opportunity to have that chance.

CHAIRMAN LANDSBURG: I just need comment.
Thank you.

MR. FRAVEL: Mr. Chairman --

CHAIRMAN LANDSBURG: I'm sorry?

MR. LIEBAU: Well, on the trial, my concern would be that to really have a trial, this is just one, you know, 17-day trial. But you'd really need to get buy-in from all the different people to see what kind of a trial they think would be most productive rather than --

CHAIRMAN LANDSBURG: Agreed.

MR. FRAVEL: Mr. Chairman, I would -- rather than silence being viewed as acquiescence in the question, our legal objections still stand with respect to the one-year trial. And that's not to be obstructionist. We just believe those are legitimate arguments.

And I have to say, I would be having the same position if this were moving to Hollywood Park. We have the same view on that subject.

One of the issues here, and I think you have to look at this in the one-year trial context, is I agree with Mr. Liebau, you know, status quo is not something that we as a racing organization approve of, appreciate, or strive for.

But essentially this -- they have told us that they have analyzed the transaction, the economics of it, and they believe it's good for them, good for Magna or Santa Anita, good for Fairplex, and good for racing in general.

But what they are saying silently is that we're going to allocate the risk of that not working out to Del Mar and Oak Tree and to the racing industry in general.

And I realize you have to look at this whole issue as a continuum, and that is why I suggest and request that you defer this to the dates allocation process and let's look at all those issues in a larger context and not simply try to set a precedent of one year, and then see where we go from there. Thank you.

CHAIRMAN LANDSBURG: Thank you. Any further comment?

MS. MORETTI: Could I just ask Ed Halpern. I'm still curious about the way that your -- the poll came

out. You mean that the -- that most of the trainers would rather move over to Pomona of those who are going to race over there than stay stabled at Santa Anita, assuming that they would be there for Oak Tree and stuff and go through the extra added expense and movement of employees and everything else?

MR. HALPERN: Ed Halpern. We have been given the indication that that won't necessarily be the situation. That the plans would be that horses would stay where they normally stay. And the horses would ship in from Pomona to Santa Anita.

MR. HARRIS: You know, one part of this, it's unfortunate that we're having this meeting up here, which is, you know, about as far as we ever get away from the Pomona area. Because I think we have heard from a lot of fans and that we need to get more input from really what the fan base wants. Because we've gotten quite a few letters on that. But I think that's an important part of the ingredient. And the people that are in that area are not able to even be at this meeting.

CHAIRMAN LANDSBURG: I'm just going through suggestions that were made at the meeting just so that the Board has the possibility of creating a motion that might or might not be valid.

Mr. Van de Kamp suggested that rather short-term study could produce enough information to make a

recent decision, which is another consideration. If this Board were to give 10-day notice, we could reconvene to consider only this question. We are empowered to do that.

We are empowered to move on, make a motion on this specific request. We can make it on the basis of a year, or make it on the basis of -- on any basis that we choose, as long as the proper motion is in place.

We've heard a lot of talk. If two hours devoted to this subject is a lot of talk. I therefore will open the floor for motions in and discussion of those motions in any of the directions suggested.

MR. HARRIS: I'll move that the proposal for 2002 be denied, and that the Board have an opportunity to readdress the question as we look at the 2003 dates.

CHAIRMAN LANDSBURG: Is there a discussion of that amongst the Board?

MR. SPERRY: I second the motion.

CHAIRMAN LANDSBURG: All right. I'm sorry. It's seconded. Is there still -- we still can open discussion of that motion. We have -- it was seconded by John.

MS. MORETTI: This is tough.

CHAIRMAN LANDSBURG: There are people who are thinking, and I just want to be sure everybody is prepared to vote. Is there anyone who has any other

discussion?

MS. MORETTI: I don't have any problem with this -- the notion of moving to Santa Anita or anywhere else if that's for the greater viability of horse racing in Southern California circuit or -- and makes sense for the fair.

But I would just go back again to what I said earlier. I really, really, really think it's imperative that the fairs and racing get together and have a more overall strategic vision on this and a plan. Because I don't -- I can just see this going down the line piecemeal fair by fair, and I don't like that.

I also -- the part that disturbs me most about this is that it's happening so fast and it's happening outside of our well-established thorough evaluation that takes place at the Dates Committee. So, you know, that's --

MR. HARRIS: May I?

MS. MORETTI: I'd postpone it.

MR. HARRIS: I hate to see -- you know, I respect Santa Anita's position and -- but I just hate to see us as an industry walk away from the whole concept of racing at fairs, which this is really the biggest fair in California. The only fair in Southern California. And it's 17 days out of 365 days. I think we need a variety to keep racing alive. Now, maybe at some point when

it's, you know, on life support and can't make it.

But when I've been at -- that was one of the first tracks I went to, too. But even I was there last year, and it just seemed to me that there is a vitality there and there's a lot of fans there and that you just don't see at other places.

And I just hate to see us walk away from that unless we feel that there's such a compelling need that it's going to be so much better someplace else.

CHAIRMAN LANDSBURG: Any further discussion?

MS. MORETTI: Excuse me, Mr. Chair, just I have a question. Now, you were starting to say something about we could notice within 10 days and have a more thorough discussion on the one-year trial suggestion that just came up. Are you --

CHAIRMAN LANDSBURG: I was simply -- I was simply outlining different opportunities, different opportunities that we had in front of us. We could say yes. We can say no. There's a motion now to say not to this.

We could refer it to the Dates Committee, which is really where it belongs in terms of a committee. And delay or ask the Dates Committee to move forward. I'm just trying to list the alternatives. Or we could accept a one-year trial. So that we had so many alternatives in front of us, I just wanted to be sure we had considered

all of them before we go further.

We now have a motion on the table. And is there further discussion on the motion by Commissioner Harris that we deny the request?

MR. LICHT: Just one question and it probably -- this is really Tom -- goes without saying. This would be without prejudice in any way toward any future consideration of this move, right?

MR. BLAKE: Yes.

MR. LICHT: It would just be for this specific move this year?

MR. BLAKE: That's correct. And the remaining issues that, I think as Mr. Fravel's letter well points out, whether this would be at a fair, the effect on the satellite licenses, all those could be studied in an orderly way and decided at a later time.

CHAIRMAN LANDSBURG: So further discussion of the motion?

MS. GRANZELLA: I'm not at all opposed to moving Fairplex over to Santa Anita. But I personally feel really rushed, you know. And I don't feel like -- I mean there's so many alternatives here and I don't think they've all been examined enough. And I'm not saying put it off for another year. I just don't feel comfortable. I feel rushed.

MR. HARRIS: I feel the same.

MS. GRANZELLA: I'd like your deferment for 10 days or whatever it is.

CHAIRMAN LANDSBURG: Well, there is -- Roy, would you address the possibility of reconvening on the basis that we had talked about?

MR. WOOD: Well, I would suggest that first we take a vote on the motion that's been seconded. It's on the floor. And then we can address an additional motion if this motion is voted on.

What you gave the Board was an option -- I'm not addressing the issue. You gave the Board three options of motions, and Commissioner Harris made an option -- made a motion.

What you asked was would they have the possibility of scheduling a meeting in 10 days for further discussion. That's always the Board's option to do that.

The problem is that with Fairplex's request, as I understand, their request for their license application has to be into our Board office by June the 5th or 8th. And therefore, they're looking for an answer as to how to fill out an application.

So the 10-day deferral of this would probably not -- would limit you to what you could or couldn't do in that respect. So those are the two issues at hand, I think.

MR. FORGNONE: Mr. Chairman, if the Board thinks --

CHAIRMAN LANDSBURG: Identify, please.

MR. FORGNONE: Bob Forgnone again on behalf of Fairplex. If the Board believes it needs more time to study these issues, there is another way to approach it. We could file with Mr. Wood and --

CHAIRMAN LANDSBURG: I'm afraid, Mr. Forgnone, that you may be out of order because we now have to vote on this motion. We can vote not to accept it. We can vote to accept it. But I think this Board is now requested and required to vote. Am I not correct?

MR. WOOD: We should vote on this motion.

MR. FORGNONE: In other words, debate from the floor is closed?

CHAIRMAN LANDSBURG: Debate from the floor is now closed. It's a little late and I'm sorry.

MR. FORGNONE: Okay.

CHAIRMAN LANDSBURG: All right. We have a motion. Do we want to repeat the motion, John, just for --

MR. HARRIS: The motion is to deny Fairplex's request to race their 2002 dates at Santa Anita, and to have this whole subject be an area of discussion as we're looking at 2003 dates.

CHAIRMAN LANDSBURG: And it was seconded by

John Sperry.

MR. SPERRY: Yes, sir.

CHAIRMAN LANDSBURG: All in favor?

(Voices saying aye.)

CHAIRMAN LANDSBURG: Can you raise hands now?
Because I hear other. Three. Opposed?

MS. MORETTI: I guess I'm abstaining. I just
can't figure out something right now.

CHAIRMAN LANDSBURG: When the Board -- when the
vote is tied on the Board --

MR. BLAKE: Mr. Chairman, the Board needs four
members sitting permanent to pass any resolution or take
any action.

MS. MORETTI: So I just need to understand this
procedure. So we vote on this motion, but we could turn
around and have another motion in a minute to --

MR. HARRIS: No. We could change our policy
any time, I guess.

MR. LICHT: Do we have the right to extend the
time for Fairplex to file their application beyond June
15th?

MR. BLAKE: Yes. That's really Mr. Wood's
area. But there's not a legal reason you can't.

MR. WOOD: Yes, you can waive the right or the
requirement to file their application by that time.
Unfortunately, if we leave them too much time, there's

not enough time for us to review the application for substance. But you can -- we can administratively waive that regulation about filing their application.

MR. LICHT: So can we make another motion now?

CHAIRMAN LANDSBURG: Well, yes. Now we -- that motion does not pass, so we -- there are other motions that can be made.

MR. BLAKE: Yeah. You're back -- you're back to starting over.

MR. LICHT: I move that we notice a meeting. That we meet as soon as humanly possible to discuss this sole issue. And that we grant Fairplex 10 days after that meeting to file their application with whatever venue we determine is appropriate.

MS. GRANZELLA: I'll second that.

MS. MORETTI: I'll second that.

CHAIRMAN LANDSBURG: Motion clear to everybody?

MR. HARRIS: I guess it would be understood, but I think that it's important that meeting be, you know, in the Pomona area of Southern California where we can get maximum input from the different segments of interest.

MR. LICHT: And I'd also -- that date will be cleared, I would assume, with everybody's calendar because it's going to be such short notice. We need to get it clear with the Commissioner's calendar and make

sure everybody's available.

CHAIRMAN LANDSBURG: And we have to notice it. We have to have at least 10 days' notice.

MR. WOOD: You have to give at least 10 days' notice.

MR. LICHT: I understand.

MR. WOOD: And so it could be any time between today and 10 days. And we -- or as soon as we can get the notice out. We have to give 10 days' notice.

MR. LICHT: I understand. But we got to make sure it's a date that works everybody on such short notice.

MR. WOOD: And it's the whole Board, not a committee.

MR. SPERRY: Full Board.

MR. HARRIS: It's just a one --

CHAIRMAN LANDSBURG: One issue. One issue.

MR. WOOD: It would be -- it would be a notice for one issue, right.

CHAIRMAN LANDSBURG: Well, that's a lot of time spent. All right. Going back now, the motion before the Board is that we attempt to notice -- well, you want to repeat your motion, please, Mr. Licht?

MR. LICHT: I move that we give notice and have a meeting with statutory notice 10 days later in the Pomona area to discuss this sole issue, and that Fairplex

be given 10 days after that meeting to file their application for their '02 meet.

MS. GRANZELLA: I second it. Second it.

CHAIRMAN LANDSBURG: We have a second. That motion has been seconded. Any discussion now that we need?

(No audible response.)

CHAIRMAN LANDSBURG: All right. In that case, all in favor?

(Voices saying aye.)

CHAIRMAN LANDSBURG: Everybody? Is that unanimous, John?

MR. SPERRY: Yes.

CHAIRMAN LANDSBURG: And it's the unanimous vote of this committee that we move forward with another meeting, a full day meeting, as indicated by Mr. Licht. I'm sorry?

UNIDENTIFIED SPEAKER: Take a break.

CHAIRMAN LANDSBURG: Yeah. And I think everybody needs a break. I certainly do.

(Off the record.)

MR. LICHT: Everyone please take a seat. We're going to get -- we need to get back to our record.

CHAIRMAN LANDSBURG: Thank you. I think we are ready to begin. If everybody will take their seats, we can reconvene this meeting.

We have a diminished audience, which in the theater says they're walking, they're walking.

MR. LICHT: We're not keeping them entertained?

CHAIRMAN LANDSBURG: If it isn't entertaining enough, we'll throw spitballs.

Ladies and gentlemen, on item 10, the discussion and action by the Board on the request of Los Alamitos Quarter Horse Racing Association to amend their current license to include the import of out-of-country thoroughbred races from Australia pursuant to Business and Professional Code section 19596.2(b) and (d).

That item has officially been recalled or removed from the agenda. However, if there is someone in the audience who is here to discuss or have a comment about that item, they are free to make it. The item itself has been removed from the agenda. Is there any comment or discussion on the request?

MR. HARRIS: Do they plan to resubmit it or --

CHAIRMAN LANDSBURG: I don't know, but it has been -- it has been pulled. Do we have someone who want -- who came to comment about that particular item?

MR. TRAMANTANO: Tony Tramantano, Satellite Manager at San Jose. The only comment I have is from my fan base and they love the signal, and they love the big fields and the big payoffs, and I think if we can get Australia back it would be good for the fans.

CHAIRMAN LANDSBURG: So noted.

MR. WOOD: Mr. Chairman, to answer Mr. --

CHAIRMAN LANDSBURG: Sorry?

MR. WOOD: Mr. Chairman, to answer Mr. Harris's question about do they plan to resubmit that, we do plan to -- there are plans to resubmit after further evaluation of Business and Professional Codes has taken place. So I think we will see that coming back in a month or two.

CHAIRMAN LANDSBURG: Thank you. For personal reasons, John Sperry, Commissioner John Sperry, will not be with us for the remainder of the meeting.

Item 11 on the agenda, discussion and action on the application for license to conduct advanced deposit wagering by YouBet.com. And as per my previous statements, I am recusing from any discussion or voting on this subject. Thank you.

MR. REAGAN: Commissioners, John Reagan, CHRB staff. Before you is a proposal by YouBet. A little background. We all know that YouBet was approved as an out-of-state hub in February. That hub is in Oregon. When they were -- thank you. Thank you.

UNIDENTIFIED MALE: That's the first time that's got an applause.

MR. REAGAN: At the time that license was approved, they did mention that they were also thinking

about creating a hub of live operators at their Woodland Hills operation, or at least in California.

I visited the facility the following month. It's a secured facility. And they were making plans with Local 280 for an operation of live operators in California.

We discussed a couple of different options in terms of how they would go about adding that to their license and so on and so forth. Their first option was to work through the operator -- I'm sorry, the Oregon hub that they already had existing, and that certainly looked like the best option.

After some work with the folks in Oregon, apparently that was not possible. Oregon did not care for the amendment to that license, and so they were unable to do that.

They've now decided to request from this Board a license as a live operator, a live hub, California hub for live operators here in Woodland Hills, and that's what we have before us today.

They would then have a license for the Oregon hub, as well as the -- a license for the Woodland Hills hub. The exact operation would be the live operators would take the wagers in Woodland Hills. They would be accumulated and then forwarded to the Oregon hub for processing with all the other YouBet wagers.

And the proposal today is interesting in terms of the dates of operation. They're a staggered situation here where they do have agreements and contracts with the Thoroughbred Horsemen, for instance, that would take them through Christmas of this year. The same with harness, essentially Christmas of this year. There's some thought that they have agreements with the quarter horse that might go as far as two years. And so on and so forth.

They're asking that the original \$500,000 financial security that was given to us with the first license be used also on the second license. And we note here that the YouBet management team in Woodland Hills in California have been licensed by California.

And they also have included the TOC agreement, the quarter horse agreement. And we have before us today an interesting proposition in terms of what this Board has certainly talked about, jobs in California, hubs in California. And we need to decide if this is the way we want to go today. So I leave it up to YouBet to fill in other questions or other questions you might have.

MR. LICHT: Joe and Chuck, I think we've all read the materials, and I would ask you to limit any comments that you might have to something that we don't have in front of us that would add to what you submitted.

MR. CHAMPION: Charles Champion, President, Chief Operating Officer of YouBet.com. Actually, we

think the application is complete and we don't have any additional comments to make at this time.

MR. LICHT: I personally am comfortable with the security, that there will only be one security posting, and that it is cash instead of a bond, and I'm comfortable with that.

I'd just like to hear from Ron Liccardo. You have any comments with respect to the labor issues on this?

MR. LICCARDO: Well, obviously I'm trying to encourage as many people that have a live operator operation in California. I feel if YouBet starts up, then maybe the other associations will either have to come on board also, XpressBet and TVG. And what's good for -- if it works that good for one, it obviously will work out good for all. And maybe I could reap the benefit of having the -- have the jobs at each one of the companies. So I'm in favor of them, obviously.

MR. LICHT: Any other public commentary?

MR. HARRIS: I'm, you know, very supportive of this move as far as getting the live operators. I think that's really great that they're looking in California.

I'm just concerned a little bit on the term of how long the license is for, which the only problem I'd see there is that is during this period the appropriate Horsemen's agreements are in place, that they -- what I'm

really worried about is someone could get a license and not really have an agreement with anybody in California, but still be broadcasting thoroughbred races into California without having a Horsemen's agreement.

MR. LICHT: Joe?

MR. HASSON: Joe Hasson, YouBet.com. We specifically separated the dates for out-of-state account holders and in-state account holders so that the rules and the application procedures would allow and require YouBet to obtain both Association and Horsemen's agreements for in-state residents to take -- to place wagers through YouBet.com's system.

So we believe that in order to do live operator, to hire people and to not create a conflict with their benefit packages, and for us to invest in setting up the capital equipment and everything required to do this, that a two-year term is required. We're taking a risk in doing this and we would appreciate a two-year term.

MS. MORETTI: I --

MR. LICHT: I'll entertain -- go ahead, I'm sorry.

MS. MORETTI: I was going to say, I don't have a problem with that. And I would make a motion to -- a motion to accept YouBet's revised application.

MR. BIANCO: Second it.

MR. LICHT: All in favor?

(Voices say aye.)

MR. LICHT: Opposed?

(No audible response.)

MR. LICHT: It's unanimously passed that you receive that license.

MR. HASSON: Thank you very much. And we'd also like to submit the staff. We did submit this application right at the deadline, and they had to put forth extra effort. It's very much appreciated.

MR. HARRIS: Thank you very much.

MR. LICHT: Alan's not here, but I guess we can go off with the staff update on the ADW. Should someone go get him?

MR. REAGAN: Commissioners, John Reagan, CHRB staff. As we move forward here, we are certainly getting more and more involved with the account wagering. We're becoming more used to the operation.

One problem I do want to bring out here today to make it perfectly clear, on the chart that is included in your package, it hurts me to tell you that the numbers for YouBet for the last three or four weeks probably have been overstated.

And I must make that clear that when my assistant was putting these numbers together, there was some changes in the system that seem to have caught him

off guard. And I believe that the numbers for YouBet for the last three or four weeks were probably around the million dollar per week numbers, and we'll certainly sort that out for you before the next Board meeting.

This is no reflection on YouBet or their operation. Rather, the interface that the Horse Racing Board was working with, the CHRIMS folks, and just today they have given me a full set of reports through April. We'll have time to look those over.

And I think we're getting much closer now to the point where we have the handle under control and the distributions, which have become somewhat complicated, under control. And we'll have that, like I say, in the future for you on a more timely basis. So we're certainly hopeful for that.

At the same time, I think as we sit here today, the ADW handle in California has probably broken through the \$50 million level. If not earlier this week, probably by this weekend, for instance. And so I think there's certainly good news there.

And that while the ADW handle continues to grow as a percentage of the California handle, I think it was a little over three, then it was four, now it's a little over five, we still see no negative impacts on the live handle in California on track or off.

And we've certainly had good luck with the

Triple Crown this year. We've had good attendance. So overall, we're still positive on this, and we'll continue to monitor it.

CHAIRMAN LANDSBURG: Thank you. We are at the report now by individual track, individual ADW purveyors. XpressBet is first up.

MR. HANNAH: Ed Hannah, Vice President and General Counsel, Magna Entertainment Corporation, as well as XpressBet, Inc. With me is Ron Luniewski, President of XpressBet, Inc.

Before I get into our presentation, I just want to mention that like Mr. Fravel and like Mr. Liebau, I'm also recovering. But since I'm only licensed to practice in the Province of Ontario, I'm a recovering barrister and solicitor, not a recovering lawyer.

The other thing is I just want to echo, I think sentiments were expressed by both Chairman Landsburg as well as by Mr. Liebau. This is the first time I sort of sat back and saw some of the opposition to Magna as an organization. I'm glad that Jack went on the record and said what he did.

I can proudly say, both for the organization that I work for as well as I speak for myself, that we abide by and I abide by two principles and those are fairness and free enterprise. And if ever I am before this Commission and if you do not regard I'm reflecting

either of those two principles, either on my own behalf or on behalf of the organization I work for, please challenge me on that. Because those are abiding principles that we go by. And I just want to say, to me part of fairness is not just treating fairly, but also being treated fairly.

The other thing, just to -- because this is a public forum, Mr. Chillingworth in his presentation went through the litany of tracks that we own and also said that we had announced the acquisition of Pimlico and Laurel. We have not announced the acquisition of Pimlico and Laurel.

Our policy is not to comment on rumors that might be in the marketplace. There has been some industry press concerning that, but there has been no announcement by us.

We have announced in March an agreement to acquire Lone Star Park in Dallas. And this week on Tuesday we made an announcement to acquire a standard bred track with a slot facility located in my hometown of Hamilton, Ontario, called Flamboro Downs. But those are the only announcements that we have made this year concerning acquisitions.

Now going into the report, I had hoped to bring a slide show, but I do not have a slide show. But I will be cheating by looking at my slides. It's going to be

mostly a statistical update. We will also update on the other matters that we've spoken to before.

First of all, we usually update you as to the percentage of the wagering on XpressBetting which is being done by California residents. As at the end of May, 91 percent of all wagers run through our system had been placed by California residents.

Also, as of May 31st, 2002, the total number of accounts which had been opened by XpressBet, Inc. were 10,510. Of those accounts, 9,067, that's nine zero six seven, were opened on behalf of California residents.

Also, as at that date, since our launch on January 25th until May 31st, there had been 21 -- just over 21.7 million in handle bet through the XpressBet system.

One of the slides that we have shown in the past has been the location of where the accounts have been opened. Once again, we're seeing more of a trend towards those accounts being opened through our call center.

Seventy-four percent of our accounts have been opened through the call center. Sixteen percent were opened and continue to be opened at the XpressBet booth at Santa Anita. And then at each Golden Gate Fields and Bay Meadows it's been five percent.

Another slide that we frequently report on is

ADW handle bet per track. You know, given the premier nature of the Santa Anita meet since inception, 40 percent of the handle had been bet on Santa Anita. To date, 8 percent on Golden Gate Fields, 9 percent on Bay Meadows, and the remaining 43 percent has been bet on other tracks.

We also always have a slide reporting on XpressBet handle by week. If you recall, for about the last eight, nine weeks of the Santa Anita meet, we were between 1.6 million and 1.8 million per week. With the conclusion of the Santa Anita meet, we have now stabilized at between 500,000 and 600,000 per week.

It's also we had in the past always shown a slide comparing us to TVG and YouBet. You know, we had been the preeminent supplier. Now at the conclusion of the Santa Anita meet and with the Hollywood meet starting, that has completely reversed itself.

The next slide I'm going to ask Ron to address.

It basically is an update on our natural language-speech recognition technology and marketing.

MR. LUNIEWSKI: Ron Luniewski, Magna Entertainment. Just quickly, we put a new product in the marketplace. It makes our fourth interactive distribution product. And we now have our website, we have live operator, we have an IVR touchtone system, and we purchased this technology out of Australia. It was

used at New South Wales. And it's a natural language recognition.

We mailed approximately 20,000 fliers and about 8,000 in California promoting it. And what it is is a voice recognition system that is geared towards racing. In New South Wales, as an example, it processed over 10 million bets and had over 150 -- it can handle well in excess of 150,000 calls a day. So we hope some day that we can get there.

As part of the expanding our marketing efforts, we took a very serious look at our current website, and we will be launching a new website sometime in late summer that has a new look and feel. Frankly, much better improved user navigation and becomes a heck of a lot more than just a wagering pad. Because for the most part that's what we have up there today. So much, much more to come on that.

And then you'll see us begin to integrate all of our product lines to be able to have an integrated marketing plan promoting those product lines.

MR. HANNAH: The final thing I'd like to address is just an update on our TV efforts. As we have reported before, we are building out our production center at Santa Anita. That is almost completed.

We have also hired 12 new full-time employees. Of those 12 employees, 9 are members of the

International Brotherhood of Electrical Workers.

We expect the channel to be fully operational sometime in July. At previous meetings I had reported that we hope to have it by June.

Amy Zimmerman is very much a perfectionist and that's what we appreciate in Amy. So Amy does not want to launch until she feels that she has the quality of product ready to launch, until it's time. So we have no deferred that into July.

Unfortunately, at this point in time, all I can report is that the channels, there's two channels, will only be available on Racetrack Television Network. But we are continuing our negotiations and our discussions with multiple national cable carriers and with one satellite carrier.

We are hoping, as I mentioned in a previous meeting, I think it was in February, my experience in Canada had always been that these negotiations took about six to nine months. I think we're just over three months into it. We are making progress. We're hoping to be able to make some announcements in the future.

CHAIRMAN LANDSBURG: Would you just illuminate a little bit -- just elucidate a little bit on the channel, which should go by very quickly. What is the channel again for my benefit, as well as all the rest of us?

MR. HANNAH: What we are doing is on Racetrack -- I'll just give a little bit of the background of Racetrack Television Network which is, you know, a pay-per-view service. Basically, a private pay-per-view service.

There are effectively eight channels available on that service. Racetrack Television Network is a partnership or joint venture between us, Philadelphia Park, or Greenwood Racing as they're formerly known, and Roberts Communications, which is Todd Roberts in Las Vegas. It's one-third owned by each of us vis-à-vis the channels.

The intention when it was launched was for two of those channels to be produced by us, two of the channels to be produced by Philadelphia Park, one of the channels would probably be an odds channel, and the other three channels would just be the turnaround of a track simulcast signal at the time, or we've had some split screens on it as well.

So the channels I'm referring to are the two produced channels that Magna Entertainment Corporation is producing. And they will basically be 24-hour channels.

They will highlight the racing for which we have broadcast and wagering rights through XpressBet.

CHAIRMAN LANDSBURG: Thank you.

MR. LUNIEWSKI: And I just want to clarify a

little bit further. One of the channels --

CHAIRMAN LANDSBURG: Again identify just because we have --

MR. LUNIEWSKI: Ron Luniewski, Magna Entertainment. Commissioners, just to be a little more clear, too. One of the channels that will go up on the pay for service is being produced with the intention to go on a direct or a cable deal. So that channel will be made available for free. And that channel will do roughly eight races an hour.

And then the second channel up there is more geared towards the wager. It will be more of a simulcasting fee channel. And that will always stay on the pay side. So we're out now trying to sell the premium channel to the cable operators and to the dish operators.

And if you haven't been by to see Amy's facility lately, we've invested some significant capital and would love to have the opportunity to show you guys in much more detail what we're doing with the show.

CHAIRMAN LANDSBURG: Will any of the pricing on RTN for the average person come down to a rational level?

MR. HANNAH: If the number of subscribers goes up. At this point in time it has not yet become a break even operation. The intention is that if we can get the subscriber level up, obviously to adjust the price down.

MR. HARRIS: It's a chicken and egg thing in a way, though. If you get the price down, you might get more subscribers.

MR. HANNAH: Well, you can say it's a chicken and egg thing. Unfortunately, there was a failed experiment called TRN that, you know, had cheaper pricing, you know, more broadly available. And unfortunately, it never achieved break even status either.

MR. HARRIS: One of my concerns as a potential subscriber would be that once Bay Meadows is over, you won't have any California racing until I guess Bay Meadows starts in the fall. Or do you have any contracts with the fairs for the channel?

MR. HANNAH: We have contracts with three of the fairs at this point in time.

MR. LUNIEWSKI: That's correct. And then we will put those fairs --

MR. HARRIS: They will be on?

MR. LUNIEWSKI: Some of those, yes.

MR. HANNAH: And we're continuing in negotiations to hopefully have more fair product as well.

Two fairs we will not be able to show. Those are Fairplex and Del Mar. They're both TVG exclusive.

MR. HARRIS: Del Mar doesn't really consider themselves a fair.

MR. HANNAH: My apologies to Mr. Fravel.

UNIDENTIFIED MALE: We can take airplanes to his fair.

CHAIRMAN LANDSBURG: However, they are out on the -- but you have no agreement with those tracks and can't get one?

MR. HANNAH: No, we can't.

CHAIRMAN LANDSBURG: It's part of the jungle that we have here for anybody who wants to wager from home or on computer.

Had you investigated the possibility of a big dish subscriber?

MR. HANNAH: Meaning one of Direct TV or Dish Network, Echo Star?

CHAIRMAN LANDSBURG: No. Big dish being the old C band dish. The old C band dishes. Which I still own.

MR. LUNIEWSKI: Alan, we don't think that the C band is for more of the mass market. The premium channel has a lot of appeal in the United States. A lot of that C band technology has been pushed to the second or third world countries. So to really get the footprint, it's either a Direct or Echo Star dish for the premium channel.

Like Ed, we're going to be prudent with the pay channel. But we believe over time, done correctly, we

can get that price down once we start to believe that we can -- you know, so it's not a losing venture for us.

CHAIRMAN LANDSBURG: Right. But even so, there are subscriptions. I mean I pay to get a certain number of available sites on the C band, and it's relatively expensive. Wouldn't it pay you to get onto that even though there are only three million or so dishes around?

MR. HARRIS: Or aren't you -- you may be on the C band already just in your regular satellite signals going from the tracks.

MR. LUNIEWSKI: That's correct, some are on there.

MR. HARRIS: So what, is there some way that -- I guess those are scrambled. I wonder in today's world it's really necessary to scramble all these signals or not.

CHAIRMAN LANDSBURG: Yeah. And the de-scrambling is fairly easy if you subscribe.

MR. HANNAH: Upon subscribing, you have the decoder.

CHAIRMAN LANDSBURG: I'm sorry, sir?

MR. HANNAH: You have a decoder to unscramble the signal once you've subscribed.

CHAIRMAN LANDSBURG: It's true.

MR. HARRIS: Could a C band user, you know, get that somehow?

MR. LUNIEWSKI: If we made the business decision to make our television -- horse racing television channels uplink to C band, it could be made available.

At this point in time, we feel it's better to continue to try to get the broader Direct, Echo Star deals done, sell cables and, in essence, you know, make our pay per service cheaper by just getting more people that way. And if we introduce ourselves in the C band market, we're in essence -- our product lines start to -- we believe start to compete with each other. And the market's really not that big.

CHAIRMAN LANDSBURG: What happened to free enterprise, huh?

MR. HANNAH: We follow free enterprise. But you basically undercut another market that you're marketing to if you adopted the C band solution. We want the broadest possible distribution.

CHAIRMAN LANDSBURG: Right. We do -- I do understand that. I'm just opting for my C band. That's all. Since I have the bloody thing on the roof.

MR. HARRIS: Yeah. I do, too.

MR. HANNAH: The other thing I did an update on is we are continuing to have discussions in the Southern California market for a revivification of Santa Anita live since we no longer have a contract with Fox Sports.

And we are also having discussions in Northern California along similar lines. So that's in addition to the discussions that we're having with cable carriers and satellite carriers.

CHAIRMAN LANDSBURG: Right.

MR. HARRIS: It looks like, just looking at the charts, that the success that TVG and YouBet have had, but they're going to pull the tag on each other, has been pretty impressive versus the XpressBet experience through Santa Anita.

Just I think that's mainly because of just the media exposure where I would sure urge you to figure some way to get better TV exposure.

MR. HANNAH: No. We agree with that Mr. Harris. That's why we're embarking upon the efforts that we're embarking upon right now.

MR. LICHT: One point about I think when you applied for the license and right after you guys were talking about AT&T cable, the Bay Area's biggest cable provider, and Sacramento. And that you were -- you wouldn't say close, but you said you were dealing with them. Nothing's ever come about?

MR. HANNAH: The problem with the AT&T discussions is that there is an acquisition right now of AT&T by Comcast. So it's very difficult to get any local operator, in addition to the head office, to put new

programming on while there's the uncertainty of whether that -- they will soon have a new master and not -- the reception that we received from those local carriers was quite good. They're excited about the product. But the current transaction which is being reviewed by a couple of federal authorities has slowed down those discussions, unfortunately.

CHAIRMAN LANDSBURG: Do your -- I was just trying to puzzle through some of your figures on your -- and writing quickly as you were speaking them rather than being able to see them.

Forty-seven percent of the handle that you've -- that you've developed -- I believe you said 47 percent of the handle is on Santa Anita.

MR. HANNAH: It was 40. Four zero. Sorry.

CHAIRMAN LANDSBURG: Four zero?

MR. HANNAH: Yes.

CHAIRMAN LANDSBURG: I guess it adds up. I guess.

MR. HARRIS: Those numbers are somewhat distorted, I think, because that is handle to date.

MR. HANNAH: Yeah.

MR. HARRIS: Not every track was running the same number of dates to date, so it doesn't really mean that much, those percentages.

MR. HANNAH: Obviously, that number is

decreasing because the Santa Anita meet is over. So --

MR. HARRIS: Right.

MR. HANNAH: -- there's not an additional cent that can be bet on it until December 26.

CHAIRMAN LANDSBURG: Then most of your money is flowing out of California in that sense if only eight percent of your money had been -- we're getting California bettors betting out-of-state tracks, right?

MR. HANNAH: Yeah. California bettors have bet 91 percent of the handle in aggregate, and 43 percent of the handle in aggregate has been bet at tracks other than our three California tracks.

Now, we do carry harness, Capital Racing Harness, so there is some additional California product that we're receiving betting on. But I can safely say that unfortunately for Capital racing, the lion's share of the 43 percent in other tracks is non-California tracks.

MR. HARRIS: Yeah. It looks like at the level you're at now is about 500,000 a week. Which, you know, on a 7-day week is not all that much. It is a pretty small percent of the potential, I think.

MR. HANNAH: I don't have the exact numbers, but I think that there is still a strong preference by California bettors to bet on California racing. And, you know, other than the northern product that we have going

right now at Bay Meadows, we have -- and the Capital Racing product, we have no other California product.

You know, the premier product in California right now is Hollywood, and then it will become Del Mar, neither of which we have the rights for.

CHAIRMAN LANDSBURG: Any other questions and/or comments? I'm sorry. We -- yes, Ron.

MR. LICCARDO: Ron Liccardo, Pari-Mutuel Employees. I have no problem with them bringing in the latest technology of voice-activated systems. But I do believe that they should offer the customer full service with live operators here in California.

In 1979 automation was introduced to this industry to virtually eliminate us, but we're still there because the customer needed it. The new customer needed it. Many of the new customers obviously moved over to the automated system after they learned the industry, and many of them -- and then some of them didn't.

But the new ones started at the windows asking, how do I do this and how do I do that, and I need some help, can you help me. I've never been here before. How do I do this? I don't think the automated system handles that end of it, and that's where the live operator and the live clerk handles all that. And I think when one system proves that they can have live operators, the other systems will come on.

Now, I'd like to hear from them that -- if they have no interest in live operators, that's okay. But if they have at one -- some time that they're interested in live operators, that they're here in California. Thank you.

MR. HANNAH: The only response I can make is to this point in time we have made a decision not to have live operators. It's a decision that is fluid and it could change in the future. But at this point we have made the decision in our California hub not to have live operators.

As I mentioned at the last meeting, one problem that we suffer from is our approved top fee in California is four percent on certain of wagers, four and a half percent on other types of wagers. Live operator-assisted betting, our experience in Pennsylvania is that it's close to two percent of handle the operating costs. So it doesn't leave much for us.

CHAIRMAN LANDSBURG: Yeah, but we're in that -- we're still in that world and we still have to live with what we have around us. And the maintenance in California, I can't imagine, would be any more expensive.

If 91 percent of your bettors are inside California, your 800 number is about half as expensive. The other part is manpower. And we are determined that

we keep the manpower that has been faithful to racing for a long time. So I'm going to nag you from time to time.

I don't say you have to open up full service. But certainly when a question arises about an account, and I've had this experience so I speak from personal experience, if it's past seven days in which it occurred, then your Pennsylvania operators have got to turn to your Bay Meadows operators, leaving us with a 25- to 30-minute, not long in terms of lifetimes, an annoying bridge between the two.

If there is some way we could bring just a small piece of that back together, I would salute you personally, and I think the Board would salute you collectively, so that we are insuring that the live operators come out of the pool of people who have dedicated their work careers to. It would shine favorably, Ed.

I will say it today. I will say it on the 26th or 7th when we meet officially for other considerations.

And I will be saying it until you tell me with a smile, we have now put two live operators into Bay Meadows to take California calls. And then I will bow down and say thank you, and we're glad we gave you the license, instead of saying, we gave you the license and we're getting screwed. Thank you.

MR. HANNAH: Thank you.

CHAIRMAN LANDSBURG: Cliff, do you have a comment?

MR. GOODRICH: Yeah. Mr. Chairman, Cliff Goodrich representing the California Thoroughbred Horsemen's Foundation. And I wasn't at the meeting yesterday and this might have come out. And if so, I apologize.

But just by chance this week one of the Commissioners asked me, we are the fortunate recipients of a very small piece of interest moneys on these accounts. We are now preparing for our new budget. Our fiscal year commences July 1st. It's no secret we've had trouble having end -- making ends meet. Every penny counts.

And when he asked me that, how is your interest going, I said, "Not only don't I know, I don't think anybody on the Racing Board knows." So this isn't directed just at TVG. It's also --

CHAIRMAN LANDSBURG: Or XpressBet which is up at the moment.

MR. GOODRICH: Yeah. I'm sorry. XpressBet, TVG, or YouBet. It's at all of these licensees. And that is, is there any accountability to the Board as to the average daily moneys on deposit so that at least we, and I'm sure there's others who are interested, could kind of extrapolate and take a guess at how much interest

we might derive.

And my real concern is being a licensee has no vested interest. I'm wondering about their investment policies. And maybe it's in a checking account and not even in an interest-bearing account.

So if this came up yesterday, I apologize. If it didn't, I'd really be interested in knowing why is that a deep dark secret and is there some accountability on how much is in those respective accounts.

CHAIRMAN LANDSBURG: Thank you.

MR. WOOD: I can answer, I think. It's not a deep dark secret. I think I have to get close to a microphone. It's not a deep dark secret, but there has been some software problems in getting some of these numbers released and some of the moneys distributed to the CHRIMS system.

And I think by the end of next week, John Reagan and I will be able to give you a full accountability for that issue. But there has been some technical difficulties with CHRIMS because it's a very complicated computer program that had to be done to get that straightened out. So we're now convinced we have a handle on that and it should be forthcoming.

MR. HANNAH: And I know Mr. Liebau has mentioned it to me many times. He's equally concerned about the amount of the market access fee to which each

of Santa Anita, Bay Meadows, and Golden Gate Fields' entitlement as well. Because I don't believe any distributions have made in that regard yet either.

CHAIRMAN LANDSBURG: There was a rush to action which can account for some of this. And we are as much responsible in terms of the rush to action as you are for impelling us. But we're still learning and we're going to continue to learn probably through the next year.

And sometime during the next I guess 365 days some kind of a hammer will fall because we'll know what the problems were and we'll come about asking you or demanding solutions.

So let us -- is there any other comment now on this, or any other question?

(No audible response.)

CHAIRMAN LANDSBURG: In which case we thank you. We're glad to have our presence, Mr. Hannah and Mr. Luniewski. And we will move on to the report by TVG.

MR. HANNAH: Thank you.

MR. LUNIEWSKI: Thank you.

MR. HINDMAN: Good afternoon, Mr. Chairman and Commissioners. My name is John Hindman, H-i-n-d-m-a-n, Vice President and General Counsel, TVG. And with me is Counsel Kathy Christian.

I'm going to be brief today and go over some numbers. I don't have any presenta -- you know, slide

presentation or anything, and keep it brief. And I won't be too witty or funny because I'm still smarting from the abysmal debut of my one and only thoroughbred on Sunday.

CHAIRMAN LANDSBURG: Welcome to the club.

MR. HINDMAN: Can't get any worse. Can only get better.

Before I start, I just -- one point that was just raised. I do have with me California interest income on our California accounts. I have those figures.

The average account balances I can give. Starting in January, the average daily balance was \$39,000. February was \$295,000. March was \$490,000. April was \$790,000. And May was \$2 million. And the average overnight interest rate was 1.3 percent on that money.

So I will provide that to the Board. And we are prepared to pay those moneys to anybody appropriate.

We do have that information all set up.

It's not a significant amount of money yet. But I think as you can see, especially with TVG, our balances have increased substantially in recent months.

So go ahead and get started. The last three or four meetings --

CHAIRMAN LANDSBURG: Does that help, Cliff?

MR. GOODRICH: Yes.

CHAIRMAN LANDSBURG: Good. Thank you.

MR. HINDMAN: The last three or four meetings

came and told you a lot about the marketing efforts, the television efforts, what we were going to be doing for Hollywood Park and the Derby. And we're very pleased with the package that we put together and want to share with you some of the results.

Since Hollywood Park opened, our average weekly handles increased 300 percent. I think you can see in the chart that our handle just -- the handle in the chart from California residents -- for TVG is from California residents only. It's averaging now between 2.3 and 2.8 million a week. Moving on to that, our total handle to date has been about 17 million.

J: John, excuse me. It's averaging, that means 2.5? I mean just going --

MR. HINDMAN: Two point five million dollars a week --

CHAIRMAN LANDSBURG: Okay.

MR. HINDMAN: -- from California residents.

CHAIRMAN LANDSBURG: Fine. That's what I wanted.

MR. HINDMAN: And of that amount, of what California residents are wagering, this is a sample taken since the start of Hollywood Park and incorporates the Derby and the Preakness, so it's a little bit skewed. But 55 percent of our wagering is on in-state races, and 45 percent is on out-of-state races.

Obviously, we feel as the season progresses that this will skew a little bit more towards in state as the Triple Crown ends. But that's what it's been so far.

We have over 11,000 California accountholders.

I believe the number is around 11,600 California accountholders. And the television arrangements have been very successful.

If there's one thing that I could agree with Mr. Hannah on is echoing his sentiments that television distribution is very difficult. These people have their own calendars and live with their own pace.

But so far the distribution that we have, last weekend, our Fox weekend ratings were a 1.1 Nielsen rating, which was very, very good. The rating was higher than the Angels game which was on at the same time, higher than Major League Baseball. We're very pleased. Fox is very pleased. It's good for them from the advertising perspective that it's an attractive property.

And with Adelphia, we're ahead of our subscriptions in terms of account subscriber penetration, which means the number of people who can see it. They're opening accounts.

CHAIRMAN LANDSBURG: Can we ask you what the current turmoil in Adelphia, how will that affect your operation?

MR. HINDMAN: I don't believe that it will

affect our operation in any way whatsoever. And it remains to be seen what happens to that company. As you correctly noted, they are in tremendous turmoil.

CHAIRMAN LANDSBURG: Right.

MR. HINDMAN: Just some other observations and these are our internal estimates. CHRIMS numbers will be coming out so we'll all be able to see the official numbers. Made some estimates based on we had to adjust a little bit for the YouBet handle based on what was reported, but we feel that total since -- in comparing April 15th through 21 versus May 20 through 26, we want to take two comparative months -- two comparative weeks while Santa Anita running and then since Hollywood Park's been running where there wasn't a special event like the Derby or anything else.

Our calculations -- and again, because of the YouBet uncertainty we're a little bit different, but we total California -- total California handle for ADW increased 52 percent. And we believe that that's going to equate to -- on a weekly basis, and we believe that's going to equate to anywhere from a 30 to 35 percent increase in the amount of money that goes to purses in a week.

So the purse -- the amount of money going to purses, the amount of money going to tracks as commissions has increased with our present business plan,

and we believe will increase throughout the year.

Also point out a little bit more about our Derby results. We had an article in the L.A. Times on May 9th reporting our overall Derby results or results for Derby weekend. And for the 10 days from opening day at Hollywood Park through the Kentucky Derby, nationally we signed up 7,500 new accounts, which we feel was a phenomenal growth rate. And I believe nobody's ever equaled that growth rate. And our handle for the period increased 254 percent. So generally we are pleased with the results.

And that's -- I'd be happy to answer any questions that the Commissioners or the Chairman may have.

MR. LICHT: How did the Adelpia -- how'd the Adelpia promotion go where you gave out the free passes to the Adelpia customers?

MR. HINDMAN: You know, I haven't checked on that. That was Derby day for Hollywood Park. I haven't checked on how many of those people redeemed. I know that approximately, you know, a million six, 1.6 million coupons went out.

And a person that I know was saying yesterday that they're -- oh, a person that I know who doesn't even live in California said, you know, "My sister lives out there and she said that she got a bill stuffer from

Adelphia to go to Hollywood Park."

And I said, "Yeah." I said, "There are several of those that went out." But I don't know the answer to that question.

MR. LICHT: And how about cannibalization? Hollywood Park's not here, so do you have any idea?

MR. HINDMAN: Yes. Hollywood Park's on track attendance is up about seven percent. They're overall business is up approximately, I believe, eight percent or seven percent overall. And I believe they're on track handle is either down slightly or equal, but I believe that there were other factors that affected the on track handle for a couple of weeks that Rick could probably elucidate better than me.

But we're very pleased that the attendance is up, the business is up overall, and feel that, you know, we're -- that with the growth that we're simply incremental growth for California racing.

CHAIRMAN LANDSBURG: Do you expect the same kind of response, by the way, to the Belmont as you had to Derby and Preakness?

MR. HINDMAN: Yes. We feel that the Belmont will be a very strong week. Normally, if you look at what the Derby -- in our past history what Derby handle is, you can generally think that Preakness handle will be roughly half of that.

CHAIRMAN LANDSBURG: All right.

MR. HINDMAN: And we did better than that this year. So we believe that with the Triple Crown on the line that we'll have a very, very strong weekend.

CHAIRMAN LANDSBURG: If it's proprietary, feel free not to answer this question. But I'm curious as to the number of hours that you are on during the weekend. Weekend on Fox is how many hours?

MR. HINDMAN: Generally two hours a day. I believe that one day we were preempted for Dodgers baseball, so we were on for 20 minutes of the show. Generally two hours a day. For special events we're on more.

CHAIRMAN LANDSBURG: You're on more?

MR. HINDMAN: Yes.

CHAIRMAN LANDSBURG: And the proprietary is -- the expense -- if you don't want to go into it, I would understand it. If you do, I'd be interested to know what you consider the hourly fee to be.

MR. HINDMAN: The hourly fee?

CHAIRMAN LANDSBURG: Yeah.

MR. HINDMAN: I can't go into that. It is proprietary. We have an arrangement that involves many factors with Fox and it's worked out very well.

CHAIRMAN LANDSBURG: I'm just trying to encourage more of it. That's all.

MR. HINDMAN: So -- and we are also very optimistic. We feel that the Fox experience has been an extremely good one and is something that we will definitely look at in other markets.

MR. HARRIS: I recall at one point that you were talking about the interactive technology where they could bet with their remote. How far off is that?

MR. HINDMAN: There are two sides to the coin. On our side of the coin, not very far. We have a platform that has been designed and it's almost kind of like the chicken -- you know, putting the cart before the horse.

We have a platform that's designed. So far most of the cable companies don't have a plat -- don't have the system in place that can take the platform.

So the digital rollout of cable has been kind of a more -- a bit disappointing. And so they haven't -- a lot of them haven't chosen their technology providers in this area.

The one system that will have interactivity probably before any of the others is Dish Network. And we worked closely with Dish Network on that technology.

So -- but in other areas -- obviously we have it in Louisville. With all -- we're working with all of our cable providers to implement it. But they've been -- on their side it's -- you know, we can show up at the

front door and say, we're ready, here's all our tools, let's install this thing. And they come back and say, well, that's great, but we haven't even chosen who's going to do this for us yet.

So hopefully that process will speed up as some of these issues with these cables companies, such as Adelphia's trouble, the Comcast-AT&T merger, all of these turmoil going on in cable television flattens out, straightens out.

CHAIRMAN LANDSBURG: Do you intend to go to try to penetrate in the north with cable systems or whatever television you can find available, or are you going to stay basically south?

MR. HINDMAN: No. I think obviously our emphasis is in the south. But we do have an existing corporate relationship with AT&T broadband internet service at the corporate level. And we have some other corporate relationships, the Gemstar level, with other cable providers out here. So it is a possibility that we could be able to do that.

And I again would echo Mr. Hannah's sentiments with AT&T. They're almost at a virtual standstill because of their transaction.

CHAIRMAN LANDSBURG: Are there anymore questions? I just have my one final sledgehammer.

MR. HINDMAN: Okay.

CHAIRMAN LANDSBURG: When are we going to have a California hub?

MR. HINDMAN: We worked through some issues with the Board related to that and in terms of having the California hub. And it's something that, you know, we've looked at very closely. We've made some contingency plans.

And our concerns I think are long-term making the business plans, you know, the licensure term of one year. We wouldn't look too good if we put our operation down here and -- so we want to work out the licensing issues. And I think we've done that fairly successfully.

And then there's also the business issues of working with the people in Oregon and treating them fairly. And they have jobs, too, and their jobs are equally important.

So those are all things that we're putting together. I think by the end of the year we will have a lot better idea of where we're going with that.

And again, I thank the Board for working with us on the issues that had to be addressed first.

CHAIRMAN LANDSBURG: We're more than happy to work with you. We would like to see this. It's one of the charters within the law. And I don't know why it keeps getting ignored, but it's going to keep coming up. And it will come up most strongly when your license

renewal application comes in.

So I would suggest on behalf of the Board that you make an effort to have at least a footprint here that is visible so that we can begin to see there is a possibility.

MR. HINDMAN: Okay. I understand.

CHAIRMAN LANDSBURG: Is there any other discussion needed?

(No audible response.)

CHAIRMAN LANDSBURG: Then in the interest of moving on, may we have the representatives of YouBet join us? Thank you both for being here.

MR. HINDMAN: Thank you.

CHAIRMAN LANDSBURG: Sorry we didn't abrade you with anything.

MR. CHAMPION: Charles Champion, President, Chief Operating Officer, YouBet.com. Thank you very much, Commissioners, for allowing us to present to you today.

Joe Hasson in a minute will be going through some specific material of some of the handle numbers that we would like to report to you, as well as some marketing plans that we have put together that will be rolling out in the next week.

It's been approximately 65 days since I joined YouBet.com and the horse racing industry in California.

And let me tell you, it's much like taking a drink with a fire hose.

You have a very exciting industry, and we find that there's tremendous opportunities here in California.

We're excited to be here. We're excited to be a California company. We're excited about now the in-state license and bring live operators to California.

We think we clearly understand what the Board is looking for in terms of trying to grow the fan base in horse racing specifically in California. We think we understand how we can aid and assist in that and why that's in not only your interest but ours collectively. And I think from the presentation that Joe will give you today, it will be another indication of how YouBet hopes to do business here in California.

I can tell you also that there has been a number of changes at YouBet over the last 45 to 60 days.

We have a complete new management team on the ground at the top. We also have reorganized reporting relationships and roles and responsibilities to better address the opportunities. And in the next week or two you'll also be reading and seeing more about YouBet's changes and the exciting things that are occurring there.

So thank you.

MR. HASSON: Joe Hasson, YouBet.com. I'm going to keep this short. I just want to point out -- we want

to point out the things that are of interest, I think, that are specific to California.

Since February 22nd when we were granted our license, we've approximately handled \$9.4 million of wagers that are California related. And what's interesting is that 1.76 million of this is California residents wagering on California tracks, and 3.52 million of California residents wagering on out-of-state tracks, and 4.12 million of out-of-state residents wagering on California tracks.

And if you look at the next slide, what we tried to do is show how does this benefit horsemen's purses. And the largest segment, which is the out-of-state residents wagering on California tracks such as Cal Expo, CARF tracks, which haven't started yet, Santa Anita, Bay Meadows, and Golden Gate, approximately \$3.50 to \$6.44 of a \$100 wager with an average 20 percent takeout goes to the horsemen. And I think that's pretty significant and helps the horsemen. And hopefully we'll get some fuller fields from that.

The next slide we would like to show, we formed a relationship with Wintercom, and that's an association with ESPN. And we will be providing the horse racing page. And it is our intent to prominently promote California racing on this site. We are providing live odds, a snippet of the program, and a live AB.

ESPN is very important in that it has roughly 13.4 million meet visitors per month and roughly 2 million daily. And their demographics bode well for our industry. Ninety-four percent male, 95 percent 21 years of age or older, and an average household income of \$68,000. And it's the number one sport internet site.

And now, how does this impact racing? Well, since ESPN launched the horse racing site, they've seen significant growth. In April they had roughly 2.7 million page views and 415,000 unique viewers. And in May with the Derby, the Triple Crown, that leaped to 6.7 million page views and 1.6 unique viewers.

In addition to that, ESPN has formed a relationship with the Microsoft MSN network which has been given additional coverage.

On the next slide we have unique visitors and we show it by quarter from 2001's fourth quarter through 2002's second quarter. And as you can see, there's dramatic growth. Roughly 2 million unique visitors in that quarter.

On the next slide we basically show the page views. And in 2002 to date, that's not a full year, there's been roughly 14 million page views.

Another agreement that we put together is with the California racing fairs. And we've entered into a relationship where we're going to help promote their

races by contributing to purses at each fair meet.

We're going to promote their races through our interactive site, through e-mail communications, and through personal messages. And we're going to try to, in addition to promoting it to California residents, promote their content to out-of-state residents.

In addition, we will use our newsletter and our desk jockey column to promote their content. And we will have on-site demonstration booths to promote the YouBet brand and CARF racing.

Another deal that we put together was with Churchill Downs, and this has also been very beneficial to California. As you'll notice on the slide, in May we roughly acquired 1,500 customers that were California residents, but 4,500 that were out-of-state residents. And now California racing's available to those customers.

And thank you for your time, and good luck on the Belmont. Any questions?

MR. LICHT: I think that you guys have been -- done an outstanding job with some of the promotions, like the default. Again, I mentioned this last time, the default from the Hollywood Park website for audio-video to you I think is fantastic. I don't know. Do you have that for other tracks as well?

MR. CHAMPION: Yes, we do.

MR. HASSON: Yes. We have a relationship

with -- in New Jersey, and we look forward to doing the same thing with CARF and some other track partners.

MR. LICHT: And the new website I think is really terrific, too. It's really a lot better, more user friendly, I think.

MR. HASSON: Thank you.

MR. LICHT: Chuck, did you want to say something?

MR. CHAMPION: No. I think that, Roger, we appreciate the fact that you've personally seen the site and witnessed it firsthand. It's one of the things that we think is very important is to bring down the barriers that still exist to whatever extent they're there to make it easier for a customer to sign up and to immediately wager.

And we believe, as I know you do, that California content is a real important product. That it's something that, you know, people really enjoy seeing wagering on. We think that its promotion is important. And so we're putting it in prominent positions wherever we can. Including, as Joe has already mentioned, the fair content. We think that's important, and we will be promoting that heavily.

MR. LICHT: What about having computers at the fairs to show the -- that would be part of it?

MR. CHAMPION: As Joe mentioned, we're planning

on having on-site demonstrations. We're looking -- this is obviously very early. We're early in the relationship. We're looking for ways that we can -- we can further promote there and promote our brand as well as bring the technology to people.

So there is some plans. Generally they're in their infancy. They're still being discussed. But we're pretty -- we're pretty excited about that relationship and think that it's got the opportunity to go some distance.

MR. LICHT: Yeah. One of the things, I had the opportunity to talk to Kim Merriman from Vallejo yesterday, and we were talking about how the fair classically is for the products of the future or the most innovative things.

Lately it's be -- they've become sort of showing the nostalgia, the retro time clock. And maybe this would be a way to go back to the old days of future.

And also, and this is a topic for another day, but it really applies equally to TVG and Magna, the way I look at things is I could go to the public library or to Kinko's and use a computer and start betting the horse races.

I don't know what that could lead to in the future, but it's something that I could see additional exposure for the sport.

MR. CHAMPION: Yeah. They --

MR. LICHT: If I can go to the public library, I don't see why I couldn't go to a sports bar and do the same thing.

MR. CHAMPION: Right. Those are things that we're exploring. We concur with you again in that. Also, because of my past experience being in the newspaper industry, I found that getting the product in front of people, getting them to touch it, to work with it is critically important. And to introduce yourself in places that you would not normally be introduced into.

And so we think there's a number of places that we can do that with. We need to understand all the ramifications, both the economics and the regulatory issues associated with it. And then other relationships that exist already in the industry.

So we're just kind of going through a litany of all those issues to figure out where it makes sense for us to deploy and how. But that is one of the things that we intend to do is look at nontraditional kinds of marketing, role marketing, if you will, and we think that makes a lot of sense.

MR. LICHT: Okay. Chris?

MR. KORBY: Chris Korby with the fairs. I just want to reinforce that. We're looking at all these new tools, these new opportunities to reach out to people,

better inform them, serve them better. So we're going to be looking into all these possibilities. And whenever possible lending financial resources to make these things happen.

MR. HARRIS: The first fair is going to start here in a week or two. I'm not really -- still not clear if we're -- if not the fairs are going to be, you know, available to ADW.

MR. KORBY: I'm sorry?

MR. HARRIS: The fair -- Stockton starts like a week or so from now, I think. Are they going to have availability to ADW through YouBet or TVG or someone?

MR. KORBY: Yes. We have an agreement in place with YouBet, and we are in active -- fairly active discussions with the other two licensed vendors.

CHAIRMAN LANDSBURG: Questions or comments?

MR. HASSON: Thank you.

CHAIRMAN LANDSBURG: Thank you.

MR. CHAMPION: Thank you very much.

CHAIRMAN LANDSBURG: I'll reserve my editorial for later. Public hearing on the adoption of the proposed regulatory amendment to CHRB Rule 2049, Designation And Approval Of Horsemen's Welfare Fund.

MS. WAGNER: Jackie Wagner, CHRB staff. Rule 2049, Designation And Approval Of Horsemen's Welfare Fund, sets the requirements for the establishment and the

designation of a charitable corporation to administer the Horsemen's Welfare Fund.

The rule presently requires that the organization have five directors who are subject to Board approval, and at least two of these directors may not have a financial interest in horse racing as a licensed horse owner, trainer, or assistant trainer, and they may not be current members of the Horsemen's organization.

At the request of the CTHF, rule 2049 has been amended to change the required number of directors from five to a minimum of five and a maximum of nine.

In addition, the amendment also changes the number of directors who have no financial interest in horse racing from two directors to 40 percent.

And pursuant to AB-471, it also adds the requirement that at least one of the directors without financial interest in horse racing be appointed from a list of nominees jointly submitted by the SEIU, the Jockey's Guild, and the California Teamsters Public Affairs Counsel.

The rule has been set out for the 45-day comment period. Staff received no comments during that period, and would recommend that the Board adopt the proposal to amend 2049 as presented.

CHAIRMAN LANDSBURG: Is there comment from the Benevolent Operation Committee? Is there a comment from

your committee, Sheryl?

MS. MORETTI: I have a question, actually.

MS. GRANZELLA: I don't.

MS. MORETTI: I'm sorry.

CHAIRMAN LANDSBURG: Well, I'm just asking.

MS. GRANZELLA: No.

MS. MORETTI: Cliff, I was just wondering. In terms of the new Board members, how does -- where do you find the pool from? Does it come from your current Board or are they nominated by someone -- by another group or -- I don't know that process.

MR. GOODRICH: Cliff Goodrich representing California Thoroughbred Horsemen's Foundation. The intent of this rule amendment is really quite simple. We have had a five-person Board for -- I think ever since the existence of the organization.

If you know anything about nonprofit worlds, that's an extremely small board for the nonprofit industry, although we're a small operation. Normally nonprofit boards run in the teens, if not the twenties.

Our Board also probably averages, and one of my directors is here today and it's out of respect that I say this, not a criticism, but probably averages 80 years old. We want to preserve their wisdom while at the same time bringing on new blood.

So this is an effort to broaden the Board,

bring in people with new networks of contacts, et cetera, that will make our organization a stronger organization.

I think it is not only unopposed in the industry, I think everybody supports it. And it should be fairly noncontroversial.

MS. MORETTI: And I definitely support it. I was just wondering where you -- where the pool of new members will come from. Are they --

MR. GOODRICH: Well, we're in that process now. We have a nominating committee. I think they're going to come from different -- some of them will come from the industry. Some of them will come from outside of the industry.

One of them, as Jackie said, must come from a nomination from collective unions, and we have that nomination. She happens to work for Kaiser Permanente, which I think is a great addition to our Board because she brings a healthcare background with her.

MS. MORETTI: All right.

CHAIRMAN LANDSBURG: Is there any question or comment?

(No audible response.)

CHAIRMAN LANDSBURG: If not, entertain a motion to adopt the proposed regulatory amendment.

MS. MORETTI: I will move to adopt the amendment.

CHAIRMAN LANDSBURG: So moved.

MS. GRANZELLA: Second.

CHAIRMAN LANDSBURG: And second. All in favor?

(Voices say aye.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

CHAIRMAN LANDSBURG: The Board has approved the adoption of the proposed regulatory amendment to CHRB rule 2049, Designation And Approval Of Horsemen's Welfare Fund.

In the same text, and we have apparently now wiped out most of our audience, so we have -- anybody want to dance? No. Here we go.

(Unrelated discussion off the record.)

CHAIRMAN LANDSBURG: Agenda item 15, on a more serious note, public hearing on the adoption of the proposed regulatory amendment to CHRB rule 2050, Beneficiaries, Welfare Programs And Activities, to revise the definition of those eligible for benefits under this rule. Jackie.

MS. WAGNER: Jackie Wagner, CHRB staff. Rule 2050 currently establishes the appropriate uses for the funds paid to the CTHF. The proposed amendment to this rule would extend the eligibility of the -- for CTHF benefits to persons within 12 months of being laid off or leaving the industry.

The amendment also clarifies the definition of dependents of eligible persons as the spouse or the dependent children of the beneficiary, and increases the allowable operating expenses from 10 to 15 percent.

The rule has been noticed for 45 days, and staff has received no comments during that period. We would recommend that the Board adopt the amendment as presented.

CHAIRMAN LANDSBURG: Are there questions or comments?

MS. GRANZELLA: I just remember there was a question about stepchildren at the last meeting. Is that part of this --

MR. GOODRICH: I could answer that. I'd like to comment on the three things this does. One, there has been some criticism, and I think valid, of who is an eligible dependent. So this would clarify that as a spouse and dependent children.

As far as the stepchild, it would be the tax return. In other words, if that stepchild is a dependent on the tax return, that would be an eligible beneficiary. So that would be how that criteria.

Secondly what this rule does, if one can imagine right now, technically speaking, if we take a back stretch worker who's worked for 30 years and retires and needs to go to the hospital the next day, we cannot

help that person. That's ludicrous.

This would allow a 12-month period of time after that person leaves the industry to make alternative adjustments for his or her medical care, but still would allow us to treat him out statutory dollars, which I think is only fair and ties right into the COBRA law in the profit world.

Thirdly, and Mr. Wood might have a background on this, right now we are only allowed 10 percent for general and administrative expenses. I produced a letter to the Benevolence Committee from Ernst and Young. Fifteen percent is really a barometer in the nonprofit world for how much should be expended for general administrative.

And as we've cut expenses, and we've had to given the loss in revenue, we've cut a half a million dollars out of a \$2.7 million budget, that has put us over that 10 percent threshold, which I think, my guess is, was just arbitrary. And I think 15 percent is a good barometer and an industry standard for the nonprofit world. So those three things are accomplished in this rule amendment.

MR. HARRIS: Just a point of clarification on -- I can see the need for a 30-year employee to have some ability to get benefits after they leave. But how long do you have to be there? Could somebody be working

on the back stretch for a month and then leave and have a 12-month eligibility?

MR. GOODRICH: Basically, we have a stepped program, John. Once you're on the back stretch for six months, you are eligible.

MR. HARRIS: So it is --

MR. GOODRICH: But we get into individual situations where certainly one's longevity and commitment to the industry is going to get that person probably more help than somebody who's just been there a year.

CHAIRMAN LANDSBURG: Further comment? It's so common now in this -- in the world of benefits to find that once you get to be my age, the benefits wane or get much more expensive. But I guess that's less life going forward. Entertain a motion.

MS. MORETTI: I will move to adopt the amendment.

MS. GRANZELLA: Second.

CHAIRMAN LANDSBURG: All in -- any discussion further?

(No audible response.)

CHAIRMAN LANDSBURG: No, I don't think so. All in favor?

(Voices say aye.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

CHAIRMAN LANDSBURG: It is unanimous, therefore, in the opinion of the Board that we adopt proposed regulatory amendment to the CHRB rule 2050, Beneficiaries, Welfare Programs And Activities.

MR. GOODRICH: Thank you very much.

CHAIRMAN LANDSBURG: Cliff, pleasure to see you again.

Item 16, and trying to get us all together and working in discussion and action on proposed new regulation to specify prohibited veterinary practices.

MS. WAGNER: Jackie Wagner, CHRB staff. The proposed addition of rule 1867, Prohibited Veterinary Practices, will establish criteria and list those drugs, substances or medications whose use or possession of would constitute a prohibited veterinary practice.

Under the proposed -- under the proposal, erythropoietin and darbepoietin are the first two substances whose possession would constitute a prohibited practice. Staff would recommend that the Board approve this proposal and instruct us to initiate the 45-day comment period for this proposal.

CHAIRMAN LANDSBURG: Discussion? Dr. Jensen?

DR. JENSEN: The establishment of a rule which would have some prohibitive practices --

CHAIRMAN LANDSBURG: Introduction.

DR. JENSEN: Oh, I'm sorry. Dr. Ronald Jensen,

Equine Medical Director for the California Horse Racing Board.

Establishment of a rule that would allow the addition of certain practices or possession of certain substances would allow the Board to better regulate those type substances.

Erythropoietin is a hormone that's produced by all mammals. It's necessary for the maturation and the production of red blood cells. There's a synthetic erythropoietin developed that is used in the treatment of severe anemia which is caused in humans by chemotherapy and kidney dialysis.

It's long been rumored that erythropoietin and darbepoietin, which is a very close relative to erythropoietin, has been used illicitly in both human events and in horse racing in an attempt to influence performance.

It is a medication that has a bit of a unique possibility in that the proposed -- or the supposed benefit of such increase in red blood cells lasts much longer than the drug can be detected.

In addition, it has the potential to cause harm in horses. Since the horse and all mammals produce natural erythropoietin, the body recognizes the administration of a foreign substance of the synthetic erythropoietin as a foreign substance and develops

antibodies toward that.

The antibody does not necessarily distinguish between the natural occurring erythropoietin and the erythropoietin that's synthetic and has been administered, and therefore may attack both and cause severe anemia in the horse in -- in the horse. And it's very difficult to treat and can be very dangerous to the horse.

There's a second part to the rule which would prohibit the possession and/or use of any medication that is not approved for use in any species by the FDA and it just -- it's not allowed to be in -- those types of medications are not allowed to be in this country, and therefore their possession and/or use should be prohibited.

CHAIRMAN LANDSBURG: Interesting.

MR. HARRIS: I've been following this. I think this is a sound rule and we need to get the rule making process started and get comments. But I'll move that we go forward with the rule making process.

MS. MORETTI: I'll second that.

CHAIRMAN LANDSBURG: Does this allow us to investigate the equipment in trucks and medications that a veterinarian brings on to the track?

MR. WOOD: Under statutes in California that's already allowable. We have that authority to do that

now. So this will allow us, if this -- these type of medications are in those trucks, to do something about that, when we do find them. But that is allowable in our current laws.

CHAIRMAN LANDSBURG: John, I didn't mean to break your motion but --

MR. HARRIS: I just move we move forward with the rule making process.

MS. MORETTI: And I second it.

CHAIRMAN LANDSBURG: And it's seconded. Therefore, we have approved moving forward with proposed new regulation to specify prohibited veterinary practices.

CHAIRMAN LANDSBURG: Discussion and action by the Board on the approval of service, official veterinarian, and --

MS. MORETTI: We should vote.

CHAIRMAN LANDSBURG: I apologize to the Board and the audience. Just a little weary. May we have a vote on the proposed new regulation? All in favor?

(Voices say aye.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

CHAIRMAN LANDSBURG: Now it has been approved by the Board. The new proposed regulation has been approved by the Board.

Discussion and action by the Board on the approval of service, official veterinarian, and steward contracts for the 2002-2003 fiscal year. Yes.

MR. NOBLE: Okay. Paige Noble, CHRB staff. Commissioners, each year the Horse Racing Board enters into a number of service contracts and for those contracts whose amounts exceed \$5,000, we're required to provide a motion authorizing the execution of those contracts.

We have provided you with a list of service contracts and contracts for stewards and official veterinarians. The contracts for the stewards and official veterinarians are based on assignments for the 2002 racing calendar.

There's a minor correction I want to mention on the list we gave you. The contract for Cal Expo space rental should reflect a three-year cost, not a one-year cost.

Staff would recommend that the Board approve the attached list of steward, official veterinarian, and service contracts for the 2002-2003 fiscal year.

MR. HARRIS: How does it work if for whatever reason another steward was hired or contracted with? You'd still be under this contract? Would you just add another name, or do you have to actually name each of these?

MR. NOBLE: Well, if it was a contract for a brand new steward and if it exceeded \$5,000, we would have to come back and get approval.

MR. HARRIS: So this is a pool of stewards. This is kind of a finite pool for this contract purposes?

MR. NOBLE: Yes.

MR. BLAKE: This authorizes entry into the contract, but the contracts are not entered into until the stewards are about to commence their duty.

MR. LICHT: Paige, I haven't seen the contract. But I was just looking and it's about 1.7 million for the stewards, about 17. Is that -- the average steward makes about \$100,000 a year? Is that it?

MR. NOBLE: Yeah, that's a good estimate.

MR. LICHT: And the average vet makes about 90 some thousand?

MR. NOBLE: Between 90 and 100. Some a little bit more. It varies.

MR. HARRIS: Are they -- the contracts are on a per-day basis? I mean it's --

MR. NOBLE: Yes. They get paid per day.

MR. LICHT: It's interesting that stewards make more than the vets.

MR. WOOD: But the vets have another line of income, too, because they do the inspections, you know.

MR. LICHT: Oh, they get paid for that?

MR. WOOD: Yeah.

MR. LICHT: By the racetrack?

MR. WOOD: By the racetracks.

MR. LICHT: Okay. Okay. I motion to approve the service and vet and stewards contract.

MR. HARRIS: Mr. Liebau had a comment.

MR. LICHT: Oh, sorry.

MR. LIEBAU: This will probably be an unpopular comment.

MR. LICHT: Your name.

MR. LIEBAU: My name is Jack Liebau. I would just -- have always been curious and always have asked from time to time whether there is any evaluation of stewards as far as whether they're accountable or whether these contracts are just, you know, that's the way it is. Does anybody look at performance?

MR. LICHT: Yes. I think there's a Stewards Committee. Bill, aren't you the chairman of that? Why don't you comment on that?

MR. BIANCO: Do you want a comment on it?

MR. LICHT: Well, I mean the fact that you are --

MR. BIANCO: No, no. We do overview it, to be very honest with you.

MR. WOOD: And each steward is evaluated on a pass/fail basis yearly. That's part of the contract of

the state contractors working -- I mean regulations. And each one is evaluated on a pass/fail basis each year. So there is accountability and there is someone who does evaluations. And that's myself and the Stewards Committee.

MR. LICHT: And I think it's also true you investigate any complaints that --

MR. WOOD: Under the regulations of the California Horse Racing Board, any complaints of -- against the steward has to be in writing and sent to the Executive Director.

MR. HARRIS: All right. I think, moving forward, I'd like to see a little more diversity on the stewards. I mean California's 30 percent Hispanics, and we don't have any Hispanic stewards at all.

I mean I don't think we should necessarily have an affirmative action program. I think we need it to reflect the makeup of the state a little better than we do.

MR. LICHT: Do we have a motion?

MR. WOOD: John Harris made a motion.

MR. LICHT: And it was seconded?

MR. WOOD: By Sheryl.

CHAIRMAN LANDSBURG: All in favor?

(Voices saying aye.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

CHAIRMAN LANDSBURG: The motion is carried, the approval of service --

MR. BIANCO: I'm sorry. Did John put any time on that to try to initiate this within a three-month, six-month, one-year program, the affirmative action?

MR. HARRIS: I don't know if I was really talking about affirmative action. It's just I think that one of the problems we have is we have this kind of a finite pool of stewards and there's not much opportunity for any, you know, additional people or new people to get in regardless of what their background is.

And I realize that there's kind of a -- like if these really are contract employees, then I think we do have some flexibility if they don't really have tenure. Now maybe these are the best people and there's a lot of reason to keep them like that.

I hate to -- I think as a horse or as a -- for the good of racing there needs to be a little bit more of feeling that there is some possibility of a new person becoming a steward at some time. I mean it's just -- it's pretty stymied. We turn over racetrack managers faster than stewards.

CHAIRMAN LANDSBURG: There is a program in effect, John, of -- you know, there are I think 80, 85 stewards that are on the list. And they've got to

qualify as stewards before you can -- it takes some knowledge, at least. I would hope it takes some knowledge.

MR. HARRIS: Yeah. Well, I think there's a pretty good pool. But we never seem to be able to get them to the pool because the same, you know, people are still there. Which maybe that's good or bad, but I think we need to look at it and see is there some benefit to racing in general by making the pool more diverse.

CHAIRMAN LANDSBURG: I believe we have voted on this and we have approved it, so we can move on. Discussion and action by the Board on the approval of the primary drug testing contract for the 2002-2003 fiscal year.

MR. NOBLE: Paige Noble, CHRB staff. Excuse me. The California Horse Racing Board's equine drug testing program utilizes a primary and a complimentary testing laboratory.

The current primary drug testing contract is with Truesdail Laboratories, and the contract cannot be extended and it will expire June 30, 2002.

In March we sent requests for proposals or what we call RFPs to numerous testing companies. The bids were received, and in May the bids were evaluated. Three companies submitted bids: Truesdail Laboratories, Industrial Laboratories in Colorado, and Can Test

Laboratories in British Columbia.

A three-member committee evaluated the bids. The committee was comprised of the CHRB Executive Director Roy Wood, CHRB Equine Medical Director, Dr. Ron Jensen, and Kenji Ota, who is the Director of the Toxicology Lab at the California Department of Justice.

Truesdail and Industrial were judged as technically responsive. However, Can Test was judged as nonresponsive for failing to meet the requirements related to California's Disabled Veterans Business Enterprise Program.

The committee evaluated the remaining two proposals against specific criteria as identified in the RFP. They assigned points for pass/fail as applicable.

The bidder with the highest scored proposal meeting the requirements outlined in the RFP is to be awarded the contract. The maximum score possible was 200.

Industrial received a total score of 168, and Truesdail received a score of 183. Truesdail is the highest scored bidder, so staff recommends the Board approve Truesdail Laboratories as the primary drug testing contractor for the 2002-2003 fiscal year, with the annual contract amount not to exceed \$698,500.

CHAIRMAN LANDSBURG: Discussion?

MS. MORETTI: I have -- I just have a comment.

Dr. Jensen, would you do me a favor and carry a message back to the Maddy (phonetic) Lab at UC Davis that I understand that while they're still very new and they're getting up to speed, I would most sincerely like to see them get into the process as fast as they can and become an applicant one of these days soon. One of these years soon, I should say.

DR. JENSEN: I will do that.

MS. MORETTI: Thank you.

MR. HARRIS: I think that, as I understand it, that -- which I agree that I would like to see Davis bid on this primary testing. But I think they are bidding on the secondary testing, which is a third of the samples.

DR. JENSEN: That's correct. They are the complimentary laboratory. And I'm Dr. Ron Jensen, the Equine Medical Director. And they are the recipient of the complimentary testing contract at this time.

MR. WOOD: And I would just like to interrupt that we've already had some discussions along the lines that you talked about with UC Davis as to their ability to bid on the primary contract (inaudible) the secondary.

And I think that it's their decision at this time for this year that when they started the laboratory, they really weren't quite prepared to do that. But I would believe next year's bidding process they will be involved in the process.

MS. MORETTI: Thank you.

CHAIRMAN LANDSBURG: Further questions or discussion?

(No audible response.)

CHAIRMAN LANDSBURG: I'd like to entertain a motion to approve the primary drug testing contract.

MS. GRANZELLA: So moved.

MR. HARRIS: I move.

CHAIRMAN LANDSBURG: Moved and seconded. All in favor?

(Voices saying aye.)

CHAIRMAN LANDSBURG: Opposed?

(No audible response.)

CHAIRMAN LANDSBURG: All right. Discussion -- we have approved the primary drug testing contract.

We now turn to reports. And we're almost to the bottom of the list, aren't we? Report from the Pari-Mutuel Operations Committee. We had a very lively session yesterday, and the Vice Chairman, Roger Licht, as Committee Chairman I turned it over to him. And it's too bad we have a small audience.

MR. LICHT: Very briefly, we had some interesting discussions. One thing I want to make sure that is known is that we are continuing ongoing investigation of the bet that is now notorious, the first race the first day of Hollywood Park where the horse

dropped from like five to one to two to five. And our staff is doing an extensive investigation, and the Committee is on top of it as well.

Second of all, we reported that RGI, who is the largest provider of off-track wagering from out of state to our pools, has complied with all of the requirements that we put forward, largely being that they are not taking wagering from California residents.

I would say that their willingness to comply and their willingness to open up to us has been exemplary. They have said they have a driver's license, a non-California driver's license from every player, and they will continue to do that.

And they have blocked any phone calls coming in from any California area code, whether it be mobile phone or conventional phone. And we're going to look to have that same sort of compliance from some of the other unlicensed carriers who would be illegal for them to take bets from California residents.

CHAIRMAN LANDSBURG: And they were also interesting in their description of the way in which they sub their signal out to most of South America. It was very -- it's RGS, just for the record, Roger.

MR. LICHT: Oh, what'd I say, RGI?

CHAIRMAN LANDSBURG: Yeah.

MR. LICHT: Sorry.

CHAIRMAN LANDSBURG: It's RGS. And the extraordinary comment that was made that kind of surprised me was that TVG signal floats through the entire southern part or southern hemisphere because of it's satellite emission and provides sucker, if you will, to illegal betting operations that do not, as RSG [sic], respond to official process for getting the money to our tracks. I was surprised at it. I didn't realize that that was a possibility or probability, and didn't know it until RSG [sic] mentioned it.

MR. LICHT: RGS.

CHAIRMAN LANDSBURG: RGS. We've been at this a while. It was a surprise to me. And I was most impressed and would like to say that all of this information and all of the watchdog sense that comes out of it through our association with RSG [sic] is simply the product -- I did that -- through the Stevenson operation is in large -- largely due to Roger Licht's, Commissioner Licht's pursuit and doggedness in making sure that we know and he knew why all of this -- that bet went out. And it provided a whole -- it provided a wealth of information and association that was quite valuable.

MR. LICHT: Thank you. And so we're going to look to in the future having the same affirmations done by these other off -- these other carriers that RGS did.

And if we don't get it, we're going to certainly take a look at whether or not applications for licenses with these that are sending the signals to some of these places should be granted or not.

One thing that was mentioned briefly is that we looked in the future to having an update on technology. And the technology in horse racing seems to be antiquated, why it takes 90 seconds to update a bet on the tote board while say a stock trade would be instantaneous. And that's something I think that gives the wrong perception to the industry. We're hopeful that'll change.

And then last but not least, we looked at the NTRA and the California marketing program, and we know that about cumulatively about \$15 million comes out of our -- out of the state -- or not out of the state, but out of the -- out of the pools to go to these two entities, about 50-50. I think it's about seven and eight million.

CHAIRMAN LANDSBURG: I'm sorry. I was mis -- I misstated at the meeting and I found the correction. It's 7.7 million, give or take a few hundred thousand -- a few thousand, going to CMC and about 3.8 million going to NTRA cumulatively from sources here in California.

MR. LICHT: So we're -- we have to decide

whether or not the Board wants to take any position with respect to the Governor signing a bill, or we want to discuss whether there -- the Board should take any kind of a position. I'll let Alan handle that.

CHAIRMAN LANDSBURG: We had gone a long time yesterday, and I'll try to summarize it as quickly as I possibly can. NTRA in its television effort provides most -- or 60 to 65 percent of the television time that they are involved in and claim some responsibility for goes to market the Triple Crown and Breeder's Cup. About 7 or 8 percent of what they do comes back to California in terms of their television coverage of California racing.

My question is, is there are a number of other services which NTRA provides. Whether or not those services are sufficient to warrant that investment is a question.

Whether or not the burgeoning businesses, the LLC's that are being -- that have been put in place by NTRA is of value or not value, and whether we will gain from our association, and whether the money that we are spending could be spent better in California or not, those are questions.

It is my suggestion that we propose to our legislative -- our Board Legislative Committee a review of the NTRA agreement with the tracks and TOC to

determine whether we want to make a -- make known the Board's feelings to the Governor's office should this bill -- they are sunlit as to 2000 and -- sunset as of 2004 at the moment. As of January 1st, 2004.

The bill that is presently in the Legislature calls for an additional four years before the law providing the funds for a national marketing program to be administered out of California by Horsemen's Organization.

The question that we would like to pose, having gone through all of those questions and having concluded that we may not be getting or may be getting our money's worth for what we're giving out in terms of a national marketing program, is now I would like to suggest that we refer it to the Legislative Committee for review and action that they would recommend.

It's a difficult -- there's a lot of vested interest and there's a lot of circular participation. And what I mean by that is NTRA is in some manner associated and funded in part by TVG. TVG must negotiate with the TOC. The TOC members, at least the TOC President, is a member of the Board. And now we have a circle of potential -- I don't want to name it but I'll call it potential -- conflict of interest in terms of negotiating on behalf of the Horsemen with a group that has a rather deep association with the NTRA.

Once again, I have personal feelings, but I think that I have more questions. I just don't know whether it's valid to keep spending that money. And at least if we are going to, let's take a year. Do we have to rush in and immediately give them the additional time to sunset or not? And I think that is the real question that we want to put before the Legislative Committee.

MR. HARRIS: I think as far as the Legislative Committee can, you know, look at different options for the bill. But I think we need to get feedback on what we want.

And personally, I'm supportive of NTRA because I feel that we could do more working together. It's really not the Board's money. It's the tracks' money and the owners' money. And they -- or if they're both willing to belong -- they don't have to belong. Any track could drop out of NTRA. Any given owner can. But they can reelect the TOC Board and they could, I guess.

So I don't know if we want to be telling them, you know, sort of that we're kind of their keeper, that we're telling them that you guys are not too sharp, you shouldn't be spending this. I think we need them to figure that out, or maybe suggest things to them that does that.

CHAIRMAN LANDSBURG: I was not -- my suggestion here, John, is whether it's advisable to make known a

Board feeling through the Legislative Committee --

MS. MORETTI: Well, Alan --

CHAIRMAN LANDSBURG: -- about --

MS. MORETTI: I'm sorry.

CHAIRMAN LANDSBURG: -- about the sunset provision. There is a bill now going that will extend it to the year 2008. Should we take a position that we can wait until a year from now and still not have --

MR. HARRIS: I think that's -- you know, probably the more bargaining chips, it then has the better probably urgency. Although even that bill, as I understand it, would extend the sunset. But still, it wouldn't commit the owners or the tracks to belong to NTRA 'til 2008. It just facilitates the way the money's flowing.

CHAIRMAN LANDSBURG: And that's where I come to the circular problem which I feel does exist.

MR. HARRIS: Well, from NTRA, obviously, if they're putting in the three million, they want representation on the Board. That's only fair. If they're -- they've got to --- they put three million in and be involved than put the three million in and not be involved.

CHAIRMAN LANDSBURG: John, I have questions, not answers.

MS. MORETTI: Mr. Chairman, I believe I'm Chair

of the Legislative Committee, and I would be happy to undertake this and first do the check on the status of the legislation and go through that from that phase, because I think that is under our purview to look at the legislation that affects the horse racing industry.

MR. LICHT: I think there is a sense of immediacy. I think the bill has already been passed and it's on the Governor's desk.

MS. MORETTI: No, it's not, actually.

MR. WOOD: No, no. Let me --

CHAIRMAN LANDSBURG: It's got to go to the judge.

MR. WOOD: The bill has gone through one committee and that is Assembly Committee. It now is scheduled for hearing in front of the Senate GO Committee. So there's no -- I mean the urgency of this is to some degree true, but it's not on the Governor's desk.

MR. LICHT: Okay.

MR. WOOD: And the Chairman of the Board can direct this issue to the Legislative Committee. And if the Legislative Committee Chairperson would like to take that on, then they can take this assignment that he's given.

We don't have this on the agenda today for a count of the roll of the Board. But we are -- we can ask

that the Chair of the Legislative Committee take this as an assignment, and I think that's what the Chairman is asking.

CHAIRMAN LANDSBURG: In my stumbling bumbling way.

MR. HARRIS: I think Marie and I are both on that committee. I mean if we're looking at the overall promotion efforts, the money that's questionable, I think the California marketing plan, which is twice the amount of money, that if we ought to look at it, we ought to look at that, to.

MR. LICHT: Well, I think you should, too. It's part of the same bill, right?

MR. HARRIS: No, it's not in the bill at all.

MR. LICHT: No? Okay.

CHAIRMAN LANDSBURG: No. They -- each year they come up for I think --

MR. HARRIS: Well, I think that's -- I think that, as I said, the California marketing program is just legislated. I don't think it -- it just keeps going until changed. I don't think it's covered by sunset.

CHAIRMAN LANDSBURG: I think there is a sunset provision. There is a sunset to it.

MS. MORETTI: Yeah.

MR. HARRIS: But one of the things is on both of these which I've been frustrated by, there's really no

organized way to evaluate them. Anyone can always question an evaluation, but it seemed like they really for the sake of the people putting in the money, the owners and the tracks, need to insist that there's some kind of a scorecard of what they did and if they made improvements or what was cost effective and what wasn't.

CHAIRMAN LANDSBURG: That's why we want to refer.

MR. WOOD: I think you -- I think that those suggestions are valid because there may be some long-term evaluation of both those types of operations that need to come up, the Committee and the contributions to NTRA.

But I think the Legislative Committee to some degree needs to do something in the short term as it relates to this one piece of legislation. And the Committee, as you -- the Committee looked at yesterday, we'll probably need more evaluation about the marketing Committee as we go through the next few months.

CHAIRMAN LANDSBURG: Yeah. The CMC, the reason that I did not add CMC to the list was because all of its money is spent on California racing. Now, whether that's good or that's bad. But I'm always concerned when California money leaves the state and does not seemingly produce a return.

That's my -- that's the question I have. Is it going to produce a return? Would it be better used in

some other way? I leave that question open. But I think you have to examine whether or not there's value being received and whether the Board should take a stand on whether the sunset provision should be extended. That's the key question is should the sunset provision be extended.

MR. WOOD: That's your direction?

CHAIRMAN LANDSBURG: That is the direction and the consideration that we would like to have.

MS. MORETTI: Okay.

CHAIRMAN LANDSBURG: You know what? I'm missing my next -- is that it?

MR. WOOD: That's it.

CHAIRMAN LANDSBURG: We are about to go into executive session. This part of the California Horse Racing Board meeting of today is adjourned. And the -- but we will now go into executive session.

(Board meeting was adjourned.)

